Session 4: Customer Relationship Management Strategies for Business Markets

Relationship Marketing

Relationship Marketing centers on:
• Establishing,
• Developing, and
• Maintaining successful exchanges with customers.

Types of Relationships

• Continuum of buyer-seller relationships
• Transactional, Value-added & Collaborative exchanges

The Relationship Spectrum

Changing Relationships

- Competition forces a war-like environment whereby competitors are always trying to lure customers from competitors.

<table>
<thead>
<tr>
<th>Source of Value Creation</th>
<th>Relationship Value Dimensions</th>
<th>Costs</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core offering</td>
<td>Product quality, Delivery performance</td>
<td>Direct cost</td>
<td></td>
</tr>
<tr>
<td>Sourcing process</td>
<td>Service support, Personal interaction</td>
<td>Acquisition costs</td>
<td></td>
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<tr>
<td>Customer operations</td>
<td>Supplier time-to-market, Operation costs</td>
<td></td>
<td>Operation costs</td>
</tr>
</tbody>
</table>


Switching Costs

- A major consideration before changing from one supplier to another is the switching costs.

- Organizational buyers invest heavily in their relationships with suppliers.

Characteristics of Business Market Customers
Activity-Based Costing

• Employing an activity-based costing (ABC) process, one can accurately assess the cost and profitability of each customer.

Figure 4.3 The Whale Curve of Cumulative Profitability

Customer Profitability

Customer Relationship Management

Customer Relationship Management (CRM) is a cross-functional process for achieving:

a. Continuing dialog with customers across all contact and access points
b. Personalized service to the most valuable customers
c. Increased customer retention
d. Continued marketing effectiveness

CRM Strategy - Priorities

1. Acquire the right customer.
2. Craft the right value proposition.
3. Institute the best processes.
4. Motivate employees.
5. Learn to retain customers.

Customer Relationship Goals

Successful customer relationships usually mean:

1. Both parties want to maximize joint value (i.e., Win – Win relationship).
2. Or both parties want to further the relationship from a transactional one to a collaborative one.

One way to do this is to establish mutually defined goals. If they fall short, the marketer may need to shift the effort from the strategic sales force to the geographic one.
Strategic Alliances vs. Joint Ventures

• Strategic alliances
• Joint Ventures

Managing an Alliance

• Forming and managing a strategic alliance can result in gaining a competitive advantage.

• So, how is it done?

Five Levels of Integration

1. Strategic
2. Tactical
3. Operational
4. Interpersonal –
5. Cultural –
Top Management’s Role

- Establish joint goals.
- Figure out how each partner contributes to the alliance.
- Appoint people who will communicate the alliance’s strategic role and create an identity.
- Direct ties at top levels spawns organizational commitment.
- If top level involvement is lacking, alliance members question the value of the alliance.