Applied Communication Methods of Relationship Marketing for Adapting the Business to the Crisis Environment

Cristina - Andrada Baba¹, Raluca Năstase-Anysz²

Abstract:

Purpose: This article analyzes the reactions, communication, and marketing strategies of some of the most affected areas of activity during the COVID-19 crisis period, namely the tourism and the luxury-goods sector. The measures provided for the limitation of physical contact between people generated drastic pay cuts and rising unemployment rates.

Design/Approach/Methodology: The method used to conduct the study is desk research followed by semi-structured interviews with eight tourism agencies managers and seven small-luxury-goods brand managers, which aim to offer a panoramic perception of the situation, a market prospecting, and a useful practice guide for enterprises.

Findings: Among the basic results of finding that the world of luxury goods is subject to huge losses, one solution is to develop relational marketing in this sector, while in tourism, flexibility and innovation could save the business. Some of them waited too long to restructure the business model into a feasible one in a crisis. In contrast, others reacted immediately, and few managed to identify methods to survive or even increase their income during the crisis. Tourism agencies focused on internal markets and on tourism types that imply nature and social-distancing, while luxury-brands concentrated on recreating the luxury experience even in online.

Practical Implication: This article contains a best practice guide that can be used by companies in the tourism industry or the field of luxury goods to improve their performance in communicating with customers.

Originality/Value: This article’s originality comes from in-depth interviews with marketing and communication representatives from the analyzed sectors, tourism, and luxury goods. Their input, together with the specialized literature, can generate examples of good practice for other companies.

Keywords: Relationship marketing, communication, luxury goods, tourism, COVID-19.

JEL: M31, M14, Z32, L67 D83.

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¹Ph.D., Bucharest University of Economic Studies, Bucharest, Romania, baba.andrada@gmail.com;
²Ph.D., Bucharest University of Economic Studies, Bucharest, Romania, raluca.nastase.anysz@gmail.com;
1. Introduction

As of January 30, 2020, when the Director-General of the World Health Organization (WHO) declared the outbreak of COVID-19 to be a Public Health Emergency of International Concern, every state in the world began to call for a social distance until they reached the lockdown. Being an unprecedented situation that threatens public health, the entire world order has been destabilized and required crisis management measures. All necessary steps have been taken to protect citizens from the uncontrolled spread of the new coronavirus.

The measures provide for the limitation of physical contact between people, which is why public spaces, museums, theaters, cinemas, shopping malls, restaurants, cafes have been closed, and events have been banned. The lockdown determined millions of people to move into technical unemployment or lose their job completely, while the private sector had to find radical innovation strategies to keep the business. The economic effects did not stop appearing on all levels, and the uncertainty related to health turned into one related to the financial aspect. How each economy adapted to this situation was decisive for the chances of business success. Some of them waited too long to restructure the business model into a feasible one in a crisis. In contrast, others reacted immediately, and few managed to identify methods to increase their income during the crisis. This article analyses the adaptation ways of sectors harshly hit by the problem, in the context of the discipline of relationship marketing and the strategies and tools brought forward by this discipline.

2. Literature Review

The economic effects of coronavirus were visible in Europe even before the first cases of the disease appeared, while China was the first country to face a lockdown, reduced production, and many European businesses relied on the retail of Chinese products, raw materials, or components from that area, they found themselves in a stalemate. The consequences have been increasingly worrying and continue to persist. Deloitte, a multinational non-financial and assurance consulting company, points out some of the most common difficulties businesses will face in this period and some techniques to overcome them. During this period, cash flows will be affected due to overstocking and the inability to pay at the due date. The indicated solution is to identify the less affected stakeholders able to pay to support the business, and the third level at which the company can be affected is customer retention. To succeed in this challenge, it is recommended to build a coherent relationship marketing strategy, starting at executive level, to be able to control the expectations.

Pop (2020) highlighted that relationship marketing is part of the marketing categories, together with global marketing, sustainable marketing, and holistic marketing, who have a systemic approach and thinking and promote action in the medium and long term. As per Gummesson’s (2008, p. 5) definition, “Relationship Marketing is the interaction in a network of relationships.” Relationship marketing makes possible a
mutual exchange and fulfillment of promises (Grönroos, 1994). Harker (1999, p. 16) analyses 117 different sources of relationship marketing literature and defines that “an organization engaged in proactively creating, developing and maintaining committed, interactive and profitable exchanges with selected customers overtime is engaged in relationship marketing.” Relationship Marketing conceptualization theory presents this discipline as a strategic solution to build collaboration and constructive long-term approaches, together with a sustainable competitive advantage (Christopher et al., 1991; Gummesson, 1991; Lindgren et al., 2004; Blery and Michalokopoulos, 2006). Its focus is on developing dialogue and implicitly on understanding and confidence, therefore fostering a positive role in society and building bridges (Kotorov, 2004). Ryals and Knox (2001) emphasize the strategic, process-oriented, value-creating capacity to increase financial performance for both buyer and seller, while Chen and Popovich (2003) accentuate Relationship Marketing’s capacity to integrate technology, process, and other business activities around customer.

Relationship marketing is built through a core of themes, which mostly focus on “commitment,” “trust,” “service,” and, increasingly, on “information technology” (Surej, 2019). Commitment is the “seller’s enduring desire to maintain a valued relationship” with its stakeholders” (Verma, Sharma, and Sheth, 2016, p. 209), and its nature and existence have preoccupied plenty of researchers in relationship marketing (Addison et al., 2017; Morgan and Hunt, 1994). Commitment is also a critical success factor of a firm’s relationship marketing efforts (Miquel-Romero, Caplliure-Giner, and Adame-Sánchez, 2014; Ndubisi, 2007; Moorman, Deshpande, and Zaltman, 2006). On the other hand, trust is defined as the “confidence in exchange partner’s reliability and integrity” (Morgan and Hunt, 1994, p. 23). The role of trust is crucial for developing and maturing a relationship (Miquel-Romero et al., 2014; Moorman et al., 2006; Verma et al., 2016; Churchill and Surprenant, 1982). Kushwaha et al. (2020) observe that the ethical aspects of the business are crucial when unethical practices like selling customers’ private data are endangering trust and diminish the fulfilled promise of the delivered service. Customer database management should be used for higher customer satisfaction instead of additional profitability source. Trust is based on the delivery and fulfillment of promises and pillar constructs like policy, privacy, and transparency.

Service orientation is also found to correlate positively with a successful relationship, promoting loyalty, satisfaction, and engagement (Grönroos, 2017; Vargo and Lusch, 2004; 2008). IT impacts on relationship marketing range from the influence of the internet, social media, and mobile applications, to big data, artificial intelligence, and virtual reality (Keegan and Rowley, 2017; Steinhoff et al., 2018; Surej, 2019). Ojiaku et al. (2017) researched the impact of relationship building on service firms, concluding that bonding strategies, like building the relationship, investing in loyalty, and personalizing services, are more effective when combined with others' financial and structural incentives. Moreover, they recommend firms to recruit staff with service orientation and train them to behave ethically and honestly towards their
clients to evoke trust and integrity and to invest in customer satisfaction and matching customers’ expectations, which they find that it has the most decisive influence on customer loyalty.

1. As pointed out by Söderlund (1999), there is redundancy and ambiguity concerning vital influencing factors of commitment and loyalty. These concepts are fluid, psychological, and diffuse, which makes them hard to pinpoint. However, researchers seem to converge on two influencing factors of loyalty and commitment, namely an attitude dimension and a behavior dimension (Day, 1969; Dick and Basu, 1994; Kiesler, 1969; Knox, 1998; Lee and Zeiss, 1980; Mowday et al., 1979; Mägi, 1999; Williams and Hazer, 1986). A range of factors can explain the excellent performance of attitude and behavior dimensions, as it is synthesized below, following the conceptual model developed by Söderlund (1999).

2. The satisfaction of high-level needs - High-level needs are values, such as freedom, inner harmony, pleasure, salvation, self-esteem, social recognition, and true friendship (Rokeach, 1973).

3. Effort - People show greater commitment towards things they make more efforts to obtain (Cialdini, 1988; Grusky, 1966; Kiesler, 1971). This goes hand in hand with the need to increase inner coherence by justifying oneself and perceiving a higher value for the object one makes efforts for (Kanter, 1968; Staw and Fox, 1977). The efforts may be of cognitive nature, such as learning, processing information, making sense of complexity, completing incomplete experiences, or the pleasant unexpectedness of exceeded expectations (Peter and Olson, 1996; Celsi et al. 1993; Hergenhahn, 1988; Oliver et al., 1997). A further type of effort is the making of sacrifice, a renunciation in terms of time or money, which can also engender behavior based on a self-justification pattern (Kanter, 1968; Farrell and Rusbult, 1981; Lund, 1985; Rusbult, 1983; Salancik, 1977).

4. Visibility - The fact of being seen using a product (Cialdini, 1988; Kiesler, 1971; Salancik, 1977), as well as the fact of being seen as a person who is “walking the talk” and able to be consistent, which is a highly valued trait (Cialdini, 1988; Staw, 1981) are major drives for commitment.

5. Volition - Less pressure to do something, irrespectively whether it is in line or not with our beliefs, results in more commitment (Kiesler, 1969; Salancik, 1977), because personal control increases the feelings of well-being and pleasure (Hui and Bateson, 1991). Moreover, repeating a behavior implies a higher level of volition and engenders higher responsibility (Kiesler, 1971).

6. Participation of the customer - engaging the customer in business aspects such as service evaluation, product design, or simply mental involvement, like in the case of a video game or movie, increases the customer’s capacity to influence and produce an effect on their environment, which is a strong predictor of commitment (White, 1959; Bateson, 1985; Stott and Walker, 1995). Thus, participation contributes to satisfying the need for achievement, recognition, and self-esteem, as well as to increase the satisfaction, because
people tend to give less importance to problems when they have already invested in an outcome. It seems that this is linked to the reduced discrepancy between expectations and results (Raaij and Pruyn, 1998).

7. Participation of other customers - Certain services are sociable in nature, and their quality depends on the participation of other people. The coronavirus crisis showed how important the participation of other customers could be in real-life settings. The lack of social contact can be disturbing and destabilizing, requiring that the person compensates in other aspects of their life, such as the virtual environment. A particular situation emerges when customer-to-customer relationships cluster into a distinctive sub-culture of consumption based on shared commitment engrained in common beliefs and values, archetypes, rituals, and symbols (Schouten and McAlester, 1995).

Under the weight of the COVID-19 pandemics, business focus has now shifted towards the online environment (Khan et al., 2020; Grima et al., 2020). However, the relationship-building in an online environment is subject to rule changes (Thaichon et al., 2019), such as influencers, technologies, and platforms, and the balance between information use and privacy concerns. The use of Big Data has led to better segmentation, targeting, and personalization of offers, but also greater levels of privacy concerns.

Hougaard and Bjerre (2009) highlight that there are various types of strategies, depending on the vision about the firm, relationships and the perception of strategy itself, thus analyzing the different strategic approaches in the pre-existing literature, such as: positioning (analytical view of dominance over customer and relationship seen as an exchange); cultural pattern (behavioral approach to create mutual benefits and complex exchanges based on relationships, seen as unique resources); entrepreneurship (intuitive, individualistic approach that views customers as an opportunity source and relationships as sources of innovation) and configuration (episodic, responsive approach which synchronizes with the customer’s life cycle and sees relationships in an archetype form). Their analysis reveals that the approaches differ dramatically and none of them has the relationship at their core. When applying relationship prism to the strategy, the authors come up with an “eco-cycle” shape using the infinite symbol, where the relationship evolves from emergent to relational, constrained and struggling, embedding recurrent episodes of confusion which depart from an archetype crisis and can lead to creativity, development and action or to relationship breach. We suggest that the COVID-19 pandemics bears in itself the characteristics of such a crisis, and its impact on sectors ranges from destruction to growth and development.

3. Methodology

This article analyzes some of the most affected areas of activity during the COVID-19 crisis period. The authors use a descriptive research method, namely the desk research, and a qualitative research method, namely personal interviews with key
representatives from the field. The desk research presents a complex analysis of a contemporary phenomenon, which the authors have used to understand and learn about a company's process and actions, in order to gain a comprehensive understanding of the most affected areas, as well as examples of positive or negative practices in adapting to the current situation. By using multiple sources, the authors were able to address different sides of the problem. The data was obtained by examining electronic documents from various sources, including scientific articles, the company's reviews, national reports, and governmental documentation. To achieve the paper's goals, the authors conducted 14 semi-structured interviews with key employees from tourism and luxury agencies and public sector representatives, aiming to offer a panoramic perception of the situation and a market prospecting. The objectives of the research are to analyze the reaction of some of the most affected areas during this period to create a good-practice guide; to identify the marketing methods used during this period and their effectiveness; to analyze the effect of relationship marketing.

4. Research Results and Discussion

By far, the most affected economic field due to lockdown and the inability to move during the coronavirus period is tourism, which is closely followed by the free-time activities, which are also generally associated with socialization, people gatherings, and mobility. Luxury brands were also seriously affected by the lack of mobility and the financial uncertainty that determined masses to be more conscious of spendings. Next among those affected are businesses that depend on essential raw materials; the first affected are the automotive industry and technology. The Oil & Gas industry also suffered from a sharp drop in demand, followed by a sharp and drastic drop in prices. Next are the exports that have reached a significantly low level.

Figure 1. Most affected businesses during COVID-19

![Figure 1: Most affected businesses during COVID-19](image)

Source: Authors’ own creation; processed according to Deloitte.

4.1 Relationship Marketing in Tourism During COVID19

Tourism and leisure activities are two other areas that really suffered during the pandemic. The industry's stillness causes direct losses of up to EUR 400 billion
(Šambronská and Mlada, 2020). The tourism sector is expected to shrink by between 40 and 70 percent, not being able to deal with the refunds, lack of activity, and low business.

The travel companies that managed to make a profit during the crisis were the ones that adapted their programs to the current situation. They focused on domestic tourism, which recovered sooner and drew up new programs that offer tourists local experiences. The period of inactivity increased the desire to experience new things, so day trips with clear themes or special activities increased considerably. There is also an exponential increase in rural tourism, ecotourism and adventure tourism. Social distancing has led people to avoid crowded areas, famous landmarks, and large cities. Orientation to more remote areas, natural attractions, or rural areas can balance the scales, helping disadvantaged areas survive. Promoting feelings, not destinations, as tourism satisfies high-level needs of self-development, social recognition and harmony is helping potential customers to stay engaged and keep the desire active even in hard times.

The incapacity to travel generated great losses to the tourism industry, though all the questioned agency representatives admitted to having promoted ‘staycation,’ which is why people decide to spend their holiday at home. The initiative was taken having two main reasons: keeping the social distancing tourism will recover sooner, but more importantly, to promote volition, let the customer decide, and keep approach a relationship marketing strategy o the log-run.

The effort to adapt was also made by the agents individually. Museums have made free virtual tours or have focused on one exhibit from the collection. Animal parks have done personalized sessions with animals online. Creative or cooking workshops offered online demonstrations or even courses. A model of traveling from home is being prepared, through which one can experience a destination in front of the computer. Radical creativity and innovation have been put to the test more than ever in a crisis to allow the tourism sector to survive in lock-down, but even with those efforts, the tourism sector will hugely impact the European economy.

However, considering the tourism sector's size, the effort needs to be guided at a governmental level. The first attempt to support the branch was to host the persons suspected or confirmed of COVID-19 in hotels, in order to provide cash-flow. 3.6 million people benefit from tourism (Eurostat, 2019), which will have to be transitioned from the Informal to the Formal Economic Recommendation. Infrastructure policies and taxes should be adjusted accordingly. Financial stimulus measures should be considered both through lower or fixed interest for SMEs and in the form of travel vouchers to stimulate the demand. Reducing the market size will raise unemployment, therefore employees will need access to training and guidance towards other productive sectors. It is a global crisis that can be remedied only with active involvement and exchange of know-how, which involves structured dialogues for unitary decision-making.
Following interviews with tourism representatives, the authors have discovered that large companies, even a few months after the outbreak, face its shocks, rescheduling trips, reimbursements, and designing strategies. While the fight takes place in the office for them, with legislative measures and methods of adaptation, small companies reacted quickly. They benefited from many tourists who traveled domestically and organized trips of one, two, or three days, offered unique experiences, and promoted lesser-known areas. For these traders, the summer of 2020 was more predictable than other years, despite the restrictions.

4.2 Luxury Goods and Fashion Industry

The clothing industry-valued $1.5 trillion and declined severely during the crisis letting thousands of people unemployed. The luxury goods companies have been struggling even before the pandemic, which only made it worse, shrinking their incomes with up to 70%. The entire clothing, footwear, and textile industry suffer because the population could leave their homes, which has led companies to give up orders, so the supply chain is disrupted and generates the loss of millions of jobs in disadvantaged areas. Only in Europe, the clothing industries faced losses of 50%. Many of these companies will not withstand the crisis at all (Kulusum, 2020) while others started immediately to produce face-masks to keep their business. In the following, there some of the adaptation strategies that companies have come up with.

Luxury goods have mostly focused on physical stores to be able to offer a complete luxurious experience. Recreating it in the online world, the website must reflect the personality and style of the brand in every detail, image, or text, and it should not be only designed to mediate a transaction, but aims to create a community around the brand and become a tool for interaction with the client and the product. Maintaining active communication and a close relationship might be the difference between the success and the failure of a company.

The brand chosen by a person reflects their personality, so the sites focused on storytelling, from sharing success stories to directly approach certain social groups and build a closer relationship. Some have launched a more intense campaign to promote women in leadership positions or bold women; others support the LGBT community or return to an iconic style that made brands famous in the first place (Bilghihan et al., 2016).

The trend that promotes sustainability has become even more pronounced during this period, so brands promote recyclable materials, environmentally friendly, or natural materials. Many brands also lobby for environmental protection or, alternatively, even initiate campaigns in this direction (Klaus and Manthiou, 2020). Companies are obliged to make a conscious decision, namely, how to respond to the customer’s needs and requests, in order to retain their trust. Moreover, luxury brands tend to return to
the core values and elements that propelled them to success, bringing to light the iconic garments for their brand.

Regarding responsibility, the workforce is also being considered. Big brands have often been blamed for exploiting the workforce, so some brands have also addressed this issue to motivate the sales, assuring that properly paid people design the products they create. Along with this trend, reshoring is taken into account, especially when customers are urged to support local companies (Młody and Stępień, 2020).

Online-enabled fashion-companies reach a greater number of people through their actions. The fact that fashion shows were organized online, allowed mass participation in events. The inability to try on products in the store has led brands to create software through which potential customers can virtually wear their products. This person-brand interaction encourages the creation of a relationship and increases the probability of a transaction. Product placement has also reached other heights so that video game characters can wear designer creations.

For cases where the interaction with the brand ends with purchasing a product, the customer experience is maintained at high levels. Particular attention is paid to how the package is delivered to the packaging’s design and material, to the surprise and the unboxing experience. Many companies choose to communicate with the client by adding a message from the designer himself, or a greeting card where the client’s name is handwritten.

5. Conclusions, Proposals, Recommendations

During the pandemic, there were major changes in all sectors of activity, both in the private and public environment. Processes, systems, preferences and habits have changed, forcing both the population and entrepreneurs and management to adapt. Given that all areas have been challenged by serious challenges, it is inappropriate to say that only some sectors have really suffered during this period, however we have chosen as a study the areas that by their nature are addressed to people at the top of the Maslow’s pyramid and who sought appreciation, self-transcendence, and social prestige. The pandemic affected an element at the base of Maslow's pyramid, so the upper elements became non-priority, non-urgent, unnecessary or difficult to allow.

Any change has repercussions, the world will not be as we knew it before, but we can choose to build more responsibly. Although the losses have been substantial, many destinations admit they no longer want to allow tourism to reach its pre-pandemic scale. Moreover, tourism will take another turn; it will become more responsible and more sustainable. It will be more balanced, so that very crowded areas will be avoided and, instead, more secluded areas will be promoted and will benefit economically from this turn.

Following interviews with representatives of the fashion world, it is noted that the situation is disadvantageous, and there is no hope that it will return to its previous
volume and conditions. It cannot be said that it is a sector that will necessarily decrease in size, there will always be customers for luxury markets, and the fashion world will survive, but this will only happen with significant changes. The sector will become more sustainable, cleaner, and offer more decent work conditions, which can be advantageous, despite the current financial difficulties.

References:


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