

## Chapter 3

# Relationship Marketing Strategy and Relationship Management

<b>Literature Study</b>	<b>Internet Services</b> <b>The Marketing of Services</b> <b>Relationship Marketing</b> Interrelationships between constructs
Methodology	Survey and Analysis
Qualitative Findings	Visualisation of Internet Service provision Service breakpoints (Fail Points)
Quantitative Findings	SERVQUAL Interrelationships between constructs
Recommendations	Defining a portfolio of projects Academic recommendations

This chapter will cover the following topics in order to enlighten the concepts of Relationship Marketing and Relationship Strategy:

- (1) Defining Relationship Marketing – gaining insight into the elements of the relationship-marketing concept.
- (2) The Importance of Relationship Marketing – customer retention has significant financial benefits.
- (3) Technology and Relationship Marketing – emerging technologies allows for relationship building activities that were previously unpractical or overly complicated.
- (4) The Evolution of Relationship Marketing – Relationship Marketing is an old concept that evolved within the thrust of services marketing.
- (5) Relationship Strategy and Management – the fundamental premises of relationship strategy are discussed on a level where it can be implemented by a service organisation.

### 3.1. Defining Relationship Marketing

Relationship marketing is a rather complex concept, and therefore there is no commonly accepted definition. It is generally agreed that relationship marketing is a customer-centred approach whereby a firm seeks long-term business relations with prospective and existing customers. The following descriptions of relationship marketing should be noted:

- ✓ Relationship marketing is the process whereby a firm builds long-term alliances with both prospective and current customers so that both seller and buyer work toward a common set of specified goals. These goals are

- met by: 1. Understanding customer needs, 2. Treating customers as service partners, 3. Ensuring that employees satisfy customer needs; this might require employees to exercise initiative beyond company norms, and 4. Providing customers with the best possible quality, relative to individual needs (Copulsky and Wolf, 1990:16-20).
- ✓ Effective relationship marketing will lead to the following positive outcomes: A higher percentage of satisfied customers, greater customer loyalty, a perception on the part of a firm's customers that it is offering better quality products.
- ✓ Relationship marketing is a continuous process, requiring a firm to have constant communication with customers to ensure that goals are being met and to integrate the relationship marketing process into its strategic planning, enabling the firm to better manage its resources and meet future client needs (Levine, 1993:232-234).

According to MacStravic (1998), relationship marketing does not merely constitute an extension of vision from transactions to relationships. It also is a shift in emphasis from simply being better than the competition, to delivering greater value to customers.

While there are differing views as to what constitutes relationship marketing, there are two common dimensions; customer retention and process orientation.

#### Customer retention:

Authorities are in close agreement about the central focus of the customer in the relationship-marketing framework. The retention of customers by building relationships receives top priority in organisations that adopt the relationship marketing philosophy.

#### Process orientation:

Relationship marketing places emphasis on key business processes that help to retain customers. The organisation and network members comprise key processes such as new product/service generation and customer service. The following are some of the guidelines identified:

- (1) Create an obsession for quality internally and in external relationships.
- (2) Apply mass customisation concepts and methods to customise standard products/services.
- (3) Deploy front-line information systems (Cravens and Piercy 1994:39-53).

"Relationship marketing, where your relationship with your customer enables you to meet their needs better and more profitably, is the oldest form of marketing" (Mitchell, 1998:60-64).

"It's a big task, one that will require the eventual reorganisation of the entire enterprise around learning customer needs and creating the capability to

fulfil those needs quickly and at competitive prices" (Peppers and Rogers, 1998c:27-30).

### 3.2. The Importance of Relationship Marketing

Customer retention experts argue that if a firm can increase its customer retention by five percent, it will show on the bottom line as an increase of 25 to 100 percent. For example, consider what it would mean if a major transportation company has 64,000 accounts and loses five percent of them each year due to customer dissatisfaction. Five percent would be 3,200 accounts; if each account spent \$40,000 per year and the company's profit margin is 10 percent, the company is losing \$12.8 million a year due to bad service. Therefore they should spend up to \$12.8 million to improve service, especially if they can get to zero defections.

Doing such a calculation is a way to determine how much any organisation should spend to improve its service. Planners can thus calculate how specific reductions in the defection rate will help the bottom line (Kotler, 1992:50-52).

The one-to-one enterprise creates long-lasting, profitable relationships capable of outliving the very products and services the firm may consider its lifeblood. By making itself more and more valuable to each individual customer, moving steadily up the customer's own learning curve, this enterprise is able to drive its unit margins up, despite the push toward commoditisation that characterises nearly every industry today (Levins, 1998:44-52).

The one-to-one enterprise treats different customers differently, remembering each individually, interacting with them to learn their individual needs and then customising products to these specifications. This association between a one to one enterprise and its customer is thus a learning relationship. It is a relationship that gets smarter with every interaction, steadily developing the customer's long-term loyalty as it protects the margins of the company (Peppers and Rogers, 1994:D4 – D7).

The payoff comes after a few such iterations, when the customer will have taught the enterprise how to serve his own particular needs or preferences. At that point, before he can get an equivalent level of service from a competitor—even one that offers the same level of interaction and customisation, the customer must teach this new firm what he has already taught the original one (Peppers and Rogers, 1997:4-7).

Technology firms appear unwilling or unable to see beyond the view of themselves as product companies. Product expertise is important, but products come and go—and so will customers if loyalty is not developed. Marketers think of and treat their customers as indistinguishable entities

because they don't recall the last time they interacted with them much like the way goldfish swim around a bowl always thinking they are in new waters.

One to one marketing has moved from hypothetical to real competitive advantage. Loyalty building is less about getting permission to talk to customers and more about encouraging them to tell you what they want, and being willing to change your processes in order to give it to them (Dennis, 1998:10).

### 3.3. The Role of Technology in Relationship Marketing

Technological innovations are making it increasingly possible for each firm to have a direct relationship with the people using its products and services. Relationship marketing combines elements of general advertising, sales promotions, and direct marketing to create more effective and more efficient ways of reaching consumers. This centres on developing a continuous relationship with consumers across a family of related products and services.

The relationship marketing process includes three key elements that can be executed more effectively with the use of technology:

1. Identifying and building a database of current and potential consumers which records and cross-references a wide range of demographic, life-style, and purchase information;
2. Delivering differentiated messages to these people through established and new media channels based on the consumer's characteristics and preferences; and
3. Tracking each relationship to monitor the cost of acquiring the consumer and the lifetime value of his/her purchases (Peppers and Rogers, 1997a:63-67).

The one-to-one future will be characterised by three computer capabilities available to businesses: the database, interactivity, and mass customisation.

Technology is closely integrated with relationship management on all levels and will thus be discussed further as an integrated part of the sections to follow.

### 3.4. The Evolution of Relationship Marketing

Relationship marketing is an old idea but a new focus now at the forefront of services marketing practice and academic research. The impetus for its development has come from the maturing of services marketing with the emphasis on quality, increased recognition of potential benefits for the firm and the customer, and technological advances. Relationship marketing is a

new-old concept. The idea of a business earning the customer's favour and loyalty by satisfying their wants and needs was not unknown to the earliest merchants.

Until recently, marketing's focus was acquiring customers. Formally marketing to existing customers to secure their loyalty was neither a top priority of most businesses nor a research interest of marketing academics. The phrase 'relationship marketing' appeared in the services marketing literature for the first time in a 1983 paper by Berry. Berry defined relationship marketing as "attracting, maintaining and, in multi-service organisations, enhancing customer relationships" (Berry, 1995:25). He stressed that the attraction of new customers should be viewed only as an intermediate step in the marketing process. Solidifying the relationship, transforming indifferent customers into loyal ones, and serving customers as clients also should be considered as marketing.

Using product life-cycle terminology, relationship marketing in both practice and research is beyond the introduction stage and on a growth curve toward becoming a mature concept. The following four influences accounts for the accelerated interest in relationship marketing within the service industry:

- (1) The maturing of services marketing.
- (2) Increased recognition of potential benefits for the firm.
- (3) Increased recognition of potential benefits for customer.
- (4) And technological advances.

The maturing of Services Marketing:

Service quality, the core subject that the services marketing field has developed, has stimulated interest in relationship marketing. The object of improving service quality is to engender customer loyalty. A natural extension of the strong interest in service quality is growing interest in relationship marketing. Effective relationship marketing should help a company capitalise on its investment in service improvement.

Benefits to the firm:

Profits climb steeply when a company successfully lowers its customer defection rate. Based on an analysis of more than 100 companies in two dozen industries, it was confirmed that the firms could improve profits from 25 percent to 85 percent by reducing customer defections by just five percent (Berry, 1995:236-245).

Benefits to the customer:

A relationship with the supplier reduces the risk of repurchase and adds a social dimension by making the client feel important. Relationship marketing allows service providers to become more knowledgeable about the customers requirements and needs. Knowledge of the customer combined with social rapport built over a series of service encounters facilitates the tailoring of customised services to the customer's specifications.

Technological advances:

Rapid advances in information technology are decreasing the cost and increasing the practicality of relationship marketing while its potential benefits are becoming better known. Information technology enhances the practical value of relationship marketing by efficient performance of key tasks (Peppers, 1995:76-78). These tasks are:

- (1) Tracking the buying patterns and overall relationship of existing customers.
- (2) Customising services, promotions, and pricing to customer specific requirements.
- (3) Co-ordinating or integrating the delivery of multiple services to the same customer.
- (4) Providing two-way communication channels; company to customer and customer to company.
- (5) Minimising the probability of service errors and breakdowns.
- (6) Augmenting core service offerings with valued extras.
- (7) Personalising service encounters as appropriate.

In effect, information technology advances are creating the opportunity for firms to move from segmenting markets by groups to segmenting by individual households (Peppers and Rogers, 1998e:32-34).

Relationship marketing firms need to determine which types of customer defectors they wish to try and save, such as price, product, or service defectors, and create a value-adding strategy that fits their requirements and strengthens the bond with loyalty-prone customers (Berry, 1995:236-245; Rogers, 1998:2,21).

### **3.5. Customer Relationship Strategy and Management**

In this section customer relationship strategy and management will be discussed. The focus will be on populating a literature framework for the understanding of customer relationship management based on strategic elements as well as the different levels of relationship marketing.

Six strategy elements for practising relationship marketing are:

- (1) Developing a core service around which to build a customer relationship.
- (2) Customising the relationship to the individual customer – segmentation, personalization and customisation.
- (3) Augmenting the core service with extra benefits–value added services.
- (4) Pricing services to encourage customer loyalty.
- (5) Marketing to employees so that the in turn will perform well for customers (Berry, 1995:25).

(6) The building of trust between the customer and the organisation.

Relationship marketing can be practised on multiple levels, depending on the type of bonds used to foster customer loyalty. The higher the level, at which relationship marketing is practised, the greater its potential for sustainable competitive advantage.

Level one relationship marketing relies primarily on pricing incentives to secure customer's loyalty. Higher interest rates for longer duration bank accounts, a free video rental after 10 paid rentals, and frequent flyer points illustrate level one relationship marketing. Unfortunately the potential for sustainable competitive advantage from this approach is low because price is the most easily imitated element of the marketing mix. Customers most interested in pricing incentives are particularly vulnerable to competitor promotions. Marketers seeking to establish the strongest possible relationships typically must be more than a price competitor.

Level two relationship marketing relies primarily on social bonds, although aggressive pricing may be a vital element of the marketing mix. Level two relationship marketers attempt to capitalise on the reality that many service encounters also are social encounters. Social bonding involves personalization and customisation of the relationship, for example, communicating with customers regularly through multiple means, referring to customers by name during transactions, providing continuity of service through the same representative, and augmenting the core service with education or entertainment activities such as seminars or parties. Although social bonding normally cannot overcome a non-competitive core product, it can drive customer loyalty when competitive differences are not strong. (Crosby and Stephens, 1987:404-411).

A social relationship may also prompt customers to be more tolerant of a service failure or to give a company an opportunity to respond to competitor entries.

Level three relationship marketing relies primarily on structural solutions to important customer problems. When relationship marketers can offer target customers value-added benefits that are difficult or expensive for customers to provide and that are not readily available elsewhere, they create a strong foundation for maintaining and enhancing relationships. If the marketer is also using financial and social bonds, the foundation is even more difficult for competitors to penetrate. At level three, the solution to the customer's problem is designed into the service-delivery system rather than depending upon the relationship-building skills of the individual service providers. The problem solution is 'structural' and thus binds the customer to the company, instead of an individual service provider who may leave the firm (Berry, 1995:236-245).

"Relationship marketing has to be seen as a management philosophy starting with customer orientation, continuing with creating satisfied customers and,

finally, activities to maintain profitable long-term relationships” (Holmlund and Kock, 1996:287-304).

Each of the strategy elements mentioned will now be discussed below in more detail, with reference to the levels of relationship marketing where applicable.

### **3.5.1. Developing a core service around which to build a customer relationship**

As mentioned in Chapter one, it is important to distinguish the core service from the augmented product. The advantage of developing a core service is that a focus will exist within the organisation that will drive realistic promises to a customer.

Defining a core service furthermore leads to a better understanding of the scope of work done by the organisation. A realisation of scope and focus can assist in building an understanding within the company around what service can be out-sourced to partners or competitors.

### **3.5.2. Customising the relationship to the individual customer – segmentation, personalization and customisation**

Segmentation:

The term ‘market segmentation’ was introduced into the marketing literature in 1956 by Wendell R. Smith, who used the phrase to label a strategy. However market segmentation is not really a strategy; it is an analytical act that precedes the development of strategy (Kotler, 1992:50-52).

Through market segmentation it is possible to determine different clusters of relationship and satisfaction. These segmentation schemes can be useful in customer management since it allows for a more personalised service. As customers become more and more demanding it is important to handle them with different objectives.

The key to success is designing and packaging products to meet the needs of members of particular customer segments (Hefer, 1987:15-20). Dull (1998) states that successful companies develop a strong market/segment focus, focus on fewer segments, building customer understanding, capability and dominance in those segments.

Carpenter (1997/1998) cited the following implications for relationship marketing: “...consequences of managing different types of relationships require that banks pay more attention to customer segmentation and targeting, and consider mechanisms for negotiating internally with both



front-line and back-office staff and externally with trade associations and government agencies on behalf of the different groups of customers.”

A micro-marketing program based on a needs-based segmentation allows profiling of the larger target population in a cost-efficient way. Once the segmentation analysis has defined the target segments, an abbreviated battery of discriminating attributes can be used to classify the target population into the segments. This method offers flexibility in the collecting information from the larger target population. Only 12 to 15 questions are necessary to profile the 'client', and these questions can be administered in a number of ways, including mail and fax. Once the 'client' is assigned to a segment, the promotion can be customised for that individual. Database management incorporates the profiling of the target population and aids in the implementation of the marketing campaign (Winokur, 1994:62-65).

Today, customers are differentiated by rate tariffs, usually grouped into industrial, commercial and residential classes. In the future, service companies will need to differentiate customers by both need and value. Need really defines a company's relationship with each customer: What does each customer want, how does each want it, what is the best way to communicate with each of them?

Value is what customers are worth to the Services Company. The one-to-one enterprise will use lifetime value to emphasise the importance of long-term relationships with existing customers since it's much more expensive to find new customers than it is to maintain and grow current ones (Peppers and Rogers, 1998d:27-30, 82-84).

Technology and segmentation:

The levels of customer differentiation and interaction required by one-to-one marketing cannot be supported by the typical service provider customer database for several reasons:

- (1) Not enough of the right information can be added to existing records.
- (2) Most of the data cannot be retrieved at every point of interaction with that customer.
- (3) Most database architectures are still ill suited for building and maintaining longitudinal relationships—ones that slowly but continually gather and use customer information.

Segmentation has now progressed to the era of mass customisation, but even segmented markets are too broad. Today's computer technologies and automation capabilities allow companies to produce affordable, individualised versions of products (Kotler, 1992:50-52).

Personalization:

"A good way of retaining customers seems to be recognising that they exist, communicating with them, and responding to the needs they express through this dialogue" (Mitchell, 1998:90).

Personalization is an example of a level two relationship.

Relationship marketing is designed to provide meaningful 'value' at each and every interaction with the customer. This value status is achieved by providing participants meaningful and timely information that relates just to them. That means tailored or personalised communications and a system that 'learns' about the participants over time.

"Personalisation is at the core of recognition-acknowledging customers by name and understanding their individual needs, wants and concerns" (Johnson, 1998:36-38).

Within the umbrella of relationship marketing, one can choose segmentation, or employ personalization. Segmentation is information distributed to narrow, well-defined bands of target customers. Personalization is information distributed and designed to be one-on-one (Levins, 1998:44-52; Tauhert, 1997:43-48).

The company has to communicate with each customer in a way that recognises their specific needs and characteristics and persuade them to respond. A customer needs to be 'recognised' no matter how, when or where he 'touches' the company, whether it's a phone call to sales, a letter querying an invoice, a faxed complaint to customer services, or a web-site visit.

Technology and Personalization:

Powerful software has been developed to enable organisations to cost effectively and efficiently tailor each and every communication piece, in effect creating a 'segment of one' for thousands, or even millions of customers.

This combination of experience and more powerful software has pushed the definition of 'cutting edge' from segmentation to personalization. Each message is tailored to meet the needs of the individual, and materials are more relevant and specific to their needs (Clemm, 1993:53).

Trust is built in this way, and by establishing a feedback loop in the system, customers will continue to share information, enabling each subsequent communication to better meet the needs of the individual (Levins, 1998:44-52).

Companies must have enterprise-wide customer information systems, which gather all relevant information, including a history of all interactions with each customer. Such data should be instantly available to any member of

staff who needs it. Stephen Kelly, a vice-president of the software firm Chordiant, which sells systems for this purpose is of the opinion that the problem is not really the systems, but the culture. Businesses are usually built around functional departments or processes. The key is how do you build the organisation around the customer. After personalization, the product or service must be customised to reflect the specific desires of the customer. After all, it is pointless taking the previous step unless the customer actually sees some benefit from it (Mitchell, 1998:90).

Businesses that truly believe in treating different customers differently, the Web are a nearly perfect vehicle. Implementing any one-to-one program requires taking these four steps:

- (1) Identifying customers at every point of contact.
- (2) Differentiating customers based on their value to your enterprise, and on their needs from it.
- (3) Interacting with each of your customers more cost-efficiently (Donath, 1998:5-6).
- (4) Customising some aspect of your product based on each customer's needs and value, at least for the most valuable customers (Peppers and Rogers, 1998f:22-29; Grossman, 1998:13).

In utilising the Web, marketers have an unprecedented opportunity to initiate on-going relationships with consumers, and engage in two-way, interactive dialogues to learn more about each individual and how to serve them better.

Each time a person interacts with a web-site, one can ask additional questions that refine the information and personalise the dialogue. Predictive models can be build and are proving extremely helpful in estimating the success of future relationship marketing campaigns (Levins, 1998:44-52).

#### Customisation:

The objective of relationship or one-to-one marketing is to give an enterprise the capacity to treat its customers as individuals and thereby develop a continuous relationship with them. This approach uses individually addressable and interactive media to permit dialogue with consumers, offering mass customised goods and services, in many cases delivered directly to the home. Customisation is an example of a level two relationship.

The one-to-one marketer must also plan how to make the company's product and services more useful to individual customers. A fundamental change is beginning to occur in large and small marketing companies around the world as they assess the advantages of switching from mass marketing to relationship marketing and from product management to customer management.

The tool for meeting each customer's needs is mass customisation, creating and packaging complex bundles of products and services that can be

organised and delivered in thousands of different combinations quickly and cost effectively.

With mass customisation, companies create standardised modules that can be produced quickly and cost-effectively in quantity. When a firm finds a customer and assesses its needs, it assembles the modules into a custom configuration. To the customer, this product/service bundle has the look and feel of a customised package. In fact, the package is made of standardised modules quickly assembled into a targeted bundle.

"A one to one enterprise is an organisation that treats different customers differently, remembering each individually, interacting with them to learn their individual needs and then customising products to these specifications." (Peppers and Rogers, 1997b:4-7).

### **3.5.3. Augmenting the core service with extra benefits**

A strong overlap exists between the body of literature of services and relationship marketing when value added services are discussed. As mentioned in Chapter 2, value added services can be classified as an approach to service differentiation. In this section the relationship building component of value added services are going to be discussed

In order to remain competitive organisations must continually amplify or enhance their value-added package (Kotler, 1992:50-52). Enhancements may include new products, special communications, cross-selling offers, newsletters and member events. Value added services are an example of a level three relationship.

The 'Affinity' type loyalty program encapsulates value-added services. The word 'affinity' implies a strong relationship with mutual interests. The affinity program seeks to increase the lifetime value of customers by building strong relationships with them, without the use of rewards. Value is added to customer's relationships through information-intensive communications, value-added benefits and recognition (Johnson, 1998:36-38).

In addition to the core products (Internet connectivity), a bundle can contain a wide range of customisable modules such as more sophisticated ways of purchasing connectivity, time-of-day rates, seasonal rates, demand-based rates, and wireless connectivity.

Services that are logical extensions of core products can take the form of services such as secure e-mail, WebPages and search-engines.

The philosophy behind value added services are to sell what the customer wants, not what the service provider already has. A reliable Internet experience is just a ticket to enter the competitive arena. Over time,

customers will want their ISP to make their lives simpler and more convenient and to bring to them new ideas and approaches that match their own beliefs and interests. It's not about what the average customer wants, or what the majority of customers want, this is what each customer wants.

To create a true one to one relationship, an enterprise must base its actions toward an individual customer not on the products or services it already produces, but on the needs of the particular customer. Sometimes meeting those needs makes it necessary to go outside the organisation for a component, product or service that the company do not supply itself (Peppers and Rogers, 1997b:4-7; Peppers and Rogers, 1997a:63-67).

The focus of the one-to-one enterprise is not to find more customers for its products, but to find more products for its customers (Rogers, 1998). To sustain the relationship, marketers should monitor customer needs and satisfaction and respond to life cycle changes (Brierley, 1994:22-25).

#### **3.5.4. Pricing services to encourage customer loyalty**

Loyalty programmes with the exclusion of the affinity program mentioned above are a good example of pricing for loyalty or 'bribing' the customer to stay loyal. Pricing is a level one relationship builder.

Different loyalty programs exist:

- (1) The rewards program, which entails rewarding a customer's purchase behaviour with merchandise unrelated to the brand.
- (2) The rebates program where the more the customer purchase, the better price will be extended back to the customer.
- (3) The appreciation program entails rewards based on the brand rather than unrelated offerings. The choice between a reward and appreciation program is in the fact that a rewards program can also be used as an acquisition tool.
- (4) Partnership program, these programmes actively seek new customers with a specific interest in a partner's product.

A customer retention program, sometimes confused with a loyalty program, consists of three main items:

- (1) A focus on satisfying current customers.
- (2) A means of measuring why customers leave.
- (3) A planned effort to prevent customers from leaving once they express a desire to do so.

How satisfied was the customer? What is the customer's reason for leaving?

Typical reasons would include poor service, pricing, change of address, the customer no longer has need for the service or received a better offer from a competitor (The Business Research Lab, 1997).

### **3.5.5. Marketing to employees so that they, in turn, will perform well for customers**

Transform service company employees into Customer Relations Specialists. One of the critical characteristics of a one-to-one organisation is that everyone in the company is focused on serving the customer. With a differentiated customer base, interactive communications with customers and mass-customised products, virtually all components of the organisation must focus, directly or indirectly, on the consumer (Berry, 1995:25).

Mention needs to be made of the importance of employee retention as an antecedent of customer retention. High employee turnover negatively affects service quality and customer retention, thus hurting profitability and further reducing resources available to invest in employee's success (Berry, 1995:91-98; Payne, 1994:29-31).

### **3.5.6 Building trust**

For a strong relationship to exist, it must be mutual. The good intentions of partners in a relationship cannot be in doubt. Communication must be open, honest, and frequent. Similar values must prevail. Partners must be willing to give, not just get. It is critical to the formation of service-based relationships because of the intangibility of services.

Most services are difficult to evaluate prior to purchasing and experiencing them, and some services remain difficult to evaluate even after they have been performed. Customers who develop trust in service suppliers based on their experiences with them have good reasons to remain in these relationships: they reduce uncertainty and vulnerability (Bitner, 1995:246-251).

How can relationship marketers demonstrate their trustworthiness?

Opening lines of communication:

Forthright, frequent, two-way communications clearly are important. Maritz Marketing Research surveyed consumers about being contacted by a company and found that 80 percent of the sample felt it was important for a company to keep in touch with its customers. Eighty seven percent indicated they would buy from a company that had a reputation for keeping in touch. Communication leads to trust and trust to relationship commitment (Melchinger, 1991:100-110).

#### Guaranteeing the service:

Service guarantees are another means to build trust. Dissatisfied customers can invoke the guarantee and receive compensation for the burden they have endured. When executed well, service guarantees can symbolise a company's commitment to fair play with customers and facilitate competitive differentiation. Guarantees also force the organisation to improve service to avoid the cost and embarrassment of frequently having to pay out.

A service company should never implement a service guarantee without a thorough analysis of its purpose and risks. Guaranteeing a poor service is always a mistake. Firms delivering poor service first should significantly improve their service quality. Then they can consider a guarantee that will help facilitate further improvement (Harris, 1993:14-17).

#### A higher standard of conduct:

Companies seeking to build genuine relationships with customers must be willing to operate with a higher standard of conduct than just legality.

Corporate practices that rob customers of self-esteem or justice may be legal, but they destroy trust and consequently the potential for relationship building. Relationship marketers must be prepared to subject every policy and strategy to a fairness test. They must be willing to level the playing field. They must be willing to ask not only if it is legal, but also if it is right (Berry, 1995:236-245).

### 3.6. Summary of Chapter 3

This Chapter started out by defining Relationship Marketing; its importance and evolution. Different strategic initiatives that are practically possible to implement are then discussed. It is clear from the content reviewed in this chapter, and when looking at the complexities and opportunities for innovation, that a focussed approach need to be taken to the implementation of Relationship Marketing strategy.

The following chapter will now link the constructs reviewed in the second chapter with the relationship concepts covered in this chapter. An Integrated model to service and relationship management will thus be created.