Managing Services
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Lecture - 44
Loyalty Relationship

We discussed the strategy canvas for services business yesterday, on that canvas today will continue to probe into this whole domain of loyalty and relationships. And we will see, how important it is for services business today and how more important it will be in services business of tomorrow.

So, this whole business of a loyalty retention relationship based marketing is generally famous by this acronym CRM Customer Relationship Management. But, some peoples call it continuous relationship management or it may somebody may call it customer relationship marketing. Fundamentally in whatever maybe the configuration, the keyword here or operative word here is relationship, relationship with your existing customers.

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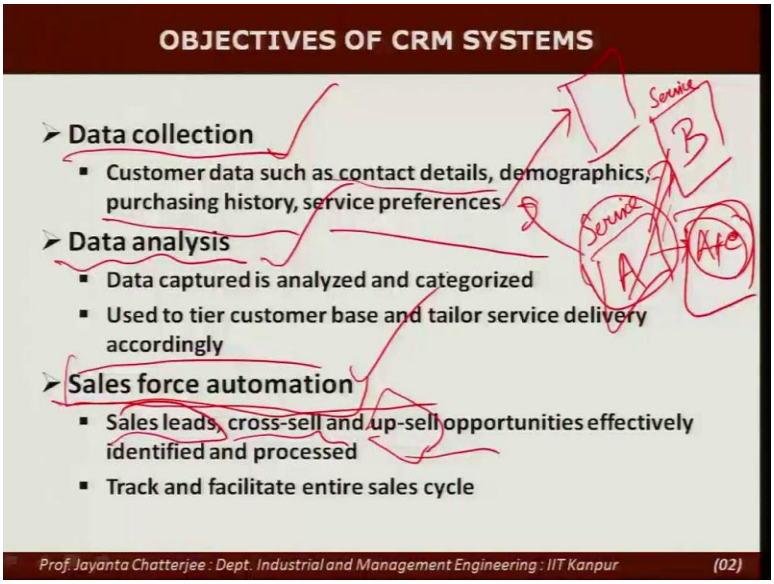

The objective of a CRM system, now a very important point we will discuss it again a little later in today's session. That many people confuse CRM as some sort of technology solution, some sort of software which will solve all problems and grow your business. Please understand, that the technology is there, the software is there, the systems are there, but they are only tools. If you do not have a proper deployment of strategy that

covers your entire organization, if it is not a part of your attitude, if it is not part of your employee and organization culture, then whatever maybe your investment in software or technology, it will not work.

So, of course, without for example, data collection to know when the customer has contacted, what kind of customers contacted us, what they like, what they did not like, the history of purchase, the preferences. You have to collect those data, you have to analyze that the data, you have to create a system, so that your front line sales people when they are in discussion with the customer, they should be easily able to see that, what is the delivery position, how long it will take to serve that customer. They should be able to easily transfer a sales lead.

So, a customer, your sales person who is having an introduction with the customer in Calcutta should be able to easily transfer this information, that the same customer in Coimbatore or one another part of that organization in Coimbatore may have a similar demand. So, this sales leads transfer across the organization, identification of cross sell and up sell, cross sell means that the customer is already your customer for service type A.

And but; however, it is there is a possibility of selling to that same customer or related customers another service, which may give you a higher per unit net market contribution, that service B can also be sold to the same customer. So, that is what we call up sell and cross sell means that this service A combined with something else may actually go to another part of that same customer organization or you can actually provide A as well as may be you can now, enhance that and you can say A plus C will be offer to that, will now be part of the offering.

So, a customer who is asking for burger, you can actually sell the customer also some chips or you can sell the customer some drinks or you can actually upgrade that whole opportunity by offering a combo, which are consists of burger and chips and coke and everything. So, these up sell cross sell opportunities; obviously, in a large system needs availability of good data at the front line. So, data collection, data analysis, data presentation, these are all important.

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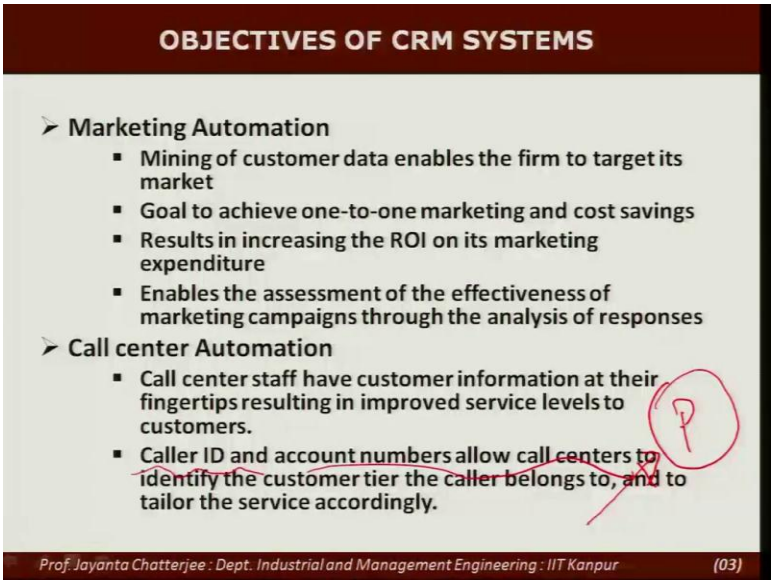

But, all that automation will not work if the culture attitude, the soft side of CRM is not properly deployed, so the often people say therefore, that the soft side of CRM is harder. So, your call center may have all the information in front of the response representative, but if that response representative is not a satisfied employee or is in a state of stress or has not been properly trained. You remember we had these, all these discussions during the people issues in services business, where we discussed about emotional labour and boundary less service and duality in the life of a service employee.

Now, of if all those issues have not been properly addressed, then whether the caller id and account number etcetera are available to the call center representative or not, will not make of a difference, because there even though the possibility exists, the vocation may not approach that possibility, because of the conflict attitudinal problem that maybe there in the adopted touch point during that moment of truth.

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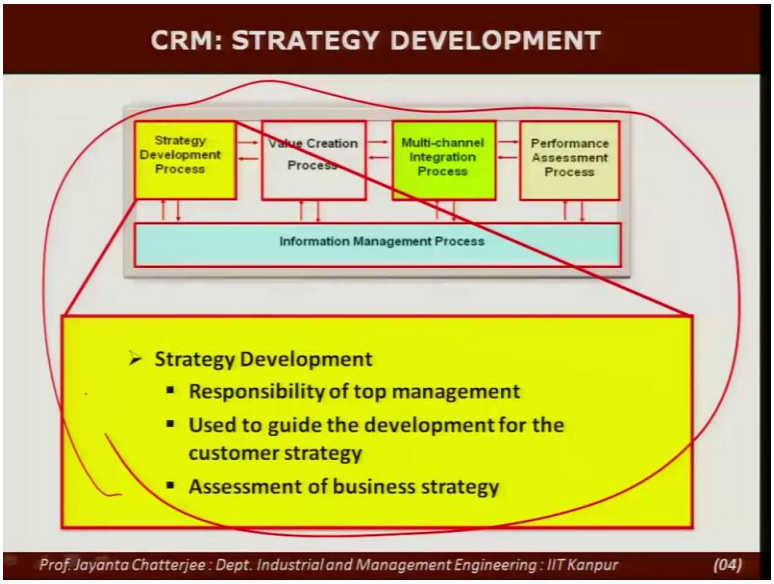

So, CRM to be effective must go through this, you have to take this holistic systems approach. So, it has to start from the strategy development. So, the relationship marketing or relationship based thrust has to start from the corporate strategy. The top management, the guideline to the entire organization, assessment of business performance, all must be made in terms of customer retention, customer relation.

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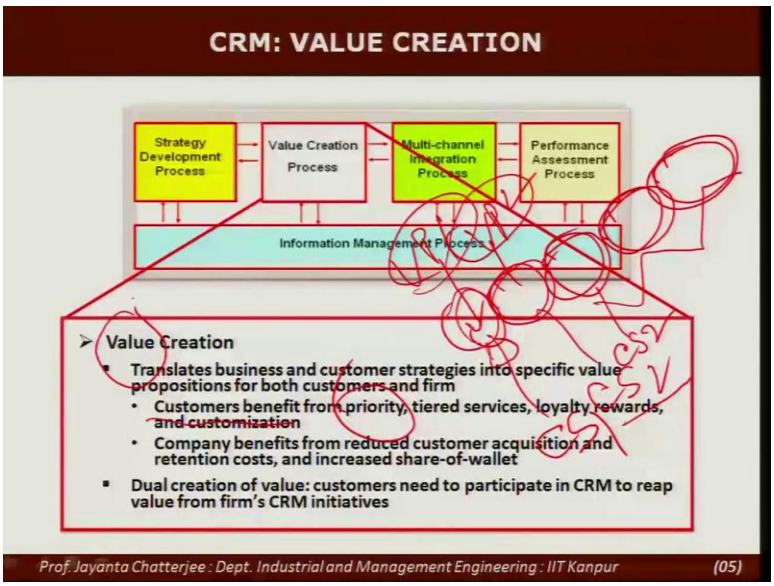

In that from there we must go to this value creation process, where again emphasis has to be on offering better and better values to your customer. So, customer benefit must be the priority of course, it is possible to segregate the customers at different levels and I would not like to draw this tier case or hierarchy type. But I must say that you can consider your

benefits and understand, that each of these pulse represent one type of customer, one segment of customer and this is a matched offering to that particular customer segment.

So, customer segment 1 and value proposition 1, customer segment 2 and value proposition 2, this is the simplistic way I am deriving because; obviously, value proposition 1 may be quite allied to value proposition 2. But, the key point is that for every customer segment there will be certain core a proposition value, that will be very key and that must be offered and matched and that objective should be the second most important objective after the strategic objective.

So, the strategic objective should embed in itself, this value creation process which matches the customer requirement segment wise. Obviously, this will reduce your customer acquisition cost, because the focus is, then on retention and that is very important as we saw in the yesterday's discussion.

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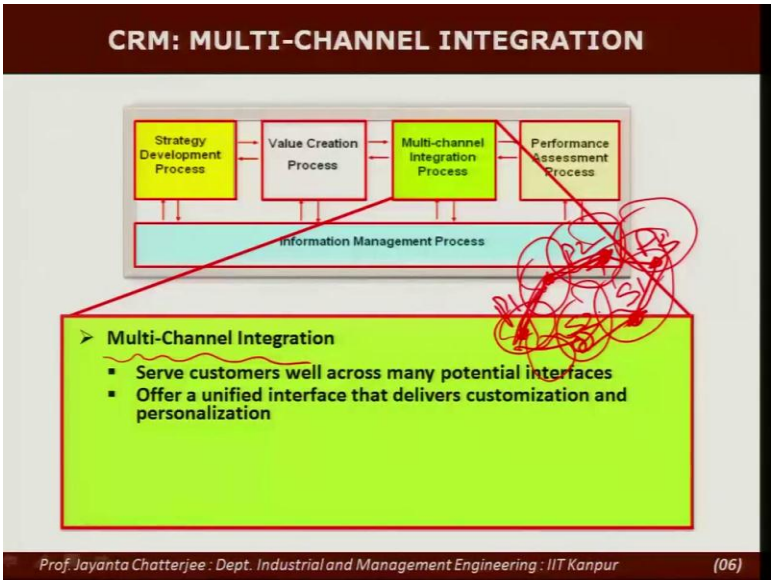

To be able to offer this value proposition across all the different customer segments; obviously, we have to have a multichannel and I just now show you a comprehensive diagram to explain how this will be deployed. But, let me highlight here at this point that often we are annoyed as customers, when I call up the call center and they have no knowledge, that particular person I am dealing with a one particular problem at this stage, we as customers expect that they must know how valuable we have been for them, how many years of relationship they have had with me.

And that is only possible when there is an integration of the different types of contact

history, which is only possible when there is a good database, where everything can come together. So, whether the customer has contacted two months back physically at the bank counter and today the customer is calling the Tele-banking system or customer has some enquiry or complaint through the web based help channel, it is the organization must be able to connect the dots.

And know, that it is the same customer and this is our history with this customer, this is what the problem that has been there before and that is how this problem was resolved. And whether the problem 1, problem 2, problem 3 or satisfaction 1 or satisfaction 3, they are all connected it is part of the same customer history and therefore, it must be known.

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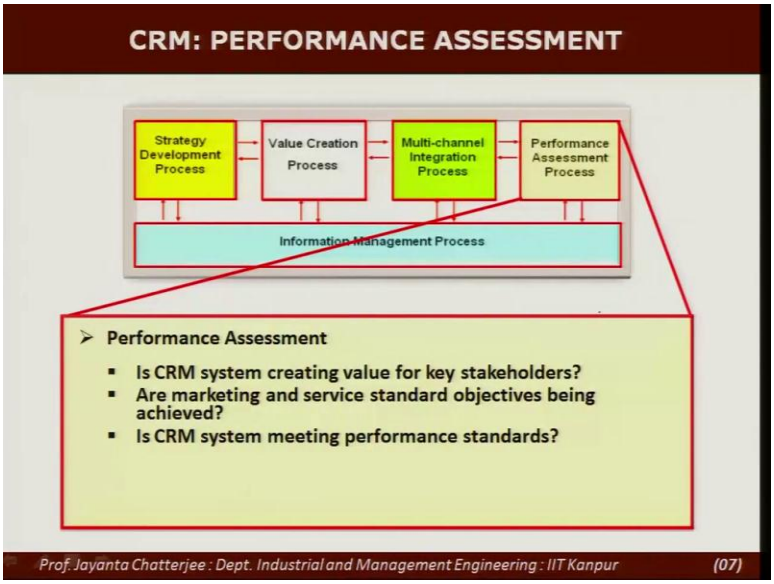

And then, of course, you must have an assessment of this your system, where you must continuously see, so that whether these objectives are properly being fulfilled.

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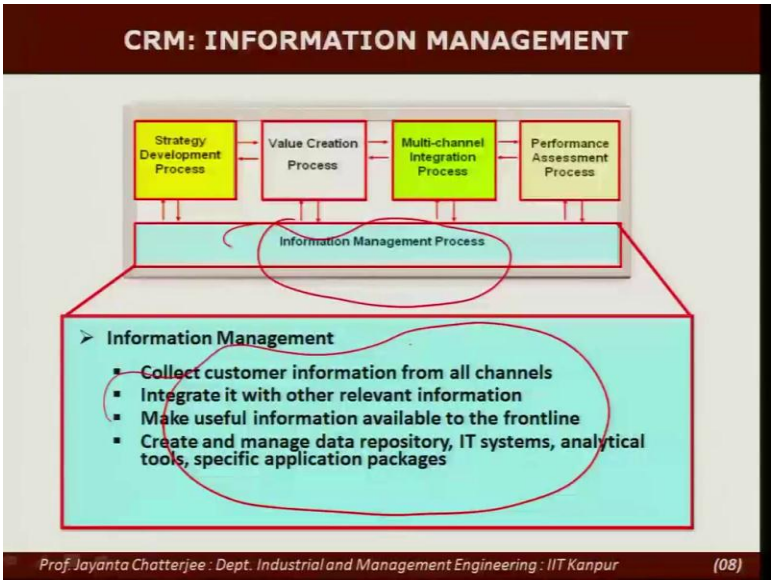

And that is possible by this information management system this is an enterprise wide system. Usually this is part of today's ERP system, where the entire a every contact with the customer all activities with the customer are all the integrated into the same database and that is the one which must support this across boundary execution of CRM.

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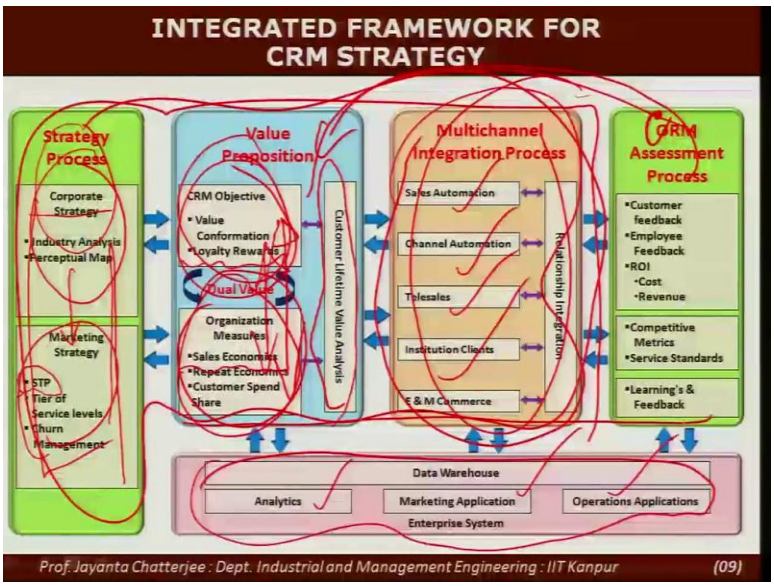

The overall system diagram will look something like this, that your starting point is corporates strategy. The marketing strategy must be derived out of that corporate strategy. So, your segmentation targeting and positioning strategy or the tear of different service levels or churn management of your strategies is for protecting your existing customer base seeing that they do not go away to your competition all these must be

derived out of the overall strategy and they must be intricately integrated well oven together.

It is from this perspective therefore, a CRM objective should be created and CRM objective must actually balance the game for the organization with the reward given to the customer. So, loyalty rewards and sales economies, which is coming from repeat buying should have a correlation. So, if you are gaining from the same customer, because of is repeat purchase you must ensure, that the customer get some incentive without that you will not be able to proceed or executive CRM system whatever you may be are investment in all kinds of software it will be of no use.

Because, this customer life time value, which is, so important to us that long term relationship is only possible when you have a good give and take, give and take based matching of your objectives organizational objectives and customer values or customer games customer rewards. This is executed by the multichannel integration, that we discussed sales automation, channel automation telesales institutional clients and so on and this is, this should be CRM.

So, the CRM assessment process should see that this multichannel integration is working it should see that this matching of the value proposition is happening with respective customer rewards and this is possible, this sort of systemic working together is possible when you have a good enterprise integration through information and communication technology. Where the data warehouse will be supported by analytics marketing analytics operational analytics and applications and so on.

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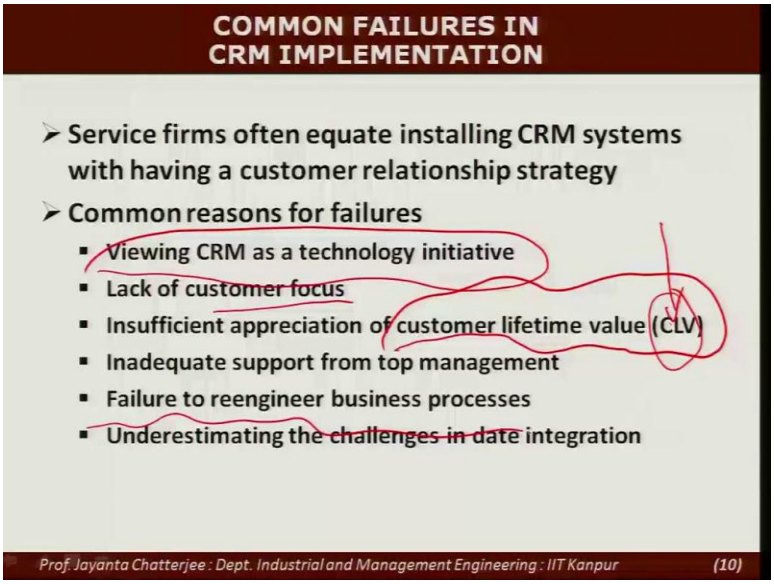

So, common failures of CRM has I have been discussing is often, because CRM is viewed as a technology initiative and not as a strategic initiative that actually must have a focus on the customer and must embrace the entire organization. The whole purpose is to have a customer for a longer as long as possible, so that this customer lifetime value is not a 2 year value, but is a 15 year value.

So, the whole idea is to have a customer continuously utilizing your services year after year and that is when this CLV becomes a meaningful term a CRM. Therefore, to be proper if there is anything; that is in your culture in your business process in the habits and the conventions of your organization, that come in the way that has to be removed that has to be eliminated, so that your investment in CRM is useful.

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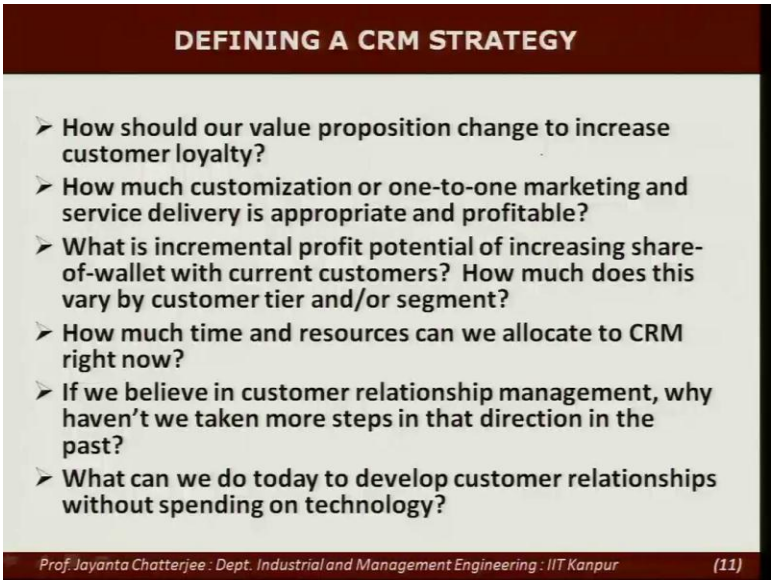

So, to define a CRM strategy we have to ask these issues and on answer these questions, so this is where you should start. So, all the other technological things that we saw in this kind of diagram and how the system will deployed must start from this question. That how should our valid proposition change to increase customer loyalty, how much customization were one to one marketing and service delivery is appropriate for each customer segment, what is incremental profit potential by increasing the share of valid or the other earning possible for the same customer, how much does this vary by customer tear under segment.

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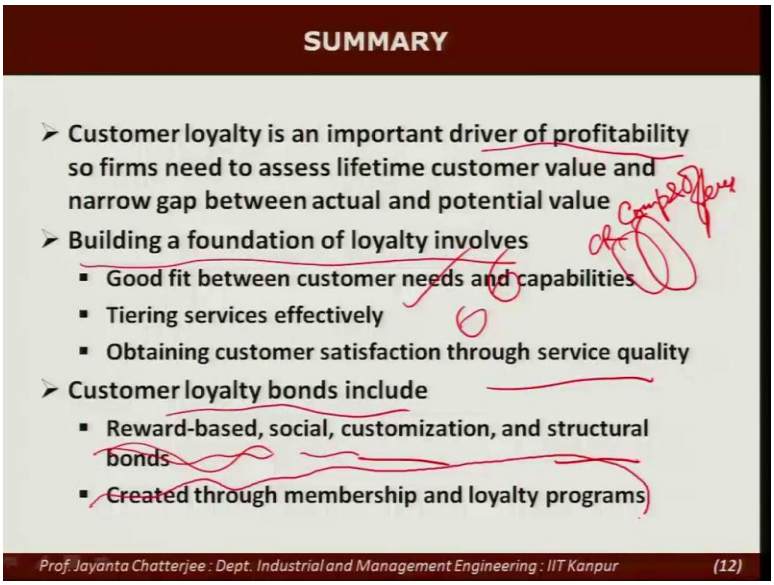

So, these are the questions, which must be answered first before you invest into your

CRM system. And to summarize therefore, customer loyalty is absolutely important the drives profitability of the net marketing contribution, net market contribution and building a foundation of loyalty involves good fit between customer needs and capabilities. So, this the proper type of segmentation matching your offerings your competencies with customer's requirements.

So, this is customer requirement this must be your competency and offering they must be well matched and this can be done at different levels. So, it can have silver gold platinum type of levels in some services; that is accepted and they are that must be done and obtaining customer satisfaction through service quality. Customer loyalty bonds must be based on given take there must be reward, there must be social structural and customization bonds these are the three types of bonds that we discussed last week.

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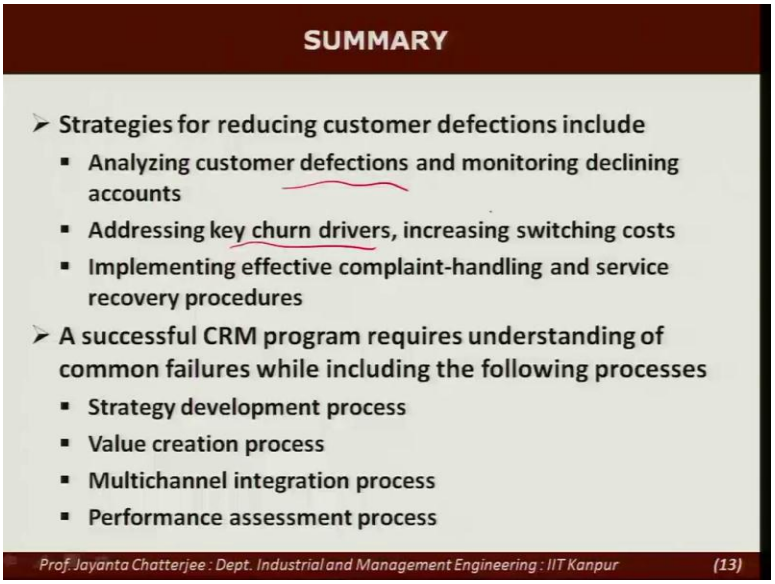

And that is, how we should to create this membership and loyalty a loyalty based program strategies for customer defection will include analyzing customer defection, which we also called churn and monitoring, why they are leaving by the churn is happening. So, we discussed last week about exit interviews going back to passed customers and finding out, why the left and how are they now comparing your service with your competitor service and so on. And of course, the whole issue about service recovery, that we discussed last week.

So, finally, therefore, if you have a good strategic approach and a good systemic approach and you match, that with good human resource people oriented strategy

deployment approach and you match the organizations values culture with the technology that, you are deploying. If the objectives of customer retention becomes a supreme objective across every level of organization becomes a top a management of session, then your relationship marketing strategy will work, then your CRM investment will be truthful.

Thank you.