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RELATIONSHIP MARKETING IN THE TOURIST SERVICES SECTOR

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Abstract:

Marketing concept is widely applied in the contemporary conditions of business operations at the tourist market. However traditional marketing concept is more and more subjected to essential changes, firstly through strategic orientation of tourist companies and tourist destinations which are focused at developing relationships with potential consumers as well as at maintaining and improving relationships with active consumers and stakeholders at the market. This paper is dealing with pointing out essential differences between traditional and relationship marketing, as well as analysing fields of activities in which key changes towards need for relationship marketing implementation are taking place and will take place.

Key words: relationship marketing, consumer loyalty, quality, satisfaction, benefits.

Relationship marketing represent paradigm of changes which take place in marketing practice. Changes are mainly related to shift from the focus at transactions to the focus at relationships. Relationship approach point out relationship continuity which is to be developing between organization and its consumers, with main focus at consumer services and standards of quality. Traditional marketing is mainly focused at sales or product - services transactions and, differently then relationship marketing, assume market as abstract category in the surrounding where consumers are just numbers which need to be processed one by one. Application of relationship marketing assume developing relationships not only with consumers but also with distributors, suppliers, public institutions, individuals etc.

Basic differences between traditional marketing approach focused at transactions and the approach focused at consumer relations and other stakeholders are presented in Table 1.

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Table 1: Differences between transactions marketing and relationship marketing

TRANSACTIONS MARKETING	RELATIONSHIP MARKETING
Short term orientation at sales as final result	Long term orientation at consumers where sales is just the beginning of the process
"I" orientation	"We" orientation
Focus at selling projections	Focus at keeping consumers and repeating of sales
Stressing beliefs, persuasion to buy	Stressing creation of mutual positive relations
The need to reach selling goals, manipulation	Reaching trust in services
Stressing conflicts in realization of transactions	Partnership and cooperation in minimizing lacks and providing long term relationships with consumers, strategic partners, joint ventures, sellers
Anonymous consumers are attracted through carefully planned events	Individual consumer profile is known so the process could be developed on continual basis

Source: Cooper C., Fletcher J., Gilbert D., Wanhill S., u Shepherd R., *Tourism, Principles and Practice*, ed, Longman, New York, 2000, p. 493

Main characteristics of relationship marketing could be summerized as following:

- focus at keeping consumers
- product benefits orientation
- long terms
- focus at consumers' services
- high level of consumers involvement
- high level of contacts with consumers
- total quality management.

All marketing strategies in general are evolving from transactions marketing towards relationship marketing. Relationship marketing approach is getting higher importance in the view of evaluating consumers' loyalty more than market share. Relationship marketing is focused at relations development, in other words at establishing, keeping and improving relations with consumers and other target groups in order to gain profit and reach goals of all involved parties. It could be performed within mutual respect and delivery of promisses (2).

Consumers are getting status of partners of tourist companies which must build long term relations of mutual respect in order to keep mutual relations based on adequate quality and service inovation (3). Goal of relationship marketing is to deliver long term value to consumers, and level of success is long term satisfaction of consumers. Relationship marketing is business philosophy and strategic orientation with focus mainly at keeping and improving relations with actual consumers more than attracting new consumers. This business philosophy asume that both individual consumers and companies prefer to keep long term relations with actual organization instead of searching continually for new offers. With this asumption and with the fact that usually it is more cost effective to keep actual consumers than to attract new consumers, successful marketers join their efforts on developing effective strategies to keep loyal consumers.

Often companies have been focused at attracting consumers (the first act), but they show low attention to what should be done in order to keep them (second act).

This approach is characteristic for James L. Shorr, ex executive vice president of Holiday Inns, and represented in his interviews (4). He metaphorically speaks about "marketing theory based on bucket system" ("bucket theory of marketing") saying that all marketing activities could be viewed as the content of a big bucket: which is also valid for sales, advertising, promotion programs etc. that is filling the bucket up to the top.

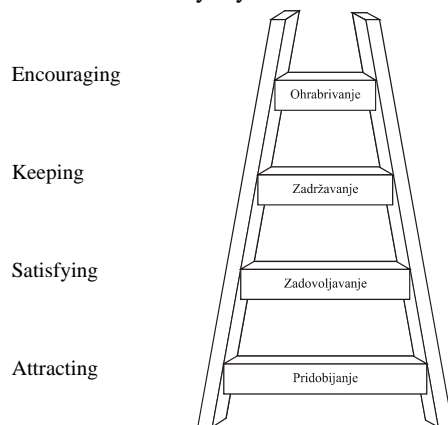
As much as all mentioned activities are to be effective bucket should stay full. But, "there is only one problem - what if there is a hole in the bucket!? If the business is going well and hotel deliver service as promised, then "the hole is small" and only few consumers might be leaving. But if activities are not effective enough and consumers are not fully satisfied with what they get, they maybe leaking out of the bucket more faster than what is needed to attract new consumers in the bucket."

The process of reaching the main goal of relationship marketing, which is to reach and keep profitable consumers, might be viewed within set of specific goals (5):

- Demonstrate competitive advantages through creating higher level of values for consumers;
- Providing enough values in sales, in order to initiate repeating of sales and create consumers' loyalty towards the organization;
- Building and keeping mutual benefits in relations between organization and consumers.

Figure 1 demonstrates graphic illustration of relationship marketing goals in relations with consumers.

Figure1: Lethers of consumers' loyalty



Source: Zeithaml V.A., Bitner M.J. *Service Marketing, Integrating Customer Focus Across The Firm*, McGraw-Hill, New York, 2003, p. 159

Loyal consumers could be provided through delivering the level of services that *satisfy their needs*, and also the level that *impress consumers*. Loyalty also could be provided with creation of close relations with consumers. It is important to point out the difference between *loyalty* and *building relations with consumers*, so this two terms should be treated separately. This is especially important for high volume services

delivered at the mass consumer market. For example, in the case of organizations such as railways companies, huge transport systems, even financial systems, consumers might be extremely loyal even if organization did not create relationships with them.

Loyalty of consumers, also, might not be always in corelation with the level of consumers' satisfaction. Consumers who are satisfied, or extremely satisfied and impressed with the services and products are not always loyal consumers and might not decide to repeat their buyings. The main reasons for weak corelation might be as following (5):

1. Positive and negative feelings are not corelated, so the consumer might have good feelings about company, which might not be also the case with services provided by the company;
2. Factors which are not directly connected with the service might be very influential;
3. Level of satisfaction is stated by consumers and is highly influentid by unstable and changing conditions relating to respondents to questionnaires;
4. Different levels of consumers' support are related to huge differencies in level of satisfaction and loyalty.

In tourist business, especially in hospitality sector with high level of interactions between consumers/tourists and selling personnel and hospitality companies, at the side of offers, relationship marketing is especially important in following segments:

- Between retailers of hospitality services, such as hotels or airlines, and marketing companies in between, such as tour operators, incentive companies and conglomerate travel agencies;
- Between retailers of tourist or hospitality services and key consumers such as big corporations and government agencies;
- Between retailers of food supply such as McDonalds and organizations such as universities, bus terminals, big corporations;
- Between retailers within one sort of interrelated tourist and hospitality service sectors such as hotel chains, motels and restaurants;
- Between retailers of hospitality services and key suppliers;
- Between hotel organization and employees;
- Between hotel organization and its marketing agencies, banks, law companies etc.

In hotel business and tourist industry relationship marketing is directed to bilding brend loyalty. While in production sector often there is no direct contact with consumers or very low level of those contacts, majority of activities in tourism asume direct contact with consumers. In order to create and improve relations with consumers usually data basis with guest history is created and all these data might be used for customized offers and communication with consumers. In hotel business these data might be related to choices of wine, table preference, details of latest visit etc. Special telephone numbers for bookings in restaurants might be available to very important persons, so that they could be immediately identified as guests of key importance that deserve special care. In order to encourage VIP guests to repeat their visits restaurants might organize continual direct communication with them (for example via direct mail) and keep

inviting them to attend special events, offering them special price discounts, informing them about new services and opportunities for developing business cooperation.

There are different approaches in theory and practice of tourist companies in regard to which marketing instruments will be applied and how they should be optimized in attempt to improve relationship with consumers and provide higher level of satisfaction. In this context, any of these three approaches might be implemented (6):

- *The first approach* is directed to adding, before all, **financial benefits** in relations with consumers. For example, air companies offer bonuses within frequent flyer programs, Rent-A-Car companies offer bonuses for frequent renters, hotels offer higher category room or gratis period of room use for frequent stayers, while trading companies give awards to frequent buyers with bonuses, refunds and coupons etc. In this way service providers "buying" loyalty more than they building relationships (7). Financial incentives and award programs might be easily imitated by competitors, so this tools might become unsufficient, and even unsuccessful in attempt to differentiate offer in long term;

- *The second approach* is pointing out **additional social benefits**. In this way focus is at building strong social connections with consumers on the basis of consumers' individual needs and wishes. On the basis of reserach results actions are performed to build individualization and personalization of products and services. Companies which use this approach are transforming their customers to clients. In this way while customers are not known and personalized within company, clients are identified with details in their personal file. Consumers are served as "a whole segment" at the market, while clients are served on the individual base. Consumers are served by service personal, while clients are served by identified seller with special care.

- *The third approach* is focused at building strong relations with consumers with additional **both financial and social benefits**. For example, airlines develop booking systems for tourist agencies. Special direct telephone line is available to frequent users. Airlines devoted to building relations with consumers offer special waiting rooms for the first class passengers and even might provide transfers to airport in lux limos.

Improving personal relations with consumers might be performed by following four approaches (7):

- *Offering higher level of services than might be expected* in different forms, such as: transparent reporting on used services, evaluations of level of customer satisfaction, easy available trained personnel, consulting services.
- *More intensive contacts with clients* - with examples such as contacts with frequent users or telephone calls, more effective communication with clients, meetings with consumers, system of feedback information;
- *Developing total business system* (in servicing sector) on relationship basis, for example: organization of seminars for clients, assistance in networking and banchmarking, sending samples or organization of study tours.
- *Developing social relationships* through special invitations, birthday gifts, congratulations of consumers anniversaries etc.

There are various elements with key role in building personal relationship between providers of services and consumers. High number of them is presented in Table 2, with comparison of two companies - one which provides professional services within same sector (business-to-business) and another which provides services to great number of consumers (high volume consumer), or consumer services (business-to-customer), all with aim that managers could reach planned goals.

Table 2: Different attributes comparison in relationship marketing with example of professional and consumer service

PROFESSIONAL SERVICES (for example: management consultant)	CONSUMER SERVICES (for example: restaurants chain)
Communication: <ul style="list-style-type: none"> - two ways - open - knowhow transfer - connected with contact and opportunities - enough time for communication 	Communication: <ul style="list-style-type: none"> - one way from provider to consumer - formal communication - related to formal service offer - no added time for informal communication
Trust: <ul style="list-style-type: none"> - build between an individual (client and consultant) in relation to level of their involvement - great volume of sensitive information might be included 	Trust: <ul style="list-style-type: none"> - build between consumer and organization through delivery of promises - strictly limited to "value for money (for example: food) in the safe ambient (restaurant)
Closeness: <ul style="list-style-type: none"> - consultants are fully involved with client company as if they are employees team members 	Closeness: <ul style="list-style-type: none"> - limited relations between employees and consumers. Closeness with consumers connected with mutual fields of interest
Roots: <ul style="list-style-type: none"> - developing as part of marketing relations - negotiations at the beginning through preliminar evaluation 	Roots: <ul style="list-style-type: none"> - defined by organization or service sector - based on norms according to relevant behaviour and knowhow

Source: Johnston R., Clark G., *Service Operations Management*, Prentice Hall, London, 2001, p. 69

The most important steps in relationship marketing program implementation within tourist company should be as following (8):

- *Key consumers identification.* Successful implementation of relationship marketing assume choice of largest or best consumers and design of relationship marketing according to their needs,
- *Delegating experienced relationship manager to every key consumer.* Seller who is serving consumer should gain adequate knowledge in the field of relationship marketing. If necessary he should be replaced by experienced seller. The seller should be able to adapt to needs of consumer.
- *Designing clear job description with responsibilities, competences, goals and evaluation criteria.* Relationship manager should be in charge of managing all contacts with consumers.
- *Annual plan of activities should be designed by relationship manager.* Goals, strategies, specific procedures and relevant resources should be clearly stated in plan documents.

- *Delegating supervising manager to relationship manager.* It should be the person capable to define job description, evaluating criteria and necessary logistic support, all in order to improve efficiency of relationship manager.

If the relationship management is successfully applied organization could be focused at management of both consumers and services/products. At the same time it is worth to notice that although majority of companies apply relationship marketing it is not valid guarantee for success in all situation. Sometime companies might not want to develop relations with specific consumers because they are not assumed neither as consumers of key importance to the company nor consumers of a desirable size. "There are also some consumers without desirable significance. Company should be selective in developing relations with consumers: so company should define consumers of key importance and try to satisfy their needs better than competitors" (9).

Development and maintaining relations of tourist companies and tourist destinations with their consumers through relationship marketing could be analysed also through life cycle of those relations. Looking at different phases in life cycle of relations with consumers, we might claim that relationship marketing is taking place: **before** (giving promises in order to establish relations), **during** (delivering promises by building relations) and **after** transactions (offering new promises after delivering previous). If satisfied consumers recommend his services provider to relatives and friends (word-of-mouth), they could become active consumers in the future. In this way initial consumer might become promoter and instrument in communication with potential consumers.

Improvement of the level of quality of specific tourist companies at certain tourist destinations assume existence of *cooperation among specific tourist companies*. Relationship marketing in tourism is often applied through different forms of strategic alliances. It is important to develop effective communication with consumers/tourists before, during and after travelings, regarding to relevant forms of strategic alliances and life cycle concept of relations with consumers. In order to provide conditions for effective communication service organizations, companies and tourist destinations should do following:

1. attract potential tourists and persuade them to chose services and destinations promoted through total communication efforts.
2. point out clearly all benefits and privilages in decision making process. Trust should be created through marketing efforts and destinations should be promoted as attractive opportunities, all designed as the offer which is hard to resist. If promises related to services are adequate to consumers needs and wishes there are good chances that buyings will follow. It is important for tourist destinations to be desirable to consumers, as well as to provide the best care and good relations with consumers. In that context promotional activities should be based on realistic facts and conditions, well planned and sophisticated. Sometime it might be even desirable to plan moderate promotional efforts if we can not satisfy expectations of tourists at developing destinations without adequate infrastructure.

3. create and implement marketing strategy in order to promote opportunities and find the best way to satisfy needs and expectations of potential consumers.
4. find the creative way to motivate tourist to visit destinations again and to recommend them to others. Impressions and experience of consumers regarding the quality of services is important element in developing image of tourist destinations as well as tourist companies involved with satisfying consumers needs. Image could be used as one significant criteria in the evaluation process, especially in regard to quality control.

CONCLUSION

In the contemporary conditions of doing business at the tourist market, characterized by strong competition and sophisticated demand, implementation of relationship marketing concept with focus at development of high quality relationships with consumers and stakeholders is becoming imperative of gaining mutual benefits and satisfaction. Thus there are lot of advantages in the shift of traditional transactions marketing approach toward relationship marketing. The main benefits of relationship marketing are related to higher degree of consumers' satisfaction with social and financial effects. In marketing practice companies are mostly focused at providing higher level of quality than expected, organizing more intensive contacts and more effective communication with consumers and shifting to more personalized treatment of individual consumer. Successful implementation of relationship marketing is based on principles of modern management of products/services, tourist destinations and consumers' demand. In the future attention should be directed to implementation of relationship marketing at the macro level regarding tourist destinations. Life cycle concept of relations with consumers point out rising importance of quality improvements in communicational relationships between providers in service sector and consumers. Also, through various forms of strategic alliances many new opportunities are created among numerous tourist companies at tourist destinations.

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