

Unit 11: Relationship Marketing

Unit code:	K/502/5431
QCF Level 3:	BTEC National
Credit value:	10
Guided learning hours:	60

● Aim and purpose

This unit aims to give learners an understanding of what relationship marketing is and why it is used by organisations. The unit also links relationship marketing with customer service and quality management.

● Unit introduction

The concept of relationship marketing concept grew from a customer service ethos which has proved successful for those organisations with reputations for delivering good service.

As competition increases, and organisations realise that what customers value, is not always just lower prices, but also aspects such as delivery, image and brand associations, the link with customers becomes increasingly important. Information gathered through communication with customers can enable organisations to develop a marketing mix that is more likely to create customer satisfaction. The ultimate aim of a relationship marketing approach is for the customer to become a 'partner' of the organisation, by contributing to marketing decisions through a one-to-one relationship.

The unit aims to develop learners' appreciation of customer relationship management, not simply as a 'front-of-house' presence, but as an integral part of the quality and marketing management systems within an organisation.

Relationship marketing has existed for some time in business-to-business (B2B) marketing but technological developments have now meant that companies can build closer relationships, more easily and cost-effectively, with individual consumers. The unit reflects the increasing awareness of factors which generate brand loyalty among consumers and customers.

● Learning outcomes

On completion of this unit a learner should:

- 1 Understand the development and application of relationship marketing
- 2 Know the different methods of attracting and keeping customers
- 3 Be able to investigate quality issues
- 4 Understand the role of customer relationship management (CRM) systems.

Unit content

1 Understand the development and application of relationship marketing

Relationship marketing: definition as the building of long-term relationships of mutual advantage with customers; importance of the functions of customer service and quality in relationship marketing; difference between transactional marketing and relationship marketing

Reasons for development of relationship marketing: difficulty of attracting new customers; cost of lost customers; lifetime value of customers; link with organisational mission and objectives; connection with strategic aims and objectives; stakeholders' needs and expectations; growth of services sector; growing sophistication of direct marketing and e-business in business-to-business (b2b) and business-to-consumer (b2c) markets; role of information and communications technologies

Relationship marketing concepts: expanding the marketing mix to the 7 Ps (product, price, place, promotion, people, processes and customer service); the ladder of customer loyalty, (prospect, customer, client, supporter, advocate); the augmented product and total product concept; importance of relationship marketing and brand building

2 Know the different methods of attracting and keeping customers

Customer service functions: customer service mission linking with organisation mission; setting standards for service policies and communicating them eg customer charters; the components of customer service eg pre-transactional, transactional and post-transactional elements; implications for training eg customer service skills

Attracting and keeping customers: customer relationship features, different levels of relationship; value-building approaches; loyalty schemes eg financial, social, structural, as tools to use in b2b and b2c markets; database marketing and the 3 R's (response, relationship, revolution); customer segmentation: building a customer base with reference to retail, direct mail and e-business

Methods: loyalty schemes; 'club' membership; discounts; promotional offers; past sale links with associated products; 'valued customer' bookings; advantageous trade-in or renewal arrangements; promotion of unique selling points in relation to competition; competitions, free gifts and offers; use of the internet in relationship management eg personalised recommendations; emails.

3 Be able to investigate quality issues

Quality: quality as conformance to standards; difference between conformance to quality standards and high-quality specification; need to go beyond 'conformance to standards' in competitive markets; quality dimensions (reliability; responsiveness; assurance; empathy; tangibles); importance of customer perceptions of quality (customer perceived value); link between quality and brand building

Quality systems and techniques: customer perceived quality and gap analysis; quality circles; benchmarking; value chain; alignment of customer value chain and organisation value chain; improvement methods eg using fishbone (Ishikawa) analysis.

Tracking and evaluating customer satisfaction: customer retention management through database marketing in conventional retailing; lost customer analysis; the importance of a transparent complaints-handling system and related opportunities; suggestion schemes, user panels, field visits, mystery shoppers

4 Understand the role of customer relationship management (CRM) systems

Customer relationship management systems: software systems to assist with management of relationships with customers; need for holistic approach to support use of software; functions (managing direct contacts with customers; managing indirect contacts such as billing; analysis of customer data; triggering sales promotion activities)

Use in review and planning of marketing activities: analysis of customer behaviour in response to marketing activities or external changes; analysis of customers into different target groups; sharing intelligence between different departments within the organisation

Assessment and grading criteria

In order to pass this unit, the evidence that the learner presents for assessment needs to demonstrate that they can meet all the learning outcomes for the unit. The assessment criteria for a pass grade describe the level of achievement required to pass this unit.

Assessment and grading criteria		
To achieve a pass grade the evidence must show that the learner is able to:	To achieve a merit grade the evidence must show that, in addition to the pass criteria, the learner is able to:	To achieve a distinction grade the evidence must show that, in addition to the pass and merit criteria, the learner is able to:
P1 describe the development of relationship marketing	M1 analyse the ways in which relationship marketing activities can be used to support achievement of the strategic aims and objectives of a given organisation	D1 evaluate the contribution of relationship marketing activities to the effectiveness of the marketing function in a selected organisation
P2 explain how relationship marketing can be applied to a selected business		
P3 describe different methods used to attract and retain customers for a selected service/product	M2 analyse the effectiveness of methods used to retain customers in a selected organisation	
P4 use different techniques to identify perceived quality gaps for a selected service/product [IE, CT, EP]	M3 explain the options open to a selected organisation for closing a perceived quality gap. [IE3, CT5]	D2 make justified recommendations for improving a selected organisation's relationship with a group of customers. [EP]
P5 explain how a customer relationship management system is used in a selected organisation.		

PLTS: This summary references where applicable, in the square brackets, the elements of the personal, learning and thinking skills applicable in the pass criteria. It identifies opportunities for learners to demonstrate effective application of the referenced elements of the skills.

Key	IE – independent enquirers CT – creative thinkers	RL – reflective learners TW – team workers	SM – self-managers EP – effective participators
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Essential guidance for tutors

Delivery

Learning outcome 1 extends the awareness of relationship marketing gained in *Unit 3: Introduction to Marketing*. The extent to which relationship marketing is used could be emphasised through learners exploring their own experiences as consumers and customers before going on to consider the organisations' motives. Learners enjoy estimating the 'lifetime value' of different customers and this can help them in understanding the value of retaining certain categories of customer. Learner involvement in looking at organisational needs for relationship marketing can lead on to the various Ps of marketing and the ladder of customer loyalty. The growing importance of direct marketing, specifically via e-business, can be emphasised here, along with ways of attracting repeat business as practised by companies such as Amazon.

The unit offers opportunities to look at the costs involved in attracting new customers against keeping existing customers. It reinforces the idea of the profitability of customers. Companies such as Saga have developed products to satisfy their loyal customers in a niche market ie customers over the age of 50.

Learning outcome 2 could be approached through role play and case studies. Centres may be used to illustrate examples of internal and external customers. Comparing customer service mission statements is useful, along with personal knowledge of customer service. The components of customer service can be discussed and examples explored through visits and guest speakers

The growing use of relationship marketing, enabled by technological advances, can be explored by examining, for example, the use of familiar tools such as loyalty cards. There is a link here with learning outcome 4. Tesco is a good example of the mix of traditional and new methods – it was the first of the major supermarket chains to make full use of the information gathered through their loyalty card.

It is important to stress that these are marketing tools and not relationship marketing. The concept of relationship marketing as an integrated process within a long-term strategy should be emphasised.

An additional question is, 'Who do these schemes benefit the most: the customer or seller?' The importance of database marketing needs to be stressed and can be equated to all types of distribution, whether it is b2b or b2c marketing. Learners could collect examples of direct mail and emails from companies and compare the approaches taken. Customer segmentation is an important concept as different customer segments require different approaches and have varying levels of attractiveness for the marketer.

Learning outcome 3 considers the importance of processes and systems in providing consistent quality. For example, the 'value delivery system' is highly relevant in e-businesses where the ease of ordering may be offset by the difficulty of obtaining the goods and after-sales services. Relationship marketing, therefore, considers all aspects of the organisation's relationship with the customer rather than simply focusing on transactions.

Tracking and evaluating of customer satisfaction in all areas is investigated, along with the appropriateness of the different monitoring methods used. Learners can also consider how businesses deal with 'lost' customers, as a complaining customer who is treated well could turn into an advocate. Public sector services could also be investigated, for example via customer satisfaction surveys of hospital catering. There is a multitude of customer charters, along with 'best practice' benchmarking between local authorities. This part of the unit provides good opportunities for learners to carry out practical activities, applying tools and techniques such as quality circles, benchmarking and fishbone (Ishikawa) analysis.

The focus of learning outcome 4 is the use and importance of automated customer relationship management systems, based on databases. Learners should investigate the twin purposes of customer relationship management systems: to improve service to customers and provide and analyse data for use in reviewing and planning marketing activities. Learners may find it interesting to analyse data from a customer relationship management system either from a simulation or a real organisation.

Outline learning plan

The outline learning plan has been included in this unit as guidance and can be used in conjunction with the programme of suggested assignments.

The outline learning plan demonstrates one way in planning the delivery and assessment of this unit.

Topic and suggested assignments/activities and/assessment
Introduction to unit and programme of learning – whole group
Introduction to concept of relationship marketing followed by pair work discussing own involvement in different organisations' relationship marketing activities – report back to rest of group
Small group case study exercises to calculate the lifetime value of a customer.
Introduction to 7 Ps followed by analysis of own centre's café service 7 Ps in pairs.
Exercise on ladder of loyalty using information collected in previous exercise
Whole group analysis of augmented product for business-to-business service (case study)
Viewing of a video showing customer service advice and how standards are set out and monitored – learners identify methods used
Learners interview members of different customer loyalty programmes and exchange findings in small groups
Whole group discussion linking findings to organisational objectives through research on the internet.
Assignment 1: Why are They So Good to Me? Learners research relationship marketing and customer service in a selected organisation and produce a report
Introduction to concept of quality and link with relationship marketing
Learners interview visitor with experience of quality processes
Introduction to techniques: benchmarking, value chain analysis, Ishikawa (fishbone) quality circles
Small group role play of quality circles on a perceived quality gap for own centre (or case study) using techniques
Introduction to CRM system (institution's own system could be used if possible)
Analysis of case study of an organisation with deficiencies and identification of actions that could be taken
Assignment 2: Learner Consultants Case study on own centre – use of quality techniques and recommendations for improvements to quality and CRM to be presented orally
Supervised assignment work
Non-supervised study time and completion of assignments

Assessment

Learners need to meet all the pass grade requirements in order to pass the unit.

For P1 learners should describe the development of relationship marketing and include much of the content listed under *Reasons for development of relationship marketing*. Learners should relate their description to examples. To achieve P2 learners need to apply relationship marketing to a specific business. This includes applying the definitions of relationship marketing and concepts such as the 7 Ps, ladder of customer loyalty and the augmented and total product concept. P1 and P2 can lead onto M1 which requires an analysis of the link between relationship marketing and the strategic aims and objectives of a given organisation.

For D1, the learners need to develop this analysis into an evaluation of the contribution of relationship marketing activities to the effectiveness of the marketing function in a selected business. Learners should demonstrate higher-level skills such as clarifying how effectiveness could be measured, researching for data to support a judgement, distinguishing between reliable and unreliable sources of data and drawing conclusions based on the evidence available.

To achieve P3 learners need to describe the different methods used to attract and retain customers for a selected service or product. This should include aspects of customer service as well as methods, such as loyalty schemes, use of databases, personalised recommendations, where they apply to the selected product. For M2 learners should develop this into an analysis of the effectiveness of the methods used to retain customers. Care should be taken over the choice of the organisation and product/service to ensure that there is scope for achieving both of these criteria.

For P4 learners must use techniques to identify perceived quality gaps for a selected product or service. Techniques include gap analysis, quality circles, benchmarking, value chain, alignment of value chains and fishbone (Ishikawa) analysis. It is sufficient for learners to use four of these techniques. For M3, learners need to use their analysis to develop and explain the options for closing the perceived quality gap. Three options would be sufficient evidence. For D2 this is developed further into justified recommendations for improving the selected organisation's relationship with a group of customers. To achieve at this level learners should demonstrate the ability to look at the situation from different points of view.

For P5, learners need to describe how a customer relationship management system is used in a selected organisation.

Programme of suggested assignments

The table below shows a programme of suggested assignments that cover the pass, merit and distinction criteria in the assessment and grading grid. This is for guidance and it is recommended that centres either write their own assignments or adapt any Edexcel assignments to meet local needs and resources.

Criteria covered	Assignment title	Scenario	Assessment method
P1, P2, P3, P5, M1, M2, M4, D1, D3	Why are They So Good to Me?	You are to investigate a customer relationship scheme in which you are involved as a consumer or customer.	Select an organisation for which you are a customer and there is some evidence that they use relationship marketing. Produce a report on how and why they use relationship marketing techniques, the methods they use to attract and retain customers and how they use a customer relationship management system.
P4, M3, D2	Learner Consultants.	You are to take part in evaluating one of the services offered by your school or college and make recommendations for improvements.	Investigate the selected service using a range of analytical tools. Develop options and recommendations for improving relationships with customers and present this to the provider of the service.

Links to National Occupational Standards, other BTEC units, other BTEC qualifications and other relevant units and qualifications

This unit forms part of the BTEC Business sector suite. This unit has particular links with the following unit titles in the Business suite:

Level 3
Introduction to Marketing
Creative Product Promotion
Market Research in Business
Internet Marketing in Business

This unit links to the National Occupational Standards for the Level 3 NVQ in Customer Service, particularly Units 7, 18, 26 and 43.

This unit also links to the following National Occupational Standards: Marketing and Sales for Non-specialists, particularly Units 2, 3, 4 and 7.

Essential resources

Access to a range of information resources to complete investigative assignments and case studies will be essential, including relevant CD ROMs and the internet, as will be access to computers for research. This will enhance the delivery of this unit. Learners will also need access to relevant paper-based research material and books.

Employer engagement and vocational contexts

Analysis of the use of relationship marketing and quality systems is an essential part of this unit and provides many opportunities to use of visits, guest speakers and work-based projects.

Indicative reading for learners

Textbooks

Cave S – *Consumer Behaviour in a Week* (Hodder Arnold, 2002) ISBN 0340849711

Dibb S, Simkin L, Pride W M and Ferrell O C – *Marketing: Concepts and Strategies* (Houghton Mifflin, 2005) ISBN 061853203X

Gummerson E – *Total Relationship Marketing: Rethinking Marketing Management, 2nd Edition* (Butterworth-Heinemann Ltd, 2002) ISBN 0750654074

Martin C, Payne A and Ballantyne D – *Relationship Marketing: Creating Stakeholder Value* (Butterworth-Heinemann Ltd, 2002) ISBN 0750648392

Needham D and Dransfield R – *Marketing: Everybody's Business – Covering European and International Marketing* (Heinemann, 1994) ISBN 0435450255

Journals

Campaign (Haymarket Business Subscriptions)

Marketing (Haymarket Business Subscriptions)

Marketing Week (Centaur Communications Ltd)

Websites

www.amazon.com	Amazon – online shopping
www.bized.ac.uk	Business education website including learning materials and quizzes
www.cim.co.uk	The Chartered Institute of Marketing
www.the-dma.org	The Direct Marketing Association
www.easyjet.com	easyJet main website
www.marketingteacher.com	Free marketing resources for learners, teachers and professionals
www.saga.co.uk	The Saga Group
www.statistics.gov.uk	Official UK statistics
www.swatch.com	Swatch main website
www.tesco.com	Tesco
www.thetimes100.co.uk	Free materials and case studies
www.ukonlinegov.uk	Website of the UK Government

Delivery of personal, learning and thinking skills

The table below identifies the opportunities for personal, learning and thinking skills (PLTS) that have been included within the pass assessment criteria of this unit.

Skill	When learners are ...
Independent enquirers	using different techniques to analyse perceived quality gaps for a selected service/product explaining the options open to a selected company for closing a perceived quality gap
Creative thinkers	explaining the options open to a selected company for closing a perceived quality gap
Effective participators	making justified recommendations for improving a selected organisation's relationships with a group of customers.

Although PLTS are identified within this unit as an inherent part of the assessment criteria, there are further opportunities to develop a range of PLTS through various approaches to teaching and learning.

Skill	When learners are ...
Independent enquirers	planning and carrying out research into marketing and information within organisations
Creative thinkers	looking at the promotion of different businesses
Reflective learners	setting goals, with success criteria, for researching business inviting feedback on their own work and dealing positively with praise, setbacks and criticism evaluating their experiences and learning to inform future progress
Team workers	working in groups to discuss issues managing activities to reach agreements and achieve results
Self-managers	seeking out challenges or new responsibilities and showing flexibility when priorities change dealing with competing pressures, including personal and work-related demands responding positively to change, seeking advice and support when needed
Effective participators	making justified recommendations for improving a selected organisation's relationship with a group of customers. [EP3]

● Functional Skills – Level 2

Skill	When learners are ...
ICT – Use ICT systems	
Select, interact with and use ICT systems independently for a complex task to meet a variety of needs	researching business organisations
Use ICT to effectively plan work and evaluate the effectiveness of the ICT system they have used	tabulating information about relationship marketing
ICT – Find and select information	
Select and use a variety of sources of information independently for a complex task	finding illustrative materials for presentations and tabulations creating diagrams, presentations and tabulations for information presentation
Access, search for, select and use ICT-based information and evaluate its fitness for purpose	exploring, extracting and assessing the relevance of information from websites about relationship marketing
ICT – Develop, present and communicate information	
Enter, develop and format information independently to suit its meaning and purpose including: <ul style="list-style-type: none"> • text and tables • images • numbers • records 	bringing together a variety of materials gathered through research preparing to present business information on relationship marketing
Bring together information to suit content and purpose	
Present information in ways that are fit for purpose and audience	
Evaluate the selection and use of ICT tools and facilities used to present information	
Select and use ICT to communicate and exchange information safely, responsibly and effectively including storage of messages and contact lists	communicating with other members of a group
English	
Speaking and listening – make a range of contributions to discussions and make effective presentations in a wide range of contexts	carrying out group work investigating relationship marketing making presentations about relationship marketing
Reading – compare, select, read and understand texts and use them to gather information, ideas, arguments and opinions	reading about business information
Writing – write documents, including extended writing pieces, communicating information, ideas and opinions, effectively and persuasively	writing reports about relationship marketing producing labelled charts and diagrams.