

# **BUSINESS-TO-BUSINESS MARKETING**

## **WEEK 5 CUSTOMER RELATIONSHIP MANAGEMENT IN BUSINESS-TO-BUSINESS MARKETS**

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**WEEK FIVE**  
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**MARKETS**

**5.1 Introduction**

Welcome to week five lecture! This is another great day when we gather to continue building knowledge on business-to-business marketing. You will recall that in weeks one and two lectures, we noted that relationship building is one of the key characteristics of business marketing. This is built on the premise that there is a lot of interaction between the business marketer and his clients, the fact that there are very few customers and even sometimes only one. Therefore, the business marketer gets to know his customers personally and therefore skills in relationship building become essential.

In the last class we examined the issues of market segmentation, targeting and positioning. Once the marketer has identified the segments to serve, selected the most viable positions himself, the next phase will involve building relationships with his identified customers. In this lesson, we will then focus on how to establish, build, and maintain relationships, especially with key accounts.

**5.2 Intended Learning Outcomes**

At the end of this lecture, you will be able to:

1. Describe customer relationship management in business marketing context.
2. Discuss buyer-seller relationship issues in business marketing context.
3. Examine the role of personal selling in building relationships in business marketing.
4. Evaluate drivers of customer relationship management.
5. Discuss customer relationship lifecycle.
6. Evaluate application of technology in customer relationship management.
7. Discuss key account management in business marketing.

**5.3 Definition of Relationship Marketing.**

We begin this lecture by defining the term relationship marketing. The aspect of relationship marketing has evolved over the years. Morgan and Hunt (1994) state that “Relationship marketing refers to all marketing activities directed toward establishing, developing, and maintaining successful relational exchanges”. According to Sheth and Parvatiyar (2000,) relationship marketing is the ongoing process of engaging in cooperative and collaborative activities and programs with immediate and end-user customers to create or enhance mutual economic value at reduced cost. Relationship marketing is the foundation of customer relationship management implying that customer relationship management is a subcomponent of relationship marketing. Payne and Frow (2005) note that customer relationship management restricts the relationship target to “key customers and customer segments”. They further indicate that customer relationship management focuses more on tactical management through an integration of process, people,

operations, and marketing capabilities that is enabled through information, technology, and applications.

Palmatier (2008) concludes that customer relationship management (CRM) is the managerially relevant application of relationship marketing across an organization focused on customers, which leverages Information Technology to achieve performance objectives. Nurturing and managing relationships have emerged as important strategic priority in most firms due to the fact that loyal customers are far more profitable than customers who are price sensitive and perceive few differences among alternative offerings and also due to a realization that a firm that is successful in developing strong relationships with customers secures important and durable advantages that are hard for competitors to understand, copy or displace.

In business-to-business marketing context, relationship marketing is based on the principles that there is a history of exchanges and an expectation that there will be exchanges in the future (Fill and McKee, 2011). Thus, business marketers are involved in collaborative exchange rather than transactional or marketing exchange. Table 5.1 provides a comprehensive list of the fundamental differences between transactional and collaborative exchange-based marketing.

**Table 5.1 Comparison between transactional and relational exchanges**

<b>Attribute</b>	<b>Market exchange</b>	<b>Collaborative exchange</b>
<b>Length of exchange</b>	Short-term	Long-term
<b>Relationship history</b>	No history	Relationship history and future
<b>Basis of relationship</b>	Products and prices	Relationships and mutual value
<b>Relationship strength</b>	Weak	Strong
<b>Communication</b>	Predominantly formal Non-personal	Predominantly informal Personal
<b>Propensity to share information</b>	Little and infrequent	High and regular
<b>Conflict</b>	Domain and goals	Interests
<b>Cooperation</b>	None	Many
<b>Activities</b>	Clearly defined roles and tasks	Roles and tasks likely to vary

Source: adopted from Fill, C., & McKee, S. (2011). Business marketing face to face

## **5.4 Buyer–Seller Relationships**

Business -to- business marketing is characterized by the relationship between buyers and sellers. However, there are certain aspects of relationship building that we must become adept to. These include trust versus formality, power and dependence, conflict and cooperation, supplier relations, relationships as investments, complexity, and adaptation (Ali, 2021 and Zimmerman & Blythe 2013). Each of the issues is briefly discussed.

1. Trust versus formality refers to the degree to which the relationship is bound by contractual agreements. The business marketer will do well in trying to establish whether mere trust without written codes will hold the agreement. It is wise to determine the culture of potential clients and even the national culture and find out whether trust is a dominant value.
2. Power and dependence refer to the degree to which either party can make life difficult for the other party. If one firm is heavily dependent on the other, the second firm can dictate the terms of the relationship. The business marketer will try to be more influential so that he will guide the relationship.
3. Complexity refers to the state of having many parts and being difficult to understand or find an answer to. The more points of interaction which exist between the buyer and the seller, the more complex the relationship becomes, but at the same time the relationship also becomes closer.
4. Supplier relationship concerns the coordination of suppliers with each other, and the relationships which may develop therefrom. Different suppliers will make different demands and the business marketer must seek ways of working with other suppliers to his benefit.
5. Conflict and cooperation are the opposite ends of a spectrum. Conflict is inevitable when companies with different aims, backgrounds, and agendas attempt to work together and if the conflict is resolved in a reasonable manner, cooperation is the result. The business marketer must seek to understand conflict resolution strategies to enhance cooperation.
6. Adaptations are longer-term result of conflict resolution. As the relationship develops, the parties will need to adapt their business practices to cooperate better.
7. A relationship might be considered a long-term investment where each party will need to expend effort which is not immediately rewarded to enjoy longer-term benefits. Business marketers must be willing to invest in the long term and expect returns therein.

## **5.5 The Roles of Personal Selling in Relationship Building in Business Markets.**

Personal selling is in no doubt, one of the widely used tool to build relationship in business markets. It is also one of the promotional strategies widely applied by business marketers in meeting their objectives. The business marketer utilizes personal selling because it is a two-way communication that provides the touch required in marketing of goods and services. It is also noted that the tool is a two-way communication and has not been replaced effectively by any technology. The tasks of personal selling are summarized in table 5.2.

**Table 5.2: Tasks of personal selling**

<b>Activity</b>	<b>Explanation</b>
<b>Market research</b>	The analysis and forecasting of market trends and related activities. The identification of sales opportunities.
<b>Inbound information</b>	Reporting information to the organization about the market, customers, and associated stakeholders.
<b>Outbound information</b>	Reporting organizational information to customers and associated stakeholders about products and organizational issues.
<b>Prospecting</b>	Finding and using leads to generate new customers.
<b>Marketing &amp; sales team coordination</b>	Developing strong internal links with sales support teams, the marketing department, and other agencies.
<b>Customer relationship</b>	Selling leading prospects (and established customers) to a successful close.
<b>Sales service</b>	Developing mutually satisfying relationships with customers.

Source: Based on Guenz et al (2009).

In the context of business marketing, personal selling is viewed as a key tool for relationship building. The salesperson does this by engaging in the following activities among others (Moncrief and Marshall, 2005):

1. Customer retention and deletion. This implies that salespeople will service the worthy customers and advise the firm on the ones to do away with as they may be unprofitable, especially in the long run.
2. Database and knowledge management. Salespeople engage in information search about customers and will advise management on the best way to build relationships with them.
3. Nurturing the relationship. Salespeople are in the front line for looking after customers and ensuring that they remain loyal by offering them appropriate services and information they may require.
4. Selling the firm's products and services. Salespeople usually see this as their main function, whose success depends on the effective completion of others.
5. Problem-solving. Good salespeople solve customers' problems, even if this does not result in an immediate sale. This is especially so with technical products that salespeople deal with.
6. Adding value and satisfying needs. Good salespeople add value by giving good advice, providing useful contacts, and even explaining how the products can be used more effectively.
7. Customer relationship maintenance. Good salespeople should represent the customer's interests back to the firm.

## **5.6 Drivers of Customer Relationship Management.**

Building strong relationships with client is a key requirement for business marketer. The drivers of relationship viewed as an asset have been highlighted by Palmatier et al 2008 to include: conflict, seller expertise, communication, relationship investments, similarity, relationship benefits, dependence on seller, interaction frequency and relationship duration.

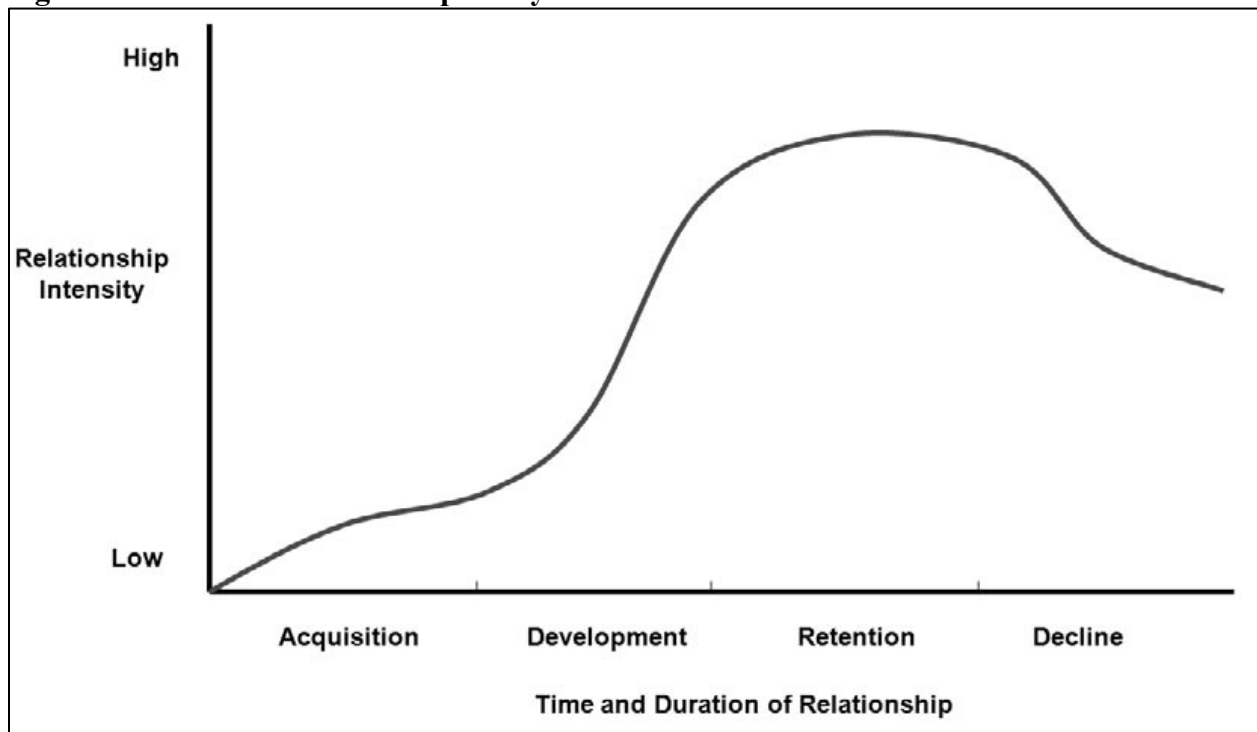
1. Conflict refers to the overall level of disagreement between exchange partners. It is one factor that must always be addressed to reduce its negative impact on customer relationship management. The business marketer must strive to maintain good relationships as conflict may have a negative effect on the two main blocks of relationship building, trust and commitment. People pay more attention to negatives than to positives in RM; even hard-won relationships can suffer great damage because of conflict.
2. Seller expertise is knowledge, experience, and overall competency of seller. When a customer perceives a seller as more knowledgeable or credible (seller expertise), the information the seller provides seems more reliable, valuable, and persuasive (Dholakia and Sternthal 1977). Skills and knowledge are the fundamental unit of exchange. The business marketer must increase his knowledge of the products, services and customer needs to avoid detrimental negative impacts of unskilled and inexperienced salespeople.
3. Communication refers to the amount, frequency, and quality of information shared between exchange partners. Bilateral communication builds stronger relationships by helping resolve disputes, align goals and expectations as well as uncover new value creating opportunities (Morgan and Hunt 1994). The business marketer must therefore put effort into maintaining consistency in communication given its numerous advantages in relationship building.
4. Relationship investments include the seller's investment of time, effort, spending, and resources focused on building a stronger relationship. Investing in relationships generates benefits such as time savings, convenience, companionship and improved decision making. This may take the form of gifts, direct mailings, preferential treatment among others. Customers will replicate this if they find value in the relationship.
5. Similarity refers to commonality in appearance, lifestyle, and status between individual boundary spanners or similar cultures, values, and goals between buying and selling organizations. In selecting the organizations to partner with, the business marketer must consider these elements.
6. Relationship benefits received include time saving, convenience, companionship, and improved decision making.
7. Dependence on seller is customer's evaluation of the value of seller-provided resources for which few alternatives are available from other sellers.
8. Interaction frequency is the number of interactions or number of interactions per unit time between exchange partners.
9. Relationship duration is the length of time that the relationship between the exchange partners has existed.

By emphasizing these strategies, the business marketer can build and maintain relationships with his clients and accrue all the benefits determined. It, however, requires him to be very deliberate and invest in relationship building to see the results. In general, the most effective strategies seem to minimize conflict; improve seller expertise, bilateral communication, relationship investments, and relationship benefits and to match both boundary spanner and organizational-level characteristics to those of targeted customers. In addition, generating customer relationship benefits and investing in customer relationships may strengthen some aspects of the relationship, however, increasing customer dependence and interaction frequency or just maintaining a customer relationship over time only minimally offer effective RM strategies (Palmatier, 2008).

### 5.7 Customer Relationship Cycle.

The development of customer relationships can be expressed through a cycle (Fill & McKee, 2011). The customer relationship cycle has four main stages that include acquisition, development, retention and decline as presented in figure 5.1.

**Figure 5.1 Customer relationship life cycle**



Source: adopted from Fill, C., & McKee, S. (2011).

Customer relationships go through a variety of phases that are dynamic in nature and structure and which can be described using the life cycle concept. Just as with product life cycle, different strategies can be applied to different phases to observe the different customers' requirements as a relationship evolves. At an aggregate level, customer relationships can be broken down into four

different phases namely customer acquisition, development, retention and decline. The customer relationship lifecycle is represented in Figure 5.1 and each phase is briefly discussed.

- 1. Customer acquisition:** At this phase, there are three main events that occur. First, is a buyer–seller search for a suitable pairing. Second, is a period of initiation during which both organizations seek out information about the other before any transaction occurs where the phase duration partly depends on the strategic importance and complexity of the products as well as the nature of the introduction. For instance, if introduction is by an established and trusted organization, the duration will be shortened. Third, is the socialization period during which the buyer and seller start to familiarize themselves with each other and gradually begin to reveal more information about themselves. At this point, the seller is able to collect payment, delivery and handling information about the buyer and be able to prepare customized outputs while the buyer is able to review the seller’s products and to experience the seller’s service quality.
- 2. Customer development:** During this phase, the seller encourages the buyer to try other products, increase the volume of purchases, engage with other added value services and to vary delivery times and quantities. The buyer will agree according to specific needs and increase the level of the drive to become more involved with the supplier. It is during this phase that the buyer is able to determine whether it is worth or not to develop deeper relationships with the seller.
- 3. Customer retention:** Greater involvement in relationships results in greater levels of trust and commitment between the partners and allows for increased cross-buying and product experimentation, joint projects and product development. How long this phase lasts will depend on whether both the buyer and seller are able to meet their individual and joint goals. It is important to note that the very essence of relationship marketing is for organizations to identify a portfolio of organizations with whom they wish to develop a range of relationships. Therefore, the means of measuring levels of retention as well as determining when resources are moved from acquisition to retention and back become critical.
- 4. Customer decline:** This period is concerned with the demise of the relationship in which case termination may occur suddenly as a result of a serious problem or episode between the parties. The more likely process in this phase is the buying organization deciding to reduce their reliance on the seller and either notifies them formally or begins to reduce the frequency and duration of contact and moves the business to other, competitive organizations.

## **5.8 Creating Customer Relationship Management Strategy.**

Creating a customer relationship management strategy will involve a series of steps that include:

- 1. Acquiring the right customers:** This requires the business marketer to identify the most valuable customers and calculate the share of their purchases (wallet) for their goods and services. The marketer should further analyze customer revenue and cost data to identify

current and future high-value customers, leading the marketer to target marketing communications to high-value customers.

2. **Crafting the right value proposition:** The marketer must determine the products or services the customers need today and will need tomorrow and assess the products or services that their competitors offer today and tomorrow. This makes the business marketer identify new products or services that business should be offering as assisted by data from customer transactions. The marketer might as well create new distribution channels and pricing models.
3. **Instituting the best processes:** This will require the business marketer to research the best way to deliver the products or services to customers, determine the service capabilities that must be developed and the technology investments that are required to implement customer strategy, process transactions faster, provide better information to customers and contact employees as well as manage logistics and the supply chain more efficiently.
4. **Motivating employees:** The business marketer must identify the tools the employees need to foster customer relationships. They should earn employee loyalty by investing in training and development and constructing appropriate career paths for employees. They should also align employee incentives and performance measures and distribute customer knowledge to employees throughout the organization.
5. **Learning to retain customers:** This is the final stage that requires the business marketer to understand why customers defect and how to win them back. The marketer must also identify the strategies their competitors are using to win your high-value customers. Tracking customer defection and retention and service satisfaction levels are crucial in this process.

### **5.9 Application of Technology in Customer Relationship Management.**

The impact of technology in customer relationship management is profound. In general, the use of ICT in business relationships has seen development in automation, standardization and improved communications, greater efficiencies, and increased quantities of targeted information to identified clients. However, the use of technology has destroyed some relationships as well as create opportunities for others. The internet, therefore, should be used in certain purchasing situations according to the significance of different types of purchase items so that some strategically orientated purchases may be maintained through strong relationships between partnerships and alliances Skjott-Larsen et al. (2003).

Customer relationship management applications were initially designed for supplier organizations to enable them to manage their end-user customers. The aim of CRM systems is to provide all employees who interact with customers, either directly or indirectly, access to real-time customer information. CRM applications typically consist of call management, lead management, customer record, sales support, and payment systems. Ideally, CRM systems should be incorporated as part of an overall strategic approach (Wightman, 2000). Rapp et al. (2010) note that durable customer

relationships are best maintained using a “combination of customer-centric technology, human, and business resources along with a relationship-focused strategy”.

To sum up, the success of using information technology to improve customer relationship management (CRM), the following are the factors upon which it depends (Avlonitis and Panagopoulos, 2005; Beuhrer et al., 2005):

1. CRM perceived usefulness: If the salespeople believe that the system will help them perform better, and will be helpful to their customers, they will adopt it.
2. Setting of accurate expectations regarding system usage: Provided the system performs as it was expected to, salespeople will be happy with it but if unreasonably high expectations were raised, they will tend to reject it.
3. Salesperson innovativeness toward new technological tools: If individual salespeople are already computer-literate, they will naturally be less likely to find the new technology stressful or difficult to use.
4. CRM perceived ease of use: As with any new product, ease of use will make it easier to adapt, but if salespeople believe that the new system is over-complex, they will avoid using it wherever possible.
5. Supervisor encouragement and support: As always, the sales manager has a strong role in supporting salespeople through changes in working practices.

### **5.10 Key Account Management**

Key account management is one of the greatest ways to express customer relationship management in business marketing. Key accounts are characterized by accounting for a significant proportion of the firm’s overall sales, cooperation between distribution channel members rather than conflict the supplier works interdependently with the customer to lower costs and increase efficiency. Also, the realization that the supply involves servicing aspects such as technical support as well as delivery of physical products (Blythe and Zimmerman 2013).

As part of key account management, the selling function must be done more professionally, and may include features such as: many decision-makers involved with very little likelihood of being able to meet all of them at one time; the salesperson not present when the final decision is made and he or she may never meet the most senior decision-makers; the problems which the salesperson is expected to address are complex and often insoluble in any permanent sense and that the consequences of the problem are often much more important than the immediate problem would suggest. The key-account managers need to take a customer-oriented approach rather than a selling approach. They need to adopt a team-selling approach, since this will lead to synergistic solutions which in turn engender greater trust in the customer (Guenz et al., 2009).

To sell effectively to key account managers, the business marketer needs to answer the four core questions effectively (Rackham 1995) :

1. Situation questions: These questions are about finding out the current situation of the prospective customer, in terms of the customer's strategic direction, financial position, status of the problem, and so forth.
2. Problem questions: These questions relate to the specific problem the buyer has at present and questions help to develop mutual understanding of the problem and reveal the implied needs.
3. Implication questions: These explore the wider implications of the problem, and often reveal that the problem has much greater ramifications than were at first apparent. This makes the buyer feel the problem much more acutely.
4. Need-payoff questions: These questions enable the buyer to state explicit needs, which allows the seller to explain the benefits of the product.

Managing and selling to key accounts effectively will require business marketers to adhere to the following principles. Sales managers should follow these principles when becoming involved in major sales:

1. Only become involved when your presence makes a unique difference.
2. Do not make sales calls to a customer unless your salesperson is with you.
3. Before any joint call, agree on specific and clear selling rules with your salesperson.
4. Be an active internal seller for your salespeople.
5. Always have a withdrawal strategy that prevents any customer becoming too dependent on you personally.

### **5.11 Review Questions**

1. Define customer relationship management and show how it relates with relationship marketing.
2. Differentiate between collaborative exchanges and marketing transactions exchanges.
3. Discuss the drivers of relationship marketing.
4. Critically evaluate impact of technology in building relationship.
5. Examine principles that should guide a sales manager in engaging clients directly.
6. Explain how an understanding of relationships and communication might help resolve conflict.

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