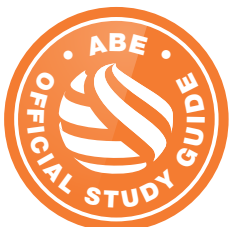


Your road to success

LEVEL 5 MANAGING STAKEHOLDER RELATIONSHIPS



© ABE 2017

All rights reserved. No part of this publication may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying and recording, or held within any information storage and retrieval system, without permission in writing from the publisher or under licence from the Copyright Licensing Agency Limited. Further details of such licences (for reprographic reproduction) may be obtained from the Copyright Licensing Agency Limited, Barnard's Inn, 86 Fetter Lane, London EC4A 1EN.

This study guide is supplied for study by the original purchaser only and must not be sold, lent, hired or given to anyone else.

Every attempt has been made to ensure the accuracy of this study guide; however, no liability can be accepted for any loss incurred in any way whatsoever by any person relying solely on the information contained within it. The study guide has been produced solely for the purpose of professional qualification study and should not be taken as definitive of the legal position. Specific advice should always be obtained before undertaking any investment.

ABE cannot be held responsible for the content of any website mentioned in this study guide.

ISBN: 978-1-911550-22-8

Copyright © ABE 2017
First published in 2017 by ABE
5th Floor, CI Tower, St. Georges Square, New Malden, Surrey, KT3 4TE, UK
www.abeuk.com

All facts are correct at time of publication.

Author: Sandra Cunliffe MBA
Reviewer: Jacqui Bishop, BA (Hons), MA, PGCE, Dip M, Dip MRS, MCIM

Editorial and project management by Haremi Ltd.
Typesetting by York Publishing Solutions Pvt. Ltd., INDIA

Every effort has been made to trace all copyright holders, but if any have been inadvertently overlooked, the Publishers will be pleased to make the necessary arrangements at the first opportunity.

The rights of Sandra Cunliffe to be identified as the author of this work have been asserted by her in accordance with the Copyright, Design and Patents Act 1998.

Acknowledgements

The publishers gratefully acknowledge permission to reproduce the following copyright material: p4 Spotmatik Ltd/Shutterstock; p14 Monkey Business Images/Shutterstock; p23 Kom Satachandana/Shutterstock; p41 antioniondiaz/Shutterstock; p48 tong patong/Shutterstock; p52 stockcreations/Shutterstock; p60 TATSIANAMA/Shutterstock; p64 g-stockstudio/Shutterstock; p93 Riccardo Mayer/Shutterstock; p93 Lenka Horavova/Shutterstock

Contents

Using your study guide	iv
Chapter 1 Identifying and Assessing Stakeholders	2
1.1 Identifying stakeholders	3
1.2 Mapping stakeholders	6
1.3 Assessing and analysing stakeholders	7
1.4 Environmental factors	21
Chapter 2 Evaluating Opportunities and Threats Created by Key Stakeholders	26
2.1 How organisations and their stakeholders interact with each other	27
2.2 The different relationships stakeholders can have with organisations	36
2.3 Pressure groups – opportunities and threats	40
2.4 Customers – opportunities and threats	44
2.5 Brand position and reputation	48
Chapter 3 Drivers for and Key Components of Effective Stakeholder Relationships	56
3.1 Relationship marketing	57
3.2 Drivers for and against relationship marketing	61
3.3 The customer experience	69
3.4 Networks and collaborations	71
Chapter 4 Stakeholder Relationship Strategies	76
4.1 Stakeholder relationships	77
4.2 What sort of relationships with what type of stakeholders?	81
4.3 Methods of communication and stakeholders	87
4.4 Relationship management strategies	95
Glossary	100

Using your study guide

Welcome to the study guide for **Level 5 Managing Stakeholder Relationships**, designed to support those completing their ABE Level 5 Diploma.

Below is an overview of the elements of learning and related key capabilities (taken from the published syllabus).

Element of learning	Key capabilities
Element 1: Introduction to key stakeholders	<ul style="list-style-type: none"> Understanding of the potential influence and impact of stakeholders on a range of organisations <p><i>Types and categories of stakeholders, sources of power, environmental influences, analysis, theoretical knowledge</i></p>
Element 2: Stakeholder groups	<ul style="list-style-type: none"> Awareness of opportunities and threats resulting from key stakeholder groups Recognition of the impact of stakeholders on brand position and reputation <p><i>Stakeholder communication, stakeholder relationships, pressure groups, consumer behaviour, analysis, communication</i></p>
Element 3: Effective stakeholder relationships	<ul style="list-style-type: none"> Ability to recognise and establish effective stakeholder relationships Ability to establish trust and commitment <p><i>Relationship marketing, establishing and maintaining effective stakeholder relationships, customer acquisition and retention, trust and commitment, loyalty</i></p>
Element 4: Stakeholder relationship management strategies	<ul style="list-style-type: none"> Ability to identify an organisation's stakeholders and assess their effectiveness and contribution to business performance Ability to undertake a stakeholder analysis and gap analysis of stakeholder relationships to make improvements Ability to develop a relationship management strategy appropriate to key stakeholders <p><i>Stakeholder analysis, gap analysis, stakeholder relationships, analysis and decision-making, developing strategies</i></p>

This study guide follows the order of the syllabus, which is the basis for your studies. Each chapter starts by listing the syllabus learning outcomes covered and the assessment criteria.

L5 descriptor

Knowledge descriptor (the holder...)	Skills descriptor (the holder can...)
<ul style="list-style-type: none"> Has practical, theoretical or technological knowledge and understanding of a subject or field of work to find ways forward in broadly defined, complex contexts. Can analyse, interpret and evaluate relevant information, concepts and ideas. Is aware of the nature and scope of the area of study or work. Understands different perspectives, approaches or schools of thought and the reasoning behind them. 	<ul style="list-style-type: none"> Determine, adapt and use appropriate methods, cognitive skills and practical skills to address broadly defined, complex problems. Use relevant research or development to inform actions. Evaluate actions, methods and results.

The study guide includes a number of features to enhance your studies:



'Over to you': activities for you to complete, using the space provided.



Case studies: realistic business scenarios to reinforce and test your understanding of what you have read.



'Revision on the go': use your phone camera to capture these key pieces of learning, then save them on your phone to use as revision notes.



'Need to know': key pieces of information that are highlighted in the text.



Examples: illustrating points made in the text to show how it works in practice.

Tables, graphs and charts: to bring data to life.

Reading list: identifying resources for further study, including Emerald articles (which will be available in your online student resources).

Source/quotation information to cast further light on the subject from industry sources.

Highlighted words throughout denoting **glossary terms** located at the end of the study guide.

Note

Website addresses current as of September 2017.

Introduction

Imagine you are the head of a **global corporation**. Take a moment to think about all those who can affect or who are affected by your organisation – they are your organisation's **stakeholders**.

Imagine you are the owner of a small business. Take a moment to think about all those who can affect or who are affected by your business – they are your stakeholders.

Both lists will include the following.

- Employees – whether you have one or one hundred, if they refuse to work your organisation is in trouble!
- **Customers** – if they stop buying your organisation's products or services your organisation will go out of business.
- Government – the effect of new legislation can force organisations of all sizes to change the way they operate or offer a new business opportunity.
- Banks – large and small businesses alike may need the help and support of a bank at times.
- **Pressure groups** – one neighbour angry about the noise from a small business can be just as devastating to a small organisation as a global pressure group can be to a large one.

It is important for all organisations to understand their stakeholders and develop relevant relationship management strategies that will enable them to overcome threats, take advantage of opportunities, achieve their objectives and protect their reputation.

This unit will focus on exploring a range of stakeholders in depth and how organisations of all types and sizes can benefit from developing the right relationships with the right stakeholders at the right time.

The unit is relevant to all businesses: large or small, public or private sector, those offering products or services.

So, whether you are currently employed or working towards a career in business, this unit will help you on a daily and a longer term strategic basis to manage these important business relationships.

The aim of this study guide is to provide you with core theory / concepts relating to managing relationships with a wide range of stakeholders. Please do undertake the associated reading and activities – they will help broaden your understanding. Please also watch business news programmes, look at business news websites and observe what is happening in your own organisation (or any you know well) to see the theory you are learning applied in action.

Chapter 1

Identifying and Assessing Stakeholders

Introduction

The aim of this chapter is to enable you to identify and then assess the stakeholders of a range of organisations. It is important that we assess stakeholders using criteria such as the impact they can have on an organisation and how interested they are in the organisation so we can develop the right relationships with the right stakeholder groups.

Organisations do not have infinite resources and resources have costs associated with them. It is therefore important that organisational resources are used **efficiently** and **effectively** when developing relationships with stakeholders. We have to be confident we are developing the right relationship with the right stakeholder group – given our organisation's mission, vision and corporate objectives.

Only by having a good understanding of who our stakeholders are and their relative importance can we do that.

The focus of this chapter is on assessing stakeholders for a range of organisations and environmental factors that may affect that assessment going forward.

Learning outcome

On completing this chapter, you will be able to:

1 Assess the potential influence and impact of stakeholders for a range of organisations

Assessment criteria

1 Assess the potential influence and impact of stakeholders for a range of organisations

- 1.1 Assess the stakeholders for a range of organisations including SMEs, social enterprises, charities, national and international organisations, and the public sector
- 1.2 Assess the relative importance of stakeholders for a range of organisations using relevant theoretical frameworks
- 1.3 Analyse the impact of influence and power on the interactions between organisations and their stakeholders
- 1.4 Assess environmental factors that may affect the power of key stakeholders to influence organisations

Level 5 Managing Stakeholder Relationships

1.1 Identifying stakeholders

Before we can begin to assess an organisation's stakeholders we need to ensure we know what we mean by the term "stakeholders" – only then can we be confident that we have identified all stakeholders relevant to the organisation.

An informal definition of stakeholders is: those affected by or who can affect an organisation.

Let's look now at a range of more academically rigorous definitions.

“*People and groups that depend on the organisation and upon which the organisation itself depends.*”

Johnson and Whittington (2017)¹

“*A stakeholder may be anyone, including individuals, groups and even society generally, who exerts **influence** on the company or whom the company is in a position to influence.*”

Freeman (1984) cited in Morrison (2011)²

“*A stakeholder of a company is an individual or group that either is harmed by, or benefits from, the company or whose rights can be violated, or have to be respected by the company.*”

Crane and Matten (2004) cited in Jobber and Ellis-Chadwick (2016)³

Each of the definitions above confirm that a stakeholder can be an individual or a group.

They also all refer to some sort of connection between an organisation and its stakeholders.

¹ Johnson, G. and Whittington, R. (2017) *Exploring Strategy*, 11th edition, Harlow: Pearson.

² Morrison, J. (2011) *The Global Business Environment*, 3rd edition, London: Palgrave MacMillan.

³ Jobber, D. and Ellis-Chadwick, F. (2016) *Principles and Practice of Marketing*, 8th edition, Maidenhead: McGraw-Hill.

But who are an organisation's stakeholders?

An organisation's stakeholders would typically consist of the following:

- employees
- managers
- customers
- consumers
- **distributors**
- **suppliers**
- competitors
- **shareholders**
- government
- press / **media**
- pressure groups
- unions
- communities
- society
- professional bodies
- financial community

It is quite a list and is by no means exhaustive!

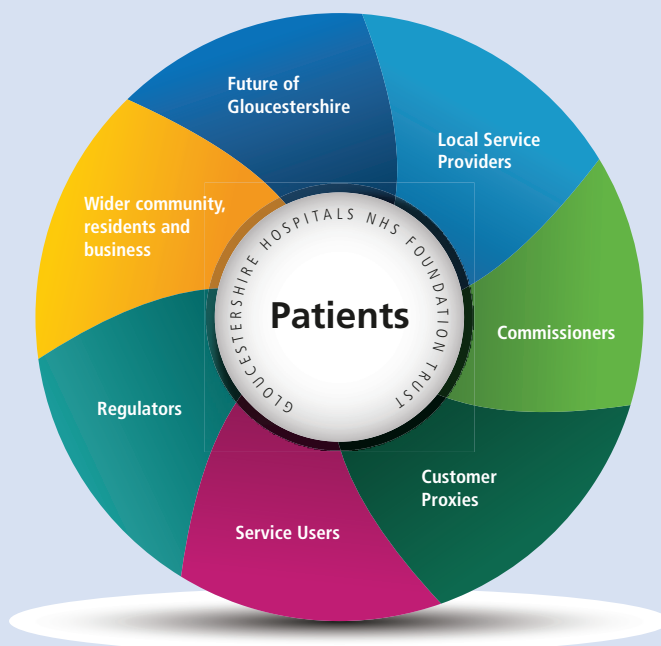
CASE STUDY

Stakeholders of Gloucestershire Hospitals NHS Foundation Trust

Within their 2012 Stakeholder Engagement Strategy, Gloucestershire Hospitals NHS Foundation Trust identifies the following stakeholder groups. Please note that the following diagram is given as an example only as the Gloucestershire Hospitals stakeholders have changed since this diagram was first produced.



Our Stakeholder Groups



Future of Gloucestershire	Media, MPs, Elected Councils, Trade Unions, Employees, Local Partnerships
Local Service Providers	Gloucestershire Care Services, Social Care, GPs, Private Sector, 3 rd Sector Providers
Commissioners	NHS Gloucestershire, Clinical Commissioning Groups, Specialist Commissioners
Customer Proxies	Governors, FT Members, LINKs, HCCOSC, User and Voluntary groups
Service Users	Patients and Carers
Regulators	Monitor, SHA, CQC, DoH, HSE
Wider community	
The Trust	

Gloucestershire Hospitals NHS Foundation Trust (2012)

Source: <http://www.gloshospitals.nhs.uk/SharePoint3/Communications%20Web%20Documents/StakeholderReport.pdf>

To help give some structure to the multiple stakeholders of a typical organisation we can categorise stakeholders as internal, connected and external.

- **Internal stakeholders:** members of the organisation such as directors, managers and other employees of an organisation.
- **Connected stakeholders:** those that have an economic or contractual relationship with the organisation.
- **External stakeholders:** those without a direct connection with the organisation but who have an **interest** in its activities or who are in some way affected by it.

To look again at our list:

Internal stakeholders

These people will be:

- employees
- managers

Connected stakeholders

These will be:

- | | | |
|-------------|----------------|----------------|
| • customers | • distributors | • competitors |
| • consumers | • suppliers | • shareholders |

External stakeholders

These will include:

- | | |
|-------------------|-----------------------|
| • government | • society |
| • press / media | • professional bodies |
| • pressure groups | • financial community |
| • communities | |

Another way of categorising stakeholders is primary versus secondary stakeholders.

Primary stakeholders have a direct interest in an organisation. For example, the employees and shareholders who depend on the organisation for their income are primary stakeholders. Remember that the organisation is also dependent on employees for their labour and shareholders for their investment in the organisation.

Secondary stakeholders have only an indirect interest in an organisation. For example, those living near a factory that pollutes their environment, or who live near an airport and suffer from the noise caused by planes taking off and landing are secondary stakeholders. Just because stakeholders are secondary does not mean they cannot have a significant impact on the organisation. Think about protests staged by local residents that can gain local, national and international news **coverage**.

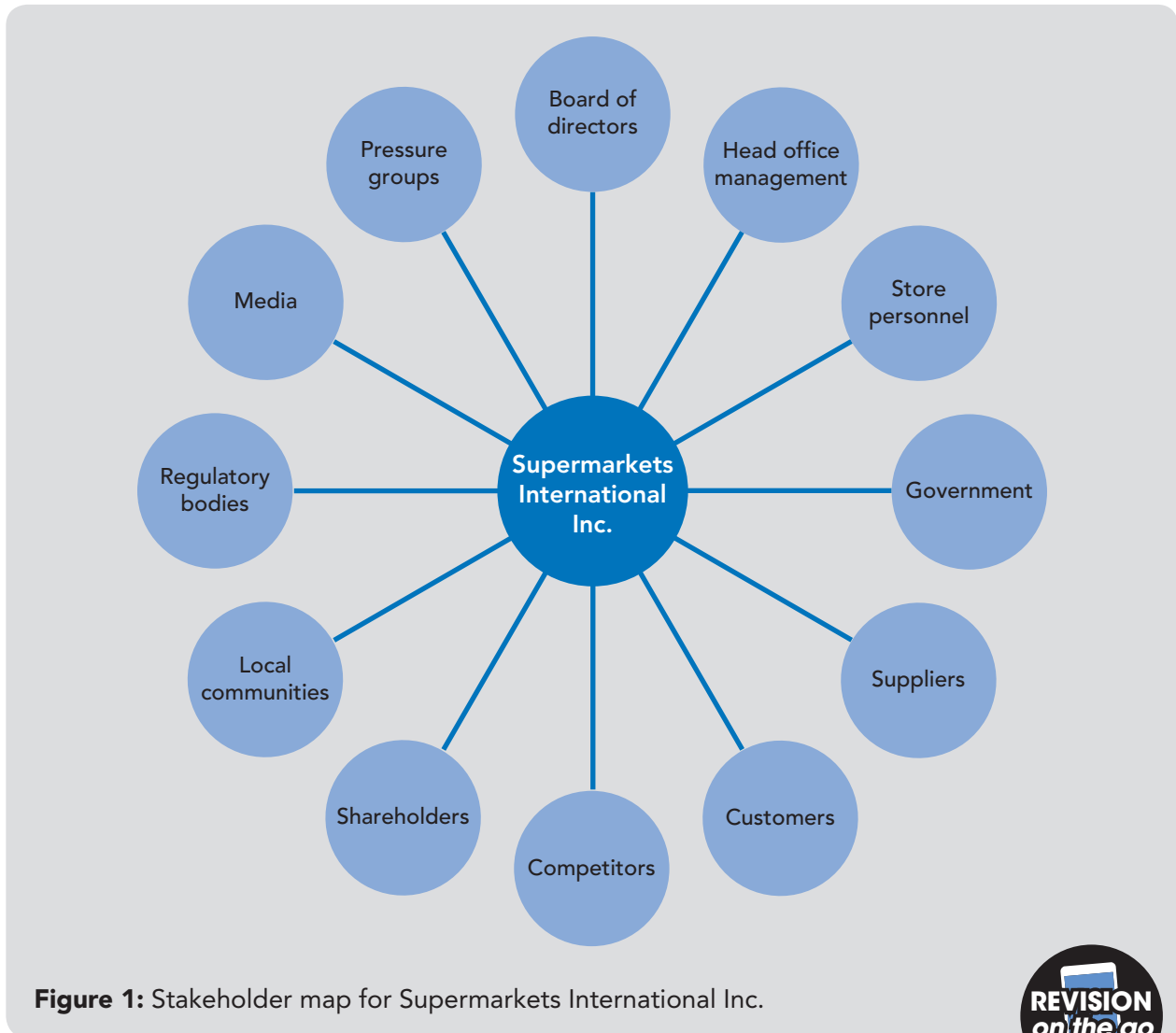
These two categories are not mutually exclusive. A local resident could also be an employee and a shareholder.

Now that we have started to categorise stakeholders we can start to map them and assess their relative importance to the organisation.

1.2 Mapping stakeholders

Before we start to assess the extent to which various stakeholders can affect or be affected by an organisation we need to start to map them and get to know more about them.

To begin with, look at Figure 1 which shows a simple stakeholder map for a fictional supermarket company.



This simple map helps enable us to visualise the various stakeholders of Supermarkets International Inc.

OVER TO YOU

Activity 1: Stakeholder mapping

Draw a stakeholder map for an organisation you know well that includes internal, connected and external stakeholders. Identify each of these three categories of stakeholders using different shapes or colours. Remember to include a "key" showing which shape or colour represents each category.



1.3 Assessing and analysing stakeholders

We need to get to know each of the various stakeholders so we can start to assess them. For example, it is important to have an understanding of the **power** they can exert over the organisation, the extent to which they are interested in the organisation and the extent to which they can influence the organisation's activities.

This section introduces a number of key concepts: power; interest and influence. We will begin by looking at power.

Power

Power is defined by Johnson and Whittington (2017) as "the ability of individuals or groups to persuade, induce or coerce others into following certain courses of action".⁴

Let's think about Supermarkets International Inc.

Customers have power because they can stop shopping at the supermarket.

Suppliers have power because they can refuse to supply. But how much power? A small supplier that stops supplying a little-known **brand** with very few sales may not significantly affect the supermarket. However, a supplier of a range of well-known brands, with a loyal customer base, will have much more power.

Governments have power as they can introduce legislation that affects many aspects of the supermarket's business. For example, the Alcohol etc. (Scotland) Act 2010 prevents retailers in this part of the UK from offering deals to customers buying in bulk such as "buy one get one free".

Pressure groups have power as they can expose practices that they see as in some way unfair, unjust or inappropriate and they can join forces with the media to highlight these practices to the public.

To help structure our assessment of the power various stakeholder groups can exert it can be necessary to look more closely at sources of power.

⁴ Johnson, G. and Whittington, R. (2017) *Exploring Strategy*, 11th edition, Harlow: Pearson.

Sources of power

French and Raven (1959) cited in Elias (2008) originally identified five sources of power: reward, coercive, legitimate, expert and referent. These are summarised in Table 1.

Reward	<p>Where a reward is offered for compliance.</p> <p>Think back to childhood when you may have been offered a treat for doing something (a chore) that you didn't really want to do.</p> <p>A store manager at Supermarkets International Inc. could, for example, offer a bonus to staff reluctant to work overtime.</p>
Coercive	<p>Where we have the power to threaten those who don't do what we want them to do.</p> <p>The employees of Supermarkets International Inc. could threaten to withhold their labour by going on strike if they don't get a pay rise.</p>
Legitimate	<p>This is where one party has a legitimate right to power. For example, a manager will have a level of authority delegated to them. Governments have the right to pass laws.</p> <p>The customers of Supermarkets International Inc. have the right to expect the products they buy to be safe and not to do them any harm.</p> <p>For example, the UK Food Safety Act (1990) requires food businesses including retailers not to commit the following offences: rendering food injurious to health, selling food that is not of the nature, substance or quality demanded, falsely describing or presenting food.</p>
Expert	<p>Where someone has power due to their superior knowledge or expertise.</p> <p>Supermarkets International Inc. may choose to employ a particular advertising agency because of its experience of international grocery retailing.</p>
Referent	<p>Where you comply because you identify with the source of the power. For example, an employee who complies with their manager's requests because they want to be promoted.</p> <p>Other examples include the power that can come from attractive, inspiring personalities or charismatic leaders.</p> <p>Supermarkets International Inc.'s Chief Executive is very charismatic and undertakes regular store visits.</p>

Source: Adapted from French and Raven (1959) cited in Elias (2008).⁵

Table 1: Five categories of power



Theories, such as this one, are often developed and refined over time. Information power has been added as a sixth category and some authors refer to "resource" rather than "reward" power (resource power being control over resources that are scarce or valued by the organisation). For example, the power of suppliers to control access to critical supplies such as the earlier example of a supplier of a range of well-known brands.⁵

Johnson et al. (2011) identify different, but in some ways similar, sources of power – see Table 2.

⁵ Elias, S. (2008) "Fifty years of influence in the workplace: The evolution of the French and Raven power taxonomy", *Journal of Management History*, Vol. 14 Issue: 3, pp. 267–283.

Sources of power	
Within organisations	For external stakeholders
<ul style="list-style-type: none"> • Hierarchy (formal power), e.g. autocratic decision-making • Influence (informal power), e.g. charismatic leadership • Control of strategic resources, e.g. strategic products • Possession of knowledge and skills, e.g. computer specialists • Control of the human environment, e.g. negotiating skills • Involvement in strategy implementation, e.g. by exercising discretion 	<ul style="list-style-type: none"> • Control of strategic resources, e.g. materials, labour, money • Involvement in strategy implementation, e.g. distribution outlets, agents • Possession of knowledge or skills, e.g. subcontractors, partners • Through internal links, e.g. informal influence

Table 2: Sources of power⁶



You should see some similarities to the approaches of French and Raven and Johnson *et al.* For example, there are similarities between legitimate and formal power and between referent power and influence. There are a number of other potential sources of power, and a few of these are outlined below.

- **Positional** – this is similar to legitimate and hierarchical power in that it reflects our position in an organisation and the formal authority associated with that position.
- **System** – also sometimes referred to as network power, here it is the access, visibility or relevance a person has that can give them power.
- **Personal** – this includes charisma but also other personal qualities and attributes such as attractiveness, determination, communication skills, reputation or ability to confront.

There are a few important aspects of power we should remember. Power is exercised by individuals – and individuals may have more than one source of power. For example, think about your position within an organisation and your network of industry contacts. While power is exercised by individuals it is exercised through groups and organisations; if not, it won't endure.

It is also important to be aware of the impact of an abuse or absence of power. Power vacuums can destabilise groups or organisations. An example of a power vacuum would be when a manager has left an organisation and no-one has yet been appointed to replace them. Power is a two-way process – just as stakeholders can have more or less power over an organisation, an organisation can have more or less power over stakeholders.

OVER TO YOU

Activity 2: Indicators of power

Now you have read about sources of power, it's time to think about what Johnson *et al.* (2011) refer to as indicators of power.

⁶ Johnson, G, Whittington, R, Scholes, K. (2011) *Exploring Strategy*, 9th edition, Harlow: Pearson.

Indicators of power applicable to stakeholders external to the organisations include: status; claim on resources; representation and symbols.

Indicators of power within stakeholders external to the organisation include: status, resource dependence, negotiating arrangements and symbols.

Choose two external and two internal stakeholders of Supermarkets International Inc. and list at least two indicators of power for each.

Here's an example to get you started.

Stakeholder: chief executive, Supermarkets International Inc.

Symbols: reserved parking space right by the front door of the prestigious head office. Authorised by the board of directors to spend up to £30 million in a single purchase.

INTERNAL

EXTERNAL

Interest

As well as needing to know how powerful a stakeholder is, before we can start to map them in a more sophisticated way than the simple map we devised earlier, we need to consider just how interested the various stakeholders are in the organisation.

Let's think about Supermarkets International Inc.'s shareholders for example. They are potentially very powerful. If they all decided to sell their shares for less than they paid for them then Supermarkets International Inc. could collapse. It could be seen as a sign of Supermarkets International Inc. being in difficulty; suppliers could stop supplying food because of concerns that they may not be paid; and customers might stop shopping there because the supermarket is out of stock of popular brands.

A stakeholder could be very powerful but not very interested in the organisation. For example, if the shareholders regularly receive an acceptable return on their investment they will not be too interested in the organisation – although they will remain very powerful.

Understanding the needs of various stakeholders helps us to assess their level of interest in the organisation and what may change that level of interest. See Table 3 for some examples.

Stakeholder	Interest in the organisation
Employees	Continued employment Status Good working environment Fair pay
Customers	This is likely to be specific to the chosen organisation. For example, customers of one organisation may be interested in low prices, customers of another may be more interested in quality.
Shareholders	Return on investment. Shareholders' main motivation for investing in an organisation is the return they will get on that investment. Good corporate governance. Some shareholders may not want to be associated with organisations that are not good corporate citizens.
Suppliers	Regular orders Full and on time payment Being treated fairly
Government	Health and well-being of citizens. This may also vary according to the organisation. For example, with energy providers governments may be interested in fair pricing. With an alcoholic drink manufacturer, they may be concerned that they do not promote irresponsible drinking.
Local community	Peace and quiet Ready access to their homes A clean / non-polluted environment

Table 3: Stakeholders' interest in an organisation



Currently, for example, Supermarkets International Inc. shareholders may be powerful but not very interested. Supermarket International Inc. is giving them an acceptable return on investment and has done so for a number of years.

 **OVER TO YOU**

Activity 3: Shareholders' level of interest

What could happen that may make Supermarkets International Inc.'s shareholders become more interested in them?

Here is an example to begin with.

The chief executive suddenly resigns, simply saying that they want to spend more time with their family.

Just because a stakeholder is not interested in an organisation now does not mean that they will not be in the future. Conversely, even if a stakeholder is very interested in an organisation now, this does not guarantee that they will continue to be. For example, a pressure group that has won its campaign against Organisation A may move onto another campaign against another organisation, meaning that its interest in Organisation A is diminished.

Influence

It is also important to consider how much influence stakeholders may have over an organisation. Taking the same stakeholder groups let's look now at how they could influence the organisation.

Stakeholder	Influence on the organisation
Employees	<p>They can add value if committed, skilled and motivated.</p> <p>There may be a scarcity of certain types of employees so those employees may be able to demand a higher salary.</p>
Customers	<p>They are the only revenue source for many organisations, so it is essential that organisations meet their needs.</p> <p>They can provide feedback that may cause the organisation to change its practices and processes.</p>
Shareholders	<p>Providers of finance to the organisation. While other sources of finance may be available, these may also be more expensive.</p> <p>Subject to the legal status of the business, they may have voting rights at meetings and therefore may be able to overrule decisions made by the board of directors.</p>

Stakeholder	Influence on the organisation
	Able to sell or threaten to sell their shares which could cause others to lose confidence in the organisation.
Suppliers	<p>May be the sole supplier and therefore able to charge a higher price.</p> <p>May be strategic partners in which the organisation has invested heavily both financially and in terms of time. As a result, the organisation may be reluctant to find a new supplier and accept a higher price.</p>
Government	Health and well-being of citizens. This may also vary according to the organisation. For example, with energy providers governments may be interested in fair pricing. With an alcoholic drink manufacturer, they may be concerned that they do not promote irresponsible drinking.
Local community	<p>Can complain, causing the organisation to change its working practices.</p> <p>Can protest bringing issues to national or international attention.</p> <p>Can elicit support from local and social media causing the organisation to invest more than they might in corporate social responsibility (CSR).</p>

Table 4: Stakeholders' influence in an organisation



There are some overlaps between influence and power. For example, being a sole supplier would also be an example of resource power. It is important that we should know our stakeholders well enough to begin undertaking a more sophisticated stakeholder mapping.

Stakeholder mapping

In this section, we will apply some of the more commonly used approaches to assessing the relative importance of stakeholders using mapping techniques. (Note that there is some overlap in coverage here with assessment criterion 4.4, the balance of which is covered in Chapter 4.)

Mendelow's power / interest matrix

Mendelow developed a simple but effective "two by two" matrix that enables us to categorise stakeholders as:

- key players – those with high power and a high level of interest in the organisation;
- keep satisfied – those with high power but currently a low level of interest in the organisation;
- keep informed – those with a high level of interest but low power;
- minimal effort – those who aren't really that interested in the organisation and don't have much power either.

CASE STUDY

Let's look at a different example; a government-run hospital.

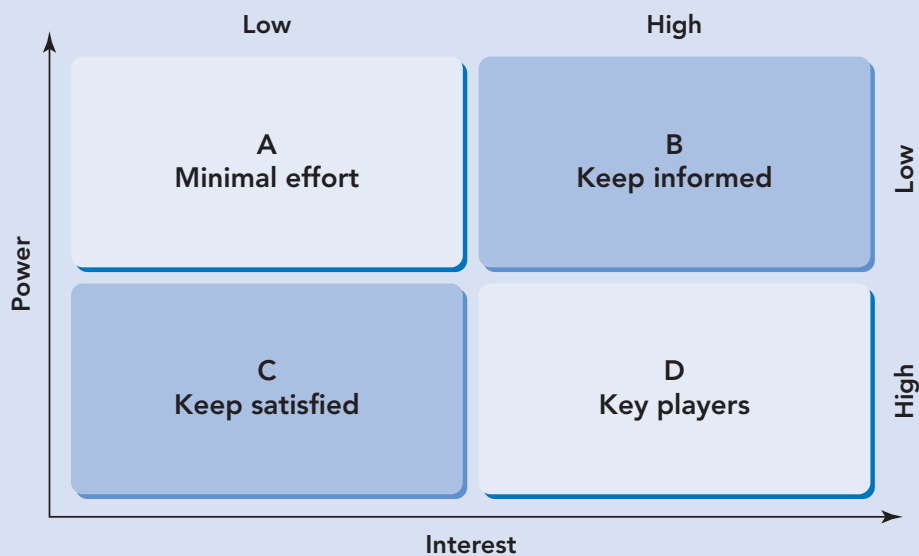


Figure 2: Mendelow's Power–Interest Matrix.

- Key players: government, patients (consumers), patients' families and friends (customers), local state-run elderly care homes, consultants / senior doctors, suppliers of specialist medical equipment.
- Keep satisfied: Health care assistants, nursing staff
- Keep informed: **volunteer groups**
- Minimal effort: **local community**

To give you some additional background information:

The government provide the funding for the hospital but are considering encouraging private sector healthcare providers to enter the market.

The hospital discharges a lot of its elderly patients to the local state-run elderly care homes: those who are well enough to leave the hospital but not well enough to go home if they live on their own. If there aren't spaces in the care home to take these patients when they are ready to be discharged by the hospital it can mean the hospital isn't able to accept new patients who need treatment.

There's a shortage of qualified consultants / senior doctors but no real shortage of nursing staff and healthcare assistants. If there is a small shortage of healthcare assistants or nurses the current staff are often happy to work extra shifts.

Volunteer groups run some of the hospital services. These are services that the hospital see as being "nice to have" but not essential; for example, they greet people coming into the hospital and offer help finding the different wards and services (even though they are well-signposted).

Local residents generally show little interest in the hospital; the only time they have done so recently is when the hospital increased the cost of car parking and they were upset by people parking on their front gardens.

OVER TO YOU

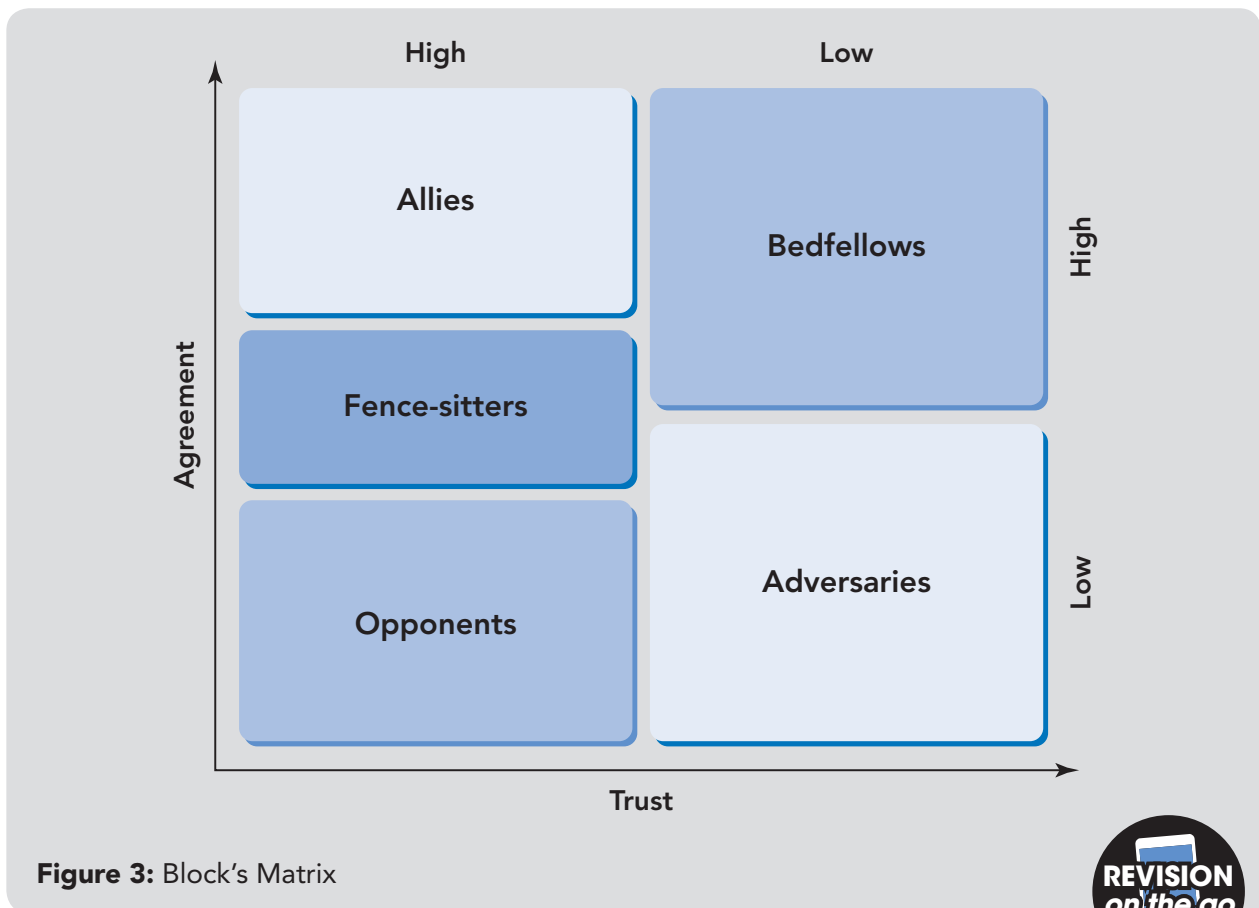
Activity 4: Sources of power

Given what you have read about the hospital's stakeholders in the above case study, what sources of power (see earlier in this section) do you think they have? What may increase / decrease their power?

Block's matrix

The next approach to consider is Block's matrix, shown in Figure 3.

When applying Block's matrix, it is helpful to think in terms of "**trust**" being the extent to which we believe someone will keep the commitments they have made to us and "agreement" as the extent to which we believe we share a common commitment to important outcomes.



So, here we can identify five rather than four different categories of stakeholders.

- Allies** – we agree with our allies about important issues and trust them to do what they have agreed to do. They support us and we can use them to influence others.
- Bedfellows** – we agree with our bedfellows. But we don't really trust them to do what they have agreed to do. We need to turn them into allies.
- Fence-sitters** – we're not convinced by them. They can change their view. So even if they say that they agree with us we don't really trust them.
- Opponents** – we know where we stand with our opponents so we trust them. The problem is that we don't agree with them and we will never win them over to our point of view. But knowing that they are honest and that they talk honestly to us means they are easier to deal with than fence sitters or adversaries.
- Adversaries** – not only do we not agree with our adversaries, we don't trust them either. They're prepared to say one thing to us and another thing to others. Tempting as it may be to act in the same way, if others realise what we are doing we may lose their trust.

OVER TO YOU

Activity 5: Using Block's matrix

It's now time for you to map some stakeholders. Knowing what you do about the hospital's stakeholders, and using the additional information below, map the stakeholders using Block's matrix.

Government – the government has let it be known that it thinks the hospital is inefficient and is keen to enable a private hospital to open nearby. It believes the competition will force the hospital to be more cost effective.

Patients – patients and their families and friends are generally happy with the care they receive according to the results of the annual patient survey. However, a few have talked to the local newspaper before letting the hospital know about their complaints.

Local state-run elderly care home – the home wants to expand and is keen to take as many patients as possible from the hospital but needs more government funding to enable it to do this.

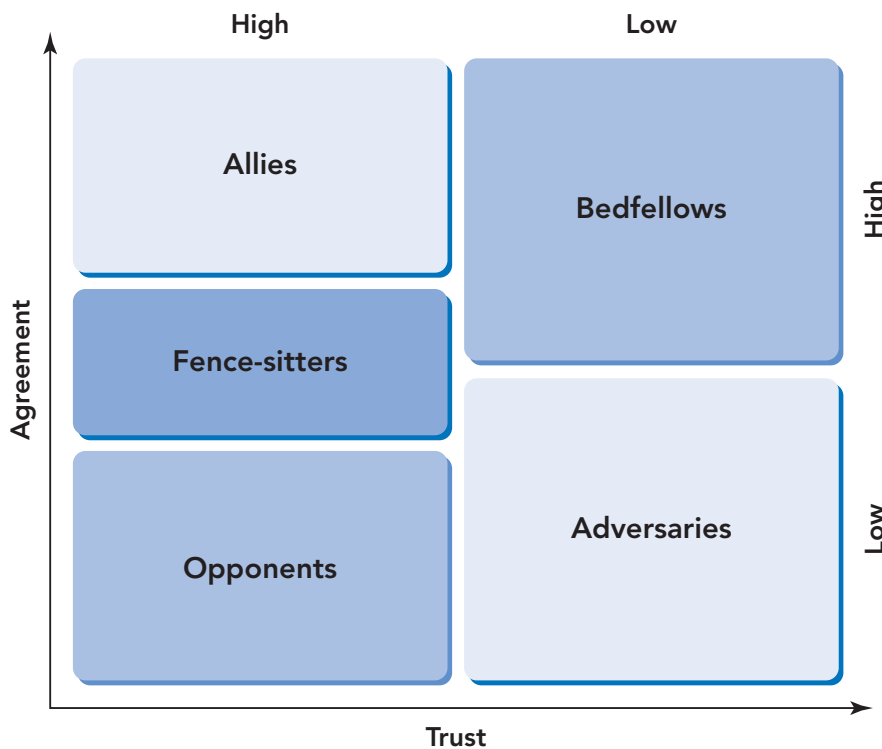
Consultants / senior doctors – these are feeling under pressure. They are angry at being forced to see more and more patients each day and some are starting to talk to the local newspaper about the risk of endangering patient safety.

Suppliers of specialist medical equipment – the hospital is a key purchaser of highly expensive and specialist heart valves and is keen to work with the sole supplier to develop new products and procedures. Only six hospitals in the country undertake this type of work.

Healthcare assistants and nursing staff – these are generally happy and, although they would like a pay rise, they understand that it's unlikely because of the pressure the government is putting on the hospital.

Volunteer groups – volunteer groups are starting to feel that the hospital is taking them for granted. They saw an article on the hospital's social media page that said that they offered "nice to have rather than essential services" which they strongly disagree with. They are angry that the hospital doesn't understand how vulnerable people feel coming into hospital.

Local community – people are generally quite happy. But some are a little concerned about the inconvenience that they will suffer if the government goes ahead with its plans to build the new hospital.

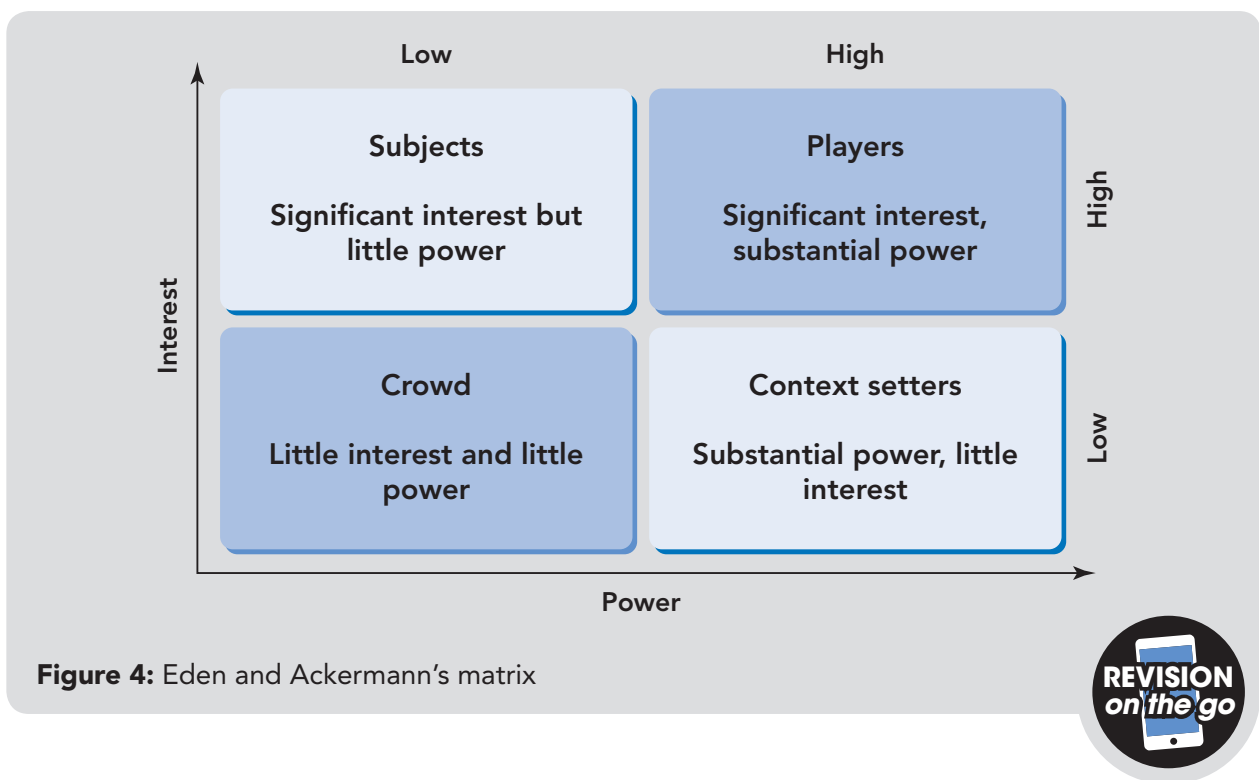




(Note that the importance of trust is also covered in section 3.2 of Chapter 3.)

Eden and Ackermann's matrix

The next approach to stakeholder mapping to consider is Eden and Ackermann's matrix that takes a different look at power and interest from that of Mendelow.



As we discuss these four categories you should see some links emerging between the various approaches.

We can think about this matrix in the context of our hospital introducing a new surgical procedure, one for which local residents currently have to travel 100 miles, making it impossible for their family and friends to visit them during their seven-day stay. The procedure will be undertaken by the hospital’s current consultants who have undertaken further specialist training.

Subjects have interest but little power. For example, family and friends of those undergoing the procedure.

Players can directly affect the introduction of the service. For example, consultants.

Crowd could describe the local community who will need to be informed as there will have to be changes to the parking arrangements that may affect them for a few weeks while an additional entrance to the hospital car park is being built. But they should not be affected in the long term. It would be well worth the hospital letting the local community know about its plans; if not they could assume that the inconvenience will be long term and might become angry.

Context setters could potentially present a barrier to the introduction of the procedure just through their lack of interest and it may be important to increase their level of interest. For example, if some minimal government funding is required but they are more concerned with efficiency than introducing new services.

Egan’s nine stakeholder groups

Egan’s nine stakeholder groups can be seen as a development of Block’s approach to stakeholder mapping. Let’s apply it to our new hospital procedure example.

Partners	Supporters	Consultants (heart specialists) But the hospital needs to nurture them so that they maintain their current level of commitment to the introduction of the new service.
Allies	Supporters given a bit of encouragement.	Patients and their families and friends Need to give them a bit of encouragement – just enough to maintain their support.
Fellow travellers	Passive supporters, committed to the need for change but not this particular change.	Nursing staff Need to focus on building a more intense rapport with them as their commitment will be needed.
Bedfellows	Support the need for change but who don’t know / trust the leader / agent of the change.	Consultants (other than heart specialists) Consultants know the hospital but don’t trust the current hospital because of all the additional pressure it has put them under.

Fence-sitters	Not yet sure about their allegiances.	Volunteer groups The volunteer groups could be valuable supporters or harmful opponents and given the recent posting about them by the hospital on social media they will need to assess the situation.
Loose cannons	Could choose either to support or not, as they have no direct stake in the change.	The local state-run elderly care home This new service would not affect them but they may want to show support for the hospital.
Opponents	Oppose the change but not the hospital in particular.	Government A formal, structured approach will be required to persuade them to support the change. This could involve meetings to enable negotiation and resolve conflict.
Adversaries	They oppose the change.	The hospital currently providing the service as it would mean a loss of patients and therefore revenue for them.
The voiceless	Silent stakeholders affected by the agenda but who lack the power to influence.	The local community They will be affected for a short time but they do not have a functioning residents' committee. Given that their inconvenience is only short term, and the nature of the service, they are unlikely to be able to exert any real power.

Table 5: Egan's stakeholder groups applied to a hospital

REVISION
on the go

 **OVER TO YOU**

Activity 6: Mapping the stakeholders of your chosen organisation

Select one of the models we have discussed and map the stakeholders of an organisation of your choice.

1.4 Environmental factors

As previously mentioned, the level of power and interest held by a particular stakeholder group can change over time. Now we will focus on some reasons why a stakeholder / stakeholder group may become more or less powerful.

You may be familiar with **PESTLE** as a method of structuring an analysis of the macro environment.

- P – political
- E – economic
- S – social
- T – technology
- L – legal
- E – environmental

All the above categories are factors outside the control of individual organisations but they can affect them – or in our hospital case can affect the stakeholders who can, in turn, affect the organisation!

Below are just some examples.

Political

Changes in government may lead to an increase or decrease in the power of some stakeholder groups. For example, government incentives to increase the price of fuel could increase the power of environmental pressure groups.

Economic

A downturn in the economy of a nation can increase the power of consumers of high-priced goods as there may be fewer of them.

Social

Corporate social responsibility (CSR) and ethical business practices can provide organisations with ways to differentiate themselves from their competitors.

Johnson and Whittington (2017) define corporate social responsibility as “the commitment by an organisation to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as the local community and society at large”.⁷

Berkowitz *et al.* (2004) cited in Jobber and Ellis-Chadwick (2016) define ethics as “the moral principles and values that govern the actions and decisions of an individual or group”.⁸

As you can see, the concepts of CSR and ethics are intertwined.

Shareholders of many organisations are becoming increasingly aware of the need for organisations to be good corporate citizens. For example, some shareholders see that being a good corporate citizen makes long-term financial sense as it may cost a little more but it can give a business a competitive advantage and protect it from reputational damage that could adversely affect share prices.

⁷ Johnson, G. and Whittington, R. (2017) *Exploring Strategy*, 11th edition, Harlow: Person.

⁸ Jobber, D. and Ellis-Chadwick, F. (2016) *Principles and Practice of Marketing*, 8th edition, Maidenhead: McGraw-Hill.

Some customer groups are increasingly interested in the origins of the products they buy, for example, wanting to buy meat that is locally farmed or clothing that has not been made using slave labour. Remember – without customers there is no organisation.

Technological

One of the most impactful technological developments of recent times has been digital communication technologies.

How would many of us cope without an internet connection or a mobile phone? It is hard to believe that the internet has only been in general use since 1991 and Apple launched their first **smartphone** in 2007.

Digital communication technologies have made real-time global communication a reality not just for the rich and famous or large global corporations but also for the individual in a remote location who wants to tell the world about the poor service they have just received from a global courier company. It only takes a minute to “tweet” a complaint and it only takes a few minutes to organise a flash mob protest. Conversely, organisations can cost effectively tell the world what they are doing to benefit communities and improve working conditions.

The issue now is not the quantity of information we send and receive but what information we should trust. **Bloggers** can be a trusted source of lifestyle tips, fashion advice and beauty hints and tips. But did your blogger receive the product they are endorsing for free? If they did, do they tell you that? Bloggers are required to be upfront if they are advertising. But what constitutes advertising can be an interesting debate. To help clarify matters, in the UK in 2015 the Committee of Advertising Practice (CAP) issued additional advice for vloggers and bloggers relating to a range of possible scenarios.



OVER TO YOU

Activity 7: Are you a good corporate citizen?

Choose one of your favourite brands. Spend some time looking at their website. Do they have a section on CSR and / or ethics? Do they produce an annual CSR report? Look at social media – what is posted about the brand there – by the organisation itself and connected and external stakeholders?

Given your research – do you think they are good corporate citizens?

Legal

In many countries, there is legislation to protect workers. For example, the Protection of Employees (Part-time Work) Act 2001 aims to ensure that in the UK a part-time employee's conditions of employment are no less favourable than those of a comparable full-time employee. Does that make part-time workers more or less powerful?



OVER TO YOU

Activity 8: International employee protection?

The example given above relates to legislation in the UK. Find out if similar legislation exists in your home country. How do the two examples compare?

Environmental

Growing concern for the environment can increase the power of pressure groups. For example, increasing membership of the pressure group.



CASE STUDY

When Coca-Cola washes its hands of the ocean plastic problem, this is where the problem washes up.

"Last week, I was standing over a pile of plastic Coca-Cola bottles, on a remote beach. 'What awful littering', many people will say. Well, when you see this on beach after beach, as I have, you begin to wonder whether the problem isn't really individuals, but the system itself and the choices that major drinks companies make. [...]"

Walking along some of these plastic-strewn coastlines was like a who's who of big soft drink companies: Coca-Cola, PepsiCo, Nestle, Danone and AG Barr. [...]"

I don't think it's good enough that Coca-Cola, as the biggest soft drinks company in the world, should be content to produce over 3,400 single-use plastic bottles every second and then wash its hands of the problem. Because when Coke washes its hands of the problem this is where the problem washes up."

Source: Adapted 'from Massey' (2017) <http://www.greenpeace.org.uk/when-coca-cola-washes-its-hands-ocean-plastic-problem-where-problem-washes-u-20170612>



Conclusion

In this chapter, we have identified typical stakeholders of an organisation and learnt how to map them in ways that enable us to focus on key players while remembering that stakeholders can increase in power in certain circumstances.

This is important because if we don't know and understand our stakeholders we cannot go on to develop appropriate relationships with them. If we do not have appropriate relationships with stakeholders, organisations and brands can be damaged, sometimes beyond repair.

There have been some notable corporate reputations damaged by industrial or environmental damage during recent years; just one example is the BP Deepwater Horizon explosion.



OVER TO YOU

Activity 9: Why we need to manage stakeholder relationships

Undertake some research into the Deepwater Horizon explosion. Map BP's stakeholders and their relative power and influence.

Could stakeholders have done anything to avert the disaster?

READING LIST

- Hutt, R. W. (2010) "Identifying and mapping stakeholders: an industry case study", *Corporate Communications: An International Journal*, Vol. 15 Issue: 2, pp. 181–191. (This will be available from your online student resources.)
- Kumar, V., Rahman, Z., Kazmi, A. A., (2016) "Stakeholder identification and classification: a sustainability marketing perspective", *Management Research Review*, Vol. 39 Issue: 1, pp. 35–61. (This will be available from your online student resources.)
- Mainardes, E. W., Alves, H., Raposo, M., (2012) "A model for stakeholder classification and stakeholder relationships", *Management Decision*, Vol. 50 Issue: 10, pp. 1861–1879. (This will be available from your online student resources.)

RESOURCES

- Freeman, R. E. [corporateethics], (2009), What are stakeholders, Retrieved from: <https://www.youtube.com/watch?v=17hnaKFjDU8> [Accessed on: 17th August 2017]
- Freeman, R. E. [corporateethics], (2009), Stakeholders are people?, Retrieved from: <https://www.youtube.com/watch?v=keED9I3zVi8> [Accessed on: 17th August 2017]
- Manwani, H. [TED], (2014), Profit's not always the point, Retrieved from: <https://www.youtube.com/watch?v=ihor9B7p-1Q> [Accessed on: 17th August 2017]

Chapter 2

Evaluating Opportunities and Threats Created by Key Stakeholders

Introduction

Having identified and assessed stakeholders, we will now evaluate the opportunities and threats that key stakeholders can create for an organisation. This involves looking at communication with stakeholders and understanding how they communicate with each other. We also need to understand the different relationships that stakeholders can have with an organisation.

Two stakeholder groups that are key to many organisations are pressure groups and customers; and this chapter will focus on both of those stakeholder groups in detail. Finally, we will look at how organisations position themselves and their brands.

Learning outcome

On completing this chapter, you will be able to:

2 Evaluate the opportunities and threats that can be created by key stakeholder groups

Assessment criteria

2 Evaluate the opportunities and threats that can be created by key stakeholder groups

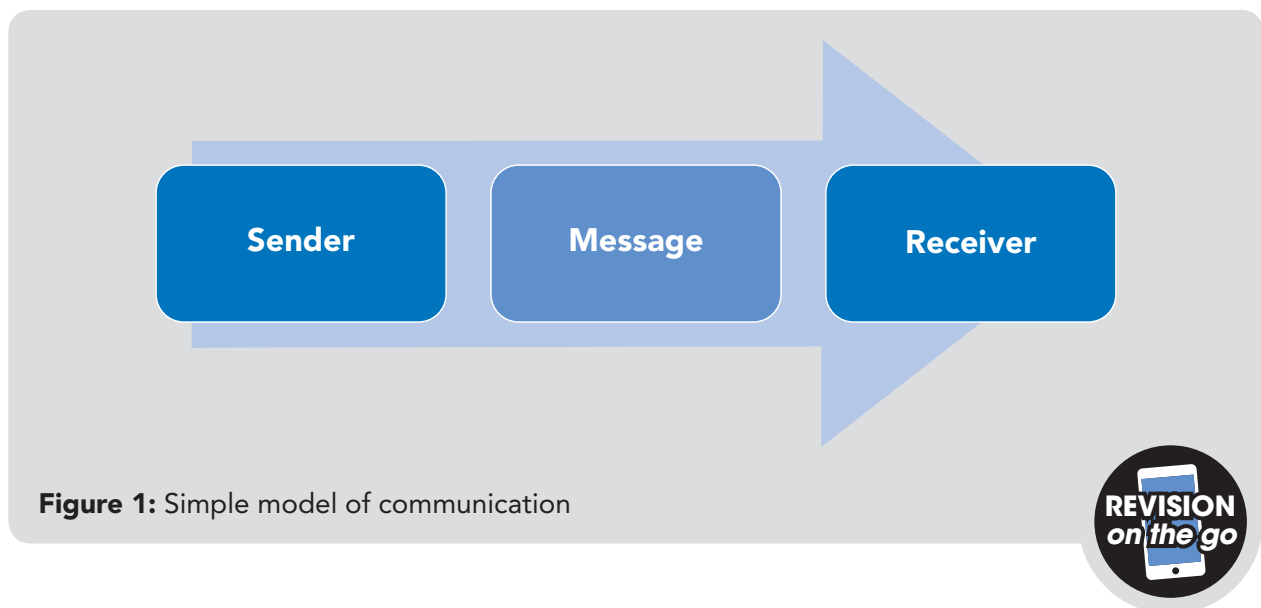
- 2.1 Explain the ways organisations and their stakeholders interact with each other
- 2.2 Assess the different relationships stakeholders can have with organisations
- 2.3 Evaluate the opportunities and threats that pressure groups can create for organisations in a range of industry sectors
- 2.4 Evaluate the opportunities and threats customers can create for a range of organisations using consumer behaviour theory
- 2.5 Evaluate brand position and reputation

Level 5 Managing Stakeholder Relationships

2.1 How organisations and their stakeholders interact with each other

Effective communication is important. When we send a message, it is important that it is received and understood in the way that we intended.

Below is a simple model of communication where the sender decides to send a message to the person or organisation that they want to receive it.



This model assumes:

- the receiver is ready, willing and able to receive the message;
- if the message has reached the receiver that they have understood it in the way that was intended.

So, in order to ensure effective communication, we need a deeper understanding of the communication process.

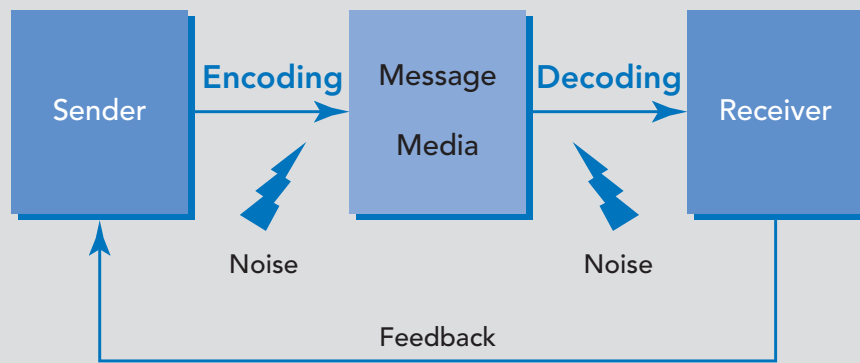


Figure 2: Two-way model of communication



The two-way model of communication in Figure 2 introduces some important additional elements.

- The sender: the individual or organisation sending the message. Also referred to as the “source”, identifies the need to communicate.
- Encoding: the sender needs to decide what needs to be communicated and how to encode the message – what words, pictures, sounds, symbols they will use.
- Media: once encoded, the message needs to be sent using the appropriate media or methods of communication. We will be focusing on a number of media or methods of communication later in this chapter.
- Noise: refers to anything that can interfere with the message being sent (transmitted) or received. It can be literal noise such as a loud noise meaning that we are unable to hear what is being said. It can also refer to other factors preventing effective communication, such as lack of concentration.
- Decoding: once the message has been sent the receiver has to decode it. They need to receive and understand the message in the way we intended if the communication is to be effective.
- Feedback: enables the sender to check if the message has been received and understood as intended. The receiver can choose to give us feedback or the sender can ask for feedback.



OVER TO YOU

Activity 1: Effective communication

Using the two-way model of communication, plan how to communicate with a friend.

Identify a communication need – something you need to tell them.

Then plan how to encode and transmit that message accounting for any “noise” that may be present.

Finally, plan how to enable your friend to feedback to you that they have received the message and understood it in the way you intended.



Methods of communication

We will now consider a number of methods of communication used by organisations to communicate with stakeholders, by stakeholders to communicate with organisations and by stakeholders to communicate with each other. Some methods are more appropriate for some uses than others. For example, protest would be more commonly used by stakeholders such as pressure groups to communicate with organisations than by organisations to communicate with customers. However, all the forms of communication that follow need to reflect the communication theory previously outlined in order to be effective.

Social media

According to Fill (2013) social media refers to a broad range of web-based applications that includes, but is not limited to, social networking sites such as the following:

- **Facebook; YouTube; Twitter; Instagram; Bebo and Flickr.** Usually accessible by all, although according to Fill (2013) primarily used by those in the 16 to 25-year-old age group. Social networks are a cost-effective way of **reaching** potentially millions of others who share our interests.
- **Weblogs / blogs.** Fill (2013) defines blogs as personal online diaries but notes that “a large proportion of blogs concern organisations and public issues”. Personal blogs give organisations the opportunity to “identify emerging trends, needs and preferences and understand how brands are perceived” (Fill, 2013). Blogs offer a less formal environment for organisations to communicate with their stakeholders. Organisations use both internal and external blogs. In addition to blogging there is now vlogging using video rather than the written word.
- **Viral marketing.** This “involves the use of email to convey messages to a small part of a target audience where the content is sufficiently humorous, interesting or persuasive that the receiver feels emotionally compelled to send it on to a friend or an acquaintance” Fill (2013).
- **Podcasts.** We access or download podcasts via the internet to electronic devices such as mp3 players, phones, tablets and computers. We decide what we want to view / listen to and when and where we will view it / listen to it.
- **Online communities.** An online community is a group with a common interest that uses social media such as Facebook to “interact, share information, develop understanding and build relationships” (Fill, 2013).⁹

Mobile communication devices, such as smartphones, have made access to social networks quicker and easier than ever.

But how reliable are the messages we see on social media?

⁹ Fill, C. (2013), *Marketing Communications*, 6th edition, Harlow: Pearson.



OVER TO YOU

Activity 2: Social media

Social media is a cost-efficient way of reaching large global audiences or small highly targeted interest groups.

Choose a social media network that you are familiar with. Now choose an organisation you are connected with or interested in.

Undertake a review of how the organisation and its stakeholders use that social media network.

Here is an example.

BP Oil: a Facebook search on one day in 2017 revealed the following:

- **BPUK sharing a video of their West Nile Delta project in Egypt with over 314,000 followers.**
- **A number of recruitment companies advertising jobs at BP.**
- **Oil and Gas, a media / news company showing a BP drilling rig being moved through the Oman desert.**
- **BP or not BP – a group with a mission to “rid our cultural institutions” of BP.**
- **Greenpeace International, Greenpeace Brazil, Greenpeace UK all posting about BP activities.**
- **Boycott BP posting a photograph of a pelican drenched in oil.**
- **The Green Squad asking individuals to share a video encouraging others to tell BP and Total to cancel plans to drill near the Amazon.**
- **Various newspapers and news services posting reports of BP shareholders voting against the chief executive’s \$18 million pay package.**
- **Various posts promoting the film Deepwater Horizon based on the true story of an ecological disaster estimated to have cost BP over \$50 billion.**

Email

Usage	
Organisation to stakeholder	✓
Stakeholder to organisation	✓
Stakeholder to stakeholder	✓

Table 1: Email usage



It is hard to imagine a world without email.

Think about a day in the life of a typical office worker. They are likely to arrive at the office, switch on the computer, take a quick look at their emails, get the first coffee of the day and listen for the familiar sound of an email arriving for the rest of the day. Plus, mobile communications mean you can still check on your emails when out of the office.

Think about a day in the life of a customer. Wake up, check for emails, have the first coffee of the day and regularly check for new emails throughout the day. Mobile phones mean you can check your emails anywhere where there's internet access. During lunch you might send an email to a company you want more details from or fill in an online email template to complain about your train / bus / tram to work being late.

Emails are part of everyday life – not just for the stakeholder groups discussed above but for most, if not all, of an organisation's stakeholders.

Newsletters

Usage	
Organisation to stakeholder	✓
Stakeholder to organisation	
Stakeholder to stakeholder	✓

Table 2: Newsletter usage



Newsletters are an effective means for an organisation or group to share news with a wide range of stakeholders and so develop relationships with them. More and more newsletters are now produced and distributed electronically (referred to as e-newsletters) which makes them much more cost effective and environmentally friendly.

Meetings – face to face and virtual

Usage	
Organisation to stakeholder	✓
Stakeholder to organisation	✓
Stakeholder to stakeholder	✓

Table 3: Use of meetings



Face-to-face meetings have many advantages. They enable us to meet colleagues or fellow stakeholders and they offer opportunities for networking. However, they can also be expensive when considering the cost of travel and the time spent travelling.

Virtual meetings, such as **Skype**, **WebEx™** and **GoToMeeting**, offer a cost-effective alternative that means you can have meetings with others located anywhere in the world at the click of a couple of keys. There are disadvantages, however. Think back to when we discussed noise. Some people in a meeting may be distracted, for example, by their phone ringing or by a colleague not realising that they are in a meeting.

Conferences

Usage	
Organisation to stakeholder	✓
Stakeholder to organisation	✓
Stakeholder to stakeholder	✓

Table 4: Use of conferences



Similar to meetings, many conferences are held in the “real world” but many are also now held “virtually”. Closely associated with conferences are exhibitions and trade shows.

“A conference is “a meeting whose purpose is the interchange of ideas”.”

Shone and Parry (2013)¹⁰

“Exhibitions and trade shows involve a large number of manufacturers and retailers displaying a selection of their products to potential buyers and / or the general public.”

Bladen et al. (2012)¹¹

10 Shone, A. and Parry, B. (2013), *Successful events management*, Hampshire: Cengage.

11 Bladen, C., Kennell, J., Abson, E. and Wilde, N. (2012), *Events Management*, Oxon: Routledge.

Presentations

Usage	
Organisation to stakeholder	✓
Stakeholder to organisation	✓
Stakeholder to stakeholder	✓

Table 5: Use of presentations



Presentations are a way of formally communicating with an audience. Commonly used in meetings, slides show key points while a speaker adds more information and context. Audience sizes can vary from a few people around a table to many thousands watching a presentation **broadcast** via virtual media. It is important that the right presenter is chosen to deliver the presentation – one who can speak clearly and who can engage the audience.

Public relations

Usage	
Organisation to stakeholder	✓
Stakeholder to organisation	✓
Stakeholder to stakeholder	✓

Table 6: Use of **public relations**



“Public relations is “the management of communication between an organisation and its publics”.”

Grunig and Hunt (1984) cited in Fill (2013)¹²

Public relations is a large and complex method of communication. One myth is that public relations is free – it’s not! The costs, for example, include writing the press release that enables a newspaper to include your story in their publication.

Public relations can be very cost effective. However, the trade-off is a lack of control. There is always the risk that what is written in a press release as a positive news story can be turned into a negative story. Therefore, good media relationships are a key aspect of public relations.

Some commonly used public relations methods include the following:

- Press releases. Go to the website of many major corporations and in their “press room” you will find electronic copies of recent press releases.

¹² Fill, C. (2013), *Marketing Communications*, 6th edition, Harlow: Pearson.

- Press conferences. Journalists and other representatives of the media, including the press, are invited to attend a conference where spokespeople read announcements and press packs containing transcripts of those announcements are generally distributed. Press conferences are commonly used by many different organisations including the police (often when appealing for the help of the public in solving a crime) and are also held frequently, for example, at the White House, the workplace and residence of the President of the USA.
- Lobbying. Many different stakeholder groups lobby government. Lobbying is a complex form of public relations and is not appropriate for all stakeholder groups.
- Corporate advertising.

““Lobbying “focuses on the members of an organisation who seek to persuade and negotiate with its stakeholders in government on matters of opportunity or threat”.”

Moloney (1997) cited in Fill (2013)¹³

““In our lobbying work, we target and engage those in positions of power and pressure them to take the bold steps needed to protect the planet.”

Greenpeace (2010)¹⁴



OVER TO YOU

Activity 3: Spotlight on lobbying

Focusing on an organisation of your choice, find out what country it is based in and do some research into how it could lobby the government of that country. Your research should include finding out about any legislation or regulations the organisation would need to abide by.

¹³ Fill, C. (2013), *Marketing Communications*, 6th edition, Harlow: Pearson.

¹⁴ Greenpeace (2010), "Lobbying", Retrieved from: <http://www.greenpeace.org.uk/about/lobbying> [Accessed on: 14 May 2017]

“Corporate advertising, that is advertising on behalf of an organisation rather than its products or services, has long been associated with public relations rather than the advertising department.”

Fill (2013)¹⁵

It is reported that BP spent at least \$1 million per week for the 18 weeks following a fatal explosion and oil spill in the Gulf of Mexico in 2010 on advertising featuring “BP employees, mostly involved in the clean-up process” and explaining what it was doing to cleanse the affected area according to Quinn (2010).¹⁶

While targeted at external stakeholders, corporate advertising will also be seen by internal stakeholders. Indeed, some organisations will use media such as internal newsletters to inform staff of forthcoming corporate advertising campaigns.

Protests

Usage	
Organisation to stakeholder	
Stakeholder to organisation	✓
Stakeholder to stakeholder	

Table 7: Use of protests



Protests and rallies are often used by pressure groups but are also used by other stakeholder groups. Protesting is a way of expressing disapproval of or an objection to something. Not every nation has the right to protest. The UK has a rich history of protests including those such as protests against the decision to leave Europe in 2016. Other countries have a similar history.

Mobile communications

Usage	
Organisation to stakeholder	✓
Stakeholder to organisation	✓
Stakeholder to stakeholder	✓

Table 8: Use of mobile communications



Mobile communication devices have helped to enable many of the methods of communication we have discussed. Smartphones enable instant communication, including sending and receiving emails on the move. They also mean that people can join a virtual conference wherever we are and enable protests to be arranged quickly.

¹⁵ Fill, C. (2013), *Marketing Communications*, 6th edition, Harlow: Pearson.

¹⁶ Quinn, J. (2010), “BP to admit \$1m-a-week advertising spree”, Retrieved from: <http://www.telegraph.co.uk/finance/newsbysector/energy/oilandgas/7969586/BP-to-admit-1m-a-week-advertising-spre.html> [Accessed on: 14 May 2017]

Summary

All of the methods of communication discussed are available to all stakeholders. However, some methods, such as lobbying, are complex and relatively expensive and, therefore, will be more relevant to larger, better-funded stakeholder groups.



OVER TO YOU

Activity 4: Develop a communications campaign

Imagine you work for a large global organisation. A journalist has just discovered that the organisation buys parts from a supplier that is known to treat its employees poorly, taking their passports from them, paying very low salaries and employing those as young as 12 years old.

Which stakeholder groups do you need to communicate with and which methods of communication would you use?

2.2 The different relationships stakeholders can have with organisations

Transactions are one-off exchanges between an organisation and a stakeholder; for example, a product we buy once. So, for instance, the one meeting an organisation has with a pressure group would be transactional rather than relational.

Thinking back to key players: research has shown that it is much more cost effective to retain customers than to keep winning new ones and this applies to all key players. Therefore, it is important for organisations to build long-term relationships with all key stakeholder groups.

“*The mainstream marketing literature has neglected the important issue of understanding and building long-term relationships with both customers and other stakeholder groups.*”

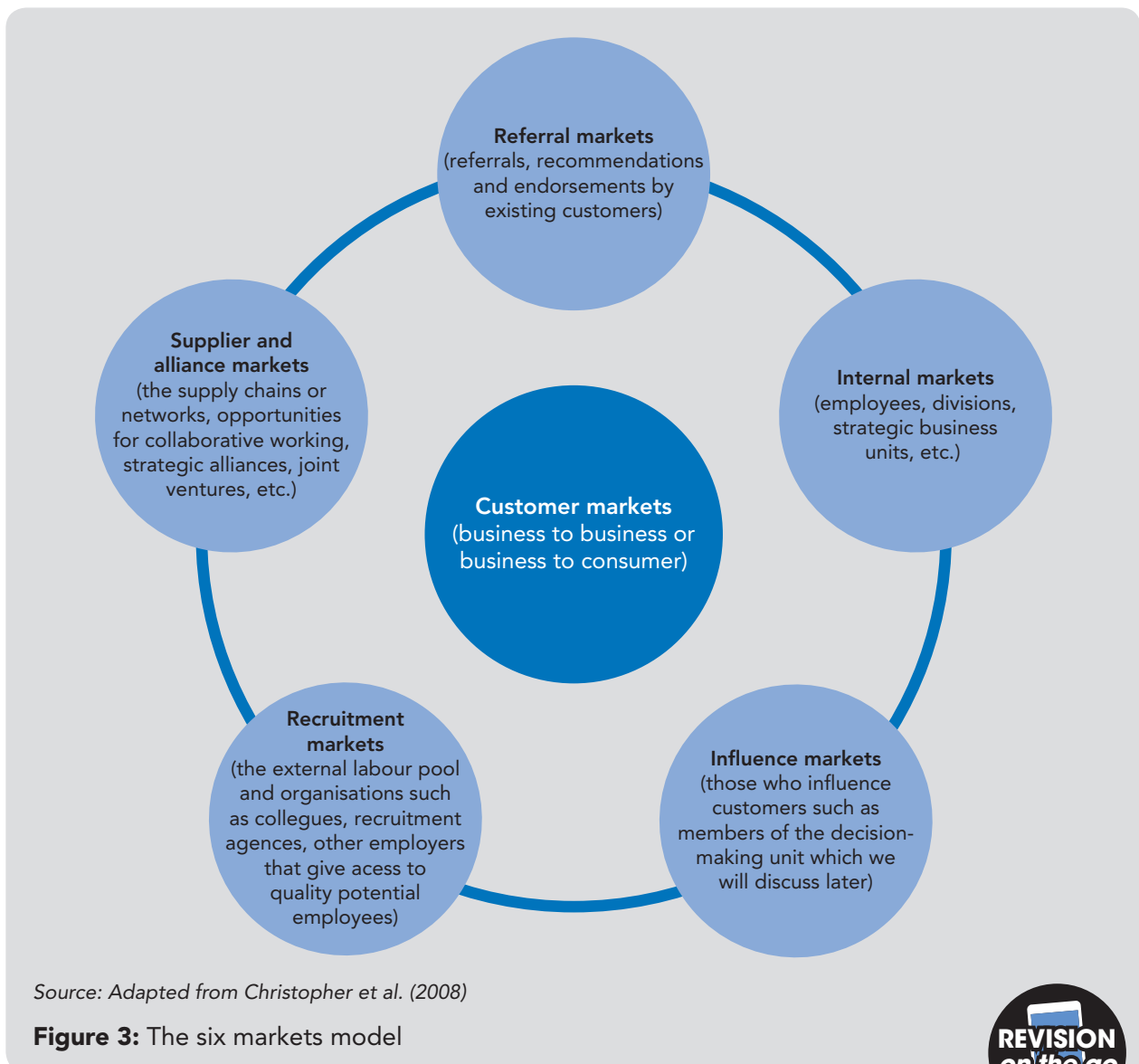
Christopher et al. (2008)

Six markets model

Christopher *et al.* (2008) note that stakeholder management is generally not integrated within organisations, typically being managed by different parts of an organisation. For example, the marketing department will focus on customer relationships and the human resource management department will focus on relationships with internal staff and associated organisations, such as trade unions. It could be said that public relations deal with the most varied collection of stakeholders. But there isn't one "stakeholder management" department.

Christopher *et al.* (2008) refer to **relationship marketing** also seeking to manage the **competing** interests of customers, staff, shareholders and other stakeholders. For example, consider what might have to happen when customers want lower prices, but staff want a pay rise and shareholders want a greater return on their investment.

The six markets relationship marketing model, shown in Figure 3, shows six domains / markets each representing groups that can contribute to an organisation's marketplace effectiveness. Note: this model places the customer at the centre. The focus is therefore clearly on relationship marketing needing to build stronger relationships with all stakeholder markets in order to create customer value, satisfaction and loyalty – all of which should in turn improve the organisation's long-term profitability.



The six markets model (or framework) is a common tool that is widely referred to in marketing texts. See the reading list for the text by Peck, Payne, Christopher and Clark (2004).

OVER TO YOU

Activity 5: Apply the six markets model

Choose an organisation you know well. Apply the six markets model to that organisation. Think about the stakeholder groups within each market. Identify key stakeholder groups within each market.

When might the organisation need to communicate with them? What would be appropriate methods of communication?

Gummesson's 30R model

As we have seen, Christopher *et al.* (2008) identified six markets with which to develop relationships. But what types of relationships?

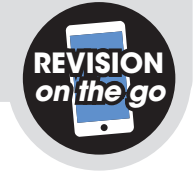
Gummesson identified 30 relationships, hence the 30Rs.

Externally-orientated classic market relationships	R1, R2, R4, R7, R9, R12, R13, R22, R23, R27 and R28.	These relationships concern customers and other inter-organisational relationships.
Nano relationships	R6, R8, R10, R15 and R17.	Internally directed relationships that support the marketing relationships.
Mega relationships	R3, R14, R16 and R29.	Mega relationships that exist above the market and include personal and social networks and mass media relationships.

Organisational issues	R5, R11, R18, R19, R20, R21, R24, R25, R26 and R30.	Organisational issues such as the external providers of marketing services, special relationships to customers such as non-commercial relationships.
-----------------------	---	--

Source: Adapted from Gummesson (1994)⁹

Table 9: Gummesson's 30R model



OVER TO YOU

Activity 6: Get to know the 30Rs

Table 9 gives a very brief overview of Gummesson's work.

Read the article "Making Relationship Marketing Operational" by Evert Gummesson to become familiar with each of the 30Rs.

Evert Gummesson (1994) "Making Relationship Marketing Operational", *International Journal of Service Industry Management*, Vol. 5, Issue 5, pp. 5–20. (This article will be available from your online study resources.)

Partnerships, strategic alliances and networks

Both the six markets model and Gummesson's 30Rs refer to alliances and networks. We will now look at what is meant by those and other relevant terms in a relationship context.

Relationship approach	Brief insight	Examples
Transactional	One-off interactions	A product we buy once but not again either because there is no further need to buy it or the product did not meet our needs.
Partnerships	A close, collaborative, mutually beneficial long-term relationship. Working together towards the same ends for mutual benefit.	An organisation and its advertising agency. A supplier of strategically important supplies where there are few potential suppliers and lack of supplies will have a significant impact on the organisation's profits.

¹⁷ Gummesson, E. (1994), "Making Relationship Marketing Operational", *International Journal of Service Industry Management*, Vol. 5, Issue: 5, p.5–20. (This article will be available in your online student resources.)

Relationship approach	Brief insight	Examples
Strategic alliances	A formal structured relationship. Two companies are legally contracted to co-operate with each other in specific ways. The two companies remain two distinct and separate companies.	Alexander Wang and H&M Starbucks and US book retailer Barnes and Noble. Apple and IBM.
Joint ventures	Two independent organisations form a new company that they jointly own and manage.	Often formed as a way for an organisation to enter a new market by forming a joint venture with an organisation already present in that market where barriers preventing direct entry exist.
Networks	An affiliation of roughly equal and autonomous organisations that exchange information and develop ongoing relationships for mutual gain. The relationships are not legally binding but based on trust and mutual advantage.	An organisation may have a supply network where, for example, suppliers are encouraged to work in a more integrated way than a simple linear chain. For example, exchanging information in order to realise efficiencies.

Table 10: Examples of relationships



Summary

In this section, we have begun to consider the types of relationships that organisations can have with their stakeholders. But this is just an initial look and we will be looking at relationships and relationship marketing again in the next chapter.

2.3 Pressure groups – opportunities and threats

A pressure group consists of a group of people who believe in the same cause and who come together in order to influence some aspect of society to act in accordance with that cause.

Pressure groups can be concerned with almost anything; for example, protecting the environment, defending human rights, promoting workers' interests or promoting business interests.

There are two types of pressure groups:

- causal – those that promote causes or values; membership is open to anyone;
- sectional – those formed to defend the interests of a specific group and membership is restricted to that group; for example, a trade union.

CASE STUDY

Women put at risk by ill-fitting safety gear, warns TUC

The Trade Union Congress (TUC) represents over 5.5 million workers in 50 British unions.

Less than one in three women are given protective clothing specially designed for women, according to a report published by the TUC.

Despite a legal duty on bosses to provide the correct Personal Protective Equipment (PPE) to their staff free of charge, only three in 10 women (29%) told a survey that the PPE they wear to keep them safe at work is specifically designed for women.



Many reported that ill-fitting PPE which isn't designed to protect women gets in the way of them doing their job safely. For example, wearing the wrong shoes or overalls which increases their chances of tripping.

The TUC is calling on employers to:

- avoid suppliers who do not provide a range of sizes for men and women, and ensure that their suppliers have properly assessed the appropriateness of their equipment for women and men;
- work with trade bodies to pressure manufacturers and suppliers to provide a full range of PPE;
- make sure that they provide the same range of sizes for women as for men;
- ensure that women try on several sizes or types of PPE before it is used;
- let staff feedback on the suitability of PPE;
- work with safety committees and trade union health and safety representatives to ensure that the correct range of suitable PPE is provided.

Extract from a TUC press release issued 28th April 2017.

(2017) "Women put at risk by ill-fitting safety gear, warns TUC", Retrieved from: <https://www.tuc.org.uk/workplace-issues/health-and-safety/women-put-risk-ill-fitting-safety-gear-warns-tuc> [Accessed on: 4 September 2017]

Pressure groups use a wide range of communication methods, some of which we have already discussed. Table 11 highlights just some of these.

Method of communication	Example
Blogs	Oxfam #BehindtheBrands turns one: A year of changing systems. Watch the video linked to the blog to see the impact of this blog. https://www.youtube.com/watch?v=Mw0yrkyxd3M
Social media	Amnesty International's Facebook page features numerous campaigns. For example, a petition to get governments to ban settlement goods from entering their markets.

Method of communication	Example
	Another example is SANCO (The South African National Civic Organisation) whose Facebook page features a number of campaigns.
Lobbying	Greenpeace is just one pressure group that will lobby governments. For example, lobbying the UK government to take a lead in stopping rainforest destruction.
Protests	An anti-railway group in Meghalaya, India staged a sit-in as part of their campaign to demand that the state government put the construction of a railway project on hold as they are concerned about an influx of outsiders. Read the following article about their protest: http://www.firstpost.com/india/shillongs-anti-railway-groups-threaten-to-intensify-protest-demand-meeting-with-chief-minister-mukul-sangma-3731911.html

Table 11: Examples of usage of methods of communications by pressure groups

REVISION
on the go

Pressure groups can also be highly creative and have recently made use of **drones** and robotics to get their point across.

For example, in 2014 Indian police raided the Greenpeace office in a village located within the Singrauli district and found a drone with a high-definition camera that was likely to have been flown without legal permission (Atherton, 2015)¹⁸. Greenpeace also released a short video in 2014 to raise awareness of the disappearance of honey bees that shows robotic bees pollinating a field – giving a chilling insight into a potential future.

Potential impacts of pressure groups

Pressure groups can have significant impacts on organisational and other stakeholder groups.

The extracts below highlight campaigns by some well-known pressure groups.

“ Stop climate change. Climate change isn’t inevitable. We have the knowledge, skills and technologies to get ourselves out of this difficult situation. All over the world people have woken up to the threat, and are working to reduce the use of fossil fuels, stop rainforest destruction and get power from clean energy. Still much more needs to be done. ”

Greenpeace (2017)¹⁹

¹⁸ Atherton, K. D. (2015), “Greenpeace Banned From Flying Drones Near Artic Oil Rigs”, Retrieved from: <http://www.popsci.com/greenpeace-banned-flying-drones-oil-rig> [Accessed on: 15 May 2017]

¹⁹ Greenpeace, (2017), “Stop Climate Change”, Retrieved from: <http://www.greenpeace.org.uk/climate> [Accessed on: 15 May 2017]

“Oxfam GB was one of a number of NGOs working in a coalition with trade unions, companies and investors, led by the Ethical Trading Initiative (ETI), that advocated for the UK Modern Slavery Act 2015 that require organisations with an annual turnover of at least £36m to make a public statement on steps that they are taking to identify and prevent modern slavery in their operations and supply chains.”

Oxfam (2016)²⁰

“The Soil Association claim that “more than 80% of the animals raised in the EU each year are factory farmed” and that “these inhumane practices are hidden behind closed doors, out of the public view” and the organisation is working with other organisations across Europe for labelling on all animal produce and ingredients in the EU that will tell consumers how the animal was kept.”

The Soil Association (n.d.)²¹

Pressure groups	Example impacts / achievements
Greenpeace	Santander pledged to stop financing the paper company APRIL For details: http://www.greenpeace.org.uk/result-santander-stops-financing-forest-destroyer-april-20150226
Oxfam	Visa, a global electronic payment organisation, formed a partnership with Oxfam in 2014 that “transformed the security, speed and efficiency with which Oxfam can distribute life-saving funds to people affected by natural disaster”. The partnership supported Visa’s mission to “provide financial access to everyone everywhere and exposed them to new sets of customers with growing purchasing power”. For details: http://www.oxfam.org.uk/get-involved/become-an-oxfam-corporate-partner/our-partners/visa
Amnesty International	Amnesty International claim global organisations such as Colgate, Nestle and Unilever are assuring their consumers that their products use sustainable palm oil when their findings are that this is not the case. Potential organisational impacts could include: reduced profits and reputational damage. For details: https://www.amnesty.org/en/latest/news/2016/11/palm-oil-global-brands-profit-from-child-and-forced-labour/

Table 12: Examples of pressure group impacts

REVISION
on the go

²⁰ Oxfam (2016), “OXFAM GB statement on modern slavery”, Retrieved from: <http://policypractice.oxfam.org.uk/publications/oxfam-gb-statement-on-modern-slavery-for-the-financial-year-201516-620092> [Accessed on: 15 May 2017]

²¹ The Soil Association (n.d.), “Labelling Matters”, Retrieved from: <https://www.soilassociation.org/our-campaigns/labelling-matters/> [Accessed on: 15 May 2017]

 OVER TO YOU

Activity 7: Opportunities and threats

Using the three campaigns above, or others you are interested in, make a list of the organisations and stakeholder groups for which each campaign could pose a threat or create opportunities.

As an example to get you started:

Greenpeace's Stop Climate Change campaign could pose a threat to diesel car manufacturers but create an opportunity for electric car manufacturers.

2.4 Customers – opportunities and threats

Customers are clearly an important stakeholder group: businesses cannot survive without them. Therefore, it is important to understand not only who customers are but their thought processes, who influences them and the pressure they can feel to consume.

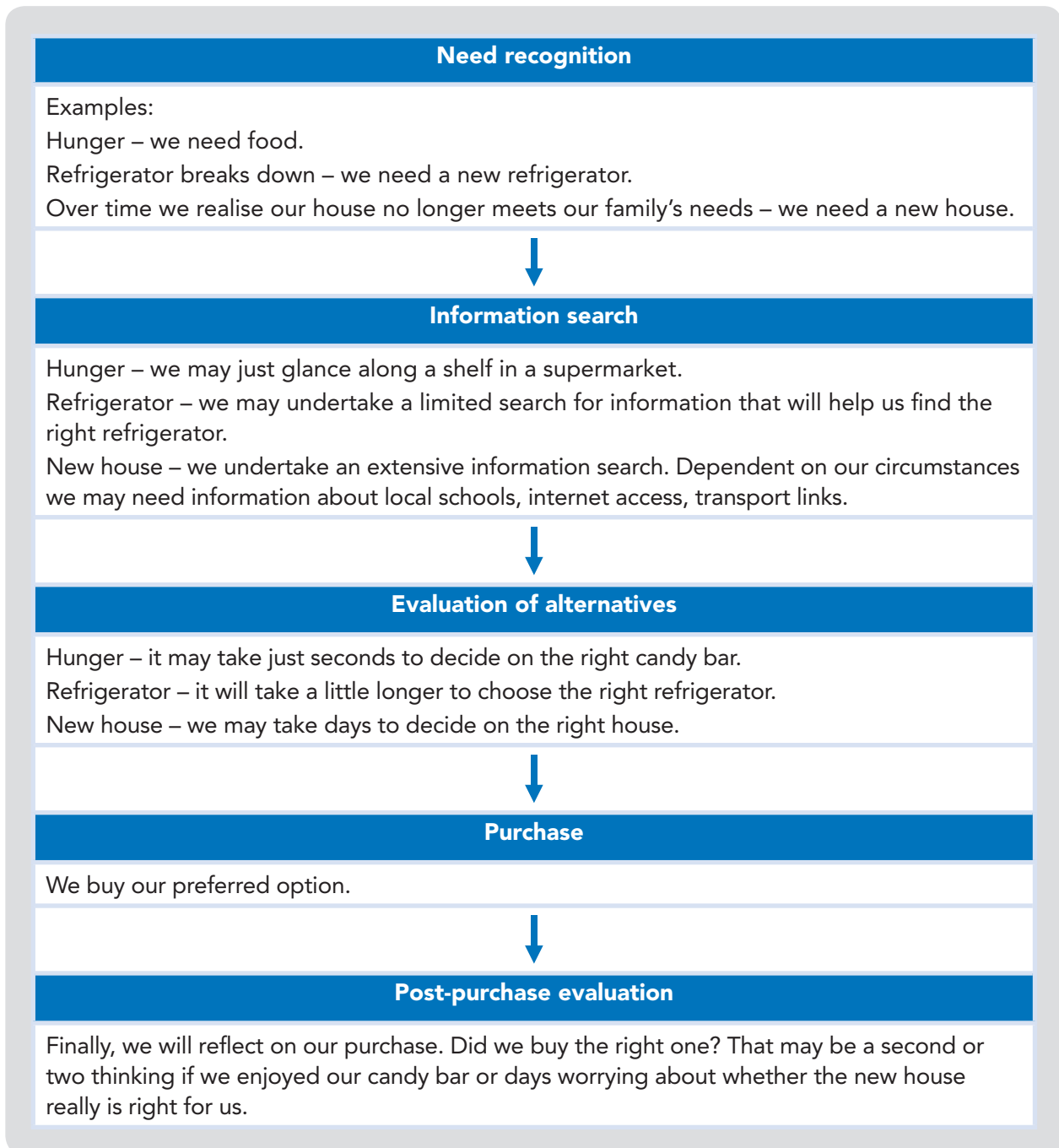
We will begin by looking at some relevant theory.

High and low involvement products

Think about the last time you bought an everyday item, such as a piece of fruit or perhaps a candy bar. Now think about buying a new car. These are very different purchases. We might buy a candy bar on impulse but we are unlikely to buy a new car on impulse. When buying a candy bar we may take a quick look at the wrapper. When buying a car, we will want to do some extensive research about its resale value, petrol consumption, servicing requirements, etc. Therefore, a candy bar would be a **low involvement purchase** – there is little risk associated with buying the wrong candy bar. On the other hand, buying a new car would generally be a **high involvement purchase** with significant risks if we buy the wrong car, not only to our finances but also our personal safety and self-image.

The decision-making process

As consumers when buying a product or service we will go through the following stages:



With a low involvement purchase we go through the stages of the decision-making processes really quickly – just a few seconds. Whereas with a high involvement purchase, such as a new house or car, we take much longer and will be more conscious of each stage in the process.

The decision-making unit

We make a lot of purchasing decisions on our own – but we often make decisions in conjunction with others. This is particularly the case in high involvement purchases discussed earlier. This is also often the case in business-to-business purchasing where there are often formal decision-making units.

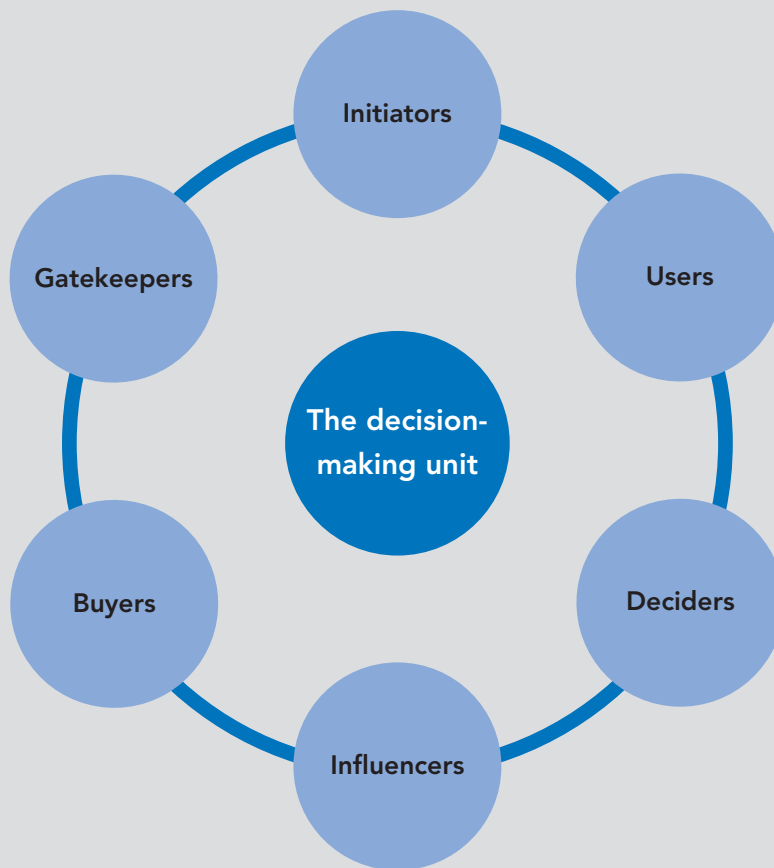


Figure 4: The decision-making unit



For example, a manager identifies the need for a new piece of equipment – so initiating the purchase. However, it is someone who reports to the manager who will be using the product. The manager contacts a colleague in the procurement department who will buy the piece of equipment. The member of the procurement department will be influenced by colleagues who have bought similar equipment in the past. The procurement team assistant will intercept calls from the many potential suppliers who phone every day, only putting through calls when it's appropriate to do so.

A consumer example would be a child who has asked for a new toy for their birthday – so initiating the purchase. But it is the parent who will buy the product and they might be influenced by other family members or friends. The parent will also be influenced by the child's preferences. The parent may also become the gatekeeper – shielding the child (the user) from advertising campaigns for toys.

Influencers

When discussing the decision-making unit, we introduced the concept of influencers. Our purchases and attitudes are influenced by others, such as opinion leaders, opinion formers and reference groups.

Opinion leaders are people like us in many ways. They are probably about the same age and earn about the same. But they are more receptive to new ideas, likely to read more specialist publications, like passing on information, are outgoing and self-confident and we trust them. So, when they say that a product is good we believe them and are more likely to buy that product. Why wouldn't we believe them? There is no financial incentive for them to tell us anything other than the truth.

Opinion formers are different from us. According to Fill (2013) they are “able to exert personal influence because of their authority, education or status”.²² In other words, we trust them to know more about what they are talking about than we do and therefore we are happy to be influenced by their opinion. Examples include: being influenced by the views of the editor of our regular newspaper, the pharmacist at our local chemist, the views expressed by the characters in our favourite drama series on television.

Reference groups also influence our attitudes and / or behaviour. We belong to a number of reference groups such as family, friends, work colleagues, clubs, societies. We may also aspire to be a member of other groups. For example, you might remember a time when you bought something because you saw a family member enjoying a product you hadn't tried, or a time when you changed your attitude towards something because of what a work colleague said.

The consumer movement and consumerism

Consumerism describes the preoccupation of many societies with acquiring consumer goods. This is seen by some as a good thing, as it can create economic growth. However, it is seen by others as a bad thing as it can encourage us to care more about things than people, cause damage to the environment and put people under pressure to own the “right” brands. Many pressure groups are devoted to causes such as protecting the environment.

The consumer movement, however, is concerned with ensuring that as consumers we have rights protected by law. For example, this includes the right to expect products to be fit for purpose.



OVER TO YOU

Activity 8: Opportunities and threats

**Research your home country's legislation relating to consumer rights.
Is it robust? Does it favour the consumer or the supplier?**

²² Fill, C. (2013), *Marketing Communications*, 6th edition, Harlow: Pearson.

Opportunities and threats

This brief insight into consumer behaviour should enable you to see the opportunities and threats that consumers can create for organisations.

Think about:

- the millions who could use social media to campaign against the use of certain chemicals in a brand of laundry detergent. As a result, the formula would need to be changed, costing millions of dollars;
- the restaurant that benefits from customers posting favourable reviews;
- the item you bought because you saw a picture of a celebrity using it in a magazine.

2.5 Brand position and reputation

Brands can help us make purchasing decisions more quickly and easily. Brands enable organisations to differentiate their products from those of their competitors. Just one word or logo can tell us all we need to know. We know what brands stand for and we know the brands we trust. They reduce risk even when the product is new. We transfer our feelings and belief in a brand to new products with the same brand name.

CASE STUDY

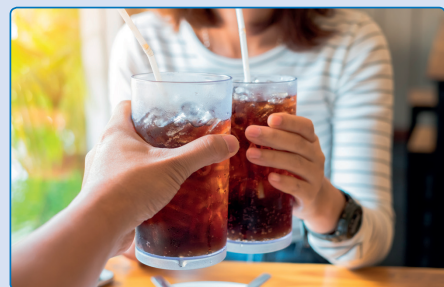
Coca-Cola

One afternoon in 1886 John Pemberton, an Atlanta pharmacist, took the fragrant, caramel-coloured liquid he had made to Jacob's Pharmacy where it was combined with carbonated water and sold for five cents a glass. John Pemberton's bookkeeper Frank Robinson called it Coca-Cola and wrote the name in a distinctive script.

In 1886 John Pemberton sold nine glasses of Coca-Cola a day. Now over 1.9 billion servings of Coca-Cola company products are served every day.

Some people think that Santa Claus wears red because of Coca-Cola. Coca-Cola say that before Coca-Cola was invented, Santa Claus had been shown wearing a scarlet coat and that he was shown in several different forms – tall and gaunt or short and elf-like. Coca-Cola do say it's true that their advertising from the 1930s onwards played a big role in Santa being the big jolly character we know and love today, as you can see from this YouTube video: <https://www.youtube.com/watch?v=U8J5AolQZg0>

Source: <http://www.coca-cola.co.uk/faq/is-it-true-santa-is-red-because-of-coca-cola> and <http://www.coca-cola.co.uk/stories/history/heritage/our-story-1886-1892--the-beginning>



Different brands offering the same product can have different positions in a market place.

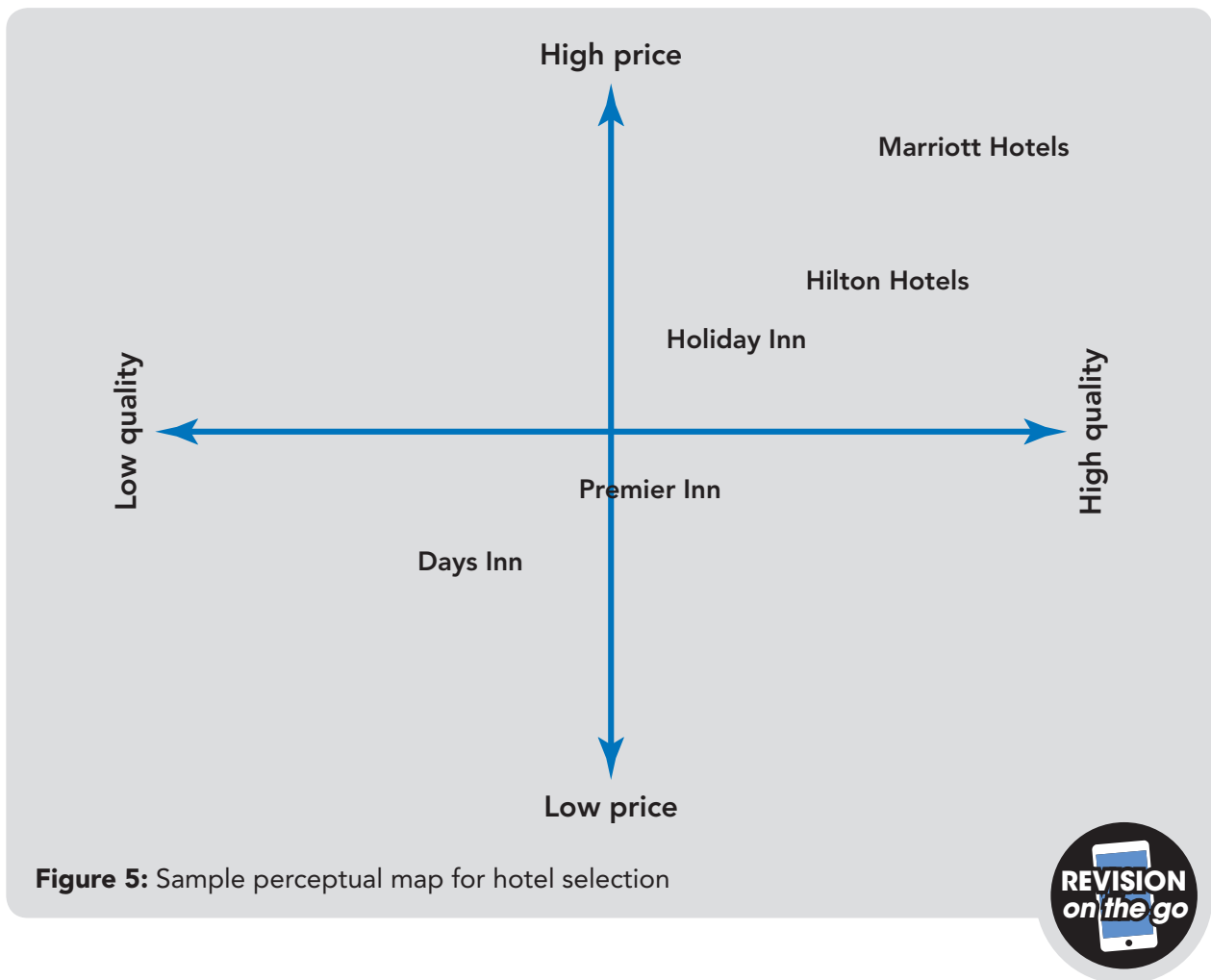
For example, think about hotels. Some are more expensive than others and therefore generally more luxurious and / or comfortable. But not all of us can afford the more expensive or comfortable option. Even if we can, there may be times when location is more important. Different brands occupy different positions in the market to meet different needs.

According to Jobber and Ellis-Chadwick (2016) successful positioning requires the following:

- Clarity. The positioning must be clear. For example, Heinz baked beans (Beanz Meanz Heinz) and Nike (Just do it).
- Credibility. Toyota used the brand name Lexus as when the Lexus was launched Toyota was not credible as a provider of upmarket cars.
- Consistency. We trust brands but to maintain that trust they need to remain consistent.
- Competitiveness. There is no point choosing a position that does not give a brand a competitive edge. For example, there is no demand for an expensive yet uncomfortable room!²³

We can start to illustrate positioning by using perceptual maps and spidergrams.

When developing a perceptual map, it is important to choose relevant axes. The map in Figure 5 uses price and quality, as these are two important considerations when selecting a hotel for a vacation.



With a spidergram we can introduce more variables and be more precise. So, rather than just looking at price and quality, we can choose a range of criteria – such as location and whether or not there is a restaurant. Then we score each criterion – not what we think but what the customers and potential customers think. Next it is necessary to plot the score, for example 10/10 for both hotels for location. Finally – join the dots. Here the dots are joined in dark blue for Hotel A and light blue for Hotel B.

Note: 10 equals the most important attribute to customers and six the least important.

²³ Jobber, D. and Ellis-Chadwick, F. (2016), *Principles and Practice of Marketing*, 8th edition, Maidenhead: McGraw-Hill.

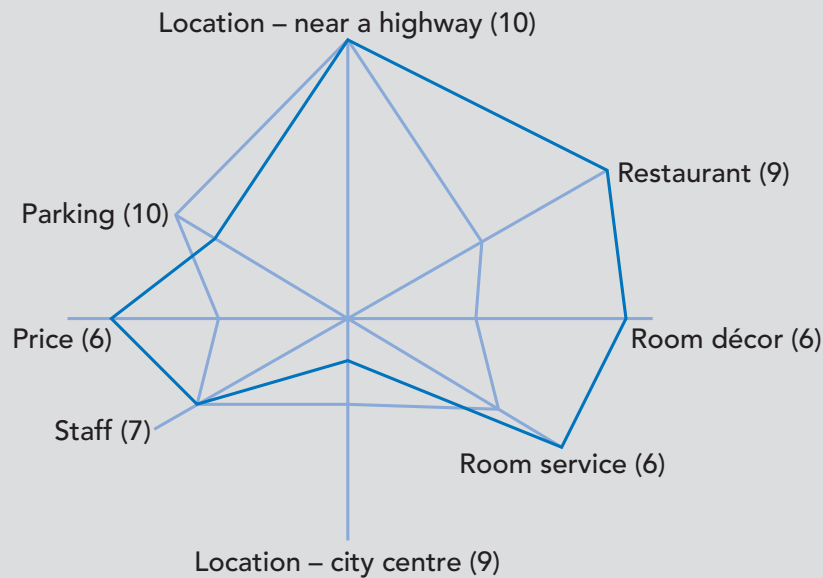


Figure 6: Sample spidergram for hotel selection



Two quite similar hotels – Hotel B has the advantage of being slightly cheaper and offering good parking but its restaurant is not very good quality and the room décor is dated.

So, Hotel A needs to think about whether, for example, it needs to reduce its prices or whether it should maintain its prices but advertise its high quality restaurant and room décor.

With both of these techniques it is important to map how customers perceive the brands.

It is important to note that brands can and do change their position.

How we perceive brands can be affected by a wide range of factors, including whether they are good corporate citizens. This leads us to a discussion of corporate social responsibility.

Corporate social responsibility

“*Corporate social responsibility (CSR) refers to the ethical principle that an organisation should be accountable for how its behaviour might affect society and the environment.*”

Jobber and Ellis-Chadwick (2016)²⁴

Organisations are increasingly seeing the potential that CSR offers for differentiating themselves from their competitors. However, some organisations are better corporate citizens than others.

Carroll and Buchholtz’s pyramid in Figure 7 can help us to identify how good a corporate citizen an organisation is.

²⁴ Jobber, D. and Ellis-Chadwick, F. (2016), *Principles and Practice of Marketing*, 8th edition, Maidenhead: McGraw-Hill.



Source: Adapted from Carroll (2016)²⁵

Figure 7: Carroll and Buchholtz's pyramid



Climbing the pyramid can create difficulties but it can bring rewards too. Shareholders may not understand why an organisation would undertake charitable work and could see it as eroding profit. They may need help to understand that being a good corporate citizen will enhance the brand and encourage customer loyalty, thereby increasing long term profit.

Another way of looking at the different stances organisations take on CSR is provided by Johnson *et al.* (2017).

- Laissez-faire – organisations only concerned with making a profit for their shareholders.
- Enlightened self-interest – an organisation begins to see that managing stakeholder relationships well is in the long-term financial interest of shareholders.
- Forum for stakeholder interaction – organisations become aware of concepts such as the triple bottom line: profit, people and planet.
- Shaper of society – visionary organisations that aim to change society, and our social norms.²⁶

You should see some similarities between these two ways of assessing how good a corporate citizen an organisation is.

Brands – reputational damage

Organisations invest millions in developing brands and the associated brand imagery as consumers typically trust their favoured brands. Therefore, it is important that brands repay our trust. When they do not do this, their reputations can be damaged – sometimes beyond repair.

²⁵ Carroll, A. (2016), "Carroll's pyramid of CSR: taking another look", *International Journal of Corporate Social Responsibility*, Retrieved from: <https://jcsr.springeropen.com/articles/10.1186/s40991-016-0004-6> [Accessed on: 23 June 2017]

²⁶ Johnson, G., Whittington, R., Scholes, K., Angwin, D. and Regner, P. (2017), *Exploring Strategy – Text and Cases*, 11th edition, Harlow: Pearson.

Consider the following examples:

📄 CASE STUDY

Reputational damage

Imagine you are eating one type of meat but you then find out that you're not and are, in fact, eating a type of meat that is not acceptable in your culture. In 2013, it was discovered that Findus beef lasagne in the UK contained 100% horsemeat (BBC, 2013).²⁷ The brand ceased to exist by 2016.



In 2015, it was publicised that Volkswagen reported its first quarterly loss for 15 years and set aside €6.7bn to cover the scandal caused when it installed software to 11 million diesel cars to “cheat” emission tests (BBC, 2015).²⁸

In 2016, Samsung stopped sales and production of the Galaxy Note 7 after some handsets exploded. Mullen and Thompson (2016)²⁹ reported that analysts suggested it could “put a \$9.5 billion dent in sales and erase \$5 billion in profits according to one estimate”.

Nike has been criticised many times for its labour practices and has worked hard to protect its brand. Nike's Code of Conduct gives the minimum standards that its factory suppliers are now expected to meet.

Examples include:

- employment is voluntary;
- employees are aged 16 or older;
- the workplace is healthy and safe.

(Nike, n.d.)³⁰

But who can calculate the damage that decades of sweatshop and child labour scandals have done – or are some brands so powerful that as consumers we ignore their adverse practices?

✍️ OVER TO YOU

Activity 9: Nike

Watch this YouTube video campaigning for an end to child labour:

<https://www.youtube.com/watch?v=FQhNv1MAETw>

Would you knowingly buy from a brand using child labour?

Do you think that you might unknowingly buy from a brand using child labour?

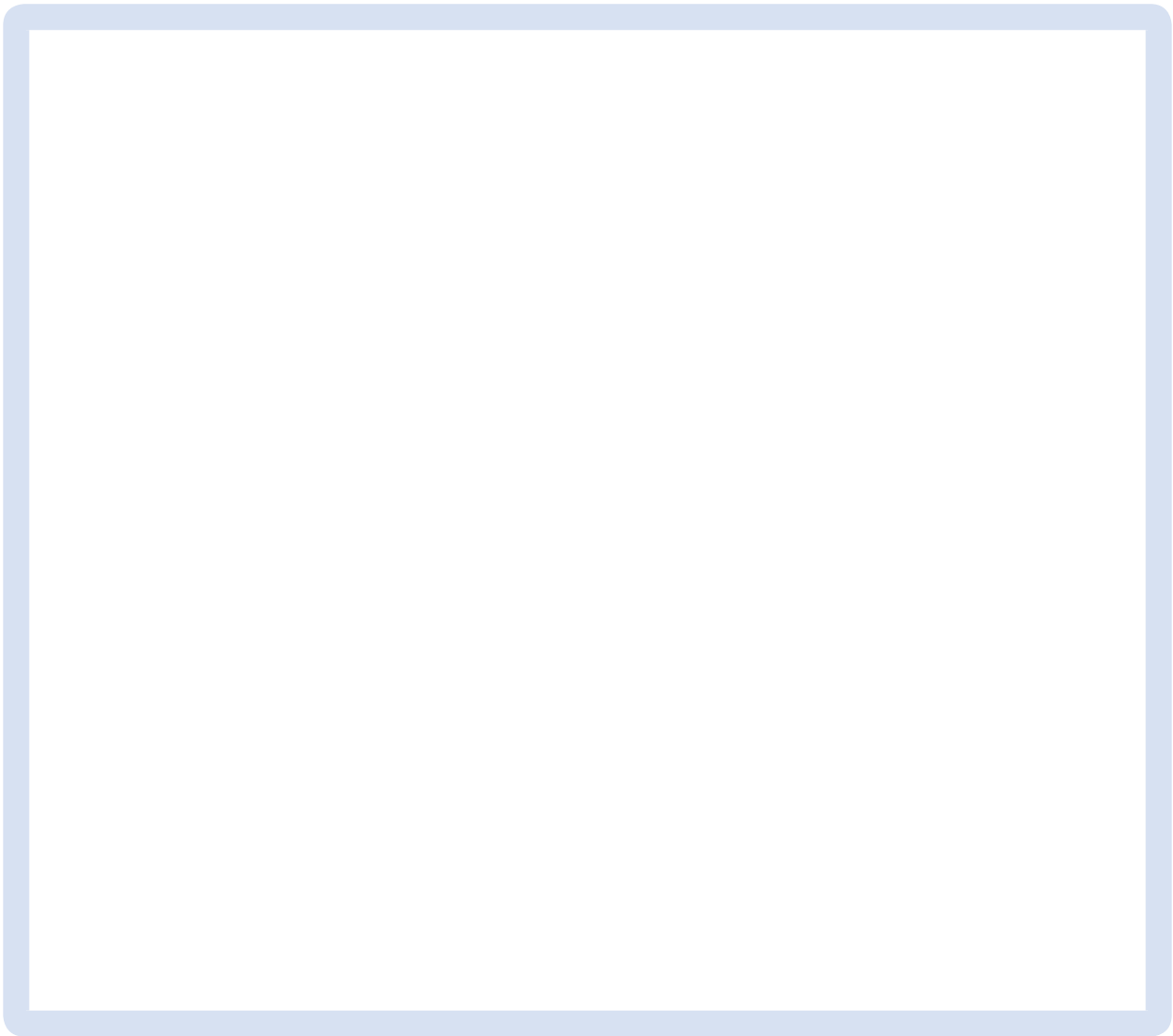
You might want to undertake some research to find out.

²⁷ BBC (2013), “Findus beef lasagne contained 100% horsemeat, FSA says”, Retrieved from: <http://www.bbc.co.uk/news/uk-21375594> [Accessed on: 23 June 2017]

²⁸ BBC (2015), “Volkswagen pushed into loss by emissions scandal”, Retrieved from: <http://www.bbc.co.uk/news/business-34650233> [Accessed on: 23 June 2017]

²⁹ Mullen, J. and Thompson, M. (2016), “Samsung takes \$10 billion hit to end Galaxy Note 7 fiasco”, Retrieved from: <http://money.cnn.com/2016/10/11/technology/samsung-galaxy-note-7-what-next/index.html> [Accessed on: 23 June 2017]

³⁰ Nike (n.d.), “Nike Inc. Code of Conduct”, Retrieved from: <http://about.nike.com/pages/transform-manufacturing> [Accessed on: 23 June 2017]



 OVER TO YOU

Activity 10: Damaged goods

Undertake some brief research to identify three brands that have recently suffered reputational damage. Sadly, there is no shortage of such brands. Make notes about the various stakeholder groups affected and the extent of the damage.



READING LIST

- Egan, J. (2011) *Relationship Marketing*, (Chapter 7), *Financial Times/Prentice Hall*.
- Paloviita, A., Luoma-aho, V., (2010) "Recognizing definitive stakeholders in corporate environmental management", *Management Research Review*, Vol. 33 Issue: 4, pp. 306–316. (This will be available from your online student resources.)
- Poon Teng Fatt, J., Wei, M., Yuen, S., Suan, W., (2000) "Enhancing corporate image in organisations", *Management Research News*, Vol. 23 Issue: 5/6, pp. 28–54. (This will be available from your online student resources.)
- Chaney, I. M., (2001) "Opinion leaders as a segment for marketing communications", *Marketing Intelligence & Planning*, Vol. 19 Issue: 5, pp. 302–308. (This will be available from your online student resources.)
- Peck, Payne, Christopher and Clark (2004) *Relationship Marketing for Competitive Advantage*, Published in association with the Chartered Institute of Marketing, Elsevier Butterworth-Heinemann.

RESOURCES

- Jackson, S. [LearnLoads], (2016), *Carroll and CSR*, Retrieved from: <https://www.youtube.com/watch?v=KRibUe2E0bM> [Accessed on: 17 August 2017]
- Greenpeace. [Greenpeacevideo], (2016), *Greenpeace: 45 years of people power*, Retrieved from: <https://www.youtube.com/watch?v=wNN-YI-SBTM> [Accessed on: 17 August 2017]
- Amnesty International. [Amnesty International], (2016), *Write for Rights 2016 – A Chain Letter*, Retrieved from: https://www.youtube.com/watch?v=f558JFR_3fQ [Accessed on: 17 August 2017]
- Dale, S. [Center on Global Energy Policy], (2017), *BP Energy Outlook – 2017 Edition*, Retrieved from: <https://www.youtube.com/watch?v=9Gtol-Apcxl> [Accessed on: 17 August 2017]
- eqhd, [eqhd], (2012), *The BP Oil Spill*, Retrieved from: <https://www.youtube.com/watch?v=ghLNgpEBfm0> [Accessed on: 17 August 2017]
- Greenpeace, [Greenpeace UK], (2010), *Putting palm oil in Kit Kats is bad news for orang-utans*, Retrieved from: <https://www.youtube.com/watch?v=2ExNmhDLslk> [Accessed on: 17 August 2017]
- WLWT, [WLWT], (2014), *Greenpeace members charged in P&G protest released after posting bond*, Retrieved from: <https://www.youtube.com/watch?v=zYmNLMOkavQ> [Accessed on: 17 August 2017]

Summary

You may have come to the end of this chapter thinking that this is all very interesting but wondering how it is relevant to stakeholders.

Consider the following.

- Shareholders unwilling to support the board of directors in changing the supply chain in order to position the organisation as better corporate citizens, thereby giving them a competitive advantage in the long term.

- Customers who believed that they were buying a brand that was a good corporate citizen watch a documentary exposing that brand's use of human resource policies and procedures that match the definition of modern slavery.
- Pressure groups who uncover brands that are not living up to their brand values and who mount campaigns to expose them.
- Opinion formers who discover an unpleasant truth about a brand that prompts them to publicly denounce that brand.

All of the above can damage brands in which millions of dollars have been invested in developing.

Chapter 3

Drivers for and Key Components of Effective Stakeholder Relationships

Introduction

As discussed in Chapter 2, it is a much more cost-effective strategy for organisations to retain customers than to have to keep attracting new ones.

The aim of this chapter is to look at how organisations develop and maintain enduring relationships. The emphasis will be on an organisation's relationship with its customers – as without customers there is no business. But the theories and concepts discussed are equally applicable to all stakeholders. It is important that all key players trust the organisation, remain loyal to the organisation – and that the organisation remains loyal to them.

Learning outcome

On completing this chapter, you will be able to:

3 Assess the drivers for and key components of effective stakeholder relationships

Assessment criteria

3 Assess the drivers for and key components of effective stakeholder relationships

- 3.1 Examine the relationship marketing concept
- 3.2 Evaluate the importance of trust and commitment in developing and maintaining effective stakeholder relationships
- 3.3 Assess the importance of customer loyalty to an organisation
- 3.4 Evaluate the relevance of networks and collaborations to a range of organisations

Level 5 Managing Stakeholder Relationships

3.1 Relationship marketing

As previously mentioned, it is more cost effective for organisations to retain customers than have to keep finding new ones.

But we cannot expect customers to stay loyal if we ignore them once they have made their first purchase from us. Why should they stay loyal if another product or company can meet their needs just as well – or better?

However, we cannot expect customer relationships to last forever. At some point customers may move on. They may simply not need the product any longer. Parents of new born children may need diapers – but only for a limited period of time!

While recognising that we cannot expect to keep a customer forever, we should aim to keep them for as long as possible. We need to show them our commitment and how much we value them. We need to show them that we want a relationship with them and that they can trust us. That way we will become committed to each other.

This is true of all stakeholders. If pressure groups cannot trust us, they will not give us the chance to explain our actions. If the bank does not trust you, it will not give you an overdraft.

It is therefore important to have the right relationships with the right stakeholders at the right time. We will start by looking at what we mean by “relationships” in this context.

“ *the pattern of interactions between companies and the mutual conditioning of their behaviour that takes place over time* ”

Ford et al. (2011)³¹

This definition refers to interactions between companies. Not all stakeholders are companies but many are.

An organisation will not have the same level of interaction with all stakeholders.

Think back to Mendelow’s matrix in Chapter 1. The organisation does not have the time to have the same level of interaction with all stakeholders. It certainly does not need to have the same level of interaction with all stakeholders.

³¹ Ford, D., Gadde, L., Hakansson, H. and Snehota. (2011), *Managing business relationships*, Chichester: John Wiley.

The organisation will only invest minimal effort in developing and maintaining relationships with some stakeholders. It will, however, thinking back to Gummesson's 30Rs, make significant investment in developing relationships with those stakeholders it wants a partnership relationship with. It is important to focus on developing the right relationships with the right stakeholders.

“ A business company is likely to be involved in very routine relationships with some of its customers and suppliers. These relationships may consist of no more than a few phone conversations or an email order or confirmation for a simple product or service. But the same company is likely to have more complex relationships with others. ”

Ford et al. (2011)³²

That is not to say that those relationships will stay the same. An organisation may invest more time and effort in their relationship with a supplier if there is likely to be a shortage. They may invest more time and effort in customers if there is the threat of a new competitor.

However,

“ it is now widely accepted that the real purpose of a business is to create and sustain mutually beneficial relationships, especially with customers. ”

Christopher et al. (2008)

So, it is not only relationships with customers that are important but *these have a special importance*; hence the emphasis on them in this chapter.

“ Equally widely accepted is the view that the cement that binds successful relationships together is the two-way flow of value – that is, the customer derives real value from the relationship which converts into value for the organisation in the form of enhanced profitability. ”

Christopher et al. (2008)

This, again, is focused on the relationships between organisations and their customers. But think about other stakeholders. Pressure groups want organisations to change; organisations can find that changing gives them a competitive advantage – this relationship also has a two-way flow of value that enhances the organisation's profitability.

So, while some of these definitions are focused on the customer, they are also applicable to a wide range of other stakeholders.

Now we have clarified what we mean by “relationship” in this context, we can move on to the term relationship marketing.

“ attracting, maintaining and ... enhancing customer relationships ”

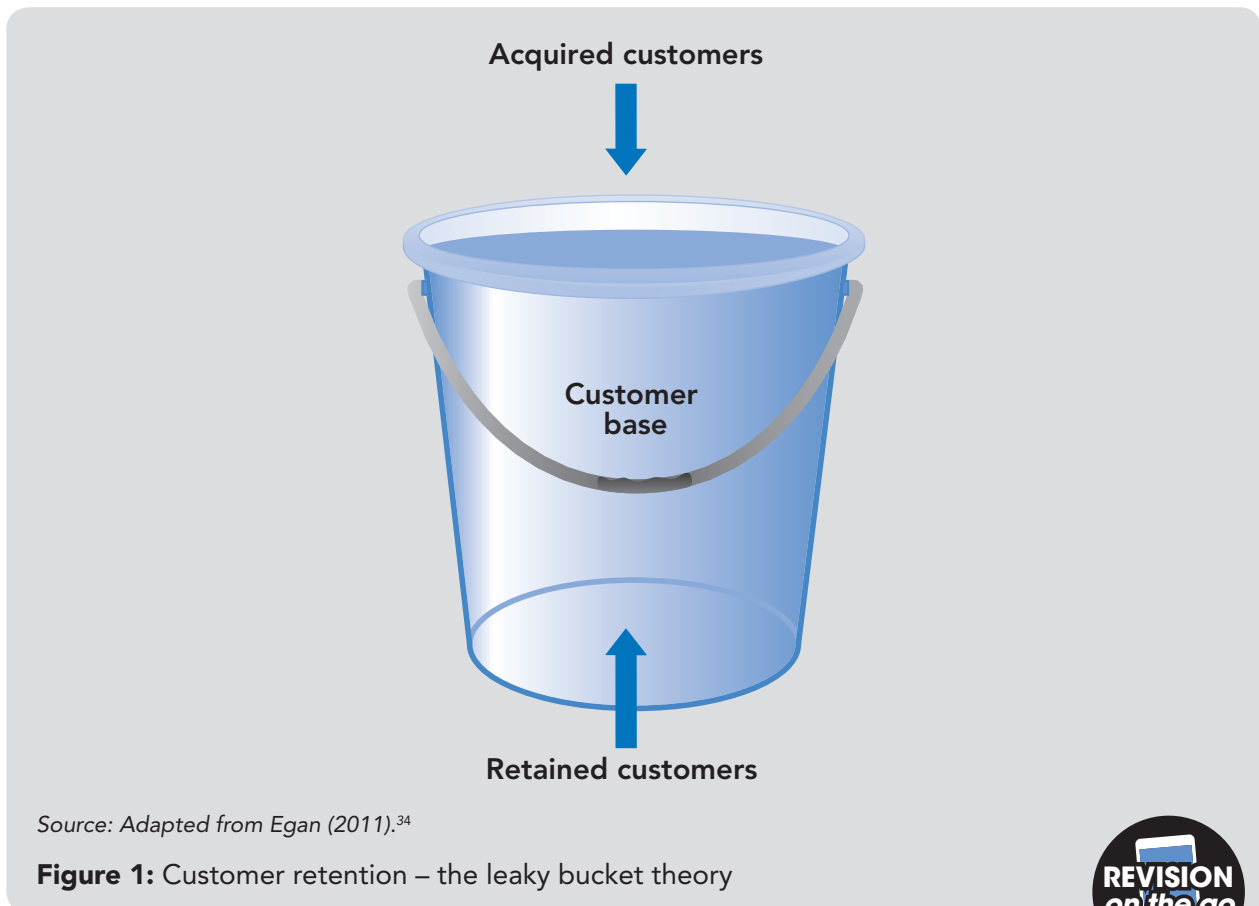
Berry (1983) cited in Egan (2011)³³

³² Ford, D., Gadde, L., Hakansson, H. and Snehota. (2011), *Managing business relationships*, Chichester: John Wiley.

³³ Egan, J. (2011), *Relationship Marketing*, Harlow: Pearson.

If we don't build enduring relationships with customers they will leave. Or as Egan (2011) puts it, our bucket (or pail) will spring a leak!

A leaky bucket may sound like an odd theory at first, but consider a scenario that you live somewhere that has no running water. Every day you have to walk three miles to a communal water supply with a metal bucket and carry the water three miles home. This is a hard enough task. But you damage your bucket on the journey one day, causing a small hole to appear, making it leak. By the time you get home from your daily walk to get water the bucket is only half full. So, you have to go back and get another. This takes you twice as long each day. But after a week you go for water and there's none left as everyone's bucket has been leaking. If only you mended the leak in your bucket! Think of your water as your customer base and you will understand the analogy.³⁴



OVER TO YOU

Activity 1: One off purchases

Have you ever bought a branded product as a one-off? Assuming that the product itself met your needs, why did you not buy that brand again? Did you buy the product again but under another brand name?

³⁴ Egan, J. (2011), *Relationship Marketing*, Harlow: Pearson.



The focus of relationship marketing is to acquire and then retain customers. The ways in which we do this revolve around enhancing the customer experience so that we do not just meet their needs – we need to aim to delight our customers, so that they will remain loyal to us. But what do we mean by loyalty?

“*The biased (i.e. non-random) behavioural response (i.e. revisit), expressed over time, by some decision-making unit with respect to one [supplier] out of a set of [suppliers] which is a function of psychological (decision-making and evaluative) processes resulting in brand commitment.*”

Bloemer and de Ruyter, (1998) cited in Egan (2011).³⁵

Loyalty is not, therefore, just continuing to buy something because there is no alternative. It is a conscious decision to keep going back to your favourite brand. You may have thought about other alternatives but are committed to your favourite brand.

📄 CASE STUDY

Mobile networks and customer loyalty

Tesseras (2014) reported that “consumers are notoriously fickle when it comes to choosing a mobile network” and that it is operators offering the most minutes and data for the lowest price that win our custom, with customers rarely having an issue with switching their provider.

The problem with this, now more than ever before, is that most people have a mobile phone and thereby a mobile network provider – making it more and more difficult to find new customers. So, the pressure is on the mobile network providers to encourage us to be loyal and many now offer their customers loyalty programmes, such as offering rewards.

According to Tesseras (2014) O2’s Priority loyalty scheme has had a positive impact in reducing churn rate and improving customers’ average customer satisfaction index (CSI) score.³⁶

Maybe the high-tech mobile network providers can learn about loyalty and loyalty schemes from some lower tech businesses.



³⁵ Egan, J. (2011), *Relationship Marketing*, Harlow: Pearson.

³⁶ Tesseras, L. (2014), “Why aren’t consumers loyal to their mobile network?”, Retrieved from: <https://www.marketingweek.com/2014/02/26/why-arentconsumers-loyal-to-their-mobile-network> [Accessed on: 23 June 2017]

 OVER TO YOU

Activity 2: Favourite brands

**What is your favourite brand? Which brand is there no substitute for in your view?
 Why is it your favourite brand? Why do you prefer that brand to one of its competitors?
 Why are you so committed to that brand?**

3.2 Drivers for and against relationship marketing

We have mentioned previously that it is more cost effective to retain rather than keep acquiring new customers. But it may not be a cheap option to retain customers. Organisations need to make strategic decisions about the emphasis they will give to developing relational strategies.

Egan (2011) has provided the following list of drivers promoting relational strategies and drivers against relational strategies.

Drivers promoting relational strategies	Drivers against using relational strategies
High acquisition vs retention costs	Little difference between acquisition and retention cost
High exit barriers	Low exit barriers
Competitive advantage sustainable	Unsustainable competitive advantage
High risk	Low risk
High salience	Low salience
High emotion	Low emotion
Requirement for trust and commitment	Requirement for trust only
Perceived need for closeness	No perceived need for closeness
Satisfaction beneficial to retention	Repeat behaviour strategy beneficial

Source: Egan (2011).³⁷

Table 1: Drivers for and against relational strategies



³⁷ Egan, J. (2011), *Relationship Marketing*, Harlow: Pearson.

Let's look at an example where there are strong drivers promoting relational strategies and familiarise ourselves with a number of the terms used in Table 1. Consider a hairdressing salon or barber. It can take a significant investment in national and local media for a hairdressing salon to acquire a new customer. Highly creative and dynamic television advertisements might be necessary, for example. To retain a customer – just give them a great hairstyle and offer to make the next appointment when they pay the bill.

Once we trust a hairdresser we are unlikely to take the risk of changing to a new one.

“Trust has two principle components – competence and affinity.”

“Competence not only refers to someone's capacity to accomplish the task but also to the sincerity of her willingness to do so.”

“Affinity is a warm, comfortable feeling that a person, or even a product or company, engenders in us.”

Martin (2014)³⁸

“Risk – a situation involving exposure to danger”

Oxford Living Dictionaries (n.d.)³⁹

Akin to trust are trusting situations as defined by Mitchell et al. (2010) cited in Egan (2011).

Global hairdressing salons invest significant amounts of money in training their staff and providing continuing professional development. That is difficult for small independent hairdressers to compete against. Therefore, it gives global hairdressing salons a sustainable competitive advantage.

“Competitive advantage is the ability of the firm to outperform rivals and for competitive advantage to be sustained over time requires the existence of barriers to imitation.”

Grant (1998)⁴⁰

Many of us may have felt the upset of a bad haircut or been hurt by the comments that others have made. There is a high degree of risk, high salience and high emotion when going to a new hairdresser.

“Salience may be regarded as the level of importance or prominence associated with the exchange.”

Egan (2011)⁴¹

“Emotion is the complex series of human responses sometimes negatively described as ‘agitation of the mind’ or ‘cognitive dissonance’ generated as a result of the exchange.”

Egan (2011)⁴²

38 Martin, D. (2014), “Towards a model of trust”, *Journal of Business Strategy*, Vol. 35 Issue: 4, pp. 45–51.

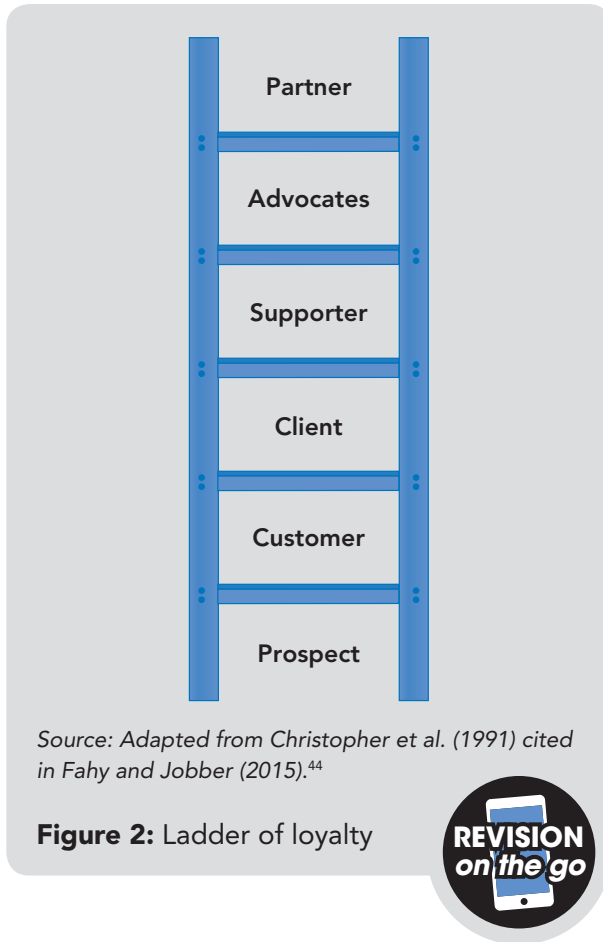
39 Oxford Living Dictionaries (n.d.) *Dictionaries*, Retrieved from: <https://en.oxforddictionaries.com/definition/risk> [Accessed on: 26 May 2017]

40 Grant, R. (1998), *Contemporary Strategic Analysis*, Oxford: Blackwell Publishers Ltd.

41 Egan, J. (2011), *Relationship Marketing*, Harlow: Pearson.

42 Ibid.

So, if we get a good hairstyle we are unlikely to change, therefore it costs relatively little to retain us: perhaps the occasional email with a money-off voucher attached, or the odd free gift. Additionally, our customers will start to do some of our work for us. According to the ladder of loyalty, satisfied customers will over time turn into supporters, then advocates and then partners.



“ Word of mouth is marketing messages that circulate around from person to person (or persons via electronic communications). ”
 Egan (2015)⁴³

Word of mouth is very powerful in relational marketing – especially now given electronic means of communication; this has given us the phrase “word of mouse”.

We trust those we know. We trust opinion leaders and opinion formers: customers who are supporters, advocates and partners and tell others about how good we are. A good example would be those customers who happily write testimonials, who willingly appear in case studies or advertisements for an organisation. We trust what those we respect, or are in awe of, tell us. We trust what people like us tell us far more than we trust what organisations tell us.

 OVER TO YOU

Activity 3: Drivers against using relational strategies

Describe an example of where it is not so important to develop relationships with customers, using Egan’s (2011) list of drivers.

⁴³ Egan, J. (2015), *Marketing Communications*, London: Sage Publications Ltd.
⁴⁴ Fahy, J. and Jobber, D. (2015), *Foundations of Marketing*, Maidenhead: McGraw-Hill Education.

However, before we start to think that developing relationships with customers of low-value and low emotion products is not worth the effort, let's consider another perspective – customer lifetime value (CLV).

“CLV can be defined as the present value of all future profits obtained from a customer over his or her relationship with a company”

Gupta et al. (2006) cited Ekinci et al. (2014)⁴⁵

Fast food, such as hamburgers, can cost as little as \$1. But the average customer of a fast-food company such as Taco Bell spends an average of \$12,000 during their lifetime as a customer, according to Kuzmeski (2009).⁴⁶

Investing in staff training and the occasional money-off voucher can be a good investment even for low-value items if they attract and retain customers who buy frequently over an extended period of time.

CASE STUDY

Customer lifetime value (CLV) – a day in the life of a 30-year old professional

Hello – I am 30 years old and live in Lilongwe, Malawi.

Today I had a cappuccino from my favourite local coffee shop on the way to work. I have been doing this every day for the last five years and expect to do so until I retire.

CLV: $\$2.65 \times 5$ working days a week = \$13.25 per week.

A CLV of \$26,076 based on 48 working weeks a year and 41 working years.

Lunch was a burger from a great café near the office – I eat there about twice a week when I am at work as I appreciate getting out of the office if only for a few minutes.

CLV: $\$4.50 \times 2$ days a week = \$9.00 per week. A CLV of \$17,712 based on 48 working weeks a year and 41 working years.

On the way home from work I stop at a shop and buy a magazine to read on the bus on the way home, a cold drink and a snack. I do this every day. I may change the type of snack I buy but it's a long journey home and I need something to help me pass the time.

CLV: $\$3.00 \times 5$ working days a week = \$25.00 per week. A CLV of \$29,520 based on 48 working weeks a year and 41 working years.

So, at the end of the day (where I have had lunch at the cafe) I have spent \$10.15 – but my total CLV to the three retailers I have used is \$73,308.



As well as introducing the concept of the potential long-term value of a customer, CLV also introduces us to the concept of the relationship life cycle.

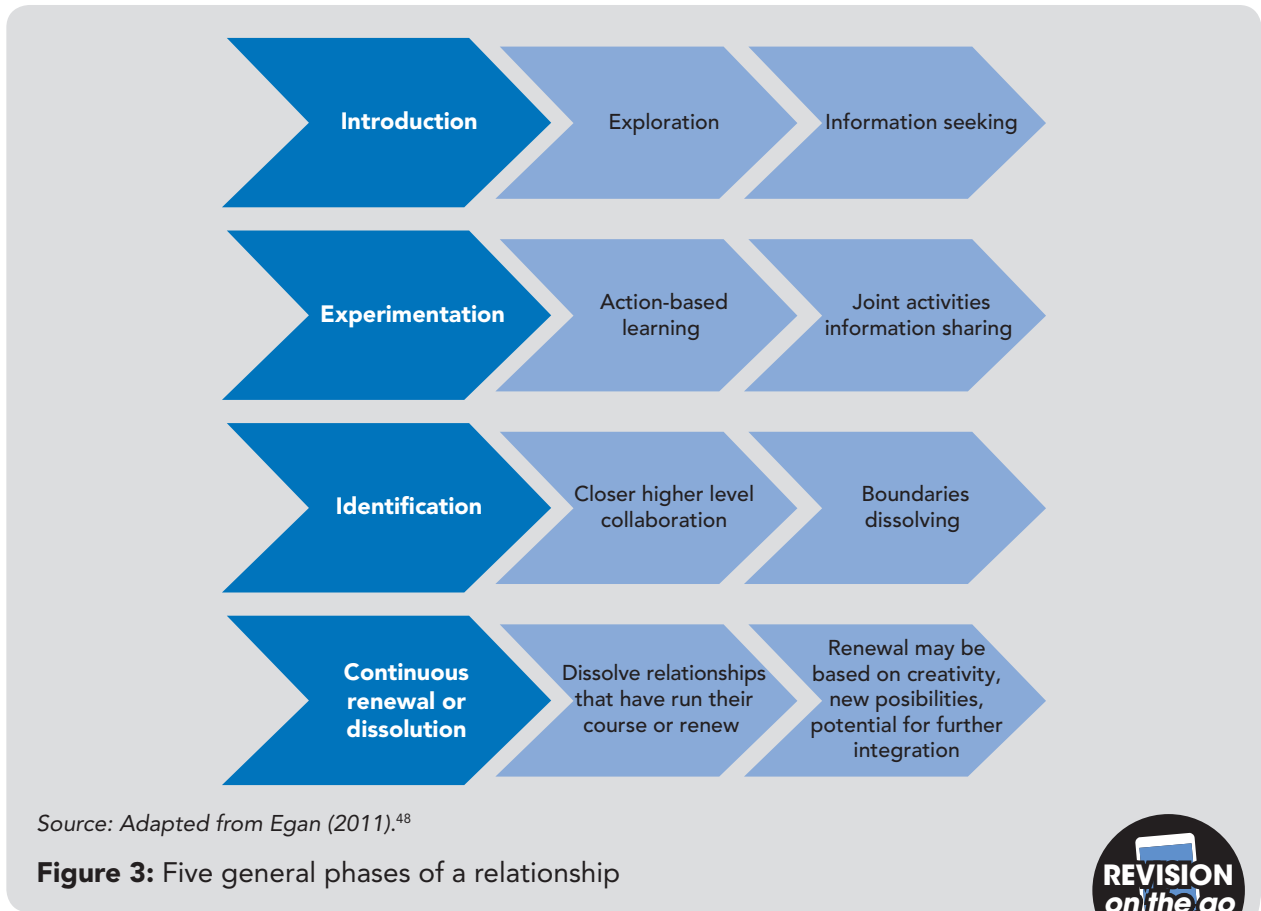
Dwyer et al. (1987) recognise five general phases of a relationship: awareness, exploration, expansion, commitment and dissolution, with the strength of the relationship increasing as customers move towards commitment but later decreasing and indeed ultimately dissolving.⁴⁷ Not all customers will go on to be committed, however, and brands must work hard to ensure awareness and then encourage that awareness to develop into commitment.

45 Ekinci, Y., Uray, N., Ülengin, F., (2014), "A customer lifetime value model for the banking industry: a guide to marketing actions", *European Journal of Marketing*, Vol. 48 Issue: 3/4, pp. 761–784. (This article will be available in your online student resources.)

46 Kuzmeski, M. (2009), *The Connectors*, New Jersey: J. Wiley and Sons.

47 Dwyer, R. F., Schurr, P. H. and Oh, S. (1987), "Developing buyer-seller relationships", *The Journal of Marketing*, vol. 62, pp. 1–13.

Tsokas and Saren (2000) cited in Egan (2011) offer a slightly different perspective.



Generally an organisation will want to extend the life cycle for as long as possible. But, as mentioned earlier, ultimately an organisation’s relationship with a customer will come to an end. Alternatively, the relationship with a particular product will end and the organisation can enable the customer to move to another product within their range; for example, moving from a children’s bank account to an adult one.

Relationships are about people

While we have talked about the organisation, the customer and other stakeholder groups, such as pressure groups, it is important to remember that we are really talking about people.

Marketing has long recognised the importance of people for service organisations. This is even more the case when we talk about stakeholder marketing, where it can be relevant to see a wide range of stakeholders as customers and as individuals who we want to have a good experience of the organisation, including employees.

This leads us to the concept of internal marketing.

“ *Internal marketing is selecting, training and motivating staff members to provide customer satisfaction* ”

Fahy and Jobber (2015)⁴⁹

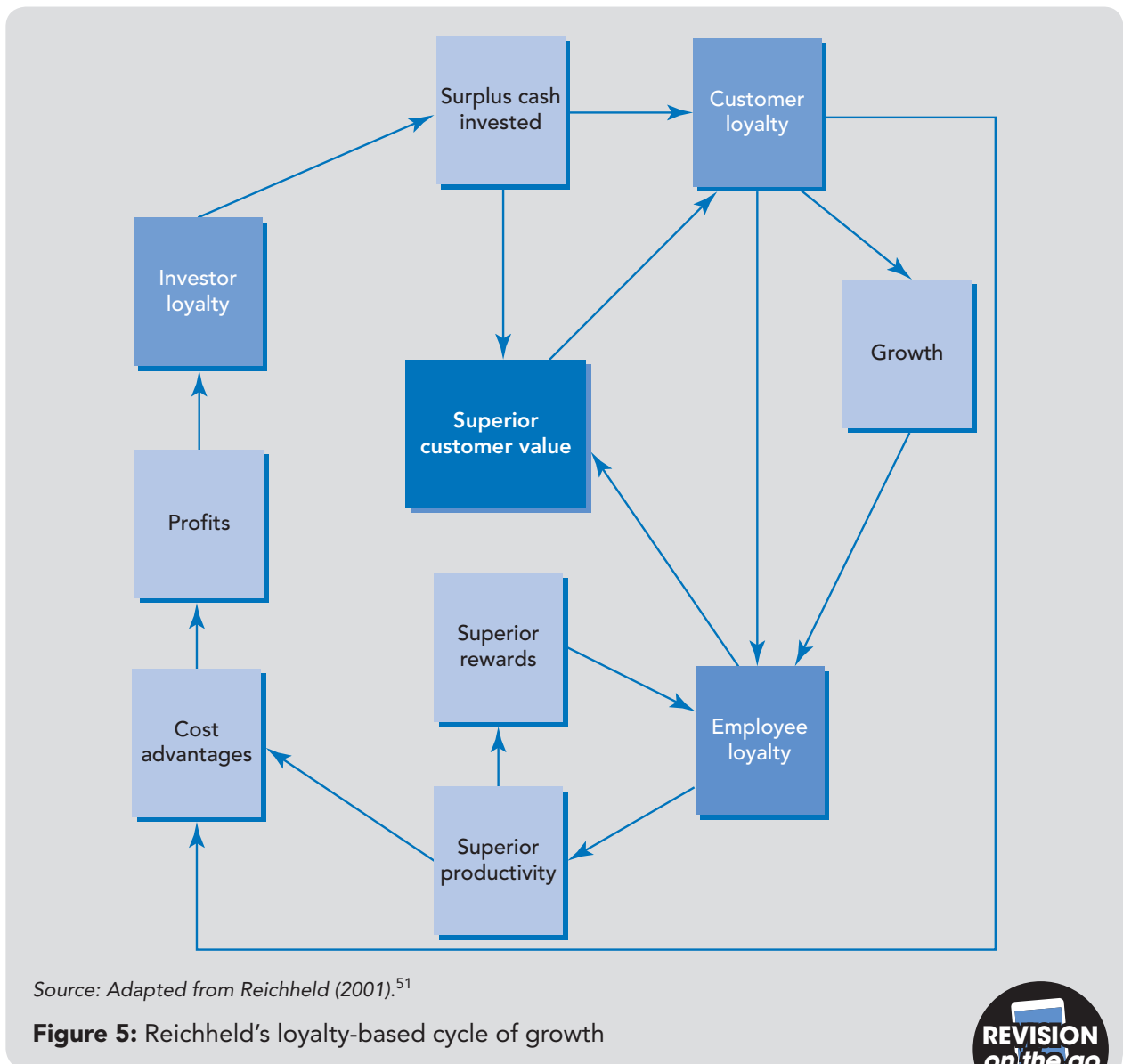
⁴⁸ Egan, J. (2011), *Relationship Marketing*, Harlow: Pearson.

⁴⁹ Fahy, J. and Jobber, D. (2015), *Foundations of Marketing*, Maidenhead: McGraw-Hill Education.

The service profit chain in Figure 4 illustrates the importance of internal marketing as it clearly shows how retaining employees in turn means that we retain customers and that leads to growth.



This is reinforced by Reichheld’s loyalty-based cycle of growth.



50 Egan, J. (2011), *Relationship Marketing*, Harlow: Pearson.

51 Reichheld, F. F. (2001), *The Loyalty Effect*, Boston: Harvard Business School Press.

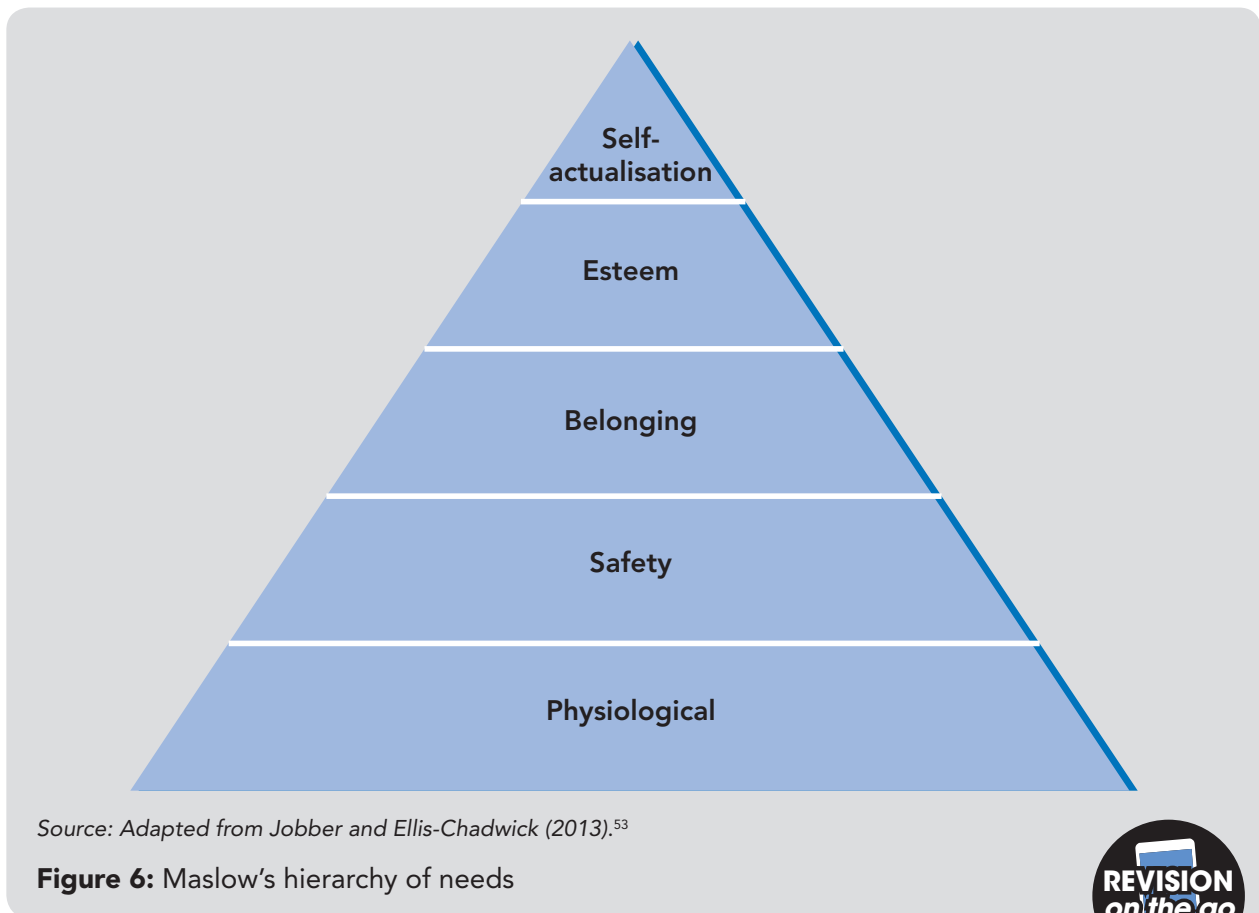
So, if an organisation treats its employees well, they will be committed to the organisation and, customers will be more satisfied and therefore loyal to the organisation, which will make more sales and increase its profitability.

“Commitment refers to the implicit or explicit pledge of relational continuity between the parties.”

Egan (2011)⁵²

But what do we mean by treating employees well?

This is where we can look to theories of motivation, such as Maslow's Hierarchy of Needs shown in Figure 6.



We will look at each level of the pyramid in turn, beginning with the most basic needs at its base.

Physiological

All employees need to drink, eat and sleep. Until these needs are met, we are not able to think about much else. So, in the workplace people expect their employment to at least enable them to have enough food, drink and sleep in order to survive.

⁵² Egan, J. (2011), *Relationship Marketing*, Harlow: Pearson.

⁵³ Jobber, D. and Ellis-Chadwick, F. (2013), *Principles and Practice of Marketing*, 7th edition, Maidenhead: McGraw-Hill.

Safety

Once we have had food, drink and sufficient sleep, we can then start to be concerned with our safety. We want to protect ourselves from the elements and from danger. So, we require shelter in the form of housing and as a society we establish laws to bring stability and manage our behaviour. In the workplace we move on from simply wanting employment to wanting stable employment. Organisations develop regulations, policies and procedures that regulate how we behave at work, and how we do our jobs. This helps to make us feel safe, we feel we are all right if we abide by relevant policies and procedures.

Belonging

Once we are fed, watered, have shelter and feel safe, we want to feel a sense of belonging, that is to feel loved and wanted. At home, this takes the form of our friends and family. However, we often make friends at work too and we might belong to a number of work-related groups. For example, this might be our department, a project team or, to reintroduce another stakeholder group, a trade union.

Esteem

Having satisfied our need to belong and be loved, we can then focus on our esteem needs. We develop our self-esteem by, for example, becoming a manager and being responsible for others. The more senior we are within an organisation, the more autonomy we get and the more responsibility we have, leading to higher status. Organisations often make the status of different levels of managers and directors clear with symbols such as private offices and designated car parking spaces.

Self-actualisation

We may strive for self-actualisation, but we don't all achieve it. Self-actualisation refers to self-fulfilment, realising our potential, having new experiences, for example. But then if we do achieve self-actualisation we can become discontented and strive for more. For example, a new graduate recruit who really wants to be a manager thinks, "If I was a manager I would be happy". Then, in a few years' time, when they have been a manager of a small team for a couple of years, they slide back down the pyramid a little and dream of becoming the manager of a larger, higher profile team.

Given the above, you will understand why much of the focus of internal marketing is on training and motivating staff members and typically includes techniques such as staff incentives.

To sum up: employees – people – are very important in marketing and particularly relationship marketing. Happy employees lead to happy customers; this means more profit which means happy shareholders.



OVER TO YOU

Activity 4: Your experiences at work

Think about an organisation you or someone you know well has worked for. How loyal were the staff? Was there a high level of staff turnover? Did this impact on customers? If so, to what extent?

If staff retention was poor and it affected customers, make recommendations about what the organisation could do in order to retain staff.

If staff retention is good what do you believe are the main contributing factors?

3.3 The customer experience

In ever more competitive markets it is important that we don't just give customers a good experience, that we meet their needs: we need to delight them if they are to stay loyal.

“ *A customer experience is an interaction between an organisation and a customer as perceived through a customer's conscious and subconscious mind. It is a blend of rational performance, the senses stimulated and emotions evoked and intuitively measured against customer expectations across all moments of truth.* **”**

Shaw et al. (2010)⁵⁴

⁵⁴ Shaw, C., Dibeehi, Q., and Waldren, S. (2010), *Customer Experience*, Hampshire: Palgrave MacMillian.

In the previous section, we discussed how loyal employees can help an organisation deliver a good customer experience, thereby retaining them. But we will now look in more detail at factors that can drive customer satisfaction.

The following drivers of satisfaction have been identified by Egan (2011):

- the core product
- support services and systems
- technical performance
- elements of customer interaction
- affective dimensions of service

We will look at each of these factors in turn.

The core product

The core product is what the product enables you to do. For example, a drill enables you to put a hole in a wall. In order to differentiate their products, however, marketers will augment that core offering with features such as a brand image, packaging and service elements such as guarantees.

Support services and systems

We have already noted that a number of products also have elements of service attached to them.

For example:

- when buying a refrigerator you may pay more to have it delivered, unpacked, fitted in and the old one taken away;
- if you receive a new 12-piece crockery set as a wedding gift and break two plates within a week, you may phone the manufacturer to see if you can just buy two new plates.

It is these “moments of truth” when we come into contact with an organisation that can make all the difference and determine whether we remain loyal or find an alternative source of supply.

Technical performance

It is important for organisations to at least meet customer expectations. This can include managing expectations; for example, by not making misleading claims in advertising materials. To gain loyal customers you should aim to delight each and every customer. Remember that a customer may only spend \$1 or \$2 at a time, but that can add up to a significant total over their customer lifetime.

“Customer delight is where the experience goes beyond satisfaction and involves a pleasurable experience.”

Torres and Kline (2013)⁵⁵

Elements of customer interaction

It is important that service personnel are empowered; for example, so that they can resolve customer queries and problems. Customers are more likely to forgive a mistake, for instance, if the organisation handles it well. Even if the food served at your favourite restaurant is not the best food in town, you

⁵⁵ Torres, E. N. and Kline, S. (2013), “From customer satisfaction to customer delight: Creating a new standard of service for the hotel industry”, *International Journal of Contemporary Hospitality Management*, Vol. 25 Issue: 5, pp. 642–659. (This article will be available in your online student resources.)

may go there partly because the staff are welcoming, always remember you and occasionally offer you a free drink, which the owner of the restaurant empowers them to do.

Affective dimensions of service

Egan (2011) refers to “the subtle and often unintentional messages that companies send to their customers”.⁵⁶

- Have you stayed in a hotel or guest house that provided complimentary toiletries? It is likely to make you feel like you are in a quality hotel that cares for its customers as it shows that the hotel is going that little bit further to develop a relationship with you.
- Imagine going into a bank to fill in a form to deposit cash into your account, only to find that the pen is attached to the counter with a chain! How would that make you feel? It might make you feel as though an organisation you trust with your money doesn't trust you with a pen!



OVER TO YOU

Activity 5: What signals are your favourite organisations / brands sending you?

Over the next two days, be alert to any subtle messages your favourite organisations and / or brands may be sending you. How do you feel as a result? Do you think you would have noticed these messages before you began your studies?

3.4 Networks and collaborations

We will begin this section by defining what we mean by “networks” and “collaborations” (also referred to as **collaborative relationships**).

“*Networks are seen as relationships between individuals (as opposed to organisations). ‘Networkers’ utilise their ‘contacts’ in a sometimes systematic, but more often ad hoc way.*”

Egan (2011)⁵⁷

⁵⁶ Egan, J. (2011), *Relationship Marketing*, Harlow: Pearson.

⁵⁷ Ibid.

Think about networking events you have been to, such as conferences or branch meetings of professional bodies. There are also social media networks devoted to professional networking, such as LinkedIn.



OVER TO YOU

Activity 6: Are you LinkedIn?

If you are not a member of LinkedIn take a few minutes to find out more about it by viewing the video below.

<https://www.youtube.com/watch?v=ZVIUwwgOfKw>



Collaborative relationships are perceived as more formal relationships between organisations in the sense that they are recognised on a company-wide basis.

Egan (2011)⁵⁸

Collaborations can be between competitors within the same industry sector. But it is important that these do not become anti-competitive. Egan (2011) identifies alliances as a current growth area and gives the example of airlines.



OVER TO YOU

Activity 7: Oneworld

Oneworld is an alliance of 14 airlines. Take a look at the Oneworld website and this video of the Qatar airlines joining ceremony in 2013.

<https://www.oneworld.com>

<https://www.youtube.com/watch?v=Z7rgEMbBI7E>

Collaborations can also be between organisations in different industry sectors, with each bringing their own area of expertise. Varadarajan and Cunningham (2000) cited in Egan (2011) suggest that inter-industry collaborations are often propelled by “the convergence of industries and the complexity and multiplicity of technologies underlying the product [or service] of these emergent industries”.⁵⁹



OVER TO YOU

Activity 8: TAG Heuer Connected

Referred to as an alliance, the TAG Heuer Connected watch can also be seen as an example of a collaboration in order to bring new technologies to wrist watches.

<https://www.youtube.com/watch?v=ziRJCCQHo80>

⁵⁸ Egan, J. (2011), *Relationship Marketing*, Harlow: Pearson.

⁵⁹ Ibid.

Whether a collaboration or a network, an alliance or a partnership, what these arrangements demonstrate is that we can often do more together than we can alone. It is important to realise that our thoughts about who our stakeholders are and the relationship we need with them is not static. Just 10 years ago it would have been difficult to see the potential for a watch manufacturer working with an organisation that began as a search engine.

Customer relationship marketing (CRM)

It would be remiss to finish this chapter without direct reference to **customer relationship marketing (CRM)**. However, we will be exploring this topic in more detail in the next chapter. We have talked at some length about organisations and their relationships with customers and CRM is defined as:

“ a business approach that seeks to create, develop and enhance relationships with carefully targeted customers in order to improve customer value and corporate profitability and, therefore, maximise shareholder value. ”

Payne (2006) cited in Egan (2011)⁶⁰

We can see that CRM is closely associated with and enabled by information technology. Information systems now enable even small organisations to collect and manipulate large quantities of data so that they can cost effectively analyse their customer base and target the right customers with the right communication at the right time to develop the right relationship with them. CRM systems are the driving force behind many customer loyalty schemes that can help to retain customers and drive up a customer's potential lifetime value.

However, it is not just customers. Think about some of the stakeholders we discussed earlier who organisations might want to keep informed, for example, with regular email newsletters.



OVER TO YOU

Activity 9: Spotlight on CRM

Take a look at the Microsoft Dynamics website. Watch the overview.

https://www.microsoft.com/en-gb/dynamics365/home?&wt.mc_id=AID529531_SEM_

Now undertake some brief internet research to see how other CRM systems compare.

⁶⁰ *ibid.*



READING LIST

- Benn, S., Abratt, R., Kleyn, N. (2016), "Reducing reputational risk: Evaluating stakeholder salience and prioritising stakeholder claims", *Marketing Intelligence & Planning*, Vol. 34 Issue 6, pp. 828–842. (This will be available from your online student resources.)
- Duboff, R., and Heaton, C. (1999), "Employee loyalty: A key link to value growth", *Strategy & Leadership*, Vol. 27 Issue: 1, pp. 8–13. (This will be available from your online student resources.)
- Egan, J. (2011), *Relationship Marketing*, Harlow: Pearson.
- Ekinci, Y., Uray, N., Ülengin, F., (2014), "A customer lifetime value model for the banking industry: a guide to marketing actions", *European Journal of Marketing*, Vol. 48 Issue: 3/4, pp. 761–784. (This will be available from your online student resources.)
- Riad Shams, S.M. (2016), "Capacity building for sustained competitive advantage: a conceptual framework", *Marketing Intelligence & Planning*, Vol. 34 Issue: 5, pp. 671–691. (This will be available from your online student resources.)

RESOURCES

- Rauseo, Dr. N., [Nancy Rauseo], (2015), *Introduction to Customer Relationship Management (CRM)*, Retrieved from: <https://www.youtube.com/watch?v=3JqgiLRhYHw> [Accessed on: 18 August 2017]
- Bain and Company [bainandcompany], (2012), *The key to customer loyalty: Treat people right*, Retrieved from: <https://www.youtube.com/watch?v=XeClKB0u4n8> [Accessed on: 18 August 2017]

- Seeker, J. [Seeker Company], (2017), *Service Profit Chain*, Retrieved from: <https://www.youtube.com/watch?v=uYQYLLaDaEE> [Accessed on: 18 August 2017]
- Forbes [Forbes], (2013), *Richard Branson Reveals His Customer Service Secrets*, Retrieved from: <https://www.youtube.com/watch?v=Fy4lYDN1gz4> [Accessed on: 18 August 2017]

Summary

This chapter has focused on the customer. However, all of the theories and principles discussed can be applied to a range of different stakeholders. Customers are key, however, as without them there is no business.

Chapter 4

Stakeholder Relationship Strategies

Introduction

The aim of this final chapter is to enable you to develop the relevant relationship strategies for key stakeholders. In doing so, we will review some of the theories and concepts discussed in the previous chapters and you will have a number of opportunities to consider how to apply these to a range of stakeholders of an organisation of your choice.

Learning outcome

On completing this chapter, you will be able to:

4 Apply relationship management strategies for a range of internal and external stakeholders

Assessment criteria

4 Apply relationship management strategies for a range of internal and external stakeholders

- 4.1 Identify the relationships an organisation has with a range of internal and external stakeholders
- 4.2 Evaluate the relationships an organisation should have with key stakeholders
- 4.3 Assess the relevance of online interactive technologies, digital media and social media in developing effective stakeholder relationships
- 4.4 Develop relationship management strategies appropriate for key stakeholders

Level 5 Managing Stakeholder Relationships

4.1 Stakeholder relationships

Focus on CRM

We briefly introduced customer relationship marketing (CRM) at the end of the last chapter. It is now time now to consider it in more detail.

At the end of Chapter 3 we discussed the following definition of CRM.

“ a business approach that seeks to create, develop and enhance relationships with carefully targeted customers in order to improve customer value and corporate profitability and, therefore, maximise shareholder value. ”

Payne (2006), cited in Egan (2011)

But that definition could be used to describe relationship management in general. What is it about CRM that is different?

The answer is technology.

Not every industry or country is at the same level of advancement in terms of technology, but let's think about an organisation that is reasonably advanced. Before computers the situation was like this in different departments:

- The sales manager kept their own notes on key customers. They would make notes about their typical order size, their likes and dislikes, their company policy about hospitality so they did not offer an inappropriate gift, etc.
- The delivery drivers kept their own written notes on key customers: the best way to load the lorry to enable unloading, the need to allow extra time for the journey on a Thursday, who to phone if they were delayed, etc.
- The accounts department kept their own notes. The average time each account takes to pay their invoices, the average order value, the cost of sales per customer, year-on-year sales and profit trends, etc.

Lots of people knew lots of information, and they had it recorded, but it was in different places that only they could access. The introduction of computers to the workplace also led to the use of electronic databases. However, databases tended to be departmental. For example, there were accounting and finance databases and separate marketing information systems.

 OVER TO YOU

Activity 1: Accounting and finance software

Carry out some research into the accounting and finance software available to organisations.

For example, Sage offers a range of accounting software for organisations with up to 200 employees that enables financial transactions to be carried out efficiently, and numerous reports to be generated that can, for example, “identify your most profitable customers”. (Sage, 2016).

Watch the video below about Sage One to see how it makes use of new technologies such as the cloud.

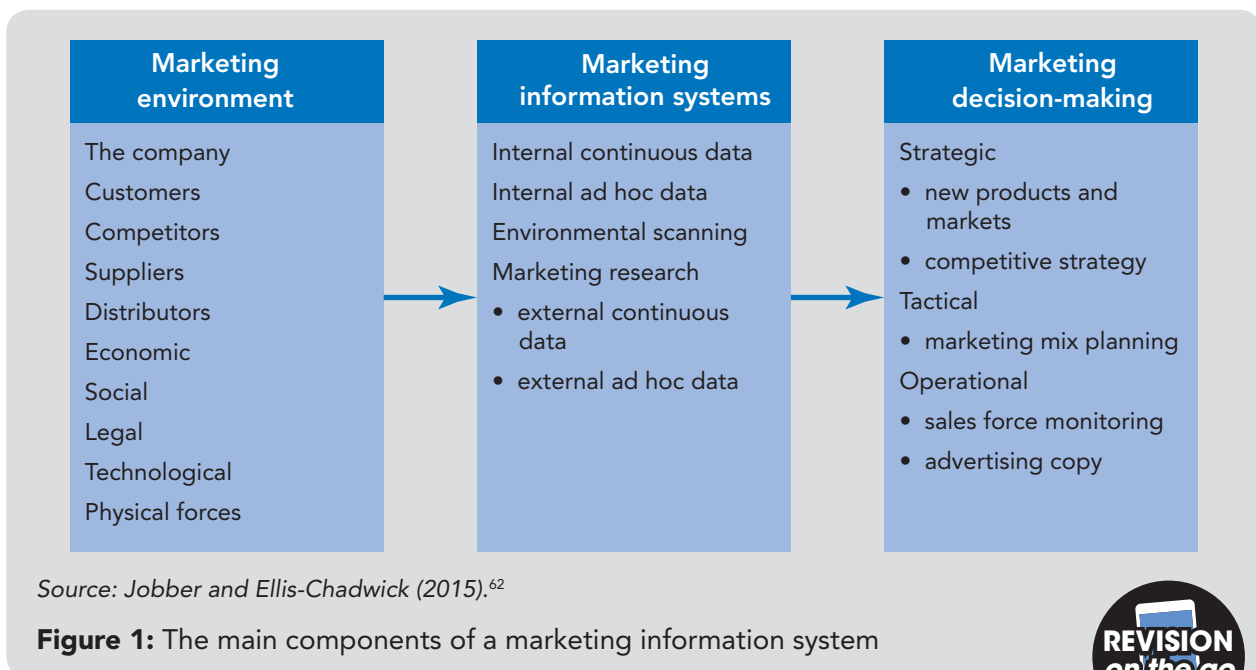
<https://www.youtube.com/watch?v=UHHD2XadcQ8>

Marketing information systems (MkIS) bring together information from a range of sources to enable marketers to make more informed marketing decisions.

“A marketing information system is a system in which marketing information is formally gathered, stored and analysed and distributed to managers in accordance with their informational needs on a regular planned basis.”

Fahy and Jobber (2015)⁶⁰

The main components of a marketing information system are as shown in Figure 1.



⁶⁰ Fahy, J. and Jobber, D. (2015), *Foundations of Marketing*, Maidenhead: McGraw-Hill Education.

⁶¹ Jobber, D. and Ellis-Chadwick, F. (2015), *Principles and Practice of Marketing*, 7th edition, Maidenhead: McGraw-Hill.

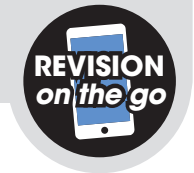
In order to make informed marketing decisions marketers need to understand the marketing environment.

The micro environment consists of stakeholders such as: customers, competitors, suppliers and distributors, as shown in Figure 1.

Think back to Chapter 1 and connected stakeholders. The macro environment is made up of factors that can affect the organisation but that the organisation cannot directly affect. Frameworks such as PESTLE (seen in section 1.4 of Chapter 1) are often used when analysing the macro environment.

Here's a reminder of the PESTLE framework

- P – political
- E – economic
- S – social
- T – technology
- L – legal
- E – environmental



This environmental information together with internal information (such as sales) and market research findings (for example, research on consumer behaviour) enables more effective marketing decision-making. This in turn enables the organisation to better meet customer needs and so be more profitable.

Internal information is a source of information that many organisations undervalue. Organisations collect plenty of information about customers and this is particularly true of marketing departments. Marketing databases contain lots of information that organisations have collected about their customers. For example:

- name
- address
- date of birth
- telephone number
- past purchases
- interests
- hobbies

Organisations often reward us in some way for giving them all this information. One example is customer loyalty cards where in return for personal information, which enables a retailer to analyse your purchases, you gain points that can be redeemed in a number of ways including money-off vouchers, special offers, priority access to promotions, etc.

OVER TO YOU

Activity 2: Loyalty cards

Carry out some research into loyalty cards or other reward schemes available to you. What are the advantages of having such cards? Are there any potential disadvantages?

Here are two examples to begin with from the UK:

- **Tesco Clubcard**
<https://www.youtube.com/watch?v=bUqYMgwHqll>
- **Nectar card**
<https://www.youtube.com/watch?v=Hheu5JYHK3Q>

The advantage of CRM is that it brings together all the customer information collected and recorded by different members of staff into one single database. Below are some definitions that make the systems and integrated nature of CRM clearer than our initial definition.

“ A CRM system is a single database created from customer information to inform all staff who deal with customers. ”

Fahey and Jobber (2015)⁶²

But what information?

“ For CRM systems to perform effectively, there is a need to bring together data generated at different stages (e.g. customer acquisition, retention and relationship development). ”

Jobber and Ellis-Chadwick (2015)⁶³

Think back to Chapter 3 and concepts such as the leaky bucket and the ladder of loyalty. Affordable computing power, and an understanding of the importance of developing enduring relationships with customers rather than one-off transactions, has enabled and encouraged organisations to develop CRM systems. These can offer organisations insights into their customers and their behaviour that can be the source of a sustainable competitive advantage.

⁶² Fahy, J. and Jobber, D. (2015), *Foundations of Marketing*, Maidenhead: McGraw-Hill Education.

⁶³ Jobber, D. and Ellis-Chadwick, F. (2015), *Principles and Practice of Marketing*, 7th edition, Maidenhead: McGraw-Hill.

 OVER TO YOU
Activity 3: CRM and your buying behaviour

Review your recent buying behaviour.

Have you used a voucher sent to you as a loyal customer?

Have you responded to an email informing you of a new product range that will interest you?

Has an organisation used information in a way that might have provoked you to make a purchase?

Try to think about more than just retail and online purchases. Think about any charity donations that may have been provoked in this way? A health or dental check-up?

We have seen how important it is to have enduring relationships with stakeholders. But what sort of relationship with what sort of stakeholders? What strategies should we use to develop those relationships? A good place to start is to undertake a stakeholder audit. The nature and analysis of a stakeholder audit, along with key performance indicators are covered in section 4.2.

4.2 What sort of relationships with what type of stakeholders?

Stakeholder audit

A stakeholder audit takes us back to basics as it involves identifying an organisation's stakeholders.

Step 1 Identify	Identify all potential stakeholders.	Remember how you mapped the stakeholders of an organisation of your choice in Chapter 1 Activity 1.
Step 2 Analyse	Analyse each stakeholder. For example: <ul style="list-style-type: none"> • their needs and concerns; • potential power and influence; • position on the ladder of loyalty; • the current relationship; 	Revisit concepts and theories including: <ul style="list-style-type: none"> Mendelow's matrix Block's matrix Eden and Ackermann's matrix Egan's nine stakeholder groups

<ul style="list-style-type: none"> • risks the current relationship could pose; • the potential for stakeholder conflict the current relationship could pose; • the potential a new relationship could realise; • the desired or required relationship; • the potential for conflict the desired or required relationship could create. <p>Does the organisation put minimal effort into a pressure group that is actually a key player?</p> <p>Does it treat employees as opponents when they should be allies?</p> <p>Analyse gaps between current and desired or required relationships using, for example, gap analysis.</p> <p>Identify priority stakeholder(s). These are stakeholder(s) the organisation needs to allocate available resources to in order to, for example:</p> <ul style="list-style-type: none"> • overcome current conflict; • develop a competitive advantage; • minimise risk; • exploit sales potential; • retain staff. 	<p>Drivers for and against relational strategies</p> <p>Consideration of the macro and micro environments (see Chapter 1) can both help identify potential stakeholders and establish the relationship we need with them.</p> <p>Considering the technological part of the macro environment could enable an organisation to identify the need to form an alliance with a technology company. For example, TAG Heuer, Google and Intel.</p>
---	---

Auditing is the initial step in planning and proactively managing stakeholder relationships. The next steps are:

<p>Step 3</p> <p>Set appropriate objectives</p>	<p>Set SMART objectives</p> <p>S – specific</p> <p>M – measurable</p> <p>A – achievable</p> <p>R – relevant</p> <p>T – time-bound</p>	<p>If objectives are not SMART you will not know if they have been achieved.</p> <p>The aim to “improve relationship with XXX pressure group”, for example, is problematic.</p> <p>What does “improve” look like? How would you be able to demonstrate that this objective has been achieved?</p>
---	--	---

		Whereas the objective “to increase sales to XXX by 10% by June 2020” is SMART as its achievement could be demonstrated. However, this does depend on establishing current sales prior to implementation.
<p>Step 4</p> <p>Create appropriate stakeholder strategies</p>	<p>Objectives can be seen as a statement of “where we want to be”.</p> <p>Strategy is the “how we intend to get there”.</p> <p>This is where we may focus on a particular stakeholder or stakeholder group and implement activity that will develop an adversarial relationship into one between allies.</p>	<p>Before we can implement a strategy, we should undertake a cost-benefit analysis and establish a budget.</p>
<p>Jackson (1985) cited in Palmer (2007) proposed “a continuum of relationships spanning transactional to relational”⁶⁵. This is reflected by Egan (2011) who suggests that the idea of a continuum implies there is an optimum position on the continuum but also warns that there is a “danger area” either side of the optimum where we may over or underestimate service level expectations and the nearer the middle of the continuum, the larger the “danger area”.</p> <p>Remember the drivers for and against relational strategies from Chapter 3.</p>		
<p>Step 5</p> <p>Action</p>	<p>It can be helpful to think of strategy as an overview. For example, to get from A to B we will drive. But there are more factors to consider: will you drive your own car, will you hire a car, will you need to stop for petrol, how much will the petrol cost?</p> <p>Tactics are the detailed way we will implement the strategy and include the actions we will take to achieve our objectives.</p>	<p>Tactics will vary but can include, for example, implementing a marketing communications plan to inform key customers of a new product range or implementing an internal marketing plan to launch an incentive scheme to staff.</p>
<p>Step 6</p> <p>Measure effectiveness</p>	<p>Establish the extent to which implementing the plan has achieved the SMART objective(s).</p>	<p>It is advisable to measure achievement towards the objective(s) during implementation. If key milestones are not being achieved there is opportunity to implement a contingency plan to “get things back on track” and ensure the objective(s) can be achieved.</p>

Table 1: Stakeholder audit and planning



64 Palmer, R. (2007), “The transaction-relational continuum: conceptually elegant but empirically denied”, *Journal of Business & Industrial Marketing*, Vol. 22 Issue: 7, pp. 439–451.

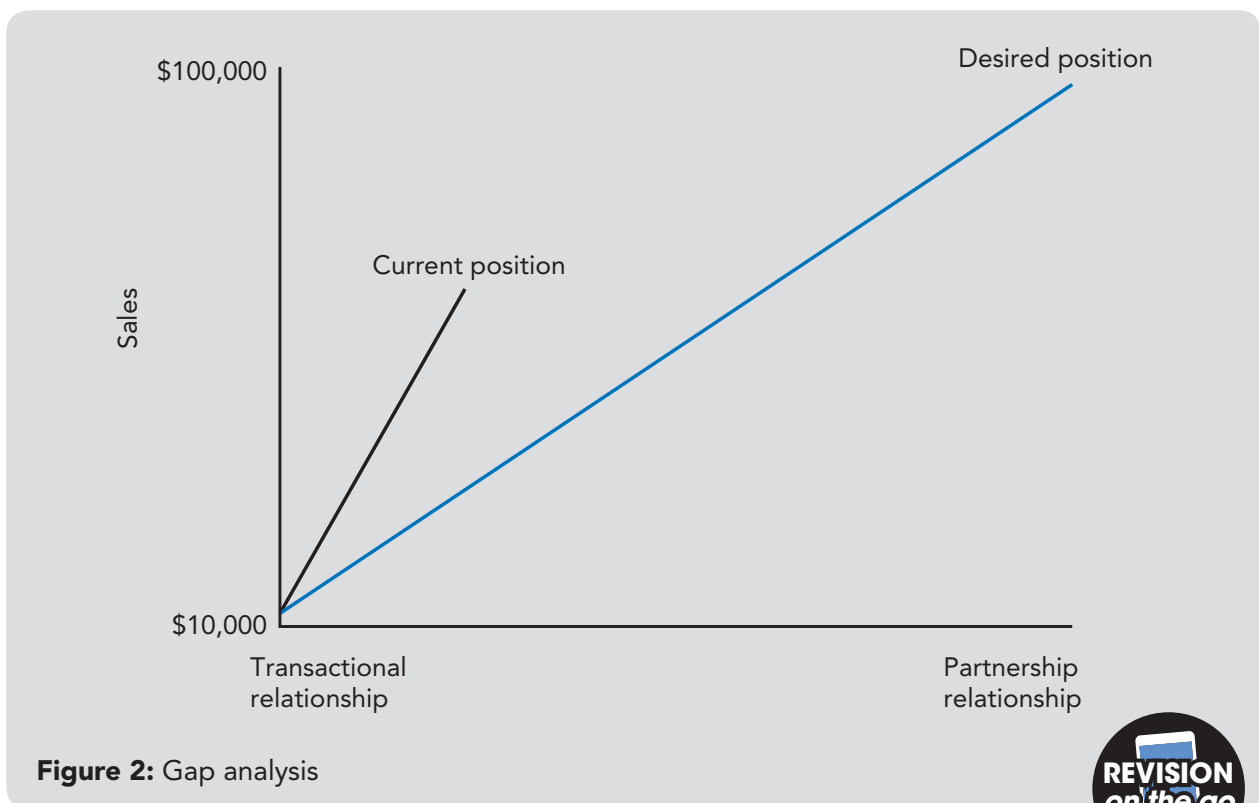
The approach outlined in Table 1 is appropriate to many types of planning. In the context of relationship management strategies, it will often be a marketing plan that is produced.

Spotlight on gap analysis

Gap analysis is concerned with the gaps between where we are now and where we need to be.

Gap analysis can be used in a number of ways; for example, to look at current income versus desired income. In Figure 2 it is used to show that an organisation's current position is that they have sales of \$50,000 and a transactional relationship with this particular customer. But if they were to develop more of a partnership with that customer there is the potential to increase sales to \$100,000!

An advantage of gap analysis is that it can be applied in many different ways. For our purposes, we could apply it as in Figure 2. This gap analysis for a "key player" business-to-business customer shows that a partnership relationship has the potential to double sales.



Spotlight on cost benefit analysis (CBA)

It is important that our plans will be of overall benefit to an organisation, so that the benefits outweigh the costs. This is what cost benefit analysis enables us to do.

To continue with our example of doubling sales from \$50,000 to \$100,000. It makes sense not to spend more than \$50,000 implementing a plan to make that happen. This assumes, of course, that the increase in sales will only be in "this year". However, if, for example, the following sales were expected then it could be appropriate to spend more.

Sales estimate		Additional sales
Current	\$50,000	\$0
Year 1	\$100,000	\$50,000
Year 2	\$100,000	\$50,000
Year 3	\$150,000	\$100,000
Year 4	\$50,000	\$0
Total additional sales		\$200,000
Cost of implementation of proposed plan		\$75,000
Expected benefits		\$125,000

Table 2: Future sales estimates and costs / benefits



Spotlight on measuring effectiveness

Earlier when discussing objectives, we used an example based on increasing market share. We noted that it would be relatively easy to establish if the plan had achieved its objective by measuring market share at the point of implementation, during and at the end of the implementation period.

But market share is not the only potential objective – there are many varied objectives that may be relevant to stakeholder relationships and their management.

The key principle is to measure just prior to implementation, during (to enable contingency plans to be implemented if necessary) and at the end of the implementation period to enable achievement against objectives to be measured.

Plans cost money to implement and they are implemented, in general, on the premise that the benefits will outweigh the costs. The objective of a plan can be seen as a brief statement of those benefits; for example, a 10% increase in market share. So, it is important to measure whether or not that benefit / objective has been achieved. This can also provide learning for the future in terms of which strategies worked and which didn't.

We can extend our thinking to think about **metrics** and performance indicators in the same way.

“**Key performance indicators (KPIs) help us measure how well companies, business units, projects or individuals are performing compared to their strategic goals and objectives.**”

Advanced Performance Institute (n.d.)⁶⁵

“**A metric is a measuring system that quantifies a trend, dynamic or characteristics.**”

Farris et al. (2010)⁶⁶

⁶⁵ Advanced Performance Institute (n.d.).

⁶⁶ Farris, P. W., Bendle, N. T., Pfeifer, P. E. and Reibstein, D. J. (2010), *Marketing metrics*, New Jersey: Pearson Education Inc.

It is a fine difference between the two – the key is having a SMART expression of what you want to achieve and measuring whether or not the implementation of a plan has achieved what you wanted it to. Some well-used metrics / performance indicators include: cost reductions, net promoter scores, return on relationships, employee turnover and sales.

Performance indicator / metric	Example	Links
Cost reductions	Reduce production costs by 10% by May 2020.	Partnership relationships with suppliers to develop new cost saving initiatives.
Net promoter scores (NPS)	A measure of the degree to which current customers will recommend your product / service / company. A registered trademark of Frederick R. Reichheld, Bain & Company and Satmetrix.	Promoters: rating of nine or 10 out of 10. Passives: ratings of seven or eight. Detractors: ratings of six or less. Links to the ladder of loyalty.
Return on relationships (ROR)	Long-term financial return on the investment made in building stronger relationships.	The additional sales resulting from the employment of a new key account manager.
Employee turnover	To reduce employee turnover by 10% by May 2020.	Reichheld's loyalty-based cycle of growth.
Sales	Increase sales by 10% by May 2019.	Move two key accounts high up the ladder of loyalty. Develop a partnership relationship with two key accounts to increase their customer lifetime value.
Market share	Increase market share by 5% by June 2020.	Additional market share due to acquiring a new customer.
Cost reduction	Decrease costs by 5% by May 2019.	More effective marketing communication methods used.

Table 3: Example performance indicators and metrics



Relationship management strategy – a review

Taking a planned approach to relationships with specific stakeholder groups represents a proactive approach to managing those relationships. Such a planned approach to assessing current relationships and implementing plans means that, if all goes well, an organisation is enabled to have its desired relationship with, for example, its customers.

It is helpful to discuss the need for a strategic approach to relationship management.

Think back to the development of CRM where different departments had different databases and how CRM has enabled organisations to do so much more. In the same way, relationship

management should be seen as strategic and be of benefit to the whole organisation – and, as we have discussed, be seen as potentially providing it with a competitive advantage. While stakeholder management may often come under the remit of marketing, and involve tactics that are typically associated with marketing, it should not be seen as only relating to marketing.

OVER TO YOU

Activity 4: Project Sunrise

Read the final report of Project Sunrise, a joint programme between Unilever and Oxfam to see how changing the way we think, thinking more strategically and more long-term can really make a difference.

<http://policy-practice.oxfam.org.uk/publications/project-sunrise-final-report-338731>

4.3 Methods of communication and stakeholders

Implementation of a relationship strategy usually involves some form of communication. For example, it might be necessary to inform the local community of a change in working practices.

This section will look at a range of communication methods (from both assessment criteria 4.3 and 4.4 of the syllabus) – some of which we looked at in Chapter 2. Here, however, we will take a look at them in relation to relevant criteria to establish their particular advantages and disadvantages. There is a particular focus on digital media and social media.

Overview

Method	Examples	Speed of communication	Reach	Level of control	Cost effectiveness	Other
Digital media	Search engines Online Public Relations (PR) Display advertising e.g. banner adverts Opt-in email	Quick	Can be broad or narrow	High when paid for Low for PR as media is free	Can all be highly cost effective	Recipients must be IT-enabled
Social media	Facebook, Twitter, Instagram Blogs, vlogs and forums	Quick	Can be broad or narrow	High in terms of message sent Low in terms of response received	Can be highly cost effective	Recipients must be social media users

Method	Examples	Speed of communication	Reach	Level of control	Cost effectiveness	Other
Advertising	Newspapers Magazine Television Posters Radio	Can be lengthy lead times	Can be broad or narrow	High	Can be expensive in absolute terms but can be cost effective in relation to measures such as cost per thousand (cpt) reached	Wide selection of media
Public relations (PR)	Press releases Opinion leaders Opinion formers Press conferences	Depends on the form of PR	Can be broad or narrow	Low	Can be highly cost effective with one press release being included in publications with millions of readers	More credible than advertising
Sales promotion	Competitions Free gifts Free samples Money-off vouchers Price discounts Buy one get one free (BOGOF) Employee incentives Joint promotions with relevant brands	Depends on the form of sales promotion	Can be broad or narrow	High	Depends on the form of sales promotion	Effective in prompting purchase
Personal selling	Key account managers	Quick	Narrow	High	Can be highly cost effective for business-to-business organisation with high value key accounts	

Method	Examples	Speed of communication	Reach	Level of control	Cost effectiveness	Other
Sponsorship	Formula 1 motor racing The Olympic Games Sponsorship of elite sports personalities Local businesses sponsoring a local football team	Can take a long time to develop	Can be broad or narrow	Low	Can be highly cost effective subject to the coverage achieved	Possible unforeseen consequences: e.g., Formula 1 motor racing crashes; sponsorship of a sports personality who has a public personal crisis
Direct marketing	Personalised email Direct mailing via post Telemarketing Direct response advertising Catalogues	Depends on the form of direct marketing	Narrow if required	High	Can be highly cost effective particularly when using electronic forms of distribution	Makes use of other techniques such as a personalised email with a money-off voucher

Table 4: An overview of marketing communication methods



Digital media

Digital media have a wide range of advantages. For example, if you want to reach a specific stakeholder group you are likely to be able to do so, but you can also reach millions of people generally. However, it is dependent on the intended receiver being able to actually receive the message. For example, there are communities that are not able to access the internet and certain age groups may be more computer literate than others.

CASE STUDY

Internet access

A study by Stork *et al.* (2013) confirms that in 2007/8 Africa had what they described as “alarmingly little access to the internet” together with a large-scale absence of computers and smartphones.

However, things have changed.

Stork *et al.* (2013) go on to report that internet access has increased significantly. They note that mobile internet access requires fewer ICT skills, less financial resources and does not need an electricity supply at home.⁶⁷



⁶⁷ Stork, C., Calandro, E. and Gillwald, A. (2013), “Internet going mobile: internet access and use in 11 African countries”, Vol 15 Issue: 5, pp. 34–51. (This article will be available in your online student resources.)

However, take-up across the 11 countries surveyed was uneven, with internet use remaining low in Rwanda, Tanzania and Ethiopia.

It was noted though that with the emergence of internet-enabled mobile phones and lower bandwidth adaptations of applications, particularly social media, it is the mobile phone that is becoming the key entry point for internet adoption in Africa.

Social media

We discussed social media at some length in Chapter 2, so here we can just recap the advantages, which include the speed at which we can post. Also, the flexibility of where we can post is now an advantage with many shops and forms of public transport now being wi-fi enabled. Bloggers and vloggers can be highly influential and can appeal to very specific special interest groups. While social media is widely used, it is biased towards a younger age profile and may not, as an example, be appropriate for older customers.

CASE STUDY

Digital and social media

Twitter, Facebook, LinkedIn – these are just some of the social media many of us now use on a daily basis. But what about the use of social and digital media in relation to stakeholder relationships?

Zizka (2017) has studied how the hospitality industry communicates corporate social responsibility (CSR) to stakeholders on the basis that CSR communication using social media platforms increases stakeholder engagement.

Zizka (2017) confirmed that modern communication channels offer the potential for authentic dialogue between a company and its users, giving Facebook, LinkedIn and Twitter as examples but also referring to websites, blogs, wikis and consumer review sites.

The study concludes that at the present time an online presence is compulsory but that companies need to consider which social media platforms best fit their stakeholder groups as there is no “one-size-fits-all” social media platform. It also concludes that strategic CSR communication should initially focus on employees and consumers and that appropriate channels should be chosen for each; for example, the company intranet for current employees and LinkedIn for potential future employees. Whereas for consumers, communication should be available through the company website, Facebook, Twitter, YouTube and Instagram. Whoever the audience is, however, Zizka (2017) states that CSR communication must make sense, be authentic and be credible.⁶⁸



Advertising

There are many advertising media: television; radio; magazines; posters; newspapers.

Television can still deliver large audiences with prime-time Saturday night entertainment shows delivering audiences of over 10 million in some countries. With the introduction of more specialist television channels there is now the opportunity to reach smaller, more targeted audiences.

⁶⁸ Zizka, L. (2017), “The (mis)use of social media to communicate CSR in hospitality: increasing stakeholders’ (dis) engagement through social media”, *Journal of Hospitality and Tourism Technology*, Vol, 8 Issue 1, pp. 73–86. (This article will be available in your online student resources.)

However, television advertising is not cheap. There are often substantial costs associated with producing an advertisement. A 30-second primetime slot on a national UK television channel costs around £60,000 depending upon the expected audience size. It can also take months to create, produce and get the required clearance to broadcast a TV commercial.

Radio advertising is much more cost effective. Radio advertisements are simpler to produce as they are sound only and relatively low cost in terms of media. There are many local radio stations in the UK. However, some form networks, for example, Heart FM is a network of 21 radio stations which makes it much easier for the advertiser to manage. Many radio stations also offer production facilities. A 30-second advertising slot can cost from as little as £20. But, as with television, the larger the audience the more the media costs.

Magazines are available that appeal to both the mass market and very specialist interests, and for both consumers and trade subjects. For example, consumer magazines include UK mass-market publications, such as those shown in Table 5.

Title	Actively purchased
<i>TV Choice</i>	1,232,038
<i>What's on TV</i>	942,295
<i>Radio Times</i>	662,329
<i>Slimming World Magazine</i>	625,818
<i>Take a break</i>	556,012

Table 5: The top five UK most actively purchased print magazines according to Oakes (2016)⁶⁹



Compare those figures with one of the largest selling global magazines, National Geographic. *National Geographic* has a total audience of 28 million (Spring 2016) according to their media page (National Geographic, n.d.)⁷⁰

At the other extreme, here are some examples of special interest magazines:

- *VWBus T4&5* – with an average **circulation** of 15,988 (VWBusT4&5, n.d.)⁷¹
- *Your chickens* – with an estimated circulation of 35,000 (yourchickens, n.d.)⁷²

This is not to forget **trade magazines** such as:

- *The Grocer* – with a weekly circulation of 30,397 (The Grocer, n.d.)⁷³
- *Cow Management* – circulation 11,043 (Cowmanagement, n.d.)⁷⁴

69 Oakes, O. (2016), "Magazine ABC's: Top 100 for first half of 2016", Retrieved from: <http://www.campaignlive.co.uk/article/magazine-abcs-top-100-firsthalf-2016/1405423> [Accessed on: 29 May 2017]

70 National Geographic (n.d.), "Total audience profile", Retrieved from: http://www.nationalgeographic.com/mediakit/pdf/ng-magazine/NGM_Media_Kit_2017.pdf [Accessed on: 29 May 2017]

71 VWBus T4&5 (n.d.), "Advertising", Retrieved from: <http://www.vwbusmagazine.com/advertising> [Accessed on: 29 May 2017]

72 Your chickens (n.d.), "Yourchickens", Retrieved from: <http://www.yourchickens.co.uk/home/advertise> [Accessed on: 29 May 2017]

73 The Grocer (n.d.), "The Grocer", Retrieved from: <https://www.thegrocer.co.uk/recruitmentmediapack/thegrocer.html> [Accessed on: 29 May 2017]

74 Cow Management (n.d.), "More information", Retrieved from: <http://www.cowmanagement.co.uk/advertising> [Accessed on: 29 May 2017]

Remember that many magazines also have digital equivalents now.

Posters are another example of media advertising. Posters come in many forms. For example, you may see large roadside posters, posters on the side of buses and posters on notice boards in offices.



OVER TO YOU

Activity 5: Newspapers

Carry out some research into newspapers you and your friends and family might read. What is their circulation and readership? What type of people read them?

Public relations

Public relations was discussed in detail in Chapter 2. The main point to recap here is that public relations is a general term that covers a wide range of diverse activity using a wide range of different methods of communication: from conferences to press releases.

It can be very cost effective as it seems to be free. However, the danger is lack of control. For example, what is written in a press release may not be what is printed in a publication or featured in a television programme.



OVER TO YOU

Activity 6: Press releases

Choose a large organisation you know well and look at their website. Many major organisations now have virtual "press rooms" containing, for example, their recent press releases. Find and review a selection of press releases. What topics do they cover? Which stakeholder groups are the press releases targeted at?

Sales promotion

“ Sales promotions are incentives to consumers or the trade that are designed to stimulate purchase. ”

Fahy and Jobber (2015)⁷⁵

Sales promotions are effective in promoting purchase. They incentivise us to actually buy a particular product or experience; that money-off voucher or opportunity to try before we buy reduces risk and prompts us to make a purchase.

Promotions can do more than that. Employee incentive schemes are an example of sales promotion activity that can reward loyalty and motivate staff by offering incentives to achieve organisational targets.

Personal selling

“ Oral communication with prospective purchasers with the intention of making a sale. ”

Jobber and Ellis-Chadwick (n.d.)⁷⁶

Personal selling is more commonly used in business-to-business markets; for example, a food manufacturer and the head office of a large supermarket. It is, however, used in some business-to-consumer markets, such as car dealerships. Key to effective personal selling is relationship building.

Sponsorship

“ Sponsorship is a business relationship between a provider of funds, resources or services and an individual, event or organisation which offers in return some right and association that may be used for commercial advantage. ”

Sleight (1989) cited in Jobber and Ellis-Chadwick (2015)⁷⁷

Sponsorship can come in many forms: from global brands sponsoring the Olympic Games to a small local business sponsoring a town football team. Therefore, it can be very cost effective. However, sponsorships can be complicated to negotiate. For example, the sponsor will often want a guaranteed minimum coverage but may face restrictions on the size and position of their logo, according to how much they are prepared to pay.

Direct marketing

“ The distribution of products, information and promotional benefits to target consumers through interactive communications in a way that allows response to be measured. ”

Jobber and Ellis-Chadwick (2015)⁷⁸

⁷⁵ Fahy, J. and Jobber, D. (2015), *Foundations of Marketing*, Maidenhead: McGraw-Hill Education

⁷⁶ Jobber, D. and Ellis-Chadwick, F. (2015), *Principles and Practice of Marketing*, 7th edition, Maidenhead: McGraw-Hill.

⁷⁷ Ibid.

⁷⁸ Ibid.

Direct marketing is communication that is personalised to and targeted at specific individuals; for example, this would include a marketing letter that is directly addressed to you and contains personalised content. Increased access to digital technologies has made direct marketing even more cost effective; for example, the cost saving associated with email as opposed to physical post.

Integrated marketing

We have discussed a range of marketing communication methods. It is rare, however, to use just one method at a time. The focus is now on integrated marketing communication campaigns. For example, consider a new product launch by a large organisation and the various marketing strategies this will involve.

Prior to launch

- Sales force visits to key accounts, such as large **grocery multiples**, to inform them of the launch and the supporting marketing communications activity so they can buy in sufficient stock ready for the launch.
- Presentations to employees to ensure all are aware of the new product launch.

Launch

- Advertising to the customer / consumer.
- Advertising to channel intermediaries telling them about the customer / consumer campaign.
- In store demonstrations to enable customers to test the product.
- Money-off vouchers in national newspapers to encourage purchase.
- Press releases sent to local newspapers and radio stations.
- Sponsorship of a relevant national event.

Big data

Much of what we have talked about, such as CRM, loyalty schemes, etc., involves data.

“ Big data is a term that describes the large volume of data – both structured and unstructured – that inundates a business on a day to day basis. But it’s not the amount of data that matters. Big data can be analysed for insights that lead to better decisions and business moves. ”

SAS (n.d.)⁷⁹

Given what we have learnt about CRM it would seem to be a clear case of “the more information the better”. However, organisations have limited resources and data in itself is of little use. It is what we learn from that data – the insight and information we gather – that is important. The data enables us to get to know our customers better and to more accurately predict what our customers will do / what they will need. It is knowledge that is important.

⁷⁹ SAS (n.d.), “Big Data. What it is and why it matters”, Retrieved from: https://www.sas.com/en_gb/insights/big-data/what-is-big-data.html [Accessed on: 29 May 2017]

However, some stakeholders may have concerns about the data that organisations hold about them. For example:

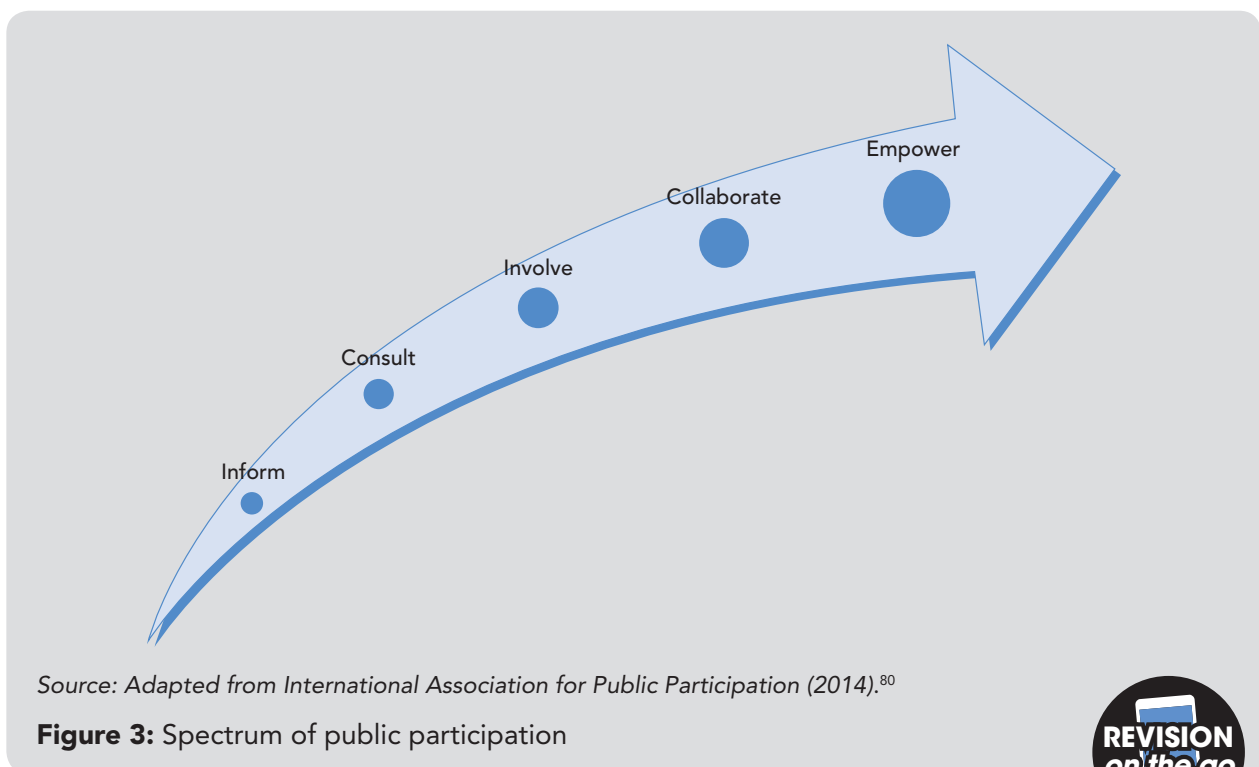
- how securely data is stored – there are numerous examples of cyber-attacks on organisations and, as a result, it has become apparent that not all organisations are as good as they should be at taking care of our personal information;
- loss of privacy – George Orwell wrote the novel *1984* in 1947. It tells of a dystopian future where “Big Brother” controls everything and even thinking the wrong thing is a crime. But, in a similar way, we are rewarded for buying “the right thing”. Is there the potential for a future where we are punished for buying the wrong thing?
- how they are possibly being manipulated – we discussed earlier how sales promotion is effective in making us act, turning our interest in a product into action – buying it. So, when we have not bought anything from an online retailer for two weeks longer than usual and they send us a money-off voucher, is that retention / reactivation or manipulation?

4.4 Relationship management strategies

Stakeholder engagement

Stakeholder engagement is often used by public sector and other not-for-profit organisations as a way of developing better relationships with key stakeholder groups such as service users and the local community. Stakeholder engagement has been used on a shorter-term basis, however. For example, it has been used as a means of encouraging relevant stakeholders to accept outcomes such as the results of changes in service provision.

The International Association of Public Participation (2014) has identified a spectrum of public participation, as shown in Figure 3.



⁸⁰ International Association for Public Participation (2014), “IAP2’s public participation spectrum”, Retrieved from: http://c.yimcdn.com/sites/www.iap2.org/resource/resmgr/foundations_course/IAP2_P2_Spectrum_FINAL.pdf [Accessed on: 30 June 2017]

The arrow represents the increasing levels of potential public influence.

- Inform – no opportunity for public participation. The public are simply informed.
- Consult – a basic minimum opportunity for the public to input at set points.
- Involve – the public are involved from the beginning and have opportunities to give their input throughout the process but are not the decision maker.
- Collaborate – the public are directly involved in decision-making but are still not the decision maker.
- Empower – the public make their own decisions.



OVER TO YOU

Activity 7: Stakeholder engagement

Find examples of where public sector / not-for-profit organisations have undertaken stakeholder engagement exercises.

As an example, take a look at the UK's NHS Wakefield Clinical Commissioning Group's Communication, Engagement, Equality, Diversity and Human Rights Strategy 2013–18 available at www.wakefieldccg.nhs.uk [accessed on: 7th June 2017]

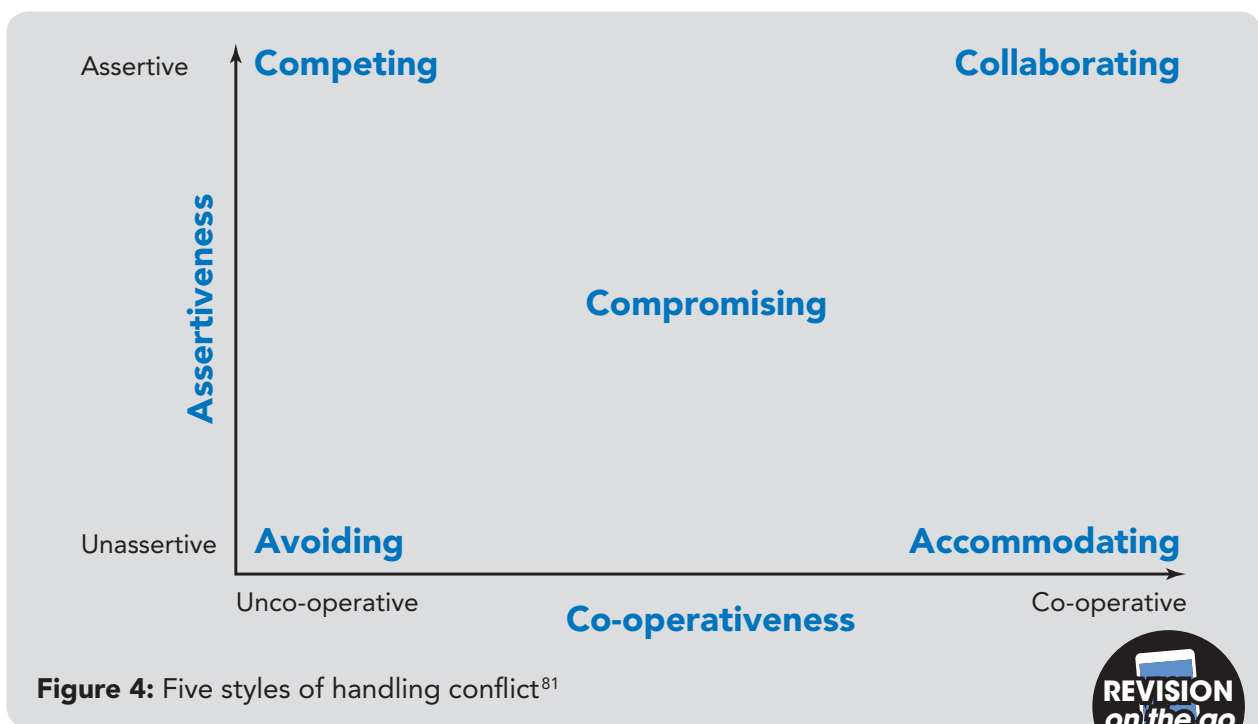
Stakeholder conflict

We have briefly referred to conflict several times and it is important to remember that stakeholders will not agree and share the same objectives all of the time, in fact, they will sometimes have diametrically opposing objectives. For example, consider the following examples:

- Pressure groups and shareholders: a pressure group wanting investment in pollution-reducing measures in excess of what is required by law versus shareholders wishing to maximise profit.
- Employees and shareholders: an employee wanting a salary increase versus shareholders wishing to maximise profit.
- Customers and employees: customers who want lower prices versus employees who want a salary increase.

We tend to think of conflict as being a bad thing. But conflict can also be a positive force as it can, for example, generate new ideas and new approaches as solutions to problems. However, it is important for stakeholder conflict to be managed. Even conflict that starts out as being positive can become destructive if it is not managed.

Ruble and Thomas (1976) refer to a two-dimensional model of conflict behaviour that identifies five specific styles of handling conflict.



REVISION
on the go

“Assertiveness refers to a person’s attempt to satisfy their own concerns, co-operativeness refers to attempts to satisfy the concerns of the other person.”

⁸¹ Ruble, T. L., Thomas, K. W. (1976), “Support for a two-dimensional model of conflict behavior”, *Organizational Behavior & Human Performance*, Vol 16(1), pp. 143.

**OVER TO YOU****Activity 8: Stakeholder conflict**

Think of more examples of stakeholder conflict. Using Rahim's Dual Concern Model of the Styles of Handling Interpersonal Conflict, based on the two-dimensional model suggest how your conflict examples could be resolved.

Read: Rahim, R., "Toward a Theory of Managing Organizational Conflict, International Journal of Conflict Management", Vol. 13, No. 3, 2002, Retrieved from: SSRN: <https://ssrn.com/abstract=437684> [Accessed on: 5 September 2017]

READING LIST

- Barnett, M. L. (2016), "Mind: the gap – to advance CSR research, think about stakeholder cognition", *Annals in Social Responsibility*, Vol. 2 Issue: 1, pp. 4–17 (This will be available from your online student resources.)
- Egan, J. (2011), *Relationship Marketing*, Harlow: Pearson
- Mainardes, E. W., Alves, H. and Rapose, M. (2012), "A model for stakeholder classification and stakeholder relationships", *Management Decision*, Vol. 50 Issue: 10, pp. 1861–1879 (This will be available from your online student resources.)
- Oviedo-García, M. A., Muñoz-Expósito, M., Castellanos-Verdugo, M., Sancho-Mejías, M. (2014), "Metric proposal for customer engagement in Facebook", *Journal of Research in Interactive Marketing*, Vol. 8 Issue: 4, pp. 327–344 (This will be available from your online student resources.)
- Palmer, R. (2007), "The transaction-relational continuum: conceptually elegant but empirically denied", *Journal of Business & Industrial Marketing*, Vol. 22 Issue: 7, pp. 439–451 (This will be available from your online student resources.)

RESOURCES

- SAS Software [SAS Software], (2013), *Big Data...What it Means to You*, Retrieved from: <https://www.youtube.com/watch?v=-Gj93L2Qa6c> [Accessed on: 18 August 2017]
- Bain and Company [bainandcompany], (2015), *Introducing the Net Promoter SystemSM*, Retrieved from: https://www.youtube.com/watch?v=_a6TMa9R8B4 [Accessed on: 18 August 2017]
- CNN [CNN], (2017), *Hackers Demand Ransom in Major Cyber Attack*, Retrieved from: <https://www.youtube.com/watch?v=7MF2ir9R1o8> [Accessed on: 18 August 2017]

Glossary

Accommodating being prepared to forgo your own concerns to satisfy others.

Amnesty International a non-profit organisation that campaigns globally for human rights for all.

Assertiveness acting in your own best interest.

Autocratic decision-making where the leader makes decisions without consulting others.

Avoiding trying not to deal with situations thereby not satisfying either your concerns or the concerns of others.

Blogger someone who regularly posts to a blog. A blog is a webpage regularly updated by an individual.

Brand a brand is a name / sign / symbol given to a product or service that creates an image that differentiates the product / service from competitors and develops meaning over time. For example, the level of quality that can be expected.

Broadcast advertising that reaches a broad audience as opposed to narrowcast (delivering advertising to a relatively specialised audience).

Charismatic leadership where leaders are able to inspire others.

Circulation the number of copies of a publication distributed.

Collaborating working together.

Collaborative relationships working together to achieve a common goal.

Competing aiming to win.

Compromising being assertive and co-operative, being willing to trade in order to win concessions.

Co-operativeness trying to satisfy others' concerns.

Corporate social responsibility (CSR) where an organisation takes responsibility for the impact of its activities on society and the environment.

Coverage the estimated number of the target audience reached by an advertisement.

Customer someone purchasing goods or services.

Customer relationship marketing (CRM) marketing focused on creating, developing and enhancing relationships with the target market to maximise customer value and organisational profit.

Decoding the reverse of encoding that includes reading words, understanding symbols.

Distributor an organisation that buys goods and resells them to other organisations such as retailers or end consumers.

Drones unmanned aircraft controlled from the ground.

Effectively achieving the desired result.

Efficiently maximum productivity with minimum wasted effort or expense.

Encoding putting thoughts / ideas into a code (such as language / pictures) so that we can transmit them to others.

Global corporation an organisation with a presence throughout the world.

GoToMeeting virtual conference and meeting provider.

Grocery multiples large grocery supermarkets with multiple outlets.

High involvement purchase a high risk purchase that is rarely made.

Influence the ability to affect something or someone.

Interest wanting to know about / be involved with something or someone.

Key performance indicators (KPIs)

required performance standards.

Low involvement purchase a purchase that requires minimal effort and thought.

Media means of transmitting messages; often used to refer to advertising media such as television, radio and newspapers.

Metric performance measure.

PESTLE acronym for political, economic, social, technological, legal and environmental; a framework for analysing the macro environment.

Power to be able to make others take certain actions.

Pressure group a group with a common interest that seek to influence others.

Public relations a planned approach to creating and maintaining goodwill and mutual understanding.

Reach the percentage of the target audience exposed at least once to an advertisement.

Readership the number reading a publication which tends to be more than the circulation (the number of copies in distribution) as often more than one person reads a single publication.

Relationship marketing undertaking marketing activities that will attract and retain customers.

Settlement goods goods produced in Israeli West Bank settlements.

Shareholders those who own a share in an organisation.

Stakeholders those who can affect or who are affected by an organisation and its activities.

Skype software that enables video, audio calls and chat.

Smartphone a phone with many of the features of a computer.

Suppliers those providing goods or services.

Trade magazine a magazine aimed at those in a particular industry.

Transactions one-off exchanges.

Trust to believe in.

Volunteer groups groups that provide services to benefit others and not for their own financial gain.

WebEx™ online meeting provider.