



## E-Relationship Marketing: Changes in Traditional Marketing as an Outcome of Electronic Customer Relationship Management

### KEYWORDS

Customer relations, Electronic commerce, Relationship marketing, Internet, e-tailing, consumer research.

### D.VANISREE

Assistant professor & Research Scholar, Department of Commerce with Information Technology, Dr. NGP. Arts and Science College, Kalapatti, Coimbatore.

### S.SHANMUGA PRIYA

Assistant professor & Research Scholar, Department of Commerce with Information Technology, Dr. NGP. Arts and Science College, Kalapatti, Coimbatore.

**ABSTRACT** Marketing concepts and definitions have remained relatively unchanged until recently. Electronic customer relationship management (e CRM) has forced marketing managers to re-evaluate how, when and to what extent they interact with their customers. This paper is focused on the role of specific marketing concepts and how e CRM has enhanced or altered each concept. Every topic discussed is illustrated with current business examples. Several examples from the business trade press are used to illustrate the success an organization can achieve when using e CRM to enhance marketing skills. Relationship marketing (RM) has the potential to be a highly effective marketing technique. However, it has been problematic in retailing applications and caused confusions in interpreting research results. This paper analyzes problems of RM in the consumer market and reflects on the Internet's impacts on consumer RM. The problems in previous consumer RM research are traced to two roots: conceptual confusion and practical difficulties. To clarify the concept, it is proposed that RM can be classified to a broad sense or a narrow sense. It is stressed that RM strategy design has to comply with the relationship characteristics of targeted consumers. Alleviating practical difficulties in consumer RM, the Internet is presented as an effective facilitator for consumer RM success.

### 1. Introduction:

1.1 Customer relations and Relationship marketing: Relationship marketing is a strategy designed to foster customer loyalty, interaction and long-term engagement. This customer relationship management (CRM) approach focuses more on customer retention than customer acquisition.

Relationship marketing is designed to develop strong connections with customers by providing them with information directly suited to their needs and interests and by promoting open communication. This approach often results in increased word-of-mouth activity, repeat business and a willingness on the customer's part to provide information to the organization.

Relationship marketing contrasts with transactional marketing, an approach that focuses on increasing the number of individual sales. Most organizations combine elements of both relationship and transaction marketing strategies.

Customers are won over not by the product and price alone but by the service and happy experience too. Any customer who has been happy with the service received is likely to be loyal to the Company and most probably he will be ready to compromise or overlook certain defects over superior quality of service. This is not all. When you have one happy customer, you can be sure that in good time he will refer many more customers from his social friends circle as well as family too. This can be a double edged sword. In case a customer is not happy with his experience or the product, he can spread talk ill about the Company as well as the product to his friends and family too.

When you create an E Commerce platform and choose to promote your products and services, paying attention to Customer Relationship Management becomes that much more important. Using E Commerce as your sales engine, you are going to focus on wider markets and volume of prospects and customers too. For one thing, with increase

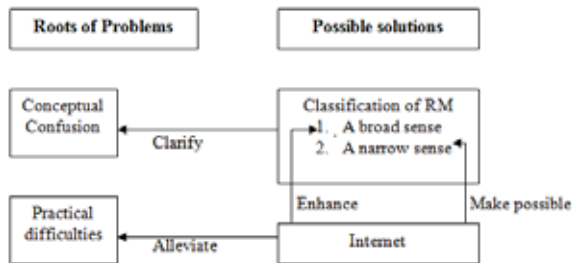
in volume of sales, you will need to create the necessary backend process and E enabled System infrastructure to cater to After Sales Service as well as Customer Relationship Management. The internet has changed the consumer behaviour. Customers today expect superior service and immediately. The delivery and service expectations have gone up. Servicing a larger customer base in a short span of time calls for robust CRM system and process backup. It is important to remember that the internet customers have the power of instant communication across the world wide web. What does this mean to your business? It means that you cannot afford to have any lacunae in your product, service or CRM processes. You have got to walk the talk. The customer can influence the entire market with his perceptions and experience.

Integrating CRM with your promotional strategy would go well hand in hand. Along with boosting sales, the marketing managers would need to focus on building brand loyalty and using promotional activities to engage with the Customers as well as delivery enhanced value in the relationship. Every Marketing Manager needs to ask this question - If his Business is equipped and ready for E commerce platform.

### 1.2. Practical Difficulties of RM in the Consumer Market:

Many elements, which are important in relationship building, may be lacking in a retail context. Pressey and Mathews (2000) addressed barriers to RM in consumer retailing and concluded that balanced power, high level of purchase involvement, service provider professionalism, and high levels of personal contact are pivotal to RM success. In addition to the operational strategies employed by marketers, the propensity to develop B2C relationships is also dependent on the "relationship friendliness" of the product-market and consumer relationship proneness. The following diagram represents the roots of problems and possible solutions of relationship marketing in the consumer market.

**Fig.1 Reasons and possible solutions of confusions of RM in the consumer market**



2. E-tailing: E-tailing is the selling of retail goods on the Internet. Short for "electronic retailing," and used in Internet discussions as early as 1995, the term seems an almost inevitable addition to e-mail, e-business, and e-commerce. E-tailing is synonymous with business-to-consumer (B2C) transaction.

E-tailing has resulted in the development of e-tail ware - software tools for creating online catalogs and managing the business connected with doing e-tailing. A new trend is the price comparison site that can quickly compare prices from a number of different e-tailers and link you to them.

### 2.1. Internet and E-tailing:

Internet retailing grew by 30% in 2012. This was driven by growth in internet sales of apparel, consumer electronics and appliances, beauty and personal care, personal goods and eyewear, media and books.

The Internet Retailing in India report offers insight into key trends and developments driving the industry. The report examines all retail channels to provide sector insight. Channels include hypermarkets, supermarkets, discounters, convenience stores, mixed retailers, health and beauty retailers, clothing and footwear retailers, furniture and furnishing stores, hardware stores, durable goods retailers, leisure and personal goods retailers. There are profiles of leading retailers, with analysis of their performance and the challenges they face. There is also analysis of non-store retailing: vending; home shopping; internet retailing; direct selling, as available.

Product coverage: Apparel Internet Retailing, Beauty and Personal Care Internet Retailing, Consumer Appliances Internet Retailing, Consumer Electronics and Video Games Hardware Internet Retailing, Consumer Healthcare Internet Retailing, Food and Drink Internet Retailing, Furniture and Home wares The Internet Retailing in India market research report includes:

- Analysis of key supply-side and demand trends
- Detailed market shares for international and locally-based retailers
- Historic volumes and values, company and brand market shares
- Five year forecasts of market trends and market growth
- Robust and transparent market research methodology, conducted in-country

### 2.2. Ecommerce market research:

Ecommerce market research is a crucial part in building a successful ecommerce application and online storefront. Internet commerce is an excellent business model. Choose Network Solutions and we will help you build a powerful

and cost effective online store.

Ecommerce Market Research on the Internet encompasses a wide variety of information gathered for e-business planning and prospecting. Free ecommerce research found online is not always accurate but can be useful to track opinions, profiles and customer behavior.

Many large B2B ecommerce services use research of trends to predict the content, products and services buyers will find most attractive in near future markets. Shopping cart system research greatly effects how ecommerce services cater to their market's technical capabilities, wants, interests and behaviors. Market research also reduces unnecessary expenses, making developers and web businesses anticipate industry trends.

Qualitative ecommerce research is a method of gaining consumer product information and product perceptions. It can be used in all stages of the research process and is becoming increasingly popular. This is a face-to-face method that allows developers to get personal with study groups, digging deeper into important issues. Although this data is qualitative and accessible, it is not always the most reliable. It tends to be biased due to the nature of how information is retrieved, but biased information is not necessarily bad information. It is important to research what makes it biased and how to improve on the shopping cart management data.

Focus group formalize qualitative information. To gather reliable shopping cart services data it is important to quiz targeted buyers instead of gathering data from friends and relatives. This method of gather ecommerce feedback is advantageous, results are immediate, accessible and reveal problems/bugs the ecommerce development team may have overlooked.

These groups are best utilized in the early stages of shopping cart software e-business development, when ideas are not completely set in stone. It consists of a group of educated people, in one room, discussing e-business topics structured with a moderator. It is mission critical to allow everyone to participate in the conversation, the more feedback, opinions and insight you can get, the better.

### 2.3. Relationship marketing in Consumer Markets:

Relationship marketing (RM) was conceived as an approach to industrial and service markets, and was considered inappropriate in other marketing contexts. Recently, however, the domain of RM has been extended to incorporate innovative applications in mass consumer markets. Much has changed in a few short years. Recent applications of RM in consumer markets have been facilitated by developments in direct and database marketing within an increasingly competitive and fragmented marketplace. This paper presents a critical review of the history of RM in consumer markets, and incorporates important conceptual, practical, empirical and popular contributions. A number of critical issues which remain unresolved are identified in the paper. These form the basis of ten research propositions which are crucial to justifying and advancing the domain extension into consumer markets.

### 2.4. Conditions of the consumer market for RM:

The conditions of the consumer market for relationship marketing can be explained by the following table. Table 1 give the information about the ideal conditions, Traditional consumer market and the web details for the relationship

market for the consumers. Table 1 summarizes four categories of conditions that are necessary for the success of RM. These conditions include pre-requisites from market, marketers, nature of offering and consumers for RM success. This summary is not meant to be complete, but provides a systematic view for the most important factors presented in the literature.

**Table -1 Conditions of the consumer market for RM**

|                     | Ideal Conditions  | Traditional Consumer Market  | The Web  |
|---------------------|---|--|--|
| Market              | <ul style="list-style-type: none"> <li>• High competition</li> <li>• High transparency</li> <li>• Short communication distance</li> <li>• Balanced power</li> </ul>   | <ul style="list-style-type: none"> <li>• Low transparency</li> <li>• Long communication distance</li> <li>• Marketer-dominated power</li> </ul>  | <ul style="list-style-type: none"> <li>• Increase transparency</li> <li>• Reduce communication distance</li> <li>• Increased consumer power</li> </ul>           |
| Marketer            | <ul style="list-style-type: none"> <li>• High value of individual consumer relationships</li> <li>• Interactive and low cost communication tools</li> </ul>   | <ul style="list-style-type: none"> <li>• Medium to low value of consumer relationships</li> <li>• Mass broadcasting, costly interaction</li> </ul>   | <ul style="list-style-type: none"> <li>• Increased value of individual consumer relationships</li> <li>• Interactive and low cost communication tools</li> </ul> |
| Nature of offerings | <ul style="list-style-type: none"> <li>• High service component</li> <li>• Specialization and customization nature of products</li> <li>• High customer product category involvement</li> <li>• Professionalism and complexity in decision making and purchase</li> </ul> | <ul style="list-style-type: none"> <li>• Varies across product categories</li> <li>• Trend of commoditization</li> <li>• Cost reduction through mass production and service reduction</li> </ul> | <ul style="list-style-type: none"> <li>• Enhanced service aspect</li> <li>• Personalization</li> </ul>   |

|           |  |  |  |
|-----------|--|--|--|
| Consumers | <ul style="list-style-type: none"> <li>• Value relationship</li> <li>• Capable of managing relationships</li> <li>• Active, like to be involved</li> </ul> | <ul style="list-style-type: none"> <li>• Low relationship orientation</li> <li>• Passive role</li> </ul> | <ul style="list-style-type: none"> <li>• Increased relationship value through increased efficiency needs, risk perception, power, etc.</li> <li>• Master communication tools</li> <li>• Can be active</li> </ul> |
|-----------|--|--|--|

2.5. Differences between RM in a broad sense and in a narrow sense: The differences between relationship marketing in the broad sense and narrow sense can be explained by the following table.

**Table - 2 Differences between RM in a broad sense and in a narrow sense**

|                                   | RM in a broad sense                                     | RM in a narrow sense  |
|-----------------------------------|---|---|
| Nature                            | A marketing philosophy                                  | A marketing tactic, customer focus                              |
| Feasibility                       | Any market, any business                                | Special product-consumer niches                                 |
| Focus                             | Increasing customer satisfaction                        | Address needs of a relational customer segmentation             |
| Benchmarking measure              | Return purchase rate                                    | Pocket percentage, relationship robustness                      |
| Antecedents of relationship       | Satisfaction  | Trust, customer active involvement                              |
| Implementation conditions         | No  | Existence of close interactive communication structure or tools |
| Role of participants              | Retailer dominated marketing; passive role of customers | Active roles of both parties; partnership                       |
| Robustness of relationship        | Vulnerable  | Firm  |
| Consumers' stake in relationships | Low   | High investment, social or emotional bonds                      |
| Implementation environment        | Traditional consumer market                             | B2B market; Online consumer markets                             |
| Competition advantages            | Weak, easier to copy                                    | Strong, hard to copy  |

**3.Targeting various consumer groups with RM :**

Researchers recognize that there is a continuum of customer relationships ranging from transactional to highly relational bonds, by discussing the different levels and length of the relationships. In Table 3, we categorize three types of consumers, transactional consumers, repeated or loyal consumers and relational consumers, with different levels of B2C relationships.

**Table 3 Consumers with different levels of B2C relationships**

|                          |                                    | Transactional Consumers  | Repeat (loyal) Consumers   | Relational Consumers                             |
|--------------------------|------------------------------------|--|--|--|
| Consumer Characteristics | Market appearance                  | Shop around  | Repeated purchase, open to other offers                              | Exclusive, repeated purchases, emotional bond    |
|                          | Decision making domain             | A full decision making process on all market alternatives (intelligence; design; choice) | Reduced choices and reduced decision making process (design; choice) | Minimum (choice), with the relationship marketer |
|                          | Attitude to competitor information | Welcome and actively search  | A certain level of interest  | Don't care                                       |
|                          | Orientation to relationship        | Low  | Medium   | High and collaborative                           |
|                          | Basis for future purchase          | Satisfaction   | Trust or favorable evaluation  | Commitment                                       |
|                          | Psychological attachment           | Unattached, unbiased   | Favorable  | Emotional attachment                             |
|                          | Knowledge about Marketers          | Low  | Medium   | High   |
|                          | Involvement and initiatives        | Low; passive targets   | Low to medium; passive targets                                       | High; active partners                            |
| Relationship type        | N/A                                | Transactional relationship   | Non-contractual commitment   |  |

|                        |                                |   |  |   |
|------------------------|--------------------------------|---|--|---|
| Marketing Implications | Marketing strategy             | Mass marketing; transactional marketing                   | RM in a broad sense, including segmentation, loyalty program, mix of transactional and RM techniques | Relationship marketing in a narrow sense, co-creation marketing               |
|                        | Orientation and organization   | Product   | Market   | Customer  |
|                        | Information collected and used | Transactional level, basic                                | Transactional level, detailed  | Relational level; detailed  |
|                        | Tactical focus                 | Price or other transactional incentives; tangible rewards | Tangible rewards   | Intangible rewards (emotional/social bonds, information sharing, partnership) |
| Time frame             |                                | Short-term  | Medium-term  | Long-term   |

Relationships may be examined from a process point of view or a strategic point of view. From the process point of view, the different levels of relationships can be viewed as component stages of the consumer relationship building process. Marketers need to attract transactional consumers, convert them to repeated or loyal consumers, and then develop them into relational consumers. Relational consumers may not represent profitable customers. From the consumer point of view, relationships may not always be desirable. Relationship building entails data collection. This data collection may be viewed by customers as an invasion of privacy.

Consumers, depending on their relational orientation, will differ in the relative importance of their overall satisfaction or their trust and commitment towards marketers. Research shows that for the low relational customer, overall satisfaction is the primary mediating construct between the component attitudes and future intentions. For the high relational customer, trust and commitment, rather than satisfaction, are the mediators between component attitudes and future intention. Transactional consumers may return to a retailer when they are satisfied with previous experiences. Repeat consumers return for favorable evaluation and tangible rewards. A favorable evaluation may be based on the belief or trust that the retailer provides satisfactory offerings. Relational consumers return because of their commitment. Their relationships can make them overlook the little things that go wrong.

The first question a marketer needs to tackle when designing a RM strategy is whether the relational customer group is available or possible to build. Unfortunately, relational customer groups are rare and difficult to build in the traditional consumer market due to the market environment, nature of offerings and limited communication tools. However, the Internet has been changing the consumer market dramatically, and is facilitating RM in a broad sense and making RM in a narrow sense feasible.

#### 4. Extending the relationship marketing program:

recommendations and managerial implications: To this

point, the main thrust of the discussion has been that, for most sellers, successful implementation of a relationship marketing program requires a complement of marketing strategies that satisfy and motivate customers through four phases of relationship development. We examined how a nonprofit professional theater uses:

- (1) Advertising, publicity and direct marketing to stimulate awareness and exploration;
- (2) Database marketing to establish seller-maintained relationships that encourage relational expansion;
- (3) a subscription governance structure that offers a financial incentive to encourage bilateral commitment; and
- (4) Personal recognition and social bonding programs to promote identification with and internalization of the values shared with the organization, culminating in monetary donations.

PRC subsequently implemented several changes in its relationship marketing program. These changes were motivated by two key insights provided by this study:

- (1) The value of conducting customer segmentation within the context of a relationship marketing program; and
- (2) The importance of governance structures and shared values in establishing a strong relationship foundation.

**Conclusion:** We can conclude that Relationship Marketing is all about holding onto existing customers as well as gaining new ones; while existing customers remain loyal if the value of the product/service that they receive is sufficiently high; while loyal customers can also act as advocates of this product/service. Yet remarkably, many start-up e-commerce companies managed to ignore these simple business concepts, and as a result lost the customers that they had fought so hard to gain in the first place. It is at times like this that 'success' and 'survival' really do equal the same thing, but if Relationship Marketing is installed into the company culture to begin with, then situations like these can be avoided.

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