Customer Relationship Management

"CRM is the business strategy that aims to understand, anticipate, manage and personalize the needs of an organization's current and potential customers". CRM is more than just a piece of software; CRM is a business strategy, one that puts the customer at the heart of the business. Good business people have always understood the relationship between happy customers that come back again and again creating long term, sustainable profitability. You just have to think of the local shop owner who knew everyone of his customer’s names, birthdays and particular ailments to prove that point. What is new is that there now exists the technology to enable this customer-centricity on a much larger scale. It is said that a successful CRM implementation will allow your Customer Service, Sales and marketing people to have a holistic view of each and everyone of your customers. In theory this will enable them to make quick, informed decisions, create cross selling and up selling opportunities, measure marketing effectiveness and deliver personalized customer care.

The History of CRM

The Enterprise Resource Planning or ERP (the business strategy that promised to automate the “back-office”, the term CRM was first coined in the mid-1990s. CRM in those days referred to the software used to help businesses manage their customer relationships. From sales force automation software (SFA) that focused on customer contact management to integrated knowledge management solutions, these were the early foundations of CRM. The last couple of years have seen the term broaden to encompass a more strategic approach and the investment of billions of dollars worldwide into CRM solutions and services.
First Things First

Successful CRM always starts with a business strategy, which drives change in the organization and work processes, enabled by technology. The reverse rarely works. The key here is to create a truly customer-centric philosophy that touches every point and more importantly every person in the company.

The Right Technology

It is estimated that the global market for CRM services and solutions is currently worth $148 billion that means a lot of choice when selecting your technology. Web-based solutions aimed at small businesses with less than 10 employees to solutions suitable for multi-national enterprises with millions of customers.

The Future

CRM has already made a big impact in the world of customer service and will continue to do so. As more and more companies become customer-centric, those that fail to do so will lose competitive advantage. As technology increases to develop a surprising rate, the key emphasis will be how we can fully utilize it within our business. However let's not lose sight of the fact that Customer Relationship Management is about people first and technology second. That’s where the real value of CRM lies, harnessing the potential of people to create a greater customer experience, using the technology of CRM as the enabler. CRM may or may not prove to be the answer to providing excellent customer care, but the philosophy of putting customers at the heart of our business is definitely a step in the right direction.
3.1 Conceptual Framework of CRM

Managing the good relationship with the customers is the only key to success and for the survival of the business. The concept of customer relationship management helps companies not only to retain the existing customers, but also widen the customer base. CRM helps in tracking marketing opportunities better and focus on those customers who not only provide the sales volume but also are important in terms of profitability. CRM is defined as tracking customer behaviour in order to develop marketing and maintaining customer relationship to a brand often by development of software system. It provides one-on one contact between the marketing business and their customer. CRM is a business strategy, which includes the people, processes, and technology associated with marketing of services. It provides information for every corporate activity from marketing to fulfillment. CRM is the broad category of concepts, tools, and processes that allows an organization to understand and serve everyone with whom it comes into contact. CRM is about gathering information that is used to serve customers basic information such as name, address, meeting and purchase history, and service and support contracts. In the supplier relationship might be procurement history, terms and conditions or contact information. This information is then used to better serve the clients. CRM's largest vendors such as Siebel, people soft, oracle, and SAP will continue to grow and expand their reach into newer application segments, such as marketing automation, partner-relationship management and even employee-relationship management. CRM is a process or methodology used to learn more about customers' needs and behaviour in order to develop stronger relationships with them.
There are many technological components of CRM, but thinking about CRM in primarily technological terms is a mistake. The more useful way to think about CRM is as a process that will help bring together lots of pieces of information about customers, sales, marketing effectiveness, responsiveness and market trends.

1. One group defined CRM as a way to derive business benefits from customers, such as increased revenue or profitability.

2. Another described CRM as an approach to deliver customer benefits, such as improved customer experience or higher customer satisfaction.

3. The third group tended to define "CRM" as a method to manage customer information, through analytic or process automation.

Diagram 3.1 Shows the perspectives on CRM

(Adopted from Customer Think –Bob Thompson)
There are three perspectives of CRM –

1) **Company**- It is company’s holistic strategic approach used to manage the customer relationships.

2) **Information Technology**- By using information technology tools, manage the customer information from different resources to maintain the relationship with customers.

3) **Customer**- To identify the needs of customers and fulfill the needs and wants of every customer.

3.2 **Enterprise Resource Planning**

Enterprise Resource Planning (ERP) is a business management system that integrates all facets of the business, including planning, manufacturing, sales and marketing. ERP systems are originated to serve the information needs of manufacturing companies. Over time though, they have grown to serve other industries, including financial services, customer good sector, supplier chain management and human resource sector. With this growth, ERP systems, which first ran on mainframes before migrating to client or server systems, are now migrating to the Web and include numerous applications. ERP is a product that helps automate a company's business process by employing an integrated user interface, an integrated data set, and an integrated code. EC*ERP business software integrates the information used by an organization's many different departmental functions into a unified computer system. It is designed to model and automate many of the basic processes of a business organization, from finance to the manufacturing management, with a goal of integrating information across the company and eliminating complex, expensive links.
between computer systems that were never meant to 'talk' to each other. It uses web as a platform to bring customers, vendors, suppliers, manufacturers and employees together.

Diagram 3.2  Information Integration through Enterprise Resource Planning

Diagram 3.3  Shows Customer Relationship Management
CRM is a customer-focused business strategy designed to optimize revenue, profitability, and customer loyalty. CRM gives the most value to customers by tightly integrating their sales, marketing and support efforts. CRM's primary objective is to provide the entire organization with a complete, 360-degree view of the customer, no matter where the information resides or where the customer touch-point occurs. CRM manages every point of contact with the customer to ensure that each customer gets the best level of service and that no sales opportunities are lost. By implementing a CRM strategy, an organization can improve the business processes and technology solutions around selling, marketing and servicing functions across all customer touch-points (for example: Web, e-mail, phone, fax, and in-person).

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3.3 Use of Customer Relationship Management

CRM is the common term used to explain the managing of prospects all the way through the complete sales process. It is an entire data system that can either be manipulated by hand, such as an index card system or a computer automated system. There is particularly designed software for customer relationship management that can be either installed directly into a computer or through a web based system that is accessible only online. CRM systems are useful as they facilitate the management of the entire prospect/customer details such as the names, addresses, phone numbers, call records and purchase history and more. The other uses of CRM consist of planning of appointments, schedule of call back times and other sales connected activities. Depending on the system, automated
CRM can be just one user, or for numerous users to have access to customer accounts. As every good business manager knows, Customer Relationship Management (CRM) is an information industry term for methodologies, software, and usually internet capabilities that help an enterprise manage customer relationships in an organized way. Knowing, understanding and predicting what your customers want - and will want in the future - is vital to the success of any enterprise, therefore IT systems that specifically address the problems of dealing with customers on a day-to-day basis are growing in popularity. CRM is not just the application of technology, but is a strategy to learn more about customers' needs and behaviors in order to develop stronger relationships with them. In the commercial world, the importance of retaining existing customers and expanding business is paramount. The costs associated with finding new customers means that every single existing customer could be important. The more opportunities that a customer has to conduct business with your company the better, and one way of achieving this is by opening up channels such as direct sales, online sales, franchises, use of agents, etc.

Customer relationship management (CRM) helps businesses to gain an insight into the behaviour of their customers and modify their business operations to ensure that customers are served in the best possible way. In essence, CRM helps a business to recognize the value of its customers and to capitalize on improved customer relations. The better you understand your customers, the more responsive you can be to their needs. Customer Relationship Management (CRM) is a business philosophy involving identifying, understanding and better providing for your customers while building a relationship with each customer to improve customer satisfaction and maximize profits. It’s about understanding, anticipating
and responding to customers’ needs. To manage the relationship with the customer, a business needs to collect the right information about its customers and organize that information for proper analysis and action. It needs to keep that information up-to-date, make it accessible to employees, and provide to know how for employees to convert that data into products better matched to customers’ needs.

**CRM facilitate Customer Loyalty**

Since CRM constantly serves to keep a tag on what a customer is buying, these opportunities can be utilized to encourage sales leads. Slipping in at the time of purchase with an offer of discount on another purchase induces him to purchase further. CRM is basically a highly developed marketing strategy that uses the organizations resources by delivering personal messages to a target audience. This target audience is generally the most profitable customers. CRM also serves to measure the effectiveness of marketing campaigns. Customer relationships are the backbone of an organization and are essential to almost all departments. CRM manages to turn an organization image into one of warmth and portrays a customer friendly attitude to its users. CRM enables organizations to deal out better customer care, one that is more personalized. Customer relationship management seeks to encourage better marketing effectiveness and helps in identifying potential customers. CRM's impact on the world has been phenomenal. Customer service sectors are proof of this growth. As companies opt for CRM strategies, the ones who haven't will lose the competitive edge. Why use CRM? CRM tends to get hold potential of people and uses this to make the customer service experience of its customers much better. Statistics state that CRM is implemented in almost 30% of American companies. The estimated amount that is likely to be poured into the
CRM industry is $90 million. With such staggering statistics it is but right for those who haven't opted for it to do so.

**Communication mix as an element of CRM**

Holistic marketing approach for services requires external marketing, which deals with the interaction of the company as a whole with the customer in terms of company product, price, distribution channels, and promotion activities. Internal marketing is the process of engaging the support and commitment of employees and other organizational members for the goals and objectives of the company and interactive marketing deals with the interaction of frontline employees with customers in terms of understanding and solving customers’ problems attentively. One of the four P’s of marketing mix is promotion also known as marketing communication. Organizations have to communicate with their existing and potential customers about what they are doing. Marketing communication is very important and at the same time challenging in the service sector as the nature of services is characterized by intangibility of the service product, which is decisive to convince customers on the value of a product. The intangibility of services has a number of managerial implications.

Marketing communication is defined as all strategies, tactics, and activities involved in getting the desired marketing messages to intended target markets, regardless of the media use. Most service marketers have access to numerous forms of communication, referred to collectively as the marketing communication mix. The mix includes advertising, personal contact, publicity and public relations, sales promotion, instructional materials, and corporate design. Marketing communication mix elements provide information and consultation that are important components to add value to a product or service. Customers need information about the features of the product or service, its price and how they can
access it, to make informed purchase decision. Thus, if customers are able to get the necessary information about the product timely and adequately, they may feel that they are buying quality product or service. This means having good and effective communication channels adds value to the product or service of the company as customers have confidence on their purchase.

Generally, taking into account the nature of the service industry, the challenges it brings to organizations and the need to follow holistic marketing approach to effectively interact with customers highlights the importance and significance of marketing communication activities. In service setting, marketing communication tools are especially important because they help to create powerful images and a sense of credibility, confidence, and reassurance. Though it would be wise and important to evaluate the effectiveness of all the elements, the researcher assessed the effectiveness of only advertising and personal selling because of the intense usage of advertising and personal selling elements in the service sector of Assam and also to reach different types of audience, investment requirement, audience coverage, and efforts required. Any investment has to bring some return for its investor. Evaluating the effectiveness of a particular investment helps organizations to realize whether their investment is worthy or not. Investment on advertising campaign and sales force takes a major share of organizations’ investment for marketing activities.

As it is already said, evaluating the effectiveness of a company’s investment on its marketing activities in general and advertising and sales force in particular helps to identify drawbacks of the existing marketing practices and make necessary corrective actions to improve marketing activities’ effectiveness and efficiency as
the whole efforts of organization’s fruitfulness lies on marketing at the end of the day.

Generally, advertising has the potential to inform the masses, present and prospective consumers about the goods and services of a company and force them to visit the company’s manufacturing and/or distribution centres for further information and making purchase decisions. CRM Solution can provide the foundation for sustainable growth and enable organizations to survive and thrive in these uncertain times. The customer is supreme doctrine; Do whatever you want, but never displease the customers.

3.4 Customer Acquisition

For most businesses, the primary means of growth involves the acquisition of new customers. This could involve finding customers who previously were not aware of your service. Some of these customers might have been your customers previously, which could be an advantage (more data might be available about them) or a disadvantage (they might have switched as a result of poor service). In any case, data mining can often help to segment these prospective customers and increase the response rates that an acquisition marketing campaign can achieve.

The traditional approach to customer acquisition involved a marketing manager developing a combination of mass marketing (magazine advertisements, billboards, etc.) and direct marketing (telemarketing, mail, etc.) campaigns based on their knowledge of the particular customer base that was being targeted. In the case of a marketing campaign trying to influence new parents to purchase a particular brand of diapers, the mass marketing advertisements might be focused in parenting magazines (naturally). The ads could also be placed in more mainstream
publications whose readership demographics (age, marital status, gender, etc.) were similar to those of new parents.

In the case of traditional direct marketing, customer acquisition is relatively similar to mass marketing. A marketing manager selects the demographics that they are interested in (which could very well be the same characteristics used for mass market advertising), and then works with a data vendor (sometimes known as a service bureau) to obtain lists of customers who meet those characteristics. The service bureaus have large databases containing millions of prospective customers that can be segmented based on specific demographic criteria (age, gender, interest in particular subjects, etc.). To prepare for the "diapers" direct mail campaign, the marketing manager might request a list of prospects from a service bureau. This list could contain people, aged 18 to 30, who have recently purchased a baby stroller or crib (this information might be collected from people who have returned warranty cards for strollers or cribs). The service bureau will then provide the marketer with a computer file containing the names and addresses for these customers so that the diaper company can contact these customers with their marketing message.

A key factor for the growth of any tourism business is the acquisition of new customers and the retention of existing clients. While customer acquisition is a key goal, it poses challenges, including potentially high marketing costs and efforts needed to close a sale. Companies, regardless of size and geography are looking to:

- Expand their customer base
- Minimize costs and customer acquisition lead times
- Improve customer relationships by creating effective loyalty programs
First source offers customized end to end customer acquisition solutions that address the tourism services, telecommunications and media and healthcare industries.

3.5 Customer Retention

Customer retention is the activity that a selling organization undertakes in order to reduce customer defections. Successful customer retention starts with the first contact an organization has with a customer and continues throughout the entire lifetime of a relationship. A company’s ability to attract and retain new customers, is not only related to its service or services, but strongly related to the way it services its existing customers and the reputation it creates within and across the marketplace. Customer retention is more than giving the customer what they expect; it’s about exceeding their expectations so that they become loyal advocates for your brand. Creating customer loyalty puts ‘customer value rather than maximizing profits and shareholder value at the center of business strategy’. The key differentiator in a competitive environment is more often than not the delivery of a consistently high standard of customer service.

In today's challenging economy and competitive business world, retaining your customer base is critical to your success. If you don't give your customers some good reasons to stay, your competitors will give them a reason to leave. Customer retention and satisfaction drive profits. It's far less expensive to cultivate your existing customer base and sell more services to them than it is to seek new, single-transaction customers. Most surveys across industries show that keeping one existing customer is five to seven times more profitable than attracting one new one.
Acquire and Retain process

It is easier to identify those that are producing the greatest value for the organizations. They aim to continue to learn more about each customer segment and use it for successful customer retentions. Successful customer retention is based on the organization’s ability to constantly deliver, based on three principles:

- Maintain interaction; never stop listening
- Continue to deliver on the customer’s definition of value

3.6 Cost and Profit in Customer Acquisition and Retention

A firm has to always bear in mind the cost of acquiring and retaining a customer. This is because of the direct impact on its profits. One has to remember, that beyond a certain level, cost of acquiring or retaining a customer exceeds the revenues he will bring in and hence lowers profits. Often marketers forget to examine the long-term profit and loyalty potential of customer. This leads to blindly putting in place measurements for customer acquisition and retention. Research today shows that a company may have four types of customers. Acquisition costs are all contact expenses. For example, cost of email, direct marketing, catalogue marketing. Idea marketing, sales promotion, advertising and sales call Constitue acquisition cost. In all these costs, email cost is the least while the personal sales call is the most expensive form of acquiring a customer. Retention cost covers cost of servicing an acquired customer, reward programmers, Sales promotion costs and all other communication costs. Since the cost on both acquisition and retention is high. Management is often confronted with the question of whether to spend on either or both. Why the need is not debated, the costs as also the amount to spend are often issues that need management consideration.
The general guideline is to overprice on retention rather than being stingy and losing out to valuable customers. The optimal level of spending has to be found. This varies from industry to industry and the complexity of the market environment.

On the model developed for allocation of resources for customer acquisition and retention has been called allocating resources for profits. This is a complex regression analysis in which long term profitability is function of.

a) Amount of money company spends on each customer’s acquisition and retention and

b) Factors affecting the customer’s decision with each factor weighted to refer its relative importance in the decision.

Diagram 3.4 shows the process of Customer Acquisition and Retention.

CRM is the process of targeting, acquiring, servicing, retaining and building long-term relationships with customers. It is effectively relationship marketing, using
customer data and facilitated by technology and responding to their needs throughout your organization’s lifecycle with them: -

1) Acquire & Retain

2) Understand & Differentiate

3) Develop & Customize

4) Interact & Deliver

Customer acquisition starts either through the traditional advertising or through referrals. The next stage is of customer development through personalization of communication and customization of products and services by way of a mutual learning process. As a result, leveraging of customer equity occurs through cross-selling and up-selling. Then retention of existing customers takes place. The organization also benefits from the new customers that it acquires through positive referrals and increased Profitability.

**Principles of CRM:**

1. **Value Segmentation**- Segmentation is based in customer needs, preferences, behaviors and economic potential, which provides the basis for resource allocation decisions in marketing, sales and service.

2. **Institutional Memory**- When the customer interacts with us, everyone in the enterprise is aware of prior interactions, outstanding issues and pending opportunities.

3. **Collaboration**- Customers are involved in the specification, design and/or delivery ala desired result.
4. **Touch-point Alignment**- Customers are able to do business with you through multiple channels, which are aligned with your customer’s needs and, their value to your business

5. **One & Done**- Customer needs are solved during the first contact.

6. **Real-time information manager**- Your employees have real-time access to the right information in order to make customer-based decisions and resolve issue immediately.

7. **Customer Scorecard**- Employee performance requirements and measures are designed to drive specific customer behaviors (e.g. share of spend, loyalty, average value of customer) that are measured explicitly.

8. **Closed-Loop Processes**- Integrated front and back office systems ensure that information and workflow carry through the entire enterprise to their logical conclusion, closing the customer loop and enabling continuous knowledge capture.

9. **Listening & Learning Posts**- Forums facilitate information sharing and learning among your customers that helps them do business with you, learn from each other and provide valuable input to your business processes and operations.

10. **Customer Experience Management**- You have mapped all "touch points" between you and your customers and are able to deliver a consistent, high quality experience that provides added value to the customer."

### 3.7 Identifying the Customers needs

It is important to know why people are travelling — and we are not just being nosy people travel for different reasons, and if we know why we are able to offer alternatives. Perhaps they are travelling for educational reasons. Consider
colleges throughout the world, together with the subject covered and term dates as this will affect alternative travel arrangements for the student. Perhaps our client is travelling for business reasons, and has an important meeting to attend, therefore if the flight requested is fully booked a later one would not suffice. If you know why the business traveler needs a flight you are in the position to offer an earlier one that is available. Is your client seeking the sun? Again, if this is the prime reason for travel the choice is enormous, and a suitable holiday should be possible. Is the client travelling for health reasons? You should have details of the man’s health resorts, spas and medical schemes available around the world, and make useful and constructive suggestions. Your client may need medical assistance while travaling. Perhaps your client is going to visit friends and relatives. Alternative routings may be necessary in order to get your client to the destination on time.

Body language plays an important part in looking interested in your client’s needs. Inwardly, you may feel tired at the end of the day, or frustrated by a particular situation, but your body language should not reflect this. Keep smiling! Throughout face-to-face selling it is important to demonstrate client care by using eye-to-eye contact. Use the client’s name and be genuinely interested. Making travel arrangements should be an enjoyable thing for the client to do. Avoid giving the client the impression that you are too busy. Don’t give the impression that you are rushed. Take as much time as you need. Argue with your client. You are there to establish the facts and to try to correct. There is any point you can explain to the client that will help, do so. However, do the situation. Can you offer an immediate alternative? You will not be in the position to make rash promises of compensation. Each complaint will have to be investigated and the offer of
compensation may have to come from the tour operator, or airline carrier, or shipping company etc.

3.8 The Cost of Acquiring New Customers:

Perhaps the most obvious reason why profits are higher with existing customer is that if all customers are retained, the business avoids the cost of acquiring new customers. This would include many marketing costs such as advertising, promotion, service costs, and initial set-up costs.

Each year UK companies spend over 19 billion on advertising their goods and services. Responses hierarchy models, such as 'AIDA' on the 'Hierarchy of Effects' model are used to develop advertising messages and elicit a desired customer response.

Typically, these messages will be built around a number of buyer-readiness states as follows:

- awareness- letting customers know that the service or services exists
- understanding-telling customers what the service does;
- liking-creating a positive feeling amongst customers towards the services;
- wanting-convincing customer that they need this service;
- buying-motivation customers to actually go out and buy the service

All of this stage appears to assume that the customer is new customer; in other words; they suggest that advertising is travel agency rooted in the transaction marketing stable. The implication of this is that a business that retains all of its customers over a long period will not need to advertise. There is some merit in the argument. Many service industries such as restraints, hairdressers, builders, plumbers, and car repairers never advertise as they simply rely on their existing customers to bring them business.
The Added Value of Existing Customers

Once the initial attraction cost has been absorbed, there are a number of reasons why existing customers are likely to be of higher value to the organizations than first time buyers: In many hi-tech industries such as consumer electronics, automotive, or aerospace, the supplier and customer will enter into joint service design initiatives, sharing other's knowledge and resources in order to reduce costs. Similarly an integration of the service providers and the customer's, It might be enable the implementation of a just-in-time (JIT) delivery system in order to reduce inventory in the supply chain and reduce overall costs. Such collaborations require investment from both the supplier and the customer and usually tie both of them into long relationship. With so much at stake, both sides will only be willing to risk this if they trust and are fully familiar with the other party. It is more likely that this will occur between long-term retained customers and their suppliers.

Existing Satisfied Customers are Likely to be less Price-Sensitive

There is an old saying in business that no matter how good your prices are, someone somewhere will be charging less. Such as sentiment echoes are frustration of operating in competitive industry where price competition is the norm. This happens in B2C market such as supermarket groceries or petrol, as well as in B2B markets such as steel rod or stationery supply. It is also common in-service industry such as tourism, insurance, banking, airlines. Price based competition tends to be transaction-based in that it s goal is to win new customers by taking them in from the competition. The problem with the price-based competition is that it reduces overall profitability and can lead to price wars. An alternative to price competition is service-based competition, where the goal is to ensure that the customer experience is so good that they will be happy to pay the
price, even if it is not the lowest price available. This tends to be a relationship-based approach.

However it is not always easy using service features to differentiate buses. For petrol retailers, price and convenience are the determining factors. Banks and building societies have also found it difficult to differentiate them and end up competing on price. In these situations long-standing customer becomes very valuable as they are less likely to jump ship if better offer comes also somewhere else. Ideally, a business should try to attract new customers with special offers and price promotions and maintain existing customers through their exemplary service. Retained customers (whether loyal through genuine affection or simply through inertia) will be less price-sensitive because they believe that they are getting good overall value from the company but the company should be careful to maintain this overall added value and not be sent to be taking advantage of loyal customers.

In B2B marketing, frequent price-switching customers are less common because price is often not the only factor in determining a supplier. Other considerations such as continuity of supply, reliability of delivery, and quality standards will also play a part. However, if a customer knows that more than one supplier can meet its needs, and then it might play the different companies off against each other in an effort to level a better deal. In a long-standing relationship customers are less likely to leave without warning.

**Regular customer makes for easier business planning**

Regular customers place frequent, consistent orders and are therefore usually less costly to serve. Factories can be geared to produce what is needed when it is needed. With no surprise rush jobs, output can be managed for maximum cost efficiency. At the same time, ongoing cash flows are predictable,
which enables investment and expenditure decisions to be taken with confidence. The logistics are also easier to manage as transportation and warehousing can all be arranged in advance. As the years go by, retained customers buying behavior falls into patterns, thus helping the supplier’s strategic planning process.

**Existing Satisfied Customers are more likely go Give Referral**

Word-of-mouth referrals from existing customers are a powerful marketing tool because the message is likely to be taken more seriously than an advertising message sent out by the company itself. Customer-initiated referrals are common in many service sectors, where the customer fees that they have received commendable service. Thus, many restaurants do little advertising but rely on referrals and repeat customer for much of their business. The same can be true of other service, such as solicitors, builder, or car mechanics. The development of the internet has give the power of customer referral a huge boost as satisfied customers can now tell thousands of others about their experience.

### 3.9 The Role of Customer Care and Service Quality

Generally speaking as competing services such as tourism services develop even more advanced features, they indistinguishable from each other in the eyes of customer and assuming switching from one brand to another is relative straightforward, customers have no reason to exhibit any sort of loyalty. As a result many businesses have turned to more intangible features, including the series associated with the purchase and consumption of the service. Such features generally come under the heading of customer care.

- **Customer care**: ensures that all of the processes associated with buying and using a service or service go smoothly. This would include all advice and information sources provided by the organization to help the customer make
the right decision. It would also include things such as order procedures, delivery, installation, etc. In other words this encompasses all of activities which support the purchase and use of core service or service. Examples would be making sure the organization’s website is easy to navigate and secure, so that customer can place orders online. Another example might be use of central call centers to handle enquiries. Many companies have been criticized for outsourcing activities like these to overseas call centers which inhibit the ability of the company to offer an efficient and knowledgeable service. In many respects, customer service boils down to how well the organizational structure enables the service to be delivered efficiently.

- **Service quality standards and measures** - set out to ensure that the service conforms to specifications and is fit for purpose. These relate to core service and are pretty self-explanatory. No customer is going to be satisfied if the service itself does not do what it is supposed to do.

- **Service Quality**: relates to the way in which the organization deals with its customers, focusing on the customer’s experience during the process of the transaction. Service quality is one other bedrock of RM as it explores the interface between the organization and its customers when he talks about ‘moments of truth’). Service quality will involve the interpersonal skills of employees of how the organization fulfils their expectations of quality.

- **After Sales Service**: is the final area identified by Carson and Gilmore as being a distinct part of customer care. This would include enquiries and complaints handling, repair and ongoing maintenance. It could be argued that after-sales service falls under the general umbrellas of customer service. Clearly, the scope of customer care is extremely broad. In its widest sense it
embraces everything that an organization does in order to establish and maintain a relationship with its customers.

### 3.10 Customer Value

This term can be understood from a variety of perspectives. All of them tend to consent rate on the customer or firm’s perspective. From the customer’s perspective, value can be understood as what he or she is willing to pay and hence customer value refers to the perceived value by the customer in an offer. In other words, it is the value that the customer as being superior and relevant to him/her and hence is willing to pay for the purchase and consumption of the products/services. From the firm’s perspective, it is the value of the customer (i.e. customer lifetime value), and use of a strategy to be used to create and deliver value to the customer. Let us understand this term both from the customer and the company perspectives as it influences relationships between the company and its customers.

**Customer Value from Customer’s Perspectives**—it is important to understand two terms are, namely ‘Value’ and ‘Values’. The ‘Value’ refers to preferential judgment, while ‘Values’ refer to the decision criteria that shape this preference. For example, when a housewife chooses a brand of microwave oven or a detergent she is communicating that the brand is more valuable than others. But what has made her choose that brand? Research shows that the following factors collectively influence a consumer’s decision to buy a durable product like microwave oven and hence may be termed as ‘Values’ that customers look for:
a) **Personal**- The demographics and lifestyle of the customer are factors that influence the decision to buy a microwave oven. For example, the value of zero defects in the product is much more for her than for the housewife who may not mind waiting for service in case of product failure. Hence, personal factors play a significant role in determining customer values.

b) **Esteem** - One of the significant factors in the purchase of a product or service is its status value. For example, luxury products or premium-priced products are often bought to enhance the status of the buyer. It is important to note that status value is attached to all those products which are perceived as inspirational by the target market. Today, many brands are bought by the customer to make a ‘Statement’ to his/her reference group by flaunting the purchase.

c) **Utility**- The economic perspective of a product purchase is its utility. Different target markets attach different utility values to the same product. For example, the younger customer (age group up to 25 years) may perceive ‘staying in continuous contact with friends’ as the major utility of a cell phone. But the customer in the higher age group of 50 years plus may perceive a cell phone’s primary utility as a means of communication in emergencies only. Thus, a cell phone serves different needs of different groups of customers. It is important to note that the utility of a product lies at the core of its purchase proposition.

d) **Social**- Many times a customer’s social needs drive him/her to buy the product. When this happens, the primary value a product serves is social. Hence the marketer needs to project in its positioning statement. For example, a good neighborhood/community is an important social value in the purchase of an
apartment/house. Hence, leading construction companies in the country often states the community for whom they have planned the residential units. The families who have bought apartments and live in that area. Thus affiliation and acceptance by peer group, opinion leadership, friendship, etc. are some important social motives which direct customer to brand or service.

e) **Price** - Another important value in the purchase of a product is reflected by its price tag for example moderate prices and product quality draw customers to big bazaar while the exclusivity attached to premium priced products draw customers to designer showrooms. Average price is an important value that customers look for when buying goods and services. This is particularly true in the context of price sensitive market segments. Researcher’s have established a relation price, perceived quality, and perceived value. This has introduced the concept of ‘trade off” in the marketing literature. Invariably, customers make a trade-on between price and quality and buy the brand which maximizes value at given price level.

f) **Quality**- Like utility and price, quality is an important core value in the customer’s decision making. As we shall learn in the subsequent chapters, quality is what a customer pays for and not the company wants the customer to believe in. Hence, the perceived quality is inherent to the customer. As was mentioned earlier, there is a relationship between price and perceived quality and hence, perceived value.
3.11 Building Customer Relationship

Peppers and Rogers (1993), the proponents of one-to-one marketing, proposed the IDIC framework to explain the process of converting existing customer into loyal customers. IDIC represent the following four key steps in the relationship building process.

1. **Identify:** This step requires the company to locate and contract a large number of its customers directly and know as much detail about them as possible. This includes their names, addresses, phone numbers, account details (whatever relevant), habits, preferences etc. Now this kind of information cannot be collected easily or through a one-time questionnaire-based activity. Most organizations, in fact. Sit on a pile of customer data but they are typically dispersed over different databases across departments. Every interaction with the customer through any channel should be seen as an opportunity to learn about them and this knowledge has to be used to serve them better.

2. **Differentiate:** Customer can be differentiated on the basis of the value they represent and also on their needs. The value represented is an indication of customer’s worth to the company- the more valuable they are, the more the company should be interested in retaining them. Although the easiest measure of value is the revenue contribution of the customer, this can become tricky if the cost to serve is high for the high revenue customers.

3. **Specialize:** The ideal measure as the cost to customers is difficult to isolate due to sharing of the overheads and lots of common services. Some customers need very standard services and services while other have very specialized needs. Customer with specialized needs create opportunities for customization. Customization helps meet these needs and tie a customer with mutual benefit.
Differentiation should help the company tailor its offering to each customer to reflect their values and needs.

4. **Interact:** The purpose of interaction is to learn more about the customers starting with the more valuable customers. These interactions can happen when the customer is making purchase, using a service or even while the customer is making a complaint. It can be done through forma surveys, telephone interactions or self service channels like the web, call centers, or ATMs in banking services. They should be adding on to the existing knowledge about the customer and this should be done in a cost-effective manner by using the lower cost electronic channels. The learning relationship gets smarter with each interaction.

5. **Customize:** The last step is the most critical as it builds upon all the learning about the customers to offer real value to them by tailoring some aspect of the service related to a service or even mass customizing the service. When the customization is done on the basis of what the customer has indicated. During his interactions. It improves the ability to the service and service to this customer’s exact needs. This helps the customer enjoy a high level of convenience, which cannot be easily duplicated by competitor without the customer having to put in the time and effort to teach the competitor the lesson already learned by his existing company.
Bonding for customer relationship

There are four levels of bonds.

1. **Financial Bonds**: Volume and Frequency rewards, Bundle and Cross-selling and Stable pricing.

2. **Social Bonds**: Personal relationships, continuous relationship and social bonds among customers.

3. **Customization bonds**: Customer intimacy, mass customization and anticipations/ innovation.

4. **Structural Bonds**: Integrated information systems, Joint investments, and Shared processes and equipments.

**Level 1: Financial Bonds**

The financial bonds tie the customer primarily through financial incentives – lower prices for volumes or for customers who have been patronizing the travel agency over a period of time. Loyalty programs such as frequent flyer programs, reward programs of hotels and credit cards are examples of financial bonding through volume and frequency rewards. Bundle and cross selling is seen in the case of magazine subscriptions, credit cards, telecom and internet services in which customer can buy other services provided by the same provider or someone else at a lower cost.

Companies also offer the assurance of stable prices or lower price increase that those paid by new customers to retain their old customers. The options of earning a higher interest rate give to ICICI bond holders, whose bonds were getting redeemed. If they invested the redemption amount in a fixed deposits is an example of stable prices in a situation where the interest rates were going down.
Many electronic travel agencies have a 30-day low price guarantee where they match the lowest price at which a particular service is sold in the marketplace. Similarly in an effort to increase its service use, American Express provides the difference in price for a service, if it is available at a lower price. This holds true within certain price levels and as long as customer is using certain American Express Cards. One of the biggest disadvantages of the financial bonds is that they can be easily imitated. Also, it attracts a lot of price sensitive customer who switch’s to cheaper option at the first available opportunity. Thus if travel agency in an industry resort to this type of bonding, it depresses the profitability of this industry a whole. Hence, financial bonds are the weakest bonds. Unfortunately they are the most commonly used bonds across industries.

**Level 2: Social Bonds**

Marketer builds social bonds with customer by viewing them as clients who are not merely nameless faces. They find ways to keep in touch with them and interact with them to find their changing needs and offer solutions.

It is very easy to visualize social bonds of the personal kind in the context of professional service providers (doctors, teachers, accountants, etc.) and personal service providers (hairdressers, baby sitters) with their client. During interactions, information sharing and rapport are necessary for providing the service as they also cement social, interpersonal bonds. Opportunities for social bonding also exist in business markets where the account /relationship managers work very closely with the client’s team. This helps them build social bonds, which transcend the commercial transactions. Continuous relationship is provided to customer when companies have stable long standing dealers who bring in the local market knowledge and maintain close relationship with customers.
In several cases, social bonding develops among the customers instead of relationship between the company and the customer. This can happen in services where customer interacts with each other e.g. a club, gym, library, etc. It can also be facilitated by the marketer. The passport program also creates a kind of social bonding in addition to the financial reward received by the customer. These clubs create opportunities for sharing common interests and activities that bring the customers together and keep them from switching.

**Level 3: Customization Bonds:**

Intimate knowledge of customers and their needs developed through a learning relationship is very useful in retaining valuable customer. Customer intimacy connotes that customer is actively sharing information during interactions and contributing in the marketers endeavor to customize the service, services or any aspect of the marketing mix. Every member of the organization uses every opportunity and knowledge of the customer things about the customer and adds to the organization knowledge of the customers; Marriott Hotels knows the likes, dislikes and special habits of its over 5 million customers. This information is shared across its hotels worldwide. Mass customization refers to the use of flexible processes and organization structure to produce varies and often individually customized services and services at the price of standardized. It does not mean providing customers with the endless choices, but providing tailored services or service with little addition effort and cost-effective service and communication technologies. Customization bonds are also difficult to break as the customer would need to start from scratch and teach the new potential provider has the capability to meet the customer’s requirements. However, travel agencies must be careful about trying customization bonds. For examples, some customers are very clear about the services they need. They do not appreciate being prompted about
other purchases. It is important to understand the psychological profile of the customer before developing customization bonds with customers.

**Level 4: Structural Bonds**

The partnership between Wal Mart and Procter and Gamble described earlier, is an example of structural bonding through integrated information systems, joint investments and shared process.

American Express bonds with its customer through the use of its debit cards and the Travel Related Services (TRS). TRS takes care of all the travel executives belonging to its corporate clients. TRS personnel, in many cases out of the client’s premises, arrange visa, passport, and bookings for airline, taxi and hotels at special prices through arrangements with all their partners, thus, providing a ‘one stop shop’ and a hassle free experience for the executive and as well as client organization. When the executive travels all the expenses are paid through Amex debit cards. It does not stop here. Amex then consolidates the travel and entertainment (T&E) expenses and presents it to the client’s organization in the format that its accounting/financial system requires- executive wise, location wise, budgeted vs. actuals. Thus by meeting the requirement of the executive the P&A department and accounts department of the client organization, Amex provides good service value and builds strong structural bonds with its customers. Structural bonds are strongest bonds and hence the most difficult to break.

As organization moves from levels 1 to 4 they will observe the following:

- Structural bonds are stronger. Structural bonds are stronger than customization bonds; customization bonds are stronger than social bonds and financial bonds
- As the bonds become stronger, customer loyalty increases and the opportunities and scope of reaping the benefits of relationship marketing increases. In business-
to-business contexts, we also see the presence of other kinds of bonds such as legal, planning and technical bonds.

### 3.12 Service Quality Themes in CRM

Customer Relationship Marketing (CRM) is essentially about building long-term and mutually beneficial relationship with customers. While providing services to customers, the issue of building relationship with customers takes on a different dimension due to the very nature of services. Listed below are the important characteristics of services-

(a) **Intangibility**: Customers find it difficult to evaluate the quality of services offered to them. This is because of the intangible nature of services. Unlike goods, services cannot be touched, smelt, seen or experimented through our sensory organs and hence it is difficult for customers to evaluate them.

(b) **Simultaneity**: Services are consumed as they are produced. The chances of error are greater than that of goods that can be inspected for quality before sale.

(c) **Perishability**: Most services cannot be stored or inventoried. If a flight leaves with a few seats vacant, they are lost. Similarly if a hotel has unoccupied rooms on a day, the potential revenue is lost.

(d) **Heterogeneity**: Most services are people intensive as they require employees to render a service in the presence of customers. Therefore, the quality of the offering will vary depending upon providing the service, and standardization is not easy to achieve. Conceptual model that defines service quality from the customer’s perspective and identifies key service provider gaps potential responsible for poor service.
(e) Perceived service quality is defined as ‘the degree and the direction of discrepancy between the consumer’s perceptions and expectations.

**Important parameters of Service quality:**

1. **Reliability**: ability to perform the promised service dependably and accurately.

2. **Assurance**: Knowledge and courtesy of employees and their ability to inspire that confidence.

3. **Tangibles**: Physical facilities, equipment and appearance of personnel.

4. **Empathy**: Caring and the individualized attention that the agency provides to its customers.

5. **Responsiveness**: Willingness to help customers and provide prompt service.

**Diagram 3.5 Service Quality and Loyalty**
3.13 The cost of losing a customer

Travel agency underestimates or ever worse, ignores the cost of losing a customer. They assume that a lost customer can be replaced and one should not worry as long as the revenues are coming in. However, this is an imperfect thinking. It does not look at the quality aspect and the implicit costs of losing customers; they will not be able to focus on reducing defection as they will not know the worth of a customer. Defecting customers are clear indicators of a drop in profits in the future.

1. A lost customer reduces cash flows for the travel agency in the future. Served correctly, customers generate increasingly more profits each year they stay with a travel agency. This is because of the increasing familiarity with the service that the travel agency provides to the customers. Familiarity with the service further increases the volume of the business that the customers do with the travel agency. For example, as customer grows more comfortable with using a credit card, he/she will use it for more purchases over period of time.

2. Second if a travel agency wants to maintain the same volume of business; it has to attract new customers. Replacing an existing customer with a new customer costs up to five times more in advertising and other costs. Also the first year the new customer would spend less than that of old customer would have done.

3. Servicing customers over a period of time becomes more cost-effective for service. Travel agency as they discover new traits of the customer and his likes and dislikes. Therefore, a travel agency can service old customers more efficiently than that it can serve new customers.

4. Travel agency with long-term customers, in whom they have developed a higher level of loyalty, can charge more for their services. A customer will
often willingly pay more to stay at a hotel they know or consult a doctor they are used to rather than take chance with some unknown hotel or less expensive doctor.

5. Finally, highly satisfied long-term customers are likely to refer new customers to the travel agency. This means that has to spend less on advertising and other expenses for attracting new customers.

When a travel agency considers all the costs that result due to the loss of customer, the managers of the travel agency become conscious of the actual situation. They realize that the continuous improvement in the quality of the service is not a cost but an investment in form of a customer to whom generates more profit than the margin on one-time sale. Estimation of the costs makes it easier for managers to justify the cost of continuously improving service quality versus thing like cost reduction having more tangible measures.

**Customers and Technology**

Typically, a small proportion of the customer base (20 percent or less) accounts for more than 70-80 percent of a travel agency’s revenue and profits. Therefore, it is essential for a travel agency to identify these key customers. Identification of key customers is based on two factors mentioned below:

1. **Lifetime Value:** It is important to judge what the customer contributes to the vendor over his/her lifetime. Factors that need to be taken into account for such calculation include the estimated annual revenues generated each year, cost of acquisition retention and estimates of the future value of the customer on the basis of the expected business. The exercise is often very difficult in business markets but proves to be of utmost importance of travel agency.
2. **Strategic importance of the customer:** A travel agency should know how much the customer contributes to maintain the competitive edge of the travel agency. Some of the customers may be important simply because they are major players in the market. The vendor develops prestige value by servicing these customers and thence cannot afford to lose them. These customers also play a key role in helping the travel agency achieve its business mission. However, strategically important customer might have comparatively low lifetime value.

**Technology**

In the present industrial scenario, technology is playing an important role in building relationships by facilitating the flow of information across the value chain. Business customers are increasingly investing in technology to collaborate more closely with their vendors. Technology enables the demand of the customers to become much more visible across the extended supply chain. This is in turn, enables the vendors to become more responsive to their customer needs and help vendors shed excessive inventory and minimize stock obsolescence. The better inflow of customer data also helps analyses purchase behavior of the customers more closely and take proactive measures to build brand equity with them. At an advance stage of the relationship, travel agency provided their data to vendors so as to enable them to carry out their own analysis and predict the customer demands. Thus technology is changing the way relations are made and managed.
Understand and Differentiate

Organizations need to understand their customers in order to have a relationship with them. This means that they need to know their values, required types of service that are important to them, and their likes. True understanding is based on a combination of detailed analysis and interaction. Several activities are important:

- Profiling to understand demographics, purchase patterns and channel preference.
- Segmentation to identify logical unique groups of customers that tend to look alike and behave in similar fashion. Identification of actionable segments is a practical place to start.
- Primary research to capture need and attitudes.
- Customer valuation to understand profitability as well as lifetime aloe or long-term potential. Value may also be based on the customer’s ability or inclination to refer other profitable customers.

Develop and Customize

In a customer-focused world service and channel development has to follow the customer’s lead, identify customer’s wants, determine the value and desire of the customer, etc. Organizations are increasingly developing service and services and even new channel based on customer needs and service expectations.

Interact and Deliver

Customers do not just interact through the normal marketing and sales channels and media but through indifferent ways with many different areas of the organization, including distribution and shipping, customer service and online.
To foster relationships, organization needs to ensure that:

- All areas of the organization have easy access to relevant and actionable customer information.
- All areas are trained to use customer information to tailor interactions based on both customer need and potential customer value.

### 3.14 Strategies for building relationship

An organization’s strategies towards developing and maintaining sustainable relationship differ from one organization to another depending on certain factors. These include nature of business, its size, its market share, nature of product type, volume of sales, geographic concentration, socio-economic status and life style of the customers concerned, competitors strength, and so on. The rest of the chapter provides a wide spectrum of strategies that are practiced by customer driven organization with national and global perspectives. The reader may concentrate on those strategies or combination of several strategies that suit his business context.

**People**

People within the organization have the basic role in developing and maintaining relationship with customer, everyone in the organization must realize the fact that their work is towards satisfying customers. Everyone from the lowest to the highest level irrespective of their functional specialization and responsibilities must integrate their activities towards one of the main objectives of the organization- customer satisfaction. The marketing department can coordinate integrated activity towards customer’s satisfaction. Obviously, people within the organization form the basis for building customer relationship.
Process

Process involves a logical sequence of activities right from the need identification of potential customers to need fulfillment. Need fulfillment requires with desired attributes. The process has to be derived from the customers view point, which paves way for total customer satisfaction. The performance of each link must be objectively analyzed and corrected in tune with the internal and external customer’s expectation.

Product

The product offered must constantly provide value addition. The expectations of the customers may always be on the increase due to various reasons. A customer satisfied with given service may soon become a dissatisfied. Customer’s expectations go much beyond physical tangible things. As an anonymous commentator puts in:

- Do not offer me things.
- Do not offer me clothes, offer me attractive look.
- Do not offer me shoes; offer me comfort and the pleasure of walking feet.
- Do not offer me book, offer me the benefit of knowledge.
- Do not offer me things, me ideas, emotions feelings and benefits.
- Please do not offer me things.”

Organization

In order to build customer relationship, an organization should be aware of the technology advancements and provide quality services in tune with the customer’s expectations. It should concentrate on total customer satisfaction and respond to the requirement of the customer faster than its competitors the responsive and learning nature of the organization must build confidence in the
mind of the customers and that will go as long way in building the customer relationship.

**Setting satisfactory service standard**

A customer not only expects quality products but also quality services. Organization is expected to render services in all three phases viz. presales, during sales and after sales. During, presales when the customer develops expectations, the organization must ensure quality and availability of the product in time. During sales, when the customer experiences the sales process, the organization must provide the customer an opportunity to inspect, and treat them with courteous attentiveness, prompt, reply, etc. during after sales, when the sales are finalized, the organization must provide supporting services such as speedy replacements, simplified complaint procedure, efficient maintenance and repair services and so on. Such services, which are provided immediately and instantly, will bring total customer satisfaction.

**Concentration on competitors**

An organization must focus constant attention on the competitor’s performance, their strategy and style of operations and compare same with its own performance. Customers always make this comparison and decide their future purchase pattern. Such analysis done by organization would help in increasing its strengths and reducing its weaknesses. The organization’s performance must always be a step ahead of its competitor and it must know that the customer feels the difference. As long as the customer understands and agrees with this comparatively better performance, the relationship will continue to exist.
**Customer analysis**

Customers referred here include the present customers consuming the products of an organization also the prospective customers who are presently consuming the products of competitors. These customers must be periodically analyzed from several perspectives such as who constitute the customer inventory, level of customer retention; what makes them buy, what their level of satisfaction is, where they are placed in the loyalty ladder, what makes them disloyal, and so on. This analysis is to be performed not only on the existing customers but also on the former customers, so that corrective actions may be instigated to retain current customers, periodical customer satisfaction audit program would provide a meaningful insight into the customer attitude and their behavior and also would form the basis for developing appropriate strategies to retain relationship with the customers. For customer analysis and competitor analysis, the organization may depend on external agencies, so that an unbiased report can be obtained, which enable the organization to further minimize its errors.

**Cost analysis**

An organization must focus attention on the cost of the product or services. Always, there must be sincere attempts towards cost reduction without compromising on quality, the organization must perform value analysis and try to reduce costs and retain the same good quality or improve quality of product or service. This would help to avoid switching over of the customer to other brands.

**Concentration on the Paying Ability of Customers**

Pricing decisions are to be governed not merely by cost related factors. Before fixing price, the paying ability of the potential customers must also be viewed. To some extent prices are to be adjusted in tune with the fluctuations in
the paying ability of potential customers. In this process, an organization may have
to sacrifice small portions of the profit tentatively, but, considering long term
relationship and future opportunity of earning, such price adjustment is worth
practicing. If customers were lost due to price factor their non availability of
prices, then the organization would have to invest heavily in trying to get them
back but with no guarantee for the same.

**Knowledge on Purchase Behavior Pattern**

Organizations should have a thorough knowledge of the purchase behavior
pattern of their customers. The influencing factors of the purchaser decision
process and ultimate outcome are to be analyzed in-depth. The outcome of
purchase decision may be any one of the four viz. (1) Purchase, (2) Rejection, (3)
Postponement, (4) search for substitutes. The organization should have an idea
about what percentage of customers arrived at what sort of a decision and
appropriate steps are to be initiated towards making them buy the products on a
continued basis. With regard to organization’s purchasing decisions, the key
persons influencing the decisions, their characteristics and expectation, etc. have to
be understood in clear terms.

**Differentiation in prices and quality standards**

An organization may come forward to offer services or brands of different
varieties with price variations. To meet a particular need, three or four brands of
varied quality and at differing price level must be available so that, the customer
depending on his financial position may prefer at least one of the varieties
available. This would prevent the customers from switching over to other brands.
Focus on reducing dissatisfaction

Irrespective of the standard of a product or services offered by an organization, it is likely that the customers would reach a level of dissonance and seek for remedial actions. An organization must be proactive to such a situation. All dissatisfy customers will not come forward to show their displeasure. They may simply make a brand switch-over. This will badly reflect on the prospective customer’s attitude. To avoid this, the causes for dissatisfaction are to be identified and have to be attended well. If a complaint is well attended, then the dissatisfy customer becomes more loyal to the organization and thereby, the relationship would continue to exist.

3.15 Attention on Changing Requirements of Customers

The requirements of the customers are bound to change in tune with the change in their lives, demographic and psychographic profiles and the related aspects. Customers up to a given point of time would concentrate on life maintenance, needs and then to life-changing needs, which will be followed by life-enhancing needs. The organization must see that there is a sense of matching between the customer requirement and that of the organization requirements in terms of the following parameters at every point of time.

The parameters are:

- Goals
- Demand
- Limitations
- Options
- Values and behavior
‘Goals’ are what the organization would like to reach and what the customer would like to receive. The ‘demands’ are concerned with the pressure under which the organization and the customers are. ‘Limitation’ is constraints on the part of the organization and also on the part of the customers. The parameter ‘option’ relates to the alternatives available to the organization as well as to the customers concerned. ‘Values’ are the convinced standards accepted both by the organizations and the customers. ‘Behavior’ is the line of actions and reactions by organizations and customers.

**Concentration on performance**

Performance of each one in the chain of product/service offering is to be continuously monitored and corrective actions are to be initiated. This must be on a continuous basis and there must be a separate team of members well trained to evaluate the performance and initiate corrective actions.

**Training to supply chain employees**

Organizations must come forward to offer state-of-the art training to all those who are connected in the supply chain. Every link in the supply chain is very important. Unsatisfactory performance by anyone will destroy the entire process of providing total satisfaction to the customers concerned. Training in the areas of customer care, customer approach, body language of service providers, customer communication, customer need assessment, customers complaint management, etc. are to be provided A smart service provider can obviously enhance the level of customer satisfaction.

**Empowerment to service providers**

Organizations must evolve suitable methods of empowering employees in the service chain. Employees in the service chain must have the freedom to
compensate the sufferings of dissatisfied customers in a suitable manner. Empowerment would reduce the time that would otherwise be lost on contacting and seeking approval for making good complaints. Also, empowerment would help the service providers to evolve customer specific incentive schemes, terms of sales and so on. The organization has to set broad guidelines and based on that the service providers have to operate. Empowerment would boost the confidence of both service providers and receivers. This would obviously strengthen the relationship.

**Develop partnership with Customers**

Partnership alliance would go a long way in building relationship with the customer. This type of a partnership understanding may be in the form of buy back arrangements, training employees and extending managerial support to the customer organizations and so on. This sort of a partnership approach would create evidence for the care and interest on the customer’s organization.

**Organizing Customer’s Club**

Formation of customer clubs is another way to promote relationship. These clubs would focus a sense of mutual belonging, understanding, and sharing of common problems, and emotions. An ideal customer club can act as a bridge between organizations and the customers. Regular meetings can be organized on behalf of the clubs and in those meetings; representatives of the organizations can understand the attitude of customers and react accordingly. Customer clubs would act as a forum that enables performance of customer related activities in a smooth manner. The club serves as an effective platform for communicating organization’s marketing activities. On behalf of the customer clubs, regular entertainment meets, pleasure trips awareness programmes, consumer education programmes, etc can be
organized involving the family members of the customers. This approach would enhance the level of satisfaction and customers would obviously respond favorably towards relationship building.

**Relationship Based Pricing Scheme**

Introduction of relationship based differential pricing scheme would encourage customers towards relationship building. Under this method, the prices charged from customers would be depending on their extent of loyalty. A customer who makes very frequent repeated purchase would be charged fewer prices as compared to the other category of buyers. Hotels, air travels, hospitals, etc have started practicing this method of pricing. This method would induce customers to go for continuously buying from or making use of the service from the same organization and thereby the relationship would emerge and continue.

**Identifying with social events and concern for societal problems**

An organization must come forward to identify itself with all social events with which the organizations and the customers are concerned. It may be celebrating religious functions, national days, organizing or sponsoring sports meets, and cultural meets, and so on in the customer locations. Similarly, with great concern the organization must come forward to extend a helping hand wherever and whenever a crisis arises which disturbs the normal life of the customer.

This type of approach would help to consider the organization as part of the customer’s life and would certainly lead towards relationship building.
Effective Customer Communication System

Organizations must have simple, open, efficient customer friendly communication. The customer must feel free to contact the organization at any point of time and get any sort of their problem solved. Special training may be given to personnel working in the communication channel especially in being receptive, encouraging, positive, and optimistic and customer friendly to customers. Each communication received should be recorded, classified and analyzed as to their nature, and significance. The response from the organization to the complaints received also should be recorded.

The advertisements, publicity, communication by sales persons and related communications must also be designed in tune with the nature of customers. Communication system that is based on customer requirements would obviously contribute towards relationship development.

3.16 Customer Complaints

Some companies think they are getting a sense of customer satisfaction by tallying complaints, but studies of customer dissatisfaction shows that customers are dissatisfied with their purchases about 25% of the time but that only about 5% complaints. The other 95% either feel complaining is not worth the effort or they do not know how or to whom to complain and they just stop buying. The customer who registers a complaint, between 54% and 70% will do business with the organization again if the complaint is resolved. The figure goes up to a staggering 95% if the customer feels that the complaint was resolved quickly. Customer who have complained to an organization and had their complaints satisfactorily resolved tell an average of the five people about the good treatment they received. The average dissatisfied customer, however, gripes to people. If each of them tells
still other people, the number of people exposed to a bad word of mouth may grow exponentially.

The fact is, no matter how perfectly designed and implemented a marketing program is, mistakes will happen. The best thing a company can do is to make it easy for the customer to complain. Suggestion forms, toll-free numbers, Web sites, and e-mail addresses allow for quick, two-way communication. The 3M Company claims that over two-thirds of its product improvement ideas come from listening to customer complaints.

Given the potential downside of having an unhappy customer, it’s critical that marketers deal with the negative experience properly. Beyond that, the following procedures can help to recover customer goodwill:

1. Set up a 7-day, 24-hour toll-free “hotline” (by phone, fax, or e-mail) to receive and act on customer complaints.

2. Contact the complaining customer as quickly as possible. The slower the company is to respond, the more dissatisfaction may grow and lead to negative word of mouth.

3. Accept responsibility for the customer’s disappointment; don’t blame the customer.

4. Use customer-service people who are empathic.

5. Resolve the complaint swiftly and to the customer’s satisfaction. Some complaining customers are not looking for compensation so much as a sign that the company cares.
Customer Complain Monitoring Cell

An organization should focus attention on establishing a separate customer complaint monitoring cell. The role of the cell is to receive, register, and classify complaints, forward them to the respective departments to initiate action, and follow up until the complaint is attended, to the satisfaction of the customer concerned. Periodical meetings of members of customer complaint cell and officials of various functional areas are to be arranged, to discuss the volume and nature of complaints received. This would help to pro-act accordingly. Such attempts would enable better relationship with customers.

Developing Customer Satisfaction Index

An organization must attempt to build customer satisfaction index and measure the extent of satisfaction of the customers in terms of various attributes of brand and the related aspects. This attempt would help measuring satisfaction quantitatively and further steps towards improving this may also be effectively initiated.

Focus from Preventive Actions

Factors contributing negatively towards customer relationship are to be identified and measures are to be taken towards preventing possible undesirable happenings. More attention should be devoted for order processing, delivery scheduling and the related aspects. Such preventive actions would help damage control and enable best running of the business.

Concentration on Customer Satisfaction and Research

An organization must initiate research on customer satisfaction in terms of customer’s level of satisfaction, factors contributing towards satisfaction, extent of customer retention, influence of competitor’s brand on customer satisfaction, customer’s attitude towards brand, perception of brand image and so on. This
research should be carried out on a continuous basis and strategies towards improving customer satisfaction must be based on the research findings. This would enable the organization to find more appropriate approaches towards building customer relationship.

**Focus on Focus Group**

The focus group must consist of representatives of various customer categories. Close and continuous interaction with focus group would provide deep insight into the customers’ perception, their problems, and their expectations and so on. Organization must consider these, while framing policies relevant to customer care.

**Building Switching Barriers**

In order to retain customers, organizations must come forward to build brand switching barriers. In view of those barriers, switching may be made difficult and not worthwhile. Those barriers may include incentive schemes; relationship based pricing, additional services, attractive prize schemes, sentiments based schemes and so on. If the customer perceives difficulty in brand switch over, he would come forward to extend his relationship. For this reason some organizations may even go the extent of employing unethical ways to build switching barriers.
3.17 Unethical Approach to Build and Maintain Customer Relationship

Following unethical ways are also normally adopted towards building customer relationship. However, readers must note that these unethical practices are brought to your attention only for creating awareness and not for application.

Addiction: Creating a sense of addiction to the brand by adding ingredients that are harmful to body and mind, as in the case of beverages, soft drinks, food items, etc.

Fear: Developing a sense of fear in the mind of the customers, that once a brand is continuously used, any brand switchover would cause problems as in the case of Cosmetics, foods, drink medicines, etc.

Imitating: Imitating the attributes of well-accepted brands in an unlawful way.

Promises: Making promises to customers with no intentions to perform.

Commitment: Developing misleading commitments and obligations.

Discrimination: Discrimination on the quality and services among buyers.

Forcing: Making tie-up sales with other highly preferred items.

Rewarding: Extending undue benefits in the forms of cash or equal means of benefits to the members of purchase team in case of industrial organization purchase.

Insisting on Sentiments: Making use of the faith of the sentiments of customers to the best advantage of the organization.

Communal Affiliation: Extending communal affiliation and drawing the attention of customers of selected community.

Negative Publicity: Making negative publicity to competitor’s brand.
Many more unethical ways are also being practised towards building relationship. However, a customer can be retained permanently only by means of quality products and services.

**Perceptual Gap and Retention**

The gap between product or service providers and users must be identified and bridged, which in turn would lead to a high degree of customer retention. The gap is likely to take place in the following ways:

- Perceptual
- Procedural
- Promotional
- Positional

Further, the above can be detailed as:

- Gap between what the business thinks a customer wants and what the customer actually wants.
- Gap between what the businesses thinks a customer has bought and what the customer has perceived that he has received.
- Gap between what the business provides and what the customer actually received
- Gap between expected service and delivered service
- Gap between marketing promises and actual delivery
- Gap between what organization perceives as suitable method of distribution and what customer receive.
- Gap between what the organization perceives in its positional strategy and what is reached to the customers
• Gap between what is communicated by the organization and what is understood by the customers

Wider the gap between the organization providing the service or product and the user, lesser is the rate of retention. Organization are expected to audit their marketing-related issues on regular basis and initiate corrective measures to bridge the gap with regard to understanding customer needs and meeting those needs effectively.

3.18 Cultivating Customer Relationship

Maximizing Customer value means cultivating long-term customer relationship. Companies are now moving away from wasteful mass marketing to precision marketing designed to build strong customer relationships. Today’s economy is supported by information businesses. Information has the advantages of being easy to differentiate, customize, personalize, and dispatch over networks at incredible speed. But information cuts both ways. For instance, customers now have a quick and easy means of doing comparison shopping through Web sites. The Internet also facilitates the communication between customers. Web sites such as Eopinions.com and Amazon.com enable customers to share information about their experiences with various products and services. Customer empowerment has become a way of life for many companies that had to adjust a shift in the power with their Customer relationships. “Marketing Insight: Response to Customer Empowerment” describes some of the change that companies have made in their marketing practices as result. Customer relationship management (CRM) is the process of carefully managing detailed information about individual customers and all customer “touch points” to maximize customer loyalty. A customer touch point
is any occasion on which a customer encounters the brand and product—from actual experience to personal or mass communications to casual observation.

For a hotel, the touch points include reservations, check-in and checkout, frequent-stay programs, room service, business services, exercise facilities, laundry service, restaurants, and bars. For instance, the Four Seasons relies on personal touches, such as a staff that always addresses guests by name, high-powered employees who understand the needs of sophisticated business travelers, and at least one best-in-region facility, such as a premier restaurant or spa. Sometimes touch points are where you least expect, such as in customer billing. Microsoft’s Global CRM product manager, Karen Smith, related what happened when a telecommunication company converted to unify billing—one bill for all lines—to cut company costs. One of the customers requested a slightly modified version of qualified billing to suit his expense submission purposes, but the service rep replied, “No, Sir, we can’t do that. We use unified billing.” The frustrated customer then switched his two business lines to another telecommunication company but lost his volume discount with the original provider, which still had his personal accounts. Even more frustrated, the customer then moved all his business to the new telecommunication company. Says Smith, “We may think that something will be great to do for our customers, but before we take action we need to really step into their shoes. Companies often focus on CRM functionality and integration, but they forget about some of the most basic touch points.”CRM enables companies to provide excellent real-time customer service through the effective use of individual account information. Based on what they know about each valued customer, companies can customize market offerings, services, programs, messages. CRM is important because a major driver of company
profitability is the aggregate value of the company’s customer base. Building a Relationship with Rural Consumers” demonstrates the importance of customer relationship marketing in the rural context.

Following is the framework for one-to-one marketing that can be adapted to CRM marketing as follows-

1. **Identify your prospects and customers**—don’t go after everyone. Build, maintain, and mine a rich customer database with information derived from all the channels and customer touch points.

2. **Differentiate customers in terms of (1) their needs and (2) their value to your company**—Spend proportionately more effort on the most valuable customers (MVCs). Apply ABC and calculate CLV. Estimate net present value of all future profits coming from purchases, margin levels, and referrals, less customer-specific servicing costs.

3. **Interact with individual customers to improve your knowledge about their individual needs and to build stronger relationships**—Formulate customized offerings that you can communicate in a personalized way.

**Customize products, services, and messages to each customer**—Facilitate customer—company interaction through the company contact center and Web site. The practice of one-to-one marketing, however, is not for every company: The required investment in information collection, hardware, and software may exceed the payout. It works best for companies that normally collect a great deal of individual information, carry a lot of products that can be cross-sold, carry products that need periodical
3.19 Customer Profitability

What makes a customer profitable? A profitable customer is a person, household, or company that over time yields a revenue stream that exceeds by an acceptable amount the company cost stream for attracting, selling and servicing that customer. Note that the emphasis is on the lifetime stream of revenue and cost, not on the profit from particular transactions. Marketer can assess customer profitability individually, by market segment or by channel. Although many companies measure customer satisfaction, most companies fail to measure individual customer profitability. Banks claim this is a difficult task because each customer uses different banking services and the transactions are logged in different departments. However, the number of unprofitable customers in their customer base has appalled banks that have succeeded in linking customer transactions. Some banks report losing money on over 45% of their retail customers.

Building Loyalty

Creating a strong, tight connection to customers is the dream of any marketer and often the key to long-term marketing success. Companies that want to form strong Customer bonds need to attend to a number of different considerations. One set of researchers see retention-building activities as adding financial benefits, social benefits, or structural ties. The following sections explain four important types of marketing activities that companies are using to improve loyalty and retention
Interacting with Customers

Listening to customers is crucial to CRM. Some companies have created an ongoing mechanism that keeps senior managers permanently plugged in to frontline customer feedback. Deere & Company, which makes John Deere tractors and has a superb record of customer loyalty—nearly 98% annual retention in some product areas—has used retired employees to interview defectors and customers. But listening is only part of the story.

It is also important to be a customer advocate and, as much as possible, take the customers’ side on issues, understanding their point of view. USAA Insurance’s legendary quality of service has led to the highest customer satisfaction in the industry. USAA subscribers will often tell stories about how the company looks out for them, even counseling them not to take out more insurance than they need. With such levels of trust, USAA enjoys high levels of customer loyalty and significant cross-selling opportunities. “Marketing Memo: Creating Customer Evangelists” describes six keys to create customers who feel so strong about companies and brands that they go way beyond just purchasing and consuming their products and services. The organization, rural relations offer a good example of how FMCG companies can effectively communicate directly with rural consumers dispersed over a large geographical area.

3.20 Meeting customer needs and its impact on retention

Needs are expressions of customers, indicating the requirements to be fulfilled by a selected product or service. Customers need products or services for their own reasons and not those of the organization. Customers are not going to be interested in what an organization can provide, for the simple reason that the
organization is providing. Customers show interest on product or service depending on what needs would be fulfilled by what the organization is offering to them. Obviously, organization must focus attention on meeting the needs of the customers. Unmet needs of customers drive them from retention towards attrition.

Need may be classified under three heads namely-

**Basic needs:** Which are the basic minimum requirements expected from out of a product. Fulfillment of this would keep the customers in the stage of “Just satisfied”.

**Articulated needs:** These needs are something more than the minimum basic expectations from the product. Fulfillment of these needs would give the customers “more satisfaction” as compared to the previous level. The customer would want to fulfill this need, in search of value for the money he spends.

**Exciting needs:** Under the category of need the customer wants to fulfill more than his level of expectation, in terms of the above two categories.

### 3.21 Why do customers defect?

It is essential to discover the reasons as to why customers become defectors.

Following are some of the commonly found defection drivers:

- The customer’s specific need has not been fulfilled.
- They moved over to the different service category.
- Dissatisfied with the elements of marketing mix.
- Perceived better value for money from the competitor’s offerings
- Developed misunderstanding with the value delivery system
• Displeasure at the point of purchase
• Dissatisfied with the performance after sales services
• Inherent feelings of individuals to try new products
• Compulsion due to technological and environmental forces
• Induced by changing life styles and stages in the life cycle
• Demographically moved away from the market place
• Communication evoking poor or improper response
• Personal reasons

Whatever may be the cause leading to defection of customers it is essential to evolve appropriate strategies to prevent customer’s defection and to win those lapsed customers back to the organization.

Strategies to prevent defection and recover lapsed customers

  a) Total knowledge about customer behavior

      The organization should have complete knowledge regarding the behavior patterns, migration patterns of the targeted customers.

  b) Interactive communication system

      It is essential to develop transparent and interactive communication system.

  c) Special promotion campaign

      Whenever the signals of customer defection are noticed, it is essential to come out with the specially designed promotions to attract the attention of likely defectors.
Developing barriers to exit

The organization should carefully evolve barriers to exist which include

- Emotional panel
- Conformation to specification
- Durability
- Lifetime utility
- Social relationship
- Flexibility
- Added value
- Concessional price schemes
- Commitment
- Innovative approach
- Reducing risk
- Avoiding threat
- Holistic care

In addition to the above there are few organizations that practice unethical approaches that include addiction, bribery, counterfeiting, deception, usury and the like.

Knowledge about lifestyle and life cycle

Lifestyle of the targeted customers has to be studied. The life style represents the activities, interests and opinions of the customers. Knowledge about the life cycle stage is equally important. Organization should match its offering to the lifestyle stages and this approach would prevent defection.
Establish measurement system

Organization cannot manage their tasks well if they cannot measure the extent of customer satisfaction, defection, rate, etc. therefore, effective system of measurement has to be introduced for measurement of customer’s satisfaction and related aspect.

Attempt to Track losses

Many organizations do not pay adequate attention to the losses suffered because of lapsed customers. The cumulative impact of this would be unmanageable. Therefore appropriate attempt should be initiated to track losses on a regular basis.

Customer’s specific approach

The approach to prevent defection must be specific category of the customer. In tune with the customer categories also specific personality traits of the customers such as aggrieved customers, annoyed customer, and frustrated customers, etc. should be developed

Customer win program

The organization must introduce reward-based customer win back program. Employees involved in customer win back programs should be given incentives and every win-back should be celebrated and documented

Building customer care team

A customer care team specially focusing attention on defection driver should be formed. The team can devote attention to identify causes for defection and rectify the same.
Developing bondage with customers

It is vital to develop bondage with customers. Such bondage could be developed on several ways. For example: bondage through professionalism, which means the customer, is linked to the organization in view of the professionally expertise service the organization offers. Bondage through zero option refers to the monopoly status of the product/service provider. The customer has no other options available. Therefore he has to necessarily link himself to the organizations. Further bondage could be developed through customization of the customer concerned.

Improvement of value delivery system

Value delivery system consist of the entire produces right from the time a customer has expressed a need to the time that the customer receives the required service or product. The value path in the value delivery system should be constructed effectively so as to exceed the expectation of the customers. Such an approach would prevent defection.

Reducing Defection

It is not enough, however, to attract new customers; the company must keep them and increase their business, too many companies suffer from high customer churn or defection. Adding customers here is like adding water to a leaking bucket. Cellular carriers and cable TV operators for example, are plagued with “spinners” customers who switch carriers at least three times a year looking for the best deal. Many lose 15 to 20% of their subscribers each year, at an estimated cost of $2 to $4 billion.
To reduce the defection rate, the company must:

1. Define and measure its retention rate. For a magazine, subscription renewal rate is a good measure of retention. For a college, it could be the first- to second-year retention rate, or the class graduation rate.

2. Distinguish the causes of customer attrition and identify those that can be managed better. Not much can be done about customers who leave the region or go out of business, but much can be done about those who leave because of poor service, shoddy products or high prices.

3. Compare the lost profit equal to the CLV from a lost customer to the costs to reduce the defection rate. As long as the cost to discourage defection is lower than the lost profits the company should spend the money to try to retain the customer.

Let’s think about Some DON’Ts:

(a) Don’t lose your temper — it will not help!

(b) Don’t pass the blame onto someone else or the computer. The client interested in who is to blame. He or she is more interested in knowing what to propose to do about it.

(c) Don’t suggest it is the client’s fault. It may be partly the client’s fault, but this is not the time to say so.

(d) Don’t tell lies. It would be nice to smooth over the truth when we realize we have made a terrible error, but our clients are not silly and eventually they will realize what actually did happen. It is better to tell them now.
Don’t take things personally. The client may be very angry, very rude or perhaps very frightened about an incident, and you are the first person to listen. Keep in mind that it is the situation that has become so upsetting — not you personally. You are their first point of contact.

Let’s think about some DO’S:

1. Be as sympathetic as possible. Look and sound sorry for what has happened.

2. Do put yourself in your client’s shoes. What would you like to be done about the problem?

3. Do ask questions and establish the facts.

4. Do promise to do something.

5. Do let clients talk the problem through.

6. Do keep a cool head!

7. Do thank the client for bringing the problem to your attention.

8. Do try to anticipate complaints before they happen in future

Handling problems and complaints to everyone’s satisfaction is not easy, although we all know that practice makes perfect. This is one side of the travel and tourism industry where we hope not to get too much practice!
**Retention Dynamics**

The starting point is everyone who might be conceivable about the product or services. These potentials are people or organizations that might conceive an interest in buying the company’s product or service, but may not have the mean or intention to buy. The next task is to identify which potentials are really good prospects—people pie with the motivation, ability, and opportunity to make a purchase-by interviewing them, checking on their financial standing, and so on. Marketing efforts can then concentrate on converting the prospects into first-time customers, and then into repeat customers, and then into clients—people to whom the company gives very special and knowledgeable treatment.

The next challenge is to turn clients into members by starting a membership program that offers benefits to customers who join, and then turning members into advocates, customers who enthusiastically recommend the company and its products and services to others. The ultimate challenge is to turn advocates into partners. Unfortunately, much marketing theory and practice centers on the art of attracting new customers, rather than on retaining and cultivating existing ones. The emphasis traditionally has been on making sales rather than on building relationships; on reselling and selling rather than on caring for the customer afterward. More companies now recognize the importance of satisfying and retaining customers. Satisfied customers constitute the company’s customer relationship capital. If the company were to be sold, the acquiring company would pay not only for the plant and equipment and the brand name, but also for the delivered custom base, the number and value of the customers who would do business with the new firm. Here are some interesting facts that bear on customer retention.
3.22 How long will the relationship last?

There are several factors affecting on customer’s life in the organization. Some of these factors are:

- Retention expenses like reward schemes, servicing expenses etc.

- Number of service calls made, either in person or through telephone or email;

- Number of customer initiated contacts

- Volume of business from customer

- Share of business in the product category from the customer (i.e. share of the company’s product bought vis-à-vis competition.)

Finally profitability depends upon

- Cost of acquisition

- Cost of retention

- All the above factors in acquisition and retention

- Estimated life of the customer

Deflectors are customers who have rejected the companies. Deflection occurs across all the above stage of the customer life cycle. One needs to analyze the causes of such defection and take steps to correct the situation.
Some of the most common causes of the defection are:

a) Poor service of the company

b) Rude, discourteous and indifferent sales personnel;

c) Lack of personal touch, as the company automates all its operation and customer interfaces

d) Delayed or no response to customer complaints

e) Actual consumption experience is different from the promised one- i.e. actual experience is less compared to promised one;

f) Superior or more efficient product offering from competition at the competitive price thus altering perceived value equation;

g) Competition offer lower prices

h) Better service from the competitions

3.23 eCRM: The Effective Strategy

In simple terms, eCRM provides to companies a means to conduct interactive personalized and relevant communication with customers across both electronic and traditional channels. It utilizes a complete view of the customers to make decisions about messaging, offers, and channels delivery. It synchronizes communication across disjointed customer-facing systems. It adheres to permission-based practices, respecting each individual’s preferences regarding how and whether they wish to communicate with you. It also focuses on understanding how the economics of customer relationship affect the business, advocates of eCRM recognize that a comprehensive understanding of customer
activities, personalization, relevance, permission, timeliness and metrics is a means to an end optimizing the value of your most important asset: your customers.

While the definition above is simple, achieving effective eCRM is itself a stupendous task. For fortune500 companies, evolving to eCRM requires process and organizational changes, a suite of integrated application, and a non trivial technical architecture to support both the eCRM process and the enterprise application that automate the process. Midsize companies may benefit from less sophisticated, and easier –to-implement (and affordable), hosted solutions offered through application service providers. But regardless of the size of your Travel Agency, you have no choice but to evolve to eCRM quickly. Research expects eCRM application to make channel-specific CRM application obsolete by 2005.

**Outsourcing in Customer Relationship Management**

Using the Internet and e-business to provide products, services and information to customers shows that one really knows and understand the customer’s needs. When customers contact your traditional business house by visiting the store or office or contracting some one personally by phone, they have the opportunity to hear their questions and offer solutions based on personal communication. If they have a misunderstanding about the product and a sale, it is easily possible to deal it immediately. Therefore it is important to answer the questions and provide the needed information in a way that makes it easy for the customers. Customer Relation Management (CRM) is a way to provide maximum value to customers and also to maximize the return from the investment in business by providing information to customers. Outsourcing customer care is an increasingly popular trend impacting today’s customer affairs. Traditionally companies have been reluctant to entrust delicate customer relationship to a third
However, with careful planning, evaluation and execution, more companies are successfully outsourcing customer care. The enterprise marketing group needs to adapt to the outsourcing model and identify strategic plans for customer retention and satisfaction when using service providers. The operation group needs enhanced technology tools to implement a reporting infrastructure to measure success, create feedback channels from BPO terms and ensure that there is collaborative management structure between market operations and service providers.

**The need to adopt eCRM**

The need to adopt eCRM emerges from the following:

- Optimize the value of interactive relationship.
- Enable business to extend its personalized messaging to the web and E-mail.
- Coordinate marketing initiatives across all customer channels.
- Leverage customer information for more effective eMarketing and E-Business.
- Business on improving customer relationships, and earning a greater share of each customer’s business through consistent measurement, actionable customer-contact strategies.

Customer-focused strategies require CRM (Customer Relationship Management) to help acquire customers thorough various touch points and translate operational data into actionable insights for proactively serving customers. In a rapidly changing global business marketplace, it is realized that there are subtle and complex changes in the consumer/brand relationships directly impacting the brand equity, owing mainly to an unprecedented glut in communications and information
channel like the internet. Add to this the typical consumer's desire to move across media while expecting seamless, consistent services. It is a deep challenge to attract, serve and retain the consumers profitably today. Essentially, eCRM helps in enabling a customer oriented organization to deliver an extended infrastructure to customers and partners in new ways - to proactively learn customer’s needs, design new added values, gain new economies in scale/time/costs, reach new customers, and deploy innovative retention strategies.

Key benefits of Prudential India's eCRM Solution include providing businesses with the ability to:

- Offer multiple, integrated interaction channels to customers.
- Capture quality information about customers that helps to create a complete picture of each.
- Ensure that every customer gets an accurate, timely and a personal response, regardless of their chosen mode of interaction (e-mail, chat, VoIP, and so forth).
- Manage the entire cycle of a customer communication; from the moment it enters the system until it is satisfactorily resolved.
- Use customer information stored in the distributed databases to proactively conduct outbound direct marketing campaigns.
- Design, execute, and track marketing campaigns quickly using the graphic planning tool.
- Create campaign components easily, including highly personalized mailers, dynamic mailing lists, and automated schedules.
• Assess economic benefits by assigning costs to each step of a campaign and automatically discontinue campaigns that fail to achieve minimum ROI standards.

• Take advantage of easy offline access to customer information through integration with Microsoft Outlook, eliminating the need for field staff to learn a new user interface.

Managing Customer Relationship: Towards a Cross-Functional Business Strategy

• Relationship orientation implies business intelligence, that is, the capacity to understand customer’s needs, behaviour, and preferences, identify key customer segments and then maximize the profits derived from each of them.

• To be successful, hotel companies must first adopt a customer-centered cultural mindset, which implies a change in cultural norms, organizational structures, and the way the performance of employees is measured and rewarded. Secondly, they have to develop a cross-functional integration between different functions and information systems (booking, marketing, sales, administration, etc.) to accelerate processes and facilitate customer information sharing. Finally, they should have a strategic view of investment in properly managed IT and adopt an enterprise-wide approach to the use and integration of IT systems.
eCRM in Hospitality Today

- Electronic customer relationship management (eCRM), in the context of the exploding internet distribution and marketing in hospitality, is a business strategy supported by web technologies, allowing hoteliers to engage customers in strong, personalized and mutually beneficial interactive relationships, increase conversions and sell more efficiently.

- eCRM cannot exist in isolation. Today’s multi-channel marketing model requires a single brand image to be communicated across all channels. At the same time it requires interactive customer relationships to be established and maintained across all channels.

3.24 Customer expectation and Perceptions

The customer’s service expectation acts as a benchmark for final satisfaction of the customer. It is a belief about services, delivery that functions as a standard or reference point with which performance is judged. Failing to understand what customer expects from the service would lead to loss of sale to the company. This may also lead to loss of the company’s human, capital and time resources and ultimately loss from the competitive market.

While analyzing the customer’s expectations, company needs to explore and understand:

1. What the customers expect of the service
2. What factor influences in the formation of customer’s expectation.
3. How these expectations can be changed; and
4. What a company should do to overdo customer’s expectation.
Diagram 3.6 Customer’s expectation and Customer’s perception

There are two important factors in customer satisfaction

1. Customer’s expectation
2. Customer’s perception

It is also important to note that different customers have different expectations from various services. Some customers are very demanding and expect a lot from the service providers. As waiting for five minutes at the payment counter in a retail shop might be OK for some, it may not be for many others. It is because of their different level of tolerance.

If customer’s expectations exceed the perceived performance of the offers, it leads to customer’s dissatisfaction and if customer’s perceptions of the offer exceed the customer’s expectations, it leads to customer’s satisfaction.

Consumer Perceptions

In the literature of service marketing, perception is defined as the consumer’s belief, concerning the service received or experienced. Many authors and researchers have explained its different aspects in different ways. Customer perception has been regarded as an indicator of the marketing effectiveness of the
Travel Agency. The success of any marketing strategy lies in the post-purchase experience as delivered through the tourism service and as perceived by the customers.

In an exploratory research, there are ten major determinants of service quality like reliability, responsiveness, competence, access, courtesy, communication, credibility, security, and understanding. There are tangibles of service quality which maintains customer satisfaction, which is a function of customer expectations about a product and its perceived performance (PP). When PP of service matches or exceeds one’s expectations of service quality, satisfaction occurs; and when it falls short of one’s expectation (E) about service quality, dissatisfaction results.

To achieve the favorable customer perception, about company services and offers, identification of customer’s expectations and actual delivery of tourism services are essential elements of marketing strategy. Therefore tourism companies must create positive attitude towards the identification of needs and wants of the targeted customers. Treat your customers like your friends and they'll always come back.

### 3.25 Customer Satisfaction

Knowing the needs and expectations of the customers, and meeting these, does not only lead to more satisfied customers, but, very importantly, results in a more efficient and effective provision of customer services. It helps by concentrating on the most important elements of the service delivery and in managing the expectations towards the services provided. Seeing these elements is clearly essential in streamlining the processes and in translating them to the customers. With each day passing, better products are reaching the market.
Customers are most likely to appreciate the goods and services they are provided if they are made to feel special. Gaining high level of customer satisfaction is very important to business because satisfied customers are most likely to be loyal and make, to repeat orders and to use a wide a range of services offered by business. Some improvements result from technology, others from better Total Quality Management philosophy. All the time, competitors are seeking to gain an advantage by making their products and services better in satisfying the customer.

If tourism companies don't seek to improve, in satisfying the customers they get left behind. Small improvements are easier to make than giant ones, especially for people lower down the chain of command. Small improvements in satisfaction often produce surprisingly big advances. To improve not just service processes, but also planning of tourism management and their supporting services like guide, cooks, transports, Doctors, customer help etc. which enriches the customer satisfaction to the highest level. It's critical that you form a close working relationship with customers; customer service is of vital importance. Customer service of tourism sector is a practiced art that takes time and effort to master. All you need to do to achieve this is to stop and switch roles with the customer. What would you want from tourism services if you were the customers? How would you want to be treated? Treat your customers like your friends and they'll always come back.

The conclusion of this study is –

- Satisfied contributors 2.6 times as much revenues to a company as somewhat satisfied customers;
- Satisfied providers 17 times as much revenue to a company as a somewhat dissatisfied customer;
Dissatisfied decreases revenue at a rate equal to 1.8 times what totally satisfied customers contribute to a business. Customer satisfaction depends on customer’s expectations and customer’s perceptions.

Customer Satisfaction and Relationship Management

Customer’s satisfaction results from an understanding of the targeted customer’s expectations, which have to be met, to the extent possible, by any proactive manufacturer of industrial products and services. There is a distinctive relationship between customer’s satisfaction and customer’s relationship management (CRM)—only after an existing customer is satisfied, the concerned decision making unit (DMU) members will start considering the possibility of a long-term business relationship in mutual interest.

The above two-way linkage is based on the concept which emphasizes a travel agency, first level awareness development regarding a buyer’s satisfaction. This may influence the DUMs interest in considering that particular supplier, as compared to the existing Agencies. A positive interest will then be the basis for the buyers and users to compare the comprehensive ‘Package’ offer of a particular Agency internally. A total problem solving approach of the Agency will help in ensuring a long-term adoption of buying organization.

It is therefore; clear that a good understanding of prospective buyer’s needs and wants, ability to meet these expectations as much as possible, and a holistic problem solving approach will be the foundation for long-term customer relationship management (CRM). This will be the basis for customer retention by a proactive, problem solving to which needs to anticipate the customer’s future wants and offer a better problem solving package, even before the buyer asks for it.
Especially for fabricated industrial product and services, and also for capital plant and equipment, an in-depth understanding of the buyer-users needs and wants is the first critical step for the marketing professional. This need-want assessment will then have to be translated internally by the research and development team, which will have to coordinate internally, and very closely, with their own departments- Quality Control, Utilities, Maintenance, Materials Management, Finance, and, finally, there production Department. The common overall objective (super ordinate goal) will be to come out with a tailor made and fully customized product-services mix, which has to be manufactured (Mostly) on a batch level operational basis.

Therefore, especially for sophisticated and complex industrial product and services, the entire teams management, from top to the bottom levels, has to be internally involved for first understanding and then translating the usually large and key buyer-user’s expectation into palpable, realistic and affordable solution. Customer satisfaction will lead to customer relationship management. Both of these will then influence and ensure long-term customer relation.

**Improving customer service**

CRMs are claimed to improve the customer service. Proponents say they can improve customer service by facilitating communication in several ways.

- Provide product information, product use information, and technical assistance on sites that are accessible 24*7.
- It helps to identify potential problems, before they occur.
- Provide a user-friendly mechanism for registering customer complaints (complaints that are not registered with the company cannot be resolved, are a major source of customer dissatisfaction)

- Provide a fast mechanism for handling problems and complaints (complaints that are resolved quickly can increase customer satisfaction)

- Provide a fast mechanism for correcting service deficiencies.

- Identify how each individual customer defines quality, and then design a service strategy for each customer based on these individual requirements and expectations.

- Use the internet cookies to track the customer interests and personalize product offerings accordingly.

- Use the internet to engage in collaborative customization or real-time customization.

- Provide a fast mechanism for managing and scheduling follow up sales calls to assess post-purchase cognitive dissonance, repurchase times, and repurchase frequencies.

- Provide a fast mechanism for managing and scheduling maintenance, repair, and on-going support (improve efficiency and effectiveness.)

- Provide a fast mechanism to track all points of contact between a customer and the company, and do it in an integrated way so that all sources and types of contact are included, and all users of the system see the same view of the customer (reduces confusion)

- The CRM can be integrated into other cross-functional systems and thereby providing accounting and production information to the customers when they want it.
Steps Involved in Customer Satisfaction through Services

Learn how to make a strong, positive impact on customers, especially when there is a problem. Analyze the factors that affect the customer’s relationship with organization and their perceptions of how organizations handle their business. Learn how to build customer satisfaction through a service communication process that focuses on not only solving the problem but also reinforcing a positive long-term relationship.

Following are some of the steps-

- Seeing problems from the customer’s perspective
- Managing customers' "moments of truth"
- Communicating effectively through better listening
- Analyzing how customer perceptions are formed
- Managing anger and other service behaviors
- Dealing with long-term consequences of service breakdowns
- Negotiating solutions
- Generating an action plan for improved on-the-job effectiveness

The essence of this process is mutually to discover weak, strong and wanted sides of the organizations, in order to improve future relations. Using the customer relation profile, organization should be able to identify the terms of relationship with others and the profile will indicate what to focus on if organization wants to develop it further. If organization wants an "easy to use tool" to realize how organization can maximize business relations, this is the tool for organization.
3.26 The Need for customer satisfaction measurement

The two major aims of any business activity are to identify and to satisfy customers. Assessment of their needs and the ability to meet their requirement are the basis prerequisites for organizing a long-term business relationship.

A prospect has to be converted to the status of a customer who will buy the product and services. If the customer’s problems are not fully solved, there is no reason for him/her to go on buying from the known supplier. In an oligopolistic market scenario, disgruntled customers will look around for more effective and better solution providers. Achieving customer’s satisfaction may be a really genuine problem for small, which may have the needed expertise, but they may lack the basic infrastructure to organize increased business development from established clients. Customer satisfaction is a combination of both rational issues.

Reasons for non-achievement of CRM

For any Travel Agency, customer relationship management (CRM) is one of the ultimate goals. It is one of the extremely critical long-term aims of any travel agency in a competitive economy, in order to ensure business continuity. The suggested customer satisfaction module (CSM) is an effective way to achieve customer relationship management (CRM) which prepared to take positive and timely actions to ensure buyers satisfaction.

There can be several reasons for an inability to achieve CRM. Some of the major reasons for this are as follows:

- Adequate market knowledge is the foremost requirement for identifying prospects, turning them into customers, and retaining their loyalty. A lack of relevant market knowledge leads to an inability to achieve CRM.
• A need to assess and know its internal strength and weakness. The management’s failure to be flexible and change as the new environmental situations demand can hamper long-term relationship with the key customers.

• Finally, unwillingness and inability to implement the suggested improvements identified through the GSM technique on time is a top management failure, which is triggered by many id-related and other factors. This can lead to the failure in maintaining customer relationship.

In India, in many organizations, short-term success is often considered to be a major benchmark for judging the performance of the organization. Short-term success is applauded and publicized to its targeted audience. Sometimes, in the absence of major competitors, major users have no choice, for the time being, out to buy from established, large supply sources, whose product quality may be very good. However, quick transition of customer loyalty is quite common, as has been exemplified several times in this book. Thus customer satisfaction should be regarded as a very important indicator of the performance of a travel agency.

**Aspects of customer satisfaction**

Customer relationship management (CRM) is a broadly used term that covers concepts used by organizations to manage their relationships with customers and stakeholders to reduce costs and increase profitability by solidifying customer loyalty. CRM brings together information from all sources within and outside an organization to give one, holistic view of each customer in real time. Customers can benefit from their data being utilized within a CRM system. For instance, an increase in unsolicited telemarketing calls is generally resented by customers while a small number of relevant offers are generally appreciated by customers. CRM software can enhance the collection and analysis of customer behaviour leading to
more relevant communications with customer. There are three aspects of CRM which can each be implemented in isolation from each other:

**Operational** – The automation of customer processes that offers support to a company’s sales or service representative

**Collaborative** - The program communicates to customers without a company’s sales or service representative (self service)

**Analytical** – It is the analysis of customer information for multiple purposes. Customer satisfaction is a function of several short-term, mid-term, and long-term aspects, a few of which are rational, a few non rational and for industrial product and services, the rest of the aspect may be other issue which are image-oriented and loosely termed as service related issues.

**Rational issues:** Aspects such as product quality, especially, meeting the agreed-upon delivery schedules, prices, and terms of payment, keeping of stocks for ready delivery, availability of after sales service as a part of the annual maintenance contract regular of product-related information can be quantified. These are important rational aspects of customer satisfaction, and for an important basis for negotiation, and, later, for contractual obligation.

**Non-rational issues:** Fairness to customers, excellence as a long run supply source, and flexibility and reasonableness of the management are some of the non rational issues in customer satisfaction

**Image and attitude:** Pleasantness of the Agency sales and technical personnel is an important aspect of customer satisfaction.
Hence, an effective marketer should assess the following issues in a planned manner:

I. The short-term quantitative indicators of customer satisfaction, which will obviously be a set of indicators regarding the financial health

II. The deep rooted expectations of customers (usually, the expectations of buyer in the forefront and actual users, who will use the products/services and give their feedback internally to their own colleagues, i.e. buyers) which need to be qualitatively assessed from time to time.

Theoretically, the short-term indicators are expected to reflect the long-term expectations of the customers. However, in the real Indian scenario, a number of other factors may exist, for example, short-term inflation, short-term inflation short-term spurt in additional total business demand and potential, and the semi-monopolistic business conditions prevailing at a point of time. A dichotomy is possible so far as short-term indicators may be very attractive, whereas long-term, qualitative factors may indicate otherwise.

Achieving customer’s satisfaction

For any ongoing business organization, dealing with any product or service, the operational steps are as follows:

(1) Classification of customer and prospects: broadly, the prospects have to be classified in to the following sub segments:

i. **Existing customers**: Customers who are presently using a company product services.

ii. **Prospects**: Parties who are yet to use a particular products and services sometimes, they may not even be aware of a particular tour operator.
iii. **Competitor’s customers:** (CC): Parties who used to buy from a particular shop, but have stopped buying at some point of time. The reason for withdrawal needs to be investigated.

iv. **Parties:** who are aware of a particular company but consciously prefer to buy other major suppliers. Occasionally, in times of shortage, they may be forced to buy from the former in order to maintain multiple supplies which may be a deliberate strategy of a large, regular buyer-user organization.

(2) Listing of important customers and their executive: for each of the above four sub segments, a list of really important parties should be prepared, whose views and opinion may be of critical importance to the professional business executives. Based on current knowledge, the names, designation of specific relevant executives should also be clearly noted—at least for the major existing customer.

Using the DMU concept, in order to achieve customer satisfaction, it is felt that at least the actual buyers and users in each organization should be identified in-depth and interviewed with the explicit purpose of soliciting their view and opinion in a structure way. Ideally, over a planned time period, which may vary with the type of industry, the same response (to the extent they are available) in the same organization should be contacted, in order to monitor their views regarding major issues.

Separately, for each segment, the criteria for their optimum satisfaction at a point of time can be qualitatively assessed. Obviously, the opinion in the same organization will be different for buyers, who are usually commercial people and actual users, who are differently technical personnel, usually based in the factory.
Also, over time, the expectation level of buyers and users may be conditioned by factors such as the number of supplier present, the quality of their service level, the buyer’s and users changing expectations, etc.

(3) Qualitative assessments of the perceptions of service levels: These involve the identification of the relevant criteria set to achieve satisfaction. The most probable set of criteria for the selection of a supplier source were presented.

- For standard industrial item: 18 criteria
- For fabricated industrial item: 24 criteria
- For capital items: 34 Criteria

The number and types of criteria will obviously be dependent on the product and industry type. To assess customer satisfaction, the most probable set of criteria should be gagged first, based on the (research-based) subjective views of experienced industries’ experts, using the method of pre-testing amongst randomly chosen respondent organization.

3.27 CRM for Client Server Model

The starting point in appreciating how CRM can assist you in your daily work and benefit your organization is to understand what CRM is designed to do. CRM stores and processes “enterprise data”. Enterprise data is information that is entered and used by each staff member in performing their job, but which is also relevant to others in your organization or group, such as the feedback from a customer during a sales call. Unlike shareable personal productivity programs or Personal Information Management (PIM) programs, CRM provides the security, scalability, reliability and management control that a true Customer Relationship Management (CRM) or Customer Experience Management (CEM) system
requires. For most organizations, the first step in harnessing the power of your enterprise data is to consolidate it into a single consistent data store. Now, instead of seeing just the individual facts, you can find new and meaningful information in the relationships between the facts. Also, by centralizing the data store you can ensure that the right data is always available to everyone who needs it. The CRM system centralises data by implementing client-server architecture. It is responsible for storing and acting on the entire set of enterprise data as well as “servicing” fulfilling requests for information - from “clients”. The clients are the individual computers on the desks of your staff. A small program is installed on each computer to act as the CRM client. The CRM client software’s task is to request data from the server, present it to the user for viewing or editing, and then return the record; opening and adding or editing information on a form; and then clicking the “OK” button to save the information. The CRM client software can also transfer data between programs run on the computer where it is installed. For example, a customer’s e-mail details that have been retrieved from the CRM server may be transferred (along with notes typed by the user) and automatically composed into an outgoing e-mail message. Some client/server systems utilize the server as nothing more than a “ware- house” to store the accumulated data. In these systems, any rules or logic applied to data entry and any tracking of events related to the data must take place individually on each client’s computer. This approach is limited because any change to these rules must be applied separately to each user’s computer. Also, pro-active tracking of events can only happen while the user’s computer is running, and may require large amounts of additional data to be retrieved from the server. To solve these problems CRM uses the power of the server computer which already has all the relevant data all the time, to enforce the
rules of your organization and to pro-actively monitor and react to events as they occur. Below are some examples of “server-side” events and processes. In CRM Customer records: When creating a new customer record, you may have to select the check box called “This customer is a person, not a company.” After you click “OK”, the customer record is sent back to the CRM for storage. When the server receives a customer record with this check box selected, it attempts to break down the customer’s name into the component of Salutation/First Name/Last Name. From the components of the CRM server, customer’s name automatically creates a new contact person record using details from the customer record. You don’t have to create a contact person record because the CRM server has done it for you. Likewise for convenience, you may choose to complete the input box on the “Add New location” tab on the customer form. When your record is saved, the server understands that it should take this new location data and automatically creates a new location record for the Customer.

**Location:** When you change the credit terms, credit limit or account manager for a location, the server logs this change in the “Not for This Location” Input box and, wherever necessary, sends an e-mail to the relevant sales manager or credit officer. Since the e-mail addresses of sales managers and credit officers are also stored on the server, only a new sales manager’s e-mail address needs to be entered once, and any relevant notices are instantly directed to him or her. In this scenario, no changes to individual computers or even advice to stair needed for the information to be re-directed to the new person. - An input box called “Move This Location To Customer ID#” on the location form is monitored by the server when a record returns from a client, flexible user has entered a Customer ID# in this input box,
the server transfers the location record so that it now belongs to the nominated customer.

**Contact people:** When creating a new contact person record, you may choose to leave the telephone and/or fax input boxes blank and only specify its location. After clicking “OK” to send the new record to the server, the server will notice that the telephone and/or fax input boxes are blank and will complete them for you by using the telephone and fax values for the specified location. Similarly, if you later change the telephone or Fax for a location, the server will instantly check for any contact people records associated with that location and update them accordingly.

What other information is tracked and processed to help run your organization?

As might be expected, CRM provides for recording a customer’s details in Customers. A list of their addresses in locations, and a list of relevant people in Contact People, but CRM’s real power lies in its ability to track and process the information, which relates to your interaction with customers.

**Opportunity Files:** CRM uses Opportunity Files to track, process and report on the life cycle of business opportunities that a sales representative might normally pursue. When a sales representative finds a lead, or a non-profit organization worker proposes a sponsorship, or a recruitment agent learns of a job vacancy, the event defines the start of a “unit of work”, possibly consisting of many tasks for that person. In many industries, this is referred to as the start of the “sales cycle”. As this initial event involves interaction with an external entity (the customer), it is prudent to record the event for your own recollection as well as to advise others who may interact with this customer in the future. Using CRM, you create a new Opportunity File to record this event and immediately you and your company
benefit in several ways. Firstly, although the notes describing the event are only entered once, they are instantly visible to anyone referencing the customer record for any reason. The opportunity file can see in the context of the entire customer when assessing the history of interaction in all offices of the legal travel agency in your organization.

Secondly, a link to this new opportunity file is instantly added to your queue or “follow-up list”, if you did not specify a timeframe to follow up the activity or a probability of winning the business, the CRM server applies a default follow-up time and calculates the probability of success, based on the past purchase history.

Thirdly, for your manager, your queue of opportunity files is instantly available either in isolation or merged with the queues of the other sales representatives and can be sorted by customer, value, probability estimated closing date, and so on. So by simply logging a phone call, it indicates that you have updated your dynamic follow-up list” and completed a dynamic sales forecast.

If your organization has purchased the CRM escalation module ‘Full Alert” then, after the follow-up time has passed (by default this is seven days), the CRM system will start sending you e-mail reminders that you should continue to pursue this opportunity’. The e-mail reminders also include a countdown of the number of days remaining alter which time, if you have not returned to the opportunity file and updated it. CRM will presume that the opportunity has “gone cold” at least for the time being.

The warning period may be set to any number of days. But after this time the CRM server will change the status of the opportunity file to “Expire” and remove the opportunity from your queue. Of course, you can always return to the
opportunity file in the future, place it back in your queue and continue to pursue it. But if you are not currently pursuing the opportunity your queue and sales forecast have to be amended accordingly.

There are Several Options for preparing quotation in CRM (including replicating them from your existing quoting system) and now, because our quotation has been saved in CRM. You may specify a period of delay before CRM automatically follows up the quotation. You may also specify whether to send a follow-up e-mail message to the person who created the quotation (perhaps a clerical staff member) the relevant sales accounts manager, or even directly to the customer on your behalf.

If full Alert is installed, then after the delay, CRM will create an e-mail message containing a paragraph of standard text composed by the appropriate Accounts Manager, a reference to the quotation. It’s data and author, and a text copy of the customer’s e-mail address is also included so that the message may be personalized and easily sent online to the customer.

3.28 Customer Database and Database Marketing

Marketers must own their customers in order to know the customer; the company must collect information and store it in a database from which to conduct database marketing. A customer database is an organized collection of comprehensive information about individual customers or prospects that is current, accessible, and actionable for such marketing purposes as lead generation, lead qualification, sale of a product or service, or maintenance of customer relationships. Database marketing is the process of building, maintaining, and
using customer databases and other database (products, suppliers, and resellers) to contact, transact, and build customer relationships.

Many companies confuse a customer mailing list with a customer database. A customer mailing list is simply a set of names, addresses, and telephone numbers. A customer database contains much more information, accumulated through customer transactions, registration information, telephone queries, cookies, and every customer contact. Ideally, a customer database also contains the consumer’s past purchases, demographics (age, income, family members, birthdays, last tour enjoyed), psychographics (activities, interests, and opinions, media graphics (preferred media), and other useful information. The catalog company Fingerhut possesses some 1,400 pieces of information about each of the 30 million households in its massive customer database. Ideally, a business database would contain business customers’ past purchases; past volumes, prices, and profits; buyer team member names (and ages, birthdays, hobbies, and favorite foods); status of current contracts; an estimate of the supplier’s share of the customer’s business; competitive suppliers; assessment of competitive strengths and weaknesses in selling and servicing the account; and relevant buying practices patterns, and policies.

**Companies can use their databases in five ways**

1. **To identify prospects**- Many companies generate sales leads by advertising their product or service. The ad generally contain a response feature, such as a business reply card or toll-free phone number, and the company builds its database from customer responses. It sorts through the database to identify the
best prospects, and then contacts them by phone, or personal call to try to convert them into customers.

2. **To decide which customers should receive a particular offer**—Companies are interested in selling, up-selling, and cross-selling their products and services. Companies set up criteria describing the ideal target customer for a particular offer. Then they search their customer databases for those who most closely resemble the ideal type. By noting response rates, a company can improve its targeting precision over time. Following a sale, it can set up an automatic sequence of activities: One week later, send a thank-you note; five weeks later, send a new offer; ten weeks later (if customer has not responded), phone the customer and offer a special discount.

3. **To deepen customer loyalty**—Companies can build interest and enthusiasm for customer preferences and by sending appropriate gifts, discount coupons, and interesting reading material.

4. **To reactivate customer purchases**—Companies can install automatic mailing programs (automatic marketing) that send out birthday or anniversary cards, Christmas shopping reminders, or off-season promotions. The database can help the company to make attractive or timely offers.

5. **To avoid serious customer mistakes**—A major bank confessed to a number of mistakes it had made by not using its customer database well. In one case, the bank charged a customer a penalty for late payment on his mortgage, failing to note he headed a company that was a major depositor in this bank. He quit the bank. In a second case, two different staff members of the bank phoned the same mortgage customer offering a home equity loan at different prices.
Neither knew that the other had made the call. In a third case, the bank gave a premium customer only standard service in another country.

3.29 Data Warehouses and Data mining

Many Companies are capturing information every time a customer comes into contact with their departments. Touch points include a customer purchase, a customer-requested service call, an online query, or a mail-in rebate card. Banks and credit card companies, telephone companies, catalog marketers, and many other companies have a great deal of information about their customers, including not only addresses and phone numbers, but also transactions and enhanced data on age, family size, income, and other demographic information. These data are collected by the company’s contact center and organized into a data warehouse where marketers can capture, query, and analyze it to draw inferences about an individual customer’s needs and responses. Telemarketers can respond to customer inquiries based on a total picture of the customer relationship.

Through data mining, marketing statisticians can extract useful information about individuals, trends, and segments from the mass of data. Data mining uses sophisticated statistical and mathematical techniques such as cluster analysis automatic interaction detection, predictive modeling, and neural networking.