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Abstract

Relationship marketing has become an established approach to marketing. According to the Nordic School of marketing thought, RM cannot be understood within a conventional marketing framework. RM has to break traditional marketing borders and permeate large parts of the organization. It cannot be managed by a separate marketing department. Based on promise theory and a promise management approach to marketing, a relationship marketing grid which enables the analysis of a firm’s readiness for RM is developed. It is argued that for this RM readiness analysis it is enough to address two key questions, namely “Does the firm know its customers’ processes as well as its own processes?” and “Does the firm understand what its customers’ consider good quality as well as its own view of the quality of its offerings?”.

Introduction

Relationship marketing has become an established field of marketing. It has been described as a marketing approach which aims to establish, develop, and maintain enduring relationships between a firm and its customers (e.g., Grönroos, 1997). However, too often it is treated as an extension of conventional marketing models only or developed and managed within the marketing mix mindset and framework. Sheth and Parvatiyar (1994; 1995) and some other early proponents of the field (Christopher, Payne and Ballantyne, 1991; Hunt and Morgan, 1994, to mention a few) suggested that moving towards relationship marketing may require a paradigm shift. Most forcefully the need for a paradigm shift was voiced within the Nordic School research
tradition by Grönroos (1994; 1997) and Gummesson (1987; 1999). They claim that relationship marketing cannot be fully understood and implemented within the existing marketing paradigm with its one-function and mainly promise-making approach. To be able to understand and implement relationship marketing, marketers have to break out of the conventional boundaries of marketing and realize that relationship maintenance requires the support of other business functions, which traditionally have not been considered part of the marketing process. Thus, developing relationship marketing becomes a challenge for the business and not for conventional marketing only. To phrase this in another way, marketing must be extended beyond its conventional borders and become a top management issue.

The purpose of this chapter is to discuss what it takes to make a firm ready for relationship marketing. First, promise theory, which is critical to understanding relationship marketing, is discusses. Then the Nordic School approach to this marketing field is described. Finally, the relationship marketing grid, which demonstrates how far from being prepared to implement relationship marketing a supplier is, and two critical questions to ask and answer to make the supplier prepared for relationship marketing, are presented.¹

Promise theory

At the 1986 European Marketing Academy (EMAC) annual conference, Henrik Calonius presented his promise theory for marketing. His paper was published posthumously in 2006 in a scientific journal (Calonius, 2006). The core of what he proposed is that the seller, and also the buyer, make a set of promises, which should be fulfilled in the future. This seems like a self-evident rule, but studying how marketing is implemented reveals that this rule is anything but self-evident. It is frequently violated, and marketing has become restricted to making promises without adequate attention to how promises are kept. In today’s business environment, where the market offerings have become increasingly complex, including many more customer contacts than the conventional marketing mix approach assumes. Keeping promises is no longer a comparatively straightforward and simple challenge. Why do firms seem to be obsessed with

promise making instead of taking on the challenge to adjust their marketing to the existing challenges and make promise keeping an explicit issue?

Basically, conventional marketing assumes that promises made by the 4P model’s price, place, and promotion variables, are kept by the product variable. Thus, keeping promises is inherent in the 4P model and, therefore, promises are thought to be fulfilled automatically. The product is often a given, and, as a consequence, thinking about keeping promises as a separate challenge was not an issue. In the case of standardized products this mindset works. However, what about situations where this is not the case, such as business-to-business relationships? Moreover, due to the disrupting effects of digitalization, standardized products are generally less common in any type of market. The separate variables of the 4P model of the marketing mix are not outdated, but because they, and especially the product variable are by far too restrictive to enable successful management of relationships with customers, this approach and model are outdated.

The market environment which has developed during a long time already does require a change of the marketing mindset in an organization. This goes both for the marketers and for top management. Developing and managing enduring relationship with customers has become critical to the economic outcome of firms. Relationship marketing offers a solution. And promise theory is a cornerstone for understanding relationship marketing.

The Nordic School model of relationship marketing

According to the Nordic School approach (Gummesson and Grönroos, 2012), to be successful relationship marketing cannot be implemented as a process taken care of by one function only. Marketing is about influencing the customers’ preferences and persuade customers to buy on a long-term basis. Getting customers can be handled by a separate marketing function, including sales, which makes promises about what an offering can do for them. However, making the customers interested in buying again requires that all critical contacts with the firm that the customers are exposed to are handled well. It is not enough that the core of an offering, for example, a product, works well. In addition, deliveries, information about how to best use the product, repairing and maintaining the product, installing the product or new product features, answering questions, recovering problems with the product or with service failures, invoicing procedures and the clarity of the invoices, and many other activities may have an impact on the
customers’ future buying behavior. None of these activities are part of conventional marketing. Nevertheless, they influence the customers’ preferences and willingness to continue buying. Hence, they are marketing activities, and part of the total marketing process. Such a total marketing process cannot be managed by a separate marketing function. Relationship marketing cuts through most business functions, and must, therefore, be managed with more authority than that of a manager of any separate business function. Consequently, managing relationship marketing is a top management issue and a challenge for the business.

Furthermore, in the Nordic School research tradition service is intertwined with relationships, and relationships cannot exist without service. Service is defined as to help customers’ processes with the aim to enable them to achieve their goals in a way that is valuable to them (Grönroos, 2011). For a relationship with a customer to develop and be successfully maintained and enhanced, the supplier must strive to help all those customer processes which are important for the customer’s goal achievement, that is, the supplier has to provide service to the customer. According to service logic, service is provided through all necessary resources, such as products, service processes, and information (Grönroos, 2011). All kinds of resources convey service to the customer. Hence, in the final analysis, relationship marketing is a service business.

In Figure 1 the Nordic School relationship marketing model is illustrated. It includes three processes, depicted as circles. The innermost circle illustrates the customers’ usage and value creation process. Relationship marketing should facilitate the customers’ value creation. If the customers’ contacts with the firm work well, they probably have a favorable impact on what value the customers’ can derive out of these contacts, and if they don’t work well, they will destroy value for the customers. The two outer circles illustrate the firm’s relationship marketing actions. Drawing on promise theory, the outermost circle depicts how the firm makes promises. The middle circle depicts how promises are kept. The promise-making process includes conventional marketing activities, including, sales, marketing communication using all possible media and technologies, and pricing. In addition, the customers may be influenced by their peers, either through word-of-mouth or social media. Such customer influence can, of course, only indirectly, if at all, be managed by the supplier.
The middle circle depicts the promise-keeping process. In the service management literature, this process is called interactive marketing (Grönroos, 2015), and the employees acting in the many business functions present in the promise-keeping process, and thereby influencing the flow of the customers’ processes, are considered part-time marketers (Gummesson, 1991). This process includes all interfaces between the supplier and the customer that exists over time, most of which are interactive. The supplier’s resources are exposed to the customers and influence their perception of the offering, and their willingness to pay and to continue the relationship. According to research by Strandvik, Holmlund and Edvardsson (2012), a supplier’s offering often captures only part of the buyers’ expectations of what need to be helped. The bunch of processes which the customers need a solution for they call customer needing. The challenge for the supplier is to identify the customers’ needings and align their offerings with them. For relationship marketing to be successfully implemented, both promise making and promise keeping must adjusted to the customers’ needings. However, what does the supplier have to know about its customers to be able to do that? This will be discussed in the final section of this chapter.

What customer insight is required for relationship marketing readiness

Questions to ask

Traditionally, marketers want to know the customers’ needs as a starting point for their planning and actions. However, by and large customers are not very good at expressing their needs. They are restricted by their level of knowledge and mental disposition. Instead of voicing their needs, customers often express what they want. The latter expresses what they think would work. Frequently this does not reflect the real customer needing (Strandvik, Holmlund, and Edvardsson, 2012). For the relationship marketing to be successful, the supplier requires in-depth insight into its customers’ needings. To acquire such insight does not have to be complicated beyond reach. Instead it is a matter of asking the right questions, and asking them in a way that generates relevant and actionable information. The questions are posed to the supplier, but to be able to answer them the supplier must gain thorough customer insight.

Two questions are central and, in most cases, enough, namely
1. Do we (the supplying firm) know our customers’ processes as well as we know our own?, and

2. Do we (the supplying firm) understand what our customers consider good quality as well as our view of the quality of our offerings?

The first question relates to what type of knowledge dominates the supplier’s mindset and is reflected in its developmental, sales and delivery processes. Is top management’s, the marketers’ and the salesforce’s thoughts mentally and factually geared towards understanding their own or their customers’ processes? The nature of such thoughts will be reflected in how relationship marketing is implemented. If adequate and in-depth enough knowledge about the customers’ processes that are in need of help by the supplier is lacking, relationship marketing cannot be successful.

The second question relates even more to whether or not top management, the marketers and the salesforce, and the rest of the organization really are customer-centric. It is about how the customers wish to be helped. Are the thoughts in the supplying firm mentally and factually geared towards their customers’ perception of what the supplier is providing them with and how it is doing it, or towards their own perception of what constitutes good quality? In other words, does the supplier try to help their customers based on the customers’ quality definition, or based on their own quality definition? Finding an answer to this question, and revealing the customers’ view of what is good quality, triggers the supplier to deepen its insight into the customer’s processes. In that way the two questions are interrelated.

Research in service management has demonstrated that the customers’ perception of quality is multi-faceted. It includes at least two basic dimensions, namely what the customers get as the technical outcome out of the offering, which is termed technical quality, and how they perceive that the process itself functions, which is termed functional quality (Grönroos, 1984). The former quality perception is often a hygiene factor, which does not determine the level of perceived quality. The technical quality has to be good enough, but the process-based and behavior-related functional quality perception determines whether or not the firm is considered a good total quality supplier. Hence, a supplier does not actually compete with the technical outcome of the offering, but with its processes, the behavior of its employees, and the functionality of its systems, that is with the functional quality impact it makes on its customers.
The relationship marketing grid

In Figure 2, a relationship marketing grid (Grönroos, 2017) is illustrated. The grid includes two variables relating to the questions to be asked, namely whether the management’s thoughts, mentally and factually, are dominated by an interest in the firm’s own or its customers’ processes (the horizontal variable), and whether the thoughts are dominated by the firm’s or its customers’ perception of what constitutes good quality (the vertical variable).

On the left-hand side of the figure, a critical, but far too common situation is depicted. The customers are, for natural reasons, located in the upper right corner of the grid, but the supplier is somewhere towards the lower left corner. As the figure implies, this leads to a conflict with a negative impact on the customers’ perception of the supplier’s offering, their preferences, and their willingness to pay. If this situation continues, the customers will probably be lost. Relationship marketing fails.

On the right-hand side of the figure, the needed action is illustrated. The supplier must move in the direction of the customer in the grid, both mentally and factually. It has to study what constitutes good quality for its customers, and thereby learn to understand their quality definition. When doing so, it can free itself from its mental orientation towards its own quality definition, which frequently is too dominated by the technical quality outcome and neglects the functional quality aspects. Secondly, adequate insight into which customer processes are important to help, in order to create good total quality for the customers, and how such processes function and contribute to the customers’ business or other goals has to be acquired. When doing so, the supplier gets a proper view of the customers’ needings. Getting the adequate insight in the customers’ quality definition and their processes does not necessarily require very complicated efforts. However, traditional market research will probably be rather inefficient, and too often produce too limited, and in the worst case misleading information. Ethnographic approaches are needed, such that the customers’ attitudes, real thoughts about what is important to them and what is less important are thoroughly revealed.

However, why do suppliers position themselves both mentally and in terms of their ways of operating so far from their customers’ position in the grid. There are probably many reasons.
A deliberate product orientation, which in some situations, at least in the short run, may be fruitful can be one reason. The inclination of marketers to base their decision on studies of their customers’ needs is another reason. The customers’ expression of their needs is most frequently too limited, misleading, and sometimes even wrong, thereby leading to bad decisions. However, a major reason seems to be management’s obsession with productivity as the major path leading to future success. There is nothing wrong with aiming towards improved productivity, but productivity must be understood in a way that fits a relational business engagement. Because the quality of the product output in product manufacturing can be maintained even when input resources and processes are changed towards less expensive ones, a cost efficiency-driven approach functions there. A constant-quality assumption exists. Therefore, productivity is a function of variable costs, but fixed revenues.

When a firm moves from manufacturing and marketing a standardized product towards relationship marketing, this constant-quality assumption disappears. The firm-customer interface is expanded to include a whole host of activities and interactions, which in the supplying firm permeates organizational function and processes. In such a situation, productivity is a function of both variable costs and variable revenues (Grönroos, 2015). Hence, productivity management must strive to create economic result efficiency rather than cost efficiency only. As research into service productivity, demonstrates, to be effective productivity management has to integrate cost efficiency and perceived quality-related revenue effectiveness (Grönroos and Ojasalo, 2004). This holds for relationship marketing as well. As is indicated in the left-hand side of Figure 2, the implementation of manufacturing productivity, which is geared towards creating cost efficiency, easily leads to declining perceived quality, a negative impact on the customers’ willingness to pay, and in the end to lost revenues.

Concluding words

Relationship marketing can be seen as consisting of two connected processes, namely one geared towards making promises, and one geared towards keeping promises made. Especially the latter process requires the support of other business process than conventional marketing and sales, which have to function in a way which makes the customers interested in continuing to buy from the supplier.
Hence, promise keeping offers totally different challenges compared to promise making. Almost all business functions have to act with the customers’ interests in mind. The many part-time marketers representing those functions are instrumental in the implementation of relationship marketing. If they do not perform in a customer-focused way, the customers’ preferences and future buying behavior is influenced negatively, and marketing fails. However, as part-time marketers exist throughout an organization, relationship marketing cannot be organized as we are used to organize marketing. Only the marketing specialists can be organized in a department or group of their own; in the part-time marketers and in their supervisors and function managers, marketing can only be instilled as a customer-focused attitude of mind (Grönroos, 2015). As a consequence, only the CEO, division managers, regional and local managers can be responsible for relationship marketing.

To be able to implement relationship marketing, the supplier must be ready to do so. The answer to two straightforward questions determines the level of relationship marketing readiness, namely how well does the supplier understand its customers’ processes, and does it understand what constitutes good quality for its customers. The answers to these questions show whether or not the supplier, its management, salesforce, and full-time and part-time marketers are mentally and factually dominated by a thorough understanding of their customers, or inward-oriented towards the firm’s own processes and quality definition. In the latter case, the firm is not ready for relationship marketing.

For example, digitalization and the growing adoption of “Internet of things” disrupt traditional business practices in ways that may make it easier to establish relationships between firms. Natural contacts that tie suppliers and customers together emerge. Such contacts generate information about the customers’ real needs, and produce insight into their processes which can help suppliers to become true relationship marketers. They may also help the relationship partners to start calculating the reciprocal return on the relationships (Grönroos and Helle, 2012).

References


Figure 1. A relationship marketing model
Figure 2. The relationship marketing readiness grid