Chapter-1

Introduction

1.0 Background

We are witnessing a core shift in the focus of marketing away from transactional marketing towards relationship marketing. (Thorsten Henning-Thurau, Ursula Hansen 2000). Relationship Management is the key term nowadays in the corporate organizations. In the pre-liberalized era in the country, goods and services were mainly supply driven. For example, banking, airlines etc. were dominated by the Government during that period aptly called License Raj. The customer had no choice but to buy the final product from the limited choices available and the trade channel had very limited role to play that is to push the available. However, in Post-liberalized and open economy, the trade has started playing a very crucial role by dominating the push strategies of the company. Today the consumers have plenty of products and services to choose from. Number of players in market has also gone up and monopolistic competition has set in. Hence, relationship management holds greater importance across industries.
The period of 1990s is characterised as the time of movement and action for organizations and consumers. Some key environmental factors provided the setting whereby companies changed their attention and orientation toward marketing and the consumer. Companies have acknowledged the fact that they must change and restructure their way of establishing and maintaining business relationships. For example, many manufacturers discovered, or more accurately, re-discovered that RM and CRM are invaluable with constantly changing technology and increasing global competition (Galbreath and Rogers, 1999; Valentine, 1999, Zineldin, 2000, 2005).

By using A TRM philosophy which includes the 5Qs (Zineldin, 2000) and viewing an organization as a collection of interdependent systems and processes, managers can understand how CRM problems occur and can strengthen the organization as a whole.

Trade Relationship Management (TRM) solutions can enable organizations to more effectively manage their partner and channel relationships. Trade Management platform helps an organization to work collaboratively with partners to increase revenue, drive customer satisfaction and reduce partner management costs. The
primary function of Trade is to buy the product/service and then sell it further to the customer. The psychology of retailer (Trade) is different from the customer. A deeper insight into individual and group dynamics shows that group dynamics plays important role in retailer trade behaviour, as they tend to behave similar within the same group, whereas consumer behaviour is more individualistic.

1.1 Trade Relationship Management Insights

First of all, the biggest difference lies in the fact that consumer & Trade are different entities. The primary function of trade is to buy the product/service & then sell it further to the customer.

The psychology of the retailer (trade) is different from the customer. Group dynamics plays important role in retailer trade behaviour, as they tend to behave similar within the same group, whereas consumer behaviours are more individualist.

The purchase behaviour of trade is repetitive & transactional type of nature, whereas it is not the case in the consumer behaviour and is need based.
1.2 Relationship Marketing

Relationship Marketing is not new. The principles that underlie it represent the essence of marketing, with it focus on concepts like trust, and commitment. If we accept that the ultimate goal of marketing activities is customer satisfaction, and that this satisfaction is achieved through the creation of value for the customer, then many small firms have been practicing “relationship marketing” for centuries without realizing that was what they were doing. The four R’s of marketing-retention, relationships, referrals and recovery are of critical importance in the establishment of a successful marketing programme.

\begin{center}
\begin{tikzpicture}
  \node[draw, rounded corners] (r) at (0,0) {Relationships};
  \node[draw, rounded corners] (re) at (0,-1) {Relationships lead to};
  \node[draw, rounded corners] (ret) at (0,-2) {Retention};
  \node[draw, rounded corners] (ref) at (0,-3) {Referrals};
  \node[draw, rounded corners] (rec) at (0,-4) {Recovery};

  \draw[->, thick] (r) -- (re);
  \draw[->, thick] (re) -- (ret);
  \draw[->, thick] (ret) -- (ref);
  \draw[->, thick] (ref) -- (rec);
\end{tikzpicture}
\end{center}
1.3 CRM
CRM is defined as the practical application of Relationship Management (RM) theory, integrating technology and business practices in order to identify, accept and build appropriate mutually beneficial relationships with customers to maximize value for each party (cf. Bose, 2002; Gummesson, 2004).

1.4 PRM
Information and Communication Technology and the Internet have become the key enablers for channel member’s organisations to collaborate for mutual benefit. E-channel partners are increasingly viewing the improvement of their relationships as a strategic component of their efforts to grow revenues while controlling costs. There are many reasons for using partners, such as to expand market coverage, to offer specialised products and services, to broaden the range of offerings and to provide a more complete solution. Furthermore, it gives vendors and partners’ instant and reliable information, provides customers with industry specific expertise, increases capacity to integrate multiple products/services, reduces time to market, and finally meets customer purchasing preferences with asset/cost efficiencies. Partnering effectively though, is a complex
undertaking, with problems related to the cost to recruit partners, to coordinate partners' sales team efforts and complex forecasting processes, to deliver sales tools to them, and to reduce control over the sales process. Additionally, there are problems in terms of gaining partners' mindshare, as well as, the risk of partners selling competitive products. Partner Relationship Management standardises best practices throughout the extended enterprise, using technology appropriately to reinforce relationships between channel partners. The successful operation of today's networked supply chains mandates that every member must be able to share information with trading partners and customers in real-time, preferably without manual intervention. A collaborative platform among partners supports the partner relationship management and the conversion of the information available to knowledge. Partners' data analysis processing, allows members to derive information and partners' intelligence from data warehouse systems by providing tools for querying and analysing data, leading to multidimensional view of the specific partners. The outputs of partners' data analysis are useful to evaluate partners' readiness to collaborate.
and to compare and analyse real-time business performance and customer satisfaction.

1.5 The Problem

Businesses are built on relationships. As relationships become complex and collaboration is required decision system must be able to recognize and process this complexity efficiently. Customer Relationship Management, Supply Chain management, and ERP are behind us as neither of these systems can handle the complex and encompassing relationship between Trade Partners/Retailers. Variables like prices, incentives, discounts, adjustment in invoices, attending to the customers through help desk etc presents a daunting task before the sellers. We have to look for an alternative. It is presumed that Trade Relationship Management can bring about a perfect solution. The present study is focused on Trade Relationship variables leading to better management and profitability along with customer satisfaction and loyalty.

1.6 Justification

Managers especially in the services sector are facing a dilemma as far as relationship management is concerned. CRM Rowley (2002) argues in line with Harvey that 80 per cent of CRM implementations fail, and academics
express scepticism about the viability of interpreting customer data in such a way that it generates useful insights into customer and user behaviour. Bolton (2004) says that many of the early CRM implementations seem to have failed to yield the required.

There is a consensus among scholars that CRM requires the company to manage and coordinate communication with customers across different media (Thomas and Sullivan, 2005; Payne and Frow, 2005). This is because different customers have different needs and thus, the company should treat them differently (Boulding et al., 2005). However, with the growing number of channels through which the company can communicate with its customers, getting their time and attention has turned into a major challenge (Davenport and Beck, 2000). Accordingly, it has become more difficult for companies to find the appropriate media and strategies to use in order to communicate with their customers.

Trade plays very critical role in determining the market share of the organization. A recent live example from the telecom company will highlight the case:

The company was getting very high score of ITP of 75% & the TOM score was also very high to the tune of 90%. But the market share of the company was only 50%. Hence,
the brand was high in customer minds & had high intention to purchase, The Company had managed to get the required pull in the market place but the intention to push was relatively low.

Trade satisfaction provides insight into future financial performance of the organisation. More and more firms are asking these questions as they attempt to measure non-financial or soft assets and attribute economic value to them.

Trade Management is directly linked to higher revenues to the organization as a delighted trade will bring better customers for the organization and can reduce the sales and distribution expenses of the organization. In other words, it is the abilities and quality of the trade to produce results as well as their willingness to provide high-quality service and form relationships that will differentiate thee companies.

Success in TRM is about creating a competitive advantage by being the best at understanding communicating; delivering and developing existing trade relationships in addition to creating and keeping new customers. The concept of product life cycle is giving way to the customer life cycle, focusing on developing products that anticipate the future needs of existing customers and
creating services that extend existing customer relationships beyond the merely transactional. The customer life cycle will focus on lengthening the life span of the customer with the organization rather than the endurance of a particular product. Customers have changing needs as their lifestyles alter – the development and provision of products or services that continuously seek to satisfy those needs is good CRM/TRM. Mission statements will focus greater attention on how to deliver customer satisfaction and organizations will begin to structure themselves around customer segments and not product lines. A successful customer relationship management strategy will address four key areas of the business: Strategy, People, Technology and Processes. Thus understanding the concept of TRM and relationship of different variables and customer satisfaction is the main purpose of this study.

1.7 Research Objectives

The main objective of this research is to test inter-linkages between different components of Trade Relationship Management and how far TRM contributes to market leadership/Benchmarking status in the industry. The specific objectives are as follows:
The first objective of this research is to understand the basic concept of Channel/Trade Relationship Management.

The second objective of the study is to examine different components of Trade Relationship Telecom sector.

The third objective is to determine if Image of the organization is having significant relationship with different components of TRM.

The fourth objective of the research is to explore if better Trade relationship leads to customer loyalty.

The fifth and final objective is to ascertain if TRM directly or indirectly leads to customer satisfaction.