RELATIONSHIP MARKETING IN TOURISM IN THE ERA OF INDUSTRY 4.0

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ABSTRACT

Relationship marketing (RM) is a paradigm in marketing products and services by using the relationship as the primary tool. The RM paradigm was introduced in the 1990s has been practically implemented in the services and manufacturing industries. One of the popular services industries that implement RM is tourism. By building bonds with customers that are also known as tourists, the outcome for business is believed to be positive. The larger the number of bonds developed, the stronger the relationship will be more effective. However, the industrial revolution evolved. In the present era of Industrial Revolution 4.0, the business marketing shift from conventional to digital marketing. The conventional marketing refers to RM that involves human touch and physical interaction while digital marketing refers to the technologies used as resources to market products and services. The questions might be raised, does the spirit of conventional marketing like RM is getting faded? Does the new revolution industry make RM less attractive to be practised as the new technology in the industry requires more digital application? Therefore, this paper attempts to explore the relevancy of RM in tourism in the current era. The data collected by using document research and analyzed by qualitative content analysis. The findings show that there is the relevancy of RM to be practised as the marketing approach in the tourism industry. Although digital marketing (DM) is vital to attract customers, RM purpose is to retain and turn the customers to loyal customers through the bonds developed. Therefore, the integration of RM and DM in three approaches are identified to be applied in the tourism industry.

Keywords: relationship marketing; tourism marketing; industry 4.0

INTRODUCTION

RM is defined as a process to identify, develop, maintain, and terminate relational exchanges with the purpose of performance enhancement (Palmatier, 2008). The purpose of RM is to improve marketing productivity and enhance mutual values for the parties involved in relationships (Parvatiyar & Sheth, 2000). RM is recognized as a major paradigm shift in marketing comparable to the marketing concept in the 1960s, whereby it focuses on customer needs and wants, quality concept, customer satisfaction, which has transformed the business
practices and philosophy (Sheth, 2000). The emergence of the RM paradigm is believed to derive from two main forces, namely inadequacy of the marketing mix framework (e.g., lack of long-term focus) and environmental changes (e.g., fierce competition and the customer’s sophisticated needs) (May, 2005).

RM differs from traditional marketing in six dimensions. Those dimensions are RM is creating and sharing new values, recognizing the key roles of individual customers and their values over purchasing lifetimes, requiring the company to design and align its business process, communications, technology, and people, making continuous efforts between buyers and sellers, and building a relationship chain within the organization and between the organization and its main stakeholders (Gordon, 2000).

Academicians and marketing practitioners recognize the contribution of RM. For academicians, RM provides a high potential of research with multidisciplinary nature of issues, addresses on other studies on services, distribution channels, brand management, quality, and customer loyalty as well as provide potential research in other areas that are not specific on marketing. Marketing practitioners also gain benefits from RM in two ways. First, the process of benchmarking can be used in their business practice since there is several RM research is based on case studies. Second, the multiple channels for interaction with the customer have contributed to remarkable RM (Brito, 2011). The importance of RM in organizations is undeniable. Marketing is not merely about completing a sale, and it is more also developing the relationship and maintaining with customers. RM involves pre-marketing and post-marketing or aftermarketing. Successful RM requires the practice of aftermarketing programs. Vavra (1995) addressed seven steps of aftermarketing programs such as identifying the customer base, acknowledging customers, mapping customer interactions, providing customer access, measuring customer satisfaction, maintaining contacts, and reclaiming lost customers. The aftermarketing programs are essential to ensure customer retention, which is the main aim of RM.

RM is believed to determine the future of the firm as the internal and external relationships play crucial roles. In an internal relationship, if employees and investors or stakeholders have a good relationship, they will show loyalty in producing better and continue to invest their funds in the firm. Meanwhile, in an external relationship, if the customers are satisfied and have a good relationship, they will stay and do more business with the firm.

Philosophically, RM involves human physical interaction and human touch in any transaction. In dealing with human interactions, relationship bonds are generated to ensure the success of RM practised. There are three types of bonds, namely financial, social, and structural bonds that play crucial roles in making RM effective. There are three levels of RM that can use the bonds, such as level one uses the financial bond, level two uses the financial and social bonds, and level three uses financial, social, and structural bonds. In level one, relationship marketers primarily use pricing incentives to encourage customers to do more business with them. Level two brings relationship marketers to go beyond pricing incentives by emphasizing personalized service delivery and the transformation of customers into clients. This level focuses on social bonding by staying in touch with clients, learning about their wants and needs, customizing the relationships based on what is learned, and continually reselling the benefits of the relationship. In level three, as an addition to financial and social bonds, relationship marketers solidify relationships with structural bonds. (Berry & Parasuman, 1991).
By building bonds with customers that are also known as tourists in the context of the tourism industry, the outcome for business is believed to be positive. The larger the number of bonds developed, the stronger the relationship will be more effective.

On the other hand, Industry 4.0 emphasizes integrating the physical and digital world in the usage of the resource. As marketers, the integration has given an impact on sales and marketing strategies. The transformation of how to market and sell product need to be conducted in line with the new technologies. New data gathered through intelligent products of Industry 4.0, such as IoT, AI, predictive and prescriptive analytics, will enable a deeper understanding of customers. Data which is collected and analyzed from connected systems will enable companies to enhance the customer experience, develop new direct selling and marketing strategies, and better enable companies and their partners to offer post-sales support to customers, strengthening brand and customer relationship (Red Javelin, 2019). With Industry 4.0, business relationship has been digitalized by enhancing channel relationships with digital technologies to improve buying and installing products for end customers (Deloitte Center for Integrated Research, 2016).

The questions might be raised, does the spirit of conventional marketing like RM is getting faded? Does the new revolution industry make RM less attractive to be practiced as the new technology in the industry requires more digital applications? Therefore, this paper attempts to explore the relevancy of RM in tourism in the era of the fourth industrial revolution. The data is collected by using secondary data. Secondary data comprises published data such as various journal publications, books, and websites are used in this study. Then, the data is analysed using qualitative content analysis.

This paper is organized into five sections. The first section briefs the introduction. The second and third section presents the works of literature in RM in tourism and the emergence of the fourth industrial revolution. The fourth and fifth sections discuss on findings of RM in the fourth industrial revolution and integration of RM digital marketing in the tourism industry while the last section is the conclusion of the paper.

**RELATIONSHIP MARKETING IN TOURISM INDUSTRY**

RM is popularly discussed in the services industry since its emergence. One of the services industries that also implemented RM is tourism. Tourism industry encompasses four elements such as decisions about taking a trip, travel (how customer get to their destinations), accommodation (where customers stay while they are away from home), and activities (what customer do when they get to their destinations) (Awadzi & Panda, 2007).

Tourism is at the forefront of other industries adopting RM as indicated by practices such as airline frequent flyer programs, hotel frequent guest programs, and car rental company customer preference programs (Goldsmith & Tsiotsou, 2012). There are number of researches that show the application of RM in tourism industry as part of marketing strategy (Manjeet Singh, 2017; Sarwari, Tanvir Ahmed Minar & Valeed Khan Chowdhury, 2015; Mohammad Azmian, Elnaz Nasrinahr, & Amir Foroughi, 2012; Costa & Alves, 2013; Fatemeh Mostafavi Shirazi & Ahmad Puad Mat Som, 2013; Ahmad Shammout, Polonsky & Edwardson (2012); Awadzi & Panda, 2007).
Manjeet Singh (2017) examines the usage of customer relationship management (CRM) in a travel agency by defining CRM as a comprehensive strategy and process of acquiring, retaining, and partnering with selective customers to create superior value for the company and the customer. CRM involves the integration of marketing, sales, customer service, and the supply-chain functions of the organization in achieving greater efficiencies and effectiveness to deliver customer value. The findings show that CRM is diversely needed and maintained in the tourism industry. It is possible to stabilize CRM both in the operating area among competitors and the consciousness of customers.

The study Ahmad Shammout, Polonsky & Edwardson (2012) in five-star hotels in Jordan found that the three bonds of financial, social, and structural are perceived to be more critical for high-loyal consumers compared to low-loyal consumers. The structural bonds seem to be more important and have more influence on all types of loyalty, followed by social and financial bonds. The structural bonds are also statistically stronger than the other two types of bonds.

Sarwari, Tanvir Ahmed Minar, and Waleed Khan Chowdhury (2015) have studied on customer loyalty in five-star hotels in Bangladesh. The study revealed that though the financial and social bonds affect the relationship quality, there are no relations between structural bonds on relationship quality. The relationship quality is a strong determinant of customer loyalty. The more guests of five-star hotels have a higher relationship quality with their hoteliers, the more they are likely to be loyal to them.

Mohammad Azmian, Elnaz Nasrinahr, & Amir Foroughi (2012) found that RM is significantly correlated with service quality, personal connections, and customer satisfaction and customer retention in the Malaysian hotel industry. The findings also show that managers, employees, staff expression, trust and respect, humanistic, empathy, responsiveness, assurance, reliability, accessibility, flexibility at work, a strong sense of purpose, and empowerment of employees individually can be a critical benefit for any hotel customers.

Costa & Alves (2013) have reviewed the RM strategies applied in the Iberian tourism market by measuring the three relational bonds such as financial, social, and structural bonds as well as to understand how the organization listed in National Strategic Plan for Tourism (PENT) promote tourism through their websites. The findings show that only financial and social bonds are most differentiate the different customer segments, and promotion through tourism websites do not always foster information of the bonds most valued by tourists.

Fatemeh Mostafi Shirazi and Ahmad Puad Mat Som (2013) have examined the tourist satisfaction in Penang with basic elements of destinations (attraction, amenities, accessibility, image, price, people working in tourism) and the relationship between overall satisfaction and destination loyalty in terms of revisit intention and recommendation. The findings show that the overall satisfaction of international tourists to Penang is significant for revisit intention and recommendation.

Lombard & Steyn (2010) have studied the referral marketing relationship of the travel agencies in the Western Cape of South Africa by using word-of-mouth marketing and referral groups as their main marketing instrument. They found that the referral group can ideally be better used to provide positive word-of-mouth referrals on behalf of the travel agencies. The relationship
between the travel agencies and the referral group needs to be strengthened as a priority in stimulating positive word-of-mouth.

Awadzi & Panda (2007) have studied the cycle of tourist development to transform the tourists to become loyal customers. The cycle consists of four stages, namely stage 1, stage 2, stage, and stage 4. Stage 1 represented by Quadrant 3 indicates the High familiarity with low risk, stage 2 represented by Quadrant 4 indicates low familiarity with low risk, stage 3 represented by Quadrant 2 indicates low familiarity with high risk and stage 4 represented by Quadrant 1 indicates high familiarity with high risk. There are four classifications of tourists identified, namely, novice tourist, intermediate tourist, expert tourist, and world traveler.

THE EMERGENCE OF FOURTH INDUSTRIAL REVOLUTION

The Industrial Revolution is a concept and development that has fundamentally changed our society and economy. Characterized by the "Cyber-Physical System," the system is a consequence of the far-reaching integration of production, sustainability and customer satisfaction, forming the basis of intelligent network systems and processes. It is a linkage of the virtual to the physical world (Bloem, Doorn, Duivestein, Excoffier, Maas, & Ommeren, 2014).

Schwab (2015) describes the fourth industrial revolution is building on the third revolution, the digital revolution that occurs since the middle of the last century. The fourth revolution is characterized by a fusion of technologies that is blurring the lines between the physical-digital, and biological spheres. In this revolution, there are possibilities of unlimited connection through mobile services and emerging technology in the field such as artificial intelligence, robotics, the Internet of Things, autonomous vehicles, 3-D printing, nanotechnology, biotechnology, materials science, energy storage, and quantum computing (Schwab, 2015).

Business sectors are affected by this fourth revolution. There are four ways of influences, as addressed by Schwab (2015), such as the way of serving customers, product enhancement, collaborative innovation, and rethought of talent, culture and organizational forms.

Digital technology is progressively implemented by firms to respond positively to customer needs, and at the same time, improve customer-side operations. It supports the interests of consumers and businesses, and at the same time, it helps to drive sales and increase efficiencies by reducing costs (Foroudi, Guota, Nazarian, & Duda, 2017). Digital marketing (DM) involves an integrative plan of how to use social media, search engines, emails, and content to promote a business (LYFE Marketing, n.d.).

RM IN THE ERA OF INDUSTRIAL REVOLUTION 4.0

The revolution of the industry does affect the marketing approach in business when it involves the improvement of technology. However, marketing in the tourism industry needs more than that to grow and sustain, which is the human touch. Human touch is a friendly and pleasant way of treating other people that makes them feel relaxed (Cambridge Advanced Learner's Dictionary & Thesaurus, 2018).

Human touch involves human interaction. Human interaction is the central core in ensuring the effectiveness of RM. The proliferation of technology has provided the latest communication
tools in connecting humans. However, the myriad of ways to communicate comes with inherent concern that we are connecting but not connecting (Gross, 2018).

Technology enables RM; however, its design must be integrated with that of organizational design (Gordon, 2000). Among the implications of RM for the marketing, functions are the technology it uses to drive its processes, the process themselves (that can be affected by such issues of the business, selection and rejection of customers, and relationships with stakeholders in addition to those with customers), and human resource considerations, including teams composed of internal and external stakeholders—notably including customers and the distribution channel intermediaries who are to ensure the processes perform.

For marketers, Gross (2018) emphasizes the instinctual desire paired with accessibility creates an unprecedented formula for customer engagement. By adding a personal touch can accelerate the growth of authentic relationships that could not be replicated in computer-generated communications. There are four ways to infuse personality into digital outreach. First, demystify audience by knowing who you are speaking to and considering demographics (gender, age, income, marital status, education level, occupation, place of residence), psychographics (values, opinions, attitudes, interests, lifestyles), buyer persona (ideal customer based on data and market research), insights from client conversations (day-to-day operations, goals, off-topics such as sports and pets, talk to them by phone). Second, talk with customers, not at customers by treating social media as more than one-way conversation by interacting, replying, and having real discussions regarding what matters most to customers by asking your followers in social media. Third, appeal to emotions by keeping customers emotionally engage with content is critical to your bottom line. Fourth, treat followers the way they want to be treated by building rapport through is praxis or mirroring another's behaviour (Gross, 2018).

Customer expectations can be categorized into five service dimensions, namely reliability, tangibles, responsiveness, assurance, and empathy. Reliability is mostly concerned with the service outcome, while tangibles, responsiveness, assurance, and empathy are more concerned with the service process (Parasuman, Berry & Zeithaml, 1991). The measurement of customer satisfaction is a crucial issue in RM (Fatemeh Mostafi Shirazi, Ahmad Puad Mat Som, 2013). In measuring customer satisfaction, it is good to know if customers received the same service with their expectations, and it is an important factor in building customer relationships (Manjeet Singh, 2017).

INTEGRATION OF RM AND DIGITAL MARKETING IN TOURISM

Tourism is one of the sectors that contribute to economic development. The major benefit of tourism in stimulating economic growth is represented by an increasing number of available jobs in the tourist destination, both directly and indirectly, within the companies which provide services necessary for tourists (Bunghez, 2016).

The application of marketing to the industry needs to address at least seven important sub-sectors or dimensions, namely travel, transportation, accommodation, food-service, tour operators, attractions and merchandisers (Jonsson, 2005). Each dimension is different; however, they are connected and should be coordinated and integrated.
Tourism is not only services with getting economic benefits. However, it is related to relationships. In building and maintaining the relationship, the human touch is the core. Human touch provides tourists with a warm greeting and real experience in tourism destinations. The former Central Visayas Regional Director in the Philippines, Catalino Chan stated that tourism is about creating the best experience for visitors, whether they are the first-timers or repeated visitors. It is about the first-hand contact with the local people who are truly representing that place and the result is the creation of unforgettable ties which last for many years (Ramos, 2017). Meanwhile, the Prime Minister of Singapore, Lee Hsien Loong, stated that tourism is a high-touch industry and technology overcome workforce constraints, but not to replace the warmth of people-to-people interaction (Siau, 2014).

In integrating human touch in digital application, three approaches are identified in blending both two main tools of RM and DM in marketing. Each approach comprises of three stages such as pre-marketing when sales occur/ in the event day, and post-marketing. Those three approaches are DM-RM-DM, RM-RM-DM, AND RMDM-RM-DMRM.

**DM-RM-DM Approach**

In the beginning stage or pre-marketing, DM is used in creating alerts and promoting the destinations, including hotels, transportation, travel agencies, food and beverage. By using social media, emails, and search engines to promote and create awareness for customers with attractive prices. The attraction can be in the form of attractive promotions, including pricing and packages. The related bond developed in this stage is financial bonds.

In the second stage, which when sales occur/ on the event day, RM begins when the spirit of human touch is instilled through one-to-one marketing by welcoming the tourists in person at the destinations. It can be the tour guide, driver, hotel staff, restaurants, and local people. The related bonds developed in the second stage are financial and social.

In the third stage of post-marketing/ aftermarketing, DM is applied to keep in touch with the tourists. Notifications of new promotions and customer service feedback can be sent through DM tools. This way can lead to customer retention when the tourists enjoyed and satisfied with the services provided. Those tourists can become loyal customers in the future. By completing this stage, the three relational bonds are involved, namely financial, social and structural bonds.

**RM-RM-DM Approach**

In the pre-marketing stage, RM begins with word-of-mouth from others or referral marketing. The word-of-mouth describes the informal and recommendations from current and potential customers about products and services (Karlicek, Tomek, & Krizek, 2010). The word-of-mouth gives an impact on consumer choice, service switching, purchase decision, perception about the products or services with brand choice for facilitating the consumers (Sundu & Sundara Rajan, 2017). The related bond developed in this stage is financial and social bonds.

In the second stage on the event day, RM begins when the spirit of human touch is instilled through one-to-one marketing by welcoming the tourists in person at the destinations. It can be the tour guide, driver, hotel staff, restaurants, and local people. The related bonds developed in
the second stage already including three relational bonds of financial, social, and structural bonds.

In post-marketing or the last stage, DM is applied to keep in touch with the tourists and building connections based on rapport developed in the previous stages. Notifications of new promotions and customer service feedback can be sent through DM tools. By having both RM in the first and second stages, the bonds created in the last stage become stronger when it involves DM. This combination will build positive word-of-mouth marketing or referral marketing to others.

**RMDM-RM-DMRM Approach**

In the pre-marketing stage, RM and DM are conducted simultaneously. There are two simultaneous stages involved. First, DM is used in creating alerts and promoting the destinations, including hotels, transportation, travel agencies, food and beverage. By using social media, emails, and search engines to promote and create awareness for customers with attractive prices. Second, RM through word-of-mouth marketing or referral marketing. The past tourists disseminate positive information about the destinations to new customers.

In the second stage, RM focuses more on building rapport and personal relationships with tourists. Same as the first and second approaches, RM can begin with the tour guide, driver, hotel staff, restaurants, and local people at the destinations.

The third stage or post-marketing involves DM and RM are conducted simultaneously. DM and RM are applied to keep in touch with tourists. Any information on new promotion or customer service feedback can be sent through DM tools. At the same time, RM is maintained through personal phone calls for warm greetings. When the DM and RM are simultaneously implemented, as well as extraordinary services beyond the customer expectations are delivered, all three relational bonds of financial, social, and structural are achieved.

From the above three approaches, the first and second approaches have only differences in the beginning and last stages, which is the switch between two tools. For the third approach, it combines both tools in the beginning and last stages. Furthermore, the first approach focuses more on DM, while the second approach more focuses on the RM. The third approach is more on utilizing both DM and RM simultaneously.

**CONCLUSION**

Although the fourth industrial revolution tends to focus on a digital application that affects the marketing approach, the emergence of RM since the 1980s is still recognized and applicable to the current era of industrial revolution 4.0. Indeed, all of the humans are responsible for driving the evolution of technology in 4.0 to be shaped and directed towards the future with human values and norms. Hence, the human touch that is embedded in RM needs to be integrated with the fourth industrial revolution. Both technology and human touch have an essential role in marketing. Each role of them is not able to be replaced by each other and has its strengths and flaw. By integrating both technology and human touch, the relational bonds are maintained with customers though the industry evolved.
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