DEPARTMENT OF TOURISM AND TRAVEL MANAGEMENT
GOVERNMENT ARTS COLLEGE (AUTONOMOUS), COIMBATORE – 18

CUSTOMER RELATIONSHIP & SERVICES MANAGEMENT

UNIT I

Customer Relationship Management in Tourism – Customer Acquisition and Retention– Customer Loyalty - Customer Profitability and Value Modeling – CLC Vs. CLV - Customer Satisfaction Measurement - Customer Feedback and Service Recovery.

UNIT II

Managing and Sharing Customer Data - Customer Information Databases – Ethics and Legalities of Data Use – Data Warehousing and Data Mining – Data Analysis – Market Basket Analysis (MBA) – Click Stream Analysis - Personalization and Collaborative Filtering.

UNIT III

Marketing of Services – Tourism as a Service - Classification of Services – Building Service Aspirations - Consumer Behaviour in Service Encounters - Service Design and Development.

UNIT IV

Service Quality & CRM – Service Capacity – Process – Types and Causes of Service Quality Gaps – Measuring and Improving Service Quality - Strategies to Resolve the Gaps.

UNIT V

Emerging Technologies in CRM - eCRM – Benefits – Applications in Market - Sales Force Automation - Data Handling in eCRM - eCRM Project Implementation

PRACTICAL EXERCISE

1. Practical Exercise on Database Management

TEXT BOOKS

1. Christopher Lovelock & Jochen Wirtz (2004), Services Marketing, Pearson Education, Delhi.

2. Urvashi Makkar & H Kumar Makkar (2012), Customer Relationship Management, McGraw Hill, New Delhi

3. Gilmore (2004), Services Marketing and Management, Response Books, New Delhi.

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1. Zeithmal, Parasuraman & Berry – Delivering Quality Service, The Free Press, New York.

2. Andry Silmore (2001), Services Marketing & Management, Response Book, Sage Publications, Delhi.

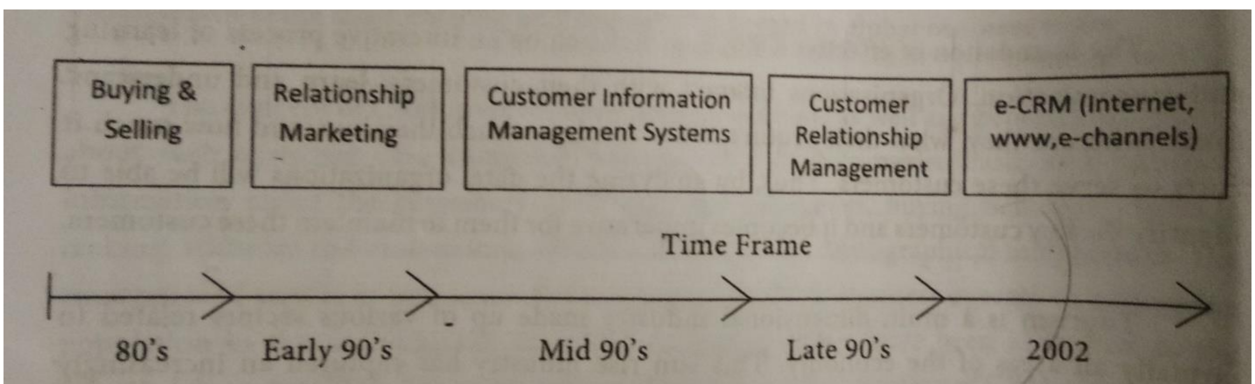
3. Jagdish Seethi, Etal (2000), Customer Relationship Management, John Wiley & Sons.

4. Lovelock (2003), Services Marketing – People, Technology & Strategy, Pearson Edn, Singapore.

UNIT-1

Subject Name	Subject Code	Semester	Prepared by
CUSTOMER RELATIONSHIP & SERVICES MANAGEMENT	18MTT43C	IV	Dr.R.Geetharamani, Assistant Professor

Customer relationship Management (CRM) is a well conceived business strategy with long term outcomes that maximize profitability, revenue and customer satisfaction by organizing around customer segments, fostering customer satisfying actions and implementing customer centric processes. CRM is a strategy employed to learn and understand customers' needs, wants and behaviours in order to develop stronger and sustained relationships with them.



History of CRM

Why Customer Relationship Management?

The necessity of CRM is elucidated by the following touch-points: It costs 5 to 10 times more to sell to a new customer than to sell to an existing one. Sixty to seventy percent of the actual

customers who are complaining about specific products / services will not cut ties with the company if the complaints are actively listened and swiftly addressed.
A typically dissatisfied customer will inform 6 to 8 people / potential customers about his / her experience (mostly related to poor customer service).

Disadvantages of CRM

Company wise change of priority to customers.

CRM warrants investment of good amount of time and money.

Pose threats to managements control exercises.

Stretches people's resistance to change.

Integration that does not confirm with pragmatic perspectives leads to chaos.

How to Enhance CRM?

Step 1: Build a customer database

Step 2: Analyse the database; define customer types, and scan for profitability.

Step 3: Identify key customers

Step 4: Implement CRM programmes to delight key customers

Step 5: Evaluate the efficiency of the programme.

The contents of CRM database

1. Customers' demographical profile

2. Contact history

3. History of transaction with customers

4. Customers responses to marketing communications

Types of Customers and their Characteristics

Customer Types	Characteristics
Platinum	Heavy and reliable users of products / services; not price sensitive, dc not hesitate to try new products, and are considered to be very loyal.
Gold	Large users who look for offers and incentives, wide buyers; not sc loyal
Iron	Low volume or intermittent users; incur high cost in serving them.
Lead	High demanding type; expects special attention; not great buyers show no loyalty.

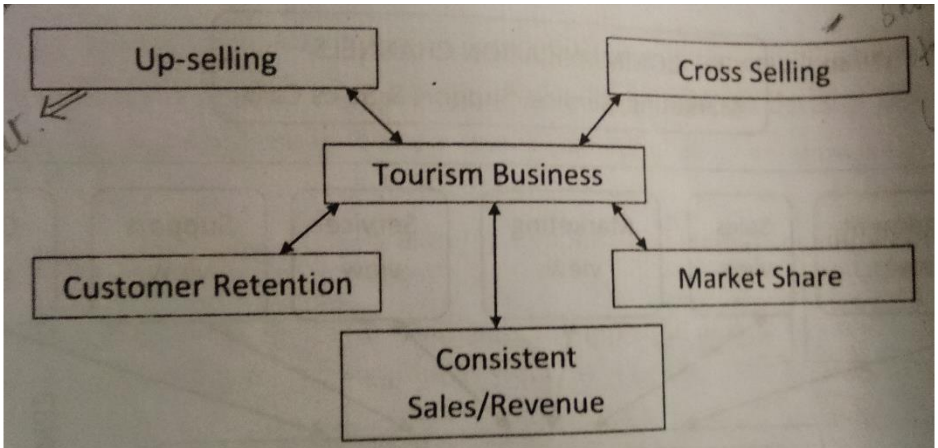
The Need for CRM in Tourism

The direct contacts between marketers or service providers and tourists create opportunities for greater understanding, a better appreciation of needs as well as short, falls and challenges, and emotional bonding; all of which facilitate building relationships, Tourism and the various related sectors are pioneering many of the CRM initiatives.

There are numerous service providers for each component of tourism and therefore customers have plenty of options to choose from. Customers are prone to switch over from one organization to another. Thus, there are needs and opportunities for tourism, companies for attracting customers are building relationships with them. While promising quality service to tourists, organizations must ensure its prompt delivery. This is one of the ways for differentiating on dimensions of service that becomes meaningful to the tourists and difficult to imitate.

The Goal of CRM in Tourism

The principal goal of CRM practices initiated by tourism companies is to establish a profitable, long-term, one-to-one relationships with tourists; understanding their needs, preferences, and expectations.



Benefits of CRM for Tourism Businesses

Tourism Industry and the Process of CRM

Primarily, as regards CRM process in tourism, it is utmost important for firms to determine and focus on psychology of tourists. Destination planners and tour marketers must comprehensively attend to the feelings of tourists towards a particular destination / product / service. Furthermore, it is essential to influence the environmental forces that impact the decision making of tourists, By analyzing tourists' buying behavior and patterns of purchase, tourism service providers are bound to gain competitive advantage.

They get a clear-cut understanding of the demand (market) and hence are able to offer customised services to tourists (supply). Destination developers and tourism companies must grasp the limitations the tourists have in terms of product / destination knowledge. In the context of tourism operations, the organizations need to engage the best strategies for effectively convincing the tourists. 'Conviction' is of supreme value for winning the hearts of customers. Honesty pays rich dividends while exaggerative claims and non-delivery or under-delivery of promises tend to backfire.

Phases of CRM in Tourism

There are three phases of CRM in tourism which are as follows:

First Phase: Establishing New Customer Relationships

In the first phase, tourism organizations need to acquire new customers / market segments or widen the customer base by promoting the destination offerings / packages / products and service leadership.

Second Phase: Enriching Existing Customer Relationships

In this phase, tourism companies enrich the relationships by offering premium products / services in a cost effective fashion. Also, they create a platform for excellence in cross selling and up selling, thereby deepening and broadening the relationships.

Third Phase Retaining Customer Goodwill and Relationships

CRM in tourism focuses on maintaining one-to-one relationships with tourists. In the third phase, adaptability is the factor which is highlighted. Tourism service adaptability is delivering what exactly individual customers prefer and not what the market requires.

Customer acquisition:

Customer acquisition may be defined as a process of acquiring new customers for business (or) translating existing prospects into new customers.

The Cost of Customer Acquisition

The cost of enrolling new customers includes the cost of sales, promotions, branding, customer testing etc. In this context, the ratio of customer acquisition to customer retention turns out to be significant for the firm. As the cost of acquiring new customers is high, firms should ensure that customers acquired are efficiently retained and their customer lifetime value realised to the optimum extent. It is very important for firms to determine the worth of keeping the customers and constantly check the resources offered to them. Thus, the firms will be able to ensure that it is extending its resources to valuable customers only. Banking firms like Citibank spends massive sums on advertising and promotions of credit card every year to enroll new customers. Yet, as the acquisition costs are high, if the customers discontinue the use of its credit card within a short time, the bank incurs loss on the customers.

Customer Retention

It is a fact that retaining customers is far more cost effective than recruiting new ones. Some customers are identified to be more profitable than others and therefore firms draw-up effective CRM strategies to retain those valuable customers for a win-win situation. For most companies 80 percent of profit comes from 20 percent of customers. .

Customer Retention Marketing Mix

The customers' retention marketing mix is a set of actions and strategies that aim at retaining key customers. It is composed of several elements such as product add-ons, convincing promotions, sales force contacts, specialised distribution system, and post purchase transactions

a) Product Add-ons: This is directed at providing customers more than the basic product, The core approach here is to create a total product service system that contains not only the items purchased by customers at the first instance, but also value-adds and relative benefits from the product line.

b) Sales Force Contacts: The goal of sales force in any firm is to establish long-term relationships with the customers. The sales force engages the customer and have direct interface with them.

It is utmost essential for any firm to instill adequate knowledge about the product/ service to the sales team members. They should be professionally trained to have fruitful contacts with customers, The sales force must possess the necessary skills to act as trouble shooters when the customers, are having problems with the product/service. CRM solutions and other supportive expertise enhance the sales team's ability to assist customers and deal with their problems effectively.

c) Specialized Distribution System: Organisations can attempt to retain customers through separate distribution networks, extending special functions. This is in consonance with the distribution strategies developed by the firm. In banks, there are two types of counters. 'he manually operated counter with a teller may be for new customers who do not have proficiency with automated teller machines. The other counter will be the one with an ATM facility for old customers who are inclined for self service. Dealer support is also crucial to foster repeat purchases of a company's brands.

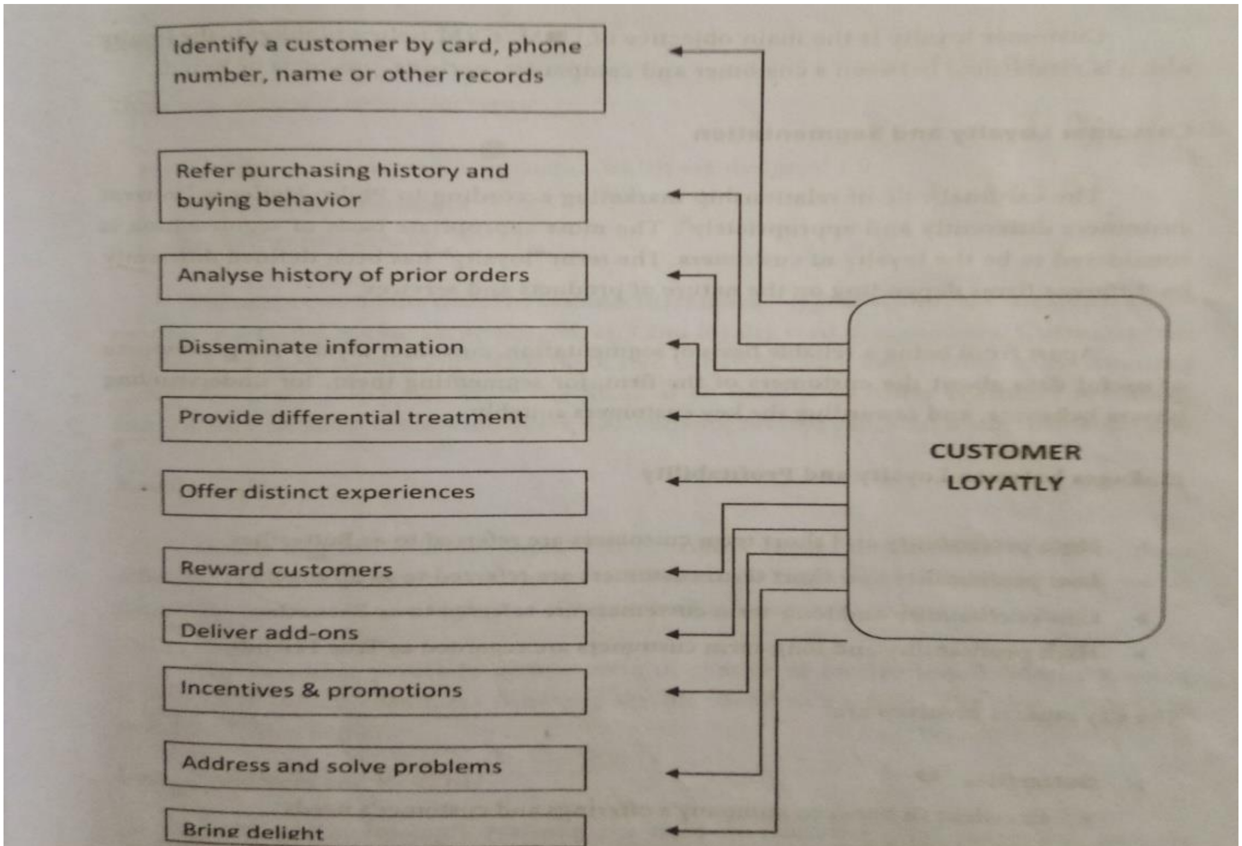
d) Post purchase Transactions: An enterprise must anticipate the problems that customers might encounter after purchasing. After sales service can be extremely useful in blocking customers from defecting. Customer complaints should be handled with efficiency and experts must be in charge of this. The firm's personnel should be very much approachable to clarify instructions, request further information, identify a problem, and seek a remedy. Toll free access and service desks are path-breaking efforts in this connection. Retention Rate

RFM Score, viz, Recency, Frequency and Monetary value is used to rank each customer. Customers with high scores are deemed to be most profitable and most likely to repeat a purchase and most responsive to promotions. The opposite holds good for customers with low RFM scores. It is assumed that the behavior being ranked using RFM has excellent economic value for firms. It is also related to another database marketing concept, i.e., the customer lifetime-value.

The Recency of a behaviour is the single most powerful predictor of the behavior repeating and also the response to promotion. Without Recency, Frequency and Monetary value are much weaker indicators of customer behavior in prospect. A new scoring technique proposed by Alan Weber is doing the rounds now. It is called RFA (Recency, Frequency, Average order).

RFM Analysis: The man aspects of RFM Analysis are:

1. Identifies repeat customers
2. Identifies and ranks 'best customers
3. Identifies most profitable customers.



The Facets of Customer Loyalty

Customer Loyalty

Customer loyalty entails attracting the right customer, getting them to buy, buy often, biy in greater quantities and spread niceties about the brand (or) product (or) service through word-of-mouth} Customer loyalty may be built by constantly being in touch with customers by way of e-mails, telephone, web-interface, wishing cards, etc.

The staff team in CRM has to be motivated sufficiently and treated well so that they treat the customers well. The result is achieving loyalty of customers, customers who are looked after by firms by showing that they care, absolutely tend to be loyal.

Customer loyalty is the main objective o CRM. CRM policy highlights the loyalty which is established between a customer and companies, persons, products or brands.

Linkages between Loyalty and Profitability:

High profitability and short term customers are referred to as Butterflies.

Low profitability and short term customers are referred to as Strangers.

Low profitability and long-term customers are referred to as Barnacles

High profitability and long-term customers are regarded as True Friends.

The key aspects involved are:

Butterflies

* Excellent fit between company’s offerings and customer's needs

* High profitability

Strangers

*Minimal fit between company’s offering and customer’s needs

*Lowest profit

Barnacles

*Limited fit between the company’s offerings and customer's needs

*Low profit

True Friends

*Excellent fit between company’s offerings and customer's needs

*Highest profitability

Customer Loyalty Ladder:

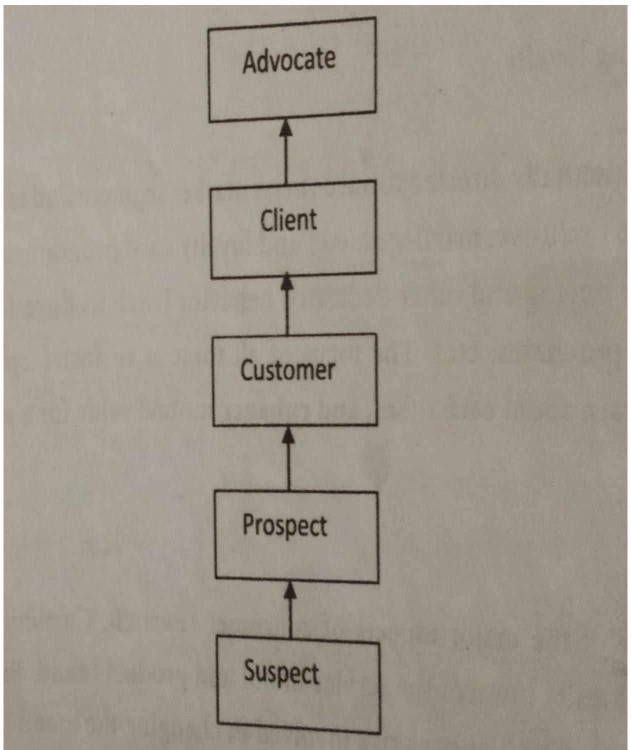
Suspect: Any person who reads/hears/views ads, books, brochures or other promotional material or encounters some other type of publicity is a Suspect.

Prospect: Someone who pays attention to a firm's promotional aspects.

Customer: Those who buy the firm's product / service.

Client: A customer who buys a product / service from the firm for a second time.

Advocate: A satisfied customer who gives unpaid publicity/advertising for the product/service of a business operative by spreading good opinion.



The Customer Loyalty Ladder

Customer profitability

Customer profitability is essentially the difference between the revenue earned by way of customer relationship and the cost associated with it for a specific period. Jt deals with the company's view of the possible profit to be made from its customers.

Activity Based Costing: It is critical for any firm to have accurate and up-to-date cost information to improve its position in the market place. Activity based costing or ABC emerged as a can be used to rectify the defects in the over-generalised cost systems of the past. It is identified as a means of creating a system that finally directs an organisation's costs to the products and services that necessitated the costs. ABC is a budgeting and analysis that evaluates overhead and operating expenses by connecting cost to customers, products, services and other relevant aspects of a firm.

It leverages relationship managers to see which customers are profitable or are to be retained as key customers. ABC measures the cost and performance of resources, activities, objects. Resources are at first assigned to activities, and then activities are assigned to cost objects, based on their usage. ABC thus performs accurate cost calculation. ABC and Customer Profitability Professor Robert S. Kaplan of the Harvard Business School classified customers as high cost-to-serve customers. Managers can identify customers who show some or all of the high cost-to~ serve characteristics.

The following model classifies customers on two dimensions, viz, high cost –to–serve and low cost–to–serve

High Cost–to–Serve Customers	Low Cost–to–Serve Customers
Seek Customised products\services	Seek standard products\services
Place 0rder in minimum quantities	Place order in large quantities
Nature of orders cannot be predicted	Kind of orders are predictable
Delivery is customised	Delivery is very standard
Delivery needs change	Delivery need do not change
Manual processing	Electronic processing
High pre–sale and post– sale support	Low to no pre–sale and post – sale support
Requires firm to hold inventory	Consumed as produced
Payment is made slowly (high accounts receivables)	On–time payment (low accounts receivables)

Value Modelling

Value modelling deals with the value of the customers' other features such as ability to bring in more profitable customers; the estimate of the potential shown to be more profitable customer.

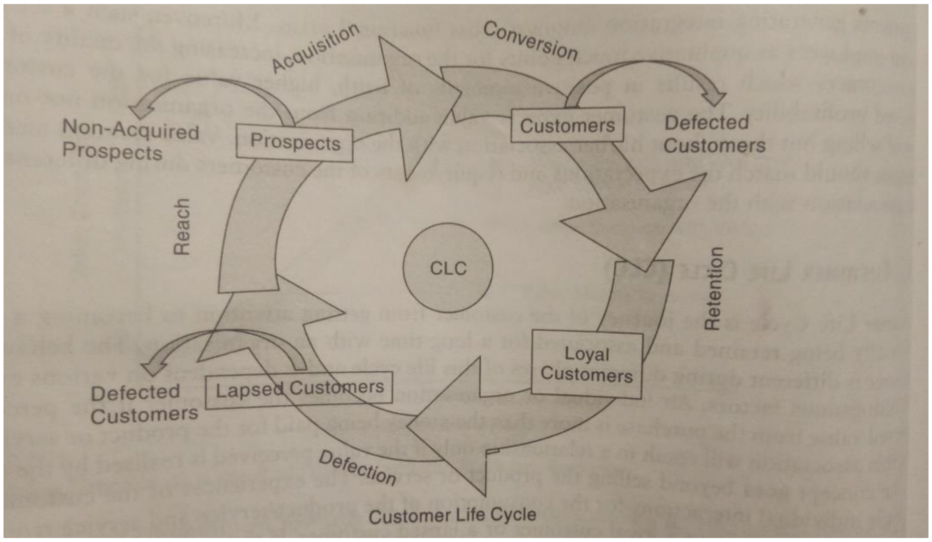
Customer Life Cycle (CLC):

Customer Life Cycle is the journey of the customer from getting attention to becoming a customer and finally being retained and associated for a long time with an organisation) The behaviour of a customer is different during different phases of this life cycle and is dependent on various exogenous and endogenous factors. An individual or organisation becomes the customer if the perception of expected value from the purchase is more than the money being paid for the product or service. However, this association will result in a relationship only if the value perceived is realised by the customer. So, the concept goes beyond selling the product or service. The experiences of the customer during multiple individual interactions for the consumption of the product/service and service requirements convert the customer into a loyal customer or a lapsed customer. If the customer is satisfied during most of these interactions, he/she may continue to use the product or subscription of service in spite of attractive campaigns by competitors. To make a customer undeterred by market conditions and continuous bombardment of marketing stimuli from competitors in the form of aggressive promotional campaigns, it is important to convert a customer into a loyal customer and subsequently turn him/her into an advocate of the organisation.

With the CLC approach, organisations look forward not only to selling, but try to manage each and every interaction and touch point with the objective of customer retention.

Phases of CLC

The relationship between a customer and the organisation evolve over time. Prospects, newly acquired customers, and loyal customers do not have the same needs and requirements; and as their relationships with the organisation keep changing over a period of time, so do their expectations and behavioural patterns. The customer life cycle provides a framework for understanding and managing different stages of customers. It can be explained in four phases-reach, acquisition, conversion and retention (refer to Fig. 2.6). These phases give a framework for understanding the requirements of different strategies for interaction with customers during different stages.



Reach

Reach is defined as the process of getting attention of prospective customers. It can be gained through various promotional activities and multiple touch points. It is the first stage of interaction with the prospects, which will form the foundation of next phase of CLC. A customer visiting the website of an organisation, viewing the billboard on the roads, reading promotional SMS, or advertising of any d are various means of expanding the reach of the organisation.

Each of above mentioned parameters is both, simple and complicated to assess and measure. Any mobile company can tell how many mobile subscribers will receive a promotional SMS. A magazine or newsletter will know how many readers they have and any multi-brand retail outlet can reveal the number of footfalls they receive on a weekly/monthly basis.

But no organisation can be sure of how many people read an SMS or advertisement in the e-newsletter; even if they did receive the SMS or e-newsletter, how it can be known that they even opened it? It is almost impossible to precisely work out these figures.

This is why the reach is complicated to quantify. Regardless of how potent a company's web analytics solution or other measurement tool may be, no one can know the number of people who in reality read and think about these promotional messages. Consequently, reach is related to acquisition; the number of people who read a message cannot be measured or assessed but this value can be estimated from the percentage of people the company is able to acquire.

Acquisition

If reach is explained as the probability of getting prospects' attention, then acquisition can be defined as how effectively an organisation has got this attention. Hence, acquisition is getting any response from the prospects, leading to any type of interaction, not necessarily purchase. The response of the prospect to an SMS campaign, the filling up of an online form on the website of a company, a call to the call-centre enquiring about the product features, viewing the product demo in a retail outlet, test driving a newly launched car, visiting the sample flat of a real-estate company are some examples of graduation of prospects from the 'reach' stage to 'acquisition'.

Contrary to common belief, the acquisition phase does not always result in some sort of action like purchase. Instead, acquisition is the stage where the prospect is engaged in some sort of activity, which has potential to convert the interaction into some value addition for the company. As a consequence, it can be considered an act of response. The acquired prospects have a better likelihood of being converted into actual customers, provided the touch points are capable of understanding their requirements and expectations and offering appropriate solutions.

Conversion

An 'acquired' prospect is converted into a 'customer' by the process of exchange of a product or service resulting in value addition to both. Conversion is the graduation of the acquired customers to actual customers. The interaction between an acquired customer and the organisation leads to an exchange of product or service resulting in the establishment of a relationship between the organisation and customer. Also, this phase has a definite contribution to revenue and customer base expansion.

Converting acquired customers into actual customers is the most difficult step for any marketer, as it depends on multiple factors like psychographic profile, personality factors, pre-purchase behaviour of customers and the quality of touch points. Moreover, based on the type of product, conversion phase may be demanding different strategies to be adopted, like in case of high-involvement product category, the customer needs to be persuaded more as compared to low-involvement products. Analysing and improving the processes involved in the sales path to conversion will help the company make changes to the touch points and influence marketing initiatives that will impact the customers’ willingness to purchase, resulting in a higher conversion rate. This is a win-win situation because it results in customer satisfaction and increased revenue for the company.

Retention:

The reach, acquisition and conversion phases in the customer life cycle are resource-intensive and time and effort consuming, but in the final phase, the organisation needs to focus on maintaining these relations and retaining the customers.The graduation of the customer to a loyal customer requires continued customer satisfaction over a long period of time and mutual value addition for both, the customer and the organisation. The focus during this phase is on after-sale services and understanding and fulfilling new expectations and requirements of the customers.

Defection:

Defection is a continuous and inevitable process of lasing the customers which happens during all stages of CLC. However, the companies have to manage the defection rate and keep it under certain limits, so as to ensure the sustainability of their market share. Defection should not result in mass churn of customers to the competitors eroding the market share and challenging the very existence of the company.

Defection can happen due to various reasons:

- Entry of new competitors offering products with new technology and innovative features, which generally embarks with highly aggressive promotional campaigns, and high-pitch sales promotional offers, consequently bombarding the market place with high visibility and capturing the top-of-mind attention of the customers.
- Irresistible sales promotional initiatives of existing competitors
- Lack of differentiation and USP specifically in low-involvement product category
- Obsolescence of the products/services and failure of the company to match the ever-increasing expectations of the customers.

Customer Life Time Value (CLV): The concept of relationship marketing and its applications in the field has changed the way organisations think of customers. They strive to acquire and retain the customer for a long term. Instead of focusing on discrete interactions, the focus is on the entire life of the customer with the organisation. This has led the organisations wanting to know the financial worth of this relationship to itself so that the decisions regarding the level of efforts to acquire and retain customers can be made. The management wants to know more accurately the ways to manage relationships with the customers and, at the same time, distinguish between a profitable customer and a loss making customer. The replacement of transaction marketing by relationship marketing has led the manager to find out new ways of finding the economic value of the customer considering both, the relationship benefits and accounting profit from the customer.

Definition of CLV

Customer Lifetime Value (CLV, also written as CLTV or LTV) is defined as the present value of all net payments during the complete life of the customer with the organisation) Customer relationships are considered to be investments and acquiring a customer is like acquiring @ new asset, which will generate future revenue. However, relationships need to be maintained and therefore, there is a cost associated with it. Therefore, to evaluate CLV, all future revenues and costs must be assessed. Simply put, CLV is the present value of all future purchases by the customer minus the costs to be incurred by the company.

Usually CLV is calculated by assessing all future purchases and then discounting these figures to bring them to the present value. Knowing CLV can add tremendous value to marketing strategy formulation. The availability of IT tools like data warehousing and data mining has

Applications of CLV

Information on CLV can be an important input for marketing strategy formulation, especially in the segmentation, selection, retaining Customers and in relationship management in general. Since it represents the financial aspect of return on relationshiship (RoR), it helps in getting better return on marketing efforts.

(a) Allocation of Resources

By appropriately allocating resources to a particular customer or segment of customer, the organisation can be in a better position to target the customer, which will be profitable in the long run. The organisation can afford more cost of acquisition of customers with higher expected CLV.

For example, a student as a customer for a telecom operator can be a very high CLV customer, even though such customer may not be profitable in the short run. Service providers compete to offer special deals to such customers and retain them with the hope that they will generate high profits in fiture and will be better adopters of new technologies and services. CLV, which is the present value of all future profits from the customer, is a better guide for strategy formulation than present payoffs.

(b) Customer Selection

CLV is often used as an upper limit on spending to acquire a customer. If the expected cash flows from the relationship with the customer have a present value of Rs 1000, then the company should not spend more than Rs 1000 to acquire that customer. At the same time, the company should be ready to spend extra to acquire customers which are likely to generate bigger cash flows throughout the life of the relationship.

While the lifetime value of the acquired customer is one important factor in the acquisition decision, it need not be the only factor. The acquisition of a particular segment of customers may affect the CLV from the existing customers also. Therefore, the acquisition decision is to be based on a bigger picture of brand perception and image besides looking for CLV.

(c) Segmentation

Customers can be segmented on the basis of calculated CLV and this segmentation can be a very important criterion for various marketing and servicing initiatives. Customers can be offered specific product and price types according to their profiles based on CLV.

For example, in the banking and insurance sector, there can be specific products and services for High Net-worth Individuals (H'NIs). In the telecom sector, where there is stiff competition, specific tariff plans can be offered to specific customer segments so as to propose better value and therefore, to retain customers for longer periods. Membership to loyalty programmes and discounts and benefits offered can be based on different segments. Loyalty programmes and marketing initiatives based on CLV can be sustainable and, at the same time, lucrative at the individual customer level.

(d) Merger and Acquisition

Most merger and acquisition decisions are based on the financial statement of the company to be acquired. However, financial statements have two major shortcomings. Firstly, they represent the past performance and do not assure any future prospects. Secondly, financial statements do not have, in any way, an insight into the customer base and its potential. Acquisition ultimately means the acquisition of the customer base of the company and therefore, strategic decisions based on CLV of customer base of the company can be far more accurate as it represents a true picture of the potential scenario of the company.

(e) Customer Equity

Customer Equity is the total of the discounted cash flows in future from customers and future customers within a certain planning period. It is the measure of the value potential and the capability of the company to acquire and retain customers.

Calculating CLV

The CLTV of a customer is calculated based on the following inputs:

1. The cost of acquiring the customer
2. Periodic cost of providing the service/product
3. Retention rate or churn rate of the customer
4. Rate of discounting

Customer satisfaction

Customer satisfaction is the driving force that catapults the brand image of organisations and serves to develop long-term bonds with customers.

Challenges in Customer Satisfaction

1. Expectations that different customers have about the same product- It 1s always a challenge for the marketers to the meet the expectations that various customers may form about the same product,
2. Unique expectations of individual Customers - Marketers deem it a challenge to fulfill the unique expectation of individual customers as they have to carefully initiate and offer tailored products to meet individual requirements.
3. Different parameters that determine customer satisfaction - Studies point out that for some customers, fulfillment of the expectations they had from the offering make them satisfied; while for certain others satisfaction is transaction specific, ie., the customers' post-choice evaluation and judgment of a particular service encounter. On the other hand, there are customers' whose satisfaction is in tune with the total evaluation of the assimilated customer experiences with the company.
4. The level of satisfaction with the same customer and the same product is inconsistent,

The impacts of CRM on Customer Satisfaction

According to Mithas et' al (2005), CRM applications are likely to impact customer satisfaction due to the following reasons:

a) CRM applications enable companies to customize their offering for customers and thus the perceived value get enhanced. Perceived value is tallied with perceived quality by customers and due to this, customer satisfaction is enhanced.

b) CRM initiatives enable companies to enhance the reliability ‘of consumption experiences by ensuring timely dealing of various customer requests. The IT tools can be incorporated.

c) CRM programmes also enable firms to manage relationships across the various stages like initiation, maintenance and termination and thus aid greatly to impact on customer satisfaction.

To meet customer expectation and thereby ensure satisfaction, firms’ need to understand clearly the expectations that customers form when they buy products\services.

Importance of Customer Satisfaction

Customer Satisfaction leads to growth of business and survival.

Satisfied customers remain loyal to the firm.

They buy in larger quantities and more frequently.

They tell other people about their experiences.

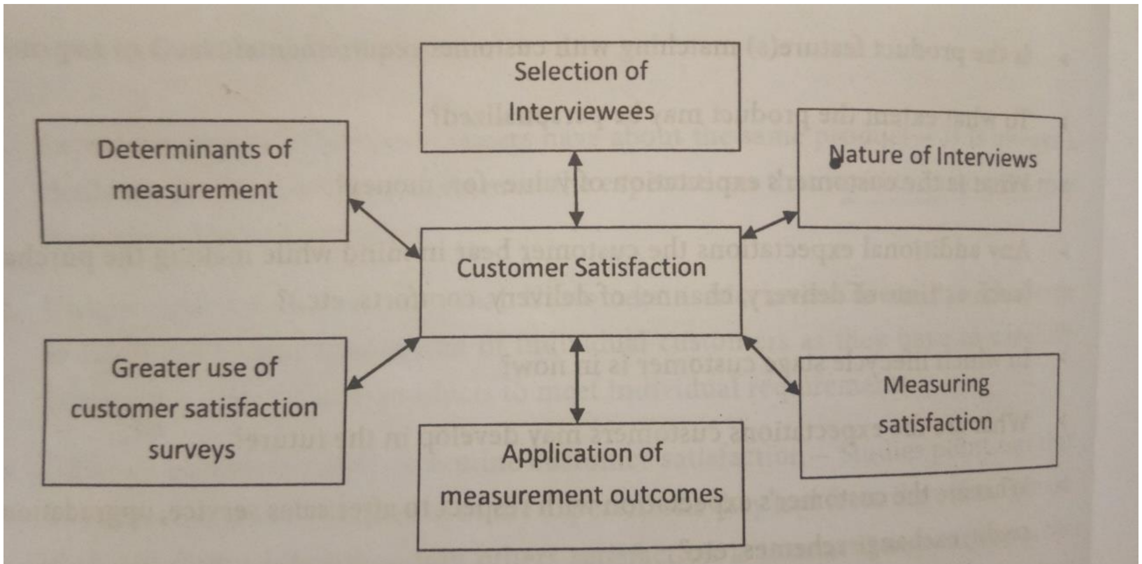
They trust the firm and consider it a privilege je do business.

Customer Satisfaction Programme:

a. Selection of Interviewees (customers): For an effective customer satisfaction programme, it is imperative that right persons are selected to ask the right questions. The traditional first-in-line customer is an obvious choice for measuring customer satisfaction. A good customer satisfaction programme will include both the wholesalers as well as the final consumers.

b. Determinants of Measurement:

The main focus of customer satisfaction survey is to probe from the customer how he considers the product\service of the firm. The respondents’ view will provide ample insights on how thé product\service may be improved. High level issues are dealt with in most customer satisfaction surveys such as the overall satisfaction; repeat purchase; referrals, etc.



Customer Satisfaction Programme

The variables are churned and presented to the customers to determine how they find its value as regards the product performance. The questions can be framed by looking at the transactions from the customers' point of view.

The determinants of measurement vary from firm to firm and could include:
Product Features

Product Benefits

Consistency of Quality

Product Lifespan

Product Range

Product Design

Delivery Time

Cost of Delivery

Channels of Delivery

Product Performance

Utilities

c. Nature of Interviews:

Delphi Technique (expert opinion) and focus group intreviews can provide useful insights on customer satisfaction. As it does not provide bench mark data; a quantitative survey can also be conducted. The tools for measuring customer satisfaction can be combined, like a self-completion method and could be used in a face to face interview; a postal questionnaire may be preceeded by a telephone interview for collecting data. Sometimes the interviews may be conducted anonymously without disclosing the identity of the interviewer to avoid bias.

d. Measuring satisfaction: Customers express their satisfaction in various ways. Some express it in monosyllables or anecdotes- a word of appreciation, while some don't express anything; but come back again and again. When satisfaction is rated in numerical scores in terms of the anchors of scale the expressions becomes a scale of 1 to 5 is used where the lowest figure indicates extreme clear. Typically, a scale of 1 to 5 is used where the lowest figure indicates extreme dissatisfaction and the highest shows extreme satisfaction.

e. Application of Measurement Outcomes Customer satisfaction Surveys are analysed to create a customer satisfaction index or CSI by tabulating the scores. Some firms use the rating given o i overall performance to create CSI while others use an average of the two significant measurements, viz, overall performance and repeat purchase decision (towards loyalty). There is no definitive ambit for CS] as two firms may consider a wider coverage of issues to create a CSI.

The average or mean score of satisfaction given to each variable forms a table of strengths and weaknesses. Scale values from 1 to 10 indicate the levels of satisfaction which is based on the interpretations of customer satisfaction surveys (1 indicates lowest value in is CSI). The mean sc of 8/10 indicates market leadership or top brand; 7-8/10 reflects fine performance with more attention required; mean scores of below 7/10 is taken as requiring intense care.

Greater use of customer satisfaction surveys: The role of top management of a firm crucial in satistying its customers. The policies of the firm must be customer oriented owing to the patronisations of the top level policy makers. It is often said that “happy and satisfied employees make happy and satisfied customers’. Therefore,employee satisfaction is one aspect which should dot a significant place in the company policy. Employee outlook and attitude surveys can bridge the gap, if any, that exists between employees perceptions of performance and those of customers.

Customer Delight:

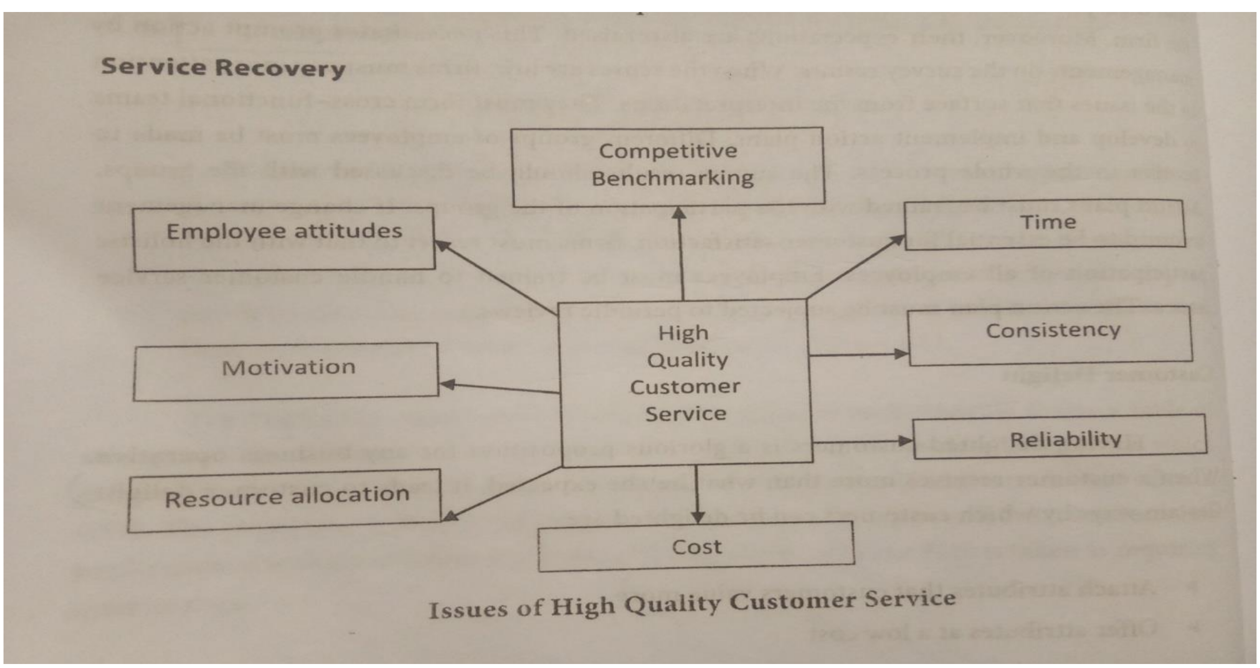
When a customer receives more than what he\she expected, it leads to customer delight. Certain ways by which customers can be delighted are:

Attach attributes that customers value more.

Offer attributes at a low cost.

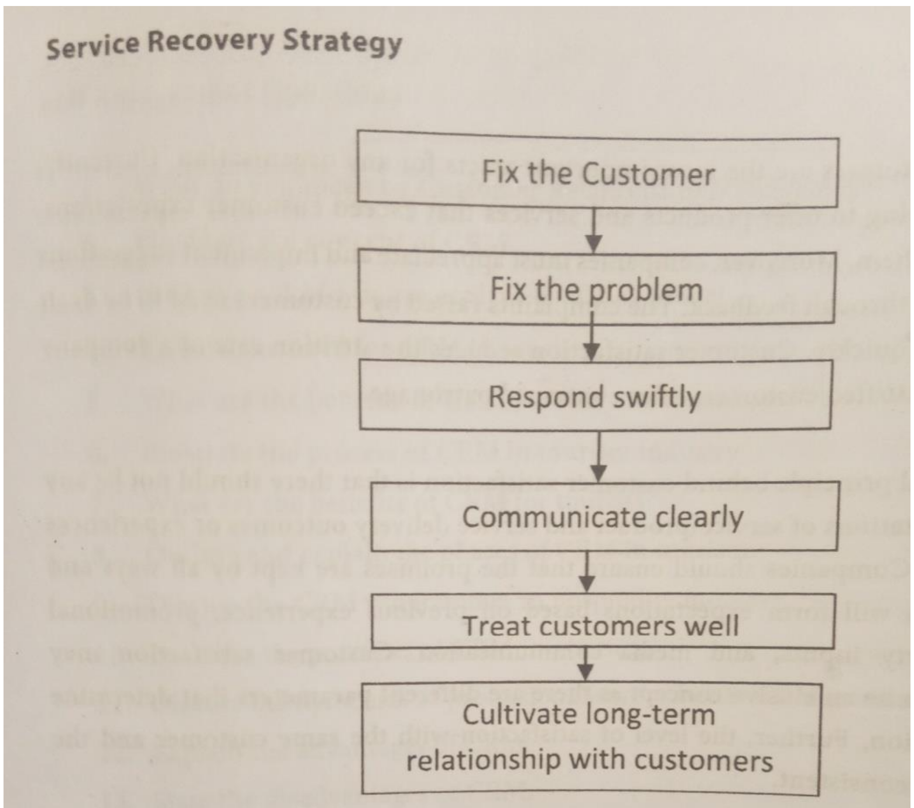
Service Recovery:

Services are heterogeneous in nature and therefore the chances of firms committing mistakes or errors during the encounters or in the delivery mechanism are very high. In the circumstances, when firms cannot avoid service failures, they can be equipped to recover from problems.The timely rectification or solution to a specific service problem can fetch the firm This is because customers tend to develop trust towards a customer oriented not defect.



Issues of High Quality Customer Service

a. Fix the customers Customers sometimes may not complain as they would have fixed high expectations. They expect the company to respond quickly and be responsible and accountable. Customers may also expect due compensation for the service failures. Furthermore, they expect the firm to be treat them nicely in the . Service recovery process.



Service Recovery Strategy Model

b. Fix the problem After fixing the customers, the firm must promptly address the actual problem that created the service failure. If the problem is recurring with other . customers, the firm must fix the service delivery process too. Strategies for fixing the problems include encouraging and tracking the complaints, learning from recovery experiences, learning from lost customers, and making the service fair.

The Kinds of Fairness

i) Outcome fairness- Service outcomes must match delivery expectations and if there is a gap, customer may complain.

ii) Interaction fairness -Customer need to be treated politely and sincerely.

iii) Procedural fairness -This entails treating the customer according to rules \ procedures \ terms and conditions \ policies.