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MK 440- Marketing Seminar

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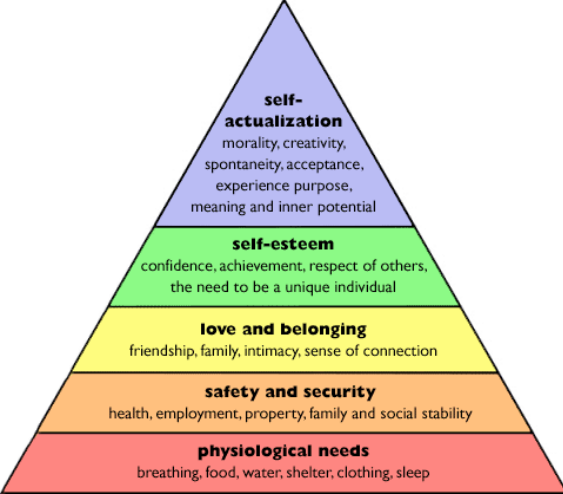
Marketing Theory

Managing Effective Brand Relationships

Think back to one of your first true friendships and what that meant to you. A true friend is someone you can rely on, truly enjoy being around, and depend on even when times are tough. The same meaning of a personal friendship translates into what business to consumer relationships should consist of. My theory of marketing is that meaningful relationships with the target market must be established and nurtured in order for a brand to be successful.

A motivational speaker and writer of Start With Why Simon Sinek said, “the goal is not to do business with everybody who needs what you have, the goal is to do business with people who believe what you have” (readwriteweb.com). When a consumer believes in your product, you have a much better chance of keeping them as a loyal customer, rather than someone who does business with you just because of prices or promotions. In addition, current customers are five times less expensive to keep than new customers, so by retaining current customers, companies are also helping their bottom line.

The role of marketing from day one has been to create, communicate, and deliver value to customers, and to manager those relationships to benefit the organization. Many companies have gone through other routes to deliver value to customers, but ignore the fact that they need to develop and continue effective



relationships. One discipline that I find supports many marketing theories is psychology. Famous psychologist Abraham Maslow created a Hierarchy of Needs that fits as a perfect example to my theory. The third tier on his needs pyramid is that of love and belonging. Once basic human

needs are met, people then need a sense of friendship and connection. This sense of connection between a company and its consumer is much like that of your first true friendship. It is meaningful, necessary to survive, and hopefully, lasting. Consumers are just regular human beings who have social needs. This means they strive for emotionally-based relationships, and companies need to make an emotional connection between the brand and the consumer. From experience, it seems that most companies primarily strive for the bottom line: profits. Although this is also critical for success, they need to recognize that brand personality and relationships are more important than ever, and basic human needs dictate this theory. (See pyramid, left)

Value perceptions are a main factor in determining if a consumer will buy your product or service. People buy based on how they perceive something will perform or benefit them. By starting an effective relationship with that consumer pre-purchase, value is already being added. This will lead to a much higher chance that the consumer will want to do business with you. To enhance and continue the relationship, businesses must then follow-up with the consumer post-purchase for feedback and continued

interaction. This will show the consumer that the company cares about their satisfaction or dissatisfaction, and improvements or alterations can be made afterwards. If the relationship is continued in a positive way, and the consumer's perception of value is met or exceeded, this will almost always guarantee repeat purchases and word-of-mouth will be spread in favor of your company. In relation to Maslow's Hierarchy of Needs, emotional benefits are a main factor in value perceptions. These psychological needs are more personal, and thus less rational. If a brand can tug at a consumer's heart, feelings, needs, etc., that will capture their attention. Emotional needs consist of self fulfillment, image, respect, friendship, security, reputation, etc. I believe it is imperative for a company to connect with their target market on an emotional base since these connections run much deeper and are more meaningful than rational relationships.

With the economy in the dire state that it is in, companies need to do everything they can to keep their loyal customers by following the 80/20 Pareto Rule. Many companies also seem to be segmenting their target market into niche markets instead. They are realizing that consumer demand patterns are changing due to many external environmental factors including technology, the economy, and aging generations. By engaging in niche marketing, companies can then focus on distinct needs and price desensitization, which in the long run, can benefit the company. In a report called *Work, Entrepreneurship and Opportunity in 21st Century America*, millions of American stated that they would much rather start up their own business rather than work for the traditional corporate America job. This allows new business owners to niche themselves into a particular market segment and satisfy those distinct needs. By honing in on

particular market needs, consumers feel more valued by a company and there is a higher chance that they will want to develop a relationship with them. Since many business owners are now doing this, they realize the needs of the typical consumer, as they are one themselves. I believe that smaller businesses have a better chance of interacting one-on-one with their customer base, and have a higher chance of success since they have more time to allocate to each consumer. This is a great way to build effective relationships.

For example, I helped to run a start-up plant nursery two years ago, and the customer base started off as friends and family of the owners. It then grew to the local community members who read the daily newspaper and saw their ads. The owners made it imperative to recognize their valued customers by name, keep an up-to-date e-mail list to contact them, and took the time to talk with them whenever they visited the nursery. I remember talking with several customers who raved about the customer service that our nursery provided, since it was so personable, and allowed each customer to feel valued and important. Year after year I saw the same loyal customers come in, regardless of the economy or new competitors entering in the area. This is when I first realized that relationships in business are crucial for success, especially today.

Many traditional marketing theories are being revolutionized to suit the changing social and economic times. A new marketing approach, which supports my theory of marketing, is that there is a strong emphasis on relationship building and customer retention. The goal of a company should not be to just create demand, value, and customers, but to build life-long customers and create rewards for their continued

patronage. The mass marketing era is coming to an end, and one-on-one marketing is now more important than ever. People are tired of being exposed to traditional advertisements on the television and radio, and are much more able to tune out this clutter. For example, TiVo services allow viewers to eliminate seeing advertisements all together. Also, XM radio and iPods highly reduce the exposure to advertisements on the radio.

The emergence of social media outlets, which allow consumers to interact directly with businesses, has made one-on-one marketing more easy and efficient. Social networking sites including Facebook, Twitter, MySpace and LinkedIn are now sources of excellent networking opportunities between businesses and consumers. For example, if a consumer is 'following' a company that they like on Twitter, they can view real-time news stories about the company, and can begin to interact with them. If they do something called a 'retweet', they are sending out the same message the company posted so that all of the consumer's followers can view the post as well. This is a great word-of-mouth technique, which is virtually free for the company. For example, I follow Dunkin' Donuts on Twitter because I am a very loyal customer of theirs and I like to view their news posts. I have seen 'tweets' that cover topics from their new iced tea flavors to new sponsorships that they have. I like knowing that I can see what one of my favorite companies is doing. This further enhances my customer loyalty.

Social media relationships demonstrate how companies are acting to engage with their consumers. By interacting with a consumer on a site like Twitter or LinkedIn, companies show consumers that they do value their input and comments. People naturally like to engage themselves to gain recognition, and by having interactions with

a company, they receive a personal sense of contribution. As Peter Drucker stated, “The goal of all business organizations is to create a customer.” In order to create a customer, a company must offer a compelling, valuable product/service/idea, engage in conversations with the consumers, and concentrate on keeping those relationships.

Another recent example of engagement with businesses is government agencies are now using social networks to interact with the community. A report by readwriteweb.com stated that about 66% of agencies are now using social networking sites including Facebook and Twitter. The dissemination of local or federal regulations, laws, debates, elections, etc. on these sites will further engage the American population. This trend started after Obama used social networks to develop meaningful relationships with voters during his election campaign. Other agencies saw the high response and engagement rates, and followed in Obama’s steps.

Another report by readwriteweb.com stated that during his campaign, Obama gained 5 million supporters in third party social networking sites, had a profile on 15 online communities, had 3.2 million supporters on Facebook, and there were 400,000 blog posts written about him. All of these mediums allowed Obama to get his presence known by all generations. The number of people who voted in the last election shows the exponential amount of people who were engaged with the Obama campaign because they had relationships with him through social media networks. The Facebook strategy that Obama had for students “was so effective at energizing college-age voters that senior aides made it an official part of the campaign the following spring.” (readwriteweb.com) Traditionally, college aged students do not put in the time

or effort to research candidates and vote, but the power of social media relationships revolutionized the voting numbers for this generation.

An article by the American Marketing Association stated that “Properly done, a community is one of the most valuable forms of social networking for CRM. Communities can generate increased sales, customer feedback and build loyalty and trust.” (marketingpower.com). As mentioned earlier, a community can create an instant feedback loop, almost like a focus group. This allows companies to learn directly from clients in ways that they would not be able to do otherwise (marketingpower.com).

Apple has one of the most loyal customer bases today, due in part to the exceeding value provided, but also to the niche community that Apple created. The strong supporters of Apple products are commonly called ‘Mac Heads’ or ‘Mac Loyalists.’ These loyalists are not brainwashed by Steve Jobs to defend the brand no matter what, “the reality is far more simple and obvious: Apple simply has a large group of very satisfied customers- and that is the secret ingredient left out of nearly every analysis or op-ed piece that mentions these ‘zealots’” (seekingalpha.com).

Apple’s customers do not leave a purchase situation with post-purchase dissonance, they just know that they made the right decision. They believe in the brand, know that Apple cares about their needs, and makes them feel confident in the value that will be provided to them. “Apple’s ‘loyalists’ are no more than very happy, deeply satisfied customers, and their competitors should learn from that” (seekingalpha.com).

Apple’s products demonstrate that its consumers desire high quality products, using cutting-edge technology, with simple options, and ease of use. Apple constantly researches their customers and their needs, as well as interacts with them in various

ways; this is shown in their brand image. Everyone knows that 'Mac Heads' are loyal to Apple and stand by their products because of the value and quality. A strong brand with related strong relationships equates to high brand equity. High brand equity then leads to high effectiveness of marketing and advertising, and positive, strong brand images are created.

Examples from the plant nursery customer base, to Obama's presidency campaign, to Apple's 'Mac Heads' clearly shows how customer relationship management (CRM) is a clear indicator of brand loyalty and success. When a consumer is engaged and connected with a brand or company, they feel more important, and therefore, loyalty dramatically increases. There are six levels of a brand which leads to engagement and eventually, loyalty. Brands can bring about certain attributes that translate into benefits, they stand for the seller's values, represents the company culture, projects a personality, and suggests the type of customer. Clearly, it is hard to develop an effective brand using these six levels without developing strong relationships with the target market. Part of an effective brand is suggesting the typical customer, so if a strong customer base is developed and studied, that will be reflected in all company branding.

My theory of marketing is strongly supported by many credible marketing articles and well-known marketing theories. True relationships with the target market must be created and developed in order for a brand to experience success. Companies are beginning to focus more and more on CRM, and are using various social media sources to accomplish this. Traditional ways of managing relationships including events, trade

shows, and direct mail does not keep a customer anymore. Social networks and one-on-one talks with consumers helps develop effective, meaningful relationships.

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