

BUILDING CLOSE RELATIONSHIPS WITH CUSTOMERS: POLISH ENTERPRISES' PRACTICE

Joanna Bednarz

INTRODUCTION

One of the features of the contemporary economy is saturation of the developed and developing markets. This is not a temporary phenomenon triggered by the recession, but a permanent one. It is characterised not only by a stable volume of sales which is the reason that every new product gains its market shares at the expense of other products. This is manifested also by limited number of clients and by the affluence of their purses. This phenomenon is additionally enhanced by the strengthening competition on the part of other enterprises as well as the fact that often, the products competing for strengthening their market position do not differ substantially – their price, quality, image, and promotion ways are similar.

Moreover, the community of consumers living in the times of the global economic crisis is cautious and sceptical. What is more, they are full of understanding and they expect the same conduct from others. They think that they deserve something exceptional and they hope for an individual approach on the part of the manufacturers. They pay particular attention not only to the quality of the products purchased, but also to the service level.

In this brief characteristic of current market realities it should be taken into account also the Pareto principle (the 80/20 Law). It says that typically about 80% of revenue comes from just 20% of customers. It appears to make sense to concentrate most marketing resources on this 20%. Such a small group of buyers becomes the most important investment of the company. They are regular purchasers who come back, buy more and more frequently, servicing them is cheaper, they are less sensitive to small price variations, and what is important, they recommend the company and its products to others. In the present situation on this rather difficult market, the competitive advantage of

one entity over the competitors is often decided by a better dialogue and contact with clients. The longer the company keeps its customers, the better market position it will be able to build. Therefore, the activity of the enterprise should focus on the skills of looking for the best clients and then – on taking care of them and on a gradual shaping of the loyalty attitude in them. Undoubtedly, loyal consumers are one of the core elements conditioning building and maintaining the enterprise competitive advantage on the market [1].

In this paper author concentrates exactly on the meaning of building close relationships with the clients who can be defined as being loyal. The study is aimed at portraying the practices of Polish enterprises, and mainly the instruments used by them in the field of relationship marketing, with a particular attention paid to the loyalty programs.

1. RELATIONSHIP MARKETING

The concept of approaching the clients as if they were one of the most important assets of every company emerged in the '90s of the past century. The literature defines this concept as the relationship marketing. Ch. Grönroos [2], the specialist in the marketing of services, defines relationship marketing in the following way: "Marketing is to establish, maintain, and enhance relationships with customers and other partners, at a profit, so that the objectives of the parties involved are met. This is achieved by a mutual exchange and fulfillment of promises". Such relationships are usually but not necessarily always long term. Establishing a relationship, for example with a customer, can be divided into two parts: to *attract* the customer and to *build* the relationship with that customer so that the economic goals of that relationship are achieved.

Relationship marketing refers to the development, growth, maintenance of long-term, cost-effective exchange relationship with individual customers, suppliers, employees, and other partner for mutual benefit [3]. Developing excellent service quality creates the opportunity to build an ongoing relationship with customers. The idea of relationship can apply to many industries. It is particularly important in services since there is often direct contact between service provider and customers. The quality of relationship that develops will often determine its length. When a company integrates customer service and quality with marketing, the result is a relationship marketing orientation. Relationship marketing creates a new level of interaction between buyers and sellers. Rather than focusing exclusively on attracting new customers, marketers have discovered that it pays to retain current customers [4].

The economic entities are focusing on the growing requirements of the market, and in particular on the customers' needs and this cause that in the structure of their competitive potentials, the intangible resources are dominating. The special role is played by the possessed skills and competence. The vital components of the competitive potential of the contemporary enterprises are, in particular:

- launching of innovative products/services,
- establishing strong brands,
- establishing and maintaining good relationships with the enterprise stakeholders, and mainly – building the customers' loyalty,
- developing of the intellectual capital which is composed of: market assets (brand, purchasers' loyalty, distribution channels, contracts and agreements), human resources (knowledge, skills, capabilities and features of the employees' personalities), intellectual value assets (know-how, trade secrets, patents which give the right to use the inventions, rights to trademarks, industrial designs, and geographical marking), infrastructure assets (technologies, procedures, data bases, management systems, organisation structure),

- developing of informative technology facilitating the management of the enterprise and directed towards strengthening of the close relationships with the purchasers (like customer relationship management systems, CRM).

2. CONSUMER LOYALTY

Loyalty is a feature of people. In general it can be said that loyalty it is something that customers may exhibit to brands, services, product categories, and activities. Unfortunately, there is no agreed, universal definition of customers' loyalty. Instead it is worth to mention three main definitions that shows three popular conceptualizations:

- loyalty as primarily an attitude that sometimes leads to repeat buying and positive attitude towards a brand [5],
- loyalty as a very strong commitment to repurchase a preferred product or service consistently in the future and a resistance in switching brand, although having powerful situational influences and marketing efforts [6],
- loyalty is mainly expressed in terms of revealed behavior – "the biased, behavioral response, expressed over time, by some decision-making unit, with respect to one or more alternative brands out of a set of such brands, and is a function of psychological processes [7].

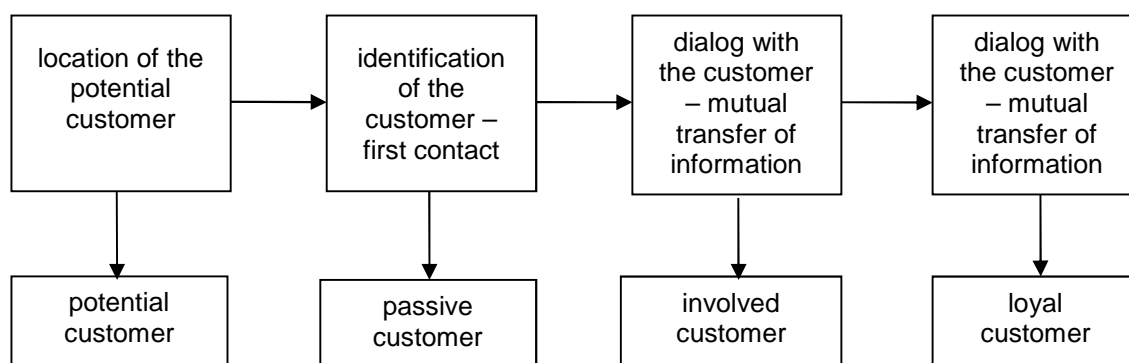
Consumer loyalty and satisfaction are linked together, but this relation is asymmetric. It means that although loyal consumers are most typically satisfied, satisfaction does not universally translate into loyalty. Satisfaction is a necessary step in loyalty formation. The main source of consumers' satisfaction is a product or a service. Products and services provide benefits and/or solutions to problems faced by buyers. These can be functional, economic and psychological. They are the prime sources of customer value [8]. It is also thought that the purchaser is satisfied when the quality of the supplier's services corresponds to his expectations. If the enterprise gets to know the preferences of its recipients, it should use this

knowledge in order to build permanent relationships with them and to make them use the enterprise offer many times, because the purchasers' loyalty is an important factor determining a long term growth and the level of margins. This results from a few reasons. First, it has been evaluated that the cost of keeping the existing client is a few times lower than that of acquiring a new one. Convincing the new purchaser that they should cooperate is very expensive, because it requires such tools as advertising, direct marketing, price incentives. This cost is high because this is a very lengthy process. Moreover, in the course of time, the loyal customers do shopping of greater quantity and value. Their knowledge of the manufacturer's offer is broadening, and as they trust him, they decide to make greater use of his services. What is more, when the customers become more and more closely related to the company, the costs of servicing them become lower, because less time is to be devoted to answering their questions pertaining to, for instance, the product specificity, rules of

complaints and returns procedures. It is not meaningless that satisfied clients recommend the products or services which they use to others. On a number of markets, recommendations may constitute an important source of the business development, since they are the instrument more efficient than advertising and than other forms of communication. In some cases, although this is not a rule, the existing clients are less sensitive to price fluctuations than the new ones. New purchasers are usually attracted by bargains and promotions where the enterprise may apply only a low margin, so it does not earn much [9].

In order to undertake effective steps aimed at acquisition of the customers' loyalty, one should first localise them and get to know them exactly. At this stage consumers can be called potential and passive. When the company starts to contact them, customers slowly start to be involved and then loyal. The Fig. 1 presents the process of forming a loyal customer.

Fig. 1: The process of forming a loyal customer



Source: own study based on OTTO, J. Batalia o lojalnego klienta. *Businessman Magazine*, 1994, Volume 9, p. 68. ISSN 0867-1389.

In order to prepare oneself professionally for the implementation of the process of shaping the loyal clients, the enterprises must systematically gather the necessary information. Many of them restrict themselves only to collecting the information on sales. This is certainly not enough. Companies, depending on the kind of business, must gather more

detailed data, such as demographic, environmental, and historical information on the individual clients or data containing the characteristics of the activities of companies, in case of the business customers. This purpose is supported by the CRM systems. Analysis of these data should serve the identification of the segments of purchasers and it should provide

valuable hints about the features of the potentially loyal client. It is worth remembering also, that on the business-to-business market (B2B), the purchases are made by a company, so the key decisions are affected by the employees from various department of an enterprise (technologist, logistician, financier, salesman, the officers) manifesting various demands and expectations towards the supplier. Also, the decisions of the final purchasers on the business-to-consumer market (B2C) are influenced, besides the routine factors, by a lot of persons, such as the remaining household members, friends, salesmen, social opinion, mass-media etc.

Such results could be used to develop the marketing campaigns of promoted products and offers which correspond to the preferences of a given segment. It should always be remembered that the clients are more apt to buy products from those manufacturers who tailor their offers and who contact the customers in the language which the customers understand. This dialogue offers many essential benefits. First of all, it bolsters the purchaser's self-esteem and it may trigger a greater loyalty towards the company. It is also an expected reaction to the processes of individualisation of the social life. It often counteracts the feeling of frustration which aggregates in customers who think that their opinions are insignificant for the manufacturers, it introduces an advantageous climate and the atmosphere which favours making the purchases. A systematic dialogue provides the company with the most recent information which may give rise to ideas of creation of a new product, improving those already existing, or which will suggest other ways of presentation of the existing products. Hence, the contact started with the potential purchasers causes that they become more interested and, consequently, they may convert into the real customers [10].

3. A LOYALTY PROGRAM AS AN IMPORTANT INSTRUMENT IN THE RELATIONSHIP MARKETING

A loyalty program may be defined as a process conducted by the manufacturer or a service

provider among his customers, directed towards establishing bonds and a permanent relationship of the type: product/service – consumer or brand – consumer.

Creation of a good program is not an easy task. The first step in this direction is defining its goals and aims. Two aims of customer loyalty programs stand out. One is to increase sales revenues by raising purchase/usage levels, and/or increasing the range of products bought from the supplier. A second aim is more defensive – by building a closer bond between the brand and current customer it is hoped to maintain the current customer base. The popularity of these programs is based on the argument that profits and margins can be increased significantly by achieving either of these aims. It must be also noticed, that loyalty programs can have many other common objectives such as: furthering cross-selling, increasing brand loyalty, inducing greater consumer resistance to counter offers and counter arguments, decreasing price sensitivity, creating database, aiding trade relations, assisting brand PR, establishing alliance etc. [11]

The second key step is the identification of the program addressees. There are loyalty programs which can be joined by every willing consumer. On the other hand however, many enterprises decide to introduce certain requirements which must be fulfilled in order to take part in the program. For example, the access may depend on the period of cooperation, the purchased volumes, types of the services used, etc. Consequently, in this way the companies divide the clients into proper segments in order to isolate and define those of them who are the most desired ones (target groups). The organisers adapt the special forms of communication to such groups.

A loyalty program will not attract the clients if there is no interesting set of benefits and tools affecting the rational and emotional spheres of every isolated group of purchasers. The organisers must decide whether the participants will receive the regular customer cards, for which services the points will be granted, if any, what prizes are in the catalogue, or if there are

additional price discounts provided (for the loyalty, for instance), or whether it is planned to have a quiz with prizes which award bonuses for the value of the purchases and for the span of the period of being the client.

In the case of loyalty programs, an exceptionally important element is the choice of an adequate strategy and frequency of the organisers' communicating with the program participants. This contact may not be too frequent as the clients may feel "cornered", nor can it be too rare, so that they would not forget about being loyal. Most often, the enterprises pass on to the customers the basic information using mass strategy, so – through press advertising, web-pages (so called internet consumer services) and an adequate public relations. Special offers, addressed only to the selected clients are forwarded mainly by means of the direct strategy, i.e. at the meetings, in the form of e-mail messages, or thanks to the tele-marketing. Additionally, this contact is often maintained by means of season's greetings, sending the company magazines, bulletins, and occasional letters.

It follows from the practice that the real difficulty for the organisers is to make the budget estimate, meaning the exact calculation of the costs of implementation of a certain program. It is difficult to foresee the attractiveness of individual prizes which must be ordered and stored in advance what results in freezing of a part of the working capital. Certain doubts may be cleared thanks to marketing researches however many of them require the sensitivity and intuition on the part of the organisers and advertising agencies cooperating with them.

Finally, one should notice that even the best program will not bring effects without a periodical monitoring of its functioning and of the effectiveness and without possible implementation of corrections and changes which would maintain the permanent interest of the participants. It is also worth underlining that not every loyalty program must end successfully. Numerous threats result first from complicated rules of participation, insufficient marketing budget and inadequate balancing of the required volume of purchases with the

received bonuses and privileges (effectiveness). Problems may also be generated by an inappropriate frequency of contacts or it may even discourage the clients, if the program does not change. It is also worth planning of certain actions which are the counter-attack on similar programs introduced by the competitors.

4. INSTRUMENTS OF BUILDING CLOSE RELATIONSHIPS IN THE PRACTICE OF POLISH ENTERPRISES

First of all, it should be underlined that Polish companies have a long time ago been aware of the importance of building and maintaining relationships both with the trade partners (B2B market) as well as with the final purchasers (B2C market). Depending on their market positions, possessed resources, but mainly the skills and competence, they use various instruments.

On the B2B market, the instruments from the field of price and distribution management are used. They will count among the so called discount ladders the value of which depends, for instance, on: the volume of purchases within a given period, timely payments of the dues, or on special functioning related, for example, to the active distribution in a given region, implementation and clearing of promotion campaigns organized by the manufacturer, testing of new products, and so on. Of course, Polish enterprises also apply various promotion instruments. Their primary role is to support trading agents in sales of products of a given enterprise, but indirectly they are to contribute also building satisfaction of the final purchasers and in due course – also their loyalty. The most frequently applied count among: the advertising in the media, presence in the leaflets issued by the shops, promotion discounts, promotion materials placed in the shops, savouring, cross-selling of the enterprise products, products received free of charge as well as souvenirs and prizes.

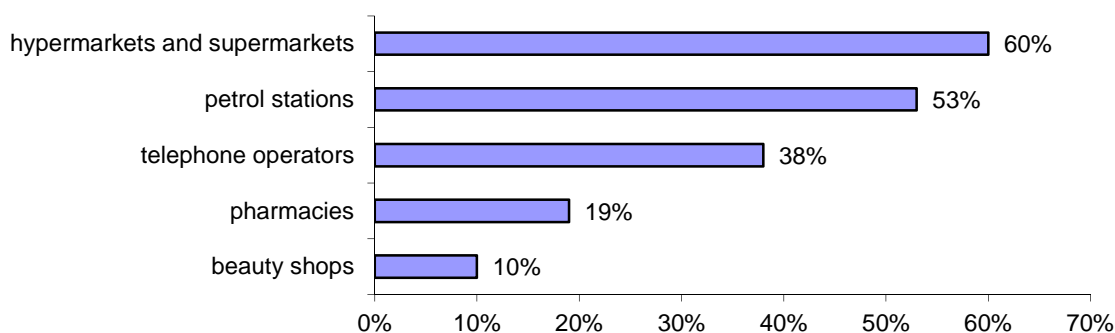
Nevertheless, from the point of view of the deliberations in this paper, the particular attention should be paid to the gradual trend

related to using the loyalty programs for building close relationships with the trade partners. Of course, they are not as extensive as those offered to the final purchasers, but their construction and principles must be interesting for the wholesale and retail sellers cooperating with a given enterprise. A long-term, loyal cooperation with a given partner may be rewarded with, for example, additional discounts, in kind prizes (for the owners of wholesale companies or shops, but also for the above-average employees), membership of exclusive clubs of loyal agents, participation in training, meetings and attractive integration events offered to the members of such clubs only, help in the development of the trade agents like through co-financing of the fixed

tangible assets of their property (cars, office devices, shop and wholesale equipment) and in the promotion campaigns carried out by such agents.

The engagement degree of many Polish enterprises in building the close relationships with the final consumers can also be positively evaluated. It must be clearly stated that the loyalty programs which have been functioning on the Polish market since many years now, became the brands – relatively well recognised by the customers [12]. Polish consumers take part in loyalty programs organized mainly by: hypermarkets and supermarkets, petrol stations, telephone operators, pharmacies and beauty shops (see Fig. 2)

Fig. 2: Participation in loyalty programs in Poland

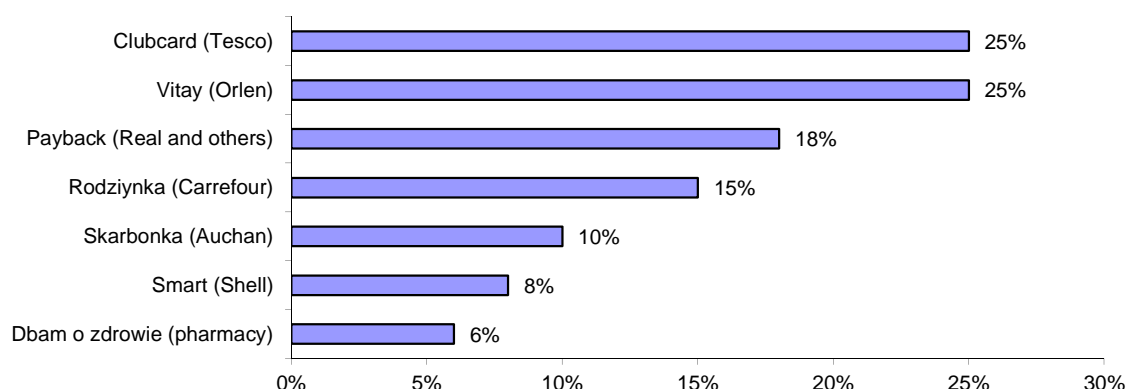


Source: *Loyalty Business Overview 2012*, Pallad Media, Kraków 2012.

Over 40% of the respondents have at least one loyalty program card, 15% of them have a few. A little more often than the total of the respondents, the possession of a card (in particular a few of them) is declared by women and the population between 25 – 29 years of age. The cardholders are most often the consumers possessing the greatest buying power, inhabitants of big cities, persons with at least secondary education, and of a high material status. The best known loyalty programs are Clubcards implemented by hypermarkets Tesco (25%) and Vitay organised by Orlen – the biggest Polish oil industry corporation having petrol stations in Poland, Germany, Czech Republic and Lithuania (25%).

Polish customers take part also in loyalty programs organised by other hypermarkets: Real (18%), Carrefour (15%) and Auchan (10%) – see Fig. 3.

A part of the loyalty programs was constructed, or transformed into multi-partner coalitions. This produces visible benefits both for the participants as well as for the program partners. Undoubtedly, the clients who take part in such a loyalty program collect the points faster and have more options to exchange them for prizes. They may also use the so called common currency – i.e. the common system of gathering the points and converting them into prizes.

Fig. 3: The most common brands of loyalty programs

Source: *Loyalty Business Overview 2012*, Pallad Media, Kraków 2012.

In turn, for the companies, the basic cause for entering into a coalition is of course the hope for expanding the sales, acquisition of new customers, increasing the average turnover of the participants and the share in the customers' purses. Moreover, passing from the stand-alone to coalition program is often dictated by the cost factors. Conducting the program individually, acquisition of and keeping the client are not cheap and additionally, there arises the necessity of organizing the efficient system of passing the prizes on to the program participants. An operator of the stand-alone program will not be able to offer the prize range as wide as a few partners, either. The common benefit for the program partners is also the acquisition of a broader and deeper knowledge of the consumers, their behaviour, needs, and preferences. This is favoured by the technical development and the development of advanced analytical instruments which allow for a deep behavioural segmentation of the customers and then for preparation of an effective marketing message matched to their needs.

Unfortunately, the coalition programs have also vices. Problems with their identification are their basic deficiency. This can be noticed on the example of the Polish Payback program. Not all of its participants are aware in what program are they really taking part. This is worsened by the fact that a part of the clients do not watch systematically the changes taking place in the existing programs and they are not always

aware that a coalition took place and related to it migration of participants.

An inherent element of the loyalty programs are prizes. Polish enterprises offer both the discount and point systems, although the customers rather prefer the first solution. In the point system, the exchange of points for the cash vouchers is judged to be better than exchange for prizes, whereas in the discount system smaller discounts are preferred, but for the whole range of products offered by the shop. This option is indicated more frequently than the offer of bigger discounts for a part of the assortment. One should notice however, a new trend in the field of prizes. It is, the prizes become more and more unique, difficult to obtain outside of the loyalty programs. The example of this type of prizes may be the sushi preparation course, parasailing, paragliding, driving a Lamborghini and Ferrari, visit at the Santa Claus's in Lapland. Besides, the tendency of exchanging points for professional services becomes more and more popular.

A standard in the communication with clients is using the electronic channels: e-mails, text messages, telephone, although the traditional despatch of the offer still works. It is used in the correspondence indicating the customer's account statement or for sending a bulletin or a catalogue of the program. Polish enterprises pay greater and greater attention to the mobile communication and to their presence in the

social media. Clients whose data are in the enterprise base and fans of Facebook receive offers unavailable for others and they may take part in contests. The manufacturers try to introduce new technologies, such as photo-codes which are the pass to the discounts and souvenirs. This leads to a deeper understanding of the clients, richer and more sophisticated intensive interactions, and to the strengthening of the customers' engagement.

CONCLUSION

Summing the above deliberation up, it should be underlined that Polish companies have a long time ago been aware of the importance of building and maintaining relationships both with the trade partners as well as with the final purchasers. The loyalty programs which have been functioning on the Polish market since many years now, became the brands – relatively well recognised by the customers. However, looking at the constantly changing market realities it must be clearly stated that it is not enough. In the times of the global economic crisis, Polish enterprises must very carefully watch the changes taking place on the market, in particular in the scope of their customers' behaviour and preferences. Such an approach allows for better matching of the market requirements and modifying the form and rules of the loyalty programs carried on so far. For example, nowadays, the interest of the enterprises in "economy" customers who are value oriented, is more and more visible, because, as it turns out, many Poles change the place of shopping by limiting their expenses in the premium facilities. Noticing this tendency resulted in a gradual creation of similar programs in the economy segment. Of course, the specificity of this group of clients must be taken into consideration when working out new rules of the loyalty programs.

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Author:

Joanna Bednarz, Ph.D.

University of Gdansk
Faculty of Economics
Institute of International Business
j.bednarz@ug.edu.pl

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Abstract: The Pareto principle (the 80/20 Law) says that typically about 80% of revenue comes from just 20% of customers. It appears to make sense to concentrate most marketing resources on this group of buyers. It would be good if they were loyal. The purchasers' loyalty is an important factor determining a long term growth and the level of margins of each manufacturer.

One of the instruments used for building close relations with customers is a loyalty program. It can be defined as a process conducted by the manufacturer or a service provider among his customers, directed towards establishing bonds and a permanent relationship of the type: product/service/brand – consumer. It is worth to implement loyalty programs on the market because of two reasons. One is to increase sales revenues by raising purchase/usage levels, and/or increasing the range of products bought from the supplier. A second aim is more defensive – by building a closer bond between the brand and current customer it is hoped to maintain the current customer base.

Polish companies have been aware of the importance of building and maintaining relationships with their clients for many years. They had to possess special resources (mainly the skills and competence) and implement various instruments, also loyalty programs. They are organized mainly by: hypermarkets and supermarkets, petrol stations, telephone operators, pharmacies and beauty shops. It is worth to mention that they are relatively well recognised by the customers – over 40% of the Poles have at least one loyalty program card, 15% of them have a few. To make them interesting Polish enterprises offer both the discount and point systems. They also try to introduce attractive prizes as well as innovative technologies to encourage customers.

Key words: relationship marketing, customer loyalty, loyalty program

JEL Classification: M3