CHAPTER 4

Relationship Marketing at LOEWE OPTA

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This chapter describes the methods used by LOEWE to create interactive marketing relationships. The author demonstrates how important it is for a manufacturing company to develop positive long-term relationships with both consumers and retail organizations. A four-step model for implementing a relationship marketing approach is described, and the need for a strategic interpretation of relationship marketing is emphasized.

1. A Brief Introduction to LOEWE OPTA

LOEWE has committed itself to a relationship marketing strategy; traditional communication methods have recently been supplemented with interactive marketing approaches which allow us to get closer to our customers. This new perspective involves the implementation of different marketing measures at various levels of company-customer interaction. This chapter first takes a closer look at the world of LOEWE before examining the appropriateness of relationship and interactive marketing activities for a technology-based company. Some of the key challenges and opportunities which a medium-sized company like LOEWE needs to face and exploit as it embraces the relationship marketing concept are also discussed.

Founded in Berlin back in 1923, LOEWE now has 1,100 employees and annual sales of over $270 million (1998). Now headquartered in Kronach, Germany, the company has consistently set the pace in the design-oriented consumer electronics industry. LOEWE introduced the first triple tubes in 1926 and followed this success with the world’s first electronic television (developed in co-operation with von Ardenne). Later milestones included the launch of the world’s first audio cassette recorder (in 1951) and Europe’s first stereo television set (in 1981). More recently, LOEWE was responsible for the first ever wide-screen television in 16:9 format (in 1991) and the first internet-capable multimedia television set - the XELOS @MEDIA (in 1997).
Today, LOEWE primarily manufactures long-life consumer electronics, including televisions, audio video systems, home multimedia products and telephones. The LOEWE concept of innovation is not limited to the creation of new products. It has become part of a broader business philosophy which encourages innovation across all aspects of the company. Other dominant aspects of this LOEWE philosophy include targeted implementation of the latest technologies, high quality workmanship, excellent design, and environmental compatibility.

2. Relationship Marketing – The LOEWE Perspective

Having described the important role played by innovation at LOEWE, let us move on to relationship marketing. Our goal is to offer solutions to customer needs by making things as easy as possible for them, for example by making products easy to use and by giving them easy access to any information they might require. Given changing customer needs, LOEWE has made a strategic decision to intensify its focus on innovation and design, and to integrate both aspects into the positioning of LOEWE as the “solution company.” This means that customer orientation forms the bridge between our innovative design concepts and the needs and wishes of our customers. High quality LOEWE design has to offer appropriate solutions to customers’ problems.

In doing so, we need to offer solutions to all the links in the value chain, which means we need to address retailers as well as consumers. At LOEWE, the “solution company” concept is directly related to a holistic marketing approach which focuses on the active management of relationships with these two partners. Relationship marketing at LOEWE also covers other aspects of the company’s activities, such as interactions between employees, but in this chapter I want to focus on what has become the main theme of our relationship marketing strategy - the relationships with retailers and end-customers.

2.1 Relationships with Retailers

Let us start by taking a look at our authorized dealers. The intensity and quality of our relationships with retailers directly influences the equivalent dimensions of our relationships with consumers. Binding retailers to LOEWE is therefore seen as an important marketing goal.

If you consider the potential influence which the traditional retail trade can exert over the consumer, then it soon becomes obvious why it is so important to have solid and stable relationships with specialized retailers. In the long-life consumer electronics market, nearly 70% of all purchase decisions take place in the showroom. This means that only 30% of consumers come into the shop with a clear purchase plan in mind. The LOEWE brand is thus being carried by the retail trade.

So what have we done to build up positive relationships in this area? We began in 1990 by integrating our dealerships into the decision-making process through a