International Marketing and Purchasing Group

2004 Conference

Title: Relationship management versus brand management in SME Business-to-Business marketing.

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Abstract

The adoption of a relational perspective when designing and delivering a company's marketing activities has become increasingly prevalent (De Wulf, 2001; Nancarrow et al, 2003; Lemon, et al, 2002). Though initially aimed at industrial and service markets (Grönroos, 1994) technological advances in database design and capability enabled firms to apply relationship management principles and practices to mass consumer markets (O'Malley and Tynan, 1998; Winer, 2001; Corner and Hinton, 2002). This widespread application needs to be viewed with a degree of caution, for, as O'Malley and Tynan (1998) observe, there has been a tendency to approach the relationship paradigm without sufficient critical analysis. This paper investigates the ability of the relational perspective, when placed against the idiosyncrasies of specific small to medium sized firms to inform the firm's marketing activities.

The central thesis of Relationship Marketing (RM) is that the arguably traditional approach to marketing based on distinct transactions (Kotler, 1972; Grönroos, 1994) does not adequately describe the more frequent and iterative exchanges between businesses and their customers. The RM approach is interactive, based on the development of a dialogue between business and their customers characterised by the attempt to learn and understand each other's needs rather than a communication exchange based on the attempt to persuade and manipulate (Grönroos, 2000). Another cornerstone of RM is that of trust (Selnes, 1996). Trust being seen as an essential ingredient in facilitating such exchanges of information required to build the relationship.

With the RM approach to marketing shifting the attention of the company from a short term transaction oriented goal to a long-term relationship-building goal, the notion of a customer life cycle value (Grönroos, 1982) or Time life Value (TLV) (Jackson, 1994; Hwang et al, 2004) becomes an important decision factor for the management and measurement of marketing activities. Valuing customers over their whole potential spend rather than maximising on single transactions

(Andersen, 2001) encourages companies to give customer retention (CR) a prominent role in their marketing strategy. This longer term view is supported by research suggesting that a 5% increase in customer retention rate can increase the net present value of customers by between 25 per cent and 85 per cent (Ahmad and Buttle, 2001) or even 95% (Reichheld, 1996).

Concern has been expressed at the widespread application of RM and its attendant concepts of CR and LTV (O'Malley and Tynan 1998). Some detractors have dubbed RM a "popularised buzzword" (Coviello et al, 1997, p 26); while others question whether RM is supported by a robust theoretical framework (Gummeson, 1987). It is argued that it is inappropriate to implement a relationship approach in consumer markets, as, in addition to the cost of communicating individually to such large markets there is also a question mark over whether consumers wish to be in a relationship with a firm (O'Malley and Tynan, 1998; Andersen, 2001; Zinkhan, 2002). In addition some argue that such relationships can be characterised as coercive, a result of switching costs erected by the company in an attempt to 'tighten the grip' on the customer (Andersen, 2001).

Whilst business to consumer RM approaches have been criticised, business to business practices appear more fertile for RM approaches (O'Malley and Tynan, 1998) due to more complex customer requirements creating a greater need for customisation (Homburg and Rudolph, 2001) and a degree of structural symmetry (Tikkanen and Alajoutsijarvi, 2002). RM practices in a business-to-business context include the creation of 'bonds' at the social, financial and structural level (Berry and Parasuraman, 1991) and reciprocal adaptation, where both supplier and buyer modify their performance to accommodate the other partner's needs (Ahmad and Buttle, 2001).

RM as a route to increased CR in the business to business sector is not without challenge. An alternative to the 2 way personalised dialogue advocated by RM approach, a more symbolic communication (Aaker, 1991; Ringberg and Gupta, 1993) between the business and its customers through the management of a brand is available (Michell et al, 2001). Here customer retention is increased through the notion of loyalty; the propensity to re-purchase a supplier's product or service due to favourable attitudes toward the brand held by the customer (Gerpott et al, 2001).

This paper takes concern over RM's applicability and investigates whether the customer retention strategies advocated as part of a RM approach work in the small, medium enterprise (SME) business-to-business sector. Specifically asymmetric business-to-business relationships (Ringberg and Gupta, 2003), involving routine purchases of products and services that represent a limited proportion of the customer's spend. Through case study analysis of a UK SME, we discuss whether the deployment of relationship management or brand management approaches is a more suitable use of such a company's resources.

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