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PRINTtips

Selling Techniques ... Transactional vs. Relationship



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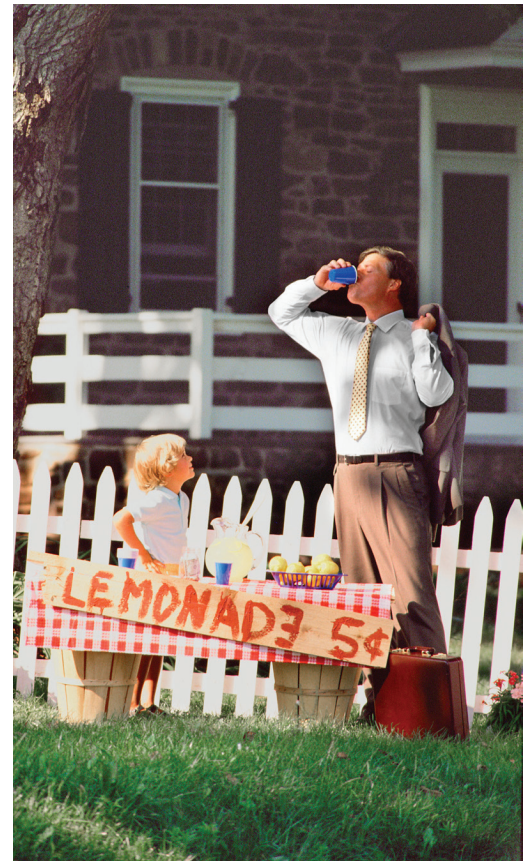
Imagine this scenario:
In your business or organization, you are the person responsible for sales and marketing activities. It's the time of year to formulate next year's plan and determine how much executing it will cost. Will investing in transactional marketing strategies or building relationships with customers yield the best results?

On the one hand, transactional marketing – which focuses on single point-of-purchase sales transactions – can be maximized for transaction efficiency. This means less overhead costs associated with each sale and therefore a higher potential net profit. Transactional sales are appealing to buyers in today's busy world because they take less time and can happen 24/7.

In contrast, relationship marketing focuses on generating sales by first developing a relationship with the buyer. This means the business must gather and analyze information about each buyer's needs and wants in order to offer products and services that are useful and relevant. Such an approach takes business resources (time and money), which compromises efficiency. The tradeoff is that a relationship with the buyer can lead to customer loyalty and long term purchasing habits.

Transactional Marketing

The aim of transactional marketing is to generate a high number of individual sales. If your product or service can be used “off-the-



shelf” by a broad range of potential customers, transactional marketing may be the right approach.

The role of the customer in transactional marketing is limited. The customer has little interaction besides making the purchase decision. In transactional marketing, a customer's overall value is determined by the size and frequency of transactions – in other words, by individual sales volume.

Selling Techniques ... Transactional vs. Relationship (cont.)

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Successful transactional marketing is built on four Ps:

- **Product:** having a product that meets the buyer's needs and has the features and benefits he wants.
- **Pricing:** having a price point that is competitive and attractive to the buyer while maintaining a good profit margin. To accomplish this, the business must be a low-cost producer – that is, be able to produce the product or deliver the service at a cost below that of competitors.
- **Placement:** making the product or service readily available through an efficient supply chain or distribution channel.
- **Promotion:** using marketing techniques and advertising that makes the product or service readily visible to potential buyers and provides reasons for the buyer to act immediately.

It may seem that transactional marketing does nothing to encourage customer loyalty and repeat business. This isn't necessarily true. If the product or service fulfills a need the customer has and is value-priced, the customer will make repeat purchases and may recommend the product or service to others. Just because a seller has not emphasized establishing a relationship with the buyer doesn't mean that one doesn't exist in some form.

Relationship Marketing

Relationship marketing has a longer-term goal than transactional marketing. It sees customers as having lifetime value – the sum of current and future purchases. Viewing customers this way changes the business's focus from maximizing profit based on the immediate sale to establishing a long-term relationship that over the years will result in overall higher sales volume.

Customer retention is a cornerstone of relationship marketing. It is based on a much more in-depth understanding of customer needs and wants than is needed for transactional marketing. Whereas successful transactional

marketing only needs to know whether the current product or service meets the customer's requirements, relationship marketing requires knowing what the customer may want or need in the future. This requires more frequent contact with the customer, as well as gathering a broader range of information upon which predictions can be made.

It also gives the customer more control of the situation. Customers must participate in the more-frequent contacts and can withhold necessary information. This makes relationship marketing a longer and more resource-intensive effort.

The long term benefit of relationship marketing is increased customer satisfaction and better customer retention, leading to a net overall increase in the customer's lifetime value. In addition, since new customer acquisition costs are frequently much higher than the cost of selling something new to an existing customer, greater overall profits may result.

The Role of the Internet

Technology and the internet have dramatically changed the way customers interact with businesses. E-mail and social networking have significantly eroded the number of face-to-face interactions between businesses and their customers, while simultaneously enabling businesses to communicate much more frequently. Businesses that once relied exclusively on relationship marketing are now offering transactional purchasing using online ordering at the company's website. Search engines and overnight shipping have eliminated geography as a barrier to buying. Manufacturers, who previously relied on their dealers to maintain the customer relationship, now actively participate with instructional and educational features on their websites, as well as blog articles and posts on Facebook pages.

The internet can be a powerful force in supporting relationship marketing by helping businesses build a community of loyal customers, fans, and

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followers. With search engines, a community becomes much easier for potential customers to find, join and be persuaded to buy.

Building an online community begins with understanding your audience – their wants, needs, and motivations to buy. Be specific in developing a profile of those your product or service will benefit most, and craft messages that will resonate with them.

Understand that being part of an online community means having a dialogue. For businesses, that means listening to customer feedback – good or bad – and responding to it appropriately. Today's customers expect to be part of the conversation and to be taken seriously. Don't disappoint them.

An online community provides the opportunity for you to share your expertise, providing advice and answering questions. A side benefit of this process is that you are generating content for blogs and Facebook posts.

Use a Combination

For most businesses and organizations, the best marketing approach is a combination of transactional and relationship. With its focus on the lifetime value of a customer, relationship marketing reminds businesses of the importance of offering a quality product or service, accompanied by excellent customer service and responsiveness. It also gives customers a much more active role in the relationship, making it easy and convenient to conduct a conversation with the business.

On the other hand, transactional marketing, based on internet purchases, provides businesses with a much wider geographic reach and levels the playing field between competing businesses. The requirements of transactional marketing – offering a quality product at an attractive price point that maintains profit margin – and the faster pace of purchases allow businesses to grow sales while waiting for the customer relationship to develop.

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The Need for Printed Sales Material

Whether your company selects a marketing approach based on transactions, relationship, or both, there is still a need for printed sales material to enhance the buyer's experience.

- If using transactional marketing, during product fulfillment, enclose new product flyers, catalogs, customer-focused newsletters, discount coupons, or other material that will inform the buyer and spark interest in another purchase.
- For transactional marketing, you'll need printed brochures, product sheets, other sales collateral material and professionally printed business cards.

To build credibility with prospects, it is important that your printed sales material match your website. The color palette, choice of fonts, writing style, and use of graphics should be appropriate to the medium, but visually coordinated.

If you would like a graphics-related analysis of your website and printed materials, contact us for an appointment. We will be happy to assist.

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The Age of the Customer

“Responsive businesses that offer good customer service and after-sales support find it easier to compete.”

The Age of the Customer refers to the fact that with the internet, customers are able to play a much larger role in the sales transaction than ever before. Not only can customers find information about products and services on demand, they can often also find reviews written by other customers, along with friend recommendations that help with the purchase decision.

The Age of the Customer is a marked contrast to the previous situation where sellers controlled both access to information and how it was presented. Comparing one seller to another was often limited solely to pricing without knowing about product or service quality or after-sales support.

Even though businesses may have ceded some control of the sales process in the Age of the Customer, overall the greater access to information and the ability to compare potential vendors benefit customers and businesses alike. Customers can shop any time using numerous methods (telephone, e-mail, online) and make wiser decisions with which they are more satisfied. Responsive businesses that offer good customer service and after-sales support find it easier to compete. In addition, businesses know more about their customers and how to use that information to encourage future sales.