COURSE GUIDE

ENT 206
CUSTOMERS RELATIONSHIP MANAGEMENT

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INTRODUCTION

ENT 206 – Customer relationship management is a semester course work of two credit hours. It is available to all students taking the B.Sc Entrepreneurship programme in the Faculty of Management Sciences. The course consists of 15 units which cover the concept of customer relationship management. The course guide tells you what ENT 206 is all about, the materials you will be using and how to make use of them. Other information includes the self-assessment and tutor-marked questions.

COURSE CONTENT

The course content consists of principle and practices of in organization as well as the concepts, scope and contributors to the study of customer relationship management.

COURSE AIMS

The aim of this course is to expose you to the concept and practices of customer relationship management.

This aim will be achieved by asking a cursory look at:

A, The meaning of customer relationship management

B, The reasons for seeking customer satisfaction and loyalty

C,The importance of customer relationship management to an organization.

D. Strategies for customer relationship management

E. CRM planning and implementation

F. CRM model

OBJECTIVES

After going through this course, you should be able to:

- Concepts and context of customer relationship management
- Create customer loyalty Factors influencing Customer Perception Analysis
- Strategies for influencing customer perception
- Strategic CRM planning process
- Importance of CRM

COURSE MATERIALS

- Course Guide
- Study Units
- Text Books
- Assignment Guide

STUDY UNITS

UNIT 1: Introduction, meaning and definition of customer relationship management

UNIT 2: Evolution of customer relationship management

UNIT 3: Elements of customer relationship management

UNIT 4: CRM technology components /customer lifecycle/loyalty

UNIT 5: CRM Process and Customer Retention

UNIT 6: CRM Strategies tools/ Major areas of customer relationship management

UNIT 7: Importance of customer relationship management

UNIT 8: CRM planning process and CRM implementation

UNIT 9: Customer Behavior

UNIT 10: Role OF CRM Managers

Each study unit will take at least two hours. You are expected to study each unit and answer the tutor-marked assignments.

THE MODULES

The course is divided into two modules. The first module will treat the concepts, evaluation, elements, loyalty and process of customer relationship management (Unit 1-5). While the second module will focus on strategic tools, importance and model of customer relationship management, customer behavior and role of CRM manager (Unit 6-10).

ASSIGNMENT

Each unit consists of at least one assignment which you are expected to do.

ASSESSMENT

TUTOR-MARKED ASSIGNMENT

You are expected to apply what you have learnt in the contents of the study unit to do the assignments and send them to your tutor for grading.

FINAL WRITTEN EXAMINATION

This will be done at the end of the course.

SUMMARY

This course ENT 206 (Customer relationship management) exposes you to the concept of CRM and the concept of customer behavior, their loyalty and importance of customer relationship management. On successful completion of the course, you would have equipped yourself to face on-the-job challenges that may come your way.

MODULE ONE

UNIT 1: Introduction, Meaning and Definition of Customer Relationship Management

UNIT 2: Evolution of Customer Relationship Management

UNIT 3: Element of Customer Relationship Management

UNIT 4: CRM Technology Components /Customer Lifecycle/Loyalty

UNIT 5: CRM Process and Customer Retention

UNIT 1: INTRODUCTION, MEANING AND DEFINITION OF CUSTOMER RELATIONSHIP MANAGEMENT

1.0 Introduction

2.0 Objectives

3.0 Main Contents

- 3.1 What is CRM
- 3.2 Need for CRM
- 3.3 The components of customer relationship management
- 3.4 Framework for one-to-one Marketing in relation to CRM
- 3.5 Building Loyalty
- 3.6 Reducing Customer Defection
- 3.7 Forming Good Customer Relationship
- 3.8 Reasons for not adopting CRM

4.0 Conclusion

5.0 Summary

6.0 Tutor Marked Assignment

7.0 References

1.0 INTRODUCTION

A long term relationship with customers to nurture its stability in today‘s blooming market. Customer‘s expectations are now not only limited to get best products and services, they also need a face-to-face business in which they want to receive exactly what they demand and in a quick time. CRM is a business strategy directed to understand, anticipate and respond to the needs of an enterprise's current and potential customers in order to grow the relationship value.

Customer Relationship Management is an upright concept or strategy to solidify relations with customers and at the same time reducing cost and enhancing productivity and profitability in business. A CRM system is implemented for small business, as well as large enterprises also as the main goal is to assist the customers efficiently. The Customer Relationship Management is the procedure that is crucial for every business. As the customer is the most important part of the business.

Customer relationship management consists of different components including key customers, customer relationship management organization, knowledge management, and technology. This categorization is derived from this fact that the successful customer relationship management is resulted from four areas including strategy, employees, technology, and process. Also it is should be remembered that it is possible to achieve a competitive advantage through coordinating these strategic areas (Salomoun, et al,2015).

2.0 OBJECTIVES

At the end of this unit, students should be able to:

- State the meaning of Customer Relationship Management
- State and explain the need for Customer Relationship Management

3.0 MAIN CONTENTS

3.1 What is CRM

Customer relationship management (CRM) has the business purpose of intelligently finding, marketing, selling to and servicing customers. CRM is a broadly used term that covers concepts used by companies, and public institutions to manage their relationships with customers and stakeholders. Technologies that support this business purpose include the capture, storage and analysis of customer, vendor, partner, and internal process information. Functions that support this business purpose include Sales, Marketing and Customer Service, Training, Professional Development, Performance Management, Human Resource Development and compensation.

‘Customer Relationship Management is a comprehensive approach for creating, maintaining and expanding customer relationships’. Significance of the words used in the definitions:

(a) Comprehensive: CRM does not belong to just sales or marketing. It is not the sole responsibility of customer service group or an IT team; i.e. CRM must be a way of doing business that touches all the areas.

(b) Approach: An approach is broadly a way of treating or dealing with something. CRM is a way of thinking about and dealing with the customer relationship.

We can also use the word ‘strategy’ because CRM involves a clear plan. In fact, CRM strategy can usually serve as a benchmark for other strategies in your organization, because any strategy sets directions for your organization. We can also consider this from a department or area level. Just as a larger organization have strategies for shareholder management, marketing etc. Each strategy must support managing customer relationships. Thus CRM is strategic. To realize this, one can make a list of key strategies, to brief your area of responsibility. Then write down organizational approach towards customers. Compare the CRM strategies with other strategies. They should support each other. External customers are those outside the organization who buy goods and the services the organization sales.

‘Internal customers’ is a way of defining another group in some organization whose work depends upon work of your group. Therefore, they are your customers. It is your responsibility to provide what they need so that they can do their job properly.

(c) Customer relationship: Finally let us see what we mean by ‘customer relationship’. In today’s world where we do business with individuals or groups with whom we may never meet and hence much less know in person-to-person sense. CRM is about creating the feel of comfort in this high tech environment.

3.2 Need for CRM

The experience from many companies is that a very clear CRM requirement with regards to reports, e.g. output and input requirements, is of vital importance before starting any implementation. With a proper demand specification a lot of time and costs can be saved based on right expectations versus systems capability. A well operative CRM system can be an extremely powerful tool for management and customer strategies. CRM is not just a technology, but rather a comprehensive approach to an organization's philosophy in dealing with its customers. This includes policies and processes, front-of-house customer service, employee training, marketing, systems and information management. Hence, it is important that any CRM implementation considerations stretch beyond technology, towards the broader organizational requirements.

The objectives of a CRM strategy must consider a company's specific situation and its customers' needs and expectations. The data gathered as a part of CRM must consider customer privacy and data security. Customers want the assurance that their data is not shared with third parties without their consent and not accessed illegally by third parties. Customers also want their data used by companies to provide a benefit to them.

3.3 The components of customer relationship management

Customer relationship management consists of different components including key customers, customer relationship management organization, knowledge management, and technology. This categorization is derived from this fact that the successful customer relationship management is resulted from four areas including strategy, employees, technology, and process. Also it is should be remembered that it is possible to achieve a competitive advantage through coordinating these strategic areas (Salomoun et al,2005).

Key customers focus

The identified customers are defined as the ones that the information is accessible for recognizing and contacting them in the company. Also key customers includes the identified ones that provide more values for company through providing more profits, active long-term relationships, powerful leadership for the company (Akroush, 2011) .

1. Customer relationship management organization

This means fundamental changes in the organizing methods of business processes. Based on the customer relationship management, main dimensions of successful organizational organizing include organizational structure, organizational resources commitment, and human resources management commitment. Contacting the individuals is the most difficult stage in customer relationship management process. Internal marketing plays the most important role of customer-oriented and customer services delivery in every organization. Internal marketing is resulted from interaction between human resource management and marketing (Akroushetal, 2011) .

2. Knowledge Management

In today's competitive world, knowledge is considered as one of the competitive factors in global economy. It is necessary to consider the customer as another important factor in order to enter today's dynamic market successfully. Customer knowledge management refers to acquiring, sharing, and developing the customer knowledge among employees for making profit to the organization and customers. In order to improve the organizational efficiency and effectiveness, insure from delivering desirable products and services to the customers and acquire their satisfaction, it is necessary to manage the organization's knowledge about customers. Therefore, it can be concluded that knowledge management is an integrative part of customer relationship management (Salomoun et al,2005).

3. Technology

Development of every organization in information technology area improves its capability in collecting, saving, analyzing, and sharing knowledge about customer. This leads to increase the organization's capability in responding the customers' needs and maintaining them. The customer values analysis and services personalization, that are the results of advances in information technologies revolting from traditional approach to the integrated marketing systems, can be accessible through customer information system and automation of customer support processes. Customer relationship management refers to the information-based technologies that utilize information technologies for creating relationships with customers.

3.4 Framework for one-to-one Marketing in relation to CRM

Peppers and Rogers as reported by Keller and Kotler (2006) outline a four-step framework for one - to-one marketing that can be adopted on CRM marketing as follows:

i. Identify your prospects and customers- Do not go after everyone, but build, maintain and mine a rich customer database with information derived from all the channels and customers touch points.

ii. Differentiate customers in terms of (a) their needs and (b) their value to your company. Spend proportionately more effort on the most valuable customers. Apply activity based costing and calculate customer lifetime value. Estimate net present value of all future profits coming from purchases, merging levels and referrals, less customer-specific servicing costs.

iii. Interaction-Interact with individual customers to improve your knowledge about their individual needs and to build stronger relationship. Formulate customize offerings that are communicated in a personalized way.

iv. Customization: Customize products, services and messages to each customer. Facilitate customer/company interaction through the company contact centre and website

A key driver of shareholder value is the aggregate value of the customer base. Winning companies improve the value of their customer base by excelling at strategies such as:

1. Reducing the rate of customer defection

2. Increasing the longevity of the customer relationship

3. Enhancing the growth potential of each customer through share-of-wallet, cross selling and up-selling; and

4. Focusing disproportionate effort on high-value customers. The most valuable customers can be treated in a special way. Thoughtful gestures such as birthdays greetings, small gifts or invitation to special sports or arts events can send a strong signal to the customer.

3.5 Building Loyalty

While building customers loyalty, this involves costs. Thus, companies should be careful in building customer loyalty in relation to costs to be incurred. Five levels of investment in customer relationship building are briefly examined below:

a. Basic marketing- The salespersons who sells the product.

b. Reactive marketing- The salesperson sells the product and encourages he customer to call if he /she has questions, comments or complaints.

c. Accountable marketing-The salesperson phones the customer to check whether the product is meeting expectation. The salesperson also asks the customer for any product or service improvement suggestions and any specific disappointments d. Proactive marketing- The salesperson contacts the customer from time to time with suggestions about improved products uses or new products.

e. Partnership marketing- The Company works continuously with its large customers to help improve their performance.

It should be noted that all these activities involved costs. Therefore, companies should carefully compare the costs and the benefits in terms of profits and sales-volume to be derived from such activities.

Notwithstanding, most companies practiced only basic marketing when their markets contain many customers and their unit profit margins are small. For instance, Boeing works closely with American Airlines to design airplanes that fully satisfy American requirement. An increasing essential ingredient for the best relationship marketing today is the right technology. These days, companies are using email, websites, call centers, databases, and database software to foster continuous contact between company and customers. For example:

The discount brokerage service Ameritrade provides detailed information to its customers, which helps to create strong bonds. It provides customized alerts to the device of the customer‘s choice, detailing stock movements and analyzes recommendations. The company‘s website permits online trading and provides access to a variety of research tool (Keller and Kotler, 2006).

This is similar to alerts sent by Nigeria Airlines remaining their customers about their booking with the such airlines. Similarly, MTN also alerted their teeming customer on their credit usage. To achieve this, these mobile telecommunication companies maintained databases of their customers.

3.6 Reducing Customer Defection

There are five main steps a company can take to reduce the defection rate, namely:

1. The company must define and measure its retention rate
2. The company must distinguish the causes of customer attrition and identify those that can be managed better
3. The company needs to estimate how much profit it loses and when it loses customers
4. The company needs to figure out how much it would cost reduce the defection rate and
5. Listening to customers- Some companies have created an on-going mechanism that keeps senior managers permanently as demonstrated by banks in Nigeria through their customer care units‘.

3.7 Forming Good Customer Relationship

According to Berry and Parasuraman as reported by Keller and Kotler (2006) three retention building approaches have been identified, namely:

a. Adding Financial Benefits- The financial benefits that companies can offer are frequency programs and clubs marketing programs. Frequency programs are designed to provides rewards to customers who buy frequently and in substantial amounts. For example, Mobile Telecommunication Companies in Nigeria used this promotion strategy through rewards of bonuses and other various gifts to their frequent users of their products Frequency programs are seen as a way to build long tern loyalty, with these customers, potentially creating cross-selling opportunities in the process. It should however be noted that the first company to introduce an frequency programs gains the most benefit, especially if competitors are slow to respond. After competitors respond, frequency programs (FP) can become a financial burden to all the offering companies, but some companies are more efficient and creative in managing FPs.

Many companies have created club membership programs. Club membership can be open to everyone who purchases a product or service, or it can be limited to an affinity group or to those willing to pay a small fee. Although open clubs are good for building a database or snagging customers from competitors, limited membership clubs are more powerful for long term loyalty builders. Fees and membership conditions prevent those with only a fleeting interest in a company‛s products from joining. Those clubs attract and keep those customers who are responsible for the largest portion of business. Some highly successful clubs include the following: Ikoyi club, Lagos-Nigeria; Apple- Apple encourages owners of its computers to form local apple-user groups. The user groups provide Apple owners with opportunities to learn more about their competitors; Hardley-Davidson: The world famous Motorcycle Company sponsors the Harley owners group (H.O.G), which now numbers 650,000 members in over 1,200 chapters. The first time buyer of a Harley Davidson Motorcycle gets a free one-year membership.

The company also maintains an extensive web site devoted to H.O.G, which includes information on club chapters, events and special members – only section.

b. Adding Social Benefits- Company personnel works on cementing social bonds with customers by individualizing and personalizing customer relationship. In essence, companies turn their customers into clients. Donnelly, Berry and Thompson as reported by Keller and Kotler (2006) observed that customers may be nameless to the institution; clients cannot be nameless.

Customers are served as part of the mass or as part of longer segments; clients are served on an individual basis Customers are served by anyone who happens to be available; clients are served by the professional assigned to them.

E-commerce companies looking to attract and retaining customers that personalization goes beyond creating customized information. For examples, Skype website offers opportunities to the viewers to talk with the viewer. Another benefit of providing lives sales assistance as advertised on the web site is the ability to sell additional items. For Instance, Dallas-based specialty chain, the container store reaps the benefits of using live customer service personnel to augment its online orders

c. Adding Structural Ties- The Company may supply customers with special equipment or computers with special equipment or computer links that help customers manage orders, payroll and inventory. A good example is McKesson Corporation, a leading pharmaceutical wholesaler, which invested millions of dollars in FDI capabilities to help independent pharmacies manage inventory, order-entry processes and self space. Another example is Milliken and Company, which provides proprietary software programs, marketing research, sales training and sales lead to loyal customers.

Below is a misconception about adding structural ties as reported by Lester Wunderman, an astute observer of contemporary marketing thinks about Loyalizing customers misses the point. People can be loyal to country, family and beliefs, but less sp to their toothpaste, soap or even beer. However, the marketer‘s aim should be to increase the consumer‘s proclivity to repurchase the company‘s brand.

3.8 Reasons for not adopting CRM

Listed below are some of the reasons why some companies failed to adopt CRM system

1. CRM is regarded as a mere add-on application that is expected to resolve all customer interface difficulties.

2. Failure of systems to accommodate the wide array of relationships that organizations seek to manage.

3. Failure to adopt CRM within a strategic orientation.

4. Internal political issues concerning ownership of systems.

4.0 CONCLUSION

Customer relationship management is a marketing strategy which aimed at improving relations between the customers and the company. Customer and company relationship is very important this is because companies operates under competitive environment and only those companies that knows their customers that will be able to retain them and improve on their sales and profits. Therefore, profits are tied down to retention of customers, repetitive purchases and quality services render to the keen customers.

5.0 SUMMARY

This unit provides a comprehensive understanding on the subject of customer relationship management and it need to an organization. CRM is a broadly used term that covers concepts used by companies, and public institutions to manage their relationships with customers and stakeholders. Technologies that support this business purpose include the capture, storage and analysis of customer, vendor, partner, and internal process information.

6.0 TUTOR-MARKED ASSIGNMENT

- Define customer relationship management?
- Enumerate the common characteristics of customer?
- List and explain various meaning of customer relationship management?
- What is the need of customer relationship management?

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UNIT 2: EVOLUTION OF CUSTOMER RELATIONSHIP MANAGEMENT

1.0 INTRODUCTION

The modern concept of customer service has its roots in the Craftsman Economy of the 1800s, when individuals and small groups of Manufacturers competed to produce arts and crafts to meet public Demand. Individual orders were booked for each customer and supplied according to his/her taste and demands.

2.0 OBJECTIVES

At the end of this unit, students should be able to:

- Explain evolution of customer relationship management.
- Transactional vs Relationship approach
- The key points of customer relationship management

3.0 MAIN CONTENTS

3.1 Evolution of customer relationship management

The modern concept of customer service has its roots in the Craftsman Economy of the 1800s, when individuals and small groups of Manufacturers competed to produce arts and crafts to meet public Demand. Individual orders were booked for each customer and supplied according to his/her taste and demands. The economies were small and so were the transactions. The manufacturer was able to meet the customers on one to one basis and talk to customer to understand the minute details. Customer care and service were highly personalized. But then the economics swing was setting in. The technology was increasing and so was it difficult to cater to the individualistic needs of the customer. Gradually, the era of mass production came in.

The advent of Mass Production in the early 20th century, followed by an explosion in the demand for goods after World War II, increased the power of suppliers at the expense of consumers, and thus reduced the importance of customer service. History tells us that customer service as a concept was kept aside in the cell. The manufacturers could produce what they could and these goods will find their way to customers on their own. Infect, it was the age of demand exceeding supplies. There was no need for customer service as an activity or as a tool for promotion or enhancement of markets. But things never remain the same for long periods of time. A shift in this balance began in the 1970s, as international competition increased, and the dominance of western manufacturers was challenged, first by Japan, then by Korea, China and other developing economies. New world emerged with these Eastern economies taking to tremendous growth Producers responded by improving the quality of their products and services.

CRM is based on the principles of relationship marketing (RM) which is regarded as one of the key areas of modern marketing and has generated great research interest (Sheth 2000). We view RM as a paradigmatic shift in marketing (e.g. Grönroos, 1997; Gummesson, 1997; Parvatiyar and Sheth, 1997). The increased interest in ‘one to one’ marketing (Peppers and Rogers, 1993) raised the potential for shifting from a mass to individualize or ‘one-to-one’ marketing. In a recent review of CRM, Boulding et al. (2005) argue that the field of CRM has now begun to converge on a common definition: “Specifically, CRM relates to strategy, managing the dual-creation or value, the intelligent use of data and technology, the acquisition of customer knowledge and the diffusion of this knowledge to the appropriate stakeholders, the development of appropriate (long-term) relationships with specific customers and/or customer groups, and the integration of processes across the many areas of the firm and across the network of firms that collaborate to generate customer value”. Recently there has been an increasing acknowledgement of the important of cross-functional processes in CRM – a perspective on CRM strongly endorsed by Boulding et al. (2005). This inter-functional coordination and customer orientation is highlighted in an increasing body of work on market orientation (e.g. Kohli and Jaworski, 1990). However, much of the literature on CRM has under-emphasised its cross-functional nature and we posit this is a neglected and critical component of CRM that should form part of any CRM strategy and implementation model.

They introduced to the world entirely a new concept the concept of simplicity and convenience and economy to the world. The economic boom of the 1990s again increased the power of suppliers who, while not completely reverting to lower standards of service, were able to be more selective of which customers to serve, and of what levels of service to provide. The overall quality of customer service - in society and in specific industry- will continue to be determined by the relative balance of power between suppliers and consumers; it will improve as competition becomes more intense, and decline as competition decreases. We have to assess the global situation today and derive that we are facing a new development. Briefly, the product similarity is making it more a challenge today than ever before, to upgrade customer services to get an edge over the competitors.

a) The changes in market demand and competitive strategy forced the company to change from transactional marketing to relationship marketing.

b) Marketing mix was developed in the 1950s in order to exploit market demand. all the p‘s of marketing helps to explore increased demand of the company‘s products and services.

c) The objective of transactional approach of marketing is to sell more products and services to maximize sales and profit.

d) Increased competition and matured markets have led to the low growth. Which results in increased pressure and corporate profitability?

e) The beginning of globalization of markets, new competitions led to the greater customer choice.

f) Companies must move from a short-term transaction oriented goal to long term relationship building goal.

g) Companies are competing successfully in domestic and global markets including customers, distributors, employees, unions and governments.

h) The term marketing domain is defined as stakeholders who have to be taken into consideration in order to develop relationships and to achieve long-term success in the final marketplace.

i) The increased importance of relationship marketing also led to an increasing demand for an efficient customer relationship management.

j) Understanding and management of customer‘s expectations is rather a key to success in order to be able to create satisfied customers.

k) Customer knowledge is required to satisfy their customers and reach the ultimate goal of a company.

l) Create customer knowledge and the utilization of the customer relationship management system is essential.

3.2 Transactional vs Relationship approach

As marketing has entered the 21st Century, a significant change is taking place in the way companies interact with customers. The traditional view of marketing as a simple exchange process a concept that might be termed transaction-based marketing—is being replaced by a different, longer-term approach. Transactional marketing strategies focused on attracting consumers. The goal was to identify prospects, convert them to customers, and complete sales transactions. But today‘s marketers realize that, although it remains important, attracting new customers is truly an intermediate step in the marketing process. Marketing efforts must focus on establishing and maintaining mutually beneficial relationships with existing customers. These efforts must expand to include suppliers and employees, as well. The concept, called relationship marketing, refers to the development, growth, and maintenance of long-term, cost-effective exchange relationships with individual customers, suppliers, employees, and other partners for mutual benefits. It broaches the scope of external marketing relationships to include suppliers, customers, and referral sources. In relationship marketing, the term customer takes on a new meaning. Employees serve customers within an organization as well as outside it; individual employees and their departments are customers of and suppliers to one another.

They must apply the same high standards of customer satisfaction to inter-departmental relationships as they do to external customer relationships. Relationship marketing recognizes the critical importance of internal marketing to the success of external marketing plans. Programs that improve customer service inside a company also raise productivity and staff morale, resulting in better customer relationships outside the firm. Relationship marketing gives a company new opportunities to gain a competitive edge by moving customers up a loyalty hierarchy from new customers to regular purchasers, then to loyal supporters of the company and its goods and services, and finally to advocates who not only buy the company‘s products but recommend them to others. by converting indifferent customers into loyal ones, companies generate repeat sales. The cost of maintaining existing customers is far below the cost of finding new ones, and these loyal customers are profitable ones. Effective relationship marketing relies heavily on information technologies such as computer databases that record customers ‘tastes, pricepreferences, and lifestyles along with the increase of electronic communications. This technology helps companies become one-to-one marketers that gather customer-specific information and provide individually customized goods and services. The firms target their marketing programs to appropriate groups, rather than relying on mass-marketing campaigns. Companies who study their customer's preferences and react accordingly gain distinct competitive advantages.

3.3 The key points of customer relationship management

- Transactional marketing, which was developed in the late 1950‘s and 1960‘s.
- Transactional marketing main concept which centers on the four P‘S, was developed by borden in 1964.
- The marketing mix has since been described as a infallible guide for the effective planning and implementation of marketing strategy.
- The focus on transactional marketing is shifting to focus on relationship marketing.
- The firms make the market fall by providing consumer packaged goods at one extreme and the services at the other.
- In this situation all the firms are forced to adapt from transactional to relationship approach.
- Transactional marketing approach is on individual transaction and does not concern continuous relationship with customers.
- Transactional marketing does not contain a strategic long term perspective.
- The relationship marketing focuses on continuous multiple transactions rather than isolated individual transactions.
- It also considers customer as insiders to the business and aims to build a long term and never-ending relationship with them.

4.0 CONCLUSION

This unit took a critical look at evolution of CRM vis-à-vis the transactional approach and relationship approach

5.0 SUMMARY

The traditional view of marketing as a simple exchange process a concept that might be termed transaction-based marketing is being replaced by a different, longer-term approach. Transactional marketing strategies focused on attracting consumers. Relationship marketing, refers to the development, growth, and maintenance of long-term, cost-effective exchange relationships with individual customers, suppliers, employees, and other partners for mutual benefits. It broaches the scope of external marketing relationships to include suppliers, customers, and referral sources

6.0 TUTOR-MARKED ASSIGNMENT

- What are the short-comings of the transactional approach and Relationship approach of organization, and how has the System View tried to overcome them?
- Identify the various evolutional approaches to customer relationship management and briefly explain two of them.

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UNIT 3: ELEMENT OF CUSTOMER RELATIONSHIP MANAGEMENT

1.0 INTRODUCTION

This unit will take a look at the elements of customer relationship management of organizational success and various steps to organizational study.

2.0 OBJECTIVES

At the end of this unit, students should be able to:

- State elements of CRM.
- Identify Advantages and Disadvantages of CRM
- Know the implementation of CRM

3.0 MAIN CONTENTS

3.1 Elements of CRM

When your company communicates with your customers the process can involve many different people within both organizations using a variety of different methods. The main tool that is used is an order that is communicated by your customer to your sales department. However this is only one of many communications that should be managed. To ensure that your company can provide the best customer service experience possible the use of customer relationship management (CRM) software should be considered.

• CUSTOMER KNOWLEDGE

The customer service function in your company represents the front office functions that interact with your customers. These are the business processes that allow your company to sell products and services to your customers, communicate with your customers with regards marketing and dealing with the after sales service requirements of your customers. Each interaction with the customer is recorded and stored within the CRM software where it can be retrieved by other employees if needed.

• Relationship strategy

• Communication

• Individual value proposition

• Sales force automation

• The company‘s sales department is constantly looking for sales opportunities with existing and new customers. The sales force automation functionality of CRM software allows the sales teams to record each contact with customers, the details of the contact and if follow up is required. This can provide a sales force with greater efficiencies as there is little chance for duplication of effort. The ability for employees outside of the sales team to have access to this data ensures that they have the most recent contact information with customers. This is important when customers contact employees outside of the sales team so that customers are given the best level of customer service.

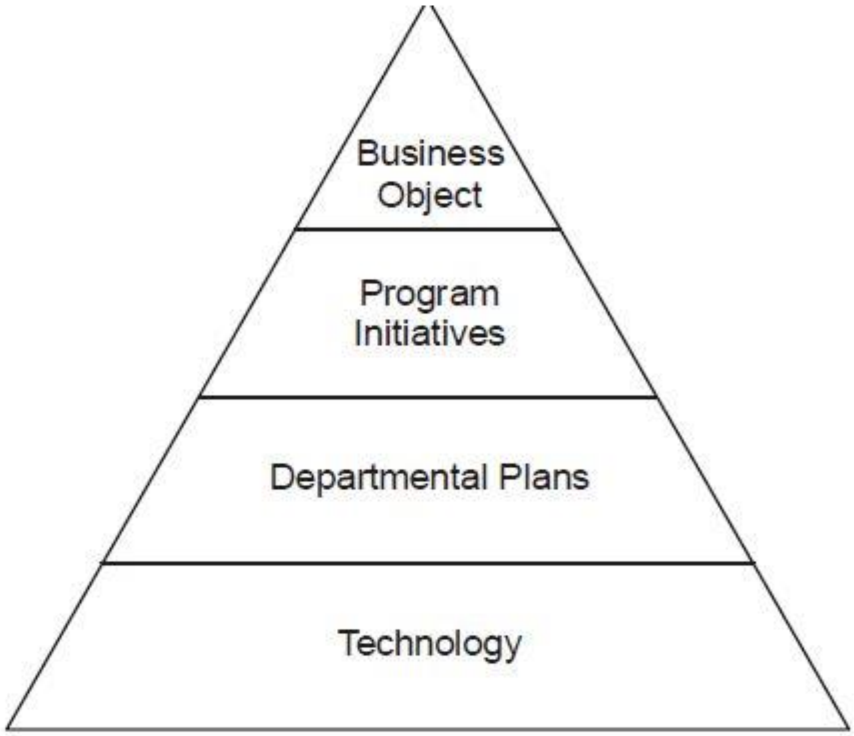
• CAMPAIGN MANAGEMENT

The sales team approach prospective customers in the hope of winning new business. The approach taken by the sales team is often focused in a campaign, where a group of specific customers are targeted based on a set of criteria. These customers will receive targeted marketing materials and often special pricing or terms are offered as an inducement. CRM software is used to record the campaign details, customer responses and analysis performed as part of the campaign. The technology requirements of a CRM strategy include the following building blocks.

i. A database for customer information.
ii. Operational CRM requires customer agent support software.
iii. Collaborative CRM requires an interactive system.
iv. Analytical CRM requires statistical analysis software as well as software that manage any specific marketing campaigns.

Each of these can be implemented in a basic manner. Steps before Implementing CRM:

Before implementing CRM certain basic steps with analysis should be followed. This analysis will help the users to identify various plans and the methods for implementation.



Source: Wilson, et al (2013)

(1) Business Objectives: Each and every business will have its own objectives with which it will be started with. In the process of the organization those objectives will be achieved in a step by step manner. In this context this phase in the implementation will describe the initial short term plans. The scope of this step will be from two to five years. The initial successful planning can only lead towards the long term objectives. This includes the revenue, market shares, margins and other initial investments. The main aim of designing this step is to make the organization as a customer centric company.

(2) Program initiatives: This is the second step towards the implementation of CRM. This phase will concentrate with 1 to 10 years in scope. This takes one step forward to the long term plans. This will focus on the customers and derive the plans to get the maximum customer satisfaction. This phase will create the clear plans for the future progress to achieve the long term goals. This step will improve the customer satisfaction at least by 5 points.

(3) Departmental plans: This is one step further after the definition of the organization objectives. This will prepare everyday plans to help the organization in achieving long term

goals. This will deploy the plans by arranging E-mail system and call centers. These departmental plans will be prepared for each and every department and as a whole the integration will be made and the overall optimized implementation will be achieved.

(4) Technology: The technology is the main driver in this entire architecture by which the entire planning phase will be successfully managed and the prime objective will be achieved. This technology part is implemented by preparing various modules for the various activities like sales, marketing, etc. These technical things will be discussed in detail with the other units in this book.

3.2 CRM Selection and Implementation: Steps and Considerations

A big part of a CRM system's ongoing success is choosing well in the first place, but implementation the process of getting a CRM up and running will also greatly impact its value to your organization. The details of this process will vary depending on the system you select, as well as on the agreement between your organization and the vendor. Yet most selection and implementation processes will involve the following steps and considerations, which we will address in detail below.

1. CRM review and selection
2. Project management
3. Vendor contracting and software licensing
4. CRM system customization
5. Data migration
6. Training and support

CRM Review and Selection

There are dozens of CRM solutions to choose from. Check out a variety of systems to get a good sense of what features are available and to assess how easy the systems are to use. Narrowing in on appropriate CRM systems is critical to maintaining a timely and cost-effective project.

Unsure of where to begin? A great (and often overlooked) resource for narrowing in on CRM systems are organizations doing work similar to yours that have already gone through the process of selecting and implementing a CRM. These organizations will often have overlapping requirements, and can offer valuable advice about tools they reviewed as well as pitfalls to avoid as you proceed.

Trade associations often provide terrific technical assistance for specific industry verticals, including best-fit technologies for your particular sector. NGOs in the United States can likewise benefit from the Nonprofit Technology Enterprise Network (nten.org). NTEN — often in collaboration with fellow nonprofits Idealware (idealware.org) and TechSoup Global (techsoup.org) offers a variety of technology resources ideally suited to nonprofits and libraries.

Project Management and Communications

Implementing a CRM can be a time-consuming and costly process, with many elements often occurring simultaneously. Ensuring strong project management and following a detailed communications strategy can help to keep all participants informed of their responsibilities and upcoming steps in the process.

Strong project management requires that the organization identify a staff person in charge of this task. Typical tools of a project manager to help keep the project on track include:

1. Calendar. Keep track of meeting dates for all participants, as well as major project milestone dates, including the final launch of the CRM system.
2. Work plan. This is typically the part of the contract that specifies what will be built or configured, what vendor support will be provided, what the overall timeline and cost should be, and the basic obligations of both the vendor and the organization.
3. Budget spreadsheet. A list of vendor costs, software fees, and other costs per month during implementation
4. Task lists. A list of tasks for individual staff to complete, such as reviewing CRM functionality, making decisions on reports, testing, and so on.

Both the CRM vendor and the organization should take care to follow both the contract and work plan. The organization should ensure regular vendor communication, including the addressing of any organizational questions. A weekly or fortnightly formal communication is reasonable in keeping up-to-date with the progress of the CRM implementation. The organization should follow all costs closely to ensure the project is on track financially.

Vendor Contracting and Software Licensing

Once you have identified a CRM system that is a good fit for your organization and selected a project manager to oversee the process, you're on to the next step: contracting and licensing. Each of these is vital in setting expectations for what kind of CRM system will be implemented, how it will be supported, and the costs involved. Don't underestimate the importance of this; CRM implementation projects that are not supported by clear contract and licensing terms often result in significant cost increases and missed timelines.

Contracting

The contract phase of setting up a CRM involves an agreement (and possibly negotiations) with a CRM vendor or outside consultant regarding setup, services, and support of your CRM system. Whether you are signing a contract provided by the system vendor or negotiating your own, bear in mind that a good contract is not just a legal agreement but part of a detailed work plan that will impact how your system will be set up and run.

Some vendors will require that you exclusively contract with them to implement and support the system; others may allow for support from unaffiliated third-party consultants. For organizations with the proper staff and skills, some CRM systems may be implemented in-house with no outside technical support.

Licensing

Often incorporated into the vendor contract, licensing is a written agreement outlining the CRM system vendor's rules regarding intellectual property, fair use, and costs. A license will describe what the organization can and cannot do with a CRM system. Some CRM vendors retain all ownership rights to the software, protecting their code from being modified by outside parties. Other CRM systems are "open source," allowing users to modify the code extensively with minimal restrictions. Maintaining CRM software license requirements may require one-time or ongoing payments, or it may be free. Take care that you understand your CRM vendor's licensing terms, and make sure you have them in writing.

Key Elements to Contracting and Licensing

There are several factors to consider when contracting and licensing software.

1. Always negotiate a contract. Never begin a CRM implementation without an agreement on a contract. All contracts are negotiable. Clearly articulate what you need; ask for changes if anything is missing.
2. Know all costs. Every contract should clearly specify what the costs are for complete system installation, and what licensing and support costs are required going forward.
3. Determine a timeline. Clarify how long the project will take and identify a delivery date.
4. Clarify communication. Agree on a point of contact with the vendor or consultant, as well as how updates will be communicated. Ensure these updates will address any changes in cost, features, and timeline expectations.
5. Identify a process for quality control and testing. Most CRM systems will require some unexpected modifications and updates during implementation. Clarify what the process is for identifying these changes, and how much of this cost (if any) will be borne by the customer.
6. Establish a data-migration plan. Moving customer information into a new CRM system can be a time-consuming and technically advanced task. Identify the vendor or consultant's role in this process.
7. Know customer responsibilities. All customers must be involved in the CRM implementation process. Agree on testing periods, data-migration responsibilities, milestones for customer approval and sign-off, and training opportunities.

CRM System Customization

Some CRM systems require only basic setup and preparation before organizations can begin using them, while others require some to substantial customization before they can be implemented. In most cases, the development work will substantially affect the final CRM product, and will be the most significant cost component.

CRM developers require a clear understanding of an organization's business rules. The organization should clarify any informal or undocumented processes that affect the customization of the CRM, and clearly explain these to the developer. The organization should also review the work of the developer at regular intervals to ensure that the task is being completed to satisfaction.

Elements to consider during software development include:

1. Explain what, and why. Conversations with developers require a focus not only on what features should be built, but why they are important from the organization's business perspective. Leaving out the "why" can lead developers to make incorrect assumptions about how features should work, resulting in costly overruns.
2. Get involved. Organizations should review features in development, even if other parts of the CRM are not yet ready. This helps avoid mistakes from growing into costly budget items or missed timelines.
3. Track accomplishments. Ask the vendor to document the features he or she has worked on, and what has been accomplished in each case. This helps organizations understand the costs of specific features, as well as what it might cost to continue working on them. It also helps confirm that the vendor is on schedule.
4. Clarify change requests and bugs. Be sure to identify issues that appear to be "bugs" (something broken that the vendor should fix within the budget) and "changes" (work that may or may not cost the organization extra). Reach an agreement before proceeding to work on these.

Data Migration

Many organizations have information stored in older systems that they wish to move to the new CRM. This information is oftentimes organized differently from the new CRM system, requiring some effort to relocate. Focusing on migration strategies early on can help ensure a smoother transfer of information down the road.

Vendors require a close partnership with the organization to properly understand the groups or individuals responsible for migrating data. Having a good grasp of the organization's ability to understand and manipulate their own data allows the vendor to offer tips and tools for how best to prepare for migration into the specific CRM tool, as well as to determine the optimal division of labor between the organization and vendor.

Guidelines to consider during data migration include:

1. Find the data. Information is often scattered among various organizational staff and systems. Locate the useful information required to populate the CRM and identify who maintains it, what it contains, and how accurate it is.
2. Improve the data. Many organization move inaccurate data into their new CRM tool, creating just another problem for users. Work to identify existing inaccuracies, correcting these when possible prior to importing to the new system.
3. Identify available migration tools. Some CRM systems and vendors offer tools and services to help transform data to fit the new CRM, and even to automatically move it into the system. Understand these tools and services early on and identify what work the organization must do to make use of these tools.
4. Test before migrating. Make sure to run a "test migration" using the new CRM. A test will help ensure that the information transfers correctly and allows the organization to make corrections before the final transfer takes place.

Training and Support

CRM software offers a wide range of tools for users to learn and master. Many users will require multiple exposure to documentation and training in order to gain the critical skills required to succeed with the new CRM. Some CRM systems provide written documentation, videos, and other self-paced trainings, while others offer single or ongoing in-person group and individual trainings.

During training, remember:

1. Identify all training options early. Give future CRM system users a head start by introducing them to an overview of how they can learn to use the new CRM tool.

Understand what is free and what is fee-based. Review trainings for quality and to prepare users for future training.

2. Plan for gaps. In many cases, the available training materials will not cover every CRM feature the organization plans to use. Identify any gaps in training, including written materials, video, or live webinars. Plan for how these gaps may be filled, whether internally or via external consultant.
3. Learn in context. Be sure to practice CRM skills using real data the trainee can recognize and understand.
4. Train the trainers. Document all processes and tips gathered from trainings to facilitate future training of other staff.

3.3 Advantages and Disadvantages of Customer Relationship Management

Customer Relationship Management can have a huge impact on your business revenue. By implementing the right CRM, you can improve your customer relationships and build customer loyalty

CRM software will transform the way you communicate with your customers it will automate internal processes, which means less manual work and more time to focus on your customers.

However, this also brings certain hiccups within the organization, which is mainly at the time of the implementation. With this Blog, we have tried to cover some of the major advantages and disadvantages that an organization would face while implementing the CRM software.

Advantages of using CRM

1. CRM helps to manage all your customer data in one place and allows workers to be more productive and efficient by tracking customers history, adding reminders for the sales calls and meetings.
2. It helps to manage your growing database and speeds up the growth process.

3. It helps in getting all the data centralized. The process becomes automated such as sending auto emails and SMS to the customers.
4. It builds long lasting relationships with customers, for instance, sending them Birthday wishes.
5. Determine how and where to make improvements in your business, for example, you can evaluate your business strategy integration with other CRM services and third party apps.

Disadvantages of using CRM

1. The transition from manual to automatic process is always one of the major concern or hiccups which you will face while implementing the CRM.
2. Psychology of being tracked, with the implementation of CRM software even the team will have concerns about the possibility of being hacked. However, with the right training and guidance, it can be rectified.

Needless to say, these disadvantages or hiccups can be reduced with the support of correct CRM consultant which will work as the driving force within the organization and should provide and suggest the right and ideal practice for optimum utilization and implementation of CRM Software.

4.0 CONCLUSION

When your company communicates with your customers the process can involve many different people within both organizations using a variety of different methods. The main tool that is used is an order that is communicated by your customer to your sales department. Advantages and Disadvantages of customer relationship management.

5.0 SUMMARY

When your company communicates with your customers the process can involve many different people within both organizations using a variety of different methods. The main tool that is used is an order that is communicated by your customer to your sales department. However this is only one of many communications that should be managed. To ensure that your company can provide the best customer service experience possible the use of customer relationship management (CRM) software should be considered.

6.0 TUTOR-MARKED ASSIGNMENT

- What are the elements of CRM?
- Elements of customer relationship management
- CRM Selection and Implementation: Steps and Considerations
- Advantages and Disadvantages of customer relationship management

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Wilson, H., Daniel, E., McDonald, M., Ward, J., & Sutherland, F. (2010). Profiting from CRM. London, Financial Times Prentice Hall.

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UNIT 4: CRM TECHNOLOGY COMPONENTS /CUSTOMER LIFECYCLE/LOYALTY

1.0 Introduction

2.0 Objectives

3.0 Main Contents

3.1 Explain the CRM technology components

3.2 Customer Lifecycle of CRM

3.3 CRM Loyalty

4.0 Conclusion

5.0 Summary

6.0 Tutor Marked Assignment

7.0 References

1.0 INTRODUCTION

This unit will be focused on the lifecycle of CRM, technology components and the loyalty of it on the organization.

2.0 OBJECTIVES

At the end of this unit, student should be able to:

- Define CRM technology components.
- Know Lifecycle of CRM
- Identify Customer Loyalty

3.0 MAIN CONTENTS

3.1 Explain the CRM technology components

The following are the components, which are common to different CRM approaches.

i. CRM Engine: This could be the customer data repository. The data mart, the data warehouse is the one where all the data on customer is captured and stored. This could include basic stuff such as your name, address, telephone number, birth date etc. It could also include more sophisticated information like how many times you have accessed a particular web site and what you did on the web pages you accessed. It could also include the help desk support and the purchase history. Ultimately, the purpose is a single gathering point for all individual customer information so that a unified customer view can be created throughout the company departments that need to know the data stored in this CRM engine house.

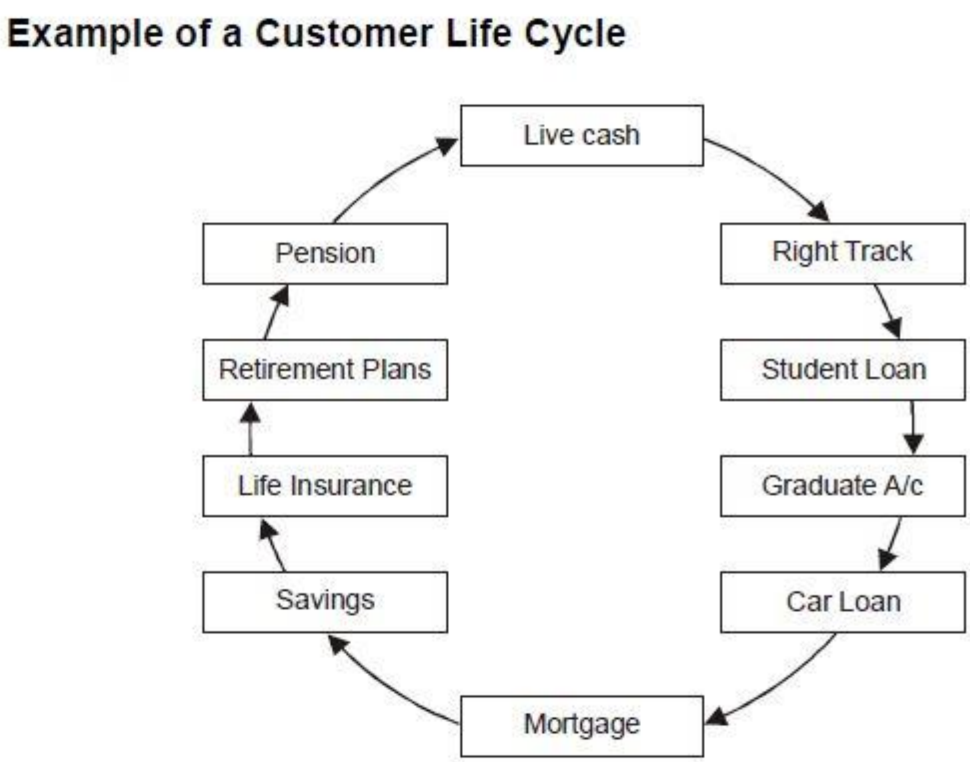
ii. Front Office Solutions: These are the unified applications that run on the top of the customer data warehouse. They could be sales force automations, marketing automation, or service and support customer interaction applications. In the client server environment (and now in the internet environment), they provide employees with the information on the basis of which the decision of ‘what is to be done?’ or ‘What next is to be done with the customer?’ is made. The more specific applications provide an element of self-service for the customer.

iii. Enterprise Application Integration: They sit between back office and front office. They also sit between the newly installed CRM system and old systems implemented by the enterprise. They permit CRM to CRM communication. They are pieces of codes, connectors and bridges that as a body are called as EAIs. EAIs provide messaging services and data mapping services that allow one system to communicate with different other systems regardless of their formatting.

3.2 Customer Lifecycle of CRM

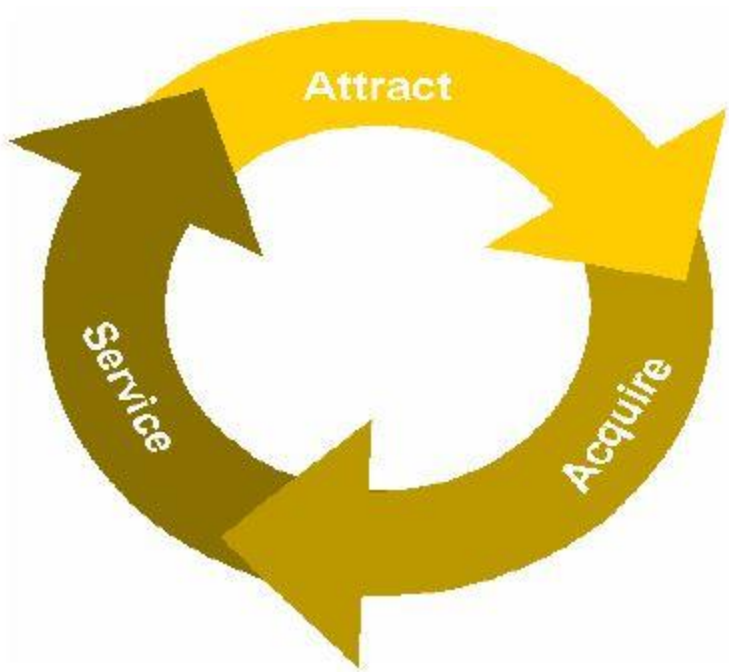
In customer relationship management, customer life cycle is a term used to describe the progression of steps a customer goes through when considering, purchasing, using, and maintaining loyalty to a product or service. Marketing analysts Jim Sterne and Matt Cutler have developed a matrix that breaks the customer life cycle into five distinct steps: Reach, Acquisition, Conversion, Retention and Loyalty. In layman’s terms, this means getting a potential customer’s attention, teaching them what you have to offer, turning them into a paying customer, and then keeping them as a loyal customer whose satisfaction with the product or service urges other customers to join the cycle. An ellipse, representing the fact that customer retention truly is a cycle and the goal of effective CRM is to get the customer to move through the cycle again and again, often depicts the customer life cycle. For any company, it is far cheaper to retain existing customers than to acquire new customers. Therefore presuming that this is the goal of most of the companies, the next thing is to determine the value of the customer to your company. A customer, who is consistently losing money for you while he has been with you for last 40 years is of course valuable to you, may be directly or indirectly. The life cycle of the customer is the process the customer has been undergoing to be with you for all these years. This includes customer's purchase history, how often he/she has taken advantage of special offers directed at him/her or their customer class. Depending upon what you identify as important to your return on investment (ROI), it could also include your customer's marketing value to you, how much revenue that marketing value could be worth indirectly.

Customer Life Cycle focuses upon the creation of and delivery of lifetime value to the customer i.e. looks at the products or services that customers NEED throughout their lives. It is marketing orientated rather than product oriented, and embodies the marketing concept. The problem here is that every organization's product offering is different, which makes it impossible to draw out a single Life Cycle that is the same for every organization.



Source: Çoban, (2012)

Explanation: Let us consider an example from the Banking sector. SBI has a number of products that it aims at its customers throughout their lifetime relationship with the company. Here we apply a Customer Life Cycle (CLC). When you begin with there are many types of current and savings account, and you may wish to buy property, and so take out a mortgage. You could take out a car loan, to buy a vehicle to get you to work. It would also be advisable to take out a pension. As you progress through your career you begin your own family, and save for your own children's education. You embark upon a number of savings plans and schemes, and ultimately SBI offers you pension planning. This is how an organization such as SBI, which is marketing oriented, can recruit and retain customers, and then extend additional products and services to them - throughout the individual's life. This is an example of Customer Life Cycle.



There are two kinds of Life Time Value measurement - absolute and relative. The first is very difficult to calculate; the second, very easy to calculate and in many ways more powerful than the first. The most difficult part of calculating LTV is deciding what a "lifetime" is. Life Time Value is the value of the customer over the Lifecycle. Lifetime Value doesn't exist without a Lifecycle. The Life Time Value concept has been horribly abused and misunderstood over the last several years. It is not necessary to figure out an absolute LifeTime Value for a customer or wait "a lifetime" to find out the value to use the concept in managing customer value. If you are new to this Life Time Value stuff and have not tracked the appropriate parameters, or your company is new and lacks meaningful operating history, you can look for "relative Life Time

Value," link it to customer behavior, and still get leverage from using LTV / LCV in your business model to manage customer value.

Here's a very simple example. Say I run the same ad in two different newsletters and get response from both. When I look at these responders, maybe a week later for a content visit or 30 days later for a purchase, I find a high percentage of repeat visitors or buyers from one newsletter, and a low percentage from the other. Repeat behavior indicates higher LifeTime Value, and predicts future repeat behavior, regardless of what the actual monetary LifeTime Value is. I can switch money out of the low repeat newsletter into the high repeat newsletter and get higher ROI without having to measure anything but repeat behavior.

1. If you haven't been in business long enough to know the Lifetime of a customer, just put a stake in the ground by looking for defected best customers. Look at customers who have spent or visited the most with you and then of these, look at the ones who haven't made a purchase or visit in some time (6 - 9 months, for example). In all likelihood, the last purchase or visit was the end of the Lifecycle when considering best customers who have stopped buying or visiting. When best customers stop, they're usually all done. Then look at first purchase or visit date for these customers, calculate your Lifetime, and use this length of time as the "standard" customer Life Time, realizing the average lifetime is probably much shorter.

2. Frequently, a customer will defect for a few years and then come back. This is cool, and normal. Their life changed somehow and they left, and now they need you again. Most offline marketers would call a customer who has had zero activity for over 2 years a defected customer. Online, it's more like 6 months for the average customer, unless you are in a classic seasonal business. If the customer starts up again, they would be a “new customer”, for marketing and modeling purposes. They will more likely behave like a new customer than a current customer. The behavior will ramp and fall off all over again, just like it did in their previous Lifecycle with your business. That doesn’t mean you can’t use the same customer number, or combine the old behavior record with the new behavior record in the customer service shop. In fact, knowing how long on average a customer defects before they come back can be a useful promotional tool.

But there has been a significant break in behavior, and this customer is more likely to behave as a new customer than a customer who has been with you the whole time. That’s just the way it works. They’re likely to be interested in different products, for example. You decide if it’s a new lifetime or not based on your business. In most cases, from a marketing perspective, and for the purposes of Life Time Value, they should be treated as a new customer. Otherwise, all your customers will have “infinite” lifetimes, and you lose the relevance of the metric.

3. Another challenge to calculating Life Time Value: usually much of the data you need to complete the simple calculation are not available, or can't be agreed upon by all the players, especially if you are in a big company. If you don't know what the average unit returned costs you in terms of overhead, you can't do the calculation. If you don't know what the average number of customer service calls per unit shipped is and what the calls cost, you can't do the calculation. This is a particularly difficult problem for offline retailers, who don't have a database that captures nearly enough relevant data.

3.2 CRM Loyalty

Customer satisfaction and customer loyalty Customer satisfaction means that customer needs, wishes and expectations are met or overcome during the product/service period, giving way to re-purchasing and customer loyalty. (Anton, 2016: 23) In other words, “customer satisfaction is the assessment of the pre-purchasing expectations from the product, with the results reached after the act of purchasing.” (Lemon et al, 2012: 1) A highly satisfied customer (Kotler, 2010: 48)

i. Continues his shopping for a long time,

ii. Buys more as long as the firm produces new products and the existing products are improved,

iii. Speaks of the firm and its products with praise,

iv. Keeps indifferent to the trademarks that are in competition with the products of the firm and does not place the emphasis on the price,

v. Offers the firm suggestions and ideas about products and services.

It is possible to secure the customer loyalty through customer satisfaction. However, the fact that there are many enterprises that offer products and services of the same quality and at the same price interval makes it difficult for the enterprises to secure customer satisfaction. It may even be easy to let the satisfied customer go to the rival enterprises.

Customer loyalty is defined with consideration paid to the amount of buying for a given trademark. The level of loyalty is measured by the watching of the frequency of buying (Javalgi and Moberg, 2007: 165). With the increase in the amount of accessible information in recent years, the conscious level of customers has improved continually. Today's customers are aware of the power they have on the market and that every activity is realized for them. It is now easier to reach the products and services. Before choosing a given trademark, consumers look at the price, newness, accessibility of the product and the additional services offered. As the alternatives increased, consumers' loyalty to the products and services decreased (Tekinay, 2012: 129). Today firms have entered into an effort to present at a lower cost than their rivals the products and services that can meet the customer wishes and expectations fully, so that they can render customers more loyal (Çoban, 2012: 117). The tactics that can be employed by the firms to create customer loyalty can be listed as follows (Karan, 2012: 63-64):

i. Rewarding those who send new customers,

ii. Sending thank-cards,

iii. Sending personal letters,

iv. Reminding by phone,

v. Choosing the field in which they are the best,

vi. Preparing events and occasions peculiar to customer,

vii. Evaluating the customer complaints in detail and giving quick replies.

Customer Relationship Management (CRM) whether enterprises can make their current customers loyal depends on whether they can manage the customer relationships well. As customers have grown to be more conscious consumers, enterprises have had to pay the prices of the errors and faults they do in customer relationships. The most important quality of the 1990s is that customers revealed their power then. They realized that they themselves had something to say and have they listened to. The firms, then, understood that they had to listen to their customers so as to be able to sustain their presence in the market. (Bozkurt, 2010: 25) After the 2000s, with the increased use and effect of the internet and such platforms as discussion groups, customers had the opportunity to be more powerful and effective against the enterprises. Thus, enterprises noticed that they could only be successful if they adopted customer-based marketing. Following the developments in the customer-based understanding, traditional marketing concepts retained their validity to some extent, but most marketing concepts began to be questioned. The concepts re-questioned are as follows: (Gel, 2014: 16-19).

i. New customer or loyal customer?

ii. Share of market or share of wallet?

iii. Account / card / order no or customer no?

iv. The number of total bills or the number of real customers?

v. Questionnaire or behavior?

vi. Customer from the rival firm or reduction in the rate of abandonment?

vii. Profitability of products or of customers?

Duran (2011) lists the reasons for the emergence of customer relationship management as follows:

i) That mass marketing has become more costly,

ii) That customer share has gained importance, not market share,

iii) That the concepts of customer satisfaction and customer loyalty have become more important,

iv) That the term customer value has gained importance,

v) That one-to-one marketing has gained importance,

vi) Intensive competition and developments in communication technologies.

Customer relationship management has been accepted as a management philosophy in literature at times and as a marketing strategy at others, while different definitions have been made of it. Anton, in 2016, defined the customer relationship management as “a business strategy that aims to create in enterprise the information technologies which will help the management system listen to the customers, be customer-based and offer the customers perfect products and service, and aims to make the whole staff in the enterprise able to conduct customer-based team work

4.0 CONCLUSION

People are critical to the success of any organization and therefore customer loyalty are very essential to an organization.

5.0 SUMMARY

In customer relationship management, customer life cycle is a term used to describe the progression of steps a customer goes through when considering, purchasing, using, and maintaining loyalty to a product or service. Marketing analysts Jim Sterne and Matt Cutler have developed a matrix that breaks the customer life cycle into five distinct steps: Reach, Acquisition, Conversion, Retention and Loyalty. In layman's terms, this means getting a potential customer's attention, teaching them what you have to offer, turning them into a paying customer, and then keeping them as a loyal customer whose satisfaction with the product or service urges other customers to join the cycle. An ellipse, representing the fact that customer retention truly is a cycle and the goal of effective CRM is to get the customer to move through the cycle again and again, often depicts the customer life cycle

6.0 TUTOR-MARKED ASSIGNMENT

Discuss customer lifecycle and CRM loyalty.

TUTOR-MARKED ASSIGNMENT (ANSWER AND MARKING SCHEME)

1. If you haven't been in business long enough to know the Lifetime of a customer, just put a stake in the ground by looking for defected best customers. Look at customers who have spent or visited the most with you and then of these, look at the ones who haven't made a purchase or visit in some time (6 - 9 months, for example). In all likelihood, the last purchase or visit was the end of the Lifecycle when considering best customers who have stopped buying or visiting. When best customers stop, they're usually all done. Then look at first purchase or visit date for

these customers, calculate your Lifetime, and use this length of time as the "standard" customer LifeTime, realizing the average lifetime is probably much shorter.

2. Frequently, a customer will defect for a few years and then come back. This is cool, and normal. Their life changed somehow and they left, and now they need you again. Most offline marketers would call a customer who has had zero activity for over 2 years a defected customer. Online, it's more like 6 months for the average customer, unless you are in a classic seasonal business. If the customer starts up again, they would be a “new customer”, for marketing and modeling purposes. They will more likely behave like a new customer than a current customer. The behavior will ramp and fall off all over again, just like it did in their previous Lifecycle with your business. That doesn’t mean you can’t use the same customer number, or combine the old behavior record with the new behavior record in the customer service shop. In fact, knowing how long on average a customer defects before they come back can be a useful promotional tool.

But there has been a significant break in behavior, and this customer is more likely to behave as a new customer than a customer who has been with you the whole time. That’s just the way it works. They’re likely to be interested in different products, for example. You decide if it’s a new lifetime or not based on your business. In most cases, from a marketing perspective, and for the purposes of LifeTime Value, they should be treated as a new customer. Otherwise, all your customers will have “infinite” lifetimes, and you lose the relevance of the metric.

Another challenge to calculating LifeTime Value: usually much of the data you need to complete the simple calculation are not available, or can't be agreed upon by all the players, especially if you are in a big company. If you don't know what the average unit returned costs you in terms of overhead, you can't do the calculation. If you don't know what the average number of customer service calls per unit shipped is and what the calls cost, you can't do the calculation. This is a particularly difficult problem for offline retailers, who don't have a database that captures nearly enough relevant data.

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UNIT 5: CRM PROCESS AND CUSTOMER RETENTION

1.0 INTRODUCTION

This unit will take a look at nature of customer relationship management process and customer retention vis-à-vis social systems, structure and mutual interest.

2.0 OBJECTIVES

At the end of this unit, students should be able to:

- Explain the concept CRM process.
- Explain the concept Customer Retention.
- CRM process and Customer Retention

3.0 MAIN CONTENTS

3.1 CRM PROCESS

The formation process of CRM refers to the decisions regarding initiation of relational activities for a firm with respect to a specific group of customers or to an individual customer with whom the company wishes to engage in a cooperative or collaborative relationship.

It is important that a company be able to identify and differentiate individual customers. In the formation process, there are three important decision areas: defining the purpose (or objectives) of engaging in CRM; selecting parties (or customer partners) for appropriate CRM programs; and developing programs (or relational activity schemes) for relationship engagement with the customer.

CRM strategy and processes

Grabner-Kraeuter and Moedritscher (2012) point to the lack of an adequate CRM strategic framework from which to define success as being a reason for the disappointing results of many CRM initiatives. A number of authors have proposed CRM strategy frameworks. Buttle (2011) provides a CRM value chain that identifies a series of ‘primary stages’: customer portfolio analysis; customer intimacy; network development; value proposition development; and manage the relationship. It also identifies a series of ‘supporting conditions’ including: culture and leadership; procurement processes; human resource management processes;

IT/data management processes; and organization design. This is helpful as it considers implementation issues. Sue and Morin (2011) develop a framework for CRM based on initiatives, expected results and contributions. This framework is not process-based and, as the authors acknowledge, many initiatives are not explicitly identified in the framework. Winer (2011) outlines a model, which contains: a database of customer activity; analyses of the database; decisions about customers to target; tools for customer targeting; how to build relationships with the targeted customers; privacy issues; and metrics for measuring the success of the CRM program. All these frameworks provide some useful insights, however none appear to adopt an explicit cross-functional process-based conceptualization. Payne and Frow (2005) used an expert panel of executives with extensive experience within the CRM and IT sectors to identify specific cross-functional processes. They identify five CRM processes including: strategy development; value creation; multi-channel integration; information management; and performance assessment. This approach, used because of its specific cross-functional process focus, formed the basis of the process elements used in the CRM strategy and implementation model developed in this work.

Source: Sue and Morin (2011)

THREE STEPS OF CRM PROCESS

1. Customer Acquisition: It comprises enquiry, interaction, exchange, co-ordination and adaptation.

2. Customer Interaction Management

3. Customer Retention

• **Customer Acquisition**

• Customer acquisition is a broad term that is used to identify the process and procedures used to locate, qualify, and ultimately secure the business of new customers.

• Customer retention effort is to identify and quality potential customers.

• Inputs for Acquisition

• The purpose of customer acquisition an organization is likely to focus its attention on the following

1. The suspects

2. The enquiries

3. The lapsed customers

4. The former customers

5. The competitor’s customers

6. The competitors lapsed customer‘s

7. The competitor‘s enquiries

8. The competitor’s former customers

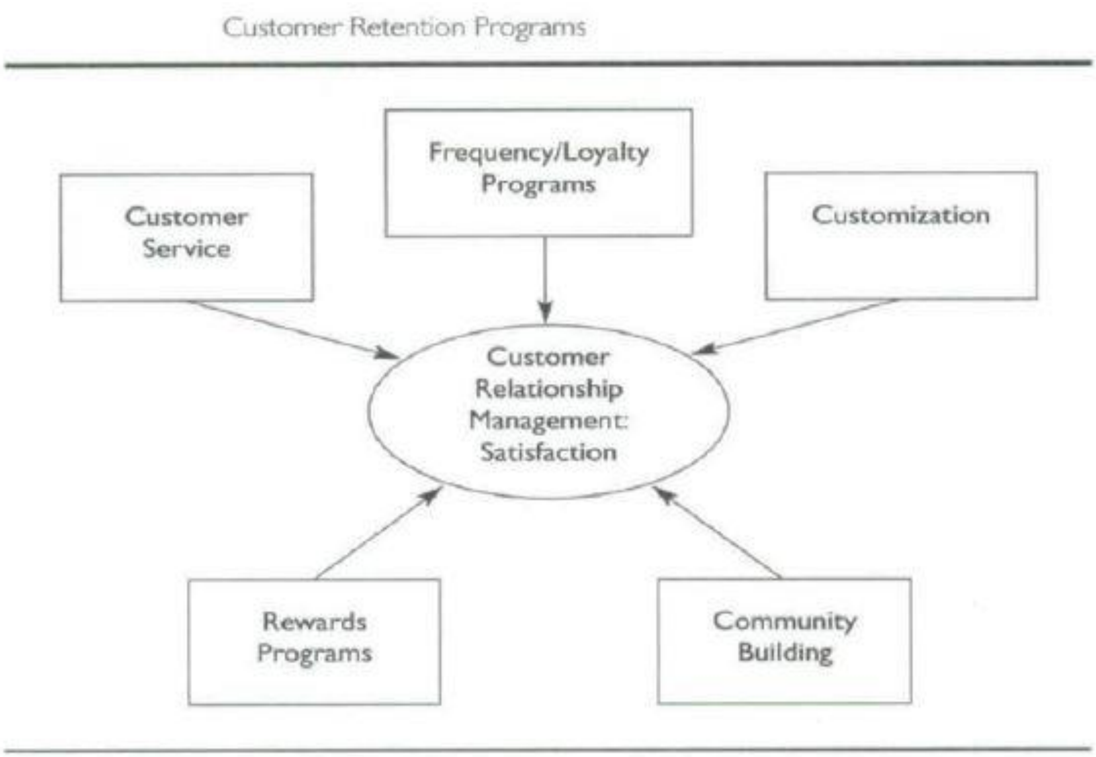
9. The referrals

10. The existing customers

3.2 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 product or services, but strongly related to the way it services its existing customers and the reputation it creates within and across the marketplace.



Source: Sue and Morin (2011)

Strategies for customer retentions

1. People

2. Product

3. Process

4. Organization

5. Setting satisfactory service standards

6. Concentration on competitors

7. Customer analysis

8. Cost analysis

9. Concentration on the paying ability of customers

10. Knowledge on purchase behavior pattern

11. Differentiation in prices and quality standards

12. Focus on reducing dissatisfaction

13. Attention on changing requirement of customers

14. Concentration on performance

15. Training to supply chain employees

16. Empowerment to service providers

17. Incentivizing service providers

18. Augmenting intangible benefits

19. Visit to the point of usage of the product

20. Develop partnership with customers

21. Organizing customer clubs

22. Relationship based pricing schemes

23. Effective customer communication system

24. Customer compliant monitoring cell

25. Developing customer satisfaction index

26. Focus on preventive actions

27. Concentration on customer satisfaction research

28. Focus on focus group

29. Building switching barriers

4.0 CONCLUSION

It is important that a company be able to identify and differentiate individual customers.

5.0 SUMMARY

In the formation process, there are three important decision areas: defining the purpose (or objectives) of engaging in CRM; selecting parties (or customer partners) for appropriate CRM programs; and developing programs (or relational activity schemes) for relationship engagement with the customer.

6.0 TUTOR-MARKED ASSIGNMENT

Explain the process of customer retention?

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MODULE TWO

UNIT 1: CRM Strategies tools/ Major areas of customer relationship management

UNIT 2: Importance of customer relationship management

UNIT 3: CRM planning and implementation

UNIT 4: Customer Behavior

UNIT 5: Role of CRM Managers

UNIT 1: CRM Strategies tools/ Major areas of customer relationship management

1.0 Introduction

2.0 Objectives

3.0 Main Contents

3.1 CRM Strategies tools /Major areas of customer relationship management

3.2 Strategic CRM

3.3 Technology and implementation

3.4 Mobile business for the enterprise

1.0 INTRODUCTION

This unit will take a look at various strategies for measuring CRM in an organization and the areas to be covered in other to achieve competitive advantage over others.

2.0 OBJECTIVES

At the end of this unit, students should be able to:

- Explain major strategies tools for CRM.
- Explain major areas of customer relationship management

3.0 MAIN CONTENTS

3.1 CRM Strategies tools/ Major areas of customer relationship management

Entrepreneur is one of the new discoveries in business management. Entrepreneur has come to occupy significant position in the overall strategic studies. Various challenges are emerging in marketing as well as new approaches are being made in its study to view its different aspects of the many things it has been recently realized that customer is the most important elements in marketing and its sustenance and retention is far more important than any other marketing functions.CRM is one of the core area in marketing.

The major areas of CRM focus on:

• Generation and servicing more loyal customers.

• Expansion of customer base

• Reduction of advertising costs

• Increase in profitable customers

• Ease in introduction of new products

• Personal Information Gathering and Processing, Self-Service.

• CRM is the marketing management practice of identifying, attracting and retaining the most valuable customer to sustain profitable growth

• CRM is the process of making and keeping customers and maximizing their profitability, behaviors and satisfaction.

• Today customer demand open equal access, real time specialized information, convenient access, portability, process and logistics transparency, pricing transparency, global pricing, ability to set prices, choices of distribution channels and control over their information.

• First time customer can become a repeat customer, thereafter a client, then an advocate and finally one‘s partner in progress.

• Loyal customers always create a profit and also reduced operating cost, increased purchases and give plenty of referrals.

• The realistic observation on customers that it costs ten times more to sell to new customers than to sell to an existing one.

• Existing customer deliver most of the revenues.

• It‘s very important part of CRM is to identify the Most Valuable Customers (MVC) for the success of the business.

• A small net upward migration of customers (5-10%) can deliver a dramatic improvement in business performance.

• Marketing and sales are charged with influencing customer behavior.

• Customer success always equal to business success

3.2 Strategic CRM

1. Business case

2. Customer knowledge

3. Customer loyalty

4. Customer retention

5. Customer satisfaction

6. Direction

7. Leadership

8. Master plan

9. Metrics or measurement

10. People &process

11. ROI

12. Strategy & success

13. Technology

14. Top management

15. Trends

16. Vision

3.3 Technology and implementation

1. Enterprise architecture and application

2. CRM –induced culture change

3. Migration management

4. Knowledge based utilization

5. Application servers

6. System integrators

7. Planning and investigating

8. Implementation and deployment

9. Change management

10. Maintaining and upgrading

3.4 Mobile business for the enterprise

1. Delivery technology

2. Display technology

3. Field force automation

4. Input technology and devices

5. Mobile commerce

6. Mobile enterprise

7. Mobile operating system

8. Wide area network

9. Wireless application service provider

10. Wireless devices

3.5 Sales and marketing

1. Enterprise relationship management

2. E-sales

3. Lead qualification

4. Operational CRM

5. Partner relationship management

6. Repeat business

7. Sales force automation

8. Analytical CRM

9. Customer profiling and segmentation

10. E-marketing automation

11. Lead qualification in sales

12. Personalization

3.6 Business intelligence

1. Analytical process

2. Customer intelligence systems

3. Customer scoring

4. Data cleaning

5. Data mining

6. Data warehouse

7. Filtering and house holding

8. Information database

9. Ligaments

10. Metalmark

11. Operational system or database

3.7 Customer contact center

1. Call center and help desk

2. Customer interactive centers

3. Customer retention

4. Customer support

5. E-service systems

6. Live support and service

7. On-line support and service

3.8 Self-Assessment Question

List and explain CRM Strategies tools

3.9 Self-Assessment Answer

Strategic CRM

Technology and implementation

Mobile business for the enterprise

Sales and marketing

Business intelligence

Customer contact center

4.0 CONCLUSION

CRM Strategies tools and major areas of customer relationship management are critically directed to organization performance and therefore deserve special attention and specific indicators.

5.0 SUMMARY

Entrepreneur is one of the new discoveries in business management. Entrepreneur has come to occupy significant position in the overall strategic studies. Various challenges are emerging in marketing as well as new approaches are being made in its study to view its different aspects of the many things it has been recently realized that customer is the most important elements in marketing and its sustenance and retention is far more important than any other marketing functions.CRM is one of the core areas in marketing.

6.0 TUTOR-MARKED ASSIGNMENT

Major areas of customer relationship management

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UNIT 2: IMPORTANCE OF CUSTOMERS RELATIONSHIP MANAGEMENT

1.0 Introduction

2.0 Objectives

3.0 Main Contents

3.1 Importance of customers' relationship management

3.2 Features of customers relationship management

3.3 CRM significance other managerial bodies

4.0 Conclusion

5.0 Summary

6.0 Tutor-Marked Assignment

7.0 References

1.0 INTRODUCTION

The importance of customer relationship management to stakeholders and other managerial bodies to organization must be appropriate and efficient.

2.0 OBJECTIVES

At the end of this unit, students should be able to:

1. Explain importance of customer relationship management to stakeholders

2. Explain features of CRM.

3.0 MAIN CONTENTS

3.1 Importance of Customers Relationship Management

Customer Relationship management is the strongest and the most efficient approach in maintaining and creating relationships with customers. Customer relationship management is not only pure business but also ideate strong personal bonding within people. Development of this type of bonding drives the business to new levels of success.

Once this personal and emotional linkage is built, it is very easy for any organization to identify the actual needs of customer and help them to serve them in a better way. It is a belief that more the sophisticated strategies involved in implementing the customer relationship management, the more strong and fruitful is the business. Most of the organizations have dedicated world class tools for maintaining CRM systems into their workplace. Some of the efficient tools used in most of the renowned organization are BatchBook, Salesforce, Buzzstream, Sugar CRM etc.

Looking at some broader perspectives given as below we can easily determine why a CRM System is always important for an organization.

1. A CRM system consists of a historical view and analysis of all the acquired or to be acquired customers. This helps in reduced searching and correlating customers and to foresee customer needs effectively and increase business.
2. CRM contains each and every bit of details of a customer, hence it is very easy for track a customer accordingly and can be used to determine which customer can be profitable and which not.
3. In CRM system, customers are grouped according to different aspects according to the type of business they do or according to physical location and are allocated to different customer managers often called as account managers. This helps in focusing and concentrating on each and every customer separately.
4. A CRM system is not only used to deal with the existing customers but is also useful in acquiring new customers. The process first starts with identifying a customer and maintaining all the corresponding details into the CRM system which is also called an 'Opportunity of Business'. The Sales and Field representatives then try getting business out of these customers by sophistically following up with them and converting them into a winning deal. All this is very easily and efficiently done by an integrated CRM system.
5. The strongest aspect of Customer Relationship Management is that it is very cost-effective. The advantage of decently implemented CRM system is that there is very less need of paper and manual work which requires lesser staff to manage and lesser resources to deal with. The technologies used in implementing a CRM system are also very cheap and smooth as compared to the traditional way of business.
6. All the details in CRM system is kept centralized which is available anytime on fingertips. This reduces the process time and increases productivity.
7. Efficiently dealing with all the customers and providing them what they actually need increases the customer satisfaction. This increases the chance of getting more business which ultimately enhances turnover and profit.
8. If the customer is satisfied they will always be loyal to you and will remain in business forever resulting in increasing customer base and ultimately enhancing net growth of business.

In today's commercial world, practice of dealing with existing customers and thriving business by getting more customers into loop is predominant and is mere a dilemma. Installing a CRM system can definitely improve the situation and help in challenging the new ways of marketing and business in an efficient manner. Hence in the era of business every organization should be recommended to have a full-fledged CRM system to cope up with all the business needs.

3.2 Features of customers relationship management

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

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

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

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

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

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

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

7. Customer Service: In an organization Customer Service is the process of delivering information and services regarding all the products and brands. Customer satisfaction depends on quality of service provided to him by the supplier. The organization has not only to elaborate and clarify the details of the services to be provided to the customer but also to abide with the conditions as well. If the quality and trend of service go beyond customer’s expectation, the organization is supposed to have a good business with customers.

Let it be a newly brought up enterprise or a well established organization the above aspects prove to be of prime importance in dealing with a genuine customer through a well organized CRM system.

4.0 CONCLUSION

The importance of customer relationship management to stakeholders and features of CRM

5.0 SUMMARY

There are several ways to integrate the importance of customer relationship management to stakeholders in an organization.

6.0 TUTOR-MARKED ASSIGNMENT

Discuss importance of CRM

7.0 REFERENCES

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UNIT 3: CRM PLANNING PROCESS AND CRM IMPLEMENTATION

1.0 Introduction

2.0 Objectives

3.0 Main Contents

3.1 CRM Planning Process

3.2 CRM Implementation

4.0 Conclusion

5.0 Summary

6.0 Tutor-Marked Assignment

7.0 References

1.0 INTRODUCTION

CRM planning process and implementation issues as we have shown throughout this unit. It is a subject of increasing interest for both practitioners and experts in the field of entrepreneur as they tried to highlight the major issues and process of planning and implementation.

Knowing your customers better will enable you to serve them better and keep them loyal forever. This is the main theme of Customer Relationship Management (CRM). However, the understanding of the meaning of CRM is still incomplete and growing. CRM can be understood as a business philosophy, a business strategy, a business process, or a technological tool. "CRM is a relationship orientation, customer retention and superior customer value created through process management". As a business strategy "CRM is a customer-focused business strategy that aims to increase customer satisfaction and customer loyalty by offering a more responsive and customized services to each customer". CRM as a business process was defined as “a macro-level (i.e., highly aggregated) process that subsumes numerous sub-processes, such as prospect identification and customer knowledge creation”. As a technology, "CRM is an enabling technology for organizations to foster closer relationships with their customers".

2.0 OBJECTIVES

At the end of this unit, students should be able to:

- Identify CRM planning process and
- Explain CRM implementation

3.0 MAIN CONTENTS

3.1 CRM PLANNING PROCESS

The process can be defined as the way in which things are done within an organization. CRM processes as "the activities performed by the organization concerning the management of the customer relationship and these activities are grouped according to a longitudinal view of the relationship". Objective of CRM process is to form customers' perceptions of an organization and its products through identifying customers, creating customer knowledge, and building customers relationships. CRM processes are categorized into vertical and horizontal processes, front-office and back-office processes, and primary and secondary processes. He articulated that vertical processes refer to the processes that are placed completely within business functions like customer acquisition process while, horizontal processes refer to the cross-functional processes like product development process.

Front-office processes refer to the customer facing processes like complaint management process while, back-office processes refer to the hidden and non-facing processes from customers like the procurement process. The primary processes are the processes that have major cost or revenue implications for organizations like the logistics process in courier organization and claims process in insurance organizations while, the secondary processes are the processes that have minor cost or revenue implication for organizations. Three levels of CRM processes; (i) the customer-facing level, (ii) the functional level, and (iii) the companywide level. Moreover, there are different views and perspectives for the CRM processes where the following sections will provide a description of the main themes of these perspectives.

A. Customer-facing level CRM processes

CRM process at the customer-facing level can be defined as "a systematic process to manage customer relationship initiation, maintenance, and termination; across all customer contact points to maximize the value of the relationship portfolio". There are three CRM processes at the customer-facing level of CRM including relationship initiation, relationship maintenance, and relationship termination. An explanation for each one of these processes as the following:

a) The initiation process refers to the activities that take place before or in the early stages of the relationship, such as identifying potential customers;

b) The maintenance process includes the activities that portray normal customer relationships, such as cross-selling, up-selling, or retention programs; and

c) The termination process includes both the activities used to find and settle on ending a bad relationship for example, ending the relationship with unprofitable, or low value customer, and the termination management activities.

This process could happen at any time of the relationship. The customer-facing level CRM processes includes the building of a single view of the customer across all contact channels and the distribution of customer intelligence to all customer-facing functions. This perspective emphasizes on the importance of coordinating information across time and contact channels to manage the entire customer relationship systematically.

B. Customer-oriented CRM processes

Customer process encompasses the customer activities performed to satisfy a need or to solve a problem.

Semi-structured and knowledge intensive nature of the customer-oriented CRM processes. In addition, they have differentiated among three kinds of customer-oriented CRM processes;

(i) CRM delivery processes,

(ii) CRM support processes, and

(iii) CRM analysis processes. CRM delivery processes are the processes of direct contact with customer and are considered as part of the customer process including campaign management process, sales management process, service management process, and complaint management process.

CRM support processes deal with accomplishing supporting purposes through the market research process and loyalty management process while, CRM analysis processes concentrate on combining and analyzing the collected customer knowledge in other CRM processes, including the processes of customer scoring and lead management, customer profiling and segmentation, and, feedback and knowledge management.

C. Cross-functional CRM processes

Five generic cross-functional CRM processes based on a holistic approach of including

(i) The strategy development process,

(ii) The value creation process,

(iii) The multichannel integration process,

(iv) The information management process, and

(v) The performance assessment process.

D. CRM Macro-level processes

CRM macro-level processes refers to the undertaken activities of an organization to create market intelligence that the organization can leverage to build and sustain a profit-maximizing portfolio of customer relationships through two sub-processes; knowledge management process and interaction management process. The knowledge management process and the interaction management process are highly dependent on the technological and human resources of the organization.

Knowledge management process is defined from CRM perspective by as the process that "is concerned with all of the activities directed towards creating and leveraging the market intelligence that firms need to build and maintain a portfolio of customer relationships that maximizes organizational profitability". The knowledge management process can be sub-divided into three processes; data collection, intelligence generation, and intelligence dissemination. Data collection refers to the capture of information related to the market and customers. The intelligence generation refers to the conversion of the captured information into actionable intelligence witch needs to be disseminated in the intelligence dissemination process across the organization to all employees who have a direct contact with the customer or working on the marketing activities of the organization.

The interaction management process refers to the utilizing of the market intelligence to strengthen customer relationships and interaction productivity between buyer and seller, where this interaction could be an exchange of products and services for money, information exchange, or social exchange. Interaction management process has three dimensions; interaction consistency, interaction relevancy, and interaction appropriateness. They defined the interaction consistency as “the extent to which an interaction varies from and builds upon the preceding stream of buyer–seller interactions”.

They defined the interaction relevancy as “the degree to which an interaction creates value within the context of a buyer–seller relationship” and defined the interaction appropriateness as “the extent to which an interaction maximizes both customer value and the long-term return on organizational resource investments”.

There are various perspectives of CRM processes, however, the cross-functional CRM processes perspective is the most comprehensive, detailed, and complementary perspective. The other perspectives can be seen as embedded in the cross-functional perspective. For example, the customer facing level processes are included in the multi-channel integration process. The same thing is true regarding the customer-oriented CRM processes perspective where, the three processes within this perspective; CRM delivery, support, and analysis processes can be found respectively embedded in the multi-channel integration process, the value creation process, and the information management process. Another example, if we look at the customer facing level processes, it provides a very initial and general theme about what happen at managing the customer relationships. The customer facing level processes perspective explains that the process of CRM stats with initiating a relationship with the customer, then trying to maintain and enhance the relationship and finally, once the relationship becomes unprofitable, it can be terminated and the organization can get rid of the customer. On the contrary, the Macro-level CRM processes perspective shown a two high level CRM processes at the organizational level. This perspective revolves around creating and capturing customer knowledge and exploiting this knowledge in creating and managing the interaction with customers.

Thus, the cross-functional CRM processes perspective is the most pervasive perspective of CRM as it explain not only list of mere processes but also it explains the nature of each process, the main activities within each process, and how each process interact with one another. It provides a coherent and iterative notion for the CRM processes. Therefore, it could be the best perspective of CRM processes in terms of providing a deep explanation of each CRM process which enable the better understanding of CRM towards the successful adoption and implementation. After explaining the different perspectives of CRM processes, the following section is dedicated to elaborate the model of CRM process that clarifies all the corporate and marketing requirements of CRM processes.

3.3 CRM IMPLEMENTATION PROCESS

Steps to a Successful CRM Implementation

Step 1: Identify why you need a CRM and what you expect from it.

The foremost step is to understand why your enterprise needs a CRM system. Start off by identifying the areas you need to improve and the problems that requires attention. You need to have a vision which syncs with the definitive goals of your business. Once you decide on the goals of your CRM implementation, share it with everyone in the team to ensure all are on the same page and moving on the same lines to achieve the goals. Another thing that demands consideration is how you want to integrate it with other systems in your organization. Integrating your cloud based CRM with other integral systems of your enterprise can result in better understanding of your customers and hence an effective CRM.

Step 2: Find a suitable CRM vendor for your organization.

You will get many options in terms of vendors offering CRM and will need to explore a bit to be able to find the right CRM system for your business as it will largely affect the implementation. The strength of the vendor's product is to be judged along with the vendor's experience in the respective market. Along with, you will need to consider factors like the knowledge and experience their employees possess, their experience in working for enterprises similar to yours, and the corporate vision of the vendor. You can also dig into some of their previous clients' reviews to know about the service quality of the vendor.

Step 3: Develop a budget

You need to develop a realistic budget which you can use for the expenses related to the implementations process. It's very important that you remain very clear about your resources with your CRM partner so that they can plan according to your investment. Balance your budget so that you do not compromise on the implementation. Go for 'value for money'. An effective CRM implementation can significantly lead to higher conversions while if the implementation goes wrong, you might have to re-invent the wheel.

Step 4: Identify which departments and staff will handle the process and train them accordingly.

It is one of the most important steps which organizations often ignore, leading to serious user adoption issues. To make sure that you are following the best practices in the process, select two key members and make them a part of the project team. You will require their feedback throughout the implementation process as well. Make them a part of the demo and feedback sessions and take actions on what they have to say. Now, you also need to take care of the training of the end users of your CRM. Devote some time and efforts to create training material of your end users. Recorded training sessions are recommended as it will help you train new staff for quick adoption of your CRM system.

Step 5: Draw a blueprint on how you need to progress with the CRM.

You need to have a step by step road map on how you want to move with the CRM implementation. You can't implement it and expect it to give you a 360 degree view of your customers immediately. The process is gradual and you can see the results eventually. You have to come up with a practical and realistic way to achieve it over a period of time, which can't be precise. Your vendor can guide you and your team through this to make you understand the tactics that leads to an effective execution of a CRM system. It's again one of the reasons why you should select your CRM vendor carefully. Also, following a sorted out road map helps you keep away from all the complications which arise in the process of CRM implementation.

Step 6: Ensure equal participation from business and IT

Like Enterprise Resource Planning, a successful CRM is never just an IT program. So if you just run it as such, it's going to fail big time. A successful CRM demands equal participation from the business as well. You can create a Center of Excellence (COE) to maintain this teamwork. An effective COE can play a key role in the success of this collaboration and ultimately leads to a successful CRM implementation.

Successfully implementing a CRM and getting your team members to use it regularly may seem like a daunting task but if you take care of the above steps and process carefully it's not very difficult either. If you still find CRM implementation a task you can't handle, you should always get some professional help.

4.0 CONCLUSION

The importance of organizational development results primarily from its role in helping organizations in the transition and change

It becomes a matter of fact that the implementation of CRM initiatives and programs have faced with failure over different industries and businesses. In addition, the understanding of CRM and its different aspects like definition, scope, processes, and technology is still limited and shallow. The previous discussion of the fundamental theory of the CRM processes is very important to strengthen the understanding of CRM, before planning for the adoption and implementation of CRM initiative. The understanding of the main components of any CRM initiative is very essential for its success. People, technology, and process are the three main components of CRM.

5.0 SUMMARY

CRM planning process and implementation issues as we have shown throughout this unit. It is a subject of increasing interest for both practitioners and experts in the field of entrepreneur as they tried to highlight the major issues and process of planning and implementation.

6.0 TUTOR-MARKED ASSIGNMENT

Discuss steps involved in CRM implementation

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UNIT 4: CUSTOMER BEHAVIOR

1.0 INTRODUCTION

Customer Behavioris one of the most important variables in the management research and undoubtedly the most important indicator of organizational success.

Customer behaviour is the study of individuals, groups, or organizations and all the activities associated with the purchase, use and disposal of goods and services, including the consumer's emotional, mental and behavioural responses that precede or follow these activities. Customer behaviour emerged in the 1940s and 50s as a distinct sub-discipline in the marketing area. Customer behaviour is an inter-disciplinary social science that blends elements from psychology, sociology, social anthropology, ethnography, marketing and economics, especially behavioural economics. It examines how emotions, attitudes and preferences affect buying behaviour. Characteristics of individual consumers such as demographics, personality lifestyles and behavioural variables such as usage rates, usage occasion, loyalty, brand advocacy, willingness to provide referrals, in an attempt to understand people's wants and consumption are all investigated in formal studies of customer behaviour. The study of consumer behaviour also investigates the influences, on the consumer, from groups such as family, friends, sports, reference groups, and society in general.

The study of customer behaviour is concerned with all aspects of purchasing behaviour from pre-purchase activities through to post-purchase consumption, evaluation and disposal activities. It is also concerned with all persons involved, either directly or indirectly, in purchasing decisions and consumption activities including brand-influencers and opinion leaders. Research has shown that customer behaviour is difficult to predict, even for experts in the field. However, new research methods such as ethnography and consumer neuroscience are shedding new light on how consumers make decisions.

2.0 OBJECTIVES

At the end of this unit, students should be able to:

- Define customer behavior
- Explain Customer purchase decision and its context

3.0 MAIN CONTENTS

3.1 Customer Behavior

Customer or consumer behavior is the study of how individuals make decisions to spend their valuable resources (Time, money, effort) on consumption-related items. It includes what they buy it, why they buy it, where they buy it, how often they buy it, and how often they use it. According to belch and belch consumer behavior is the process and activities people engage in when searching for, selecting, purchasing, using, evaluating and disposing of products and services so as to satisfy their needs and desires.

Customer behaviour entails "all activities associated with the purchase, use and disposal of goods and services, including the consumer's emotional, mental and behavioural responses that precede or follow these activities." The term, consumer can refer to individual consumers or organisational consumers. Customer behaviour is concerned with:

- purchase activities: how consumers acquire products and services, and all the activities leading up to a purchase decision, including information search, evaluating goods and services and payment methods including the purchase experience
- use or consumption activities: concerns the who, where, when and how of consumption and the usage experience
- disposal activities: concerns the way that consumers dispose of products and packaging; may also include reselling activities such as eBay and second-hand markets

Customer responses may be:

- emotional (or affective) responses: refer to emotions such as feelings or moods,
- mental (or cognitive) responses: refer to the consumer's thought processes, their
- behavioural (or conative) responses: refer to the consumer's observable responses in relation to the purchase and disposal of goods or services.

As a field of study, customer behaviour is an applied social science. Customer behaviour analysis is the "use of behaviour principles, usually gained experimentally, to interpret human economic consumption." As a discipline, customer behaviour stands at the intersection of economic psychology and marketing science.

3.2 The Customer purchase decision and its context

Understanding purchasing and consumption behaviour is a key challenge for marketers. Customer behaviour, in its broadest sense, is concerned with understanding both how purchase decisions are made and how products or services are consumed or experienced.

Some purchase decisions involve long, detailed processes that include extensive information search to select between competing alternatives. Other purchase decisions, such as impulse buys or habitual purchases, are made almost instantaneously with little or no investment of time or effort in information search.

Some purchase decisions are made by groups (such as families, households or businesses) while others are made by individuals. When a purchase decision is made by a small group, such as a household, different members of the group may become involved at different stages of the decision process and may perform different roles. For example, one person may suggest the purchase category, another may search for product-related information while yet another may physically go to the store, buy the product and transport it home. It is customary to think about the types of decision roles; such as:

The Initiator

The person who proposes a brand (or product) for consideration (something in return);

The Influencer

Someone who recommends a given brand;

The Decider

The person who makes the ultimate purchase decision;

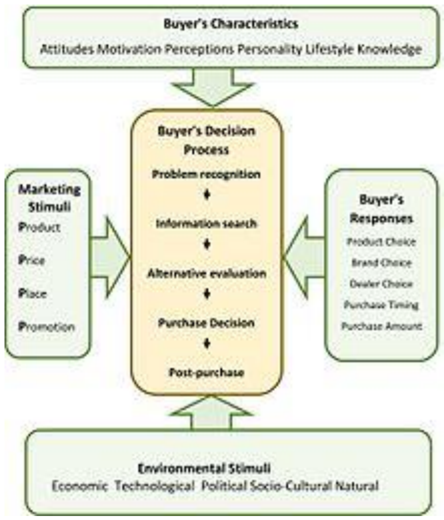
The Purchaser

The one who orders or physically buys it;

The User

The person who uses or consumes the product.

For most purchase decisions, each of the decision roles must be performed, but not always by the same individual. For example, in the case of family making a decision about a dining-out venue, the father or mother may initiate the process by intimating that he/she is too tired to cook, the children are important influencers in the overall purchase decision, but both parents may act as joint deciders performing a gate-keeping role by vetoing unacceptable alternatives and encouraging more acceptable alternatives. The importance of children as influencers in a wide range of purchase contexts should never be underestimated and the phenomenon is known as pester power.



The Customer purchasing decision model

To understand the mental processes used in purchasing decisions, some authors employ the concept of the "black box"; a figurative term used to describe the cognitive and affective processes used by a consumer during a purchase decision. The decision model situates the black box in a broader environment which shows the interaction of external and internal stimuli (e.g. customer characteristics, situational factors, marketing influences and environmental factors) as well as consumer responses. The black box model is related to the black box theory of behaviourism, where the focus extends beyond processes occurring *inside* the consumer, and also includes the relation between the stimuli and the consumer's response.

The decision model assumes that purchase decisions do not occur in a vacuum. Rather, they occur in real time and are affected by other stimuli, including external environmental stimuli and the consumer's momentary situation. The elements of the model include: interpersonal stimuli (between people) or intrapersonal stimuli (within people), environmental stimuli and marketing stimuli. Marketing stimuli include actions planned and carried out by companies, whereas environmental stimuli include actions or events occurring in the wider operating environment and include social factors, economic, political and cultural dimensions. In addition, the buyer's black box includes buyer characteristics and the decision process, which influence the buyer's responses.

The purchase of up-market perfumes, often bought as gifts, are high involvement decisions because the gift symbolises the relationship between the giver and the intended recipient

The black box model considers the buyer's response as a result of a conscious, rational decision process, in which it is assumed that the buyer has recognized a problem, and seeks to solve it through a commercial purchase. In practice some purchase decisions, such as those made routinely or habitually, are not driven by a strong sense of problem-solving. Such decisions are termed low-involvement and are characterized by relatively low levels of information search/ evaluation activities. In contrast, high involvement decisions require a serious investment of time and effort in the search/ evaluation process. Low involvement products are typically those that carry low levels of economic or psycho-social risk. High involvement products are those that carry higher levels of risk and are often expensive, infrequent purchases. Regardless of whether the consumer faces a high or low involvement purchase, he or she needs to work through a number of distinct stages of a decision process.

3.3 The Customer's purchase decision process: an overview

The consumer buying process is usually depicted as consisting of 5 distinct stages:

The purchase decision begins with the problem recognition stage which occurs when the consumer identifies a need, typically defined as the difference between the consumer's current state and their desired state. The strength of the need drives the entire decision process. Information search describes the phase where consumers scan both their internal memory and external sources for information about products or brands that will potentially satisfy their need. The aim of the information search is to identify a list of options that represent realistic purchase options. Throughout the entire process, the consumer engages in a series of mental evaluations of alternatives, searching for the best value. Towards the end of the evaluation stage, consumers form a purchase intention, which may or may not translate into an actual product purchase.[19] Even when consumers decide to proceed with an actual purchase, the decision-process is not complete until the consumer consumes or experiences the product and engages in a final post purchase evaluation; a stage in which the purchaser's actual experience of the product is compared with the expectations formed during the information search and evaluation stages. The stages of the decision process normally occur in a fixed sequence.[20] However it should be noted that information search and evaluation can occur throughout the entire decision process, including post-purchase

Problem recognition

The first stage of the purchase decision process begins with *problem recognition* (also known as category need or need arousal). This is when the consumer identifies a need, typically defined as the difference between the consumer's current state and their desired or ideal state. A simpler way of thinking about problem recognition is that it is where the consumer decides that he or she is 'in the market' for a product or service to satisfy some need or want. The strength of the underlying need drives the entire decision process.

Information search

Customer purchase decision, illustrating different communications touch points at each stage:

During the information search and evaluation stages, the consumer works through processes designed to arrive at a number of brands (or products) that represent viable purchase alternatives. Typically consumers first carry out an internal search; that is a scan of memory for suitable brands. The evoked set is a term used to describe the set of brands that a consumer can elicit from memory and is typically a very small set of some 3-5 alternatives. Consumers may choose to supplement the number of brands in the evoked set by carrying out an external search using sources such as the Internet, manufacturer/brand websites, shopping around, product reviews, referrals from peers and the like.

The fact that a consumer is aware of a brand does not necessarily mean that it is being considered as a potential purchase. For instance, the consumer may be aware of certain brands, but not favourably disposed towards them (known as the inept set). Such brands will typically be excluded from further evaluation as purchase options. For other brands, the consumer may have indifferent feelings (the inert set). As the consumer approaches the actual purchase, he or she distills the mental list of brands into a set of alternatives that represent realistic purchase options, known as the consideration set. By definition, the consideration set refers to the "small set of brands which a consumer pays close attention to when making a purchase decision".

Specific brand names enter the consumer's consideration set based on the extent to which they satisfy the consumer's purchasing objectives and/or the salience or accessibility of the brand at the time of making the purchase decision. By implication, brand names that are more memorable are more likely to be accessible. Traditionally, one of the main roles of advertising and promotion was to increase the likelihood that a brand name was included in the consumer's evoked set. Repeated exposure to brand names through intensive advertising was the primary method for increasing top-of-mind brand awareness. However, the advent of the Internet means that consumers can obtain brand/product information from a multiplicity of different platforms. In practice, the consideration set has assumed greater importance in the purchase decision process because consumers are no longer totally reliant on memory. The implication for marketers is that relevant brand information should be disseminated as widely as possible and included on any forum where consumers are likely to search for product or brand information, whether traditional media or digital media channels. Thus, marketers require a rich understanding of the typical consumer's touch points.

Evaluation of alternatives

Consumers shopping at London's Burlington Arcade engage in a variety of recreational and functional purchasing activities - from window shopping through to transporting their purchases homewards

Consumer evaluation can be viewed as a distinct stage. Alternatively, evaluation may occur continuously throughout the entire decision process. Consumers evaluate alternatives in terms of the functional (also called utilitarian) and psycho-social (also called the value-expressive or the symbolic) benefits offered.

- Functional benefits are the tangible outcomes that can be experienced by the consumer such as taste or physical appearance.
- Psycho-social benefits are the more abstract outcomes or the personality-related attributes of a brand, such as the social currency that might accrue from wearing an expensive suit, designer label or driving a 'hot' car.

Brand image (or brand personality) is an important psycho-social attribute. Consumers can have both positive and negative beliefs about a given brand. A considerable body of research suggests that consumers are predisposed towards brands with a personality that matches their own and that a good match can have an impact on brand preference, brand choice, satisfaction with a brand, brand commitment and loyalty and the consumer's propensity to give positive word-of-mouth referrals. The branch of consumer behaviour that investigates the matching of a brand's personality and the consumer's personality is known as self-congruity research. Consumer beliefs about a brand or product category may vary depending on a range of factors including the consumer's prior experience and the effects of selective perception, distortion and retention. Consumers who are less knowledgeble about a category tend to evaluate a brand based on its functional characteristics. However, when consumers become more knowledgeable, functional attributes diminish and consumers process more abstract information about the brand, notably the self-related aspects.

The marketing organization needs a deep understanding of the benefits most valued by consumers and therefore which attributes are most important in terms of the consumer's purchase decision. It also needs to monitor other brands in the customer's consideration set to optimise planning for its own brand. During the evaluation of alternatives, the consumer ranks or assesses the relative merits of different options available. No universal evaluation process is used by consumers across all-buying situations. Instead, consumers generate different evaluation criteria depending on each unique buying situation. Thus the relevant evaluation attributes vary according to across different types of consumers and purchase contexts. For example, attributes important for evaluating a restaurant would include food quality, price, location, atmosphere, quality of service and menu selection. Consumers, depending on their geographic, demographic, psychographic and behavioural characteristics, will decide which attributes are important to them. Potential patrons seeking a hedonic dining experience may be willing to travel further distances to patronise a fine-dining venue compared to those wanting a quick meal at a more utilitarian eatery. After evaluating the different product attributes, the consumer ranks each attribute or benefit from highly important to least important. These priorities are directly related to the consumer's needs and wants. Thus, the consumer arrives at a weighted score for each product or brand - representing the consumer's subjective assessment of individual attribute scores weighted in terms of their importance, to arrive at a total mental score or rank for each product/brand under consideration.

Purchase decision

Once the alternatives have been evaluated, the consumer firms up their resolve to proceed through to the actual purchase. For example, the consumer might say to his/herself, "Yes, I will buy Brand X one day." This self instruction to make a purchase is known as purchase intent. Purchase intentions are a strong, yet imperfect predictor of sales. Sometimes purchase intentions simply do not translate into an actual purchase and this can signal a marketing problem. For instance, a consumer may wish to buy a new product, but may be unaware of the retail outlets that stock it, so that purchasing cannot proceed. The extent to which purchase intentions result in actual sales is known as the sales conversion rate.

Organizations use a variety of techniques to improve conversion rates. The provision of easy credit or payment terms may encourage purchase. Sales promotions such as the opportunity to receive a premium or enter a competition may provide an incentive to buy now rather than defer purchases for a later date. Advertising messages with a strong call-to-action are yet another device used to convert customers. A call-to-action is any device designed to encourage immediate sale. Typically, a call-to-action includes specific wording in an advertisement or selling pitch that employs imperative verbs such as "Buy now!" or "Don't wait!". Other types of calls-to-action might provide consumers with strong reasons for purchasing immediately such an offer that is only available for a limited time (e.g. 'Offer must expire soon'; 'Limited stocks available') or a special deal usually accompanied by a time constraint (e.g. 'Order before midnight to receive a free gift with your order'; 'Two for the price of one for first 50 callers only'). The key to a powerful call-to-action is to provide consumers with compelling reasons to purchase promptly rather than defer purchase decisions.

As consumers approach the actual purchase decision, they are more likely to rely on personal sources of information. For this reason, personal sales representatives must be well versed in giving sales pitches and in tactics used to close the sale. Methods used might include: ‘social evidence’, where the salesperson refers to previous success and satisfaction from other customers buying the product. ‘Scarcity attraction’ is another technique, where the salesperson mentions that the offer is limited, as it forces the consumer to make a quicker decision, and therefore less time evaluating alternatives.

Post-purchase evaluation

Following purchase and after experiencing the product or service, the consumer enters the final stage, namely post-purchase evaluation. The consumer's purchase and post-purchase activities have the potential to provide important feedback to marketers. Fox all suggested that post-purchase evaluation provides key feedback because it influences future purchase patterns and consumption activities.

The post purchase stage is where the consumer examines and compares product features, such as price, functionality, and quality with their expectations. Post purchase evaluation can be viewed as the steps taken by consumers to correlate their expectations with perceived value, and thus influences the consumer's next purchase decision for that good or service. For example, if a consumer buys a new phone and his or her post-purchase evaluation is positive, he/she will be encouraged to purchase the same brand or from the same company in the future. This is also known as "post-purchase intention". On the contrary, if a consumer is dissatisfied with the new phone, he or she may take actions to resolve the dissatisfaction. Consumer actions, in this instance, could involve requesting a refund, making a complaint, deciding not to purchase the same brand or from the same company in the future or even spreading negative product reviews to friends or acquaintances, possibly via social media.

After acquisition, consumption or disposition, consumers may feel some uncertainty in regards to the decision made, generating in some cases regret. Post-decision dissonance (also known as cognitive dissonance) is the term used to describe feelings of anxiety that occur in the post purchase stage; and refers to the consumer's uneasy feelings or concerns as to whether or not the correct decision was made at purchase. Some consumers, for instance, may regret that they did not purchase one of the other brands they were considering. This type of anxiety can affect consumers' subsequent behaviour and may have implications for repeat patronage and customer loyalty.

Consumers use a number of strategies to reduce post purchase dissonance. A typical strategy is to look to peers or significant others for validation of the purchase choice. Marketing communications can also be used to remind consumers that they made a wise choice by purchasing Brand X.

When consumers make unfavorable comparisons between the chosen option and the options forgone, they may feel post-decision regret or buyer's remorse. Consumers can also feel short-term regret when they avoid making a purchase decision, however this regret can dissipate over time. Through their experiences consumers can learn and also engage in a process that's called hypothesis testing. This refers to the formation of hypotheses about the products or a service through prior experience or word of mouth communications. There are four stages that consumers go through in the hypothesis testing: Hypothesis generation, exposure of evidence, encoding of evidence and integration of evidence.

4.0 CONCLUSION

Finally, customer behavior is the study of how individuals make decisions to spend their valuable resources on consumption-related items. It includes what they buy it, why they buy it, where they buy it, how often they buy it, and how often they use it.

5.0 SUMMARY

According to belch and belch consumer behavior is the process and activities people engage in when searching for, selecting, purchasing, using, evaluating and disposing of products and services so as to satisfy their needs and desires. System enables the development of efficient and effective development strategy since, no matter how favorable are the results recorded by the organization is always room for improvement.

6.0 TUTOR-MARKED ASSIGNMENT

Discuss Customer's purchase decision process?

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UNIT 5: ROLE AND RESPONSIBILITIES OF CRM MANAGERS

1.0 INTRODUCTION

The role and responsibilities of CRM managers, is very important to whether they are educational, business, industrial, government, military, service, health care, or entertainment focused, are made up of people – women and men. It is people who provide leadership, stewardship, and follower-ship in every organization. People formulate strategies to help organizations achieve their specific objectives. People constantly learn new and innovative ideas to help transform their organizations from mediocrity to greatness.

2.0 OBJECTIVES

At the end of this unit, students should be able to:

- Explain the role of CRM Managers?
- Explain the responsibilities of CRM Managers?

3.0 MAIN CONTENTS

3.1 Role of CRM Managers

Customer Relationship Management is the newest and the most innovative innovations of recent time in order to provide better service to customer. CRM is always a helpful tool for the management and customer service stuffs which cope up with customer concerns and issues. CRM involves accumulating a lot of data about the customer. And when all the data of customer are being captured, it is then used to facilitate customer service transaction by making the information needed to resolve the issue or concern readily available in order to deal with the customers. Thus, it results in satisfying more customers, which means more profitable business and more resources available to the support stuff. In addition, customer relationship management system is a great help to the management in deciding on the future course of the company.

CRM is also vital and the most important to help out the top management because it provides crucial data like customer satisfaction efficiency service by the frontline crews. A piece of customer relationship management software will also be able to generate the needed reports for product development or new concepts. Furthermore, this system will also be a great help for the top management in deciding the company's future course of action, whether it involves phasing out one of the products on the shelves or making adjustments to one of the products sold. CRM system's generated reports are also invaluable to your advertising and marketing planners, as they will be able to pinpoint which ideas and which don't. CRM system is the main reason where you will be able to release to release advertisements or plan marketing campaigns more in tune with your target market as well as the target audiences. CRM also leads to more responses to your advertisement and a more effective marketing campaign.

However, it might not be easy as it seems to produce successful integration of CRM Customer Relationship Management system in your company. It might give you an insight, why CRM systems fail in companies because most companies it difficult and they fail to prepare for CRM review systems. By doing this, means that most companies fail to integrate all the departments that needs to be shared the information for it, to get the effective results. Furthermore, CRM units scattered all over the company's departments is often more effective than just making one big CRM department. This will ensure that each department will get the information and data that they need.

In order to expand your business a CRM review system plays the important role. Through CRM systems, which are capable of handling enormous amounts of data, apart from that, it will also help you a lot in coping with increased numbers of customers and data. With a CRM customer relationship management installed and properly utilized, and by doing this, it assures all data will be maximized and also ensures that your business will be successful and your customers a lot more satisfied than before.

Duties of CRM Managers

- Planning and delivering CRM strategies across the company encouraging customer retention and customer loyalty.
- Deciding on the CRM platform structure and architecture ensuring it works seamlessly across the organisation and captures all required information at key points in the customer life cycle.
- Customer Journey Mapping analysing touch points with the organisation and maximising commercial opportunities.
- Working closely with all departments to ensure the CRM works effectively for all aspects of the company.

- Overseeing direct communications with customers through the CRM.
- Monitor and maximise customer lifetime value strategies ensuring maximum profitability.
- Ensuring the database is segmented effectively for targeted marketing activities.
- Overseeing the migration of all direct communications to lower cost mediums such as SMS and email.
- Developing testing strategies for all aspects of the CRM to ensure the most effective approach for the company and its products.

3.2 Responsibilities of CRM Managers

Customer relationship management consultants provide independent advice on solutions for managing customer service and customer relationships. Their aim is to help clients improve customer satisfaction with a consequent impact on revenue and profitability. Consultants achieve this by helping clients select the right CRM solution and providing project management and training services to ensure successful implementation.

Risk

Consultants can help you reduce the risk in implementing CRM by identifying success factors and focusing on any issues that might put a project at risk. Their experience in deploying CRM solutions in other organizations enables them to advise on best practice and develop recommendations that make the best use of your people and your resources.

Analyze

A CRM consultant analyzes every aspect of your customer relations. Consultants use analytic tools and processes to identify the interactions, channels and people who have the greatest impact on the quality of your customer relationships. The aim is to help you transform every aspect of customer experience and enhance customer satisfaction.

Solution

Consultants help you select CRM software packages that automate aspects of customer service and help your team to improve performance. Consultants select the package on the basis of best fit with your business objectives and your budget. They work with your information systems team to install the software and integrate it with your existing information systems.

Change

As part of the implementation, consultants take responsibility for planning and delivering any necessary training. The training is at two levels: to ensure that staff can use the software; to develop personal customer service skills to complement the CRM technology. Good consultants recognize that technology and training alone cannot deliver good customer relationship management. They identify any business processes that need to change and identify other actions to transform company culture so that all employees focus on quality customer service.

Opportunities

With CRM technology, consultants can help you identify opportunities to improve specific aspects of customer service. They establish metrics for the important customer service activities and set targets for improvement. Measuring performance before and after the CRM implementation helps you to calculate return on investment on the project.

4.0 CONCLUSION

In conclusion, both role and responsibilities of manager must be able to create good result for the organization. We know that motivation leads to greater work performance in our organizations. We also know that both role and responsibilities of manager is basically determined by organizational plan. So there is no way organization can escape without effective roles of managers. It is up to you as a manager to create an environment in which your employees (people) know what is expected of them and feel passionate about doing their jobs – always putting the best of themselves in everything they do. Resources abound to help you meet this onerous challenge.

5.0 SUMMARY

The role and responsibilities of CRM managers, is very important to whether they are educational, business, industrial, government, military, service, health care, or entertainment focused, are made up of people – women and men. It is people who provide leadership, stewardship, and follower-ship in every organization. People formulate strategies to help organizations achieve their specific objectives

6.0 TUTOR-MARKED ASSIGNMENT

Explain the responsibilities of CRM Managers

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MODULE THREE

UNIT 1: CUSTOMERS SERVICE AND CUSTOMERS LOYALTY

1.0 Introduction

2.0 Objectives

3.0 Main Contents

3.1 Definition Customers Service and Customers Loyalty

3.2 Advantages and Disadvantages of customers' service and loyalty

3.3 Benefits of customers' service and loyalty

3.4 Relationship between customers' service and loyalty

4.0 Conclusion

5.0 Summary

6.0 Tutor-Marked Assignment

7.0 References

1.0 INTRODUCTION

Customer service has to be a team effort and not just the responsibility of employees who deal with the public directly. Providing good customer service is a vital part of managing a business. Most customers have the option to go elsewhere if the quality of customer service is lacking. On the other hand, good customer service is a source of competitive advantage. Good customer service leads to customer satisfaction. Satisfied customers are more loyal and profitable. Dissatisfied customers take their money elsewhere and tell their friends about the poor service they have received. Customer service is the whole activity of identifying customer needs in all their complexity, satisfying them fully, and keeping them satisfied.

Customer loyalty will be the key to success, not only in the short term, but the advantage in the long run. Customers are being loyal because satisfied and want to continue purchasing. Customer loyalty is a measure of the proximity of customers to a brand. Brand becomes top of mind; a deep commitment to brand is forcing customers to choose that brand when making a purchase.

Customers are people who Competition in the globalization era is increasingly hard. The company that can survive is a company that has the ability to increase customer loyalty.

Sustainable customer loyalty is the competitive advantage key for a company. buy products and services from other people (usually companies of one sort or another).

3.0 OBJECTIVES

At the end of this unit, students should be able to:

- Give definition of customers' service and loyalty
- Know advantages and disadvantages of customers' service and loyalty
- Discuss benefits of customers' service and loyalty
- Discuss relationship between customers' service and loyalty

3.0 MAIN CONTENTS

3.1 Definition Customers Service and Customers Loyalty

Customers' service is the provision of service to customers before, during and after a purchase. The perception of success of such interactions is dependent on employees "who can adjust themselves to the personality of the guest". Customers' service concerns the priority an organization assigns to customer service relative to components such as product innovation and pricing. In this sense, an organization that values good customers' service may spend more money in training employees than the average organization or may proactively interview customers for feedback.

From the point of view of an overall sales process engineering effort, customers service plays an important role in an organization's ability to generate income and revenue. From that perspective, customer service should be included as part of an overall approach to systematic improvement. One good customer service experience can change the entire perception a customer holds towards the organization.

Customer loyalty is when a supplier receives the ultimate reward of his efforts in interacting with its customer. Customer loyalty tends the customer to voluntarily choose a particular product against another for his need. The loyalty may be product specific or it may be company specific.

When a loyal customer has repetitive requirement of the same product, such customers may be described as being ‘brand loyal’. On the other hand he may also require different products of the same manufacturer. That is to say he makes significant purchases direct from the same supplier and that counts as the company specific loyalty.

Loyalty also means that customer is sticking to the supplier on certain grounds though he may be having other options also. It may be possible that the supplier may not have the best product or the customer may be having some problems with the supplier in respect of his supply of the product but the customer likes to ignore other options and prefers to continue with the same supplier as the customer thinks the supplier provides him more value and benefit than others. Such loyal customers tend to spend more money buy more, buy longer and tell more people about the product or supplier. This type of long-term customer loyalty can only be created by making the customers feel that they are number one priority with the supplier.

Some customers are inherently predictable and loyal, irrespective of the supplier with which they are doing business. They simply prefer long-term relationships with him. Loyal customers are predisposed to stay with one product or supplier, resisting competitive offers and also recommend the supplier to others.

In case the business is done directly the relationship is direct so also the loyalty. But if the selling is through two or more intermediaries then the loyalty has to be measured at different levels. In that case the end customer loyalty is influenced by the loyalty of the intermediate customers. Then the supplier has to focus his loyalty retention plan accordingly and has to judge and analyze the loyalties of the intermediaries. This process depends on what amount of importance he gives to each of the intermediaries and how much to the ultimate customer. But it is certain that well-managed customer retention programs are sure to give the ultimate customer loyalty.

True, the customers who are targeted by a retention program demonstrate higher loyalty to a business. Therefore such customer retention programs should include regular communication with customers, and provide them opportunities to remain active and choosing to do business with the supplier.

Loyalty is demonstrated by the actions of the customer. But it doesn't mean that the customer satisfaction level can measure his loyalty. Customer loyalty is not customer satisfaction. Customer satisfaction is the basic entry point for a good business to start with. A customer can be very satisfied with the deal and still not be loyal. On the other hand a customer may not express satisfaction but wants to remain loyal to the supplier due to some reasons which keeps him benefited from that supplier. For the same degree of satisfaction, the loyalty level may also be different for different suppliers.

On the other hand, loyalty should not be considered as just an attitude. Customer loyalty should have a direct connection to a company's financial results. The supplier should be able to plan a clear and direct economic benefit of some kind, as the result of the strategies and tactics he employs to increase its customers' loyalty.

3.2 Advantages and Disadvantages of customers' service and loyalty

Most businesses leverage industry trends, innovative ideas and customer and business needs to create products and services customers are willing to purchase and refer to their friends and family. While their are many factors and stakeholders to consider when running a small business, some owners lean towards operating customer-focused businesses, which operate based on customers' needs and demands. There are a variety of advantages and disadvantages for every company adopting a customer-focused business approach.

Advantage: Build Loyalty

Running a customer-focused business helps organizations build a loyal customer base. Customers are more willing to purchase from companies that they feel consider their needs when they create products and services. Customer also are frequent patrons to businesses that place a high value on training their staffs to emphasize customer service.

Advantage: Increase Referrals

The more loyal customers are to a business, the more likely they are to refer the products or services to friends, family and business associates. Referrals are advantageous to businesses as they cut down on advertising expenses. Customers who come to businesses through referrals also generally are prequalified, which makes it easier to turn them from prospective customers to buyers.

Advantage: Celebrated for Customer Service

Customer service becomes a part of your company's brand when you run a customer-focused business. When customers hear the name of your business, they automatically associate it with knowledgeable and friendly sales professionals and a company dedicated to ensuring customers' needs are met. Companies such as online retailer Zappos and Trader Joe's are celebrated for their dedication to being customer-focused businesses and providing superior customer service.

Disadvantage: Lack of Innovation

Customer-focused businesses operate solely on customers' needs and wants, which can have a negative impact on a company's creativity. When companies are customer-focused, they may resist coming up with ideas to improve products or create new products, so they begin to lack innovation. While customers may know what they want, companies should use research and development to come up with ideas customers may not think of on their own when surveyed about their needs.

Disadvantage: Ever-Changing Customer Needs

Customers' needs are ever-changing, which means your customer-focused business needs to have the resources, such as financing, staffing and time, to constantly keep up with customer demands. This may be problematic for small business, as it can be expensive and lead to employee burnout.

Disadvantage: May Become Self-Serving

The purpose of running a customer-focused business is to truly focus on creating products and services that are in your customers' best interest. This includes ensuring that you provide customer service that helps educate your customers and lead them to sales. Customer-focused businesses can become self-serving, causing businesses to indulge in their needs and wants, such as focusing solely on profit, with thoughts of the customer trailing far behind. To be truly customer-focused, each strategy and idea you execute should put the customer first.

3.3 Benefits of customers' service and loyalty

Customers Service

Successful businesses tend to provide a high level of customer service which results in high While a variety of elements go into creating a successful business, customer service is center-stage. Every interaction the company has with a customer (or potential customer) can affect the business' bottom line. Often, customer service is what separates companies that thrive from those that fail. This is why it is imperative that businesses invest in quality customer service training programs.

Offering customer service training to your employees doesn't just add-value for the customer; it can drive sales and give you a strong competitive advantage. In today's post we will examine four benefits that customer service training programs yield for the organization, employees and customers.

1) Higher Employee Motivation & Engagement: Providing training on customer service allows employees to greater understand the impact their role has on the organization. A company that invests in training shows their employees that they care about continual development and progress. In turn this makes employees more engaged in the company and therefore more motivated. Employees then become more efficient and better equipped to deal effectively with customers. You can increase engagement a step further by having employees involved in the development of the training program by asking for their feedback (training needs assessment).

2) Improved Customer Service Skills: Through customer service training, employees improve their skills and/or acquire new ones. Specific customer service training programs focus on improving communication, listening, problem-solving and organizational skills. Training employees on the same set of competencies gives them a standard process to deal with customers and creates a sense of team spirit. The increased motivation and engagement coupled with the new skills creates improved customer service in the company.

3) Increased Customer Satisfaction: Improving the quality of your customer service through training leads to an increase in customer satisfaction, retention and loyalty. Through effective training, customer service representatives increase their ability to resolve issues and decrease the number of return calls. Often, trained employees are able to address the concern at the first point of contact, which greatly increases customer satisfaction. The improved manner that employees interact with customers leads to the consumer feeling appreciated and respected. This appreciation is critical to the company's success as it is the basis for repeated patronage and customer loyalty.

4) Rise in Profit: What quality customer service training allows the company to achieve is higher customer retention, the acquisition of new customers, reduced employee turnover and increased sales. The training has a great impact on employee motivation and morale, which leads to increased productivity. Through the customer service training employees come together to achieve a common goal, which is to satisfy the customer. Think of it as an equation: improved customer service + increased customer satisfaction + increased customer loyalty = an increase in profit.

Customers Loyalty

1. Brand Advocacy

Brand advocacy occurs when a customer becomes a brand advocate. Brand advocates are your raving fans - evangelists who are so hopelessly in love with your brand that they will go out of their way to promote it for you, without having to be compensated.

Social media has made brand advocacy far more powerful. If your followers and friends on Twitter or Facebook view your thoughts and ideas as credible, this will likely translate to any brands you promote as well. This phenomenon gives you as a merchant the chance to build a larger following without having to spend any money or make an additional effort.

It is also important to note that search engine rankings are starting to consider social network influence when determining the credibility of a website. This means that brands who have a strong social following (and lots of brand advocates) are likely to have better rankings on search engines.

2. Price Insensitivity

When a customer is price insensitive, it means that they are not influenced by the price of a product (or service). In other words, even if a product's price is increased, the customer will still make the purchase because they trust the brand they are buying from.

Prominent brands like Apple have traditionally priced their products higher because they know many of their customers are price insensitive. Even if the Macbook Pro is more expensive than a competing laptop with similar specifications, Apple customers will choose to pay more because they feel they are getting a better quality product from a brand they have had positive experiences with in the past.

Customer rewards programs help cement this mentality into your customers by providing them with a brand experience that they can't get elsewhere. If you give your customers the best experience possible through rewarding and showing your appreciation, you'll make them fall in love with your brand. As a result, they won't even think twice about price.

3. Direct Referrals

Direct referrals are new customers who have been advised to use your product/service by someone who is already a customer. These can be very meaningful to your business as they provide a direct link to a sale. No additional funding is required to create promotions for this individual, and they will purchase without having to be engaged.

Simply put, it is an easy sale that requires little effort on your end to complete. Chances are, if they are anything like the individual who recommended your product to them, they will also become a loyal customer!

4. Customer Who Want to Hear From You

Believe it or not, email marketing is still as important as ever. Whether you want to keep your brand in the back of your customers' minds, convince them to come shop again, or remind them about a new sale you have coming up, email is a very effective way to market yourself.

One of the great things about a rewards program is that it encourages people to sign up for accounts on your website. As a result, you then have a list of contacts you can reach with an email marketing campaign.

With this contact list of fans, you can run a wide variety of programs to increase customer engagement, repeat purchases, and brand advocacy. Integrating email automation services like MailChimp or Klaviyo into your rewards program will let you really harness the new power acquired through this list.

With your rewards program gathering contact information, and apps like Klaviyo sending out the emails, you'll be well on your way to sending valuable communications to customers who look forward to hearing from you.

5. More Predictable Everything

Having a loyal base of customers makes forecasting in many areas a lot more manageable. The fact that you have regular customers who have made more than one purchase allows you to predict incoming revenue a lot more easily.

Tracking the performance of acquisition campaigns is also much easier because you'll know that increases in business are likely coming from new sources. Inventory planning becomes less daunting as you can account for regular purchases. You can also hold less inventory on hand because sales are more predictable. In these ways, customer loyalty gives you the opportunity to improve efficiency and save money.

3.4 Relationship between customers' service and loyalty

Customer service is the No. 1 driving force behind the consumer market, and most business owners understand that the relationship between customer service and customer loyalty is simple. If you provide good customer service, your customers will be happy and will keep coming back; if you provide bad customer service, you shouldn't expect customers to feel any devotion toward your business. The quality of any customer service directly influences customer loyalty.

Customer Satisfaction

Be polite and informative with your customers. If they have a question about a product you sell, make sure you can answer it (or find out where to get the answer). If they have a complaint, address the problem and correct it. Good customer service leaves people feeling as though they have been taken care of; if your customers don't feel this way about their experience with you, they will never feel a sense of loyalty toward your business.

Repeat Business

People like to repeat pleasant experiences. Good customer service will impress people and make your business stand out in their mind next time they need something. For example, if two stores sell the same products but one has poor customer service and the other has good customer service, shoppers more likely will choose the store with better service.

Building the Company Reputation

Customer service can influence customer loyalty to the point where people share their experiences with friends and families. Word of mouth is an excellent way to build your customer base, and you don't even have to do anything except provide good service and let it speak for itself. The opposite is true as well: If your business does not adequately serve customers, people will take their business elsewhere and will tell their friends and families to do the same.

Customer Feedback

Take care of your customers, and they will take care of you. When you provide good service to people, they often will return the favor in the form of feedback. For example, many companies track their approval ratings through surveys. Some surveys even ask for the name of the specific representative who helped you. In these cases, customers have a chance to reward good customer service. On the other hand, bad customer service will likely cause your customers to complain about your business, hurting your chances of building customer loyalty.

4.0 CONCLUSION

The links between quality, customer satisfaction and loyalty are one of the most popular research topics among service researchers (Chai, Ding, and Xing, 2009; Pilkington and Chai 2008). Pilkington and Chai (2008) studied the importance of quality of products and services on customer satisfaction and found out that loyal customers mostly lie in category of customers who have used higher quality products. This implies that better quality of products tends to increase customers‟ loyalty.

5.0 SUMMARY

Organizations providing superior basic customer service fostered a customer-centric culture amongst employees, and in many such organizations it was top management’s involvement through periodic review of customer complaints that made the difference. In particular, organizations providing superior basic customer service strongly believe that customer service must be backed with top management commitment, and full employee involvement.

6.0 TUTOR-MARKED ASSIGNMENT

- Discuss Customers Service and Customers Loyalty
- What are Advantages and Disadvantages of customers’ service and loyalty

7.0 REFERENCES

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UNIT 2: REASONS OF SEEKING CUSTOMERS' SATISFACTION

1.0 Introduction

2.0 Objectives

3.0 Main Contents

3.1 Define Customers Satisfaction

3.2 Importance of Customers' Satisfaction

3.3 Measuring Customer Satisfaction

3.4 Determinates of Customer Satisfaction

3.5 Price influence on Customer Satisfaction

3.6 Effect of Customer Satisfaction on Profitability

4.0 Conclusion

5.0 Summary

6.0 Tutor-Marked Assignment

7.0 References

1.0 INTRODUCTION

In today's modern competitive, fast paced and global economy, a company has to consider its customers more than ever. The increasing power of the customer and fierceness of the competition mean that many organizations are seeking their marketplaces and profit margins eroded. 'The challenge for business today is to move from product orientation to customer focus. This is becoming more difficult because now customers are increasingly sophisticated, educated and well informed. They have high expectations of the service they want to receive. They want greater choice and will not be 'sold to' or manipulated.

Therefore, nowadays, customers are willing to be treated as individual. They want to be valued and to feel their custom important. Service organizations constantly strive for the higher level of customer services.'(Sarah Cook 2002). Total care of the customer can only be achieved when the need of the internal as well as external customers is considered. A good customer service meet customers' expectation which is influenced by such factors as competitive pricing, employees courtesy and behavior, good value, service quality.

However, a good employee tries with heart and mind to ensure the best possible service for the customer. The purpose of the thesis therefore was to investigate the factors affecting the level of customer satisfaction and thereby improving the quality of services and products.

2.0 OBJECTIVES

At the end of this unit, students should be able to:

- Definition of Customer Satisfaction
- Know importance of Customer Satisfaction

3.0 MAIN CONTENTS

3.1 Define Customers Satisfaction

Westbrook and Reilly define-Customer satisfaction is as emotional response to the experience provided by, (or associated with) particular products or services purchased, retail outlets, or even molar patterns of behaviour, as well as the overall marketplace. (1983).

Another author Hunt (1977) defines customer satisfaction as a process of evaluation rendered that the experience was at least as good as it was supposed to be. Tse and Wilton (1988) elaborated hunt definition where they said 'customer satisfaction is a process of consumer's response to the evaluation of the perceived discrepancy between prior expectations and the actual performance of the product as perceived after its consumption'.

Satisfaction is the customer's fulfilment response. It is a judgemental that a product or service feature, or the product or service itself, provides a pleasurable level of consumption-related fulfilment. (Oliver 1977). 'This definition approaches two sides where the first approach defines satisfaction as a final situation or as end-state resulting from the consumption experience and the second approach emphasizes the perceptual, evaluative and psychological process that contributes to satisfaction'. (Evangelos and Yannis 2010).

3.2 Importance of Customers' Satisfaction

In modern business philosophy business should be customer oriented and the implementation of the main principles of continuous improvement, justifies the importance of evaluating and analyzing customer satisfaction. In short, customer satisfaction is considered as baseline of standardize and excellence of performance for many business. It also helps to identify the potential market opportunities. (Evangelos and Yannis 2010).

Mentioning about importance of customer satisfaction in business perspective Zairi (2000) said in one magazine 'Customers are the purpose of what we do and rather than them depending on us, we very much depend on them. The customer is not the source of a problem, we shouldn't perhaps make a wish that customers 'should go away' because our future and our security will be put in jeopardy.' However, the concept of customer satisfaction is not a new one. It hit the business sectors in early 1980's where some researchers considered that customer satisfaction is the best window into loyalty. They also found that it has direct relationship with company profitability, ROI (return on investment), or share of market. Satisfied customer think twice or several times before switching to alternatives because they become attached emotionally and also afraid to believe on alternatives quality. Oliver (1997).

Zairi (2000) mention more about the importance as- 'numerous studies that have looked at the impact of customer satisfaction repeat purchase, loyalty and retention. They all bring the similar message. First, satisfied customers share their experience with average five or six people and dissatisfied customers normally tell ten people about their unfortunate experience. Secondly, many customers do not complain about dissatisfaction but it is needs to realize by the company and it differs from industry to industry. Finally, people do not think dealing customer satisfaction is not as costly as to recruit a new customer. Actually it is only twenty five percent of the recruit a new customer'.

3.3 Measuring Customer Satisfaction

Now a day's measuring customer satisfaction become an important issue to most of business organization. In this regard there is a rumoured by Lord Kelvin (19^{th} century) 'If you cannot measure something, you cannot understand it'. In recent decades importance of customer satisfaction has increased thus many organization considered measuring customer satisfaction should be set as a parameter. 'It also considered as reliable feedback and it provides as effective, direct, meaningful and objective way the customers' preferences and expectations'. (Gerson, 1993).

Wild (1980) and Hill (1996) said, customer satisfaction measurement provides a sense of achievement and accomplishment for all employees involved in any stage of the customer service process and it motivates people to perform as well as achieve higher levels of productivity.

Evangelos and Yannis (2005) mentioned in their book about main advantages of measuring customer satisfaction, one-measuring customer satisfaction helps to evaluate business current position against its competition and accordingly design its future plans. Second-Satisfaction measurement is able to identify potential market opportunities. Third- it helps to understand customer behaviour and particularly to identify and analyze customer expectations, needs and desire. Fourth- It improve the communication the total clientele. Fifth- By this measurement it is also possible to examine whether new actions, efforts and programs have any impact on the organizations' clientele. Sixth- Organizations weakness and strength against competition are determined, based on customers' perceptions and judgement. Seventh- Personnel is motivated to increase its productivity.

3.4 Determinates of Customer Satisfaction

Customer satisfaction is one of the most important issues concerning business organizations of all types. Business organizations try to give best service to the customer and also look for the reason that can increase the satisfaction level. According to Hokinson (1995, 13), these factors include friendly employees, knowledgeable employees, Helpful employees, accuracy of billing, billing timeliness, competitive pricing, service quality, good value, billing clarity and quick service.

3.5 Price influence on Customer Satisfaction

Price is a very popular tactic for consumer satisfaction. Customer will indicate higher levels of satisfaction when they get a better deal (pay less price) relative to a comparison other than they will when they pay more for relative worse deal. They thought they paid less than the published price for that item if the customer is satisfied.

According to Zeithaml et al. (1996, 116-128) the customers' use of price as a signal to quality depends on several factors, they are accessibility of services cues to quality, brand names that offer evidence of a company's, level of advertising and the risks associated with the service purchase.

Usually when the price is high, customer expects higher quality and better services. On the other hand, when the price is too low, customer may doubt about the quality of services. Thus, when company use any price promotion tactic, such as- volume discounts, rebates, preferred customer discount, holiday sales or other countless marketing offers they should be very careful about their product image and how customer respond to their product and services.

3.6 Effect of Customer Satisfaction on Profitability

Customer satisfaction does have a positive effect on an organisation's profitability. According to Hoyer and MacInnis (2001), satisfied customers form the foundation of any successful business as customer satisfaction leads to repeat purchase, brand loyalty, and positive word of mouth. Coldwell (2001): "Growth Strategies International (GSI) performed a statistical analysis of Customer Satisfaction data encompassing the findings of over 20,000 customer surveys conducted in 40 countries by Info Quest. The conclusion of the study was:

• A Totally Satisfied Customer contributes 2.6 times as much revenue to a company as a somewhat satisfied customer.

• A Totally Satisfied Customer contributes 17 times as much revenue as a somewhat dissatisfied customer.

• A Totally Dissatisfied Customer decreases revenue at a rate equal to 1.8 times what a totally Satisfied Customer contributes to a business".

Zairi (2000): "There are numerous studies that have looked at the impact of customer satisfaction on repeat purchase, loyalty and retention. They all convey a similar message in that:

• Satisfied customers are most likely to share their experiences with other people to the order of perhaps five or six people. Equally well, dissatisfied customers are more likely to tell another ten people of their unfortunate experience.

• Furthermore, it is important to realise that many customers will not complain and this will differ from one industry sector to another.

• Lastly, if people believe that dealing with customer satisfaction/complaint is costly, they need to realise that it costs as much as 25 percent more to recruit new customers".

Aaker (1995) said that the strategic dimension for an organisation includes becoming more competitive through customer satisfaction/brand loyalty, product/service quality, brand/firm associations, relative cost, new product activity, and manager/employee capability and performance.

4.0 CONCLUSION

The purpose of this study was to measure the current satisfaction level of the customer as well as better understand customers' needs from company's point of view for improving the service level. Customer satisfaction level comes out positive with the overall service. However, though the current service level seems very satisfactory to meet customer needs and demand, these areas still need some modification and improvement to keep the service in high standard.

5.0 SUMMARY

Customer satisfaction as it has a huge impact on customer loyalty, increasing profitability, as well as goodwill. The actual point is both the service quality and satisfaction affecting factors create the image of expectation and experience of service. Thus in every customer satisfaction survey customers are asked about their feeling and opinion about the service provided by the company where price also consider as an essential factor to choose a company or judge satisfaction level.

6.0 TUTOR-MARKED ASSIGNMENT

- Explain Importance of Customers' Satisfaction
- What are the measuring Customer Satisfaction

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UNIT 3: MODELS OF CONSUMER BEHAVIOUR

1.0 INTRODUCTION

This unit introduces different models of consumer behaviour. These includes the black box model, Howard-Sheth Model, Nicosia Model, Engel-Blackwell-Kolat Model, Consumer behaviour and consumer decision making, theoretical approaches to the study of consumer behaviour, Economic Man, Psychodynamic Approach, Behaviourist Approach, Cognitive Approach, Cognitive Models of Consumer Behaviour and Critique of model. Effort will be made to give a precise explanation of these types through detailed analysis.

2.0 OBJECTIVES

At the end of this unit, students should be to:

- Understand the terms models in relation to Consumer Behaviour
- Discuss models of consumer behaviour

3.0 MAIN CONTENT

3.1 Understanding the terms models in relation to Consumer Behaviour

A model is an abstract conception of the real world situation; real world situation is very complex, where many forces work simultaneously. As a result it is difficult to understand the working of the process and hence, predicting future course of action. Models are use to simplify these problem. They give the researcher a guide line to work with, clarifying the relation between the various factors and their _likely' impact on the main process. For example what role market plays on consumers? If we can formalize it, appropriate marketing strategies can be formed to shape up consumer's buying behaviour. Consumer behaviour is a multistage process, and actual buying comes at a much later stage. It becomes crucial for the marketer to understand the initial stage so that they are able to predict the buying stage, this makes the study of consumer behaviour models almost mandatory. Consumer behaviour model serve two distinct functions:

They explain the factors that affect purchase of a particular type of goods and services. They allow future prediction to be made and are able to assess the likely outcomes of various marketing strategies. In order to perform the above mention functions, the consumer behaviour model must be relevant (must be as much as possible near to the market situation). Comprehensive (they should not be vague and poorly constructed) and valid (the outcome predicte d by the model should be testable and verifiable). If these qualities are maintained in the model, and then the model becomes not only useful tools but essential tools for the market. This is what this unit is all about.

Consumer behavior models are essential tools that marketers can use to help understand why consumers do or do not buy a product. The different types of models are the black box model, the personal variable model, and the comprehensive model, and each model has a specific focus. The black box model concentrates on external stimuli, the personal variable model focuses on internal stimuli within the consumer, and the comprehensive model studies a combination of external and internal stimuli. Few of these models shall be discussed below:

3.2 Models of consumer behaviour

Consumer behavior models vary in terms of the complexity of the behavior that is being studied. The primary purpose of studying consumer behavior is for marketers to better understand and therefore better target consumers in their marketing strategies. It is a very complicated science, and marketers can observe and make some correlations between advertising and consumer response, but the main question of what makes a person buy or not buy a product is too individual and cannot be explained with one or even several behavior models.

3.2.1 The black box model

Also called the stimulus-response model, is one of the most simple types of consumer behaviour models. The black box can be thought of as the region of the consumer's brain that is responsible for purchasing decisions. Environmental stimuli, such as economics, technology, and culture, combine with marketing stimuli, like the product, price, and promotion, inside the black box, where decisions are made. This model ignores variables within the consumer and focuses on marketing and environmental variables that produce the desired response.

3.2.2 Howard-Sheth Model

This model suggests three levels of decision making:

The first level describes the extensive problem solving. At this level the consumer does not have any basic information or knowledge about the brand and he does not have any preferences for any product. In this situation, the consumer will seek information about all the different brands in the market before purchasing.

The second level is limited problem solving. This situation exists for consumers who have little knowledge about the market, or partial knowledge about what they want to purchase. In order to arrive at a brand preference some comparative brand information is sought.

The third level is a habitual response behavior. In this level the consumer knows very well about the different brands and he can differentiate between the different characteristics of each product, and he already decides to purchase a particular product. According to the Howard-Sheth model there are four major sets of variables; namely:

(a). Inputs: These input variables consist of three distinct types of stimuli(information sources) in the consumer‘s environment. The marketer in the form of product or brand information furnishes physical brand characteristics (significative stimuli) and verbal or visual product characteristics (symbolic stimuli). The third type is provided by the consumer‘s social environment (family, reference group, and social class). All three types of stimuli provide inputs concerning the product class or specific brands to the specific consumer.

(b). Perceptual and Learning Constructs: The central part of the model deals with the psychological variables involved when the consumer is contemplating a decision. Some of the variables are perceptual in nature, and are concerned with how the consumer receives and understands the information from the input stimuli and other parts of the model. For example, stimulus ambiguity happened when the consumer does not understand the message from the environment. Perceptual bias occurs if the consumer distorts the information received so that it fits his or her established needs or experience. Learning constructs category, consumers' goals, information about brands, criteria for evaluation alternatives, preferences and buying intentions are all included. The proposed interaction In between the different variables in the perceptual and learning constructs and other sets give the model its distinctive advantage.

(c). Outputs: The outputs are the results of the perceptual and learning variables and how the consumers will response to these variables (attention, brand comprehension, attitudes, and intention).

(d). Exogenous (External) variables: Exogenous variables are not directly part of the decision-making process. However, some relevant exogenous variables include the importance of the purchase, consumer personality traits, religion, and time pressure.

The decision-making process, which Howard-Sheth Model tries to explain, takes place at three Inputs stages: Significance, Symbolic and Social stimuli. In both significative and symbolic stimuli, the model emphasizes on material aspects such as price and quality. These stimuli are not applicable in every society. While in social stimuli the model does not mention the basis of decision-making in this stimulus, such as what influence the family decision? This may differ from one society to another. Finally, no direct relation was drawn on the role of religion in influencing the consumer's decision-making processes. Religion was considered as external factor with no real influence on consumer, which give the model obvious weakness in anticipation the consumer decision.

3.2.3 Nicosia Model

This model focuses on the relationship between the firm and its potential consumers. The firm communicates with consumers through its marketing messages (advertising), and the consumers react to these messages by purchasing response. Looking to the model we will find that the firm and the consumer are connected with each other, the firm tries to influence the consumer and the consumer is influencing the firm by his decision. The Nicosia model is divided into four major fields, namely:

Field 1: The consumer attitude based on the firms'messages. The first field is divided into two subfields. The first subfield deals with the firm's marketing environment and communication efforts that affect consumer attitudes, the competitive environment, and characteristics of target market. Subfield two specifies the consumer characteristics e.g., experience, personality, and how he perceives the promotional idea toward the product in this stage the consumer forms his attitude toward the firm‘s product based on his interpretation of the message.

Field 2: Search and evaluation. The consumer will start to search for other firm‘s brand and evaluate the firm‘s brand in comparison with alternate brands. In this case the firm motivates the consumer to purchase its brands.

Field 3: The act of the purchase the result of motivation will arise by convincing the consumer to purchase the firm products from a specific retailer.

Field 4: Feedback. This model analyses the feedback of both the firm and the consumer after purchasing the product. The firm will benefit from its sales data as a feedback, and the consumer will use his experience with the product affects the individuals attitude and predisposition‘s concerning future messages from the firm.

The Nicosia model offers no detail explanation of the internal factors, which may affect the personality of the consumer, and how the consumer develops his attitude toward the product. For example, the consumer may find the firm‘s message very interesting, but virtually he cannot buy the firm‘s brand because it contains something prohibited according to his beliefs. Apparently it is very essential to include such factors in the model, which give more interpretation about the attributes affecting the decision process.

3.2.4 Engel-Blackwell-Kolat Model

This model was created to describe the increasing, fast-growing body of knowledge concerning consumer behavior. This model, like in other models, has gone through many revisions to improve its descriptive ability of the basic relationships between components and sub-components; this model consists also of four stages;

First stage: Decision-process stages. The central focus of the model is on five basic decision-process stages: Problem recognition, search for alternatives, alternate evaluation (during which beliefs may lead to the formation of attitudes, which in turn may result in a purchase intention) purchase, and outcomes. But it is not necessary for every consumer to go through all these stages; it depends on whether it is an extended or a routine problem-solving behaviour.

Second stage: Information input. At this stage the consumer gets information from marketing and non-marketing sources, which also influence the problem recognition stage of the decision-making process. If the consumer still does not arrive to a specific decision, the search for external information will be activated in order to arrive to a choice or in some cases if the consumer experience dissonance because the selected alternative is less satisfactory than expected.

Third stage: information processing. This stage consists of the consumer‘s exposure, attention, perception, acceptance, and retention of incoming information. The consumer must first be exposed to the message, allocate space for this information, interpret the stimuli, and retain the message by transferring the input to long-term memory.

Fourth stage: variables influencing the decision process. This stage consists of individual and environmental influences that affect all five stages of the decision process. Individual characteristics include motives, values, lifestyle, and personality; the social influences are culture, reference groups, and family. Situational influences, such as a consumer‘s financial condition, also influence the decision process.

This model incorporates many items, which influence consumer decision-making such as values, lifestyle, personality and culture. The model did not show what factors shape these items, and why different types of personality can produce different decision-making? How will we apply these values to cope with different personalities? Religion can explain some behavioural characteristics of the consumer, and this will lead to better understanding of the model and will give more comprehensive view on decision-making.

3.3 Consumer behaviour and consumer decision making

Consumer decision making has long been of interest to researchers. Beginning about 300 years ago early economists, led by Nicholas Bernoulli, John von Neumann and Oskar Morgenstern, started to examine the basis of consumer decision making (Richarme 2007). This early work approached the topic from an economic perspective, and focused solely on the act of purchase (Loudon & Della Bitta 1993). The most prevalent model from this perspective is Utility Theory‘ which proposes that consumers make choices based on the expected outcomes of their decisions. Consumers are viewed as rational decision makers who are only concerned with self interest (Schiffman & Kanuk 2007, Zinkhan 1992).

Where utility theory views the consumer as a rational economic man‘ (Zinkhan 1992), contemporary research on Consumer Behaviour considers a wide range of factors influencing the consumer, and acknowledges a broad range of consumption activities beyond purchasing. These activities commonly include; need recognition, information search, evaluation of alternatives, the building of purchase intention, the act of purchasing, consumption and finally disposal. This more complete view of consumer behaviour has evolved through a number of discernable stages over the past century in light of new research methodologies and paradigmatic approaches being adopted.

3.4 Theoretical approaches to the study of consumer behaviour

A number of different approaches have been adopted in the study of decision making, drawing on differing traditions of psychology. Writers suggest different typological classifications of these works with five major approaches emerging. Each of these five approaches posit alternate models of man, and emphasise the need to examine quite different variables (Foxall 1990); they will briefly be introduced in turn.

Economic Man
Psychodynamic
Behaviourist
Cognitive
Humanistic

3.4.1 Economic Man

Man is regarded as entirely rational and self interested, making decisions based upon the ability to maximise utility whilst expending the minimum effort. While work in this area began around 300 years ago (Richarme 2007), the term economic man (or even *Homo economicus* (Persky th 1995)) was first used in the late 19 century (Persky 1995) at the start of more sustained research in the area.

In order to behave rationally in the economic sense, as this approach suggests, a consumer would have to be aware of all the available consumption options, be capable of correctly rating each alternative and be available to select the optimum course of action (Schiffman & Kanuk 2007). These steps are no longer seen to be a realistic account of human decision making, as consumers rarely have adequate information, motivation or time to make such a perfect decision and are often acted upon by less rational influences such as social relationships and values (Simon 1997). Furthermore, individuals are often described as seeking satisfactory rather than optimum choices, as highlighted by Herbert Simons Satisficing Theory (Simon 1997), or Kahneman and Tversky‘s

Prospect Theory (Kahneman & Tversky 1979) which embrace bounded rationality (Simon 1991).

3.4.2 Psychodynamic Approach

The psychodynamic tradition within psychology is widely attributed to the work of Sigmund Freud (1856-1939) (Stewart 1994). This view posits that behaviour is subject to biological influence through instinctive forces' or drives which act outside of conscious thought (Arnold,Robertson *et al.* 1991). While Freud identified three facets of the psyche, namely the Id, the Ego and the Superego (Freud 1923), other theorists working within this tradition, most notably Jung, identified different drives (Ribeaux & Poppleton 1978).

The key tenet of the psychodynamic approach is that behaviour is determined by biological drives, rather than individual cognition, or environmental stimuli.

3.4.3 Behaviourist Approach

In 1920 John B. Watson published a landmark study into behaviour which became known as *'Little Albert'* (Watson & Rayner 1920). This study involved teaching a small child (Albert) to fear otherwise benign objects through repeated pairing with loud noises. The study proved that behaviour can be learned by external events and thus largely discredited the Psychodynamic approach that was predominant at the time.

Essentially Behaviourism is a family of philosophies stating that behaviour is explained by external events, and that all things that organisms do, including actions, thoughts and feelings can be regarded as behaviours. The causation of behaviour is attributed to factors external to the individual. The most influential proponents of the behavioural approach were Ivan Pavlov (1849-1936) who investigated classical conditioning, John Watson (1878-1958) who rejected introspective methods and Burrhus Skinner (1904-1990) who developed operant conditioning. Each of these developments relied heavily on logical positivism purporting that objective and empirical methods used in the physical sciences can be applied to the study of consumer behaviour (Eysenck & Keane 2000).

There are a number of branches of research that conform to the major tenets of behaviourism, but differ subtly in other ways. Initially Classical Behaviourism', established by John Watson, required the entirely objective study of behaviour, with no mental life or internal states being accepted. Human thoughts were regarded by Watson as covert speech (Sternberg 1996), and strict monism was adhered to (Foxall 1990). Between 1930 and 1950 Skinner founded Radical

Behaviourism which acknowledges the existence of feelings, states of mind and introspection, however still regards these factors as epiphenomenal (Skinner 1938);(Nye 1979). The assumed role of internal processes continued to evolve in subsequent decades, leading to more cognitive approaches with a new branch of study Cognitive Behaviourism claiming that intrapersonal cognitive events and processes are causative and the primary irreducible determinants of overt behaviour (Hillner 1984, p107).

While behavioural research still contributes to our understanding of human behaviour, it is now widely recognised as being only part of any possible full explanation (Stewart 1994). Behaviourism does not appear to adequately account for the great diversity of response generated by a population exposed to similar, or even near identical stimuli.

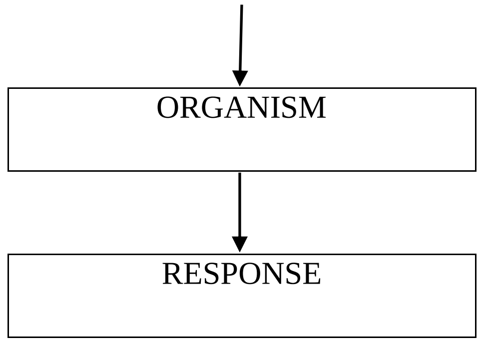
3.4.4 Cognitive Approach

In stark contrast to the foundations of Classical Behaviouralism, the cognitive approach ascribes observed action (behaviour) to intrapersonal cognition. The individual is viewed as an information processor (Ribeaux & Poppleton 1978). This intrapersonal causation clearly challenges the explicative power of environmental variables suggested in Behavioural approaches, however an influential role of the environment and social experience is acknowledged, with consumers actively seeking and receiving environmental and social stimuli as informational inputs aiding internal decision making (Stewart 1994).

The Cognitive approach is derived in a large part from Cognitive Psychology which can trace its roots back to early philosophers such as Socrates who was interested in the origins of knowledge (Plato 360 B.C.), Aristotle who proposed the first theory of memory (Aristotle 350 B.C.) and Descartes who explored how knowledge is represented mentally in his Meditations (Descartesst 1640) (Sternberg 1996). It was not until the middle of the 21 Century however, that Cognitive Psychology truly emerged as a mainstream and useful field of study with the development of the Stimulus-Organism-Response model by Hebb during the 1950's (Figure 1.1) (Cziko 2000) and the publication of the landmark text by Ulric Neisser in 1967 (Neisser 1967). From this point many writers suggested that Cognitivism had taken over from Behaviourism as the dominant paradigmatic approach to decision research (Furedy & Riley 1987).

Figure 1.1: Stimulus-Organism-Response Model of Decision Making

STIMULUS



While there are distinct branches of cognitive psychology, they all share an abiding interest in exploring and understanding the mental structures and processes which mediate between stimulus and response (Kihlstrom 1987). Contemporary Cognitive Psychology has identified and developed a wide range of factors which are thought fundamental to these intrapersonal processes including: perception, learning, memory, thinking, emotion and motivation (Sternberg 1996). While this is far from a complete list of the possible constructs at play, it does serve to outline the complexity and multiplicity of issues inherent with this approach.

Early Stimulus-Organism-Response models (as depicted in Figure 1.1) suggest a linear relationship between the three stages with environmental and social stimuli acting as external antecedents to the organism. This approach assumes that stimuli act upon an inactive and unprepared organism (Eysenck & Keane 2000). Most modern theorists now, however, acknowledge that information processing is conducted by an active organism whose past experience will influence not only the processing of such information but even what information is sought and received. Information processing will be both stimulus driven and concept driven (Moital 2007); (Groome, Dewart *et al.* 1999). This development has resulted in more recent depictions of consumer decision making being circular in fashion (Peter & Olson 2008), or drawn through a Venn diagram (Jacoby 2002).

Despite coming from a Radical Behavioural perspective, Foxall (1990 p.18) identifies four key strengths of cognitivism as a means of explaining consumer behaviour: Stimulus Organism Response its closeness to the common-sense explanations of everyday discourse make it an intuitively attractive means of offering explanations of everyday behaviours such as purchasing and consuming;

The ability of consumers to describe their experiences in terms of their attitudes, wants, needs and motives ensures that an explanation proceeds in the same terms as the description of what is explained;

It brings a measure of unity and consensus to a still young field of inquiry;

The extensive use made by other social science and humanity disciplines of cognitive explanation has assisted the conceptual development of this line of consumer research by making possible the borrowing of theoretical and methodological inputs.

Furthermore, Cognitivism has the capacity to explain complex behaviours, an acknowledged deficiency of the competing Behavioural perspective where it is impossible to ascertain the contingencies that control response (Foxall 1993). However, the cognitive approach is also criticised for a number of reasons. Foxall comments that the cognitive approach relies extensively upon the use of abstract and unobservable explanatory variables which seldom prove amenable to empirical investigation and evaluation‖ (1990 p. 96). Additionally, cognitivism assumes the consumer is rational, discerning, logical and active in decision making; assumptions that have been questioned by a number of writers (Bozinoff 1982) (Solomon, Bamossy *et al.* 2006) (Schiffman & Kanuk 2007).

Despite these criticisms, a cognitive approach is more appropriate in the examination of ethical purchasing behaviour. Firstly, the complexity of such actions cannot be accommodated through behavioural models and secondly, the benefits of ethical consumption are largely vicarious in nature, requiring extensive intrapersonal evaluation. Key existing studies into ethical purchasing have all accepted the role of intrapersonal examination (Hines & Ames 2000, Nicholls & Lee 2006, Ozcaglar-Toulouse,Shiu *et al.* 2006).

3.4.5 Cognitive Models of Consumer Behaviour

Two major types of Cognitive models can be discerned. Firstly, *analytical* models which provide a framework of the key elements that are purported to explain the behaviour of consumers. These models identify a plethora of influencing factors, and intimate the broad relationships between factors in consumer decision making. Due to their wide ranging scope such models are often labelled the grand models‖ (Kassarjian 1982). Typically they tend to follow the traditional five step classification outlining problem recognition, information search, alternative evaluation, choice and outcome evaluation as the key stages in consumer decision processes (Erasmus, Boshoff *et al.* 2001, Schiffman & Kanuk 2007). The Theory of Buyer Behaviour (Howard &

Sheth 1969) and the Consumer Decision Model (Blackwell, Miniard *et al.* 2001) are two of the most widely cited analytical models. Secondly, *prescriptive* models provide guidelines or frameworks to organise how consumer behaviour is structured‖ (Moital 2007). These models include the order in which elements should appeargiven certain causal factors. As such they promise to be useful to practitioners who can measure and prescribe the effect that should be observed stimuli should be modified or emphasised to attract a certain consumer response. The most widely referenced and used prescriptive models are the Theory of Reasoned Action (Fishbein & Ajzen 1975) and the Theory of Planned Behaviour (Ajzen 1985).

3.5 Critique of the models

Meta-analytic reviews of the TPB provide strong support for the predictive validity of the theory (Conner, & Armitage 1998). The theory provides a parsimonious explanation of the informational and motivational influences on behavior (Conner, & Armitage 1998 p. 1430); it is easy to comprehend, and can be applied to a wide range of research scenarios. There are, however, a number of limitations which limit the scope of use and the extent to which it can be deemed to be a complete model of consumer purchase decisions.

The predictive ability of the TRA and TPB relies on the researcher‘s ability to accurately identify and measure all salient attributes that are considered by the consumer if forming their attitude (Solomon, Bamossy *et al.* 2006). Clearly many consumption situations are highly complex, and influenced by a plethora of both conscious and sub-conscious factors rendering this premise optimistic. The models rely upon the assumption that the consumer undertakes comprehensive cognitive processing prior to purchase behaviour, an assumption that is challenged by other philosophical approaches (Bagozzi, Gurhan-Canli *et al.* 2002). The reliance on cognition appears to neglect any influence that could result from emotion, spontaneity, habit or as a result of cravings (Hale, Householder *et al.* 2002). Solomon *et al.* comment (2006) that behaviour in certain circumstances may result not from attitude evaluation, but overall affective response in a process called *‘affect-referral’*. These are thought to be important limitations in the context of clothing shopping where overall affective evaluation and hedonistic impulses are thought to influence some purchases.

The TRA and TPB have been widely applied in Western cultures, however it is not clear that the assumptions underpinning it are well suited to other cultures (Solomon, Bamossy *et al.* 2006).

Very few cross-cultural studies have been undertaken; however the limited findings suggest that the theories are not equally effective in different cultures (Bagozzi, Wong *et al.* 2000).

Finally, it is thought that intention is likely to be a dynamic concept, constantly under re-evaluation by the consumer as situations change, or as more information becomes available. This will make it difficult for the model to accurately predict behaviour prior to the purchase event as intentions are only likely to be provisional (Sutton 1998). Similarly the model does not well cater for any inhibiting factors to purchase, for example the retail store being out of stock of the intended item.

4.0 CONCLUSION

As this discussion has shown, a number of different approaches to modelling consumer decision making can be adopted. The area is subject to ongoing dynamic research and it is expected that new insights and approaches still lie unexplored providing a potentially rich area for study. With a few notable exceptions, the role of ethics, social responsibility and altruism have been largely ignored by the models and theories reviewed here; which, given the dramatic rise in such concerns suggests that research attempting to integrate such considerations would make a valuable contribution.

The review of the decision making models undertaken here highlights the complexity of consumer choices and identifies the key processes that lead to behaviour. A wide range of variables have been posited across the models, and each has evidence to justify its inclusion in attempts to explain behaviour. It is, of course, difficult for one model to claim to include all the considerations and factors that influence consumer choice, however the conceptual model proposed and adopted by this research has reflected upon the work falling into each of the philosophical approaches in an attempt to provide a holistic view of the decision making process for consumers.

5.0 SUMMARY

This unit explains different models of customers behaviour, it begins with understanding the Terms Models in relation to Consumer Behaviour, Models of consumer behaviour such as the black box model, Howard-Sheth Model, Nicosia Model and Engel-Blackwell-Kolat Model were fully discussed; consumer behaviour and consumer decision making were also explained as well as cognitive Models of Consumer Behaviour and critique of model.

6.0 TUTOR - MARKED ASSIGNMENTS

- Identify any two models of customers' behavior
- Differentiate between Howard-Sheth Model and cognitive Models of Consumer Behaviour,

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UNIT 4: PRODUCT DECISIONS, PLANNING AND DEVELOPMENT

1.0 INTRODUCTION

The unit is basically meant to prepare students in the analysis of the decisions and activities associated with the developing and maintaining of effective marketing mix. The idea of the marketing mix, otherwise known as the 4P‘S was popularized by McCarthy (1996). Marketing mix is a set of controllable variables that a marketer blends together to elicit the cherished response from the target market These controllable variables includes; Product, Price, Place and Promotion.

2.0 OBJECTIVES

At the end of this unit, you should be able to;

- Define what a product is?
- Classify products
- State the levels of products
- Explain the new product development process

3.0 MAIN CONTENT

3.1 What is a Product?

A product can be seen as anything that is offered for acquisition, use and disposal, and that satisfies the needs of the target market. The term product is broad and covers both physical goods and the intangible goods. Physical products include such items as vehicles, mobile handsets, processed food items and equipments, while intangible products like haircuts, financial services, accounting service and the hospitality industry. Products can also be seen in terms of functional, social and psychological utilities and benefits.

Levitt (1976) has argued that products need to be seen in terms of the benefits they provide rather than the function they perform. Marketers need to be aware that every product has both objective and subjective elements. Competitors, in no time copy such objective elements as physical specification and price. On the other hand, subjective elements like image and reputation are generally more difficult to copy and, in many markets, provide the most effective basis for differentiation.

3.2 Levels of Products

Levitt (1980) suggested that the marketer, in planning his market offering, needs to think through the following five levels of the product: core benefit, basic product, expected product, augmented product and the potential. Each level adds more customer value, and constitutes a customer value hierarchy.

Basic Product

A marketer needs to convert the core benefit into a basic product. The product of petroleum jelly should be made in a substance that makes it possible to achieve the desired effect especially in the harmattan period.

Core benefit

This is the fundamental service or benefit that the customer is really buying. For instance, a detergent buyer is buying cleanliness.

Expected Product

This set of attributes and conditions buyers normally expect when they purchase a product. A buyer of detergent expects that it should be well packaged, reasonably priced and widely available.

Potential Product

This encompasses all the possible argumentations and transformations a product might undergo in the future. Here, companies search for new ways to satisfy customers and distinguish their offers.

Augmented Product

This is the improvement on the product that makes it possible for customers‘ expectations to be augmented.

An example, a petroleum jelly that is meant to retain oil moisture especially during the harmattan period, in addition to body beautification represents an argumentation of the core product. Levitt cautions that the new competition is not between what companies produce in their factories but in the form of packaging, services and financing.

3.3 Classification of Products

Products fall into one of two general categories; products purchased to satisfy personal and family needs are CONSUMER products. Those bought to use in a firms operation to resell, or to make other products are BUSINESS products. Consumer buy products to satisfy the goals of their organizations Products classification are important because they may influence pricing, distribution and promotion decisions.

Consumer Products

The most widely accepted approach to classify consumer products is based on characteristics of consumer buying behaviour. It divides products into four categories; convenience, shopping, specialty, and unsought products. However, not all buyers behave in the same way when purchasing a specific type of product. Thus a single product can fit into several categories. To minimize this problem, marketers think in terms of how buyers generally behave when purchasing a specific item. Examining the four traditional categories of consumer products can provide further insight.

1) Convenience Goods

This type of products are relatively inexpensive, frequently purchased items for which buyers exert only minimal purchasing effort. They range from bread, soft drinks and chewing gum to gasoline and newspapers. The buyer spends little time planning the purchase or comparing available brands or sellers. Even a buyer who prefers a specific brand will readily choose a substitute if the preferred brand is not conveniently available

A convenience product is normally marketed through many retail outlets. Because sellers experience high inventory turnover, per unit gross margins can be relatively low. Producers of convenient products expect little promotional effort at the retail level and thus must provide it themselves with advertising and sales promotion. Packaging is also important , because many convenience goods are available only on a self -service basis at the retail level , and thus the package plays a major role in selling the product.

2) Shopping Products

Shopping products are items which buyers are willing to expend considerable effort in planning and making the purchase. Buyers spend much time comparing scores and brands with respect to prices, product features, qualities, services and perhaps warranty. These products are expected to last for a fairly long time and thus are purchased less frequently than convenience items. Even though shopping products are more expensive than convenience products, few buyers of shopping products are particularly brand loyal.

If they were, they would be unwilling to shop and compare among brands. Shopping products are purchased less frequently, inventory turnover is lower and marketing channel members expect to receive higher gross margins. In certain situations, both shopping products and convenience products may be marketed in the same location.

Specialty Products

These type of products possess one or more unique characteristics , and generally buyers are willing to expend considerable effort to obtain them. Buyers actually plan the purchase of a specialty product; they know actually what they want and will not accept a substitute When searching for specialty products, buyers do not compare alternatives. They are concerned primarily with finding an outlet that has the pre selected product available.

Like shopping products, they are [purchased infrequently, causing lower inventory turnover and thus requiring relatively high gross margins.

4) Unsought Products

These types of products are purchased when sudden problem must be solved, products of which customers are unaware, and products that people do not necessarily think of purchasing. Emergency medical services and automobile parts are the typical examples.

BUSINESS PRODUCTS

Business products are usually purchased on the basis of an organizations goals and objectives. Generally, the functional aspects of the product are more important than the psychological rewards sometimes associated with consumer products. Business products can be classified into seven (7) categories according to their characteristics and intended uses; installations; accessory equipments; raw materials; maintenance, component parts; process materials; repairs and operating supplies; and business services.

1) Installations

These include facilities, such as office buildings, factories and warehouses, and major equipment that are non portable, such as production lines and very large machines. Normally, installations are expensive and typically involve a long term investment of capital, purchase decisions often are made from high level management. Marketers of installations frequently must provide a variety of services, including training, repairs , maintenance assistance, and even aid in financing such purchases.

2) Accessory Equipments

These types of equipments does not become part of the final product but is used in production or office activities. Examples include the file cabinets, fractional horse power motors, calculators or office activities. Compared with major equipments, accessory items usually are much cheaper, purchased routinely with less negotiation, and treated as expense items rather than capital items because they are not expected to last as long as. More orders are required for distributing accessory equipment than for installations, but sellers do not have to provide the multitude of services expected of installations marketers.

3) Raw Materials

Raw materials are the basic natural materials that are actually become part of a physical [product These include minerals, chemicals, agricultural products, and materials from forests and oceans.

4) Component Parts

These items become part of the physical product and are either finished items ready for assembly or products that need little processing before assembly. Although they become part of a larger product, component often can be identified and distinguished easily. Buyers purchase such items according to their own specifications or industry standards.

They expect the parts to be of specified quality and delivered on time so that production is not allowed or stopped. Producers that are primarily assemblers, such as most lawn mowers and computer manufacturing depend heavily on suppliers of component parts.

5) Process Materials

Process materials are used directly in the production of other products. Unlike component parts, however, process materials are not readily identifiable. Example, salad dressing manufacturer that includes vinegar in its salad dressing. The vinegar is a process material because it is included in the salad dressing, but it is not identifiable. As with components parts, process materials are purchased according to industry standards or the purchaser‘s specifications.

6) MRO Supplies

MRO Supplies are maintenance, repair and operating items that facilitate production and operations but do not become part of the finished products. Examples includes papers, pencils ,oils , cleaning agents and paints.MRO supplies are commonly sold through numerous outlets and are purchased routinely . To ensure supplies are available when needed, buyers often deal with more than one's seller.

7) Business Services

The last but not the least are the business services which are intangible products that many organizations use in their operations. They include financial, legal, marketing research and information technology .Firms must decide whether to provide their own services internally or obtain them from outside the organization. This decision depends on the costs associated with each alternative and how frequently the services are needed. An example is the delivery services.

4.0 CONCLUSION

This unit was able to clarify major issues about product decision and classifications. To be successful in the market place as regards product decision, a firm should deploy its resources in such ways as to meet customer needs economically and conveniently and with effective communications.

5.0 SUMMARY

The unit was about product decision, planning and development. The unit was able to define products, the levels and classifications of product and product services.

6.0 TUTOR-MARKED ASSIGNMENTS

- Define the terminology Product.
- How can you classify products?

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UNIT 5: PRODUCT LIFE CYCLE AND NEW PRODUCT DEVELOPMENT

1.0 INTRODUCTION

Most products have limited profitable life. This unit will give a student a complete picture of what happens from a time a new product is introduced until it declines, and furthermore, will exhibit to the student to a certain extent can be postponed. Product development involves careful planning and implementation. Sometime service declining products by modification or else they follow several steps ranging from identification of market opportunity to launching of new products. The greater the competitiveness of the markets, the greater the need for product development.

2.0 OBJECTIVES

After studying this unit, a student should be able to explain the following;

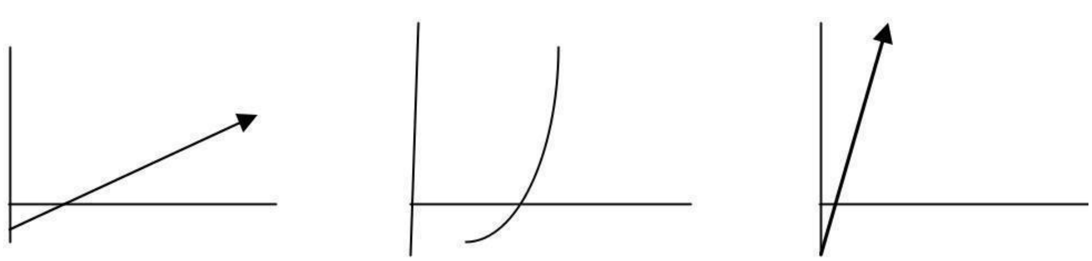
- Concept of a product life cycle.
- Stages in the product life cycle.
- Need for product Modifications.
- Need for new product development and the process through which a product has to pass before it is finally launched into the market.

3.0 MAIN CONTENT

3.1 The Product Life Cycle Concept

A company which introduces a new product naturally hopes that the product will contribute to the profits and provide consumer satisfaction. This however, does not always happen in practice. So progressive organizations try to remain aware of what is happening throughout the life of the product in terms of the sales and the resultant profits.

SALES TREND ---INTRODUCTORY STAGE. Figure 1



THE INTRODUCTORY STAGE

Figure 1 gives three optimistic alternatives as to the likely sales trend. If the product is well designed, the sales would not increase slowly but would shoot up after some time as in (a). Rarely would there be a case experience a slow take off as shown in (b). A poorly designed product may experience a slow take off as shown in (a). Thus, (b) represents a suitable sales trend for a new product. This stage is called the introduction or innovation stage in the life cycle of a product.

Since the product has just been introduced, it is natural to expect that it will take some time before the sales pick up.

There are some prerequisite for that too. The product must be brought to the notice of the customer. It must be available at the distribution at the distribution outlets and all this takes some time. Therefore, a likely picture of the sales trend in this stage would be (b) as given in Figure 1.

THE GROWTH STAGE

In case the product launched is successful, the sales must start picking up or rise more rapidly. The next stage is then reached which is known as the growth. Here, the sales would climb up fast and profit picture will also improve considerably. This is because the cost of distribution and promotion is now spread over a larger volume of sales. As volume of production is increased, the manufacturing cost per unit tends to decline. Thus, from the point of view of product strategy, this is a very critical stage.

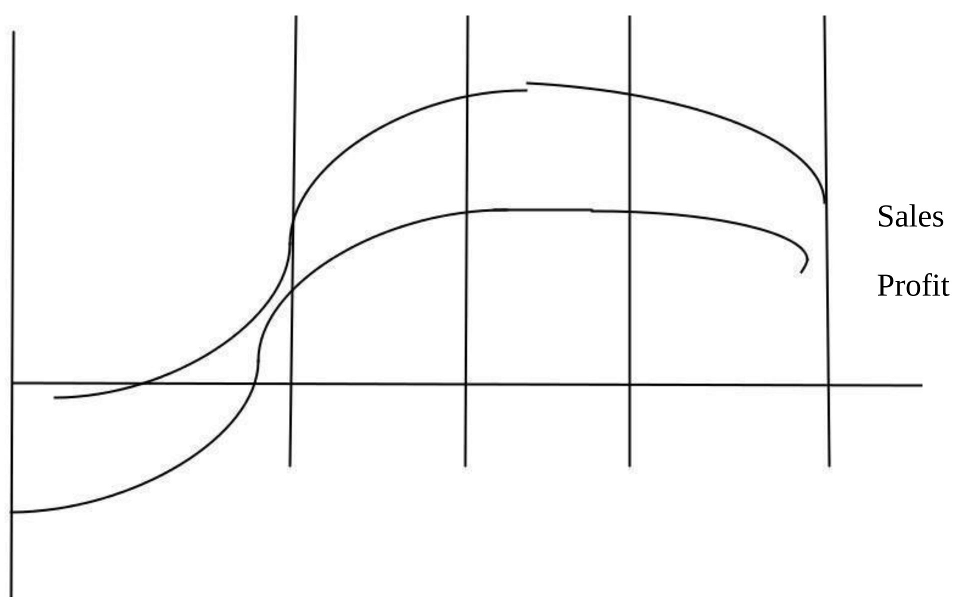
THE MATURITY STAGE

It is too optimistic to think that sales will keep shooting up. At this stage, it is more likely that the competitors become more active. In case your product is a novel one, by now competitors will come out with a similar product in the market to compete with yours. Therefore, the sales are likely to be pushed downwards by the competitors while your promotional efforts would have to be increased to try and sustain the sales Thus, the sales reaches a plateau. This is called the maturity stage or saturation. At this point, it is difficult to push sales up. With regard to the profit picture, the profits are likely to stabilize or start declining as more promotional effort has to be made now in order to meet competition. Unless, of course, an organization has the largest market share with your product and it needs no extra push in the market.

THE DECLINE OR OBSOLESCE STAGE

Thereafter, the sales are likely to decline and the product could reach the obsolesce stage. Steps should be taken to prevent this obsolesce and avoid the decline. This decline that generally follows would be due to several reasons such as consumer changes and taste, improvement in technology and the introduction of better substitutes. This is the stage where the profits drop rapidly and ultimately, the last stage emerges. Retaining such profit after this stage may be risky, and certainly not profitable to the organisation.

Figure 2 shows the product life cycle and the different stages



3.2 MARKETING MIX AT DIFFERENT STAGES

At the introductory stage, the organization has to increase and thus spend a lot on physical distribution and promotion. This is because the organization has to increase awareness and acceptance of the product. The organisation must also increase its availability. Very often it is noticed that a product is advertised but it is not available at the distribution outlets. This constitutes a waste of promotional resources of the organization. Thus, distribution should be arranged before the product is launched.

In any case, in these two areas, substantial amounts would have to be spent. The reluctance of customers to change their established patterns, and make them purchase the product particularly if it is of a novel nature. As against this, if it is novel one, people may even buy it out of sheer curiosity.

Next is the growth stage, when the sales shoot up and the organization is satisfied with the profit generated by the product; competitors will now enter the market and perhaps offer new product features . Therefore the organization must begin to think of how the product can be improved upon. The promotional expenditure is maintained at the same level or is raised slightly in order to meet competition.

Then comes the maturity stage. This stage is generally lasts longer than the other stages and poses problems for the management in maintaining the sales level. Actually, there is a slowdown in the growth rate of sales in case of such mature products . The decline can be arrested by improvements in the product and promotion.

Finally, the declining stage catches up. The decline may be slow or rapid. It may be due to better substitute products, better competition, technological advances with which the organization has not kept up and several other reasons. Such a product now proves expensive for the organization. Such a product now proves expensive for the organization. One must, therefore be willing to consider the elimination of such marginal or unprofitable products. Eventually the last weapon is to reduce the price. This is dangerous because this is a very crucial time when extra promotional effort is required to be put in to prop up the product sales. Reducing the price may soon land the company in a loss situation.

3.3 OPTIONS IN THE DECLINE STAGE

Having considered the product life cycle and the inevitability of [product decline , the question which comes to one‘s mind is what should be done to avoid or postpone this decline.

Consider some of the following points to avoid DECLINE.

1. Improve product quality.

2. Add new product features resulting in extra benefits.

3. Penetrate new market.

4. Give incentives to distribution channels.

5. Expand the number of your distribution channels.

6. Improve advertising and sales effort.

Here innovation is the lifeblood of marketing. Innovation can be in any of the 4p‘s of marketing. In connection with the product, it would mean quality improvement or improvement in features.

Ultimately, a time may come when the product will have to be removed.

3.4 New Product Development Strategy

Many products fail, and in order to keep expanding company sales, there is need for a new product. These stages are; ideas generation, screening of ideas, concept texting, product designing and evaluation, product texting and product launching.

Figure 3 Stages in New Product Development

- Ideas Generation
- Screening of Ideas
- Concept Testing
- Product Designing & Evaluation
- Product Testing
- Product Launching

GENERATION OF NEW PRODUCT IDEAS

The first step obviously is to get ideas with regard to possible new products.

As marketing is aimed at satisfaction of consumer needs, an alert marketer can get some ideas from the customers for possible new products by keeping his eyes and ears open and more particularly the mind to perceive even needs which are so far unexpressed. Thus new ideas can come from the customer needs or problems.

EVALUATION OR SCREENING OF THE IDEAS

This stage deals with the screening of the several ideas now available. This is known as the evaluation or screening of ideas process. Here the ideas must be consistent with the company‘s philosophy, objectives and strategies and be in terms of the resources available to the organization.

PRODUCT CONCEPT DEVELOPMENT AND EVALUATION

Particularly when the product idea is rather revolutionary, the concept itself must be tested and this must be done in the environment in which the product is sought to be introduced.

PRODUCT DESIGNING AND EVALUATION

If the product idea or the concept passes the test then the organization proceeds to production stage.

Here prototypes are developed and tested. The test can be done under a laboratory or field conditions. At this stage of the product development, the technical problems if any must be solved. This is because the product must not suffer from complaints regarding quality in use. Here even a small defect might shorten the life cycle of the product as well as spoil the company‘s image.

PRODUCT TESTING

Here a market test should therefore be conducted before launching the product .This will help to find out about the product quality and whether the product can be launched successfully on a commercial scale or not.

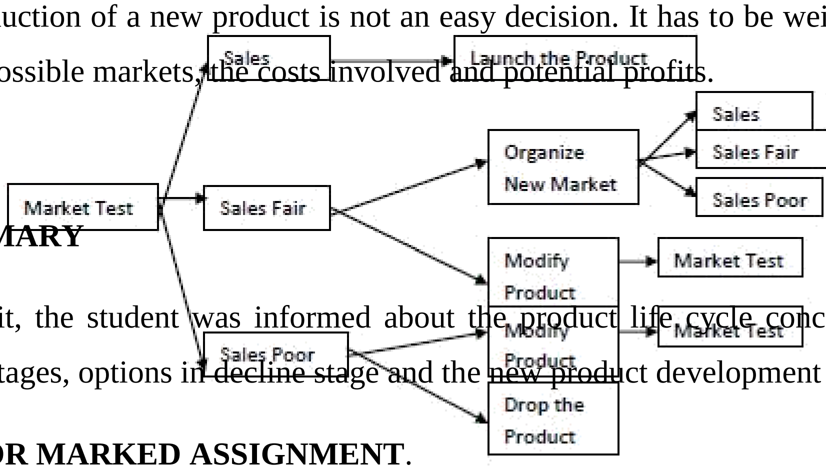
LAUNCHING THE NEW PRODUCT

The test marketing may show up something as depicted in Figure 3.

It may show that the sales are excellent, in which case the decision of the organization is easy and can now proceed for the product launch. As against this, if it shows that the sales are poor, the product launch can be stopped.

4.0 CONCLUSION

The introduction of a new product is not an easy decision. It has to be weighed very carefully in terms of possible markets, the costs involved and potential profits.



5.0 SUMMARY

In this unit, the student was informed about the product life cycle concept, marketing mix at different stages, options in decline stage and the new product development strategy.

6.0 TUTOR MARKED ASSIGNMENT.

What are the available marketing strategies at the decline stage of a product life cycle?

7.0 REFERENCES

Davar, R.S (1969). Modern marketing Management. Bombay: Progressive Corporation Private Limited.

Kotler, P. (1987). Principles of Marketing, 5th Edition. New Delhi: Prentice Hall of India Private Limited.