

The effectiveness of investments in relationship marketing strategies: The case of Yiulian Dockyards (Shekou) Limited

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ABSTRACT

The purpose of this paper is to put forward a conceptual framework for understanding factors shaping the nature of the relationship marketing using the case study. Through this research, I can suggest it. Companies may monitor customer satisfaction by using questionnaires, general comments, customer complaints, online surveys, suggestion boxes, and personal interviews. The main purpose is to keep up to date with the needs of customers in order to retain them by creating the relationship it wants with the customers. Relationship Marketing is quite expensive, especially, in the initial period. Therefore, effective relationship marketing requires marketers to adopt affordable and practical and profitable approaches that give room to low costs without compromising quality of the product.

Keyword: *Investments, Relationship, Marketing Strategies, Case Study, Traditional Marketing*

1. INTRODUCTION

The aim of this research is to put forward a conceptual framework for understanding factors shaping the nature of the relationship marketing. It reviews practical relationship marketing strategies taken by the Chinese ship repairing company, Yiulian Dockyards (Shekou) Limited (YL), and how it has employed these strategies to become an efficient enterprise by creating, perpetuating, and expanding its market horizons. By reviewing the actions of YL, the author will put particular emphasis on the effectiveness of relationship marketing strategies, as well as highlighting areas that require further research for development, to stimulate fresh thinking and action. For clear understanding, however, it is necessary to start with definition and explanation of the concept of marketing and trace its growth from traditional to relationship marketing, which is the core of this study.

2. LITERATURE REVIEW

2.1 Marketing

Many writers [1-5] have attempted to define and redefine marketing in contemporary competitive societies. [6] defines marketing in its historical setting as selling; changes to competition and identifying and satisfying customer needs. The shortest and most direct definitions, however, are found in [4] and [3] who summarise marketing as 'meeting needs

profitably.' [4] insist that because of the constant changes in the concept and applications of marketing, companies need fresh thinking about more effective operations and competitions in a new marketing environment. This is why they talk of the "development, design, and implementation of marketing programs, processes, and activities that recognizes their breadth and interdependencies" in a move to emphasize what they call holistic marketing, which entails relationship marketing, integrated marketing, internal marketing, and social responsibility marketing.

2.2 From Traditional to Relationship Marketing

2.1.1 What is Traditional Marketing?

[7] define traditional marketing as a system in which "product quality, good service and a competitive price were suddenly reduced from being the 'enablers' of a marketing transaction to simply 'qualifiers' of a transaction." [6] says "traditional marketing refers to practices aimed at existing target customers, with existing sales or promotional practices, employing existing arguments and approaches". There is further argument that traditional marketing has limits and it is generally treated in isolation [6],[1]. Due to these limits, they suggest new approaches for different technologies to adapt marketing development.

2.1.2 What is Relationship Marketing?

[8] description is one of crucial explanations that shed light on the meaning of relationship marketing. He says: "An organisation engaged in proactively creating, developing and maintaining committed, interactive and profitable exchanges with selected customers (partners) overtime is engaged in

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relationship marketing.” This definition probably develops from [9] view on the role of relationship marketing: “to identify and establish, maintain and enhance and when necessary also to terminate relationships with customers and other stakeholders, at a profit, so that the objectives of all parties are met, and that this is done by a mutual exchange and fulfilment of promises.” Whereas [10] call relationship marketing a strategic positioning and marketing tool for mutual benefit, [4] insist on its role for building mutually satisfying long-term relationship with key parties. [7] suggest that for a company to gain competitive advantage, it needs building up Relationship Marketing, which they find quite distinct from traditional marketing.

2.1.3 Traditional Marketing, Relationship Marketing: Are they different?

[3] gives a clear picture of the relationship between the two concepts as explained, compared and abridged by this author in the figure 1 below.

Traditional marketing	Relationship Marketing
Focus on single sales	Focus on customer retention
Orientation to product features	Orientation to customer value
Short timescale	Long timescale
Little emphasis on customer service	High customer service emphasis
Limited customer commitment	Customer commitment
Moderate customer contact	High customer contact
Quality is primarily a concern of production	Quality is the concern of all

Fig. 1. Traditional Marketing and Relationship Compared.

2.1.4 A Jump from Traditional to Relationship Marketing

[3] further emphasizes that relationship marketing is based on the idea that people normally prefer doing business with people who they know and like, in the sense that it is easier buying from a friend than from someone one has never heard of before. Therefore, relationship marketing is trust building aspect. Moreover, customers go for those who value them rather than those who sell to them. Companies, therefore, should satisfy customers’ needs and accept their circumstances. As such, relationship marketing is a gradual leap from traditional marketing. This is perhaps why [9] suggests that: “paradigm shift in marketing is needed if marketing is going to survive as a discipline”. This is what has led to a new emphasis in the marketing concept commonly referred to relationship marketing, that is, a ‘relationship-based perspective of marketing requires marketers to abandon the traditional view of dealing with only one market and to identify a number of relevant markets that may be managed simultaneously.’ This is a buyer-seller relationship [11], [12] and a shift depicted in the work of Blois [12] as cited by [13] who insists on companies

moving from a ‘short-term transaction-orientated goal to a long-term relationship-building goal.’

3. CASE STUDY

Over the past two decades, as part of gradual development of markets in China, Yiulian Dockyards (Shekou) Limited (YL) has also cultivated the relationship marketing strategy. Indeed, to succeed in China, planners and strategists need to be aware of different ‘rules’ in different business sectors. In controlled sectors, they would be well-advised to pay close attention to relationship marketing, which has long been considered as a key to success in doing business in China [14]. For a critical analysis of the effectiveness of relationship marketing strategies in YL, first of all, we need to know the company’s background, capabilities, resources, trends and challenges.

1. Background

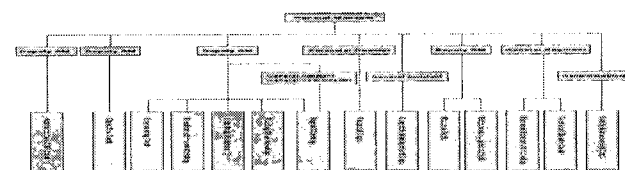
YL was founded in 1989. It is a subsidiary of China Merchants Industry Holdings Co. Ltd (CMIH), which is also a subsidiary of the China Merchants Group (China Merchants). China Merchants was established in 1872, as a large-scale mainland-funded enterprise with its headquarters in Hong Kong and business operations in dynamic emerging markets with great potential including Hong Kong, mainland China and Southeast Asia. It is one of the key enterprises under the direct administration of the Chinese Central Government and ranks among the “Four Major Chinese Enterprises” based in Hong Kong.

2. Capabilities

As one of the top10 ship-repairing yards in China, YL is a factory for ship repair and conversion; offshore repair and conversion and ocean engineering works. Its skilful workmanship, exquisite technique, good quality guarantee and excellent service have highly contributed to its reputation in shipping business worldwide.

3. Resources

The company’s net profit increased gradually from 0.8 million pounds three years ago to over 3 million pounds today. Moreover, the company which had 730 employees and 1000 subcontractors in 2004 has more than 2000 employees and 5370 subcontractors in 2007. The following chart shows the firm’s structural organisation:



(Source a: yiulian.com)

4. Customer Distribution

YL has successfully completed annual repair, docking repair, sea damage repair for different kinds of vessels from Greece, Cyprus, Germany, Italy, Russia, Saudi Arabia, Kuwait, Cuba, India, Thailand, Singapore, Hong Kong, Taiwan and most of domestic shipping companies. The following figure indicates areas where the company has created solid business relationships with other companies globally.

5. Trends and challenges

Global ship building and ship repair business opportunity is moving towards China at a rapid pace under the economic globalization. In order to meet the significant demands of ship repair and to provide a comprehensive, convenient and high quality performances and stages to customers, based on the foundation and success of YL, the new shipyard on Mazhou Island with investment amount of nearly 0.16 billion pounds is expected to commence operation by the end of 2007. It is expected that the new facility, which will occupy an area of 700,000m² will be a world-class ship and offshore engineering structure repair yard. In addition to focusing on ship repair service, the Company also expects to extend its operations into special services such as offshore oil rig repair, special ship repair, land-based steelwork engineering, harbour tugboat services and offshore engineering project.

4. ANALYSIS OF CASE STUDY: ASPECT OF CRITICAL POINTS

4.1 The role of relationship marketing in YL

YL is a major factory for ship repairing and conversion. Currently, it is one of the top10 ship-repairing yards in China. Three years ago, however, in order to optimize the company's profit and operations, the marketing manager utilized different kinds of innovation approaches to improve quality and cut cost, promote by mass media. Unfortunately, YL could not achieve the ideal expectation. After that, the marketing manager conducted researches, which found out that YL interfaced with suppliers and, indeed, customers. YL had long applied essential traditional marketing strategies in the past years, and had lacked long-term and connecting relationships with customers and partners. To gain greater competitive advantage through 'relationship-based strategies' [3], he built business to business relationships both externally and internally, involving customers, employees, marketing partners (channels, suppliers, distributors, dealers, agencies), and members of the financial community - shareholders, investors, analysts [14], [4], as well as the government. As the works of [15] and [3], relationship marketing allows companies to develop a competitive advantage, like profits, market share or customer satisfaction. Relationship market is one of the crucial factors for YL's success in business that saw, among others, the company improve net profit from 0.8 million pounds three years ago to over 3 million pounds today. It also helped in reducing customer defections. On the other hand, it gave benefits to the customer, due to periodic delivery of services and variability in quality. This testifies to the good role of relationship marketing

in building 'strong economic, technical and social ties among parties' [16].

4.2 The effectiveness of RM strategies in YL

The YL aims at being a world-class ship and offshore engineering structure repair yard. Strategically, the YL's marketing manager need to create new value for its customers, suppliers, employees and investors by managing these relationships. YL has publicly committed itself to relationship management strategy by reviewing its relationships with the company in its market each year, as it classifies them into one category. The classification draws attention to a number of aspects of relationship management and marketing. Although the focus of the company is on business, the scope can also be referred by government and not-for-profit organizations, such as charities and foundations, to manage their relationships for mutual advantage with company. During the last three years, the manager adopted a series of strategies related to relationship management. In order to attract and retain customers, the marketing manager uses the relationship marketing strategy, which involves using methods and tactics to develop long term relationship with them. Hence, he knows that in doing so, YL needs exceed customer satisfaction to retain them and develop a healthy relationship with their customers.

It built a marketing database for storage and retrieval of customers' and clients' data - such as names, addresses and purchase history - for the purpose of understanding better the needs of customer and clients, as well as delivering goods and services that satisfy their needs in a manner that achieves organisational objectives. It responded to the demand of new marketing developments, and the marketing manager through marketing research, recorded and cross-referenced a number of demographic, lifestyle and purchase information to identify and build database of current and potential customers. These databases were established by different channels: email, telephone, questionnaire, advertising and traditional Chinese 'guanxi.'

Seventy per cent of YL's customers are aboard and the company reaches them through established and new media channels based on the consumers' characteristics and preferences. It used mass media such as TV, radio, magazines, newspapers, mobile phones and internet to reach targeted customers, as these are the main tools for delivering differential messages to people, proving right [17], who says that email is the most basic, efficient and simple way of relating and interacting with customers. Establish relationships beyond the simple buyer-seller relationship can be accomplished by providing information of interest to customers. These would set up interactive programmes to identify with specific demographic settings and units. They would also enable YL to reach wider markets in general and particular demographic setting according to the reach of these tools. On the other hand, however, there is no means that all customers are appropriate targets for RM and not all targets are customers.

YL though tracks each relationship to monitor the cost of acquiring the customers and it evaluates their lifetime value.

Building long-term relationship with customers would eventually help YL to cut costs in advertising. This would result in quick and efficient results. As some experts think, it costs anywhere from six to ten times as much to find a new customer than to sell to an existing one. With those financial realities in mind, the approach makes some sense, and some real dollars.

The marketing manager also expects to create special groups consisting of core customers who act as liaisons between the company and the customers, providing promotion for YL and communicating the desires of the customers back to the company for business, breaking a one way communication strategy as vindicated in the traditional marketing. But [18] states that: "communications must be open, honest, and frequent." In YL, the importance of a two-way communication between the company and customers has been realized. YL has developed its own methods for establishing a two-way communication that is quite effective, and it provides the company with much needed promotion, feedback, and, as a result, customers. The process the company has created revolves three stages as following:

The first stage is awareness of YL; the company must take opportunity to contact customers outside the expected demographic – such as the marketing manager regularly take part in ship repair & conversion exhibition in aboard (Dubai, Germany, London and Greece) and providing brochures and souvenirs to enable them get interested in YL, as well have a specific, recognizable the new shipyard and style of performance. In addition, YL's leaders would regularly visit core and potential customers to whom they would give special presents (like traditional Chinese tea, painting and China).

Moreover, the company motivates its own workers through an education system that encourages self-study and grants them corporate scholarships. This move definitely raises the morale of employees and quality of its services, which include the training of workers, ship repairing speed, service and hard equipment. Motivated workers can easily compete and so satisfy customers' needs. It is an investment that enhances working environment, a corporate spirit, unity, practicality, prudence and efficiency; and hence patriotism, self-reliance, pioneering and credibility. It is through such initiatives that the company built business services centres for customers' basic living needs and business technology support. At some point in the time of the year, YL holds parties for its various customers from a diversity of cultures, hence providing them with an intangible but necessary service that plays a major role in marketing the services of YL. The company has also developed a programme whereby it selects representatives from among their regular customers to become official member, and enjoy the same treatment as other company employees. This helps them to know the feelings and expectations of customers and respond to their needs quickly. In this way, the company has been able to win fresh customers and retain existing ones.

4.3 Planning and developing effective relationship strategies

Relationship Marketing is an important resource for any company, the proper use of it might help in making use of available opportunities as well as lowering operating cost. But this cannot succeed without proper planning. [19] says:

"The process of planning and developing relationship strategies requires management to value the potential of current customers and to treat them in special ways to get them to keep coming back. To intensify reaching old customers while still seeking new ones, for many firms, will mean changes in market analysis, planning systems, management incentives, and marketing and/or operations organization. In developing, maintaining, and enhancing relationships with elected governmental officials, we need to employ 'high touch and personalized technology' communication strategies."

Obviously, the forces of globalisation do force companies to be adaptive and responsive. According to [14], the role of strategic reviews is to "examine their local responsiveness and the influencing factors, and strategic plans constructed and modified accordingly. Localization of marketing management can help to achieve two key objectives: being closer to the market and reducing operating cost."

Relationships built should target different countries and cultures through product and brand promotion; as well as offering good quality products or services at competitive prices. [14] show, for example, that the majority of Chinese companies put the *guanxi* (relationship) aspect at the fore front to accommodate stakeholders' demands on cultural sensitivity and adaptation. This move leads to smooth and efficient operations. To develop and maintain good *guanxi*, the companies need to observe a number of factors, including: (1) Nurturing long-term and mutual benefits; cultivating personal relationships and trust; (2) Regularly auditing company's *guanxi* with its outside stakeholders; identifying and "repairing" weak *guanxi*; (3) Learning Chinese, to enhance expatriates' ability to establish *guanxi*.

To retain customers and build long-time relationship, the company may use loyalty cards, a good customer service section, and an individual account manager (large client), along with product quality and variety.

[20] say:

"Managers must understand the processes involved in establishing, nurturing, developing and maintaining successful relationships with all the firm's exchange partners. The key structural issue in relationship marketing is the exchange of resources to provide mutual benefits and achieve mutual goals. To build a successful partnership, managers must have not only a clear understanding of each partner's contributions and goals but also a structure that ensures an equitable balance of benefits."

The writers call for preparedness of managers to deal with global economy consequences and the realities of global competition. They say companies should act like nations to court allies and promote themselves for survival and prosperity; hence the emphasis on alliances, partnerships, and other cooperative agreements, out of which develop a notion of 'strategic network competition' and a new understanding of the

concept of relationship marketing which, according to [3], may be more suitable in the following circumstances or situations: high value products or services, industrial products, products are not generic commodities, switching costs are high, customers prefer a continuous relation. YL belongs to high value products category, hence justified in its application of the relationship marketing.

4.4 Creating customer value through the expanded marketing mix

Traditionally, the marketing mix has been popularly described in terms of the '4P's' - Product, Price, Place, and Promotion. A complete relationship marketing approach means an expanded traditional marketing mix [3] with its three additional elements - customer service, people and processes.

[3] have identified six key strategic factors of innovation which span managerial attitude and organizational style. They are: (1) Top management support for innovation: supply resources, incentive and motivation; (2) Long-term commitment to major projects: adopt a long-time view; plan new products to fit with corporate strategy; (3) Long-term commitment to major projects: understand target market potential; pursue a long-term approach; allocate funding; (4) Flexibility and responsiveness to change: be able to add variety and speed to quality and reliability; (5) Top management acceptance of risk; (6) Support for an entrepreneurial culture: actively manage the culture and management style in response to the market.

5. CONCLUSION AND SUGGESTIONS

Whereas traditional marketing dwells much on managing key marketing mix elements within a functional context, relationship marketing gives a new approach, shifting from customer acquisition to customer retention. All this has to be done within an appropriate amount of time, money and managerial resources. While seeking to enhance a mutually profitable marketing channel, the end result of marketing relationship is a strong customer relationship leading to customer loyalty, profitability and retention. [11] argue that investment in relationship marketing is costly; but given the long-term outcomes expected from it, it is an investment worth making. [12] makes a strong assertion saying: "indeed that a firm does not have the choice as to whether or not it has relationships". This explains YL's rationale in investing hugely in marketing strategies that have played a leading role in determining the company's business position in China and globally. Customers are a driving force in any business. Having them in the first place in one thing and retaining them is another, which may perhaps be harder to achieve. As might have been observed throughout the essay, benefiting from relationship marketing strategies requires flexibility, to adapt changes rapidly taking place in the contemporary marketing environment. The most important thing is for marketers to think and live beyond traditional applications of the marketing needs.

Two things are obvious and difficult – retaining customers and satisfying them. As needs keep changing, so should methods geared towards achieving objectives. Companies may monitor customer satisfaction by using questionnaires, general comments, customer complaints, online surveys, suggestion boxes, and personal interviews. The main aim is to keep up to date with the needs of customers in order to retain them by creating the relationship it wants with the customers.

Relationship Marketing is quite expensive, especially, in the initial period. Therefore, effective relationship marketing requires marketers to adopt affordable and practical and profitable approaches that give room to low costs without compromising quality of the product. This is one way in which trust between a company and its customers can be established in a give and take partnership; because, as [18] puts it, "partners must be willing to give, not just get."

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