SHAPING CUSTOMER RELATIONSHIPS AS A CRUCIAL ASPECT OF AN ORGANISATION'S STRATEGY

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Abstract: The role of marketing within an organisation increases along the development of the market and the increasing customer requirements. At present, companies face numerous challenges which they need to meet to achieve a market success. In the turbulent, highly competitive environment, they need to maintain high flexibility and develop a mechanism of rapid response to changes. The aim of this article is to demonstrate how important marketing is in the context of the organisation's strategy and how important decisions made within the framework of the strategic marketing are. Considering proposals for customer-oriented strategies, the need to consider such approaches as relationship marketing, service dominant logic and the concept of value co-creation with the customer have been demonstrated.

Keywords: strategic management, marketing strategies, relationship marketing, value co-creation

1. Theoretical aspects of the strategy

We can come across numerous definitions of the 'strategy'[1] term in the literature. To M. Porter, making choices is the essence of a strategy (Porter, 1996, p. 64). According to A.D. Chandler, a strategy is 'determination of long-term goals and objectives of an enterprise, adoption of courses of action and allocation of resources necessary for carrying out these goals' (Penc, 2005, p. 367; Chandler, 1972, p. 13). Characteristic features of a strategy, present in various concepts, primarily include long time horizon (from several to a dozen or more years), omnipresence (covering all the levels of the organisation and all the positions within it), focusing actions on a specific set of objectives, decision-making, and longer waiting for results. A strategy facilitates the decision-making process which, owing to the use of analytical tools, makes it possible to consolidate the knowledge of various entities. It is

[1] Other ways of defining the concept can be found in the works by: Mainardes, E.W., Ferreira, J.J., Raposo, M.L. (2014). Strategy and strategic management concepts: are recognized by the management students? *Business Administration and Management, 17, 1*; Zakrzewska-Bielawska, A. (2014). Ewolucja szkół strategii: przegląd głównych podejść i koncepcji. W R. Krupski (red.), Zarządzanie strategiczne. Rozwój koncepcji i metod. *Prace Naukowe Wałbrzyskiej Wyższej Szkoły Zarządzania i Przedsiębiorczości, 27*. Wałbrzych.

a coordination tool used for internal communication (primarily between the chief executive officer and all the employees of all levels). Its primary purpose is to select the main directions for company development, determine long-term objectives, and develop a competitive advantage to serve further development of the operations. Strategic planning may be considered as an opinion exchange, strategy implementation and result monitoring process. Setting ambitious goals within the framework of the strategy developed increases the motivation to work and the enthusiasm of members of the organisation as well as the recipients of its products. Those objectives should also be realistic to achieve within a specified time (Grant, 2016, p. 39-45).

Strategy formulation should be based on a strategic analysis of the environment and an analysis of the organisation's potential. Strategic analysis is to ensure profitability in a long-time perspective. Although it may be based on intuition, experience and creativity, its success primarily depends on market knowledge and consistence of market acquisition plans with the distribution, pricing and advertising policies being pursued. Prior to making decisions which are to determine the 'to be or not to be' of a company, one needs to analyse the current situation and discuss development directions as well as activity concentration based on the information collected. While a company has little impact on its macro-environment (it is the company that needs to identify changes arising in the macro-environment and to respond to them), it may be able to affect and control its competitive environment with appropriately selected tools. The elements which may be influenced to the most include suppliers, buyers, competitors, agents and the media (Budzik, i Zachorowska, 2016, p. 90-98; Smalec, 2012, p. 139-154). Strategy development process has been shown in Figure 1.

Within an organisation, the strategy is implemented at various levels of management; most frequently, this division covers three levels: the enterprise as a whole (global strategy), individual business areas (strategic business unit strategies), and individual functional areas (functional strategies). This article pays attention to one of the enterprise's functional strategies – the marketing strategy. The task of the marketing strategy is to systematically identify the needs of different target groups in order to offer them products and services which are more favourable than competitive ones. So, it combines both the strategy aimed at establishing the enterprise – the market relationship and the strategy aimed at market competition. Presently, the marketing strategy plays an extremely important role, and numerous companies select the directions of their future development mainly based on it (Janasz, 2010, p. 103-107; Frąckiewicz, Karwowski, Karwowski, i Rudawska, 2004, s. 69-72).

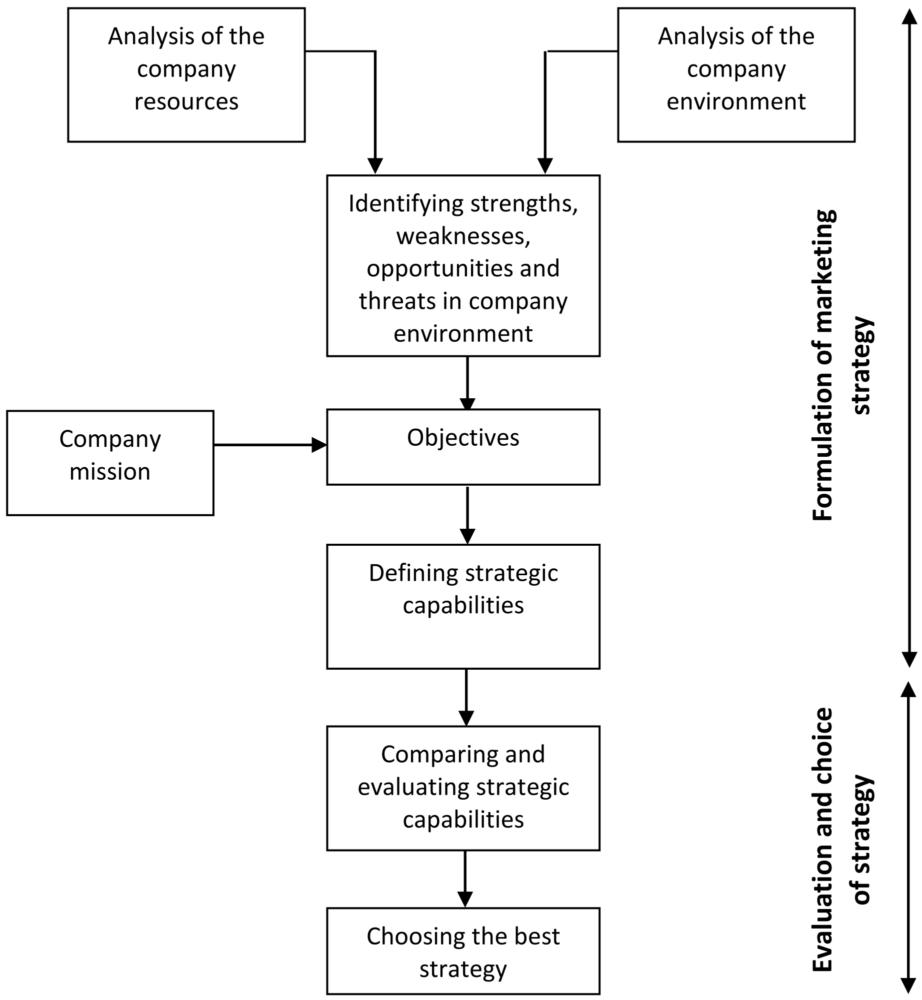

Figure 1. Strategy development process. Source: Frąckiewicz, Karwowski, Karwowski, i Rudawska, 2004, s. 76.

2. Impact of changes in the social environment on the organization's strategy

In today's world, organisations operate in an environment commonly referred to as stormy and turbulent. Market changes are multi-dimensional and affect economy and business, politics, technology and society. They are also more and more rapid, extensive and difficult to predict. A particular type of turbulence can be observed in the social sphere. It consists in individuals' (society members') increasing impact, or even pressure, on the operation of companies. Currently observable social changes include (Ignacy, i Wołczek, 2008, p. 18-25):

– increasing customers' requirements,
– new expectations towards enterprises (such as product and service individualisation),
– increasing customer's power,

– increasing importance of ethics and reputation (primarily manifesting themselves in the currently widely discussed literature on the corporate social responsibility concept[2]).

The changes result from the customers' increasing market awareness, the increased number of communication channels, and the ease and speed of information transfer. Today, one may even come across the 'customer market' phrase which is associated with the current excess supply. The situation puts consumers in a privileged position in relation to goods and services providers. Enterprises need to fight for the attention of buyers capable of choosing from among the goods and services offered by companies competing on a given market (Al.-Noorachi, 2013, p. 91-104).

Customer orientation is a feature on which a good strategy in the current market situation depends. The customer should be perceived as the enterprise's most valuable asset, as the financial result and, consequently, company surviving on the market and further developing depends on whether they decide to choose the products and the services the company offers. Given the foregoing comments, corporate strategy paying particular attention to the communication with customers appears to be of significant importance. Communication and finding the most effective methods of influencing customers and their purchase decisions are the basic marketing tasks.

3. Marketing position in strategic management

Originally, marketing covered issues related only to market exchange. In later years, when it was understood that the success of the company in a developed market economy depends on the customer, marketing gained a completely new function. The role of marketing was to integrate the activities undertaken and the decisions made to acquire and retain the largest possible number of customers. R. Niestrój interprets marketing management as a 'management method consisting in striving to accomplish one's own objectives by means of meeting the needs and desires of the exchange partners in the best possible way' (Niestrój, 2002, p. 16). Building customer relationships and 'creating value for the customer in exchange for profit' are indicated by P. Kotler, G. Armstrong, J. Saunders, and V. Wong (Kotler, Armstrong, Saunders, and Wong, 2002, p. 19). Marketing management objectives correspond to the company objectives, i.e. multiplication of the economic value (generation of profit), and the activities carried out are of long-term impact. All the aforementioned features indicate the strategic nature of marketing (Frąckiewicz, Karwowski, Karwowski, and Rudawska, 2004, p. 21-27; Nowacki, 2014, p. 11-14).

[2] The above changes have further been discussed in, inter alia, Crane, McWilliams, Matten, Moon, and Siegel, 2008; Garriga, and Mele, 2004, p. 51-71.

In the 1970s, strategic marketing was first defined as a 'form of marketing management arising from the adaptation of the market-oriented management to the strategic management requirements' (Niestrój, 2002, p. 12). Strategic marketing should deal with identification of risks, forecasting of upcoming events, and creation of alternative marketing strategies that would respond to the upcoming changes. It is an analysis-oriented process, and it covers the following issues (Lambin, 2001, p. 27-29):

- consumer and organisation need analysis based on which the target market may be identified and then segmented so as to best serve separate groups of customers of different expectations,
- business opportunity analysis, i.e. examination of the industry attractiveness, market potential and dynamics so as to identify what opportunities can be taken advantage of within the selected field of activity,
- competition analysis, primarily comparing the ability to meet buyers' needs, seeking competitive advantages and ways of taking advantage of them,
- demand forecasting and sale objective determination.

Strategic alignment of resources, organisation plans and the market is a fundamental prerequisite for the enterprise's market success. A marketing strategy should be tailored to the needs of the buyers constituting the market on which the enterprise operates, but it also needs to be embedded in the organisation's capabilities. Selection of the target market is a strategic decision that the organisation makes for the next few years. The market on which we want to operate and have adequate conditions to serve needs to be selected in a conscious manner. Then, it needs to be examined to identify its needs, desires, capabilities (including financial capabilities) and prospective buyers. There are two options to choose from: to enter an already existing market, or to try and create a completely new one. The decision may be facilitated with various tools; however, the most accurate picture can be obtained as a result of market research. The above research should be the starting point for any actions addressed at potential customers. Without knowing its customers and their needs, a company will not be able to appropriately select adequate instruments to influence potential buyers (Kotler, 1999, p. 52-53).

4. Customer orientation and relationship development

Fundamental importance of the customer in the strategy of an enterprise is indicated by numerous authors. As early as in 1954, P. Drucker wrote that 'creation of customers' was the only correct definition of a business objective (Drucker, 1994, p. 52-53). However, to acquire a customer, one needs to establish a relationship with them and to identify their needs. Given the dynamic market changes, an approach focused only on one-off transactions involving a high number of customers was no longer sufficient enough for a company to develop. Relationship marketing, which started to develop in the 1980s, is a concept of maintaining long-term relationships with customers. Its essential purpose is to develop long-lasting relationships between the company and the customer that will result in benefits for both interested parties. Implementation of the approach within a company involves a lot of work (Nowacki, 2014, p. 11-19). The process of shaping customer relationships has been shown in Figure 2.

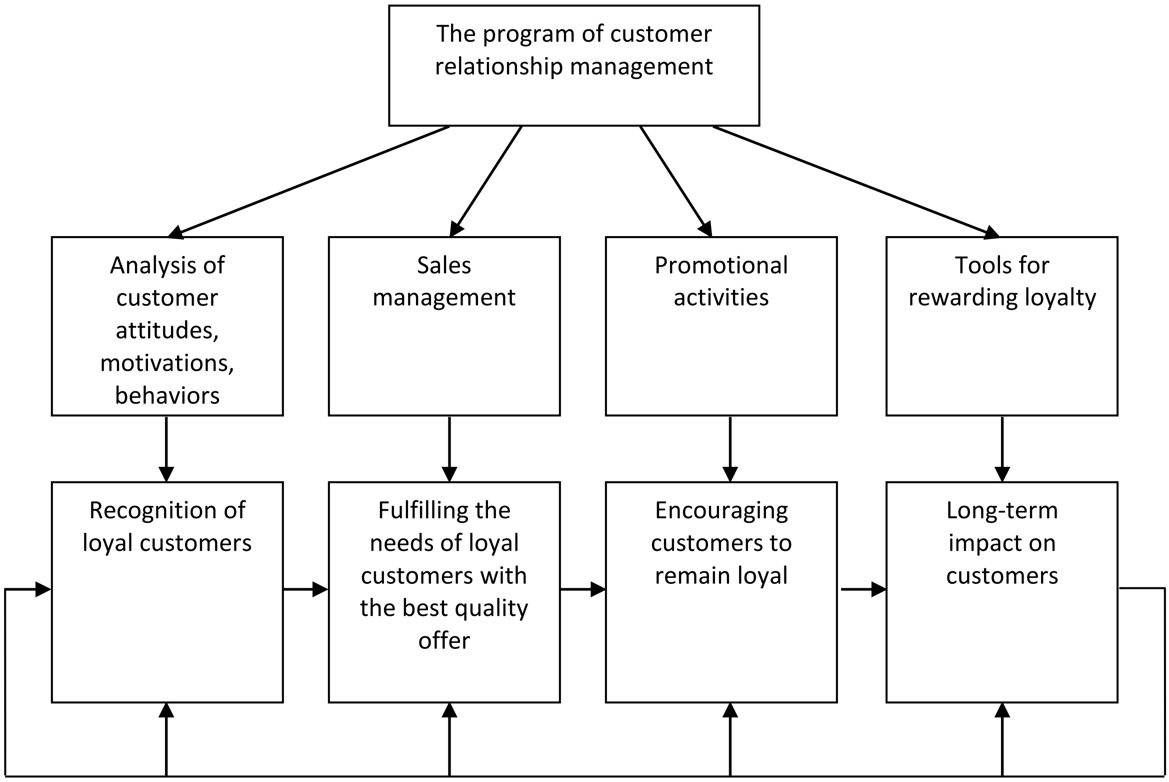

Figure 2. The process of shaping the relationship between the company and the customer. Source: Mazurek-Łopacińska, 2002, p. 163.

Developing strong relationships with customers may provide grounds for achieving a competitive advantage. Considering the customer as one of its most valuable resources, the company should strive to retain them. One of the aspects supporting the concept is the fact resulting from the economic calculation: the costs of new customer acquisition exceed the costs of retaining the current ones. In addition, the largest share in the company's income is largely obtained from loyal customers. Long-term customer relationships may only be developed on the basis of customer satisfaction and responding to needs. Relationship management is closely related to the concept of value co-creation, as it contributes to the identification of opinions, requirements, habits and other aspects affecting purchase decisions and attitude towards the company. Good relationships with customers affect their satisfaction and loyalty, which means greater profitability to the company (Chlipała, 2014, p. 11-19).

5. Co-creating value with the customer in the context of service dominant logic

Given the current market condition, the product itself, be it the most refined one, is no longer something that will meet the consumer's increasing requirements. Companies are applying more and more sophisticated strategies aimed at ensuring their customers' satisfaction. At present, the literature broadly discusses the problem of the service dominant logic (*SDL*) concept and the idea of involving the customer in value creation (Sagan, 2016, p. 253-262). This value is achieved through the use of the knowledge and skills possessed by both the organisation and its customers. The customer becomes a partner in the provision of services. Since services are defined in terms of benefits, they are created with the consumer who adapts them to their needs (Vargo, and Lusch, 2004, p. 1-17; Vargo, and Lusch, 2008, p. 1-10). The service dominant logic refers to both services and tangible goods manufactured (as tangible goods also provide the customer with services). Ch. Groonros describes the SDL concept as the company facilitating processes that support value creation by customers (Groonros, 2007). The production process becomes the beginning of the consumption process. Inviting customers to participate in that process makes it possible to simultaneously acquire them and learn their needs at the design stage, even before the product is marketed.

Not only do customers require more and more purchase and goods use accompanying services (inter alia, the delivery, the warranty, and the service), but they also more and more frequently want to be a part of the so-called *brand community*. Brand community may be defined as 'a specialised, non-geographically bound community, based on a structured set of social relationships among admirers of a brand' (Muniz, and O'Guinn, 2001, p. 412-432). This phenomenon is particularly evident in social networks where companies set up their profiles and have direct discussions with potential customers discussing their products. If well used, social networks may become a repository of knowledge of customers which may then be used to improve the products and services offered.

The value co-creation concept has recently been developed within both relationship marketing and strategic management. As the name suggests, value co-creation is a bilateral process. The value for the customer is created along the process of customer value creation for the company. By developing lasting relationships and gaining customer loyalty, and often acquiring their knowledge as well, we create a group of the most valuable audience – brand admirers actively participating in company processes. If passed on, customers' positive experiences help develop the company's reputation and expand its audience, which eventually provides the company with economic benefits (Baran, 2013, p. 159-167; Dobiegała-Korona, 2008, p. 335-341; Fisher, and Smith, 2011, p. 325-350).

6. Summary

In customer-oriented enterprises, marketing has become a dominant function. This action area should be paid particular attention to when developing a global strategy (for the enterprise as a whole). Marketing should integrate of all the company units around the most important aspect of its operation, namely the customer. Wishing to achieve a competitive advantage, an enterprise should follow trends followed by its customers. Therefore, it is extremely important to continually monitor buyers' preferences through developing lasting relationships with them. Companies should not focus on the stage of development of relationships with regular customers; they should go a step further towards the concept of co-creation, in particular that the current technological conditions (modern forms of communication) are extremely conducive to establishing such a dialogue. Customer involvement (from the very beginning) in the process of goods and services creation results in a significantly increased probability that the outcome will meet their needs. A customer involved in company processes and benefitting from the collaboration remains loyal for a longer period of time, which eventually translates into the organisation's success.

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