CHAPTER 3

BACKGROUND OF THE STUDY

3.1 Introduction

Executive leaders across all industries continue to face the most disruptive market conditions in decades. Increased competition has only accelerated; large rivals continue to compete by aggressively buying market share, new entrants are more nimble and substitute products seem to pop up almost at every turn. These competitive forces particularly apply to the telecommunications industry.25

A firm provides value to a customer in terms of products and services, and a customer provides value to a firm in terms of a stream of profits over time. Investment in a customer today may provide benefits to the firm in the future. In that sense, customers are assets in which a firm needs to invest. At the same time, with any investment, the firm needs to assess the potential return. Since some customer segments drive profits and others do not, investment in customers should vary by their profit contribution and potential.

Customer-centric leaders understand the importance of a mutually beneficial value exchange and treat customer segments differently based on their respective value contribution. Customer profitability is influenced by three factors: customer acquisition, customer margin and customer retention. These three factors are the critical drivers of the firm’s growth and overall profitability.

Every business unit emphasizes on spurring a long term relationship with customers to nurture its stability in today’s blooming market. Customer’s expectations are now not only limited to get best products and services, they also need a face-to-face business in which they want to receive exactly what they demand and in a quick time.

The famous writer and management consultant Peter Drucker wrote; ‘The true business of every company is to make and keep customers’. Traditionally every transaction was on paper and dependent on goodwill which created hindrance in clutching customers. People used to work hard in entertaining customers by presenting new products with astonishing services; they were ready to work overtime for grasping more and more customers for increasing business. This too resulted in customer satisfaction and loyalty up to some extent, but at the end of the day there was no such bonding or relation between the two to carry on with future business smoothly.

Previously business was quite easy as it was mere a one-to-one dealing without any specific process. But with time, due to incoming complexities in communication, it found itself in troubled waters. Emergence of new strategies and technologies in global marketplace and considering the nature of competition in business, the approach needed to be changed to proactive rather than reactive.

### 3.2 Relationship in Business

The word ‘Customer’ is derived from the root word custom, which is defined as “to render a thing customary or usual” and “to practice habitually”. A customer is a person who becomes accustomed to buying from those who sell. This custom
is established through purchase and interaction on frequent occasions over a period of time. (Graffin, 2002)\textsuperscript{26}

One of the most common and significant reasons for customer switching and disloyalty is the indifference and inattention of the business and from the customer’s point of view, the lack of any real reason to stay.

If we look in more detail at what is meant by “indifference” both through the research statistics and our own experience, it becomes clear that there are many critical aspects behind any customer defection including:

- Too little contact
- Too little attention
- Poor quality attention-especially when problems are encountered
- Generally poor service levels and standards

Harvard business review reports that between 65 to 85% of customers who choose a new supplier say they were satisfied with the former one. (Reichheld, 1993)

3.3 **Origin of Customer Relationship Management (CRM)**

CRM originated in early 1970s when the business units had a manifestation that it would be advisable to become ‘customer emphatic’ rather than ‘product emphatic’. Birth of CRM was because of this heedful perceptiveness.\textsuperscript{27}


\textsuperscript{27}http://www.managementstudyguide.com/origin-of-crm.htm
Customer relationship management came as a process that dealt with relationships with customers surpassing the whole business.

Originally customer relationship management was based on three major principles; shielding the current customers, fostering new customers and enhancing asset value of all the customers. With the advent of CRM which was integrated with high end software and technology, business perspectives were totally changed. A CRM system eventually emerged as consisting of company-full of information which is depicted sophisticatedly to increase business profit and meliorate customer satisfaction and loyalty, on the same hand reduces business cost and investment.

The outgrowth in origin of CRM as a strategic approach is a result of some of the following important perspectives:

1. The belief that customers are the real assets and not just the people in the audience.

2. The maturation of one-to-one transaction advent.

3. Extensive use of software and technologies to maintain useful information and no manual labor.

4. The realization of the benefits of utilizing information proactively and not reactively.

5. The change of business view to relationship approach rather than transactional approach.

6. The approach of concentrating more on customer values rather than concentrating on how the product is delivered to the customer.
7. The approach of focusing on customer satisfaction and loyalty rather than focusing self satisfaction and profit.

8. The acceptance of the fact that using high end technologies and software the cost can radically be decreased without compromising on quality and service of products.

9. The increasing tendency to retain existing customers and trying to get more and more business out of them.

10. The realization that the traditional trends of marketing and selling are increasingly fading out in the current economic scenario.

These additive approaches helped a lot in building up consequently the modern CRM. Today we have well defined and sophisticated CRM systems into being which are always in process of improvement.

### 3.3.1 Features of CRM

Customer Relationship Management is a strategy which is customized by an organization to manage and administrate its customers and vendors in an efficient manner for achieving excellence in business. It is primarily entangled with following features:

1. **Customers Needs** - An organization can never assume what actually a customer needs. Hence it is extremely important to interview a customer about all the likes and dislikes so that the actual needs can be ascertained and prioritized. Without modulating the actual needs it is arduous to serve the customer effectively and maintain a long-term deal.

2. **Customers Response** - Customer response is the reaction by the organization to the queries and activities of the customer. Dealing
with these queries intelligently is very important as small misunderstandings could convey unlike perceptions. Success totally depends on the understanding and interpreting these queries and then working out to provide the best solution. During this situation if the supplier wins to satisfy the customer by properly answering to his queries, he succeeds in explicating a professional and emotional relationship with him.

3. **Customer Satisfaction**- Customer satisfaction is the measure of how the needs and responses are collaborated and delivered to excel customer expectation. In today’s competitive business marketplace, customer satisfaction is an important performance exponent and basic differentiator of business strategies. Hence, the more is customer satisfaction; more is the business and the bonding with customer.

4. **Customer Loyalty**- Customer loyalty is the tendency of the customer to remain in business with a particular supplier and buy the products regularly. This is usually seen when a customer is very much satisfied by the supplier or service provider and re-visits the organization for business deals, or when he is tended towards re-buying a particular product or brand over times by that supplier. To continue the customer loyalty the most important aspect an organization should focus on is customer satisfaction. Hence, customer loyalty is an influencing aspect of CRM and is always crucial for business success.

5. **Customer Retention**- Customer retention is a strategic process to keep or retain the existing customers and not letting them to diverge or defect to other suppliers or organization for business.
Usually a loyal customer is tended towards sticking to a particular brand or product as far as his basic needs continue to be properly fulfilled. He does not opt for taking a risk in going for a new product. More is the possibility to retain customers; the more is the probability of net growth of business.

6. **Customer Complaints** - Always there exists a challenge for suppliers to deal with complaints raised by customers. Normally raising a complaint indicates the act of dissatisfaction of the customer. There can be several reasons for a customer to register a complaint. A genuine reason can also exist due to which the customer is dissatisfied but sometimes complaints are registered due to some sort of misunderstanding in analyzing and interpreting the conditions of the deal provided by the supplier regarding any product or service. Handling these complaints to ultimate satisfaction of the customer is substantial for any organization and hence it is essential for them to have predefined set of process in CRM to deal with these complaints and efficiently resolve it in no time.

7. **Customer Service** - In an organization, customer service is the process of delivering information and providing services as promised by the service provider. Customer satisfaction depends on quality of service provided to the customers by the service providers. The organization has not only to elaborate and clarify the details of the services to be provided to the customer but also to abide with the conditions as well. If the quality and trend of service go beyond customer’s expectation, the organization is supposed to have a good business with customers.
3.4 Relationship Marketing-Historical Framework

In 1983, Leonard L. Berry, a distinguished professor of Marketing at Texas A&M University, coined the word ‘Relationship Marketing’ when he presented a paper entitled ‘Relationship Marketing’ at the American Marketing Association’s Marketing Conference.\(^{28}\)

The marketers have restructured their strategy to track and monitor activities that address specifics of customer requirements in multiple market segments. As a result, the new approach to marketing has emerged, which is commonly referred to as Relationship Marketing.

Relationship Marketing is the ongoing process of engaging in collaborative and cooperative activities, programmes with immediate and end user customers to create and enhance mutual economic value at reduced cost. (Sheth and Parvatiyar, 2002)\(^{29}\)

Relationship Marketing is marketing based on interactions within networks of relationships. A network is a set of relationships that can grow into enormously complex pattern. (Evert Gummesson, 2002)

Relationship Marketing is the process whereby both parties- the buyer and the provider- establish an effective, efficient, enjoyable, enthusiastic and ethical relationship: one that is personally, professionally and profitably rewarding to both parties. (Porters, 1993)

\(^{28}\) D.Ramkumar and S.Saravanan, The Dark Side of Relationship Marketing, www.dspace.iimk.ac.in/

Research shows that there is direct relation between the customer retention and corporate profitability. The cost of acquiring a new customer is 9 to 12 times that of holding on to an existing customer. (Brown et al., 1993)

3.5 Evolution of Relationship Marketing

Relationship marketing is an emerging marketing perspective in the marketing literature developed in the 1990s. The contributions of relationship marketing are frequently traced back from service marketing and industrial marketing.\(^{30}\)

Relationship Marketing (RM) developed in industrial and service marketing contexts as a reaction against the limitations of transactional marketing. Because of the efficiency of the mixed management paradigm, changes in the competitive climate in the latter part of the 1980s and early 1990s propelled the interest in RM into mass consumer markets. In the latter part of the 1980s, technology developments stimulated the growth of direct and database marketing (Fletcher et al., 1991; Evans, 1996). This, together with other academic considerations of direct and database marketing marked the period of discovery for RM (O’Malley and Tynan, 1998). O’Malley and Tynan (1998) pointed out that RM was not about waiting for the right time to be discovered by mass marketers. It emerged as an alternative to mainstream marketing and was popular among inter-organisational and service marketers.

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A distinct form of marketing in the shape of services marketing was emerging. Grönroos (1995) indicated that the seeds of relationship marketing first started to grow in service marketing research. One of the reasons why relationship marketing developed from the service marketing literature was the recognition that personal interactions were of great significance and those personal interactions could form the basis of a relationship. In service marketing there is usually some form of direct contact between customers and the service firms. This service encounter or personal interaction is an important part of service delivery which is frequently called the “moment of truth” (Johns, 1999). This phrase underlines the crucial role that each service encounter plays in customer evaluation of a service (Odekerken-Schroder et al., 2000).

Some writers have argued that Relationship Marketing has been around for a long time and that marketing is all about relationships. Gummesson (1996) mentioned that the practices of relationship marketing have been around for centuries. Sheth and Parvatiyar (1995) have provided an essay that traces relationship marketing practices throughout history. While there may be some truth in this argument, it is nevertheless the case that it was only during the 1980’s that RM started to be used in a formal sense in industrial and services marketing, and the application of the concept in consumer markets came much later. Throughout the 1980s, RM was largely ignored by consumer markets as the domain was considered to be both conceptually and contextually different. In 1995, Sheth and Parvatiyar justified academic interest in B2C relationships, arguing that the paradigm shift from transaction to relationships was related move to a more direct interaction, both in B2B relationships and B2C relationship contexts. They also proposed that it was possible to apply relationship marketing to consumer markets; that consumers and organisations both wanted relationships; and that customer participation in loyalty programmes was evidence of this. When looking at the fundamentals, it was argued that customer retention costs much less
and is comparatively much more profitable than focusing on customer acquisition (Rosenberg and Czepiel, 1984; Reichheld and Sasser, 1990). Hence, marketing practitioners were already engaged in a form of RM – often in the form of loyalty or retention programmes. RM became increasingly popular throughout the latter part of the 1990s and, is still hugely popular today.

Scholars have questioned whether relationship marketing can really be stretched into consumer markets (Gruen, 1995; Iacobucci and Ostrom, 1996; Hibbard and Iacobucci, 1998; O’Malley and Tynan, 1998; O’Malley et al., 1997, 1998). The area of relationship marketing has been extended into consumer markets notwithstanding a dearth of conceptual and empirical justification. One criticism is related to the identification of RM strategy in consumer markets. When researchers compare RM with direct, database, loyalty, retention and transactional marketing within consumer markets, they fail to clarify substantial parts of the philosophical, conceptual and strategic issues. For instance, RM is concerned with the long term relationships in contrast to the short term instant gains on sales achieved with the direct marketing efforts (Copusky and Wolf, 1990). RM has a greater range of techniques to be used than direct marketing. (Stone et al.)

3.5.1 Definitions of Relationship Marketing

Berry (1983) defined relationship marketing as “attracting, maintaining and – in multiservice organizations – enhancing customer relationships”. He stressed that “the attraction of new customers should be viewed only as an intermediate step in the marketing process. Solidifying the relationship, transforming indifferent customers into loyal ones and serving customers as clients also should be considered as marketing.”
In order for the concept of relationship marketing to be useful, Berry (1983) identified three conditions that should exist. These conditions are:

1. the customer must have an ongoing or periodic desire for the services;
2. the service customer must control the selection of the suppliers;
3. there must be alternate suppliers.

Consequently, these conditions appear to rule out the meaning of relationship marketing as ‘locking-in’ the customer. Quite a few other researchers have mentioned trust, commitment, satisfaction, and the sharing of secrets as characteristics of relationships. (Crosby et al., 1990; Morgan and Hunt, 1994)

In 1995, Berry suggested that relationship marketing could be practiced on multiple levels, depending on the type of bonds used to foster customer loyalty. Mummalanei and Wilson (1986) adopted this broad idea and proposed three types of bonds: 1) Financial, 2) Social, and 3) Structural. Companies can strengthen the financial bonds by maintaining a competitive price; social bonds can be strengthened by operating a dedicated customer care team and assigning a dedicated sales manager to every customer; structural bonds can be achieved through the process of educating the public, providing specialised technical support and in providing ancillary support. When relationship marketers can offer target customers value-adding benefits that are difficult or expensive for customers to provide and that are not readily available elsewhere, they create a strong foundation for maintaining and enhancing relationships.

Grönroos (1990) who exemplifies the Nordic view of marketing has suggested a customer-oriented definition of marketing which highlights a lot of essential elements in business relationships. ‘Marketing is to establish, maintain
and enhance relationship with customers and other partners, at a profit, so that the objectives of the parties involved are met. This is achieved by a mutual exchange and fulfilment of promises."

O’Malley et al. (1997) proposed a working definition which identifies both the purposes and processes of RM: “Relationship marketing involves the identification, specification, initiation, maintenance and dissolution of long-term relationships with key customers and other parties, through mutual exchange, fulfillment of promises and adherence to relationship norms in order to satisfy the objectives and enhance the experience of the parties concerned.” This definition builds on earlier definitions and explicitly includes a longer time perspective, a reflection of the process involved, and a recognition of the need to dissolve relationships which are no longer of mutual benefit.

RM thus differs from traditional mass marketing since it does not seek a temporary increase in sales, but attempts to create involvement and product loyalty by building a permanent bond with the customer. While it may be used to facilitate product repositioning, gain competitors’ customers, or help to launch new products, the ultimate goal is to increase sales in the long term (Andersson et al., 1994).

The relational concept was enhanced by different schools of thought in academic research. This concept together with the definitions in services marketing literature is important to this research because the idea of CRM is also related to customers and service providers.
Table 3.1: Difference between Conventional Marketing and Relationship Marketing

<table>
<thead>
<tr>
<th>Conventional Marketing</th>
<th>Relationship Marketing</th>
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<tbody>
<tr>
<td>One to many transactions without any predictability factor</td>
<td>Focus on one to one transaction; study and analysis of transactions to forecast future trend</td>
</tr>
<tr>
<td>Demand life cycle that concludes with sale</td>
<td>Continued life cycle after sales; continuous exploration of future requirements, as well as ways and means to address them</td>
</tr>
<tr>
<td>Driven by 4Ps of marketing mix, namely, product, price, promotion and place</td>
<td>4Ps are supplemented with another 3Ps, known as people, process and physical evidence to facilitate one to one transactions</td>
</tr>
<tr>
<td>Moderate customer contact</td>
<td>High customer contact</td>
</tr>
<tr>
<td>Product centric marketing</td>
<td>Customer centric marketing</td>
</tr>
<tr>
<td>Repeat sales are incidental</td>
<td>Apart from repeat sale, it triggers cross sell and up-sell</td>
</tr>
<tr>
<td>Limited use of Technology</td>
<td>Exhaustive use of Technology as it is considered to be the major enabler of the concept</td>
</tr>
<tr>
<td>Production –centric quality control</td>
<td>Quality assurance involving cross-functional team</td>
</tr>
<tr>
<td>Weak initiative to promote customer loyalty</td>
<td>Greater emphasis on customer loyalty</td>
</tr>
<tr>
<td>Customer handling by business development executive or manager</td>
<td>Relationship manager is dedicated for client servicing</td>
</tr>
<tr>
<td>Driven by brand equity</td>
<td>Along with brand equity, it is driven by value equity and retention or relationship equity</td>
</tr>
<tr>
<td>Confined in marketing function</td>
<td>Aligned with organization and other functions of management in terms of business goals and objectives</td>
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Berry (1983) has recommended the following five strategies for practicing Relationship Marketing:

- Developing a core service around which to build a customer relationship.
- Customizing the relationship to the individual customer
- Augmenting the core service with extra benefits
- Pricing services to encourage customer loyalty

Relationship with customers can change from time to time because it is evolved under distinguished situations. Following are the stages from where the relationship with customers can evolve -

- **Exploration** - Exploration is the process when customer investigates or tests the supplier’s capabilities and performance or cross verifies the product’s or brand’s usefulness. If the test results fail to satisfy customer’s demands, the relationship can drastically come to an end.

- **Awareness** - Awareness is the process when the customer understands the motivational values of supplier or the products he sells.

- **Expansion** - Expansion is the process when the supplier wins customer’s faith and customer falls under huge interdependence of the supplier.

- **Commitment** - Commitment is a powerful stage when suppliers learn to adapting business rules and goal to excel.
- **Dissolution** - Dissolution is a stage when customer requirements suddenly change and he looks for better perspectives. This sudden change is the end of relationship.

**Broadly there can be two distinguished attributes of a developed relationship between supplier/service provider and customer:**

1. **Trust:** Trust means confidence and security in any relationship and can be treated as the biggest investment in building long term relationships. Trust is developed between the two parties when they experience flawless and satisfied motives between each other. As a result of knowing more about each other, all the doubts and risks are minimized and leads to inevitably smooth business. Lack of trust on the other hand weakens the relationship foundation and chances of uncertainty and conflicts increases.

2. **Commitment:** Commitment is yet another milestone that should be achieved to set a long term mutual relationship. Commitment can only be attained when there is mutual trust and the two parties share each other’s values. In a committed relationship both service providers and customers strive to uphold the relationship and never want to exit which in turn results in building the relationship stronger and sharper. There is, in fact, huge cost which is incurred in switching from committed relationships of one service provider and build new relationships with other service providers from scratch.

Relationship is always mutual or reciprocal so it is important for both supplier/service provider and customers to stick to common guideline to attain better relationship among each other. There is lot of involvement of cost, efforts
and time in striving developed relationships between the two parties but the outcome is always inevitable.

### 3.6 Customer and Customer Care

Customers play the most significant part in business. In fact the customer is the actual boss in a deal and is responsible for the actually profit for the organization. Customer is the one who uses the products and services and judges the quality of those products and services. Hence it’s important for an organization to retain customers or make new customers and flourish business. To manage customers, organizations should follow some sort of approaches like segmentation or division of customers into groups because each customer has to be considered valuable and profitable.³¹

Customer care involves planning all the activities involved in the customer–provider relationship including pre-, during- and post-transaction stages to ensure that customer expectations are met or exceeded. This view emphasizes the fact that customer care covers every aspect of customer–provider relationships. It also illustrates that customer care involves planning in both the strategic and tactical sense.

Customer care entails much more than the notion of customer service, as this focuses more on ‘order-cycle’ related activities. Customer service is an important facet of overall customer care, but centres more on those activities that involve direct contact with the customer. Customer care is a much more holistic way of looking at customer satisfaction. It necessitates the involvement of every facet of the company’s marketing and customer-related programmes and should affect every stage of the marketing planning and implementation process.

³¹Customer Service Manual/Techniques and tips for excellent customer service levels/workforce staffing.
Perhaps the major reason for the growth in importance of customer care is the fact that customer expectations have changed over the years both in organizational and consumer contexts. Quite simply, customers expect higher levels of customer care and satisfaction from the marketer. In part, this is as a result of changes in education on the part of many customers. Customers are now more ready to challenge poor levels of customer care and are much better informed as regards their rights in this respect. Another factor is that customers have much better access to information about failings and shortcomings in customer care through more media exposure in this area and information that is posted on the Internet. Customers are also better protected through legislation regarding their rights as customers and what they can realistically expect with respect to customer care.

3.7 Need of Relationship with Customers

Building relationship with customers in current market trends is the most important aspect that an organization should focus on. Distinction and eminence are now most sustainable and affirm for which developing good relationship with customers is must. Some of the substantial outcomes of building a quality relationship is explained below by which need of relationship with customer are insight.32

1. **Better Customer perceptiveness** - As the customer lengthens to deal with a supplier, the supplier tends to explicate a better insight of customer’s needs and expectations. By this a high level of relationship can be developed between them. This will result in selling more products and retain the business with the customers which finally will lead to profitable business.

32 [www.managementstudyguide.com/need-relationship-customers](http://www.managementstudyguide.com/need-relationship-customers)
2. **Lead to Customer Satisfaction**- Customer satisfaction is the measure of how the needs and responses are collaborated and delivered to excel customer expectation. It can only be attained if the customer has an overall good relationship with the supplier. In today’s competitive business marketplace, customer satisfaction is an important performance exponent and basic differentiator of business strategies. Hence, the more is customer satisfaction; more is the business and the bonding with customer.

3. **Lead to Customer Loyalty**- Customer loyalty is the tendency of the customer to remain in business with a particular supplier and buy the products regularly. This is usually seen when a customer is very much satisfied by the supplier/service provider and re-visits the organization for business deals, or when he is tended towards re-buying a particular product or brand over times by that supplier. To continue the customer loyalty the most important aspect an organization should focus on is customer satisfaction, hence it can be said that customer loyalty is also an outcome of good relationship.

4. **Lead to Customer Retention**- Customer retention is a strategic process to keep or retain the existing customers and not letting them to diverge or defect to other suppliers or organization for business and this only possible when there is a quality relationship between customer and supplier. Usually a loyal customer is tended towards sticking to a particular brand or product as far as his basic needs continue to be properly fulfilled. He does not opt for taking a risk in going for a new product. More is the possibility to retain customers the more is the probability of net growth of business.
5. **Chances of getting referrals**- It is always a cost-free advocacy by customers to provide referrals to supplier/service provider when they feel satisfied. These referrals or customer’s reference of other customers acts like a piece of cake for suppliers as there is no cost and struggle involved in this. This could be treated as the best outcome of quality relationship what a supplier can think of.

6. **Growth in revenue**- When suppliers have healthy relationship with customers the revenue of the organization always increases as customers tend to buy more and more. There is possibility that a satisfied customer seek to buy special category of related products apart from the regular ones from that particular supplier. For instance if a satisfied and loyal customer has a home insurance from an insurance company then there are positive chances that he could also insure his property and car also if he is fully satisfied with the services of that insurance company. This will definitely result in growth of business.

7. **Cost to serve is low**- Cost to serve existing satisfied customers is always very less for the supplier as they know and understand customers. Customers never come back with complaints and queries because they know the actual business flow and completely rely on the relationship with supplier.

Successful implementation of Relationship Marketing practices requires a strategic approach, which encompasses developing customer-centric processes, selecting and implementation technology solutions, employee empowerment, customer information and knowledge generation capabilities to differentiate them and the ability to learn from the best practices.
There are other attributes as well which promote a high quality relationship, these include the following:

- **Courtesy**- Many times customers become irritated and uncivil due to some unpredictable reasons. But it is substantially important for supplier/service provider to keep them calm and deal accordingly. Delivering the responses in calm voice with courtesy and sympathetic sense could dramatically act as a catalyst in driving customer’s satisfaction.

- **Availability**- Manic customers always prefer human responses instead of electronic emails or messages. Hence, it is important for an organization to make its executives always available for customers for responding and dealing with customer queries and needs. Provision of these services always promotes emotional bonding between customers and suppliers which in the end is always fruitful and drives to profitable business.

- **Responsive**- The suppliers/service providers should always have prompt, responsive and experienced executives to serve customers. For example, if a customer calls and asks about some critical features of any product and the executive fails to explain it or being non-responsive to most of his questions then the customer could probably divert his way to some other organization for better response which could definitely result in end of the deal and relationship with that customer.

- **Intelligent**- Many customers are attracted towards good deals which consist of discounts and feasible prices. A supplier/service providers should be intelligent enough to deal with these situations
and offer the best price and deal so that the customer is not lost to the supplier who is able to make some substantial profit if not more. This requires predefined strategies to be created and to respond intelligently towards fulfilling these strategies.

- **Futuristic**- Always be futuristic to technological changes. The strategies, types of services and products could gradually deteriorate with time due to huge competition and higher rate of technological changes. Keeping this in mind an organization should always focus on renovating business strategies periodically and convince the customers accordingly.

Inheriting the above quality attributes into business will always improve quality *relationship between customers and suppliers/service providers* and is always fruitful for both.

It is necessary for a supplier/service provider to study the orientation of customers before dealing with them as it will help them to identify the specific customer needs and transact accordingly. By identifying the orientation of customers the suppliers could easily make their strategies to grab customers by fulfilling their aspirations and turn them to satisfy customers. The customer satisfaction is the major factor for the customer loyalty, ultimately responsible for the business performance and the profitability in the competitive environment as mentioned in figure 3.2.
3.8 Customer Profiling

For a developing business it is very important to understand who are the best customers, how to find more customers like these and where to find. Customer profiling is the best strategy to accomplish this. It helps to find valuable new customers and enhance the profitability by retaining existing customers. Customer profiling is a behavioral relationship marketing technique which includes a variety of marketing strategies ranging from simple one’s to most complex one’s.

Customer profiling starts with identification of relevant information regarding all the satisfied existing customers and then try to target new prospects with matching profiles. The profiles of customers can be categorized differently according to some influential variables present in their profile.
The telecom industry no longer talks only about customer service — instead, it is addressing the broader topic of the customer experience, which includes not just the conversations between customer service representatives and customers when something goes wrong, but the full range of customer contact from when a service is ordered to when it is delivered.33

Service providers of all types are investing heavily in this customer experience. And increased investment is what will be required, for many reasons. Chief among them is the reality that, as service providers try to offer more services and more complex services, like they are doing today, customer service requirements increase exponentially. It is easier for customers to get confused, there are more things that can break and it is harder for customers to decipher competitive offers and determine what they want. At the same time, cost control initiatives are driving service providers to create more self-care options to eliminate costly labor wherever possible. Throughout the industry, there is a movement toward natural speech options for interactive voice response systems, to make them less impersonal as they route calls. Where people are still involved as CSRs, expectations for their performance have changed significantly.

There are certain “customer service success skills” which are consistent regardless of the channel – online, phone, or retail. Here are seven key success factors for a great customer service interaction with customers:

1. **Answer quickly.** Customers want their call to be answered quickly, as well as have their question answered/problem resolved in minimal time.

2. **Have a great attitude.** Customers are most satisfied when they speak with a phone rep who is courteous, polite, friendly, and professional.

3. **Treat customers with respect.** Most customers are calling because they have a question that they couldn’t figure out the answer to themselves.

4. **Take responsibility for the outcome of the call.** Customers are most satisfied when they don’t get bounced around from one customer care executive to another.

5. **Be knowledgeable on your subject.** Make sure you are able to answer most questions or get to the information quickly.

6. **Be a good listener.** Listening to customers helps them feel they can trust you and your company.

7. **Follow up.** If you say you will do something, do it, then let the customer know you did it. Customers seem to appreciate someone who follows through and follows up to make sure all is OK (when appropriate).
Figure 3.3: A Framework for Evaluating a Customer Service Policy

Source: Journal of Marketing Intelligence & Planning
3.9 Key changes in the business environment and customer based marketing

Rapid changes with respect to consumers, marketplaces, technology, and marketing functions are driving firms to be customer centric and market driven. Also, there is a visible shift from product-based marketing to customer-based marketing. With the leap in information technology, the ubiquity of the Internet and the improvement in flexible manufacturing and outsourcing practices, understanding and meeting individual customer needs has become the important dimension on which firms can forge a competitive advantage. In other words, firms are updating their processes and practices in line with the customer concept of CRM and marketing now plays the important role of forging relationships with customers as a means to stay relevant to the customer and accountable to the firm’s stakeholders.\(^{34}\)

Rapid changes are taking place in the business environment with respect to customers, marketplace, data storage technology and marketing function.

The changes with respect to customers include:

1. Growing consumer diversity
2. Time scarcity
3. Value consciousness and intolerance for low service levels
4. Information availability and technological aptitude
5. Decrease in loyalty

\(^{34}\) V. Kumar, Werner Reinartz (2012). Customer Relationship Management: Concept, Strategy, and Tools, Business & Economics/Springer.
These changes have caused the major challenge facing companies to be meeting consumer demands rather than cost reduction.

Changes with respect to marketplace are:

1. More intense competition between firms for customers.
2. Fragmentation of markets, leading to the need for individualized marketing.

CRM when implemented on an organizational basis serves the objective of maximizing profitability, reducing support costs, and increasing sales and customer loyalty. On the surface, most of operational projects do not create revenues directly, but, if successfully developed and completed, they provide the company the necessary resources to perform value-added CRM projects. However, delivering desirable value propositions to customers requires understanding customers’ needs and expectations. No value can be realized from CRM without understanding and managing its impact on the people who live with it and make it work on a daily basis. It must be willing to prioritize human issues in order to ensure that the CRM strategy succeeds.

It is critical for operators to understand their market positions relative to their local and regional competitors and to develop a set of strategies. There are specific implications for each operator as well as strategies they can employ depending on their market positions.

Since Mobile Number Portability-MNP allows subscribers to retain their existing mobile numbers when they switch from one mobile service provider to another. MNP gives the freedom to the subscriber to choose a service provider
based on their service offering e.g. Quality of Service, Price and Customer Service Support etc.

So, MNP will be a good test for the mobile service providers to check their customer loyalty factor. If service providers are really taking care of their customers/subscribers, by understanding their needs, promptly addressing their problems/grievances, offering them good quality of service and are well backed by excellent customer service support, they really need not worry about customer churn, as their customers will be loyal to them and will remain with them.

On the other hand, if the service providers, have been taking their customers for granted, then MNP is a point of concern for them, as it can lead to customer churn, as it opens door for their subscribers to switch over to other service providers, whose service offerings are good and have loyal customer base, who would go out of the way to recommend them to their friends and family.

For subscribers, MNP, again validates the fact that 'Customer is the King', as today they have the freedom or flexibility to retain their mobile numbers, while moving from one service provider to another, based on the customer satisfaction levels.

### 3.10 Service Quality and Customer Satisfaction

Quality improvement and adherence to accepted norms of quality are central to the modern concept of marketing of services. The focus of the modern marketers has shifted from a one time sale to making repeated sales to the same customer. Increasing attention is being paid to medium and long term perspectives, rather than just the short term perspective. This has been a major revolution in thinking in the field of marketing.
Customer retention usually pays dividends by way of:

*Lifetime value of the customer*- If the customer remains loyal to the company, naturally, the repeated purchases represent a cumulative value which is quite substantial compared to any single transaction.

*Reduced cost*- It costs much more to acquire a new customer than to retain an old customer. Therefore, the focus of marketing has shifted away from the goal of mere customer acquisition to customer retention in order to substantially reduce marketing costs.

Benefits from wider opportunities to market more products and services to customers who are already loyal to you.

In measuring customer satisfaction with service quality, it is significant to examine the service quality concept, its importance and the dimensions it has.

Service quality has been a difficult-to-define concept that has aroused considerable interest and debate in the research literature. This is because the meaning of quality can be referred to in many attributes such as the experience of the service encounters, or “moments of truth”, the evidence of service, image, price, and so on.

Since service quality is basically defined from customer perspective and not the manufacturer’s, it is usually referred to as customer perceived quality. The concept of consumer-perceived quality (CPQ) was first defined by Grönroos in 1982 as the confirmation (or disconfirmation) of a consumer’s expectations of service compared with the customer’s perception of the service actually received. One definition that is commonly used defines service quality as the extent to
which a service meets customers’ needs or expectations (Asubonteng et al., 1996).

Parasuraman, Zeithaml and Berry support the same view, defining the concept of service quality as “a form of attitude, related, but not equivalent to satisfaction, that results from a comparison of expectations with perceptions of performance. Expectations are viewed as desires or wants of customers, i.e. what they feel a service provider should offer rather than would offer.” (Parasuraman et al., 1988).

Though service quality has been perceived for a long time to be an outcome of customer cognitive assessment, recent studies confirm that service quality involves not only an outcome but emotions of customers. It is argued that “during the consumption experience, various types of emotions can be elicited, and these customer emotions convey important information on how the customer will ultimately assess the service encounter and subsequently, the overall relationship quality” (Wong 2004).

The concept of service quality from the customer perspective, thus perceived service quality, is not a mistake simply because in the words of the guru “the consumer, of course, perceives what he or she receives as the outcome of the process in which the resources are used, i.e. the technical or outcome quality of the process. But he or she also, and often more importantly, perceives how the process itself functions, i.e. the functional or process quality dimension. Thus, the technical quality and functional quality dimensions of perceived service quality emerge.”
Delivering excellent service quality is widely recognised as a critical business requirement. It is “not just a corporate offering, but a competitive weapon” which is “essential to corporate profitability and survival” (Newman and Cowling, 1996). Many authors agree that in today’s dynamic market place and marketspace, organisation no longer compete only on cost but more importantly on service/product quality. In a competitive marketplace where businesses compete for customers, delivering quality service is seen as a key differentiator and has increasingly become a key element of business strategy.

The telecom services have been recognized the world-over as an important tool for socio-economic development for a nation and hence telecom infrastructure is treated as a crucial factor to realize the socio-economic objectives in India. Accordingly, the Department of Telecom has been formulating developmental policies for the accelerated growth of the telecommunication services.\textsuperscript{35}

\textsuperscript{35} Department of Telecommunications, Government of India.
The forces of liberalization and globalization of telecommunication market have pressurized the companies to maintain their market share by focusing on retaining their current customer. They are being increasingly confronted with the challenges to attract their subscribers by providing high quality of services. With the increase in the cost of acquisition of new customers, cellular mobile companies continually seek new ways to acquire retain and increase their subscriber base. Thus the ability to retain existing customer is increasingly crucial in this industry. This is possible only by providing quality of services to the customers.

Telecom landscape has witnessed a major shift after 1996 with the advent of new technologies and is taking the lead in the market place. This transformation of telecom industry has enabled organizations in other industries to adopt new management infrastructures with more IT based applications like Enterprise Resource Planning (ERP), Supply Chain Management (SCM) and Customer Relationship Management (CRM), which are fundamentally driven by new telecom technologies. Internet technology along with telecom technologies is playing a big role in facilitating the transformation, in other words digitization, of several industries.

The Indian Telecom sector is passing through a dynamic transitional phase, as it is clearly undergoing the operation of market forces of demand and supply. The sovereignty of consumers is quite evident through their revealed preference in favor of economically rational decisions.

Satisfying customer needs ensures the business survival for an organization. A periodical check is required to enhance the quality of services and product to build a quality relationship with customers. For fulfilling this goal organizations must have a set of rules to measure and improve this quality.
Delivering best quality services to customers is considered the most efficacious way to ensure that an organization stands out from a group of competitors and avail the privilege to be known as best among all. The main ingredients that are involved in a high quality relationship between customer and supplier are trust and commitment.

3.11 Conclusion

The Indian telecom industry has come a long way in achieving its dream of providing affordable and effective communication services to its customers. Faced with a growing market and increasing competition, companies in the telecom business are adopting to the new technological imperatives in order to out-perform their competitors. One such approach in the adoption of the information technology (IT) to move towards customers is the effective customer care services. CRM efforts aim at improving service quality and the service quality is found to be having a definite impact on customer satisfaction. The insight from this study can be used in other service sectors to measure service quality/service loyalty and develop robust CRM systems that can map and predict customer loyalty levels. The next chapter reports the research methodology used in this study.