

School of Business

Course Code : SOBO1001

Course Name: Hospitality Services Sales & Marketing

Relationship Marketing

Reference:

1	Marketing Management: Concept and Cases-Dr. Raj Kumar and Nidhi Goel. Published by UDH Books
2	A textbook of Tourism and Hospitality Management –KCK Rakesh Kadam, VRK Shaifalee and VRK Chainickaa. Published by UDH Books
3	Hotel & Food Service Marketing- Francis Buttle
4	Marketing Hospitality, By Cathy H.C. Hsu and Tom Powers Published By Wiley
5	Hospitality Sales A Marketing Approach by Margaret Shaw Published By Wiley

Mass Markets

- Historically large-scale mass production and distribution methods adopted.
- Cost-efficiencies drove prices lower.
- However, products became standardized.
- Customers had to find the best option that fulfilled their needs.
- Customers grouped into mass markets and were communicated through mass media- TV, Print etc.
- Suited well for a supplier's economy

Today's Markets

- Foreign suppliers and competition from non traditional suppliers has increased competition.
- This increases supply, and so the need for better service.
- Technology has made the reach of companies global.
- Technology has enabled large scale customized production : called mass- customization.

Today's Markets

- Stagnation of growth in customer base.
- Too much competition for customer's free time.
- Customers are increasingly convenience shopping as opposed to price driven shopping.
- Consumers now prefer suppliers that provide good quality at a fair price.
- They find such a supplier and stay with them for a long time.

Customer retention+ Share of customer

- Basic premise:
 - Retain customers over a long term and satisfy the largest portion of their needs with your products and services.
- The “*leaky bucket*” concept is out.
- Today’s consumers want companies to
 - Understand their needs and wants
 - Adapt their products and services to these needs and wants
- The company takes partial responsibility for the customer’s choice of product.

Developing Relationship Marketing Capabilities

- Initial steps include:
 - Data collection
 - Data access and marketing tools
 - Product and service customization
 - Customer service procedures
 - Customer access channels
- Key measures:
 - Customer satisfaction
 - Share of Wallet
 - Stability of relationship

Developing Relationship Marketing Capabilities

- If implemented properly customers are locked in due to satisfaction, ease of service, and value.
- This increases the cost on the customer's part when they have to switch suppliers.
- Customer service should be interactive, personalized.
- Communication is through multiple channels.

Developing Relationship Marketing Capabilities

- Use customer service opportunities to
 - Verify if needs and preferences have been addressed
 - Measure levels of satisfaction
 - Find any other questions that need to be answered
 - Additional customer information such as change in status
 - Verify if presenting new products or options is appropriate

Customer Information

- Requires more information than traditional direct marketing.
- Optimal types of customer information will vary by industry, company market positioning, and marketing programs.
- Building a customer information base is an iterative long term process.

Example: Cellular Phones

- Stage 1:
 - Preliminary information collected during the first purchase to make recommendations
- Stage 2:
 - Based on the calling patterns and bills make refined recommendations and offer better deals that the customer cannot refuse.

Customization and Added Value

- Provide tangible benefits to customers through customization.
- Example: Dell Computers
- Trend evident in service industries such as
 - Insurance
 - Computer systems
 - Telephone
 - Financial Services
- Customer service is a better differentiating weapon than price or features.

Customization and Added Value

- Competitive advantage gained through
 - Implementing a corporate culture focusing on the customer.
 - Developing a suite of products and services that can be customized.
 - Training and empowering the customer service staff.
 - Developing infrastructure to collect and maintain customer information

Customization and Added Value

- Mass customization occurs when consumers become co-creators in the content of their experiences
- Enablers of mass customization
 - information technology
 - process technology
 - digitization of product
 - new organizational thinking

Customization and Added Value

- Issues in mass customization
 - pricing of customized products
 - compensation for customer input
 - strategic relationship between producers and consumers in market for customized goods

Two Way Communication

- Focus is on customer's choice of channels.
- In several new channels customers control the time of access
- Companies control only the content delivered.
 - Example: Internet, e-mail, Cellular phones.
- Key to success is to integrate information flows from multiple channels and co ordinate marketing activity.

Two Way Communication

- Message Broker system could be implemented
 - Customer service rep sends transaction downstream to operations system
 - Message Broker intercepts transaction, creates mktg-oriented transaction and sends original to operations system
 - Mktg-oriented transaction is sent to system that makes promotional decisions
 - Once promotional decisions are made, message broker decides which should be delivered and in what order

Marketing Objectives

- Customer Awareness and Education
- Customer Acquisition
- Customer Acceleration
- Customer Retention
- Niche Marketing
- Lapsed Customer Reactivation

Building Customer Loyalty

- Key measurement for loyalty: Retention
- 5% increase in retention rate can increase lifetime value by 75% (F. Reichheld)
- The top 20% customers yield 80% of revenue
- So, treat the 'Gold' better than others
- What to do with 'Losers'?

Building Customer Loyalty



- Relationship effects of retaining non profitable customers
 - Reference accounts
 - Referral
 - Learning
 - Innovation

Building Customer Loyalty

- Five customer loyalty promotions
 - Develop catalog with premiums available with proof of purchase
 - Establish an ‘insiders’ or ‘special privilege’ club
 - Create a prestige society offering both practical benefits and self-image symbols
 - Establish an apparently personal relationship
 - Provide extra conveniences that have secondary purpose of increasing consumption

