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CHAPTER 1

EMOTIONAL INTELLIGENCE AND MARKETING

1.1 What is Marketing?

Marketing; as a business discipline, is the study and management of exchange relationships between parties involved to benefit stakeholders. Marketing is defined as "the activity, set of institutions, and processes for creating, communicating delivering; and exchanging offerings that have value for customers, clients, partners, and society at large" (AMA, 2013). Marketing as an activity strikes consumers as advertising, sales promotion and other promotional related campaigns. As a set of institutions, marketing involves the functions that link the consumer, customer, and public to the marketer through marketing intelligence. As processes, marketing is to identify and define marketing opportunities and problems; generate, refine, and evaluate marketing actions; monitor marketing performance; and improve understanding of marketing by designing the method for collecting information, managing and implementing the data collection process, analysing the results, and communicating the findings and their implications (AMA, 2014).

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1.2 Marketing Evolution

Marketing has evolved from a single production orientation focus to a holistic approach including, inter alia, integrated marketing,

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internal marketing, corporate social responsibility, and relationship marketing. In this service and digital dominant era, marketing has been transformed into various unique forms to accommodate this dynamic business world. The parties that are involved in economic exchange relationships are no longer limited to Business-to-Business (B-to-B) and Business-to-Customer/Consumer (B-to-C) dyads but include Customer-to-Customer (C-to-C) or Peer-to-Peer (P-to-P) interactions and exchanges. The rapid development and increase use of internet and social media facilitate marketing evolution and business transactions. The rising popularity and evolution of artificial intelligence in this century has also transformed business operations and transactions. Although there is a growing concern of artificial intelligence's power of replacing manpower in various industries, researchers and practitioners affirm that it rather creates jobs and enhances productivity at the same time, dependent upon the industry. From marketing perspective, artificial intelligence has made marketing practice viable and efficient more than ever.

1.3 Offensive and Defensive Marketing

Despite emerging phenomenal technology advancements and transformations in marketing, the fundamental principles and ultimate goals of marketing remain unchanged: benefiting the exchange parties and maximising business profitability through acquiring and retaining customers. The marketing mix and its 4Ps or 7Ps are still the key strategies to attract target markets either for a discrete transaction or relational transactions. There are two key marketing mechanisms: offensive and defensive marketing. The former is focused on attracting new markets and customers extensively and expansively; whereas the latter is on engendering customer retention and loyalty. In the early stage of product life cycle, offensive marketing techniques with aggressive sales promotions and targeting competitors' weakness can be effective to attract new customers. However, this practice with a single-transaction focus entices match-up retaliation or exceeding offerings from competitors. On the customer end, the market saturation is inevitable.

From business growth and sustainability perspective, it is imperative for marketers to transfer marketing endeavours from a single transaction focus into ongoing exchanges with the selected target markets. Relationship marketing with a focus on attracting customers' positive attitudes and on optimising customer loyalty and retention has become and is still the central focus of various marketing practices in the long run.

1.4 Relationship Marketing

Relationship marketing is defined as a process of identifying and establishing, maintaining and enhancing and, when necessary, terminating relationships with customers and other stakeholders, at a profit (Gronroos, 1994). Depending on the context, relationship marketing also bears a few other names, for example, one-to-one marketing, continuity marketing or customer relationship management (CRM). Relationship marketing and CRM are often used interchangeably. Despite the different terms that are used to describe the relationship marketing practice, the central idea of this marketing practice is to retain customers by establishing individual relationships with clients, treating each customer differently, based on the information collected about them, and building trust between the exchange parties. The focal point of this marketing practice is to generate customers' positive attitudes and behaviours that are reflective of customer satisfaction and loyalty, which has long widely acknowledged to be related to business profitability (Anderson, Fornell and Lehmann, 1994; Hallowell, 1996).

1.5 Benefits of Relationship Marketing

Relationship marketing benefits both the company and the customer. For the company, the underlying assumption of relationship marketing is that customer loyalty and retention leads to business profitability. Customer loyalty expressed in the form of revisit intention, positive word of mouth, lower propensity to complain, and exercise more desirable consumption behaviours such as visiting the

company or service provider more often as well as spending more time and money than one intended. Researchers identify that better financially performed firms are able to retain a higher level of brand image, brand awareness, and brand loyalty than less financially sound ones. In mid 1990s, researchers (e.g. Reichheld, 1996) identified that a 5 percent increase in customer retention can lead to a 25 to 85 percent increase in profitability. This can be construed by customer lifetime value (LTV). LTV is the revenue that one customer can spend with the company directly or indirectly through referral and recommendation over a nominal period of time. Directly, the more frequently a customer comes back to the business, the more his or her loyalty builds. A loyal customer tends to buy additional offerings and is less sensitive to tactical discounting. Furthermore, the initial costs of attracting and establishing relationships with these customers have already been absorbed due to experience-curve effects; on the other hand, as customers get to know the supplier through repeated purchases, they become less dependent on the employees for information and advice, and the effects of such learning are likely to translate into lower costs. Indirectly, loyal customers tend to be self-perpetuating advocates and spread favourable word-of-mouth communication, which, in turn, enhances company profitability.

For customers, having a relationship with the company has a range of commercial and social benefits (Berry, 1995). For complex products that requires high involvement in the purchase process, a relational and loyalty customer often receives customised product and service delivery and other individualised services as information technology enables the company to analyse customer profiles and become more knowledgeable about each individual customers' needs and wants. This relational approach enhances trust between buyers and sellers and reduces product related risks. Trust building is a prerequisite of establishment of long-term relationship. On the other hand, maintaining an ongoing relationship with the company also engenders various benefits for customers. Companies often reward loyal customers with financial (complimentary services) and non-financial rewards (tiered membership and associative benefits).

1.6 Marketing Strategies for Relationship Marketing

The focal outcomes that relationship marketing aims to achieve are customers' positive attitudes and behaviours towards the company including customer satisfaction, purchase and repurchase, and long-term loyalty. These relationship marketing-related outcomes can be achieved through different tools, methods and strategies, including marketing intelligence, customer relationship management software, and loyalty programs. These are organisational resources that are most commonly used by marketing practitioners and discussed by academics in the relationship marketing domain.

Admittedly these organisational resources are necessary, and to a certain degree, effective. However, the tools and programs embedded in relationship marketing practice can be excessively expensive, in particular the CRM software (Ang and Buttle, 2006; Colombo and Francalanci, 2004; Dubey and Wagle, 2007; Laugerak and Verhoef, 2003). The effectiveness of loyalty programs is not guaranteed (Liu, 2007; meyer-Waarden, 2007; Sharp and Sharp, 1997; Uucles, Dowling and Hammond, 2003). Knowingly relationship marketing is essentially practised by employees, particularly customer-contact employees (either remote or personal contact), employees may be trained to use these organisational resources to achieve the relationship marketing goals. However, relationship marketing is not about employees' capabilities of using these resources, but a process of managing customer relationships. From customers' perspective, they are not in contact with these tools and methods, but drawn into interactions with employees. The abilities and competence manifested in employees and their interactions with customers play a critical role in attracting customer attention and loyalty. On this basis, this book proposes emotional intelligence as a non-organisational personal resource possessed by a cost-effective marketing tool practised by individual employees to implement relationship marketing.

1.7 Emotional Intelligence and Marketing

Emotional intelligence is a psychological concept that explains individuals' emotional abilities and competence. These individuals'

abilities are manifested in recognising, using, understanding and managing one's emotions and those of others (Mayer and Salovey, 1993). Emotional intelligence is useful in predicting an individual's life and career success reflected in health, life satisfaction, personal and work relationships, and job efficiency and performance. How emotional intelligence as an individual's emotional competence can be integrated into marketing as an academic business discipline to facilitate business exchange?

Although emotional intelligence refers to individual emotional abilities, this book elevates these personal abilities to be a marketing tool that function like any other marketing strategies to achieve optimal business outcomes. Marketing and psychology disciplines are often intertwined to explain the attitudes and behaviours of employees and consumers/customers. Marketing, as a business discipline, contains multiple subcategories including services marketing, relationship marketing, digital marketing, strategic marketing, international marketing, and so on. Each sub-discipline has a specific focus. This book is not intended to position emotional intelligence as a panacea for all marketing activities and processes. Drawing on its conceptualisations and implications, the book proposes that emotional intelligence can be integrated into relationship marketing as a tool or a strategy utilised by relationship marketers or employees to establish and manage relationships with customers, which is the central focus of relationship marketing. The buyer-seller or customer-provider relationship is often established through interactions over the interpersonal encounter between employees and customers. This book reveals how employees' emotional intelligence can be used to manage the interpersonal interactions to achieve optimal relationship marketing outcomes manifested in customers' positive attitudes and behaviours such as satisfaction, product purchase, referral, and loyalty.

Given that businesses today are operating in a service dominant logic era, the service profit chain model proposed by Heskett and colleagues in 1997 is drawn upon to understand the link between employee emotional intelligence and marketing outcomes. This model depicts a few key marketing concepts, namely internal marketing, encounter marketing, and external marketing. Internal

marketing refers to the marketing practice that views employees as internal customers and that aims to general positive attitudes and behaviours of these internal customers. This aim is achieved through managing internal personal encounter between co-workers, employees and supervisors. Encounter marketing refers to the marketing practice that is focused on managing the interpersonal interactions over the service encounter between employees (aka internal customers) and external customers. External marketing moves beyond the interpersonal encounter and is concentrated on how the attitudes and behaviours of employees or marketers affect those of customers.

To understand how emotional intelligence can be integrated into internal, encounter and external marketing as an effective relationship marketing tool, this book first provides the rationale for incorporating emotional intelligence into relationship marketing by discussing the importance of implementing this marketing practice for businesses and the role of employees in achieving relationship marketing goals. The importance of employees in marketing is elaborated. This discussion is focused on attributing frontline employees in the chain relationship between service quality, customer satisfaction, customer loyalty and business profitability described in the service profit chain model. Understanding the role of employees in marketing, the book subsequently introduces the concept of emotional intelligence and explains the logic behind the aim of this book. Consistent with this logic, the remaining chapters of this book integrate emotional intelligence into different marketing practices following the relationship sequence of the service profit chain model, namely internal marketing, encounter marketing, and internal marketing. Drawing upon the nature of different service encounters and the relationship marketing outcomes, this book coins a few marketing concepts to reflect the essence of these marketing practices. The new concepts are: dramaturgical marketing, relational encounter marketing and impersonal encounter marketing.

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1.8 Brief Contents of Each Chapter

This book presents a series of conceptual and empirical discussions in a logic flow on how employee emotional intelligence affects

customer attitudes and behaviours which subsequently lead to business profitability in service industries. The discussion provides the rationale for incorporating emotional intelligence into customer loyalty and company profitability analysis. The book begins with discussing the role of service employees in the service industries and reviewing the relevant theoretical models. The theoretical implications and potential applications of emotional intelligence are provided to reinforce the rationale. Subsequently, the book analyses all relevant factors that may contribute to customer loyalty and company profitability and delineates the impact of emotional intelligence on those factors. Following the chain relationships described in the service profit chain model, the book presents several chapters with each relating to a relationship on the chain. Specifically, the brief contents of the remaining chapters are as follows.

Chapter 2 discusses the power of employee influence in marketing. The discussion begins with contention for relationship marketing as an optimal marketing approach to maximising an organisation's financial performance, followed by identifying employees as a key factor of relationship marketing practice. The importance of employees is manifested in their key role in determining customers' assessment of service quality and rendering customer satisfaction and retention. These outcomes are derived from the transactions over the service encounter.

Chapter 3 presents the concept and characteristics of the service encounter. The book categorises the encounter to be personal and impersonal encounters. The personal encounter is characterised as being emotionally charged. This chapter elaborates the attributes of the service encounter and delineates affective contents relating to the personal encounter. The affective or emotional contents are specifically attributed to employees, customers and the nature of the service. Despite the causes and sources of emotions, from marketing perspective, employees are the incumbents to manage the emotions for marketing efficiency and financial performance. This view prompts the subsequent chapter to induce emotional intelligence into managing emotionally loaded service encounter.

Chapter 4 is dedicated to introducing and understanding emotional intelligence. This chapter elaborates everything about emotional intelligence. The elaboration includes discussion of the origins, conceptualisations, measurements of emotional intelligence, as well as debates and confirmation on its validities and applications in various fields. The elaborated discussion is necessary for readers to understand the concept of emotional intelligence and how it can be incorporated into marketing as a marketing strategy.

Consistent with the service profit chain model, **Chapter 5** discusses *internal marketing* and how it relates to emotional intelligence. Specifically, this chapter draws upon the internal marketing concept and explains how emotional intelligence affects employees' attitudes and behaviours which are related to the external marketing outcomes: customer attitudes and behaviours.

Adding to the internal marketing practice, **Chapter 6** introduces the concept of emotional labour and coins a new marketing concept *dramaturgical marketing* on the basis of acting strategies required of emotional labour performance. This chapter reviews the relevant literature to understand the positive and negative consequences of performing emotional labour. On this basis, the underlying motive of promoting emotional intelligence into emotional labour management is presented. The findings from empirical studies are provided to reinforce the influence of emotional intelligence on dramaturgical marketing.

Moving from discussion around emotional intelligence and internal marketing, the book focuses on the encounter marketing and the "Moment of Truth" between employees and customers. **Chapter 7** creates a new marketing concept *relational encounter marketing* to reflect employees' relationship-oriented behaviours over the service encounter with customers. The relationship between these behaviours and relationship marketing is revealed. Customer orientation and adaptability are opted as relational encounter behaviours in relational encounter marketing practice. The relationship between emotional intelligence and these relational encounter behaviours is discussed and confirmed with examples of empirical studies. The

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concepts of basic trait, surface trait and performance outcomes are reviewed to understand the hierarchical effect of emotional intelligence in optimising organisational efficiency.

Subsequent to the encounter marketing and management of moment of truth, the book proceeds to discuss how emotional intelligence is related to external marketing through linking employee behaviours and customer responses. **Chapter 8** sheds lights on integrating employee emotional intelligence and external marketing practice. Specifically, this chapter discusses how the level of employee emotional intelligence enhances rapport with customers, how it directly affects customer attitudes (e.g. satisfaction) and behaviours (e.g. purchase and loyalty).

Last but not the least, the book introduces a new marketing concept — *impersonal encounter marketing*. Impersonal encounter refers to customers' reaction and response toward the servicescape of a service organisation. **Chapter 9** discusses how emotional intelligence can be elevated as a personified concept to be incorporated into design of servicescapes, and how emotional intelligence can be practised as an impersonal encounter marketing tool to be infused in the design of servicescape to influence customers' attitudes and behaviours. This marketing concept is innovative and unprecedented. Nevertheless, it draws upon the evident impact of servicescape on customers' attitudes and behaviours.

1.9 Uniqueness of this Book

This book is intended to bridge three disciplines, namely psychology, marketing and human resource management in the service-dominant logic era, and discusses how employee emotional intelligence can be deployed to improve business profitability by analysing its impact on dyadic relationships between co-workers, between management and employees, between customer-contact employees and customers, and between tangible service environment and customers. The discussion draws upon the service profit chain model. The model depicts how business profitability can be achieved by the attitudes and behaviours of both customers and employees, and how these

attitudes and behaviours are driven by the firm's internal service quality. Emotional intelligence is positioned as a marketing tool to influence implementation of marketing strategies for different dyads and to enhance each dyadic relationships through apprehending, managing and regulating emotions of the dyads.

The book provides empirical testing and results to support the discussion. Each section includes a thorough review of the relevant literature and selected empirical studies, and concludes with presenting results from empirical studies. This book sheds light on broadening the theoretical scope and practical applications of emotional intelligence, and promotes it as a marketing tool or strategy for improving and sustaining business growth.

Overall, this book provides a fresh perspective of the application of emotional intelligence in marketing. Emotional intelligence has been popularising in various communities, and primarily attracts attention from industry practitioners and consultants since its inception in 1990s. The majority of the existing books are focused on its impact on individuals personally and/or professionally. This book incorporates this concept into marketing discipline and analyses its contribution to business profitability through diagnosing its impact on different business stakeholders as well as on their interrelationships. For emotional intelligence researchers and practitioners, this book broadens their traditional mapping of its implications. For marketing researchers and practitioners, this book provides them with a fresh look into a new cost-effective marketing strategy to improve relationships among key stakeholders for profit maximisation.

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