

# [Thinking behind customer relationships](https://assignbuster.com/thinking-behind-customer-relationships/)

In this new business era, managing individual customer relationships means an organization will use the knowledge gained from these relationships to improve the quality of the overall customer experience. Consequently, it is important for an enterprise to understand what constitutes a relationship, how relationships are formed, and how they can be strengthened or weakened. Many different perspectives have been developed about what comprises customer relationships and how businesses can profit from them. By the early 2000s, many companies acknowledges the importance of building “ relationships” with customers-of improving customer experience, taking the customer’s point of view, and taking steps to measure and manage customer value.

Why Do Companies Work at Being “ Customer-Centric”? Becoming customer centric is not easy. Company need to consider many factors to become customer oriented. Some companies believed that employees are the most important factor in building customer relationship and building customer equity. Others continued to focus on cash flows and on making sure that strong product managers are responsible for product promotion, distribution, and profitability. By considering these, a growing number of firms have recognized that three things are true about a company’s customers.

Because of these truths, a company stands its best chance of success when it focuses on increasing customer value through outstanding customer experiences and relationships. 1. Customers are scarce: Customers are scarcer than products, services, new ideas, or channels. For all but those companies in financial trouble, customers are even scarcer than capital itself. There is no secondary market for customers.

They cannot be borrowed at the bank and paid back with interest. Once a company’s realize this fact, they may make decisions differently. 2. Customers are the sole source of all a company’s revenue: Brand or services, employees, marketing programs, stores, or factories do not pay a company any money. Only customers generate revenue foe a business- the customers the business has today and the customers it will have in the future. Thus, the goal will not just be to create value from each product or channel or even the greatest return on the investment of money, but instead to make sure the company creates the greatest value from each of its customers.

3. Customers create value in two ways: It is interesting that nearly every company is very good at measuring and managing one way that customer create value: Companies know how much they spent making money from customers this quarter and what their revenue was from customers this quarter. But many companies are content not to know another question: They don’t know, don’t measure, and don’t manage what is happening to underlying customer equity while current numbers are falling into place. That means understanding a company’s return on customer (ROC) is as important as understanding the return on investment (ROI). If the customers are scarce, if they create all the revenue for a company, and if the value they do create is measurable and manageable in the short term and the long term, then it is natural for companies to want to understand and remember what customers need and to meet those needs better than a competitor that doesn’t know the same things about the customers.

What Characterizes a Relationship? Merriam-Webster defines relationship as a “ state of affairs existing between those having relations or dealings.’ When a company talks about relationships between businesses and their customers, it is important that they agree on a few of the elements that make up a genuine relationship. Company identifies different roles for mass media and branding. Company also identifies some distinct qualities that characterize a relationship between an enterprise and a customer.

Continuing Roles for Mass Media and Branding• Communicate to nonusers who have not yet raised their hands.• Build image and brand identity.• Establish a brand position with nonusers to help users make a statement about their own image. Characteristics of a Genuine Business Relationship• Mutual• Interactive• Iterative• Providing ongoing benefit to both parties• Requires a change in behavior for both parties• Unique• Requires-and produces-trustFirst, a relationship implies mutuality. In order for any “ state of affairs” to be considered a relationship, both parties have to participate in and be aware of the existence of the relationship.

A customer can have a great deal of affection for a brand all by herself but, by definition, a relationship between the customer and the brand can only be said to exist if the brand (i. e., the enterprise behind the brand) is also aware of the individual customer’s existence, creating a neodefinition of an interesting new twist for the term brand awareness. Second, relationships are driven by interaction. When two parties interact, they exchange information, and this information exchange is a central engine for building on the relationship.

This, of course, also implies mutuality. Third, iterative- interactions between two parties build up a history, over time—a context. The more you communicate with one person, the less you need to stay the next time around to get your point across. One practical implication of the iterative nature of a customer relationship is that it generates a convenience benefit to the customer for continuing the relationship. For example- Amazon. com remembers your book preferences, your address, and your credit card number, based on your previous interactions with it.

To purchase your next book from Amazon. com, you need only find the book and click on it. If you’ve bought enough books already at Amazon. com, you might not even need to find the next one—it can do a pretty good job of finding it for you. The richer the context of any customer relationship, the more difficult it will be for the customer to re-create it elsewhere, and so the more loyal the customer is likely to be. Forth, Ongoing benefits between both parties.

The customer’s convenience is one type of benefit, for the customer, but not the only one. Participating in a relationship will involve a cost in money, time, or effort, and no customer will engage for long in any relationship if there is not enough continuing benefit to offset this cost. Fifth, change in behavior on the part of both parties— the enterprise as well as the customer—in order to continue. After all, what drives the ongoing benefit of a relationship is not only its context—its history of interactions, developed over time—but also the fact that each party’s current and future actions appropriately reflect that historical context.

Companies sometimes mistakenly believe that interactions with a customer need only involve routine, outbound communications, delivered the same way to every customer. But all the customers’ needs are not similar. If the company cannot identify those differences then customer might not elect to continue the relationship. Fifth, uniqueness- every relationship is different. Relationships are constituted with individuals, not with populations. As a result, an enterprise that seeks to engage its customers in relationships must be prepared to participate in different interactions, remember different histories, and engage in different behaviors toward different customers.

Finally, trust-If a customer develops a relationship with an enterprise, the customer tends more and more to trust the enterprise to act in the customer’s own interest. Trust and affection and satisfaction are all related feelings on the part of a customer toward a company. They constitute emotional elements of a relationship; but for an enterprise to acknowledge and use these elements profitably with the requirement of generating and sustaining the trust of a customer.