

# Concept of relationship marketing marketing essay



The following report will look at IKEA's relationship marketing with its key community groups in Coventry (see appendix 1 for company background).

The concept of relationship marketing, summary of audit findings, pressure groups, developing a co-ordinated communication mix and finally methods to measure success of communication mix are considered.

## **2. CONCEPT OF RELATIONSHIP MARKETING**

Early 80's was the emergence of the concept 'relationship marketing' as an influential issue in the marketing literature. Bund Jackson is recorded as having used the term 'relationship marketing' in 1970's in the field of industrial marketing (Gumesson et al., 1997).

As IKEA strives to remain competitive in the business market, the company is moving away from transactional marketing that is based on a single, short-time exchange with a distinct beginning and ending towards a focus on retention of customers, establishing loyalty and building long-term relationships.

According to Kotlet et al (2008 )relationship marketing is the process of creating, maintaining and enhancing strong, value-laden relationships with customers and other stakeholders

IKEA is also active in establishing and maintaining a beneficial relationship with the communities by adopting 'corporate citizen' values and approaches. Benefits from relationship marketing for IKEA are:

## **Loyalty and retention**

Loyal community groups will recommend IKEA's business to others by positive, word-of-mouth communications which in terms will lead to business expansion. Christopher et al (2002) suggest that loyalty and retention can be achieved using relationship marketing ladder of loyalty: partner, prospect, purchaser, client, supporter, advocate and partner.

## **Competitive advantage**

Good community relations programmes will add value to the IKEA's corporate social responsibility (CSR), thus differentiating from competitors' CSR activities.

## **Support for marketing activity**

IKEA's active community relations will create a 'positive image' to the company by planned marketing communications.

The basis of any relationship is based upon trust, commitment and co-operation. Morgan and Hunt (1994) with their model of 'what builds trust' suggest that relationship commitment and trust are key variables for successful relationships because they promote cooperative behaviors between relationship partners and encourage them to maintain long-term relationships.

## **Relationship**

## **commitment**

## **Co-operation**

## **Trust**

Figure 1. 1. Three dynamics to trust within a relationship by Morgan and Hunt (1994)

Once trust is formed the opportunity arises for relationship commitment and it is through this co-operation successful outcomes can be gained.

In order to develop trust, commitment and co-operation IKEA should consider the following:

Service encounter. Using face-to face interaction with key community groups such as site and neighbourhood community IKEA will result in a higher level of satisfaction, and a long-term commitment on behalf of both parties to the relationship.

Collaboration. Collaboration in terms of sharing information, solving problems and an acceptance of compromise will establish long-term relationships between community groups and IKEA.

Transparency. Relationship transparency has been suggested as a potential source of competitive advantage in business markets (Bliemel and Eggert, 1998). By informing, delivering value and satisfaction to the community groups IKEA will gain a competitive advantage.

Creation of value. Community satisfaction implies that needs of community groups are being met by IKEA, for example, supporting local events, and environmental concerns. If they are not satisfied, they will withdraw their support and thus damaging corporate image of IKEA.

### **3. SUMMARY OF AUDIT FINDINGS**

IKEA is involved in a number of local, social and environmental projects in communities in the countries where they do business. The majority of IKEA's projects support children, homeless, student scholarships and environmental projects on climate change and the protection of natural resources.

Different community groups may have some impact in one way or another on the company. An audit was undertaken to identify key community groups of IKEA, and to assess the nature and level of their impact on IKEA's relationship marketing and potential future use of relationship marketing. (For research methodology and detailed findings, see Appendix 2.)

By grouping community groups in the power/interest matrix, IKEA may achieve a better picture on how communication and relationships between various community groups should be developed to reach agreement about and acceptance for the project and its implementation.

Key community groups identified by the audit are the following:

#### **Site community**

The site community is defined by its geographical boundaries, thus it is a city or town where the company and any of its major facilities are located. (Burke E, 1999, p 61)

## **Fenceline community**

The neighbourhood community is made up of the immediate neighbours surrounding the property of the company. (Burke E, 199, p 62)

## **Workplace community**

Workplace community includes staff of IKEA.

## **Local media: local press in Coventry**

The media provides focus and attention on many areas of corporate strengths and weakness of the company.

## **Level of influence and impact of community groups on IKEA**

Local universities, church groups require minimal effort and monitoring. They have low interest or power to influence current IKEA relationship plans.

These groups should be informed only to a necessary extent, and not much effort should be invested into them. There is no need for excessive communication with these types of communities.

Local media should be kept informed. Despite of their low power they could be powerful enemies or allies when influencing attitudes of more powerful community groups. Their interest in the project must be taken seriously through dialogue and information to make certain that the company's viewpoint is heard. They can be helpful with the detail of company's project. They publicize issues and corporate achievements and form a line of communication from the company to the community groups.

Local government, pressure groups should be kept satisfied. These community groups are powerful, although their level of interest in the strategies of the organization is relatively low. They are mainly relatively passively, but may unexpectedly appear due to certain events, moving to key community groups on that issue. IKEA should put adequate work in with these community to keep them satisfied, but not bombarded with information because that they become bored with message.

These groups of communities are often passive, but can exert a great impact on the project. The relationship between a relative low interest and a high level of power makes these groups difficult to handle, it is therefore necessary to analyse their intentions and to involve them according to their interest.

Site community, fenceline community, workplace community are key players of the project. The site community can provide services to the company such as fire, safety, education, transportation and the like. They are significant community groups with high interest in the project and high power to influence project implementation and completion. They should be an important consideration in the appraisal of new strategies. These community groups must be involved in all relevant project developments. They are the key players IKEA must engage with fully, and make maximum efforts to satisfy them.

The needs and wants for each of community groups are various. On their own, no one group can entirely influence the activities or directions of the

organization. However, some group communities possess greater power comparing to others.

Overall, IKEA's relationship marketing was found to be effective in the area of media and sponsoring for charities.

#### **4. PRESSURE GROUPS: SECTIONAL AND CASUAL**

Pressure groups are the activists of the community groups. ' In general, pressure groups are social aggregates with some level of cohesion and shared aims which attempt to influence the political decision-making process.' (Ball and Millard, 1986, pp. 33-4)

Pressure groups can be:

Sectional pressure groups (also called defensive or interest groups).

Examples: professional bodies, such as the British Medical Association, Trade Unions, The Law Society, etc.

Casual pressure groups (also called promotional or attitude groups).

Examples: Greenpeace, Campaign for Nuclear Disarmament, National Rifle Association, etc.

Pressure groups' interest and power are given in auditing findings (see appendix 2).



## **Difference between sectional and causal pressure groups are:**

### **Sectional pressure groups**

### **Casual pressure groups**

- directly and personally concerned with the effect of the campaign fought by the group as they generally stand to achieve economically and/or professionally
- membership is usually restricted as they are concerned with a particular section of society.
- aspire to involve as many eligible members as possible to join the group.
- seek to defend the interests of a section of society
- aspire to represent the general interests of a particular section of society
- not self-interested in that the accomplishment of their objectives is not essentially of direct economic or direct benefit to the members of the group.
- membership is not usually restricted as they aim to promote a cause
- tend to have an open membership – in order to gain a critical mass of popular support and strength of campaigning.
- aim to change people's attitudes about a particular issue or policy

Local Trade Unions encourage companies to provide training at the workplace. They protect workers of the company. According to Harris D. et al

(2008) trade unions may influence and impact the company in respect of working processes on the following areas:

Issues of respect- workers are often misunderstood by the boss through verbal or physical abuse.

Wage and benefits- some workers are not paid according to the full value.

Working condition- health and safety at the workplace is the most unifying issue a union can pursue.

Working hours- unions can force the boss to hire more workers and also can ensure that in emergency cases where someone must work overtime, they are fairly compensated for it.

Job security- any disciplinary action taken against a worker may be subject to a procedure negotiated with the union.

Environmental pressure groups are often formed to protest about, and arrest certain undesirable environmental impacts. For example, Greenpeace stands for positive change by defending the natural world and promoting peace through action. IKEA discusses environmentally related issues with Greenpeace. To respond to environmental concerns IKEA do the following:

At IKEA Coventry used batteries, paper are recycled. It also phase out single-use plastic bags. All profits from charging for plastic carrier bag have been donated to England's Community Forest. Through swiping IKEA Family card at the IKEA checkouts customers help save over 3 acres of forestry.

## **5. TWO NEW COMMUNITY GROUP RELATIONSHIPS**

Two new community group relationships that can be developed are: schools community and homeless community

### **SCHOOLS COMMUNITY**

IKEA can focus its activity in the local community on helping local schools.

The company will support learning and development of children at schools, for instance by providing new facilities. Helping children to learn and develop is an area in which IKEA has experience and can make a difference.

Criteria for selection local schools to IKEA are the following:

Opportunities to engage in local community acting as a good neighbor and supporting community initiatives consistent with IKEA's corporate responsibility objectives.

By building communication, sharing resources, expertise, skills and developing unique solutions to community problems, these partnerships can become important.

Excellent media and corporate social responsibility opportunities associated with supporting the school

Sponsoring schools IKEA can attract a lot of attention from local newspapers and can provide great publicity for its business at the same time as enhancing the learning process for children.

Developing relationships that can enhance long-term brand recognition

So, schools are the natural hub of a neighborhood or community, and can serve as the foundation for community partnerships that will be beneficial to IKEA. However, relationship with school community should be minimal. Schools have neither high power nor influence to impact IKEA's activity. It means that IKEA may provide them with enough information that will be adequate. There is no need to spend much time with them.

## **HOMELESS COMMUNITY**

IKEA may support homeless people in Coventry. For example, IKEA can establish partnership with Coventry Cyrenians which is a charity dedicated to working with homeless people or whose accommodation may be at risk.

IKEA's vision is: "To create a better everyday life for the many people." The many people can be homeless people that live in Coventry community. Charitable partnership is one of the ways through which IKEA may invest in the community it operates its business. IKEA supports this organisation by furnishing and decorating day-time activity centres and housing facilities with individual apartments and communal areas. In addition, co-workers of IKEA may volunteer their time.

IKEA should be consistent in selection of charities to support. The criteria used for the selection of the charity are the following:

Type of organization- registered charity in Coventry and surrounding areas.

Primary focus is to support homeless people or people whose home may be identified as at risk for whatever reason, providing them with accommodation

Should be dynamic, innovative and cost effective

Any contribution from IKEA should be used by charity for the purpose for each it was given and to report effectively to the company on the process of the initiatives which company's funding has supported.

the project should have a long life and be seen to actively improve homeless people

## **6. COMMUNICATION MIX FOR TWO COMMUNITY GROUP**

According to Kotler (2008) promotional mix is the specific mix of advertising, personal selling, sales promotion and public relations that a company uses to pursue its advertising and marketing objectives.

Communication mix is important because of the following:

ability to use different promotional tools to reach target audience

it helps to communicate a range of messages to different markets

helps in achieving company's marketing objectives

Communication mix should have clear objectives and target audience.

Communication objectives of IKEA: 50% awareness of IKEA's community efforts for school community and homeless community in Coventry within the next twelve months.

Target: community groups such as site and fenceline communities, local government in Coventry

In order to achieve objective IKEA should decide what components of the communication mix is needed to utilize in communicating with school and homeless community groups.

The following are suggested communication mix for two new community groups:

### **School community- Sponsorship**

Sponsorship is a business relationship and should be mutually beneficial to the sponsored individual and the sponsoring company.

Many researches and authors agree that the use of sponsorship by organizations is increasing (Sneath et al., Harvey et al., 2006; 2007; Wakefield et al., 2007) and that it is becoming a more significant part of the marketing communication mix.

According to Fill C (2009) sponsorship can be defined as a commercial activity, whereby one party permits another an opportunity to exploit an association with a target audience in return for funds, services or resources.

### **Benefits for IKEA using sponsoring schools are the following:**

Increase brand awareness of the company among community groups. It allows brand of the company to be communicated without the clutter and noise associated with advertising.

Building and enhancing positive corporate image in community groups' mind

As a means of reaching wider target audiences

To suggest to the target audiences that there is an association between the sponsored and the sponsor and that by implication this association may be of interest and/or value.

Show that a company cares about its community and is prepared to invest in its future and the welfare of its community

IKEA may use sponsorship for school community. Sponsorship may last 2 years for example, sponsoring new facilities for education.

Limitations: Different methods of support are applied to sponsees depending on their needs and the sponsor's needs as well. This points out to a lack of standardization, and therefore requires more time on planning and evaluation.

### **Homeless community- Donation**

A donation is a gift given by physical or legal persons, typically for charitable purposes and/or to benefit a cause.

Donation for homeless community within next 2 years by donating products and home furnishing.

### **Public Relations both for school and homeless community**

Public Relations is defined as ' the planned and sustained effort to establish and maintain goodwill and mutual understanding between an organization and its publics' (Institute of Public Relations)

Benefits of PR:

Promotion of positive image of the company to the community group

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To build links with IKEA's 'community'

To oppose bad publicity

PR activities will include press releases, press conferences and establishing community relationships.

Limitations: Risk of losing control – cannot always control what other people write or say about IKEA.

### **Media: Local newspaper both for school and homeless community**

IKEA may use local newspapers of Coventry such as Coventry Telegraph, and The Coventry Times.

Coventry Telegraph is a daily newspaper in Coventry covering local news, sports, business, jobs and community events. Readers spend an average of 30 minutes reading The Telegraph.

The Coventry Times is established free newspaper for the local area, providing local people with excellent information and advertising platforms. The Times reaches over 74% of houses in the Coventry area.

Newspaper benefits:

Gives favourable impression of the company

A high profile image is lodged in the community groups' mind

Limitations: Short life span, circulation does not mean readership



## **7. MEASUREMENT OF THE SUCCESS OF COMMUNICATION MIX**

It is essential to measure the effectiveness of each communication campaign. It is necessary to ensure that the communication objectives have been met and that the strategy has been effective and resources have been used economically. For example, advertising objective is to increase awareness of IKEA brand to 70% of the target market by 2009. Public Relations objective is to convince 80 % of community groups that the company is doing its business in a socially responsible way by 2009.

Measuring and analysing the outcome of a specific interaction will help in the development of future communications and in evaluating the best methods to use.

Evaluation is necessary for:

### **Improvement of the effectiveness of different communication tools**

Knowing the effect of communication activities and improving needed areas IKEA will be able to reach the outcomes it seeks.

### **Effectively engagement with audiences**

Throughout implementation, evaluation can help IKEA find ways to collect feedback from its community groups, how advertising is being received and learn how they are responding to various media messages.

## **Allocation of resources wisely**

It provides a potential source of material for the new campaign. Evaluation can help IKEA determine whether its communication investments could be redistributed more effectively to achieve the desired results.

There are many ways to measure effectiveness of each of the communication tools. The following are suggested evaluation methods:

PR evaluation: quarterly

Awareness of community groups about IKEA's community initiatives in Coventry community can be evaluated using marketing research through qualitative or quantitative methods.

Attitude of community groups to IKEA's projects- by using research to judge if attitudes have changed positively or negatively.

Media coverage and tone- can measure the number of column inches achieved, the type of headings and tone of coverage.

Positioning- by measuring the position of IKEA in comparison to the competition

Qualitative method: Focus group: at the end of programme

According to Kotler (1999) focus group is a small sample of typical consumers under the direction of a group leader who elicits their reaction to a stimulus such as an advertising or product concept.

By using in-depth interviewing skills a moderator can probe the thoughts and feelings held by the members of the group towards media vehicles or advertising messages. By negotiating a focus group to monitor the marketing communications pre-, during and post-campaign, this can help maximise the effectiveness of the campaign.

Overall, results from focus groups will help us identify feelings regarding the corporate image of IKEA: brand, reputation and understand the attitudes of community groups towards IKEA.

Quantitative method: survey or personal interviews: annually

In order to identify the effects of the media we will use written surveys.

Survey can be conducted by IKEA or consultants. By using large sample size we will be able to know concerns, community expectations, extent and quality of relationship with key community groups and company. Results will help design plans and programmes that build sustainable trust in a community.

Personal interviews: quarterly

A personal interview is a two-way conversation initiated by an interviewer to obtain information from a participant on a face-to-face basis (Cooper & Schindler, 2003, p323)

Limitation. Personal interviews are a lot more costly and time consuming comparing with other methods in the communication approach.

## **Evaluation of sponsorship**

Media exposure measurement- to count column centimetres of coverage about the sponsorship activity achieved by IKEA

Pre-testing and pos-testing of awareness in relation to sponsorship activity of IKEA

Feedback from participants- quantitative feedback from community groups sponsored party and other stakeholders to determine effect on corporate image.

Internal communication evaluation: monthly

Feedback forms and attitude surveys may be used to gain feedback from participating staff: how effective they thought communication was; what information needs were or were not met; what effect the new role emphasis has had on their job satisfaction; etc.

## **8. CONCLUSION**

The company recognizes that supporting the community is not only a matter of morality, but it also improves a company's brand image, reputation and allows the company to gain more publicity and exposure. It is important that IKEA makes a careful selection of communication mix to communicate with key community groups.

## **Appendix 1: Organization overview**

### **Company background**

IKEA is a Swedish Multi-National home furnishing Company (MNC). It was founded in Almhult, Sweden in 1943 by only a 17-year old boy Ingvar

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Kamprad who started selling farm implements at a reduced price under the name IKEA, which is acronym for his initials (I. K), farm (Elmtaryd) and village (Agunnaryd) where he was born and grew up. At the beginning IKEA sold small items such as food containers, pens, jewelry and watches before becoming internationally known.

Due to the success of furniture line, Ingvar Kamprad decided to put an end to all the other products focusing only on furniture. In 1958, the first IKEA store was opened in Almhult, Sweden and since 1960's the IKEA stores opened outside Sweden.

Nowadays, IKEA has turned into the world's largest furniture retailer, with over 300 stores in more than 35 countries since its first outlet and visited by 600 million visitors around the world and plans to develop further. IKEA managed to double its sales significantly in a couple of years. Turnover of all IKEA stores (sales tax not included) was 22, 713 million EURO in 2009.

## **Organization structure**

In spite of its great expansion, IKEA is privately owned company. Ingvar Kamprad still has some control over the company through a unique organization. The IKEA corporate structure is divided into two main parts: operations and franchising. Currently, the company is owned by Stichting INGKA Foundation based in Netherlands. INGKA holding B. V. is the parent of all the companies of the IKEA Group. Every IKEA store is given the rights to operate the IKEA Concept on a defined market.

IKEA's vision is: " To create a better everyday life for the many people." The many people include suppliers, employees, customers, and other stakeholders affected by IKEA operations.

Business idea: " To offer a wide range of well- designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them."

IKEA does not have its own manufacturing facilities but uses subcontracted manufactures around the world. To facilitate shopping, IKEA provides catalogues, tape measures, shopping lists and website to help the consumer with fitting the furniture into the room. So, IKEA's success is based on the relatively simple idea of keeping the cost between manufactures and customers down.

### **Target market**

The company targets the customer who is looking for good value and is willing to do a little bit of work serving themselves, so they pick up the furniture, carry it home and fix it themselves. The typical IKEA customer is young families and couples just starting out to middle income family.

### **IKEA products**

IKEA product range is approximately 10, 000 products in total. The product range of IKEA is extensive enough. It is wide in function as it sells not only furniture but also from plants and living room furnishings to toys and whole kitchens. IKEA make every effort to use renewable and recyclable materials in their products.

## **IKEA brand and communication**

IKEA is one of the successful global brands associated with its unique cultural branding that merges the value, low cost and fashionable design to ensure the creation of affordable contemporary household goods for the middle class.

The company emphasized its Swedish heritage in its international advertising, even going as far to insist on “ Swedish” blue and yellow colour scheme echoes the colours of the Swedish national flag for its stores. Any IKEA stores include restaurants that serve Swedish meatballs.

IKEA has a long tradition in marketing communication focusing primarily on printed media IKEA’s catalogue is the world’s largest free distribution translated into several languages and now it is possible to view online on the website. Other IKEA’s communication tools are: TV, radio, and internet.

## **IKEA in UK**

According to the latest figures from market intelligence specialists Verdict Consulting, IKEA UK total market share up to the end of quarter three 2009 is 6.1 %

IKEA’s competitors in the UK are DIY retailers that are selling more home furnishings like Argos, B & Q, Homebase and John Lewis.

There are 18 stores in the UK, the first of which opened in Warrington in 1987. The largest IKEA store is in Croydon, London. In July 2009 IKEA opened a store in Dublin-its first in Ireland.

## **Appendix 2: An audit of existing relationships with key community groups**

### **Introduction**

IKEA is undertaking an audit in order to identify project's key community groups in Coventry, an assessment of their interests, and the ways in which these interests affect project effectiveness and limitations. Stakeholder audit seeks to identify these.

### **Audit methodology**

Methodologies that were used to undertake and audit of IKEA UK community groups are the following:

Secondary research on stakeholder theory and stakeholder analysis methodologies. (See the selected bibliography attached as appendix of this report).

Mendelow's stakeholder mapping matrix will be taken as a technique to classify stakeholders according to their importance to the organisation.

IKEA sustainability report 2008 and other documentary evidence in regard to the IKEA's relationships with community groups.

### **Identification of community groups and nature of relationship**

A number of community groups were identified by the in-house survey.

Identified community groups in IKEA are the following:

Figure A1. 1. Community groups and relationship



Site community

Workplace

community

Fenceline

community

## **IKEA**

Local media

Strength of relationship

Strong

Weak

Local government

Universities

Church groups

Trade Union

Greenpeace

### **Stakeholder map: power/interest matrix**

In order to establish the community groups and their level of influence and impact on relationship marketing we will use stakeholder mapping technique. Mendelow's stakeholder map classifies stakeholders in relation to <https://assignbuster.com/concept-of-relationship-marketing-marketing-essay/>

the power that they hold and the extent to which they are likely to show interest in the strategies of the organization. The following figure shows the results of power/interest analysis for IKEA UK community groups. The symbols [+] and [-] are used, according to whether each group is, generally, a supporter or opponent of the aims and activities of IKEA.

Figure A1. 2. Power/interest for community groups in IKEA relationship marketing

## **Level of interest**

Low High

### **LowA: Minimal effort**

universities [+]

church groups [+]

## **Level of power**

### **B: Keep informed**

Media: local press [+/-]

### **C: Keep satisfied**

HighLocal government [+/-]

Pressure groups:

Trade Union [-]

Greenpeace [-]

## **D: Key players**

Site community [+/-]

Fenceline community [+/-]

Workplace community [+/-]

The current position of each community group may be justified as follows:

Influence is considered with particular reference to the community group's potential impact on IKEA's relationshi