



Article Reprint

Customer Relationship Marketing in the New E-World by Steven Howard

Relationship marketing is a concept that has yet to be clearly defined by anyone, even though much of today's marketing literature and many marketing consultants and gurus are in agreement that relationship marketing will be a critical success factor for the large majority of organisations throughout the 21st century – especially for those engaged in the exciting and fast-paced world of electronic commerce.

I won't attempt to define relationship marketing here, but I will give you what I consider are the key elements of any relationship marketing program, whether it's for an e-business strategy or for a *terra firma* organisation. These are:

- Understanding customer needs
- Relevant product offer at appropriate time
- Relevant reward at appropriate time
- Relevant surprise at appropriate time
- Two-way, interactive communication
- Forward looking, long-term, bi-mutual engagement

Keeping customers loyal is an art form, not a science. As is true of all good marketing practices. Marketing is, after all, an art, not a scientific discipline.

The most important ways to keep customers loyal are five simple – simple to understand I should say, but not always simple to execute – actions:

1. Always deliver upon the promises that anyone in the organisation makes. Walk your talk. Have everyone in the organisation understand that your word is your bond with customers.
2. Ensure that you have product and service delivery consistently at all times.
3. Be able to anticipate future customer needs --- and create flexible and adaptable organisational structures so that you are better prepared to meet these changing customer needs before they occur.
4. Solve future customer needs --- either through changing product features, benefits, or through upgraded service delivery.

5. Cultivate long-term customer relationships by being engaged in *two-way*, interactive dialogues with your customers that help you anticipate their changing and future needs.

Naturally, you cannot, and probably do not want, to cultivate deep-seated relationships with all your customers. The cost of doing so is probably prohibitive.

Even in tomorrow's world of electronic commerce.

On the other hand, you certainly will want to apply these practices to the 20% of your customers who give you 80% of your revenues, or better yet, the 80% of your profits ó if you are able to calculate profitability on a customer-by-customer basis.

Building and Maintaining Customer Loyalty

Customer loyalty needs to be thought of as a two-way street. Many senior managers I speak with these days complain that "customers are not as loyal as they used to be." Then, when I start to investigate their own policy changes, pricing methodologies, and marketing activities, it becomes very obvious to me that many of these same organisations are no longer as loyal to their customers as they used to be.

No wonder they feel they have lost customer loyalty. They've stopped earning and deserving it through their own practices.

By following the five practices mentioned above, you'll be in a better position to ensure that you do not suffer from deteriorating customer loyalty.

Treating Customers As Individuals

I have written often about the growing need to treat customers as individuals – with individual needs, wants and desires.

There are four steps to go about this, and are detailed in the book *The One to One Fieldbook* by Don Peppers, Martha Rogers and Bob Dorf.

They identify four key implementation tasks that can be used as a guide for initiating individual relationship marketing programs, or what they call 1:1 marketing. All four steps are easier to manage for electronic commerce firms. These four steps are:

- Identify – identify your customers in as much detail as possible. You need to know more than demographic data like age, address, and income. You also need to know their habits, preferences, and reasons for transacting with you. This information needs to be linked across your entire operations.
- Differentiate your customers – customers are different in two critical ways: they each represent a different level of value to the organisation and they each have different needs from you. The more you can differentiate your customer base, the better you can prioritise your efforts so that you gain the most advantage with your most valuable customers. Additionally, such differentiation allows you to tailor the organisation's behaviour to each customer based on that customer's individual needs.

- Interact with your customers – every interaction with a customer should take place in the context of all previous interactions with that customer. One goal of every interaction with a customer should be to acquire additional information about that customer that can help you make decisions or implement new strategies.
- Customise – customise some aspect, or many aspects, of how your organisation interacts with and behave towards each individual customer. In order to practice true 1:1 marketing, the production or service-delivery aspect of your business has to be able to treat a particular customer differently based on what that customer said during an interaction with you.

In the past, being customer-oriented has meant operating in order to meet the needs of the typical customer, or the average customer.

Fewer and fewer businesses today can afford to focus on the average customer. Your future growth, and future profitability, comes from satisfying the needs of your most valuable customers.

To treat your most valuable customers not as average customers, but as your most valued customers, requires that they be treated as individuals – with individual needs, wants and desires.

This is the true essence of what is being called 1:1 marketing today.

Using Technology To Drive Customer Relationships

It may seem strange to have a marketing person like myself expounding on the glories of investing in information technology. However, I am a big, big believer in using information technology as a key driver of business success and market leadership in the 21st century.

In addition to using information technology to drive business development, organisations also need to begin thinking and understanding how to use IT to *drive customer relationships*.

Probably more than any other IT application, this is the one key criterion which senior management must factor into their assessments of their future information technology requirements – the development, maintenance and retention of customer relationships. Sir Peter Bonfield, chief executive of British Telecommunications PLC, writes:

"The winners in the information age are going to be those organisations that deploy the new technologies to make themselves more efficient and faster than their competitors, that are better at understanding and meeting the needs of their customers, and that constantly look to the future to develop and enrich the ways in which they interact with their customers, partners, suppliers and employees."

Future marketing success will come to those who understand how to use technology to meet tomorrow's customer needs, not to those who spend massive amounts of dollars chasing supporting today's business requirements.

Customers of the 21st century will place high value on customisation and choices. One route to increasing customisation satisfaction will be by providing increased options and choices for customers, without making such choices overly confusion or too difficult to comprehend.

One of the top needs of 21st century customers will be to have their relationship requirements satisfied. I can think of no better concept or goal for CEOs and other senior managers to focus on when asking themselves the question, "what should we be demanding of our investments in information technology?"

What will make consumers loyal to e-marketers? The same things that make them loyal in the non-virtual world: an understanding of their needs and delivering upon the promises your organisation makes to them.

The Author

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