PERIYAR INSTITUTE OF DISTANCE EDUCATION
(PRIDE)

PERIYAR UNIVERSITY

SALEM - 636 011.

B.B.A.
THIRD YEAR
PAPER – XI : APPLICATION ORIENTED SUBJECT
(I) : CUSTOMER RELATIONSHIP MANAGEMENT

Prepared by
Dr. D. Ravikumar,
M.Com., M.Phil., Ph.D., B.Ed., PGDPM
Sengunthar Arts & Science College,
Tiruchengode

B.B.A. THIRD YEAR

PAPER - XV

(I) : CUSTOMER RELATIONSHIP MANAGEMENT

(Application Oriented Subject)

UNIT I

CRM – Definition – Benefits – CRM and SCM – The role of Internet on CRM – Importance of Email, Internet, Extranet is maintaining effective CRM.

UNIT II

Customer Loyalty – Customer Decision making processes and Influence – Loyalty ladder-significance of Loyalty Customers – Impact of lost customers

UNIT III

Creating Customer data base-Process and Approaches to dada base marketing-Application of Data base Marketing in Relationship Building

UNIT IV

CRM and Marketing-Product or Brand Management-CRM and Sales-Field sales.

Tele sales-Web based sales-CRM and Services-Field Service-Customer Service-professional Services Management

UNIT V

BPO and International CRM – Call Centers – Scope of BPO – Emerging New trends'

TEXT BOOK

R.K. Sugandhi, Customer Relationship Management, New Age International Publishers

REFERENCE BOOKS

1. Jagadish N.Sheth and Arul Parvatiyar, Hand book of Relationship Marketing, Response books, 2002
2. Daragh O'Reilly, Building Buyer Relationships, Macmillan India Limited 2001.
3. Knapp, A Guide to customer Service Skill, Thomson Learning 2001
4. Gosney, Customer Relationship Management Essentials, Prentice Hall, 2000
5. Ken Burnett, Key Customer Relationship Management, Person Education, 2001.
6. Related Websites

UNIT – I

INTRODUCTION

In the late 1960s, in his seminal article on marketing, management guru Theodore Levitt suggested that the purpose of a business was to "create and keep a customer". He advocated that the modern firm should view "the entire business process as consisting of a tightly integrated effort to discover, create, arouse, and satisfy customer needs." Over two generations later, businesses are beginning to wake up to this reality.

Customer Relationship Management (CRM) is now being actively considered by organizations across the globe, parading itself in the open market disguised as new technology and software applications. Recent market analyses suggest that the CRM software market is set to grow by 700% over the next three years and is estimated to generate total revenues of approximately $3 billion by 2004. However, behind this camouflage of expensive technology and fancy software packages sits the deeply embedded business concept that suggests that knowing, understanding and serving the customer should be at the core of what organizations do best.

Building sustainable and successful relationships with a large customer base is not the easiest thing to do and will have a direct impact on core operational processes from product development to debt recovery. It is not purely a technical issue. It is not only about software implementation. And it is not just about sales. It is about the interactions of the entire business with your customers.

Customer Relationship Management (CRM) is a business strategy to select and manage customers to optimize long-term value. CRM requires a customer centric business philosophy and culture to support effective marketing, sales, and service processes. CRM applications can enable effective Customer Relationship Management, provided that an enterprise has the right leadership, strategy, and culture.

Customer Relationship management is the implementation of customer-centric business strategies; which drives redesigning of functional activities; which demands re-engineering of work processes; which is supported, not driven, by CRM technology.

Customer Relationship Management is the superset of business models, process methodologies and interactive technologies for achieving and sustaining high levels of retention and referrals within identified categories of valuable and 'grow-able' customers.

CRM extends the concept of selling from a discrete act performed by a sales person to continual process involving every person in the company. It is the art/ science of gathering and using information about your customers to build customer service expectations. It's practically impossible to consider these process issues without addressing technology, but it's important to remember that in customer relationships, human relationships are the ultimate driving force.

CRM is about developing and implementing business strategies and supporting technologies that close the gaps between an organization's current and potential performance in customer acquisition, growth, and retention.

What does it do for an organization ?

CRM improves Return on Assets. The asset in this case is the customer and potential customer base.

CRM isn't about technology any more than hospitality is about throwing a welcome mat on your front porch.

Customer Relationship Management should be exactly that—the process of actively deepening the knowledge (not data) you have of your customers over rime, and then using that knowledge gained to customize your business and strategies to meet that customer's individual needs.

It is important to stress this point simply because a large percentage of the market's perception is that CRM is merely a technological solution that effects sales force automation, or powers a call center. CRM is about an entire change of mindset—to become customer orientated; it is not simply a piece of technology or a magic bullet that will solve all your needs.

CRM is a management approach or model that puts the customer at the core of a company's processes and practices. CRM leverages cutting-edge technology, integrated strategic planning up close and personal marketing techniques and organizational development tools to build internal and external relationships that increase profit margins and productivity within a company.

Definitions:

1. Customer Relationship Management refers to the management of all interactions with the customer that an enterprise indulges in. Its focus is on managing and optimizing the entire customer life cycle.

   The reason for the above definition is — The stated objective and benefit of good CRM is to increase the customer base by acquiring new customers and effectively serving the needs of the existing customers.

2. Customer Relationship Management is an information industry term for methodologies, software and usually Internet capabilities that help an enterprise manage customer relationships in an organized way.

For example, an enterprise might build a database about its customers that described relationships in sufficient detail. Therefore, management, salespeople, people providing service, and perhaps the customer could directly access information, match customer needs with product plans and offerings, remind customers of service requirements, and know what other products a customer had purchased.

THE HEART & THE BRAIN OF CRM SYSTEM

What CRM does with the above system?

a) Tracking and monitoring customer needs.
b) Providing customized products services matching with customer expectations.
c) Converting customer micro-information for market targeting and decision-making.
d) Culling the information about customer and disseminating the other departments in meaningful form.
e) Integration of other department's through information and to deliver Quality products and services.
f) Reducing order-processing time.
g) Improving the receipts/payments from customer.
h) Tapping customer feedback for future strategy and differentiation.

IMPORTANCE OF CUSTOMER RELATIONSHIP MANAGEMENT

One of the results of the first set of the financial reforms in the country has been on banking structure. With the gradual easing of structural barriers of entry, newer banks have come up in the private sector, albeit in small numbers. With better use of technology, the new entrants have been able to spur competition, in some of the market segments which hitherto have been the strongholds of public sector banks. With advancements in computing and telecommunication technology, innovations in providing financial services are also coming about. Thus, technology is emerging as a key driver of business growth and views have also been expressed that further inroads of technology will enable the newer entrants to gain footholds into marker segments which so far have remained virtually the monopoly of public sector banks. It has also been observed that the vast branch of networks will not, pursue, assure success for a bank or help protect its market share. Globalization is transforming the financial services industry significantly by shifting the advantage from the providers of financial service to the users.

Relationship marketing some times is referred to as customer relationship management (CRM). Earlier, organizations could have a close relationship with only a few of their bigger clients and it has not been possible to be close to each and every customer, as such customer base has been generally large, many times running into millions. With the adoption of information technology, it has now become possible to forge a close relationship with each of the customers.

The concept of CRM is now gaining wide acceptance and is recognized as a powerful tool for business development and to have an edge over the competitors on account of the universal traits of human behavior. People need to have social and interactive relationships. So fast moving organizations believe in their customers, understand their needs in advance before the customers give the feedback about their particular requirements and design their products matching to such needs.

According to Cap Gemini Ernst & Young, a leading management consulting firm, CRM is defined as "a company's ability to continuously maximize the value of its customer franchise by effectively allocating scarce resources to specific customers segments in those areas viewed as having a significant impact on the profit - impacting behaviors of customers.

THE CRM DEVELOPMENT CYCLE

For any organization, business starts up with customers. Therefore, any successful CRM initiative is highly dependent on a solid understanding of customers. A typical CRM lifecycle undergoes through the following phases.

UNDERSTANDING AND DIFFERENTIATE

Organizations cannot have a relationship with customers unless they understand them. True understanding is based on a combination of detailed and interaction. Several activities are important.

- ❖ Profiling to understand demographics, purchase patterns and channel preferences.
- ❖ Segmentation to identify logical unique groups of customers that tend to look alike and behave in a similar fashion.
- ❖ Primary research to capture needs and attitudes.
- ❖ Customer valuation to understand profitability, as Well as lifetime value or long term potential.

DEVELOP & CUSTOMIZE

In the product oriented world of yesterday, companies developed products and expected customer's to buy them. In a customer-focused world, product and channel development has to follow the customer's lead. Most organizations today are nor able to cost-effectively customize products for individual customers. The extent of customization should be based on the potential value delivered by the customer segment.

INTERACT & DELIVER

Interaction is also a critical component of a successful CRM initiative. It is important to remember that interaction doesn't just occur through marketing and sales channels; customers interact in many different ways with many different areas of the organization, including distribution and shipping, customer service and online.

To foster relationship, organizations need to ensure that;

- ❖ All areas of the organization have easy access to relevant information.
- ❖ All areas are trained to use customer information to tailor interactions based on customer needs.

Delivering value is a corner-stone of the relationship. Value is not just based on the price of the product or the discounts offered. In fact, customer perceptions of value are based on a number of factors including the quality of products and services, convenience, speed, ease of use and service excellence.

ACQUIRE & RETAIN

The more organizations learn about customers, the easier it is to pinpoint those that are producing the greatest value for the organization. And, because they will continue to learn about what is valuable to each segment, they will be more likely to score a win with the right channel, right media, right product, right offer, right timing and the most relevant message. Successful customer retention basically involves getting it right on an ongoing basis.

Successful customer retention is also based on the organization's ability to constantly deliver on three principles.

- ❖ Maintain interaction; never stop listening.
- ❖ Deliver on the customer's definition of value.
- ❖ Remember that customers change as they move through differing life stages.

PRIORITIZING THE CHANGES

Because there might be many gaps, and therefore many changes, an organization will need to make prioritization critical. The organization should evaluate, each of the strategies identified to resolves gaps based on:

- *Cost:* So as to implement including initial one-time costs, as well as anticipated ongoing I expenses.
- *Overall benefit:* Some changes may have large impact on the organizations ability to increase customer value and loyalty.
- Feasibility based on organization readiness, data and systems support, resource skill-sets and a number of other factors.
- Time required, including the time necessary for training and addressing 'cultural' change management issues related to a specific strategy.

CREATING AN ACTION PLAN

While the complete plan might span three or more years, it should be based on six-month phases with clear deliverables that will demonstrate both progress and quick hits or measures of success. Another key success factor for the planning process will be Leadership Action Plan.

MEASURING SUCCESS

Since implementing CRM is time-consuming and requires a significant commitment across the organization, it is crucial that the action plan does the following:

- Establish means of measuring your progress on CRM initiatives;
- Establish enterprise-wide measures of success, and metrics that can be applied to all of your CRM initiatives; and
- Apply these metrics on an ongoing basis to ensure continued funding, of your CRM initiatives.
- Segmentation is seen as less costly than treating the customers individually. However the CRM concept shows that in the long run it pays to serve the customers on an individual basis. In fact, the market segmentation at times only leads to transaction marketing and not relationship marketing because of the basic difference as under:

Transaction Marketing	Relationship Marketing
Focus is on single sale	Focus is on customer retention
Orientation is on product features	Orientation is on product benefits
It is on short time scale	Long time scale
Little emphasis on customer service	High emphasis on customer service

Limited customer commitment	High customer commitment
Moderate customer contact	High customer contact
Quality is primarily a concern of product depts.	Quality is the concern of all

It can be seen that relationship marketing aims to bring the three areas of marketing, customer service and service quality into closer alignment. In fact there are a few key areas that influence the service quality which are as under:

- *Tangibles:* The physical facilities, equipment, appearance of personnel.
- *Reliability: The* ability to perform the desired service dependably, accurately and consistently.
- *Responsive-ness:* Willingness to provide prompt service and help customers.
- *Assurance:* Employees knowledge, courtesy and ability to convey trust and confidence.
- *Empathy:* Caring, individualized attention to customers.

Relationship marketing also thrives on valuing the customers. There are two types of values an organization needs to establish about each of its customers, viz., current value and potential value. The most effective way to value customers is to calculate their lifetime value, i.e., the amount they will be worth to the organization over the entire course of relationship with them. In other words, the revenue that would be lost if the customer is lost. These calculations can be done with the help of sophisticated software.

Self Evaluation Question

1. Transaction marketing is an simple sale (True or False.)
2. Customer relationship management of all interaction with the customer (True or False.)
3. Customer information is fuel for the CRM engine (True or False.)

INFORMATION

The customer information is fuel for the CRM engine. To reach new heights in CRM, companies must break through traditional constraints that leave customer information scattered throughout the company. New customer - facing interfaces, such as advanced CRM-specific software and behavior-based marketing, need to be employed to unleash the power that resides within the carefully cultivated customer information.

DIFFERENTIATION CREATING VALUE IN THE EYES OF THE CUSTOMER

With heightened competition and easy access to information, customers have virtually unlimited choices - a situation they are keen to exploit. Gone are the days when it was simply sufficient for companies to satisfy their customer's basic needs. Today, customer's value personalized, one-to-one attention. In response, innovative companies are creating bundles of products and services that are specifically tailored to meet a customer's needs - precisely at the moment of need. This level of personalization treatment creates value in eyes of the customer, raises the barriers to defection, and secures long-term loyalty.

INTERACTION DELIVERING THE EXCEPTIONAL EXPERIENCE

The bar has been raised - customers expect an exceptional experience regardless of the channel they choose. In the sew world of interaction, speed 24 x 7 and multichannel are essential. Competitive advantage comes from ensuring that customers receive consistently excellent service across any and all touch points. New technologies are enabling an environment where sales, marketing and services can operate seamlessly through multiple channels. Delivering this exceptional experience increases the desire of customers for more information about products and services and encourages customers to buy more.

CUSTOMIZATION FITTING ALL THE PIECES TOGETHER

Reaching new heights in Customer Relationship Management requires a solid foundation-one that is strengthened by internal integration between front and back offices, without barriers that obstruct the complete understanding of the customer. The foundation is equally strengthened by a company's ability to build partnerships and establish alliances, all for the purpose of delivering more value to the customer. Ultimately, creating the right customer experience comes down to the one-to-one exchange - how each employee represents the company's relationship with a particular customer. Organizations will need to promote and nurture a culture that attracts, develops, retains and rewards the best customer skills across the enterprise. Those companies that figure out how to fit all the pieces together - and do it with zeal - will be positioned to deliver greater value to their customers.

WHAT NEEDS TO BE DONE?

CRM will be the standard marketing approach because once an organization uses-it; its competitors will have to do it to keep up. The technology is already there and improving all the time. However, implementing CRM requires significant changes in the whole organizational structure. Top management and senior management must agree that CRM is the way forward and without such commitment, it will not deliver results.

For switching to CRM a good amount of investment to IT is required. The organization must be able to collect, store and access all the information it will need on each customer in order to customize the services to them. This should be followed by the appointment of a highly motivated Relationship Manager (RM) who will identify each customer according to his or her current and potential value. The Relationship Manager will manage the complete relationship with each customer and increase the value of each to the organization. He should oversee all communications and dialogue with each customer and find new products or services to sell to each of them and new ways to customize to each one's specifications. The customer deals only with RM and his team regardless of whether the customers want to make a complaint or report any other problem.

The main focus should be on measuring profitability of each customer and not the products. There should be gradual shift to relationship marketing by introducing this new approach in select branches and the same can be expanded later. Frequency marketing programs and club marketing programs may be introduced to induce customers' loyalty and their retention. However while developing such programs an organization must make a decision in the following areas.

IMPLEMENTATION STRATEGY

This is to make sure that its personnel are well trained and ready to run the program. The organization will have to continuously invent and refine new programs to build a deeper customer loyalty.

CRM is also based on the premise that important accounts need focused and continuous attention. Therefore, the RM should monitor the key accounts, know their problems and be ready to serve them in a number of ways. Other steps in establishing a CRM program are as under:

- ❖ The company can chose 5 to 10 target customers and designate them for relationship marketing. Additional customers can be added who show exceptional growth.
- ❖ Assign a skilled relationship manager to each key customer or some of the customers. Such RMS should receive training in relationship marketing.
- ❖ Develop a clear job description for relationship managers describing the objectives, reporting relationships and responsibilities.
- ❖ Each relationship manager must develop long range and annual customer relationship plans. The annual relationship plans should state objectives, strategies, specific actions and the required resources.

Further, the front line staff and junior and middle management should be fully made aware of the importance of relationship marketing. This can be done through internal marketing. This aims at ensuring that all staff provide the best representation of organization through successfully .handling the telephone, mail electronics and personal contacts with customers. This will eventually develop a customer-focused organization. This could be possible through various types of training to the employees, viz., personality development, body language, inter personal relations and other aspects of marketing.

According to a study on CRM in India, the concept finds high levels of awareness among long organizations, but has high return on investment perception amongst small and medium enterprises. While the awareness level in the large organizations was at 70 per cent, it stood at 25 per cent for small and medium organization. However, among those who are aware, CRM is rated high on the return on investments perception scale across both small & medium enterprises and large organizations

Considering the increasing penetration of internet/e-commerce and the customer changing customer preference as a result of globalization. It can be expected that CRM will gain in the Indian context. Public sector banks, which have established strong presence throughout the country and a large customer base can achieve an unassailable position in the banking industry, it such customer data and profile could be effectively used for cross selling of products. This in turn will call for setting up a data warehouse from which relevant data can be mined and used for further relationships. This will be the best way to harness the power of technology in furthering business for the banks.

CRM OBJECTIVES

The following are the specific objectives of CRM

1. *Enable the company to quickly identify, contact, attract and acquire new customers:* This allows the company to focus its limited marketing resources on the most promising target markets with the highest potential value. This is typically done using the information generated by CRM applications which automatically generate customer and market profiles, identify, target markets with high revenues and profitability potential, generate leads, track marketing campaigns across a variety of media, select appropriate contact media, plan promotions and incentives and manage the proposal process through negotiation to close.
2. *Obtain a better understanding of the customers - their wants and needs:* CRM applications, often used in combination with data warehousing, e-commerce applications and call centers, allow companies to gather and access information about customers buying histories, preferences, complaints and other data, so they can better anticipate what customers will want in terms of the products and or services provided by the company. This information is used in the planning and execution of marketing campaigns. It also enables customers to seek products and reveal their preferences in an interactive manner.
3. *Define the appropriate product and service offering and match it to the customers unique needs:* CRM provides customization and personalization capabilities that give customers the power to view the enterprise in a way that they can relate to, there by making it easier for them to do business with it. This includes configuration, pricing, quotation, catalog and personal generation capabilities that harness the power of Internet while ensuring the flexibility to respond quickly to changing technical and business conditions.
4. *Manage and optimize a company's sales cycle:* The productivity of the sales process is increased by accurating the contracting process and improving revenue velocity. This is accomplished through capabilities such as, online order entry, credit card processing, tax calculations, auctions, billing, order status and payment processing. CRM solutions also include tools, which provide the ability to communicate important information from supply chain modules 4. to the customer interface in real-time. These tools can help in determining feasibility, profitability and delivery dates, while understanding the constraints of the entire & production and logistics chain across multiple channels and enterprises.

5. *Identify cross selling and up-selling opportunities:* CRM can help in identifying opportunities for cross selling and up selling of higher value added services to existing customers based on their past purchasing behavior.
6. *Increase retention of existing customers through improved after sales, service and support:*

CRM applications document all post-close service and support related interactions with customers, track customer requests and feedback from a variety of communication channels and use this information to anticipate the demand for service and technical assistance, and maximize customer satisfaction and retention while minimizing customer service staff. The goal is to install greater customer loyalty CRM provides capabilities for providing online support information, online product registration to an electronic help desk, self service support logging and tracking, and integration with call-centers.

NEED FOR CRM

Customer relationship management currently, a much talked about issue is not a fad, but is very vital for companies in the present highly competitive scenario. However, across the organization the attitude towards customer service should be inculcated and this should be driven from the top *most* downwards.

1. *Companies have to increasingly pursue a customer centric competitive strategy rather than a product-centric one:* Two trends have brought CRM to the forefront. First, with increased. global competition and easy access to the latest technology, products have become harder to differentiate; hence companies are increasingly pursuing a customer-centric competitive strategy rather than a product centric one. Second, now it is possible to put customer information from all over the enterprise into a single system rather than a no different systems and access it from anywhere in the world through the internet.
2. *e-Customers demand constant access, immediate response, and a personalized touch:* Customers in the e-business age expect constant access to a company, through e-mails; call centers, faxes and websites. They demand immediate response and a personalized touch meeting their needs, placing new demands on the enterprise, which CRM alone can satisfy.
3. *Focus is shifting from supply chain to demand chain effectiveness:* With the product quality at all time highs, manufacturers find it increasingly difficult to gain competitive advantage based solely on product

attributes. Therefore the focus now is on channel operations and customer relationships, when there is great potential for adding value and differentiating the offerings. Increasingly companies are applying sophisticated information technology to identify, acquire and retain the most profitable customers by continuously improving the highest levels of customer experience, and creating and sustaining the highest levels of customer satisfaction. Thus, in the era of e-business, the key source of competitive advantage is shifting. Thinking firms are revising their strategy to focus on demand chain effectiveness that is, a continuously improving their ability to identify, acquire and retain profitable customers.

4. *Better understanding and intelligent management of customer relationships is essential for survival:* The effect of increased commoditization of products and production processes is that customers now have more and more choices. Hence giving them better, more personalized product offerings and services is the only real way to make a difference winning the battle for share of mind and share of wallet in this new economy depends on understanding and intelligently managing relationships with customers. It is no longer the privileged domain of particularly successful companies; it has become the make-or-break challenge for every company.

Effect of IT & Internet on Supplier - Customer Relationship

a) *IT facilitates better and faster understanding of customer needs:* Data collection and interpretation tools provide insights into what customers want, and how they can be served in the most profitable way.

b) *Internet has opened a new interaction channel the erasing the company to access each and every e-customer in the cyber space:* Direct real time interaction with customers via the internet is dramatically changing the way companies manage and drive customer relationships. It has rapidly become an important new interaction channel for financial institutions, retailers, and high-tech companies. A company can now access virtually every customer on the web. As the internet is becoming increasingly more important for business transactions, companies now have to collaborate over the web in order to meet customer demands both with consumers (in order to better know their preferences) and with business partners (in order to offer even better choices and delivery quality to customers).

c) *Internet has also opened the floodgates of global competition making customer retention extremely difficult:* The ranse-of choice and convenience of the Internet make it much more, difficult to retain customers.

CRM and Supply Chain Management

Michael Porter's classic "five forces model," a business-school staple since the early 1980s, identified five key factors that dictate how companies fare competitively. Porter argued that suppliers and other vendors wielded a certain amount of power in their ability to raise prices or compromise product quality, and that this was a key factor in dictating how effectively a company remained competitive. Porter contended that too much power in the hands of suppliers could erode corporate profits.

Indeed, the classic supply chain itself involves costly and often manual processes that enable a company to go from raw materials to completed product to sale. Depending on supply chain efficiency, the entire cycle can take months or even years—and can make or break an entire company. In the classic supply chain environment, each link in the supply chain operates in a vacuum. At some points, production can't keep pace with orders; in others, inventory levels inflate due to misunderstandings of, or no knowledge of, customer demand. allows access only to selected outsiders such as approved suppliers—has dramatically minimized waste, reduced costs, and improved supplier negotiations. Tailoring product support to certain partner or customer segments, as well as to individual customers, is also an emerging benefit of extranets.

Companies, particularly those selling commodity products, are increasingly doing away with their approved supplier lists and posting proposal requests directly on the Web, inviting all potential suppliers to bid and thereby increasing competition and lowering prices.

This tactic also removes the complex Request for Proposal (RFP) review process and contractual and legal maneuverings necessary to establish long-term supplier contracts. Companies can just post proposal requests on the Web to buy what they need at the lowest price, thus eliminating extraneous human involvement through lower-cost automation. Some forward-thinking companies have already eliminated their approved vendor lists and consider such free market bidding requests to be the beginning of the end for their corporate purchasing departments.

Major ERP vendors such as PeopleSoft and SAP not only automated these and other functions; they also linked them for companies who previously had disparate systems that had never been interrelated. These companies replaced their outdated legacy systems and enabled integrated operations across the enterprise. The products themselves required hefty investments, often into the millions of dollars, and ERP implementation resources usually doubled those budgets.

The integration piece alone was a boon to companies. With ERP, salespeople could access a single system to check inventory, a purchasing agent could look up a supplier's pricing history, and a marketing product manager could track defects. Despite war stories about underestimated budgets and overestimated consultants, ERP delivered across-the-board efficiencies.

This integration had dramatic effects on downstream customer-facing business processes. Ravi Kalakota and Marcia Robinson describe Colgate's ERP success in their book *e-Business: Roadmapfor Success:*

Before SAP R/3 ... distribution planning and picking used to take up to four days; today it takes 14 hours. In total, order-to-delivery time has been cut in half.[3]

In other words, Colgate's customers—including heavy-hitter retailers such as Wal-Mart and Rite Aid—were getting products faster, which can in turn increase satisfaction rates. Companies were also reducing out-of-stock situations, an influential factor in enhancing customer loyalty.

The marriage between ERP and CRM is stronger than ever. For instance, a company's accounts receivable staff might choose not to open collections on past-due customers who have in-process trouble tickets. Likewise, CRM business users can use accounting and supply chain information to decide how to treat customers who don't meet provisioning deadlines. ERP vendors have recognized the link between tighter, more integrated operations and business customer satisfaction and are now busy releasing CRM modules that tie into their core products, rendering the customer a key link in the supply chain.

❖ OPERATIONAL CRM

The automation of horizontally integrated business processes involving front office customer touch points - sales, marketing, and customer service (call centre, field service) - via multiple, interconnected delivery channels and integration between front office and back office. The operational CRM is a process or an approach, which involves the areas where direct customer contact is possible. Operational CRM represents the automation of business processes involving customers. Its purpose is to provide transaction level data about individuals and products, and provide support for customer facing processes, such as direct mail, phone interactions, Web-based communications, and point of sale information. Because operational solutions directly affect the customer, they are very appealing and often are the first implemented components of a CRM strategy.

- **ANALYTICAL CRM**

The analysis of data created on the operational side of the CRM equation for the purpose of business performance management. Analytical CRM is inextricably tied to data warehouse architecture and is most often manifested in analytical applications that leverage data marts. Analytical CRM is the synthesis and interpretation of operational data to identify opportunities, optimize customer interactions and manage business performance. It also provides the insight into customer behaviour needed to implement intelligent personalization. Analytics involves the capture, storage, extraction, processing, interpretation and reporting of customer data. It works on data gathered from multiple sources; from marketing campaigns, key accounts and market or product group, and is used as a strategic planning support tool. Analytical CRM takes the information that operational CRM so diligently gathers, and runs algorithms over it for analysis and interpretation purposes, to provide the insight and data interpretation that is lacking in operational CRM. This includes:

1. *Data warehouses:* Data warehouse is system for storing and delivering massive quantities of data that aids in analysis and decision-making. It is frequently used for decision support within an organization, and also allows the organization to classify its data, coordinate updates, and identify relationships between information gathered from different parts of the organization.
2. *Data marts:* Data marts are subject-specific data warehouses; often departmental or based on line-of-business.
3. Vertical and application-specific analytic tools.
4. Marketing Automation
    - Campaign Management
    - Database Marketing
    - Outbound Call Center Management
5. Optimizes profitability, revenue and customer satisfaction Analysis of:
    - What Are the Buying Patterns? Cross Selling Opportunities?
    - Who Are the Most Profitable Customers / Products / Services?
    - Competition?
6. Customer Profiling & Categorization
7. Up Selling / Cross Selling Of Products & Services
8. Fraud Analysis
9. Churn Management

- ❖ **CRM STRATEGIES**

Customer relationship management (CRM) strategies and the technologies that enable them make it possible to figure out what customers want and the most profitable ways to give it to them — important in an age when acquiring new customers — is about five to 10 times the cost of retaining current ones. CRM strategies are based on the premise that quick, accurate knowledge about customers empowers organizations to increase the value of current customers, keep them longer and more effectively acquire new cu stomers.

A CRM strategy takes direction and financial goals from the business strategy, and revisits the marketing strategy to customize. It provides an overview of how the enterprise will build valuable customer relationships and customer loyalty. The first stage in developing the CRM strategy is to segment customers into categories, and to set objectives and merries for each segment.

The second stage is to assess the state of the customer base when viewed as an asset. That can be achieved by plotting the strength and value of customer relationships along two perspectives:

- ❖ How much does the customer value the enterprise?
- ❖ How much does the enterprise value the customer?

Which combines the supplier's view of customer value segments with an estimate of the strength of the customer relationship.

The third stage is to define the objectives to be met and the tactics to be used. The customer strategy customizes the traditional marketing strategy for different target customer segments, and thus supersedes it.

Business Strategy How do we deliver stakeholder value and build competitive advantage?

Marketing Strategy

How do we take advantage of market opportunities and mitigate competitive threats?

- ❖ Vision: market position
- ❖ Market definition and audit
- ❖ Analysis of strengths, weaknesses, opportunities and threats
- ❖ Target market segments
- ❖ Objective for each market segment: penetration, development, maintenance and productivity.
- ❖ Measures: market share, brand equity and market penetration
- ❖ Based on product life cycle

CRM Strategy

How do we get closer to the customers to deliver value to them and create value for us?

- ❖ Vision: customer experience
- ❖ Customer definition, and behavior and requirement audit
- ❖ Capability analysis
- ❖ Target customer segments by value
- ❖ Objective for each customer segment: acquisition, development, retention and efficiency
- ❖ Measures: satisfaction, loyalty, cost to serve and employee satisfaction
- ❖ Based on the customer life cycle

CRM Strategy as Derived from Business Strategy

High	Key	Protect Position	Invest to Protect	Invest to win over	Damage Limitation
	Large share of wallet	Counter competition	Invest to build	Win the opportunity	Careful management
Customer potential (Value of enterprice)	Some potential	Manage for profitability	Build selectively	Manage for revenue	Manage for revenue
	Transactional	Manage for profitability	Manage for profitability	Manage for revenue	Consider divesting
Low	Highly secure	Manage for profitability	Manage for profitability	Manage for revenue	Consider divesting
		Highly secure	Secure	Vulnerable	Fragile

High ◄—— **Strength of relationship** ——► Low

(**Value to customer**)

Customer Asset Matrix

- **CREATING A CRM BUSINESS STRATEGY**

Know your objectives - The idea is to keep and acquire customers with the greatest value potential. By establishing objectives, one can determine specific, quantifiable customer acquisition, development and retention targets that meet corporate financial goals.

How this is best accomplished depends on the kind of organization and its priorities. Of course, customer retention is important to just about all organizations. Business-to-business enterprises aiming to become a preferred supplier often give high priority to customer development. Business-to-consumer enterprises with an eye to boosting market share concentrate on customer acquisition. Government and non-profit organizations tend to care most about customer satisfaction.

Know thyself - Start by answering these questions:

What are your enterprise's goals and imperatives?

What should be achieved with a CRM initiative?

What business units will be affected?

What's the condition of the IT infrastructure? What needs to be upgraded, integrated?

Transform your customer base into an asset - Be customer-centric. Focus objectives on your customer life-cycle, which then mirror your product/service life-cycle. This means:

- Analyze your customers. Look for ways that customer value is lost or unexploited. When you've spotted where action is required, you can set metrics and monitor them.
- Jibe CRM and corporate strategies. CRM strategy cannot stand alone; it must be derived from corporate goals and imperatives, and it must be linked to other operational strategies.
- Keep it flexible. In a challenging, competitive environment unpredictably impacted by discontinuous change, CRM strategy needs to be dynamic and timely, adapting operational efforts and corporate direction to market conditions. Thus, successful CRM strategy evolves in an iterative process that takes advantage of customer and operational feedback to refine objectives, tactics and processes.

Build a repeatable, continuously improving process: The goal is to efficiently utilize all your organization's resources to present one friendly, consistent face to customers. Customers should get the same information about your company from any channel—from website to call centre to sales force to marketing brochure.

Companies that want to lock in customer loyalty and maximize profitability need to employ four CRM tactics: 1) build a customer growth strategy upon a CRM foundation of strategic intent and cost management; 2) avoid the CRM whipsaw effect; 3) don't buy into the technology silver bullet; and 4) measure satisfaction with CRM. These tactics will ensure that CRM programs can successfully adapt to the pending changes in the economy.

CRM in e-Business

Many of today's (and now, yesterday's) e-businesses have made the often fatal mistake of delaying customer-focused initiatives until their companies turned a profit. With pressure to gain market share, these companies have adopted the "customer at any cost" credo: in their zeal to capture market share, they assumed all customers are created equal. This meant handing free goods and services to new customers who might not return, selling products at cost or below, and spending hundreds of thousands of dollars on mass marketing campaigns with no hope of recouping their investments.

Analysts didn't help matters by proclaiming "early to' market" e-commerce companies the winners in their online categories, unless of course you were a customer expecting freebies and rock-bottom prices. Notwithstanding well-designed Web sites, slick product demos, and futuristic trade show booths, a number of e-commerce companies went belly up, and hundreds more saw their stock prices plunge at exponentially higher rates than those of their brick-and-mortar counterparts.

Many of these companies were focused more on their Web site traffic than on their profitability. They soon learned the number of visitors didn't necessarily correlate with the number of customers-those who made purchases at the site. Marketing campaigns were focused at the former-visitors whose intentions were informational or who might have stumbled upon the site accidentally-and not the customers who would ultimately determine their profits. Visitor-focused campaigns and number-of-hits reports would fail to recoup the hefty investments made in these companies.

Kozmo cancelled plans to go public after the home delivery service lost over twenty-six million dollars on only $3.5 million in sales.' The company's average delivery costs often exceeded the costs of the products being delivered. For delivery companies like Kozmo and Webvan, the customer craving a Dove bar and a disposable razor—not the one needing regular delivery of a month's worth of groceries—was the unfortunate rule. The per-delivery losses forced these companies to expand their product offerings and slap purchase minimums on their deliveries to protect their costs—though such measures still don't guarantee profitability. In the case of Webvan, the cost-cutting and restructuring weren't enough to prevent a management shakeup, including the CEO's resignation (after constant press speculation and prolonged shareholder grumbling). For Kozmo, similar changes came too late: the company closed its doors in April 2001.

Multichannel CRM

Some predict that the brick-and-mortar companies will have the last laugh. After all, for every futurist proclaiming the Web will revolutionize the world> there's a pragmatist who pronounces it "just another channel." Although both might be right, it's where the Internet provides the most value that it incites the greatest change.

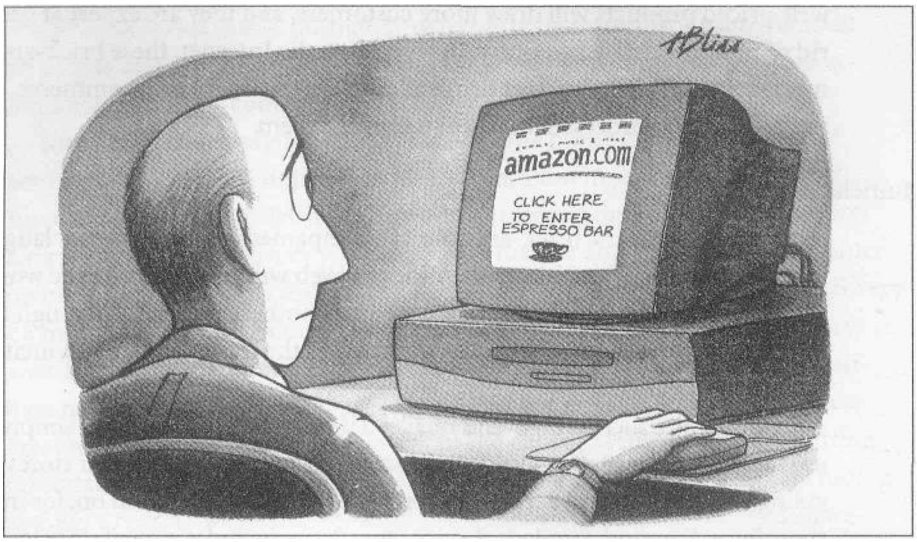
1. As reported in "Hoiv Kozmo is Getting Killed by its Customers," *The New Yorker*, September 4,2000.

Companies such as high-end retailer Tiffany (www.tiffany.com) simply use their Web sites as an additional means of luring people into their stores by providing add-on customer service and product-related information on, for instance, choosing a diamond. Similarly, Levi Strauss & Co. includes a retail store locator on its Levi's (www.levi.com) and Dockers (www.dockers.com) Web sites so customers know where to go shopping. Bloomingdale's (www.bloomingdales.com), with limited physical stores across the United States, has dramatically extended both its presence and its brand through its Web site, allowing its Web shoppers to purchase their items by referencing the product's catalog item number. The Web has become a cost-effective way of increasing the corporate footprint.

Indeed, many acknowledged e-commerce best practices are retailers—like Eddie Bauer, profiled in Chapter 2—who combine powerful online features, including customer self-service such as order and shipment tracking, with an established brick-and-mortar presence, giving customers the experience they still want. The award-winning J. Crew Web site (jcrew.com) offers more than;'ust apparel: specialized services uniquely available in cyberspace. J. Crew Web shoppers often see promotions before they make it into the catalog, but they're free to return items purchased on the Web to the company's physical stores, maximizing the customer's—not the retailer's—convenience,

The failures ofGarden.com and cosmetics e-tailer Eve.com have been partially blamed on the lack of the customer's tactile experience. It's no coincidence that when Eve.com closed its virtual doors, the Web site directed customers to Sephora.com (www.sephora.com), a company that combines its successful online business with a worldwide chain of stores.

Physical storefront or no, the service orientation of e-commerce leaders aims at giving customers as many choices as possible, Web-enabled self-service allows customers to use vendor sites to change their own addresses and track their own orders, and many are providing powerful search engines and other features to keep customers on their sites and keep them coming back.



Petco (www.petco.com) offers pet lovers a community center where they can chat with animal behavior experts and access a range of articles. The site also features an online "pet yellow pages," where visitors can find a range of pet-related services available near their homes, and even provides a way to donate money to the ASPCA online. And drugstore.com (www.drugstore.com) features the ability to analyze the interactions of certain drugs, and the company's eMedAlert program provides daily information about drug product warnings and recalls.

But such value-added features motivating customers to return to the Web site, catalog, or store don't necessarily guarantee customers will buy more of a company's products. Effective marketing means more than just a slick Web site and automated campaigns. And the more companies know about how their customers prefer to interact with them, the better service they can provide.

CRM in B2B

Companies that are actually communicating with online markets have flung the doors wide open. They're constantly searching for solid information they can share with customers and prospects via Web and FTP sites, e-mail lists, phone calls, whatever it takes. They're not half as concerned with protecting their data as with how much information they can give away. That's how they stay in touch, stay competitive, keep market attention from drifting to competitors. Such companies are creating a new kind of corporate identity, based not on the repetitive advertising needed to create "brand awareness," but on substantive, personalized communications.[2]

There's no question that the Internet has streamlined business processes, providing efficiencies unmatched by traditional ways of doing business. The Web makes things happen faster. But is speed enough?

In the early days of e-business, companies built their Web sites implementing so-called storefront software that enabled them to accept a customer's credit card information and automatically check inventory. They then ensured that their systems were robust enough to allow customers 24-by-7 access. Dot-corn companies had to build organizations to support inventory tracking, delivery, and returns processing, and traditional companies had to quickly incorporate the Web channel into existing business practices.

The ability to exploit multiple channels introduces a series of headaches for the IT executive charged with integrating legacy applications such as fulfillment and purchase-order systems with the Web. The better the organization's current computing power, the more effective will be integration of the new Web channel into existing operations.

Don't get me wrong. The Web shouldn't simply be shoehorned into a company's existing business unless processes are already robust. Simply put, mere automation of business processes isn't enough. Companies will be expected to provide their customers and suppliers with even more information than ever before. To do that, they need the best databases, with the highest-quality data, and the applications and processes necessary to deliver that data, not to mention a cultural willingness to share data with suppliers and customers.

Whether the company was a pure-play dot-corn e-tailer or a traditional brick-and-mortar general merchandiser, key processes such as ordering, fulfillment, inventory management, and distribution all had to run at Web speed. The challenge of streamlining the supply chain to keep pace loomed ever more large. As companies adopt the mantra of "differentiate or die," they realize that manufacturing, like customer service, is an area of opportunity.

Enterprise Resource Planning

Enterprise resource planning (ERP) systems have become the heart or, more accurately, the spine of many corporate technology initiatives, having been widely adopted in the late 1990s by companies eager to streamline their operations. Goals for ERP ranged from reducing inventory levels to increasing process efficiencies across the supply chain or even integrating core business systems.

ERP systems were the focal point of new work processes across these companies. Because ERP products offer easier information-sharing across various organizations from purchasing to manufacturing to finance to human resources, corporate procedures were aligned with the way ERP products worked. Gone were the archaic general ledger systems and warehouses brimming with file cabinets full of purchase orders. ERP automated key corporate functions, and the companies buying these systems complied with their inherent business processes, including

- Order processing and fulfillment
- Production planning and scheduling
- Logistics management
- Accounting
- Human resource allocation and planning

Combining the Internet with innovative business practices also levels the playing field by enabling smaller suppliers to bid on larger opportunities with prospective customers in a fast and inexpensive way. Suppliers can receive proposal requests, communicate product specifications, and even collect payments, using the Web as the communications channel. Suppliers can compete more effectively than ever before, and their customers have access to a larger pool of potential partners.

Supplier Relationship Management

Emerging exchange models and e-marketplaces allow companies to further improve their supply chain management by establishing alliances with "best of breed" partners, pooling both buyers and sellers worldwide to facilitate timely and less costly exchange of goods. Partners work together to streamline processes, outsource critical services, and apply automation to key areas, ultimately providing a range of products and services that might otherwise not be available. Tighter supplier collaboration via trading exchanges increases the velocity of products through the production lifecycle and enables evident improvements in customer support.

For instance, an airline in short supply of peanuts might release an urgent order to its exchange, which would have the means to route the order to the supplier most capable of filling it in the allotted time. Automating not only the order-routing but also the supplier qualification can be essential to fulfillment and is increasingly occurring in real time. Depending on the supplier's proximity to the airline, the supplier might deliver the peanuts directly.

This practice, known as collaborative commerce, or "c-commerce," involves a company's sharing its valuable customer information with its suppliers so all of the partners in the supply chain have relevant data. The Internet—extranets in particular—has been a boon in terms of process efficiencies, which over time can translate into customer satisfaction.

Collaborative commerce and trading exchanges are not only resulting in reduced costs and faster time to market, but also in the ability to nimbly tailor products and services for specific types of customers, driving critical information through the supply chain, and improvements along with them. After all, fulfilling an urgent order that might have previously been impossible to deliver can result in a satisfied airline customer, not to mention the satisfaction of its hungry customers. Figure 5-1 illustrates the supply chain's links to customers.

ROLE OF INTERNET ON CRM

Though many presume the Internet to be a fairly recent phenomenon, it actually started in the late 1960s. In 1969, a US defense department agency, the Defense Advanced Research Projects Agency realised that it needed to develop a easy way to exchange military information between scientists and researches at different locations. A simple network of four computers knows as DARPA NET were hooked up. The system caught on, although the name did not. It was soon changed to Arpanet and by 1972 it included 37 computers. By 1983 ARPANET had grown to such an extent, its research component was moved to a separate network called NILNET. In 1984 the National Science Foundation, another US Federal Agency established NSFNET. This linked together five Super Computer centres and made the information stored on them accessible to educational facilitators.

But until the early 1990's few people actually used the Internet for anything even remotely resembling business. In 1993, things changed a lot with the introduction of a new technology called the World Wide Web. Actually this technology was not really new - it just bound together existing technologies into a new firm. But the Web (as it is referred to today) made a startling difference to the usage of Internet. It was "human compatible" and could be used by just about anyone without any formal training.

Ensuring that everyone connected had a route to, at least, one of the Super Computer Centres the system proved to be remarkably successful. Indeed, by 1987 there were so many people using the NSFNET and so many sites connected to it, that a massive overhaul of the infrastructure was required just do keep it. At the same time, the system was opened to any educational facility, academic researchers, Government employees, International Research

Organisations who wanted to use it, provided they were from a country that was allied with the US.

By 1990, the Internet as we know it, has begun. Since then the growth of the Internet, now available to anyone who has the means to connected it, has simply been phenomenal. The number of users has grown from 5000 people to more than 30 million in just 10 years, an increase of 6000 percent.

There is a sea change in the media world. While most consumers see the same TV programmes, read the same newspapers, the same magazines and listen to the same radio programmes, behind this bland public exterior there is a seething world of innovation, acquisition global partnerships and divorces, births and deaths. all of this most readily interpreted as the inevitable result of the technological revolution that is in the process of merging telephones, computers and television into a single all-singing, all-dancing magic kit that will, very possibly, change all of our lives more than we can imagine some day.

There are two ways you can respond to this. One is panic, which may mean simply curling up in a corner a wishing that it would all go away. The other is to embrace new religion with messianic fervour and go our to proclaim millennium.

Welcome to the new emerging world of the info-highway, destined to redefine the world of communications: INTERNET.

IMPORTANCE OF E-MAIL IN CRM

Messages can be transferred electronically through computers. The sender and the recipient need special software for this purpose, which enables them to compose, send and receive messages. Each e-Mail subscriber has a unique address.

World Wide Web (WWW)

This was invented by Tim Berners Lee. Some people often equate WWW with Internet. However, this is not correct - it is just a part Internet. WWW is a web of interconnected locations or sites, as they are called, over which a subscriber can "surf" in search of information. Each site has a unique address which is registered with a regulating authority. A special browser is required at the terminal computer (i,e. user's computer) which enables the user to get connected to the desired site. Once connected, the user can view the information offered by the site and if allowed, can download information onto the terminal computer. This is the most commonly exploited commercial use of Internet.

File Transfer Protocol (FTP)

The users can send the retrieve files to other computers on the Net using this facility. Typically, a FTP session starts with running a FTP programme and getting connected to a FTP site. The user can then hunt through the directory and locate the file(s) he wants to download. At times, access to files is through a password.

Telnet

One aspect of interconnectedness is that you can log into other computers on Internet directly from your own computer. With Telnet, the user can log into any UNIX computer on the network for which he has the password for, as well as other sites where a password is not required.

Gopher

Technically, Gopher sits on top of the FTP and performs Telnet log in, searches and other Internet services without requiring the user to know the specific addresses and commands. Gopher presents everything in menu format. The user has to highlight an item and Gopher does the rest.

Internet Relay Chat (IRC)

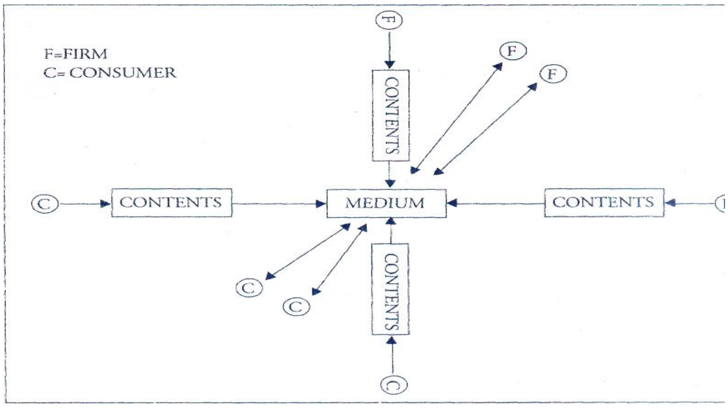
Chatting is a form of immediate communication. The most popular and widely available is called IRC, which is a set of protocols that allow multiple users to communicate quickly and easily over the Internet. With this facility, a user can join conversations and respond to them by typing whatever he wants to say. One can also direct messages to a specific person.

Internet as a Communication Medium

Firms communicate with their customers through various media. Traditionally, these media follow a passive one-to-many communication model, whereby a firm reaches many current and potential customers, segmented or not, through marketing efforts that allow only limited forms of feedback from the customer. The advent of Internet has dramatically altered this traditional view of advertising and communication media. The Internet, as a new marketing medium, has the potential to radically change the way firms do business with their customers as it operationalises a model of distributed computing that facilitates interactive multimedia — many-to-many communication.

A Communication Model for WWW

Communication model for World Wide Web is shown. The medium is a distributed computer network.



A Model of Marketing Communications for World Wide Web

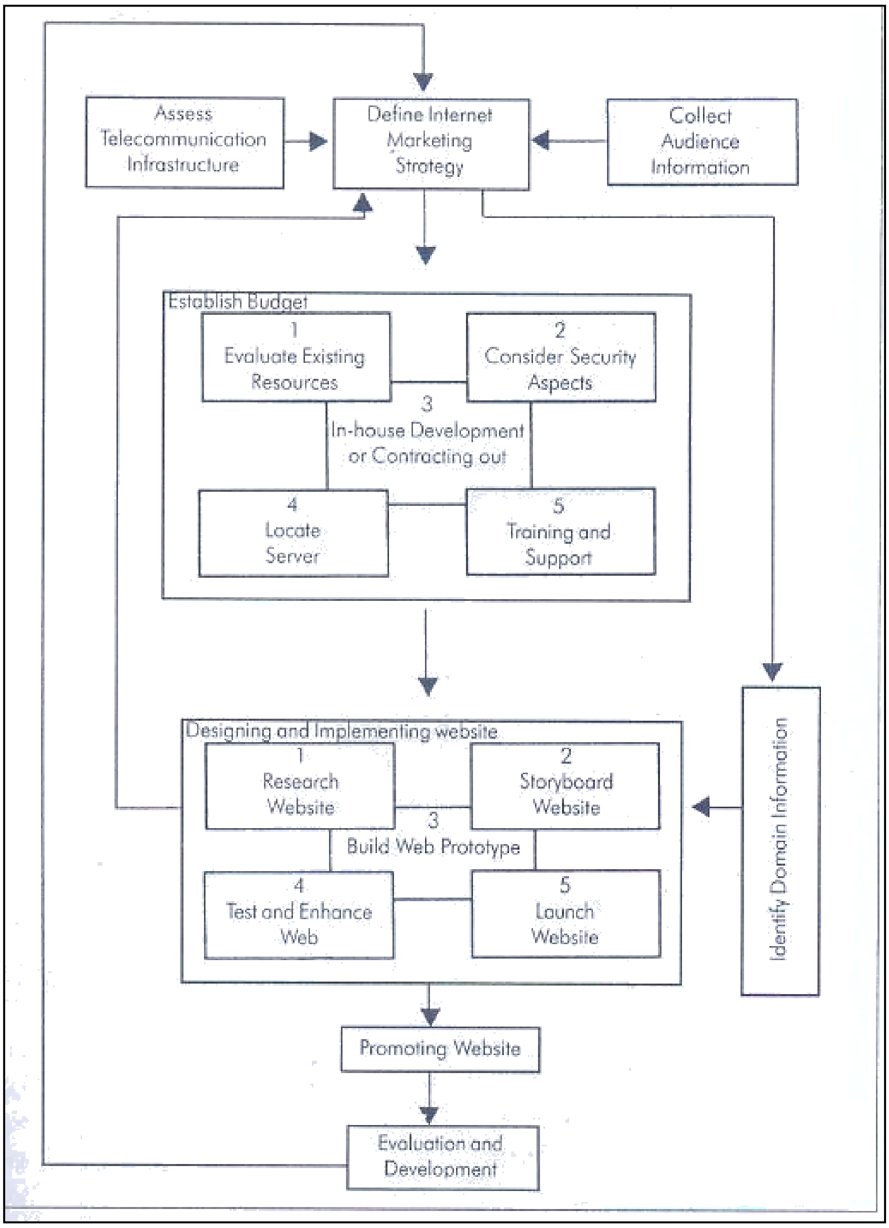
Interactivity can be achieved with this medium. There are various possible combinations in the Web. Consumers can interact with the medium (e.g., "surf" the web). In addition, firms can provide contents to the medium.

Advertising on the Internet

- Limited so far: tiny little buttons and banners that might have some animation and try to tease you into visiting their sponsor's website.
- This means you have to be clever twice. First to attract the audience to your sire and then to hold their interest.
- In the West, price is based on cost per thousand whereas, in India, it is based on size.
- But per thousand of:

a. Hits?
b. Page views?
c. Inquiries?

Figure 27.3 An Internet Marketing Framework for the World Wide Web



Why choose the Internet?

- It's a global phenomenon.
- It is inexpensive.
- It is an imperfect version of a wired planet, but close enough to us started.

There are four main questions to be answered when consider Internet, or indeed any new medium,

as an advertising vehicle. question are no different from those asked about traditional me We need to know:

Nearly one third communicate electronically with friends or colleagues and a fifth just like to surf

- How big is the medium?
- How well does it communicate?
- Is it better, worse or just different from the traditional alternative
- Does it represent a cost-efficient medium for advertisers - bod terms of Reach, CRT and in terms of production and servicing

Self Evaluation Question
5. Internet is a global phenomeries (True or False.)
6. FTP ______________________________
7. www _____________________________

Extranet

Briefly, an extranet can be understood as a private intranet mapped onto the Internet or some other transmission system not accessible to the general public, but is managed by more than one company's administrator(s).

An argument has been made that 'extranet' is just a buzzword for describing what institutions have been doing for decades, that is, interconnecting to each other to crate private networks for sharing information. One of the differences that characterized an extranet, however, is that its interconnections are over a shared network rather than through dedicated physical lines.

Geographically united organizations, 'extranet' is a useful term to describe selective access to intranet systems granted to suppliers, customers, or other companies.

There are a verity of commercial extranet applications, some of which are for pure file management, and others which include broader collaboration and project management tools. Also exist a variety of Open Source extranet applications and modules, which can be integrated into other online collaborative applications such as Content Management Systems. Companies can used an extranet to:

- ❖ Exchange large volumes of data using Electronic Data Interchange (EDI)
- ❖ Share product catalogs exclusively with wholesalers or those "in the trade"
- ❖ Collaborate with other companies on joint development efforts.
- ❖ Jointly develop and use training programs with other companies.
- ❖ Provide or access services provided by one company to a group of other companies, such as an online banking application managed by one company on behalf of affiliated banks.
- ❖ Share news of common interest exclusively with partner companies.

Question

1. Define CRM.
2. Explain the benefits of CRM.
3. Explain the role of internet in the CRM.
4. Explain the role of extra net in the CRM.
5. List out the importance of E-Mail.
6. Explain the relationship between CRM and SCM.

Answer

1 True **2 True** **3 True** **4 True**

5 File Transfer Protocol **6 World Wide Web**

NOTES

NOTES

UNIT - II

LOYALTY-BASED MANAGEMENT

The economic benefits of customer loyalty often explain why one firm is more profitable than its competitors. Finding loyal customers requires targeting those segments to which the firm can deliver superior value. Retaining them is often a function of developing employee loyalty, too.

Despite a flurry of activities aimed at serving customers better, only a few companies have achieved meaningful, measurable improvements in customer loyalty. In manufacturing as well as services, business leaders intuitively know that when customer loyalty goes up, profits do too. Yet few companies have systematically revamped their operations with customer loyalty in mind. Instead, most companies adopt improvement programs on an ad hoc basis. Hearing about the success of a loyalty leader such as MBNA's credit card business, which loses customers at half the industry rate, companies copy one or two of MBNA's practices. They set up customer-recovery unils, for instance, that try to save defecting customers who, because they are probably less homogeneous than MBNA's customer base, may or may not be profitable. Or they adopt MBNA's policy of delivering employee paychecks in envelopes labeled "Brought to You by the Customer"—while failing to base the bonuses inside those envelopes on incentives that enhance customer value and loyalty. Not surprisingly, payoffs don't materialize.

Building a highly loyal customer base cannot be done as an add-on. It must be integral to a company's basic business strategy. Loyalty leaders like MBNA are successful because they have designed their entire business systems around customer loyalty. They recognize that customer loyalty is earned by consistently delivering superior value. By understanding the economic effects of retention on revenues and costs, loyalty leaders can intelligently reinvest cash flows to acquire and retain high.

CUSTOMER LOYALTY

Even the best designed loyalty-based system will deteriorate unless an effective measurement system is established. Competitors, customer preferences, technologies, and employee capabilities are constantly changing. Measures establish the feedback loops that are the foundation of organizational learning. Only through effective learning can an organization consistently deliver value in an ever-changing world.

Unfortunately, most accounting systems do not measure what drives customer value. They can show the benefits of the one-year magic cure but not of programs and practices that take three to five years or longer to affect profits. Managers who have a year to earn a bonus or two years to turn a business around are forced to think of the usual shortcuts to higher profits: raising prices and cutting costs. Those actions alone rarely create value for customers, and although customers don't all leave at once, if they are not getting the best value, they will eventually turn to a competitor. To make matters worse, the best customers are often the first ones to go.

The first step in developing effective measures is to understand the cause-and-effect relationships in the system. The primary mission of a loyalty-based company is to deliver superior value to customers. Success or failure in this mission can be clearly measured by customer loyalty (best quantified by retention rate or share of purchases or both).

Customer loyalty has three second-order effects:

(1) revenue grows as a result of repeat purchases and referrals, (2) costs decline as a result of lower acquisition expenses and from the efficiencies of serving experienced customers, and (3) employee retention increases because job pride and satisfaction increase, in turn creating a loop that reinforces customer loyalty and further reducing costs as hiring and training costs shrink and productivity rises.

As costs go down and revenues go up, profits (the third-order effect) increase. Unless managers measure and monitor all of these economic relationships, they will default to their short-term, profit-oriented accounting systems, which tend to focus on only the second- and third-order effects. Focusing on these symptoms—instead of on the primary mission of delivering superior value to customers—often leads to decisions that will eventually reduce value and loyalty.

In the life insurance business, for instance, a five percentage point increase in customer retention lowers costs per policy by 18%. However, very few companies have quantified this relationship, and as a result, they focus their cost-reduction efforts on process reengineering and layoffs, which appear to lower costs but in fact lower employee motivation and retention, leading to lower customer retention, which increases costs!

When life insurers want to grow, they hire more agents, raise commissions, drop prices (to new customers only, if possible) and/or add new products. The result: more inexperienced salespeople (low productivity and high cost) bringing in the wrong kind of customer (disloyal price shoppers) with escalating costs of product-line complexity. The only way to avoid these mistakes in insurance, or any business, is to develop systems that allow employees to track and understand the cash-flow consequences of changing customer loyalty.

It is only the true defection of the target customer that should be of concern because that means something may have gone wrong, and if it has, it's worth a considerable amount of effort to find out what. It could mean that another company has done something innovative that gives customers a better value.

It is important to define customer retention carefully and what it means in a particular industry. In the auto business, for instance, a manufacturer should worry about a customer who switches to another brand—but not about a customer who sells his or her car and takes public transportation. In an industrial setting, customers might shift a percentage of their purchases to competitors, so changes in purchase patterns should be watched as carefully as customer defections.

Customer satisfaction is not a surrogate for customer retention. While it may seem intuitive that increasing customer satisfaction will increase retention and therefore profits, the facts are contrary. Between 65% and 85% of customers who defect say they were satisfied or very satisfied with their former supplier. In the auto industry, satisfaction scores average 85% to 95%, while repurchase rates average only 40%. Current satisfaction measurement systems are simply not designed to provide insight into how many customers stay loyal to the company and for how long.

STATE FARM'S LOYALTY-BASED SYSTEM

State Farm insures more than 20% of the nation's households. It has the lowest sales and distribution costs among insurance companies of its type, yet its agents' incomes are generally higher than agents working for the competition. Its focus on customer service has resulted in faster growth than most other multiple-line insurers, but rather than being consumed by growth, its capital has mushroomed (all through internally generated surplus) to more than $18 billion, representing the largest capital base of any financial services company in North America. Because of careful customer selection and retention, State Farm is able to price below the competition and still build the capital necessary to protect its pol-icyholders in years such as 1992 when they incurred $4.7 billion in catastrophe losses.

These impressive achievements can be traced to State Farm's well-designed loyalty-based system. State Farm began by choosing the right customers. The company was founded more than 70 years ago to serve better than average drivers, first in farming communities and now throughout suburban and urban markets across the United States and in three Canadian provinces. State Farm agents work from neighborhood offices, which allows them to build long-lasting relationships with their customers and provide the personal service that is the basis of the corporate philosophy.

This kind of personal service can start at an early age. Teenagers in State Farm households are usually written while still under the umbrella of their parents' policies. Many State Farm agents routinely sit new drivers down in their offices for a "dutch uncle" speech about the responsibilities of driving and the impact an accident or ticket—particularly for drunken driving—would have on their rates. Also, in an effort to educate all teens on safe driving, agents have available company-produced safe-driving materials for high schools. All these efforts tend to make the young drivers that State Farm insures more careful, and their parents grateful for the interest and help.

When agents are rooted in the community, they often know who the best customers will be. For example, they can scan the local newspaper for the high school honor roll and be sure that their young customers' good grades are recognized with premium discounts. Agents make it their business to get to know the people they insure. The most powerful computer and the brightest underwriter at headquarters simply can't compete with that level of customer insight.

Pricing policies work as a magnet to retain good customers. At the end of three years, accident-free customers get a 5% discount, followed by another 5% decrease three years later. The discounts make customers feel they've earned special status and value, and they create a disincentive to jump to another company, where they might have to start all over again.

State Farm agents not only want to attract and keep good customers, they also have the incentive to do so. Commissions are structured to encourage long-term thinking. Agents receive the same compensation rate on new auto and fire policies as for renewals, thus rewarding agents for serving existing customers, not just for drawing in new business. Unlike organizations that say retention is important while pushing salespeople to find new customers. State Farm consistently conveys the message that both are important.

Remaining focused on its target customers. State Farm provides a full life-cycle product line. Rather than bringing in lots of new customers, the company's marketing efforts encourage existing customers to buy additional products, like home and life insurance. The homogeneity of their market means that one agent can sell and service everything. The full product line preserves the agent's relationship with the customer and allows the agent to leam more about the customer's needs. In addition to benefiting the policyholder and company, this approach serves the agent well, as multiple-line customers are less expensive for the agent to service than are singte-line customers. Multiple-line customers have also proven to stay with the agent longer.

State Farm agents are also loyal. According to industry studies, more than 80% of newly appointed agents remain through their fourth year, compared with 20% to 40% for the rest of the industry. And the average agent at State Farm has 13 years of tenure, compared with 6 to 9 years for the industry. This retention advantage can be attributed both to the lengthy recruiting and selection process before appointment and to the fact that State Farm agents are independent contractors who sell and service State Farm products exclusively. Because agents have built and invested in their own businesses, they are more likely to remain with State Farm than their counterparts representing other companies. In return, State Farm is loyal to its agents and distributes its products only through them. The company has built a marketing partnership with its agents and involves them in key decisions that affect them or their customers.

Agent retention and customer retention reinforce one another. The agent who is committed to a long-term relationship with the company, and indeed, to his or her own business, is more likely to build lasting relationships with customers. In addition, loyal customers make life easier for the agents, who spend more time working with people they know and like and far less time chasing new customers. Finally, agents like being part of a system that consistently delivers superior value to customers. Agents' experience, plus the fact that they spend more time servicing and selling to proven customers, raises agents' productivity to 50% above industry norms.

State Farm's business systems support its focus on loyalty. Measures of customer retention and defections are distributed throughout the organization. Agents and employees at all levels know whether the system is working and can adjust their activities. Agents find a list of their nonrenewing customers each morning when they switch on their computers, which they can use to prompt telephone follow-ups to try to retain the account. And management can use the same kind of information as a check against policy holders' satisfaction with the service, product, and price they receive.

State Farm's success in building customer loyalty is reflected in retention rates that exceed 90%, consistently the best performance of all the national insurers that sell through agents. State Farm agents make more money by operating in a business system engineered for superior loyalty. And they are more productive, which makes it possible for them to earn superior compensation (after adjusting for the fact that State Farm agents pay their own expenses) while the company actually pays lower average commission rates.

The result is a 10% cost advantage. The company also keeps its costs relatively low because it avoids excessive administrative and claims costs associated with acquiring and servicing a large percentage of new customers. State Farm's system provides outstanding value to its customers, benefits for its agents, and has created a company that is a financial powerhouse.

MANAGING FOR LOYALTY

The success of State Farm and other loyalty leaders shows the direct linkages between providing value for customers and a superior financial and competitive position. Doing the right thing for customers does not conflict with generating substantial margins. On the contrary, it is the only way to ensure profitability beyond the short term.

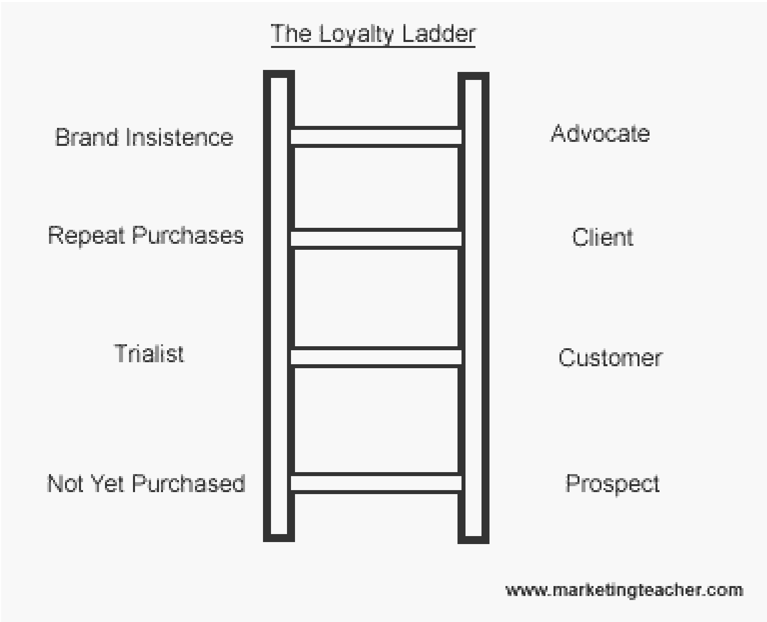
Creating a loyalty-based system in any company requires a radical departure from traditional business thinking. It puts creating customer value—not maximizing profits and shareholder value—at the center of business strategy, and it demands significant changes in business practice—redefining target customers, revising employment policies, and redesigning incentives.

Most important, it companies are really serious about delivering value and earning customer loyalty, they must measure it. And while senior executives may be daunted by the time and investment required to engineer an entire business system for high retention, they may have no alternative. Customer loyalty appears to be the only way to achieve sustainably superior profits.

Managing for loyalty serves the best interests of customers, employees, and investors. The only losers are the competitors who get the leftovers: an increasingly poor mix of customers and employees and an increasingly less tenable financial and market position. As loyalty leaders refine their ability to deliver value by more effectively harnessing the economics of loyalty, their advantages will multiply. Competitors must respond, or they will find it increasingly difficult to survive on the leftovers of the marketplace.

LOYALTY LADDER

The **loyalty ladder** is a tool for marketing communicators. The idea is that consumers can be moved along a continuum of loyalty using a number of integrated marketing communications techniques (it is also referred to as a **branding ladder**). Essentially, consumers become loyal to a brand which has meaning to them in relation to a product, service, solution or experience.



As with continuums of behaviour such as **UACCA** - *Unawareness, Awareness, Comprehension, Conviction, Action*, or **AIDA** - *Awareness, Interest, Desire, Action*, the loyalty ladder begins from a point where the consumer has **Not Yet Purchased**, then he or she buys the product for the first time **(Trialist)**, if the trial has been a success he or she returns to buy again and again **(Repeat Purchaser)** and finally the consumer buys no other brand **(Brand Insistent)**. At the Not Yet Purchased Stage the consumer is merely a **Prospect**. As he or she trials they become a **Customer**. The Repeat Purchaser is a **Client** since he or she is becoming loyal. Finally, the consumer becomes an **Advocate** (i.e. activist or campaigner) since he or she is Brand Insistent. At this point the brand is difficult to dislodge since it has so much meaning to the consumer. Great brands such as Nike, BMW, Boss, and iPod are in this highly desirable position.

The marketing manager needs to decide or select integrated marketing communications that move the consumer from Not Yet purchased to Brand Insistent (i.e. from Prospect to Advocate). Once at Brand Insistent, the marketing manager should attempt to keep the level of customer loyalty at this point, again by using integrated marketing communications.

Decision Making Roles

In the buying decision process, at times, other people also influence the buying decision and these people have a definite role to play. It could be that all the roles are played by an individual once every few seconds. But generally, and more often for services, both individual or organizational, these roles are played by more than one person. For a marketing person, it is important to know who plays what role in the purchase decision so as to adapt the service format and promotional efforts around these key players.

Conceptually, the consumer decision making roles are best exhibited by the following example. At a confectionery shop visited by a family to buy bread, a child asks his parents for a candy. The child becomes the 'Initiator'. The mother suggests that only one piece may be purchased of 'X' brand, she plays the role of 'Influencer;. The father orders for one piece of 'X' brand and pays for it, playing the role of 'decider' and 'buyer'. Finally, the candy is eaten by the child, which means that he plays the role of 'user'.

In the purchase of any particular service, six distinct roles are played.

These are:

- **Initiator** The person who has a specific need and proposes to buy a particular service.
- **Influencer** The person or the group of people who the decision maker refers to or who advise. These could be reference groups, both primary and secondary. It could be even secondary reference group like word of mouth of media, which can influence the decision maker.
- **Gatekeeper** The person or organization or promotional material which acts as a filter in the range of services which enter the decision choice set (Palmer)[1].
- **Decider** The person who makes the buying decision. Irrespective of whether they execute the purchase themselves or not, they may instruct others to execute. It has been observed, at times, more typically in household of family or individual related services that one member of the family may dominate in the purchase decision.
- **Buyer** The person who makes the actual purchase of makes bookings for a services like our lives travel, hotel room, hospital, bed diagnostic lab, etc.
- **User** The person whom actually uses or consumes the product. It can be someone other than the buyer. In a number of services, it has been observed that users are also the influencers.

Consumer Decision Making Process

The consumer's decision to purchase or reject a product or service is the moment of final truth for the marketer. It signifies whether the marketing strategy has been wise, insightful and effective, or whether it was poorly planned and missed the mark. Marketers are, therefore, interested in the consumer decision making process by which a consumer selects one alternative amongst the lot available. The decision not to buy is also an alternative.

A simple consumer decision making model, as shown in Figure 4.1. ties together the psychological, social and cultural concepts into an easily understood framework. The decision model has three distinct sets of variables: output variables process variables, and output variables (Sheth)[2].

Input variables are those variables which affect the decision making process and include commercial marketing efforts as well as noncommercial influences from the consumer's socio-cultural environment. The decision process variables are influenced by consumers' own psychological fields, which affect their recognition of a need, their pre-purchase search for information and their evaluation of alternatives. The output phase of the model includes the actual purchase (either trial or repeat purchase) and poet-purchase evaluation. Both pre-purchase and post-purchase evaluation feed back in the form of experience into the consumer's psychological field and serve to influence future decision processing.

The number or persons who play these five distinct roles is not fixed. At times more than one persons are involved (as we have seen in the above example) and at times only one person plays all the five roles. For example, while buying household grocery items, a house wife plays all the roles and makes the purchases. In organisational buying, the dynamics of these five roles becomes much different and while selling to an organisation, due care should be taken in identifying who is playing what role.

To summarise, let us take the example of a business traveller who is asked by his superior to visit a particular branch office. In this case, the boss might work as initiator. The travel agency, which handles that company's travel booking, with its limited resources, may work as a gatekeeper. The finance office may put restrictions on economy class and that too in the state run airlines may work as influencer. The administrative division which makes the booking and handles the bills may become the buyer and finally the executive, the user, who travels is the user who was not left with any other choice than to travel by the airlines, compromising on quality.

Classification of Buyers

Typically, buyers can be classified into two groups: personal and organisational. Personal buyers are those who buy a particular item for their own consumption or use. For example you may like to buy an Annual Maintenance Contract (AMC) for your personal computer installed in your house. The other category of buyers is called organisational buyers, They are those who buy the goods or services for organisational use. For example a government department may buy a similar AMC for office computers. Another example can be a hospital buying beds for the use of patients.

The reasons for why people buy or the motives of buying can be put into three categories namely: buyers goals, wants and beliefs. As far as general intentions are concerned, people prefer to be in good or positive conditions and not otherwise. They prefer to be rich and not poor, entertained and not bored, clean and not dirty, healthy and not sick, fed and not starved, etc. A more acceptable and positive condition gives rise to a vision which the consumer tracks in the pattern of purchase for a better life.

This positive and preferred vision in pursuit of a better life is also called as the set of goals to which a buyer strives. These set of goals, perhaps, cannot be achieved simultaneously and therefore priorities are set to attain these goals. The other aspect of these is that they also keep changing as time passes thus leaving a scope for the firm to influence the goals of a buyer.

On the other hand, wants emerge from the buyer's goals. To want a particular product or service is nothing but to have a preference and desire to use it or posses it. For the purpose of convenience, wants are classified into two; standing wants and current wants. Standing wants are these wants which are related to permanent goals and current wants are those which are related to permanent goals circumstances.

At this stage, a clarification is called for-needs are common to all but wants are socially and culturally-oriented. For example, all of us have the basic need for food when we are hungry but the choice of a restaurant will be made by different people, differently, keeping in view a set of variables like type of food, quality if food, price, atmosphere, etc.

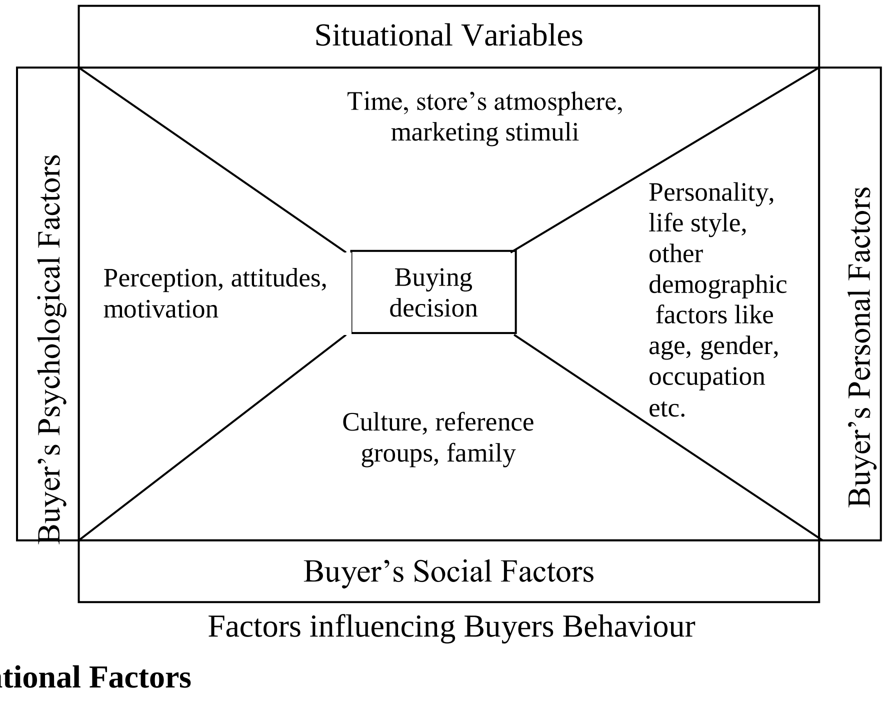
Self Evaluation Question

1. Customer satisfaction is a surrogate for customer retius - True/False
2. Extranet is a private intranet - True/False
3. Employee refection increase because job pride and satisfaction increase - True/False

Factors influence Customer Deceives Making Process

Factors can be classified into four major categories

There are a number of factors or variables which affect buying behaviour. For example, people go on a holiday during vacation time so vacations become a variable. Similarly, a person may not buy any of the saving schemes till he comes in the tax bracket so “tax payer” becomes a variable. A person may visit an exclusive restaurant which he normally does not visit during. “Happy Hours”. In this case the marketing effort if the organisation (sales person and the scheme) becomes the factor influencing the buying decision. Similarly, there are other factors which affect the buying decision which can be classified into four major categories, namely: situational variables or environmental variables, buyers socio-cultural factors, personal and psychological characteristics. These variables can be summarized in the form of a diagram, given below:



Factors influencing Buyers Behaviour

Situational Factors

The situational factors influencing the buying behaviour are-the influence of time pressure in product and brand choice, the atmosphere of the retail outlet, occasion of purchase, etc. For example, if you are traveling, then demand for lodging and boarding will obviously be there.

I. Buyers' Socio-Cultural Characteristics

Buyers of consumers do not take buying decisions or the decision not to buy, in a vacuum. Rather, they are strongly influenced by cultural social, personal and psychological factors. We will now discuss each of these factors in detail.

- **Cultural Factors** Children acquire from their environment a set of beliefs values and customs witch constitute culture. These beliefs, values and customs go deeper and deeper as a person grown. Therefore, it is sometimes said that culture is learned as a part of social experience.

  The various sub-categories within a culture can be identified based on religion, age, gender, occupation, social class, geographical location, etc. This classification is significantly relevant from the consumer behaviour point of view. To elaborate, let us come back to our earlier example of people buying a holiday. It has been observed that people from Gujarat go out on vacations, more often. Eating out is a very common phenomenon is the north of India.

- **Reference Group** There are certain groups to which people look to guide their behaviour. These reference groups may guide the choice of a product nut not necessarily the brand. Peer group and peer pressure has generally been observed to play an important role in the purchase of credit cards, cell phones, etc.

  The knowledge of reference group behaviour helps in not only offering substitutes but also in pricing and positioning them. While at reference groups, it is important to note that there are 'negative' reference groups also and some people don't want to associate themselves with these groups. The negative reference groups guide the behaviour in terms of "what not to do"

- **Family** The family is another major influence on consumer behaviour. Family consumption behaviour, to a large extent dependents on the family life cycle. The stages in family life cycle include bachelorhood, newly married, parenthood with growing or grown up children, post-parenthood and dissolution. Knowledge it these stages helps greatly in knowing the buying process. Often family members play a significant role in the purchase of a particular service. For example it is teenage children who influence the parents to decide on a destination and middle aged buy more of insurance services than the younger ones.

II. Buyers' Psychological Variables

- **Perception** It is the process by which buyers select, organize and interpret information into a meaningful impression in their mind. Perception is also selective when only a small part is perceived out of the total of what is perceptible. Buyer's perception of a particular product greatly influences buying behaviour. For example, if the buyer's perception of a product is not positive it requires much harder efforts from the marketing of salespeople to convince the buyer on the qualities of the product and thus suggesting him to purchase it.
- **Attitude**: An attitude is a learned predisposition to respond in a consistently favourable or unfavorable manner with respect to a market offer (i.e., a brand, a particular shop or retail outler, an advertisement, etc.). Attitude is a dispositional term indicating that attitudes manifest themselves in behaviour only under certain conditions. Knowing a buyers attitude towards a product without knowing the personal goals is not likely to give a clear prediction of his behaviour. For example, someone may have a highly favourable attitude towards car insurance but stays away from buying it since he has no use for it since he doesn't have a car.
- **Motivation :**Motivation is the driving force within individuals that compels them to action. This driving force is subconscious and the outcome of certain unfulfilled needs. Needs are basically of two types – first, the 'innate needs' are those needs. with which an individual is born and they are mainly physiological. They include all the factors required to sustain physical life e.g., food, water, shelter, clothing, etc. Secondly, the 'acquired needs' are those which a person acquires as he/she grows and these needs are mainly psychological, like love, fear, esteem, acceptance, etc.

For any given need, there could be a variety of goals. The specific goal selected is dependent on the experiences, cultural norms and values (apart from other characteristics) of the individual. Failure to achieve a goal generates two types of responses. First, called the defense mechanism, which includes withdrawal, retionalisation, etc., and second is called search for substitute.

III. Buyers' Personal Characteristics

- **Personality :** Personality can be described as the psychological characteristics that determine how a individual will react to his or her environment. These are a number of dimensions (personality traits) against which an appreciation of an individuals personality can be developed. Each personality trait denotes two absolute points and a person's personality characteristics can be identified somewhere between those two absolute points indicating the proximity to either of the two. Some of the traits are as follows:

Personality Trait	Behavioural Dimensions
Rigidity	Rigid -------------- Flexible
Leadership	Leader ------------ Follower
Neuroticism	Stable ------------- Neurotic
Extroversion	Extrovert --------- Introvert
Dependability	Independent ----- Dependent
Achievement	High achiever --- Low achiever

Let us examine how a buyer's behaviour is affected by the personality of an individual and for this we take the example of extroversion. Extrovert is a person who is more about is careful about his appearances and doesn't like reading books or getting confined to the four walls of a room. On the other hand, an introvert is a person who prefers to be left alone, would like to read books rather than making friends, shies away from social gatherings. There are a number or products which are preferred more by extroverts rather than introverts. Perhaps the products suggesting status are purchased more by extroverts than others.

- **Life Style** Life style as distinct from social class or personality is nothing but a person's pattern of living and is generally expressed in his/her activities, interests and opinions. Some of the dimensions of life style are as follows:

ACTLIVITIES	INTERESTS	OPINIONS
Work	Family	Themselves
Hobbies	Home	Special issues
Entertainment	Job	Products
Shopping	Fashion	Future
	Media	
	Achievements	

Life style suggests differences in the way people opt to spend on different products differently. Life style variables (psychographics variables) help a firm to identify the 'inner consumer' or the feelings of the consumer about their products which needs to be stressed in advertising campaigns.

Demographic Factors Buyers demographic factors like age, gender, education, occupation, etc., also influence his/her purchase behaviour. For example education, occupation and income determines the social class. These factors are very much significant in the study of

Knowledge of consumer will help in understanding their needs and wants

behaviour of buyers. For example, fast food outlets are more frequented by teenagers than by elderly persons-example of age as a factor; air travel is used more often by executives than by factory workers-examples of occupation as a factor.

In sum, knowledge on all such dimensions of the buyer will help you in understanding his needs and wants and also help you in integrating all these elements in your product offer which the consumer wants.

Consumer Evaluation of Service

As has said earlier, the concepts and theories of marketing were evolved keeping in focus the manufacturing industries. Similarly, for 'consumer' evaluation processes, the concept of goods was also considered. It is only since about two decades when Valarie[4] realised that service characteristics have definite implications on the consumer evaluation process. For service industries, therefore, service providers must understand how consumers choose and evaluate their offerings.

Consumers pass through a systematic evaluation process

- **Credibility** It involves trustworthiness, believability, honesty. It involves having the customer's best interests at heart thus contributing to credibility, company name and reputation; personal characteristics of the contact personnel and degree of hard sell involved in interactions with the customer.
- **Confidentiality** The security and the freedom from risk of doubt, involving physical safety (will I get mugged at the automatic teller machine?); financial security (does the company know where my stock certificate is?) or confidentiality (are my dealings with the company private?).

- **Customer Knowledge** It involves making the effort to understand the customer's needs, i.e., learning the customer's specific requirements; providing individualiased attention and recognizing the regular customer.
- **Tangibles** Includes the physical evidence of the service; physical facilities; appearance of personnel; tools or equipment used to provide the service; physical representations of the service such as a plastic credit card of a bank statement and other customers in the service facility.

IV. Post Purchase Behaviour

The model proposed by Bateson[6] emphasises that consumers evaluate services control over situation, they are able to exercise in a given perceived situation. The research observation is that during the service encounter, if the consumers perceive higher degree of control in the perceived situation (with its obvious risks), the satisfaction is higher. Similarly, if the employees also think in the same way, satisfaction drawn from the job is higher. However, they two may not co-exist. Simultaneously, therefore, it is important for the organization to balance out between the two, by developing adequate service standard and communicating the same to the consumers and to deliver the service, adhering the those standards, develop systems for operational efficiency.

Higher control leads to higher satisfaction

Significant of Loyalty Customer

1. Increasing in popularity
2. Building the true customer relationship.
3. Increase the customer satisfaction.
4. Behavioural attitudes is improving.
5. It develop satisfaction – loyalty profit Chain model.
6. It improve customer value.

Impact of Lost Customers

1. The company but its value customers.
2. Sales will be decreased.
3. Profit will be minimized.
4. Company's market share will climb down.
5. Indirectly the computation will get

Self Evaluation Question

4. AMC ____________________________________

5. Services are intangible capable of providing satisfaction - True/False.

6. Personality can be described as the ___________________

Question

1. Define customer loyalty.
2. Explain the customer deceiving making process.
3. Explain the factor influencing of customer decision making process.
4. What is loyalty ladder.
5. List out the significance of loyalty customer.
6. Explain the impact expect of lost customer.

Answer

1. False	**2 True**	**3 True**
4 Anural Maintenance Contract	**5.True**	**6 Psychological Chain**

NOTES

NOTES

UNIT – III

CRM AND THE DATA BASE

The best-intentioned companies often slip up when it comes to providing data warehousing and the accompanying business intelligence capabilities to their business users. On the one hand, the IT department understands that data cannot be divorced from CRM and that the corporate data warehouse is the ideal CRM source system. On the other hand, the business community is pushing for a quick win and doesn't care where the data comes from as long as they get it fast. The business begins using its CRM application without a vision for how to drive ongoing business-process improvements.

IT scrambles to provide enterprise data to the CRM application without understanding which data will support the actions and business processes the business wants to improve. The businesspeople keep asking when it will all be finished.

Failure to integrate customer data across all touchpoints results in having only partial customer data, which can in turn cause poor decisions about how to treat customers. This is why data integration is an oft-stated goal of CRM stakeholders in survey after survey. It's also one of the biggest challenges of today's CRM initiatives.

In the early days of CRM, industry experts were celebrating CRM products for their automation of previously manual tasks. Today, however, many of these systems have simply perpetuated the "stovepipe syndrome" of proliferating databases that contain a mere snapshot of information and are available to a small subset of business users.

Different applications have different means of tracking and reporting on [customers], leaving companies with islands of unrelated data. The result is a fragmented customer view that impairs a company's ability to determine key metrics like overall customer profitability and lifetime value. -Forrester Research

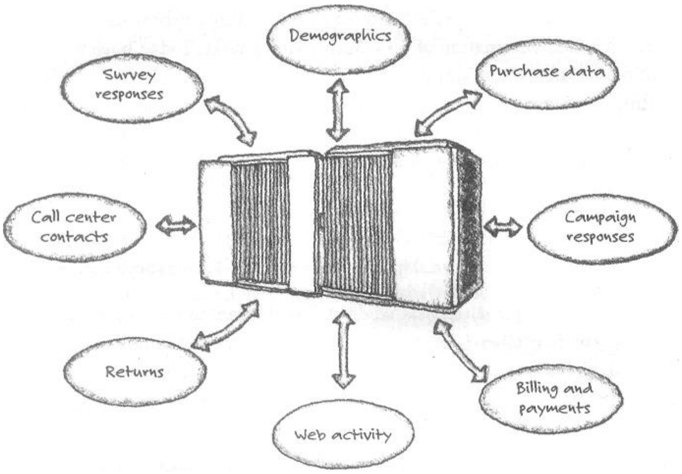
A panoramic view of the customer is only possible with an analytic view of the customer. -META Group.

Indeed, in a recent research study, Forrester reported that

- ❖ Only 37 percent of those surveyed knew if they shared a customer with another division in their company.
- ❖ Only 20 percent could tell if a customer had visited the company's Web site.
- ❖ Only 23 percent of CSRs could see a customer's Web activity.[3]
- ❖ Human resource systems

- ❖ Point of sale (POS)
- ❖ Web servers
- ❖ Marketing databases
- ❖ Call center systems
- ❖ Corporate financial packages
- ❖ External data providers[2]

The greater the number of subject sources for a data warehouse, the richer the information available to the business. The type of data that typically moves to and from a data warehouse to provide an integrated view of the customer.

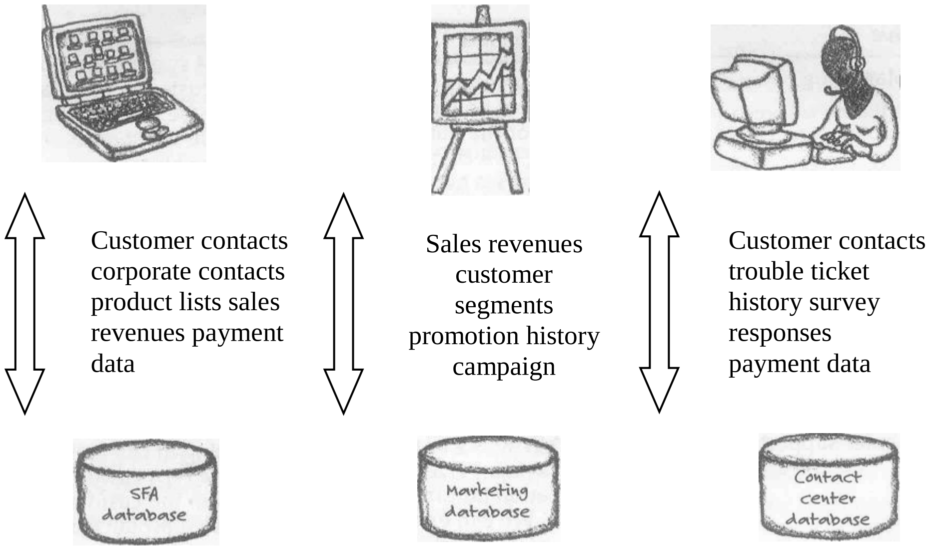


Integrated customer data on a data warehouse

2. "External data" means data coming from outside the company. This can include anything from competitive data from a market research firm to consumer change-of-address data from national data service firms.

PROCESS OF DATA BASE MARKETING

One of the strengths of a data warehouse is in its ability to store large quantities of historical data, enabling companies to compare customer behaviors over time. For instance, by storing customer purchase history, a company can evaluate what might have attracted a customer to making a purchase or gauge whether that customer's purchases are increasing or decreasing. Comparing time-variant data can provide the



One Company, Multiple Customer Databases

Availing a complete customer profile to a range of different organizations often means storing data in a centralized, cross-functional database known as a data warehouse. Once exclusive to the realm of large companies who had a burning need for strategic decision-making as well as generous IT budgets, data warehouses have emerged over the past 15 years as the de facto platform on which companies store and analyze comprehensive data. This analysis is performed using application tools specially designed to deliver business intelligence.

Though data warehouses can be used to store a wide cross section of subjects from sales compensation data to product specifications to geographic mapping, they are particularly valuable for offering an integrated view of the customer or, in data warehousing parlance, "a single version of the truth." Information stored on data warehouses originates from various systems across the company, providing a true 360-view of activity, both current and historic. Such source systems include any of the following:

- Billing systems
- Order and provisioning systems
- Enterprise resource planning (ERP) systems

Four CRM Perspectives, Four Different Executives

Executive	***"Take" on CRM***
VP of Marketing	"We desperately need a CRM system. We don't even know how many real customers we have! I'll pay for the darn tool, but we need it fast. I'm thinking of a customer profile dashboard. Now, when can we get started?"
VP of Sales	"Of course we need it, but we're not ready yet! I've Just funded an effort to clean up all our contact data. After all, what good is customer profiling if the data makes no sense?"
VP of Customer Support	"CRM? Why, we're already doing it! Our call center system gives our service reps customer information automatically when the customer calls in. We can even see a list of products for that customeri Who says we need anything else?'
VP of Engineering	'Sure, customers are important but it's taking us 65 days to provision new services. If we don't fix that first, we're not gonna have any customers left! If we only knew how to prioritize our installations ..."

After all, the majority of CRM products started out as so-called point solutions, designed to solve a specific business function such as sales force automation. Each of these products typically used a local database to store current customer information, hardly a flawed architecture. But the proliferation of these CRM tools around the enterprise begat assorted and mismatched customer files, all of which were critical to their respective systems, but none of which were linked:

Each database contains key customer information critical to the purpose and functionality of the CRM system. The customer data in each database is different, depending on the requirements of the organization using its data. But as in real life, some organizations need the same data about customers; thus the SPA and contact center databases both contain customer contact information as well as payment status, and the SPA and marketing databases each store sales revenue data. Though the names are the same, the contents and format of the data elements themselves are likely to be drastically different across systems.

So we could gauge an Internet service provider's CRM readiness, we asked to meet with several of the executives who had expressed the need for a

CRM strategy. The differences in their individual interpretations of CRM, as described in Table 6-2, proved profound.

The alarming degree of disagreement in our conversations with these executives led us to believe that developing a detailed, enterprise-wide CRM strategy wouldn't garner much support. However, everyone agreed on one common denominator: the pressing need for more and better customer data.

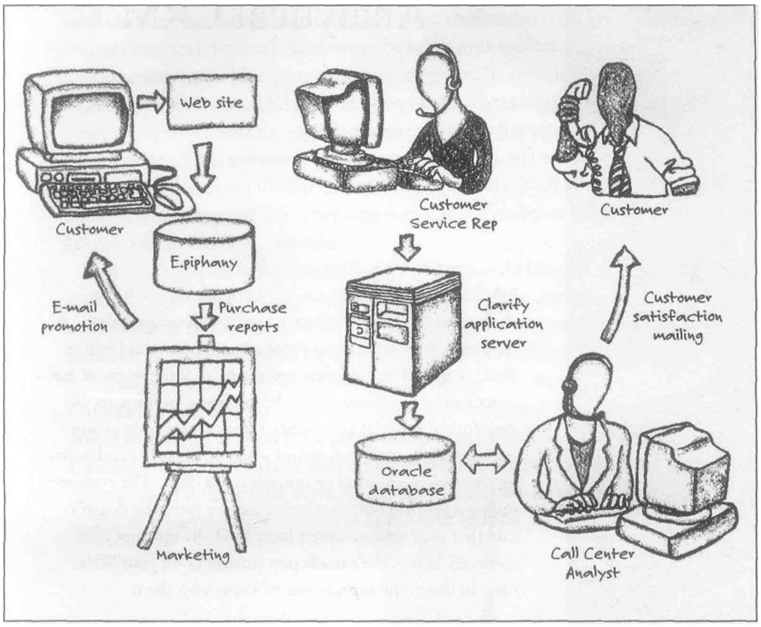
This scenario is a growing problem for companies deploying CRM, "e" or otherwise. In their haste to adopt customer loyalty programs and increase retention rates, marketing departments are acquiring CRM tools without touching base with other areas of the company. Likewise, customer support centers—whose existing call center platforms might include supplementary CRM capabilities and who are likely to have already established customer communications procedures—might not account for the needs of their counterparts in sales or marketing before formalizing their own CRM initiatives.

This problem is often due to company politics but more often due to diverse logistical and infrastructure problems that mandate greater levels of customer knowledge, and fast. The flaw with such a "stovepipe" approach to CRM is that the relationship with the customer is understood to be based on a subset of the customer's actual interactions with the company. The company deploys CRM and bases decisions on a subset of these interactions. The resulting decisions—for instance, Marketing sending out a satisfaction survey a few weeks after the customer support survey is released—could end up alienating the customer rather than instilling loyalty.

In a recent survey by the Yankee Group, 73 percent of companies claimed to be collecting information about individual customers.

It's clear that although companies might agree they need CRM, many don't agree on the reasons why. A CRM assessment my company recently conducted represented the problem brilliantly.

Both Marketing and Customer Support are well intentioned in their efforts to improve one-to-one communications with their respective customers. But what if the customer happens to be the same person?



The risk here is that the marketing department might not recognize when customers within its targeted segment have contacted the call center with problems about a popular product and whether those customers are currently unhappy with the company. In such a circumstance, cross-selling another product might do more harm than good. Conversely, the CSR responding to a complaint might not recognize that the customer on the telephone has made several purchases in the past week and falls into the company's "Golden Circle" segment. Failure to escalate this customer's complaint could mean losing a high-value customer. Indeed, applying the same rules to each customer is not only risky; it will put this company behind its competitors, who are striving to differentiate customers and their treatment of them.

Understanding the customer's most recent interaction, or touchpoint, with the company—whether or not it was with the call center—can help the CSR determine how to best meet that customer's needs. Even more important is the knowledge that the customer has a rich, multi-year purchase history. (Indeed, a detailed order history is critical for understanding when and how a customer buys products, whether she is regularly up-sold products, and if she responds to promotions.) Purchase history can combine with other information, such as whether the customer has recently moved, has college-age children, eats out often, and rates high on the customer value scale. Such information can be summarized as a customer profile on the CSR's screen or displayed as a "screen pop" as soon as the call center system recognizes the customer's incoming phone number.

A customer become savvier shoppers, they will contsinue to blend their purchasing and service habits. A buys executive who buys a video game for her child online order at the office might nevertheless check the status of her order from her a new hand spring palmtop while en route to the mall for a new set of golf clubs. Like wise, a customer support agent needs to understand who’s at the other end when he picks up the headset or initiates a live chat. The customer calling a toll – free 800 number to make a purchase doesn’t care that your systems are @t integrated –she assumes your company knows she’s made past purchases on your web site. In short, she expects you to know who she is.

In the meantime, the e-tailer’s customer service department is using another vendor’s CRM tool for call center automation. Information about specific call is loaded from the call center system into a database used by an analyst in the customer service department to evaluate trouble ticket resolutions. The analyst then gathers post facto customer feedback by sending customer satisfaction mailings to customers who have registered a certain type of complaint.

Although both CRM environments have resulted in improvements in their respective departments, the scenario as a whole is actually risky.

The first cluster is characterized by those customers owning a car, possessing a credit card and being a member of a club and has more female customers with a high percentage of working spouses. This group can be attracted through special campaigns aimed at credit card holders, through members of clubs since those possessing these characteristics are more likely to buy a food processor. The second cluster is dominated by working males with low ownership of cars and also low percentage of spouses working. The company needs to have a different strategy for this group of customers.

Each of the clusters obtained for different groups of customers owning different appliances can be similarly analyzed to formulate appropriate strategies in order to acquire new customers as well as cross sell to the existing customers. The objective is to use the characteristics of these customer segments to maximize the lifetime Value.

Data Mining in CRM

Data-mining tools identify patterns in data and deliver valuable new information that can increase a company's understanding of itself and its customers. Data mining is commonly used to help data analysts search for information they don't yet know to look for, often involving no hypothesis. It has helped companies uncover a diverse set of new knowledge, from a customer's next purchase to optimal store layouts to the most favorable release date for a movie in preproduction.

There are many different types of data mining algorithms, some esoteric and not easily applicable to business problems (multivariate adaptive regression splines, anyone?). Although the specific algorithms themselves might vary—decision trees and neural networks are fundamentally different but can both be used to predict behavior—the following three types of data mining are particularly germane to CRM:

1. *Prediction.* The use of historical data to determine future behaviors. Predictive modeling generates output that populates a "model" or structure to represent the results. For instance, a predictive model can indicate the next product a customer is most likely to purchase, based on historical purchases by that customer and other customers who have purchased the same products.
2. *Sequence.* Sequential analysis identifies combinations of activities that occur in a particular order. Businesses use sequential analysis to determine whether customers are doing things in a particular order. It can help a business distill behavior from events captured from various operational systems around a company to determine patterns. For instance, a bank or telephone company can learn more about a given customer or customer segment by examining patterns in the slowdown of purchases or in service cancellations.
3. *Association.* Association analysis detects groups of similar items or events. It can be used to detect items or events that occur together. The association algorithm is often applied to market-basket analysis to help businesses understand products being purchased together (peanut butter with jelly, for example). By understanding customer and product affinities, a company can make important decisions about which products to advertise or discount and which customers should be targeted for certain products.

One central difference between data mining and other types of decision-support analysis is that data mining usually involves statisticians or product specialists intimate with the use of the correct algorithms and their application to business problems, as well as with the specific data mining software. Although a businessperson rarely mines the data herself, she might use data-mining results—either represented graphically in a visualization tool or deployed to a database for general query access—to help make important decisions about managing customer relationships.

There are myriad uses for the three types of data mining just described, from targeting brand new customers by modeling existing customers' response patterns to avoiding high-risk prospects through risk prediction or forecasting a customer's lifetime value. Many companies have acquired dedicated data mining servers, onto which they load customer data records to build models and explore various customer behavior patterns. Such activities are usually processing-intensive so standalone data mining platforms avoid impacting processing on other systems. These servers are usually linked to a company's data warehouse, enabling data analysts to easily access customer data to experiment with various pricing plans, for example, or to create dynamic customer segments for testing new campaigns and performing what-if analysis.

Each type of data mining can yield findings that result in high-impact business actions. For example, an electronics retailer in London discovered that most prospects likely to buy a portable DVD player commute to work on the train, causing the retailer to reallocate much of its marketing budget from daytime television commercials to newspaper ads and billboards. The company saw sales of these players shoot up 43 percent after changing its ad media. Understanding the impending behaviors of customers and prospects is the key to data mining, and where CRM is concerned, two data-mining applications in particular stand out: *clickstream analysis* and *personalization.*

Clickstream Analysis

IT departments have become giddy over capturing clickstreams—the data that illustrates a Web visitor's footprint around the site. Clickstreams connote how the user arrived at the site, how long he stayed, what he did during his visit, and when he returned. They're the equivalent of a camera in a department store recording a shopper's every move.

Clickstream data—usually stored either as part of a company's data warehouse or in a dedicated clickstream data store sometimes called a "data webhouse" —is growing hand-in-hand with corporate e-commerce activities.

One client of mine, a general merchandise retailer who has joined the e-tailing ranks, wants its Web site to be as "sticky" as possible and has begun analyzing clickstream data to surmise why customers might leave the site prematurely. The company has sharpened its analysis to determine the value of abandoned shopping carts. When a customer leaves the site in the midst of a shopping trip, whatever the reason, the company looks to see what products were in the cart. The data is then compared with similar data from other aban-. doned carts to examine

- How much revenue the abandoned carts represented (in other words, how much revenue was lost because of the customer's early departure)
- Whether the products in the cart were high-profit items or loss leaders
- If the same products were found in other abandoned carts

Yes, ideally a customer's clickstream data should be integrated into the enterprise data warehouse along with other customer-related data. However, much of the clickstream data collected by companies is anonymous data that needs to be mapped back to customer-specific information with the customer's permission. Furthermore, clickstream data warehouses are growing at such a rate that it is often administratively impractical to store clickstreams on the same hardware platform with other corporate data.

- The volume of products and the number of different product categories in the cart
- Whether the total bill for the abandoned carts consistently fell within a certain dollar range
- "At what point during the shopping trip the cart was actually abandoned (When the customer saw the shipping charge? When the site required a personal survey before confirming the purchase?)
- How the average and total bills for abandoned carts compared with "una-bandoned" carts—those that made it through the checkout process

The result of this analysis can trigger some interesting theories. For instance, perhaps none of the products in the cart was appealing enough to a particular customer to motivate her to continue shopping. Or the customer was put off by frequent inquiries asking her whether she was ready to check out. Or possibly, at a particular dollar total, the customer thought the better of the entire shopping trip and bailed. Finally, perhaps the number or mix of products in the cart reminded the customer of another site that offered a steeper discount for similar purchases.

Admittedly, some of these theories are mere guesses. But when examined regularly and with consistent metrics, clickstreams can reveal some interesting patterns. The fact is, whatever the customer's reason for leaving the site and a cart full of merchandise, the e-tailer can take a variety of actions based on both hard findings and less-then-certain extrapolations. The e-tailer can use these results to tweak the design and content of its Web site and monitor resulting improvements. Patterns might indicate product affinities, suggesting cross-selling or up-selling strategies. And when combined with customer demographics, psychographics, and past behaviors, click stream data can bring the understanding of customer behavior to a whole new level.

The latter option is perhaps the most intriguing: rather than simply examining a customer's navigation patterns and guessing about which actions to take, the retailer can combine those patterns with more specific customer data—his previous purchases in that product category, key demographic and psychographic data, or his lifetime value score, for example—to provide a holistic view of that customer's value and interests. It might have been a one-time-only shopper who was lost, but in other cases a high-value customer might have left the site on multiple occasions. A tailored e-mail message or electronic coupon—perhaps targeting one of the products left behind on a prior trip—could make all the difference the next time that customer decides to log on.

The following scenario, based on a real-life case study, illustrates how click-stream data, when integrated with other key data from around the enterprise, enhances opportunities to personalize customer communications.

Scenario

You're a marketing manager at an up-and-coming eyewear Web site, www.glasses-r-us.com. Your company has just deployed a so-called data webhouse and for the past few days you've been looking over your data analyst's shoulder-they've just begun gathering user clickstream data.

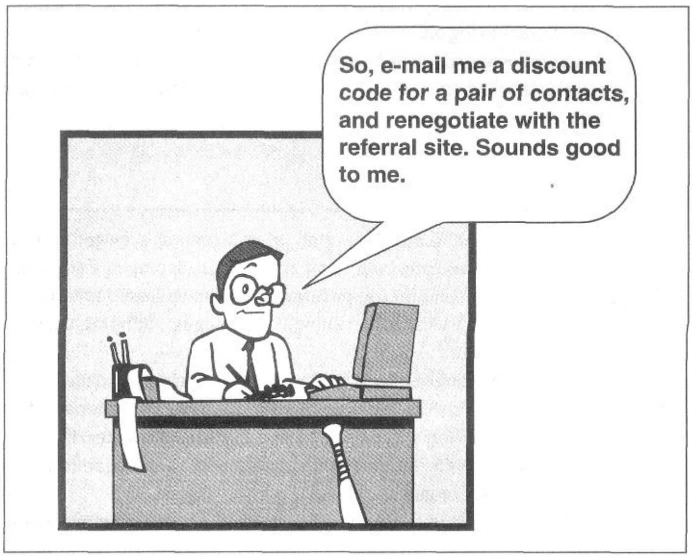
Your data analyst. Jack, points out one session particular. You notice that the shopper arrived at your site through a banner ad posted on a partner's Web site: www.eyecare-youcare.com. After the shopper arrived at your site, he entered his prescription and began looking at various brands of glasses.

After browsing for glasses, the shopper started comparing brands of contact lenses. He finally selected a brand of contacts and placed the product in his shopping cart. He entered the order information, including his credit card number, but left the site rather than submitting his data and completing the purchase. How do you entice this shopper to return to your site and buy something?

Most marketing managers won't be looking over analysts' shoulders at individual clickstreams. But understanding a customer's navigation around a site can help a company decide how to lure him back.

You have several choices. Your company's usual tactic for all registered visitors who visit the site but don't make a purchase is to mail them a coupon for $5 off a new pair of fashion eyewear. However, this particular visitor was looking at contacts. He'd probably trash the glasses coupon as soon as it arrived in the mail.

A better choice might be to e-mail the visitor a discount code—a coupon is given a unique code so no one but the given customer can redeem it—for $10 off a new pair of hard contacts or three pairs of disposable lenses (a predictive model could confirm this as the best course of action). Your profit on contact lenses is usually good, and the shopper seemed on the brink of making a purchase. Besides, e-mailing the offer is a lower-cost option than the U.S. postal service and would probably result in quicker turnaround time.



Along with this more personalized tactic, you could also monitor the referring Web site for other referred shoppers who have researched or purchased contact lenses. If contact lens activity is particularly high, you might consider placing a more customized banner ad on the partner's site and even provide better financial incentives for the partner when new contact lens customers click through.

With the e-mail strategy, the customer's more likely to return to the site and you're almost guaranteed a purchase. Win-win, right? Wrong.

The problem with this scenario is that even though analysis is involved, it's still dangerous. The fact that you're looking at only a single customer touchpoint can mean big problems and bad decisions. If your clickstream database contained behavior history on this shopper, things might turn out differently. You would have more information about the customer, and you'd know the following:

- This isn't the customer's first visit to your Web site.
- He has made three other purchases on three separate occasions.
- The products he has purchased have all been on sale.

In short, you would understand that your Web visitor is what's known as a "cherry picker," someone who only purchases low-margin products when they're being promoted. No cross-selling, no up-selling, no true loyalty. He'll be back again, too, when he finds the next markdown.

If you had this information, you would understand the optimal marketing tactic for this customer: Do nothing. Any further marketing to him would be a bad investment. Of course, you're perfectly happy to have this customer return to your site of his own free will. But you've already invested too much money in an unprofitable customer, and you can't afford for the next transaction not to be profitable. Each time a retailer price-subsidizes products for cherry pickers, it is losing an opportunity to sell that product to a more valuable customer. The retailer is in fact investing in an undesirable customer relationship.

Self Evaluation Question

1. Meta data mean ___________________________.
2. Data base mean ____________________
3. In bound marketing is a powerful frame work CRM – True/False

Personalization and Collaborative Filtering

The practice of tailoring communications directly to a customer segment or, increasingly, to an individual customer. The premise of personalization is that, by collecting sufficient customer data, a company can market to an individual's unique needs, both now and in the future. Personalized communications is the principal technique via which companies can convince customers they understand them and that their information—which the company often uses thanks to the customer's explicit permission—is mutually beneficial. The goal is to deliver accurate product recommendations, content geared to individual preferences, and targeted promotions for individual Web visitors—and in real time.

When done right, personalization means not only maintaining customer loyalty, but also driving purchases higher. It leverages detailed information about individuals and can dictate some very tactical decisions. The following analysis topics from a drugstore e-tailer suggest the level of individual detail and resulting tactics personalization can provide:

- For people who have bought or expressed interest in vitamin supplements, which other products are they likely to buy?
- How likely is Customer X to buy prescription drugs online?
- What other items are likely to be in a shopper's market basket if he buys, say, decongestant?
- Which products are most similar to the Brand X eyedrops the customer chose?

Personalization can take various forms. It can involve customizing actual Web pages, including a Web site's look and feel, according to the features favored by an individual visitor. Many Web sites allow the visitor to customize the site according to her preferences, eliminating format variations and allowing her a private window into the company. Use the search function often? Move the search window to the top of the page. Like customization, so-called localization can focus site content to the visitor's particular geographic area.

Notice that the personalization examples from the drugstore e-tailer above hint at prediction? Indeed, most personalization software involves specific data mining algorithms. The two main types of personalization are rules-based personalization and adaptive personalization.

Rules-based personalization leverages established rules that dictate, for instance, which products might be purchased together or whether a certain Web page should precede or follow another. When a visitor to a software Web site buys Quicken, the site might suggest he buy *Quicken: The Official Guide* before going to the checkout screen. Rules-based personalization most often involves rules that have been hard-coded into the software. For this reason, it's often difficult to maintain and support.

The other type of personalization, adaptive personalization, learns as it goes. More commonly known as collaborative filtering, this type of personalization gets smarter as it observes customer behaviors and applies them to new circumstances. For instance, if a gardening e-tailer using collaborative filtering observes that shoppers tend to buy low-cost perennial flowers at the same time they order gardening tools, the Web site might begin suggesting a flat of pansies to all customers who buy bulb planters. Collaborative filtering uses the behavior of other "like" visitors as the basis for its recommendations. Collaborative filtering tools are often more complex, and thus more expensive, than rules-based personalization.

The most celebrated example of collaborative filtering is Amazon.com's purchase circles, in which Amazon factors in the buyer's past purchases and geography to suggest what readers who live in her neighborhood and have similar interests might be reading. The more similar shoppers buy, the smarter Amazon becomes about their preferences, and the more accurate are the site's recommendations. Several Amazon.com customers I know are cherry pickers on other booksellers' Web sites during special promotions, but they always return to Amazon because "they know me better."

Perhaps the most telling delineation in personalization is in whether or not the user knows it's happening. In the permission marketing scenario described as Web visitors voluntarily provide personal information to Web sites where they believe there will be some sort of *quid pro quo:* the company will use the information to provide a value-added service such as periodic discounts or special-interest newsletters. Some sites can personalize content without making the shopper aware that the products he's seeing are different from those of fellow shoppers—who might have different profiles and preferences.

Web retailers who combine eCRM with detailed customer data and advanced personalization can customize content and screen layouts for individual visitors to increase the site's stickiness and the shopper's propensity to buy. On the other hand, companies such as Lands' End simply ask customers what they like, whether or not they make a purchase. The company's My Personal Shopper feature shows Web visitors various product combinations and solicits their feedback. This practice is different from the "inferential" personalization in which a company applies complex logic to infer a customer's preferences—"referential" personalization simply stores a customer's responses to questions or surveys, making those answers part other profile so they can be used to cross-sell her additional products.

Although custom content seems innocuous enough—it's tantamount to reorganizing a brick-and-mortar store's layout according to the way the shopper likes to move around the store—it can also have more controversial uses.

Amazon.com was revealed to be selling the same DVD movie for different prices to different shoppers. This practice, known as dynamic pricing, turned the concept of consumer choice on its head. The Web, famous for offering shoppers the opportunity to find the best deal with a simple mouse click, was now allowing sellers the opportunity to differentiate consumers and their price sensitivity. Dynamic pricing actually leverages CRM technology and detailed customer data to let a company, say, compare a shopper's desire for the product with his perceived ability to pay for that product. For the first time, consumers are the ones competing for the best deal.

Arguments for and against dynamic pricing raise issues of consumer privacy as well as good will. After all, the more a shopper buys oh a company's Web site, the more information the site has on that buyer and the weaker the buyer's negotiating power. In the past several years, airlines were routinely accused of raising their online fares for frequent fliers—their most loyal customers—who are more likely to fly a particular carrier because of the mileage perks. And, in a now infamous public relations gaff, Coca Cola was alleged to have been considering a vending machine that raised the price of beverages when the temperature soared.

In defending dynamic pricing, e-tailers point to their brick-and-mortar counterparts who have been engaging in the practice for years. Drugstores have been known to price cold medicines higher in chillier climates, and the shortage of Sony Playstation 2 units last Christmas drove prices up sharply. (Kmart used the shortage as a way of rewarding loyal customers first, steering Playstation availability to loyal shoppers on the company's Bluelight.com Web site.) In the Web world, where consumer data can include a shopper's home address, income level, number of children and even his resolve to purchase a product, dynamic pricing—along with a number of other personalization techniques—can be implemented more quickly and to a wider number of shoppers.

How to develop the application that's best for your company

Determining priorities doesn't stop with choosing the appropriate tools for your end users. You have to "close the loop" and measure the final result against the original application vision

WHOSE VISION of the proposed customer database should you build?

Should it be the vision of the Marketing SWAT Team, armed with sharpened pencils, MBAs and plenty of acronyms? They're convinced a new customer database will enable them to work marketing miracles: lift response rates by 20%, generate $5 million in incremental revenue or increase total order size by a factor of 1.5, for example. Or maybe it should be the Veg-0-Matic Dentists who want to "slice, dice and drill down" into the data. They want all the bells and whistles, especially powerful data mining tools that will allow them to identify meaningful patterns in the data. These are the SAS gurus who talk endlessly about data visualization and multidimensional online analytical processing tools.

The Nuts and Bolts Team also has a vision. They're fascinated with technology and spend a great deal of time talking about RDBMS, multitiered architectures, ETL, ERP and RAID. Debates go on for hours about MPP vs. SMP and the merits of Oracle vs. Siebel

Then there are the Grand Poobahs in the corner offices on the executive floor who are convinced they will point and click their way to amazing insights. They expect they'll have an analysis of yesterday's sales information and colorful graphs that monitor Performance vs. Plan waiting for them every morning when they arrive at work.

How about the Customer Therapists who look at the proposed database as a "customer-intimacy machine"? They envision a system your customers will welcome and readily feed with all manner of information in order to establish the relationships they've always wanted with your company. They contend this relationship will only get better as the company fully engages in a meaningful dialogue with its customers

And what about the Data Gourmands who want to roll up their sleeves and "just get their hands on the data" - all of it. Every possible tidbit of data out there - nothing is considered too insignificant. They are absolutely convinced that somewhere in that pile of information are the golden nuggets that will ensure the future success of your company.

Which group's vision is correct? Which is most realistic, practical, effective Which is most visionary?

The answer is that all of their visions are correct — and none of them are correct.

Identify Requirements

What's important at the beginning of the development of a database is that you and everyone else in your company take deep breaths while you make sure all the necessary constituencies are brought together to identify the database requirements. This is arguably the most important step in the process. Without it, a million things can go awry. With it, you will still have stumbling blocks, but you'll get over them much more easily. And it's far less likely that any one problem will be an insurmountable obstacle

You'll have to achieve consensus on database requirements; that is, you'll need general agreement among all the parties concerned. When considering business requirements, begin at a very high level. There's just one question.

Application of Database Marketing in Relationship Building

According to one-to-one marketing gurus Don Peppers and Martha Rogers, customer marketing is fundamentally driven by three basic principles. These three principles of customer marketing are:

- Acquiring customers,
- Retaining customers, and
- Broadening and deepening the customer relationship.

In other words, the objective of marketing programs is to get, keep and grow customer relationships. Within the context of the broad scheme of marketing strategies, programs and initiatives, database marketing represents one tactic for achieving the objective of developing and maintaining customer relationships. In recent years, database marketing has gained in general acceptance to the point where it is now practiced by a majority of major U.S. companies in one form or another.

The growth in the acceptance of database marketing can be attributed to several important factors. Each of these factors is the result of breakthroughs that have impacted traditional ways of doing business. The first factor is technology. Technology has made it possible for companies to amass and analyze customer information on a scale, and at a speed, previously unknown. The second factor is measurement. Marketing investments, like other investments, are expected to generate a measurable return. Measurement has become a developed discipline within marketing as finer levels of customer information become readily available to marketers. The final factor is targeted communication. The practice of marketing communications continues to evolve, from mass marketing through saturation marketing to targeted and relationship marketing. Newer technologies, including the Internet, make the goal of one-to-one customer marketing an ever-closer reality. Each of these factors comes together in the process known as database marketing.

Database marketing represents a classic example of a discipline born out of the marriage of technology, measurement and targeted communication, where technology is the enabler, measurement provides the justification and business rationale, and targeted communication is the goal. As technology evolves, database marketing becomes accessible and practicable to a larger audience, bringing us to the present point in time which is witness to the confluence of database marketing, sales force automation and call center management.

It is important to understand, however, that database marketing has evolved to a point today where many companies are able to access and sift through large and complex volumes of information to make more informed decisions about the means and costs of their customer marketing investments. Which customers do we target for a particular promotion? How do we tailor our message for that particular customer segment? Which customers are most valuable over the life of the relationship? What distinguishes our best customers? How do we find or develop more customer relationships of this kind? These are examples of the critical questions that we can attempt to answer through database marketing before reaching that point however database marketing entail a complex his decision on the primary business objective should address a challenge ' and promise measurable results. Quantifying the results of all proposed applications will allow your group to reach consensus about the database's purpose. Generally, it will be clear where the biggest bang for the buck lies after prioritizing each application based on feasibility, cost, potential impact and potential return. (And, of course, the business case for actual development of the database will be based on the projected results of the chosen application.)

Identification will also enable you to prototype and then build the application as quickly as possible. Once the first business application is up and running — and once there are measurable results - it is then much easier to justify further development of the database.

Next, focus on the key features of the system that will address the database application you have chosen. Make consensus decisions about the following:

- **Data review:** Once you have identified all the data sources available, assess the individual data elements to determine the business value they represent. Be ruthless. Judicious selection of those elements will allow you to complete your application in a reasonable time frame. At this point, you should also decide how far back in time you will collect data and whether it will be necessary to purchase and append demographic or other data from outside your organization. You may also make decisions at this time about data hygiene processes (using NCOA, CASS), data transformations, aggregations and summarizations

- **Relationship identification and continuity:** It's also important at this stage to come to an agreement about the definition of a customer and how the data will be grouped for each relationship entity - individual, household, business and site, for example. These issues are never as straightforward as they look on the surface. You need a clear definition of the customer to assess customer value properly across household and business relationships. You should also consider the long-term impact of changes to these relationships because of events like marriage, divorce, address and job changes, and mergers and acquisitions. Processing rules need to deal directly with these events to avoid the gradual erosion of key relationships.
- **Logical data model:** This step is especially important if you're planning a relational database. The model becomes a high-level map for end users, allowing them to find and link the data they need. The data model should also clearly represent the relationships among your customer base. The issues surrounding grouping your customers into households or business entities should also be considered within the overall design of the processes that will be necessary to build the database as well as the data model
- **Physical data model and the technology decision:** Although most end users will not be qualified to evaluate the technical features of the hardware and software, they should nevertheless be included in high-level discussions of technology decisions. End users and IT departments must work together in order to find an application that satisfies the requirements of both groups.
- **Update schedule**: All constituencies must agree on how often new data will be cleaned and loaded to the database. Although end users might ask that data be loaded every day, everyone involved should examine this issue carefully, weighing costs, work schedules and identifying the point at which updates would absolutely be necessary to meet the goals of the application. An update strategy could include some combination of frequent incremental transaction updates and less frequent full updates.
- **Data integrity**: Prepare to review your existing data. Designate areas where data quality can be improved through automated processes vs. those that will require procedural changes in your collection processes. If they're not addressed, data quality problems can undermine the value your users

place on the database. Rigorous data validation and hygiene processes should be incorporated to detect and address data quality issues at an

- **Security:** Decisions must be made about who can access which data, especially because consumer concerns for privacy are becoming more of an issue.
- **Metadata:** Data about data. End users and technology providers must work together to determine the metadata that's necessary in order to use the database at peak efficiency. Metadata should, at the very least, record the "system of record" (where the datum is from), any transformations that occurred en route to the database, the actual description of the datum, and any changes to the metadata overtime. Rich, accurate and current metadata serves to increase the users' confidence in the business intelligence derived from the database.
- **Tools:** Decide which tools will allow the end users to access the database efficiently and effectively. Determine whether end users need reporting tools, querying tools or a campaign management system. In addition to characterizing the features and functions you need to provide users, you must make sure the chosen tools couple well with your users' comfort levels with technology and the data savvy they possess.

Setting database priorities doesn't stop with choosing appropriate tools for end users. You must "close the loop" and measure the final result against the original application vision. Additionally, because database planning is virtually perpetual, you should implement a continual review process that measures data and applications against the needs of the current business environment. This will ensure that the database is a "living, evolving organism" and not simply a static monolith.

Marketing

Whether it's inbound or outbound marketing, or sales and service, Infor's CRM software solution is a fully-integrated system that provides powerful analytics and best-of-breed customer relationship management abilities. With enterprise-wide real-time information, you can present personalized offers at the moment the customer's attention is at its highest. Infor's Marketing CRM software solution is comprised of three key components:

Inbound Marketing - Use real-time customer profiles to identify high-impact offers at the exact time of customer interaction. Infor's Inbound Marketing is a powerful framework for Customer Relationship Management, helping companies manage customer-initiated interactions.

Outbound Marketing - Infor's Outbound Marketing is an integrated database Customer Relationship Management (CRM) software solution that helps you reduce campaign cycles, improve marketing efficiency, and build lasting customer relationships.

Marketing Resource Management - With Infor's Marketing Resource Management CRM software solution, you'll gain a better understanding of expenditures, align your programs with your strategy, and reduce waste.

Learn more about how you can put our CRM software solution to work for your marketing needs. Or contact Infor today to get started.

Sales

Turn your sales reps into "trusted advisors" by pulling cross-organization customer intelligence into your sales process. Use sophisticated customer relationship management capabilities to make targeted offers to customers. Infor's CRM Sales solution provides a complete picture of each customer, including historical interactions with the organization, empowering you to increase sales productivity, shorten sales cycle, and attain deeper account penetration. The following are included in the sales component of Infor customer relationship management software:

Sales Force Automation - Infor's Sales Force Automation is the Customer Relationship Management solution you need to pull cross-organization customer intelligence into every step of the sales process. Sophisticated customer relationship management capabilities help your staff target the best deals, normally resulting in greater solution adoption by your customers.

Interactive Selling -Customer Relationship Management with all the information needed to empower your sales force to close the deal - at any time, from anywhere. Whether online or offline, Infor's Interactive Selling CRM software solution is what you need to help your sales force sell.

Order Collaboration - If your ordering process isn't easy, your customers may go elsewhere. By giving your customers and partners up-to-the-minute access to critical information throughout all phases of the sales process, Infor's Order Collaboration CRM software solution gives you what you need to simplify your ordering procedures.

Configuration - Infor's Configuration Customer Relationship Management component is what you need to prevent bottlenecks from bogging down your sales process. Our CRM software solution allows your channel partners, reps, and customers to configure products in both offline and Web environments.

Learn more about the ways in which our Sales CRM solution can work for your organization, or contact Infor today for additional customer relationship management solutions.

Service

Improve response times and the quality of customer service while keeping costs in check with Infor's CRM (Customer Relationship Management) Service component. Infor's CRM software solution provides your customer service staff with a real-time view of customer information across all existing systems. With an intuitive and efficient user interface, your agents are empowered to shorten call times, resolve customer issues, and engage your customers in seamless conversations. Infor's Service component will help your.

The rise of interactive media, growth of direct media, and continued use of mass marketing are making it increasingly difficult for marketers to effectively communicate with consumers.

To stay ahead, marketers have historically increased their marketing and promotion efforts to ensure their messages are heard.

Today's marketers are faced with the additional challenge from senior management: to improve consumer communications and drive sales — often with smaller, closely scrutinized budgets.

Media measurement, which determines the impact of marketing efforts by analyzing spend across various channels, can help.

When properly executed, media measurement makes it possible to determine the "cause and effect" connection between marketing actions and results, allowing marketers to optimize direct, mass and interactive channels, and more effectively allocate media budgets for future programs.

Media measurement can, and does, benefit a wide range of companies in industries that include consumer packaged goods, insurance, financial services and the pharmaceutical sector.

Broadly defined, media measurement accomplishes four objectives

- Quantifies the causal relationship between marketing promotion activity and sales;
- Empirically determines the best media allocation - or mix - across channels;
- Develops a tactical plan for media execution; and
- Provides continuous results measurement and enables learning.

Given the advanced analytics, segmentation strategies and other database marketing approaches employed, media mix measurement seems a natural extension of traditional database marketing.

In addition, database marketing plays a key role in media mix measurement, and essentially leads the way for marketers to develop and maintain an integrated, coherent conversation with the consumer.

Using database marketing strategies outside of direct programs is a fairly new approach. After all, direct, mass and interactive channels were traditionally viewed as separate and distinct. But from the consumer's point of view all messaging come from the same place: the brand.

To effectively conduct media measurement, marketers need data that includes sales, marketing spend, competitive activity, **new** product launches, market events, pricing and other industry- specific critical elements.

Once the data are collected, statistical and optimization models - similar to ones used within database marketing programs - are developed to quantify the value of each promotion channel and to determine the optimal spend level for each. Measurement processes are then developed to track the success of the media allocation.

The potential benefits of pursuing this level of strategic planning in a marketing organization are significant. The risks associated with gaining this knowledge are minimal. Even minor shifts out of a relatively inefficient media into a high performing media can realize millions.

Self Evaluation Question

4. B2B Marketing ______________
5. Out bound marketing is a integrated data base customer relationship marketing - True/False

Question Answer

1. What is customer data base.
2. Explain the process of data base marketing.
3. Explain the application of database marketing.

Answer

1 data about data

2. Living, evolving, organism.

3. True

4. Business to Business

True

NOTES

NOTES

UNIT - IV

CRM AND Marketing

Let us look at CRM as a tool for marketing in the perspective of technology. The evaluation of customer made clear that the companies should track and monitor continuously the changing expectations of the customer needs. Let us look at the external parameter: Technology's role in marketing. The evolution of technology and the company's adoption of the same occurred to different functional areas like production, product design, accounting, etc., the era of computerization has created a vast potential for marketing function area for tapping the information of customer. Its company's ability not only create huge customer databases but to manipulate, monitor to customize the products/services to match the customer requirements. Technologies break through in communication engineering and computers provided ample of opportunities and handful of challenges for the companies. The adage "Knowledge is power" is applicable even in marketing functional area. Here knowledge regarding the customers. (Demographics, Psychographics, buying behavioral pattern). The challenge for customer relationship marketing is not creating huge databases but the challenge is how to Convert this database in to knowledge and information for marketers, so as to have success in customer driven market era. The last decade the industry has seen massive revolution in computer technology and amazing spread of Internet, providing every business function of industry. The Internet revolution has provided a lot of temptations which most of industries yielded by having Internet base businesses in functional areas. This change the way the business being done. A gamut of technology Internet, Intranet and Extranets has provided B2B, B2C, & C2C areas. Now the technology became the important tool for marketers to interact with the customers.

More and companies are increasing their use of the telephone as the quickest and most way of establishing customer contacts. Call centers and mail order are the fastest growing operation departments for UK organizations and these organizations recognize that telesales and telemarket part of their sales, strategy. It is essential that releases staff represent their organization in a proof friendly way, using clear and effective communication to ensure that customer value is maximize potential business is not lost. If your staff are not trained properly on telephone sales, how much they losing your company?

This Terrace will ensure your staff always project the correct image to your potential custom sure your company stands out from the crowd. It has been developed for telemarketers who mal member of prospecting calls and telesales professional who have to handle a large number of it calls. It is written with both the customer and the organization in mind to maximize on potential.

Web Based Sales

When we refer to web-based customer support, we mean that Internet becomes the general interaction medium via the use of E-mails, chat session, and VoIP. Out of these customer-company interaction is maximum in the case of E-mails. Over 80% of the web-based customer support takes place through E-mails.

Some of the advantages of using E-mail are as follows:

Speed: E-mail happens to be the fastest mode of communication. It can be sent in received as soon as we click over the send or download button.

Cost: E-mail is the most cost-effective medium of sending detailed information. Just compare it with sending a multi-page document or describing a product over phone to an international customer and you will agree to the above statement.

Accessibility: E-mails can be sent from anywhere, and at any time. The only prerequisite is availability of a telephone connection and Internet connection.

Convenience: E-mails can be archived and one has an option of replying to them later with relevance to the importance and available time. This represents a great advantage over phone where communication happens real-time on both ends. This also makes a contact centre functional irrespective of the time zone difference.

❖ THE RATIONALE FOR E-MAIL COMMUNICATION

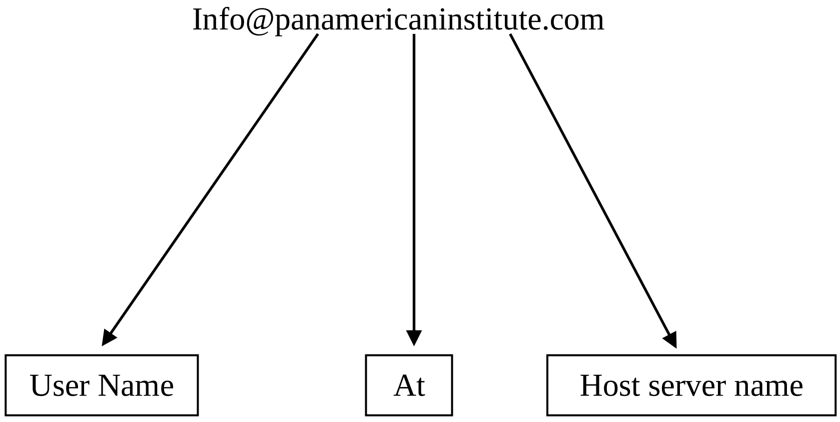
With the advent of Internet, communication via E-mail also gathered momentum. Today, most of the companies especially portals are having an Internet site which display the Contact Us hyperlink and get thousands of E-mails daily and find it difficult to manage on their own. When we compare it with the earlier scenario where a customer used to typically call up a call centre after getting aware about the product of the company, some of the disadvantages with this system were:

- ❖ Long calling queues in case of busy hours and agent unavailability during the odd hours.
- ❖ Need to maneuver through the tedious IVR options or announcer options. Time spent on hold when the agent researches about the call resolution.
- ❖ Chances of error in case of communicating numbers, alphabets over phone and the need to repeat them for confirmation.

(Cost to customer, just in case the company number is not roll free and to the company if *it is.)*

❖ COMPOSING AN E-MAIL

Any E-mail ID has got some information in the form of address which is unique and results in the recipient getting the E-mail. Although, it has been already discussed, we'll go through each part once again.



Host server name

Similarly, every E-mail management software has a few basic features pertaining to the delivery of the E-mail. Let's go through them once more.

To : Denotes the primary recipient of the message.

Cc : Stands for Carbon Copy. Denotes the secondary recipient of the message.

Bc : Stands for Blind Carbon Copy. Is useful in cases where a copy of the message is to be sent without letting the Bcc recipient know the original recipient of the mail.

Subject: A brief description about the main purpose or the body of the E-mail. It should be short and truly reflect the actual body of the E-mail.

Customer Relationship Management is a new and emerging concept in today's global scenario. It's seen as an answer and a change to the traditional failing methods to improve business standards. Its basically customer centric with an aim to improve customer loyalty and its impact is felt in all areas of a company. To keep the introduction short CRM is defined as the key to success in any business organization.

The key term in CRM is relationship. It's the ability of the company to maintain a healthy relationship with the customer by keeping the level of interaction between the enterprise and its customers at high standards. The goals of CRM are to

a. Win the mind share of customers
b. Increase the wallet share
c. Reduce churn

These can be achieved only by implementing a good CRM technique, which will reduce costs and attain growth. In short CRM is coupled with marketing strategies like product innovation, commitment to quality, strategic management and advertising results in the overall growth of the company.

There are a number of external and internal considerations with regards to CRM, where the focus should be kept on the customer, i.e., customer always needs to be the center of the organizational process. Nowadays customers are allowed to design their own products and thereby the customer gets empowered. Thereby customer is always kept cushy. Also we need to empower customer service employees with the ability to answer queries.

CRM is basically an offshoot of data mining. There is a serious necessity to keep an intelligent database, which is the key for a good implementation of CRM. Data mining ensures to change the heavily loaded database into an intelligent database worthy of taking intelligent decisions. It's a process of extraditing valid previously unknown actual business information into useful data capable of taking intelligent decisions.

CRM APPLICATIONS

The applications of CRM include

1. Customer knowledge
2. Sales effectiveness
3. Customer retention
4. Customer segmentation
5. Product presentation
6. Customer fulfillments
7. Customer acquisition
8. Channel management
9. Marketing intelligence
10. Campaign management

The much celebrated CRM technology is more about people than about package implementation. For a company to implement CRM, various departments typically sales, marketing and consumer service needs to be worked together to weave the previously separate channels into integrated databases and contact *centers*. They need to redesign the processes in order to be able to utilize *CRM* for the customers and organizational benefit. Moreover *technology is* only a platform for creating strategic advantage. It needs to *be aligned with* the company's business strategy. Technology is only an enabler, most important being the people. Moreover a survey on *Indian consumers* shows that they are sensitive to the impact on new purchases. They will never buy immediately, rather they wait for a long time after saving their money. Gone are those days where price cuts, deep cut promotions, product differentiations provided results and effected growth. The new mantra of any company is an effective CRM package.

CRM needs the ying of an enterprise and the yang of how consumers view the enterprise. Maintaining healthy relationships is the key to success in implementing CRM technology. It's important to remember relationships don't happen. It's a result of series of conversations, which includes talking, buying, selling, serving and trading.

The three key words in maintaining good relationships is design, build and sustain. The series of conversations is as a result of:

1. Set of economic exchanges.
2. Offering, i.e., subject of exchanges
3. Space in which exchange occurs
4. Contest of exchange

Building strong relationships with customers is a business strategy employed for a long time to sustain growth. CRM is merely a logical extension of what has gone before. CRM can also be explained as connectivity between 3Ds, discovery, dialogue and discipline.

There are 10 critical questions associated with CRM and the 3 Ds.

A. Discovery - Customer,

1. Who are our customers?
2. What does our customer expect from the consumer?
3. What is their value potential?

B Dialogue/Relationship

4. What kind of relationships we want?
5. How do we foster the exchange process?
6. How do we share the controls?

C. Discipline/Management

7. Who are we (i.e., the company)?
8. How to organize so that we can move closer to the value of our customers?

9. How to measure and manage performance?
10. How do we increase the capacity to change?

These ten critical queries need to be properly understood and answered by every company in order to implement a good CRM package.

Perfect information on our consumers is a major tenet of CRM. Therefore companies need to invest in computer information systems to develop intelligent databases.

As explained earlier, relationship is the key to the CRM package. Any company needs to be relationship-centered to achieve sustained growth. For example yesterday's giants Britannica encyclopedia suffered a major setback due to the arrival of many dotcom companies, which virtually provided software packages at far less cost than hard copies.

Thus a relationship-based enterprise is the necessity of the day, which should be

1. Conversation centered
2. All relationships should be handled as conversations
3. Customer interactions can occur anytime, anywhere and anyhow
4. Value is in the conversation.

There has been such a sea change in today's market scenario such that the hunted have become the hunters, i.e., previously the companies used to set the rules and hunt the customer, nowadays its the reverse situation, where the consumers have the privilege of changing the company within a spilt second.

There is also a concern to reduce the response time with the help of the CRM technology. Usually the response time is much larger which acts as an irritant for a good transaction. Thus CRM enables to reduce this churn. CRM is considered as the child of the new economy. It's not possible to have perfect information. But data mining as an offshoot of CRM translates the huge database into useful information.

The traditional push pull factors are no more in operation. It is the customer who takes the initiative nowadays! The push factors of the company are slowly marginalized giving way to the customer

- ❖ Permission-based marketing has taken over from interrupting ;the consumer
- ❖ Enticing the consumer to listen to messages rather than compelling them to listen to advertisements
- ❖ Spin and hype has given over to information and advice

Thus CRM can be defined in four steps

1. Customer identification through referrals
2. Customer relationship development
3. Customer satisfaction
4. Customer retention and developing loyalty.

Emerging Trends and Issues of CRM in Financial Services - Banking

The CRM technology has been a massive influence in banking services. It has resulted in much hyped gains in the banking sector.

According to the latest survey by the RBI there has been a significant increase in the number of commercial banks and their branches in India, compared to yesteryears. Gone are those fears of nationalization and takeovers. There is a new economic climate prevailing in our country thanks to globalization and liberalization.

To state the statistics on the number of banks in India and their types:

State bank of India and its associate banks	8
Nationalized banks	19
Indian private banks	32
Foreign banks	42
Nonscheduled banks	-
Regional rural banks	196
Total	297

Life has come a full circle in the Indian banking arena. At the turn of the last millennium a handful of banks - HDFC Bank, ICICI Bank, Global Trust Bank - set the ball rolling for online banking, while Internet banking became the buzzword. It became fashionable in banking circles to talk about customer focus. All this *hype* ***on customer*** *focus will be* a distant reality without the actual implementation of CRM technology.

CRM has emerged as a distinct phenomenon specifically with relation to banking. It's a common knowledge that the finance sectors involve a huge database. Hereby if this huge database is not converted to useful information, then the whole database will become a liability, thereby by enforcing data mining techniques and using the concept of CRM technology this database is converted to information earlier unknown.

CRM AND SERVICES

RETAIL BANKING AND CRM

Retail banking had now emerged as one of the leading banking activity in recent times. Research Scholars aim at an estimated market of 80,000 crores in India alone by the year 2005. With the proposed entry of Wal-Mart brothers, JC Penny retail marketing is estimated as a huge investment area. Retail customers are becoming less credit averse. Consumerism among middle class is on the rise. Moreover the return on capital is highest in retail marketing with 20% return on capital. Thereby there are no half pregnancies involved in retail marketing. Many banks have introduced various schemes in credit marketing like Citibank's *Suvidha*, HDFCs *Magic moments.* Bank of Punjab's, *Swagat* and Bank of Barodas, *Anybob.*

CRM has helped in many way retail marketing. It has helped first and foremost to identify the huge database on consumers. Moreover it has helped to convert this huge database into useful information by identifying prospective customers. Once the prospective customers are identified CRM helps to maintain an healthy relationship with the customer by offering excellent and best services according to their needs and desires and thereby developing consumer loyalty toward the bank, especially in retail marketing where to maintain consumer relationship is the key to success, CRM is very helpful.

UNIVERSAL BANKING AND CRM

Due to the twin forces of deregulation and technology universal, banking has been the newest entrant in the banking services. There has been a secular shift towards universal banking due to global scale consolidation. Universal banking has been on the rise because of the ability to create a one stop shop for financial services. Khan Committee had actually recommended a series of measures in harmonizing the role and operations of financial institutions and banks. Narasimhan Committee had also recommended strong measures for improving financial institutions so that a strong foundation in built for a vibrant competitive Indian financial sector.

The point to be well understood is the need to offer excellent services to the customer. Since many a times a dissatisfied customer can change the services to another brand in a fraction of a second. Therefore CRM technology is used to identify the real and actual needs of the customer and the services that are well suited to satisfy them. Moreover it is also important to educate the employees of the organization by giving adequate information on all the services offered by the bank, since sometimes the call centers act so destructive such that any calls made by the customer, get transferred to so many extensions with no adequate satisfactory reply. This creates frustration in the minds of the customer and prompts, him to change the bank. This can be avoided by well educating its employees. CRM technology is really useful in this regard such that the employees are made well aware of all the banks schemes and the consumer's possible queries.

Three Major S's Associated with Banking in Relation to CRM

The three major S's of banking are size, speed and service. They make a great impact on improving banking performance, but in order to improve to the size, speedy service, which is instrumental in improving the performance of CRM technology, is a necessity. There has been a decade of economic liberalization and reforms committees in our country giving in to a slow yet sustained change in the modern economy. Yet there has been a one-sided growths where there has been a sustained increase in the number of ATMs and e-banking in the metropolitan cities while in contrast the rural millions in India don't even have access to a bank.

1. *Size:* Size does matter in banking. There has been news of mergers and amalgamations. A merger enhances line of business efficiencies and it facilitates brand management and product diversification. There is an increased growing scale of operation. According to Mr. Anthony Saunders of Leonard School of Business, bigger financial structures enhances the line of business. CRM helps in identifying advantages of mergers, i.e., it forecasts the increase in market share through mergers beforehand and helps in taking right decisions. For example the recent merger of Times Bank and HDFC, and Bank of Madura and ICICI claim the advantages of size. Accordingly the market share of ICICI has increased greatly due to its merger with Bank of Madura, reports claim that due to this merger ICICI has acquired a market share within a second where without the merger it would have taken years to achieve. Thus CRM has helped in forecasting advantages of effective mergers.
2. *Speed:* Speed of delivery is really an important aspect in successful banking. For example a loan on time is very important. For this purpose CRM plays an important role in identifying worthy customers. For this purpose technology is so important which is provided by the CRM. Moreover when the time of delivery is made perfect the customer ends up being a loyal customer.
3. *Service:* Banking is about people and trust. Banks need to address the various challenges. Mere corporate strategy and technical competence is not good enough. The solution is CRM. CRM technology implementation helps in improvement in quality of service, improves

element of trust, better human relations, better consumer care and efficient client servicing.

NET BANKING AND CRM

In past times no human interface can unnerve some customers. But in recent times net banking is getting wide popularity. Many frequent queries can be cleared online for example,

1. To check the balance in your savings account
2. Track status of installments and payouts
3. Requisition for statement or chequebooks
4. Enquiring about a fixed deposit or a tax deduction scheme
5. Check demat account
6. Transfer funds between accounts
7. Get a demand draft made
8. Pay phone and electricity bill online and
9. Stop payments of cheques *1*

CRM helps in identifying the prospective customers in online shopping. It helps to design a good website containing all the adequate information. Care should be taken to well educate the bank employees about all the information given in the website. CRM helps to a great extent to design the right kind of a website, where the right kind of information is given. Also care is taken not to give necessary information to the customers too. By giving the utmost service CRM is able to establish customer loyalty and confidence about the organization.

CRM AND KEY ACCOUNT MANAGEMENT

Key account management is the latest emerging phenomenon in todays management scenario. It *bases on the* 80-20 flavors, i.e., 20% of the customers contribute 80% of the company's profits. Therefore, more care and concentration should be focused on these 20% of the customers who comprise the key accounts. It doesn't mean that the remaining 80% of the population who constitute a very meager profit percentage should be neglected. Care should be taken such that *populations is* also taken care of well since they can offer strategic and financial advantages.

The key account management is a very innovative concept though it had been in existence since civilizations began. The key accounts can be calculated through simple Pareto analysis. Once identified it can be audited and extra service and care is to be given to the key accounts, since; they expect more service because they offer more market share. The key is to entertain and retain the key account customers so that any company can sustain itself. The steps involved to effectively implement key account management are:

1. KAM selection
2. KAM audit
3. KAM strategy
4. KAM development
5. KAM implementation
6. *KAM* improvements.

Specially in relation to banking which deals in the B2C segment and B2B segment, key account management plays an important role in identifying and retaining customers. Whenever key customers are identified and given proper service they are sure to invest and use the banking services. Nowadays there is no much difference in the rates of transaction between banks where its only the service offered which makes the difference. For example banks like ICICI and HDFC lead the way in housing loans just by offering good service. Thus key account management helps in identifying the major customers and helps to build a loyalty with them by maintaining a healthy relationship.

CRM IN COMMERCIAL SCHEDULED BANKS

CRM plays an active role in the improvement of commercial scheduled banks too, this is an important factor specially in the Indian scenario where 70% of the population live in villages. Therefore these huge populations need an organized institutional credit. But today according the latest statistics there exists a co-operative bank in 6 lakh villages in India.

CRM helps these scheduled banks first and foremost to identify the customers, in this sense the different needy sections of the society, and by proper schemes and awareness programs paves the way to reach: out to the villager. The roles are:

- To help boost deposit mobilization
- Efficient supply of credit
- Provision of remittance facility
- Providing working capital loans

The customer in this sense, the average Indian villager develops a bond with the banks thus preventing greedy moneylenders from creating havoc. NABARD plays quite an important role in this regard and CRM technology has helped the NABARD to a great extent. The launch of Kisan credit cards has strengthened the bank- farmer relationship. It augments the flow of credit and also accelerates the flow of credit to handloom weavers, gives special thrust on micro credit development and stimulates investment in minor irrigation projects. All these can be achieved only through effective customer relationship, i.e., through CRM.

Not only in rural co-operative banks even in the urban cooperative banks CRM plays an important role. CRM helps to well inform the customer on various banking terminologies like interest rate deregulation and asset classification. It also helps in income recognition. This is a very important factor with regard to finance. It helps to identify people and segregate them into various sectors so that each person gets what is due to them. It's indeed a heartening factor to see a 24% increase in the number of branches of scheduled primary commercial banks, which denotes the rise in market share. This is possible only due to proper customer identification and establishing customer loyalty, which results in higher growth rate. The Madhavan Committee has recommended a series of measures for the improvement of these scheduled banks and has made special reference towards schemes for better identification of target groups and better service, which are the ideals of CRM.

CRM IN EFFECTIVE TAX COLLECTION

It's indeed a very heartening factor to see that even the Indian Government has recognized the need for CRM in a general manner. Recently HDFC bank was the first private sector bank to be given permission to accept tax payments, since HDFC offered better services both in terms of quality and speed. There are an increased number *of* taxpayers who prefer their payments through this bank and due to the availability of a. good database an effective relationship can be made with all the customers thereby creating a healthy relationship between them. The secret of success is obviously well known, i.e., CRM. With the help of technology an effective database can be created. Also customers ideas and feelings can be known so that future schemes can be designed according to the customers wants and desires.

TECHNOLOGY BANKING AND CRM

Technology plays a very important role in banking in today's scenario, and CRM coupled with technology is the best double-edged weapon to destroy the market slag. CRM helps in identifying areas where technology can be upgraded so that the best possible results are seen. For example technology is well suited in:

- Customer centric systems
- Customer relationship management
- Internet banking
- Mobile banking

- Channel integration
- Data mining

In all these areas when technology is well implemented it yields the best results. But the best area of investment can only be found with the help of CRM.Wells Fargo is the first retail bank to launch a transactional Internet channel. This technology improvement had prompted a huge growth in their marker share. But the studies show that before the actual technology investment survey was taken via the database offered through effective customer relationship management, which revealed the wise investment of technology and the customer's acceptance of the new technology. Similarly close on the heels. Citibank has started yodlee.com with the aim to capture net-centric customers. But due care should also be taken such that the call centers efficiently support the online transaction system, since a disgusted customer always remembers the bad moments. We need to utilize new technology the best. As said earlier technology is just an enabler not a doer. While CRM is the actual doer to increase the growth share. Technology is only a platform for creating strategic advantage. It needs to be aligned with the company's business strategy.

Thus CRM identifies the right area of investing technology so that there exists a return on investment.

BANKING SCHEMES WITH CRM

Any banking scheme needs CRM support so that its launch ends up as a success. For example recently the State Bank of India launched the Gold Deposit Scheme, which didn't garner major success. Though it was aimed to attract the middle class sections of our society with much attractive rates it didn't click much hype due to the negligence of CRM. SBI offered interest rates i at 3-5% with a maturity period of 3-7 years with exemptions from any kind of tax. The minimum quantity of gold Was as low as 200 grams gross. Though it had all these attractive schemes the deposit scheme didn't have any takers due to the simple fact that there wasn't a proper CRM homework done. The customers were presumed to be takers of this offer blindly, but it didn't work since SBI hardly had any database to target its customers nor consult its customers for a feedback before its launch. Thereby its target group was a failure and therefore the scheme didn't work. Thus CRM needs to be an important player in any launch simply because it can use its database and convert it into useful information and forecast areas of better target and predict success or failure of any scheme based on its data. This helps the company to invest in the right areas.

Moreover CRM helps to rate different schemes influence based on four main parameters.

1. Financial
2. Operational
3. Profitability
4. Productivity

Based on these parameters it is able to rate any scheme and thus ensure a definite success in the right area of investment.

Different banks have employed different strategies to increase their market shares. Growth is the key word to any bank and they chalk out many numbers of schemes to achieve this growth. As said earlier ICICI has merged with Bank of Madura, just to increase its market share which has become a success where it offers increased service and better growth with less cost involved.

American Express Bank a global entity with totals assets of US$13 billion with branches all across the world has its core business in private banking, personal financial services, correspondent banking, corporate banking, and global trading. But it doesn't have a unified CRM strategy, which is not feasible. Nevertheless a CRM package is necessary therefore it developed an integrated CRM package which was crucial in increasing its customer service which meant a sensitive blend of vision, customer centric business process design and intensified dialogue between its customers and the enterprise which resulted in the success of the bank. A major initiative to designate the sales organization as relationship manager changed the entire scenario thus ensuring effective healthy customer relationship, which resulted in consumer loyalty. Thus CRM played a crucial role in its success.

CRM helps in the way to handle conversations with the customers. It gives fresh perspectives, involves clear language, gives actionable frameworks and enables the managers to build share understanding of the broad objectives of the company.

HDFC bank recently created a new ASP for itself by developing FLEXCEL International, a joint venture between HDFC and Iflex Solutions. Flexcel provides banking solutions, including corporate, retail, treasury and investment advice. The software is housed in the data center and customers need to pay for every use. This unique concept was as a result of CRM technology application.

According to the latest survey by the Financial Express it has ranked various banks according to its performance based on the criteria's of financial, operational, productivity and profitability.

Accordingly the best banks as per their rank are:

1. Global Trust Bank
2. Citibank
3. ABN Amro Bank
4. Karur Vyasa Bank
5. Andhra Bank
6. Bank Of America
7. HSBC
8. Oriental Bank of Commerce
9. Standard Chartered
10. IDBI Bank.

The rankings clearly indicate that the parameters based for this ranking, i.e., financial, operational, productivity and profitability clearly is a reciprocate of the CRM technology. So the banks, which had concentrated on implementing CRM technology to improve its customer relations and done really well in the last financial year, probably, offer on a cue to others the secret of their success. Thus CRM technology package is essential for any bank for its growth and survival in today's market scenario.

The very important fact that needs to be driven home with relation to banking is that finance and individual competence alone cannot reach golden heights for any bank. It needs consumer attention, which alone is the recipe for competence. Customers should feel welcome, informed, be presented with cohesive information and always an appealing climate should prevail. All this is a possibility only when CRM is well implemented. The banks need to maintain that kind of a healthy relationship with the customers. Even though the database is huge, if there exists a good CRM technology then every customer can be well remembered. For example if a customer's specific tastes, desires, likes are remembered and asked then the customer is made to feel so important thereby locking him into a permanent relationship with the bank. This improves customer loyalty. Moreover a happy, and fulfilled customer talks about his experience to the other folks around him thus influencing others too to have a first hand experience with your bank. Thus the target customers increase for the next innovative scheme of the company.

In contrast if a customer has a bad experience he becomes 'a bad advertiser for your bank, thereby decreasing the bank's value. Therefore care should be taken to understand that every customer is special and to make him feel comfortable CRM technology is an absolute necessity.

Another important concept in this technology is to keep it simple. Sometimes CRM itself becomes so complex that it becomes the reason for downfall. For a relatively large company of unifying CRM technology it takes such a long time to implement, it's expensive and needs strong executive support. Therefore care should be taken to have an integrated CRM policy, so that it is kept simple and has simple objectives.

Though it is very important to have a central owner of CRM, so that significant re-engineering of business processes is done, care should be taken that every employee should be aware of the bank's processing, i.e., the concept of left hand knowing what the right hand is doing should be prevalent. The central information system becomes a safety net to ensure all players know what they are doing in terms of customer care and cross selling. CRM cannot be efficient unless there exists a centralized relationship management.

A very important factor is in relation to the budget allotted by the company towards CRM annually. It is very significant that a good sum is allotted every year by these banks towards implementing good CRM technology such that CRM has its own budget for its re-engineering processes.

CRM Program Management Guidelines

There exists a format for implementing a good CRM program. It was well proven in enterprise resource planning (ERP). The steps include.

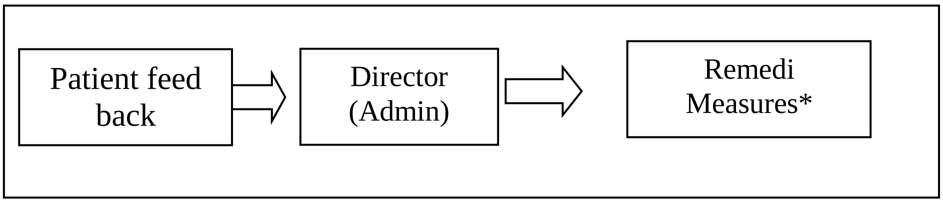
1. CRM Diagnosis
2. Strategy Review
3. CRM Enterprise Architecture
4. Enterprise Application Integration
5. CRM Package Selections and Implementation.
6. CRM Application Outsourcing Assessment
7. CRM Implementation Review.
8. Program Project Management

The following steps can be well explained in detail later.

CRM involves a multiplicity of initiatives. It needs a well managed unit. Therefore a well advanced PMO, i.e., program management office is required. This PMO establishes a good control on all CRM operations. It assesses each operation and each conversation thereby increasing the value in every relationship. Therefore this program management office is an absolute necessity in a good implementation of CRM technology.

HOSPITAL SERVICES AND CRM

The current state of CRM programs and implementation in the service sector in India is very rudimentary. In fact "customer — focus" is very limited. With respect to Hospital service providers, CRM seldom goes beyond a one-sheet patient feedback form. (See Appendix 1 for samples of patient feedback questionnaires). It is again doubtful whether any of the feedback will be incorporated for rectifying current practices, thereby enhancing patient loyalty. Usually, such hospitals have a marketing wing, which is responsible for closely monitoring the feedback. However, the analysis subsequently carried out by them and the remedial measures implemented are not a streamlined effort or worst still are non-existent. They are also in the nature of "hospital acceptable" measures of patient satisfaction and not "patient driven" measures of satisfaction. The remedial measures are more in the nature of "damage control". They neither seek to delve into reasons for dissatisfaction nor origins of dissatisfaction.



Current CRM efforts in Hospital Services

(Usually in the nature of rectifying deviations from **"hospital acceptable"** levels of satisfaction and not from 'customer-centric satisfaction')

There is a need to focus on additional ways of maximizing patient satisfaction with the care received: staff training, on how to maintain good customer relations; changes in organization and scheduling to minimize patient discomfort and waiting times; adoption of architectural and design styles that provide warm and appealing as well as functional environments; market research and so on. There is a need to further appreciate that the above activities represent only one side of the coin. The providers need to go outside their walls to cultivate those who act as the distributors of health care.

In health-care provision, someone other than the end user (patient or client) typically decides which provider will supply needed health care services. A large percentage of hospital volume is tied to physicians and corporate employers. Under such circumstances, there are special requirements for successfully developing enduring relationships with those who distribute health care services — the physicians and employers.

Learning what may create — or promote — customer loyalty is one step of the process that contributes to enduring ties, ensuring that the services offered meet the needs of customers and that changes are made as needed is also an essential step. Tactics that will open lines of communication invite serious interest in what an organization has to offer, and give confidence that it is responsive to customer needs have to be formulated and implemented effectively. Health care organizations, in other words, need to be customer-driven in. the fullest sense of the term.

In today's environment customers cannot be taken for granted. There is an increasing trend towards corporatisation and privatization of hospital services. Gone are the days when the loss of a patient can be shrugged of. More and more people have incomes and the desire for quality services. The smartest of hospital service providers need to spend time and resources looking closely at the reasons for patient loss and take steps to eliminate them. They .must make sure that they understand the reasons why patients may take their business elsewhere. This could be due to quite a few reasons such as:

- Lack of proper procedures
- Unsatisfactory service
- Uncompetitive price charged for the service

The best way of retaining customers is to deliver a level of high customer (patient) satisfaction through price, people, processes, physical evidence, place and promotion (product, yet another 'P' of the marketing mix is not mentioned because, in a service sector like a hospital, product is a constituent of all the other P's). This will result in strong loyalty and ultimately will show up on the bottom line as positive customer feedback and increased revenue; and the starting point is the development and implementation of an efficient CRM program, which is inclusive of a SRM program and PRM program.

Current CRM efforts in a hospital are transactional in nature. If the hospital is to move from transactional selling to relationship marketing, the hospital needs a suitable structure. Effective relationship with the patient requires the active cooperation of all departments within the hospital. It also requires the managers to recognize that serving the patient requires more than just good doctors and an infrastructure. It needs to be a coordinated activity across the entire service providers if they are to create a value-laden relationship. Relationship marketing is based on the theory that in order to feel valued by their provider customers' need focussed tailored and continuous attention.

Self Evaluation Question

1. CRM provide professional services (True or False.)
2. Composing an E-Mail Id gives information about ____________

CUSTOMER EXPECTATIONS FROM HOSPITAL SERVICES

In order to better understand how building relationships with suppliers and operations personnel within the hospital services would result in better CRM, it would be useful to list some of the expectations that the customers (patients) have from hospital service providers and also to list, the suppliers, who ultimately are responsible for fulfilling these expectations.

When customers enter into a relationship for buying a service, they have expectations of the service that they should be given. These expectations are shaped by their previous dealings with other service providers in the same category. Their expectations are also shaped by the type of products they have purchased, the price they have paid, as well as such factors as the service providers (hospital's) brand and advertising messages.

If the hospital is to successfully build on the relationship it has with the customer it needs to understand the patient's expectations in order that it can meet them, or indeed surpass them if at all possible. While individual patients have different expectations of the service, the company should expect that it probably would not be able to meet absolutely all of them. There will be, however, many that are common to most patients and these must be met if the hospital is to retain these people and enjoy repeat business from them.

Patients will have expectations that relate to the hospitals they visit, the personnel that deal with them, and of the service transaction as a whole. Listed below are some of the typical expectations that patients would have:

Patient (customer) expectations from a hospital:

- Proximity, central location
- Clean environment
- Adequate space to move about Comfortable lobby seating Adequate space in patients rooms
- Attached toilets in the patient rooms with a *geyser* facility
- Pure filtered water availability
- Timings to suit their requirements

- ❖ Diagnostic services, pharmacy and dietary services within the compound of the hospital
- ❖ Lift services
- ❖ Laundry services

HEALTHCARE INDUSTRY IN INDIA

Healthcare services constitute among the fastest growing service segments in India. Traditionally in the country, the governments and private individuals have been the principal providers of healthcare. Since 1980s, corporate India entered the healthcare industry in a big way. Apollo Hospitals, Madras and it franchise network in India and overseas, epitomizes the face of corporate healthcare in India. Per capita expenditure on healthcare is also on the rise in India and is soon set to reach global proportions. At the same time, the federal and the state government are scaling back then- operations as the country's subsidized low-cost healthcare service provider. Healthcare insurance has been introduced and is open for national and global competition. They are expected to work towards a higher growth of managed healthcare industry in India.

Healthcare services operate primarily on the word of mouth mentions and referrals. Like any other growing service industry, it has its fair amount of customer against. Finally, it is concerned about relationship building with customers and the need to lower the marketing overheads too.

Globally, the doctor-patient relationship is private which also includes the matter of dissatisfaction and complaint. The customer recovery procedure is quite complex in a health industry. It receives low attention from the healthcare providers since the stature of the physicians is traditionally exalted especially in India. The majority of Indian healthcare customers consist of literate, poor and middle class people. Often, they are unaware of even what has gone wrong. Thus, the recovery procedure, when underway, is on the volition of the healthcare service providers, especially if they are conscientious. The situation is not helped by the fact that the supply of health services is inadequate and unevenly distributed in India. Such consumer retaliatory actions as voicing complaints, discontinuation, brand switching or a legal action, etc.- immediately resorted to in a free consumer society, are not generally unknown in India. Patients are known to stick to their healthcare service providers even while complaining or cribbing. There is no apparent pressure on Indian healthcare providers to try and recover a lost or complaining customer.

Fortunately, the response of the customers is rapidly changing in India to the errant healthcare service providers. Many others apart from the family members, friends, acquaintances and a few strangers get to know of things especially If they have gone wrong. The industry too is growing in order reduce inadequacy of the supply and to make it more widely. Consumer protection laws and educational groups aim to empower the healthcare customers. As the healthcare service gets corporatized and professional, it is likely to address the issue of customer dissatisfaction more closely and make special efforts to recover the patients lost on account of complaints. It is highly conscious of the need to retain customers. Finally, the healthcare system is truly aware of the potential of the word of mouth - be it from the satisfied customers, dissatisfied customers, former customers or recovered customers.

Healthcare service industry thus, presents itself as an appropriate background to test the proposed research thesis and the related issues.

CUSTOMERS SERVICE

Customers are obviously an essential ingredient of a loyalty-based system, and success depends on their staying with the company a long time. But not all customers are equal. Companies should target the "right" customers—not necessarily the easiest to attract or the most profitable in the short term but those who are likely to do business with the company over time. For various reasons, some customers don't ever stay loyal to one company, no matter what value they receive. The challenge is to avoid as many of these people as possible in favor of customers whose loyalty can be developed.

Demographics and previous purchase history give some indication of a customer's inherent loyalty. People who buy because of a personal referral tend to be more loyal than those who buy because of an advertisement. Those who buy at the standard price are more loyal than those who buy on price promotion. Home owners, middle-aged people, and rural populations also tend to be loyal, while highly mobile populations are inherently disloyal because they interrupt their business relations each time they move.

But generalizing about the right customer fails to take into account the fact that a customer who is disloyal and therefore expensive for one company may be valuable for another. USAA, a loyalty leader with a remarkable 98% retention rate in its field of auto insurance, has created a steady client base among military officers, a group known for frequent moves. Military officers are not very profitable for most insurers, but by developing a system tailored to that group's particular needs, USAA has made it possible and economical to keep them.

The heart of USAA's system is a centralized database and telephone-sales force that customers can access from anywhere in the world. The system itself rather than the insurance agent provides continuity with the customer. That continuity works to the customer's and company's advantage. The military officer doesn't have to find a new agent every time he or she is redeployed, and USAA doesn't have to transfer records or create new ones. More important, USAA avoids having to lure a new customer to replace the one it would have lost.

Finding loyal customers requires taking a hard look at what kinds of customers a company can deliver superior value to. If the analysis is done well, that customer segment will be fairly homogeneous, and that homogeneity improves the economics of serving the segment. MBMA, a loyalty leader in the credit card business, provides cards primarily to members of affinity groups such as the American Dental Association or the Georgetown University Alumni Association. Because members in these groups share important qualities, MBNA has been able to understand their common needs and has made adjustments to serve them well. Its data-processing systems are designed so every group can receive customized packages of services. As a result, MBNA keeps its customers once it gets them. When AT&T introduced its Universal Card, other credit card companies lost market share, but MBNA held its ground.

Historical attrition rates can also point the way **to** the most promising customer segments. Direct marketers such as L.L. Bean have accounting systems that track individual customers year by year. Other companies can get similar information by asking a sample of customers to reconstruct their purchase patterns from various suppliers over the past five years. This will reveal attrition rates and lifetime value for each type of customer.

With knowledge of which customers are likely to be loyal comes knowledge of which customers are not. Companies can then direct resources away from customers who are likely to defect and toward those likely to stay. Special promotions and other kinds of pricing strategies aimed at acquiring new customers often backfire. Companies typically use pricing as a blunt instrument to bring customers in indiscriminately, when instead, they should use pricing to filter out precisely the customers unlikely to be loyal. Cable television companies talk about increasing retention rates but then recruit new customers via price promotions and free sampling—techniques that draw out of the woodwork precisely those customers hardest to keep. Those recruitment efforts merely load the pipeline with people who are inherently disloyal.

Even attempts to recover customers who threaten to leave are often a waste of resources. Investments in service-quality improvements may be counterproductive when they are focused on customers the business actually should get rid of. Auto insurers discovered that certain segments of young drivers were a drag on profits. It took ten years to break even on them, but due to high attrition, only 10% to 15% would stay that long. The industry also realized that it took at least four years before most companies could break even on the average customer, in part because of the high front-end commission paid to salespeople for signing new customers. If the customer didn't stay with the same insurer for four years, the company never recouped those costs.

PRODUCTS AND SERVICES

Once a company has identified the customers it should keep, it has to go about the business of keeping them. Often that means adding new products and services to meet customers' evolving needs. Companies that fail to use their knowledge of customers to develop the product or service those people will need next are leaving the door open for another company to lure them away. Although it is tempting to use new products to win whole new markets, it almost always makes better sense to stick with existing customer segments. Over time, the company develops intimate knowledge of those people, and then can make good intuitive market judgments. Also, it is easier to build sales volume with customers who already know the company than it is with newcomers. USAA, for example, having come to understand one narrow market segment inside and out, found it relatively easy to go beyond auto insurance to offer mutual funds, life insurance, health insurance, and credit cards.

When Entenmann's of New York, a loyalty leader in specialty bakery products sold through grocery stores, saw its sales leveling off, it monitored customer purchase patterns in each local market. It discovered that as its core customers aged, they were looking for more fat-free and cholesterol-free products. Through direct contact with customers via telephone surveys and focus groups, the company found that consumers would buy those products from Entenmann's if they were available.

So the company had a choice. It could create a new line of products to serve those customers, or it could search for a whole new market segment. Ultimately, the company determined that it was much more economical to develop new fat- and cholesterol-free products than to go with another group of customers. Entenmann's new product line has been highly successful. It addressed the changing needs of the company's core clientele and even attracted new customers.

Self Evaluation Question

3. CRM help in establishing customer loyalty (True or False.)
4. List three major 'S' banking

   ________,________________,________________

Question

1. Explain web based sales.
2. Explain Tele sales.
3. What is customer service.
4. What are the professional service in CRM.
5. Explain the field sales.

Answers

1.True 2 address. 3 True 4 Size, Speed, Service

NOTES

NOTES

UNIT – V

BUSINESS PROCESS OUTSOURCING

Business process outsourcing (BPO) contains the transmission of processes along with the associated operational activities and responsibilities, to a third party with at least a guaranteed equal service level and where the client contains a firm grip over the (activities of the) vendor for mutual long term success. BPO is positively related to the search for more efficient organizational designs: cost reduction, productivity growth and innovative capabilities. Hence, a source for strategic advantage.

Traditionally, BPO is undertaken by manufacturing firms. For instance Coca Cola, where almost the entire supply chain is outsourced and the company is essentially becoming a marketing organization.

However, BPO is nowadays rapidly conquering the service oriented firms as well. A well-known example is provided by the Bank of America, who outsourced their entire HR function to Exult, one of the leading Human Resources BPO vendors.

BPO is often divided into two categories: back office outsourcing, which includes internal business functions such as billing or purchasing, and front office outsourcing, which includes customer-related services such as marketing or tech support. The endless opportunities IT provides, stimulates (cross-border) BPO activities. BPO that is contracted outside a company's own country is sometimes called offshore outsourcing. BPO that is contracted to a company's neighboring country is sometimes called nearshore outsourcing.

Use of a BPO as opposed to an application service provider (ASP) usually also means that a certain amount of risk is transferred to the company that is running the process elements on behalf of the outsourcer. BPO includes the software, the process management, and the people to operate the service, while a typical ASP model includes only the provision of access to functionalities and features provided or 'served up' through the use of software, usually via web browser to the customer. BPO is a part of the outsourcing industry. It is dependent on information technology, hence it is also referred to as information technology enabled services or ITES. Knowledge process outsourcing and legal process outsourcing are some of the subsets of business process outsourcing.

Overview

Outsourcing involves the transfer of the management and/or day-to-day execution of an entire business function to an external service provider.[1] [A] The client organization and the supplier enter into a contractual agreement that defines the transferred services. Under the agreement the supplier acquires the means of production in the form of a transfer of people, assets and other resources from the client. The client agrees to procure the services from the supplier for the term of the contract. Business segments typically outsourced include information technology, human resources, facilities, real estate management, and accounting. Many companies also outsource customer support and call center functions like telemarketing, customer service, market research, manufacturing, designing, web development, content writing, ghostwriting and engineering.

Outsourcing and **offshoring** are used interchangeably in public discourse despite important technical differences. Outsourcing involves contracting with a supplier, which may or may not involve some degree of offshoring. Offshoring is the transfer of an organizational function to another country, regardless of whether the work is outsourced or stays within the same corporation/company.

With increasing globalization of outsourcing companies, the distinction between outsourcing and offshoring will become less clear over time. This is evident in the increasing presence of Indian outsourcing companies in the US and UK. The globalization of outsourcing operating models has resulted in new terms such as nearshoring, noshoring, and rightshoring that reflect the changing mix of locations. This is seen in the opening of offices and operations centers by Indian companies in the U.S. and U.K.

Scope of BPO

Deciding to Outsource

The decision to outsource is taken at a strategic level and normally requires board approval. Outsourcing is the divestiture of a business function involving the transfer of people and the sale of assets to the supplier. The process begins with the client identifying what is to be outsourced and building a business case to justify the decision. Only once a high level business case has been established for the scope of services will a search begin to choose an outsourcing partner.

Supplier Proposals

A Request for Proposal (RFP) is issued to the shortlist suppliers requesting a proposal and a price.

Supplier Competition

A competition is held where the client marks and scores the supplier proposals. This may involve a number of face-to-face meetings to clarify the client requirements and the supplier response. The suppliers will be qualified out until only a few remain. This is known as down select in the industry. It is normal to go into the due diligence stage with two suppliers to maintain the competition. Following due diligence the suppliers submit a "best and final offer" (BAFO) for the client to make the final down select decision to one supplier. It is not unusual for two suppliers to go into competitive negotiations.

Negotiations

The negotiations take the original RFP, the supplier proposals, BAFO submissions and convert these into the contractual agreement between the client and the supplier. This stage finalizes the documentation and the final pricing structure.

Contract Finalization

At the heart of every outsourcing deal is a contractual agreement that defines how the client and the supplier will work together. This is a legally binding document and is core to the governance of the relationship. There are three significant dates that each party signs up to the contract signature date, the effective date when the contract terms become active and a service commencement date when the supplier will take over the services.

Transition

The transition will begin from the effective date and normally run until four months after service commencement date. This is the process for the staff transfer and the take-on of services.

Transformation

The Transformation is the execution of a set of projects to implement the service level agreement (SLA), to reduce the total cost of ownership (TCO) or to implement new services. Emphasis is on 'standardisation' and 'centralisation'.

Ongoing Service Delivery

This is the execution of the agreement and lasts for the term of the contract.

Termination or Renewal

Near the end of the contract term a decision will be made to terminate or renew the contract. Termination may involve taking back services (insourcing) or the transfer of services to another supplier.

Importance of BPO

Organizations that outsource are seeking to realize benefits or address the following issues:

- **Cost savings.** The lowering of the overall cost of the service to the business. This will involve reducing the scope, defining quality levels, re-pricing, re-negotiation, cost re-structuring. Access to lower cost economies through offshoring called "labor arbitrage" generated by the wage gap between industrialized and developing nations.
- **Cost restructuring.** Operating leverage is a measure that compares fixed costs to variable costs. Outsourcing changes the balance of this ratio by offering a move from variable to fixed cost and also by making variable costs more predictable.
- **Improve quality.** Achieve a step change in quality through contracting out the service with a new service level agreement.
- **Knowledge.** Access to intellectual property and wider experience and knowledge.
- **Operational expertise.** Access to operational best practice that would be too difficult or time consuming to develop in-house.
- **Staffing issues.** Access to a larger talent pool and a sustainable source of skills.
- **Capacity management.** An improved method of capacity management of services and technology where the risk in providing the excess capacity is borne by the supplier.
- **Catalyst for change.** An organization can use an outsourcing agreement as a catalyst for major step change that can not be achieved alone. The outsourcer becomes a Change agent in the process.
- **Reduce time to market.** The acceleration of the development or production of a product through the additional capability brought by the supplier.
- **Commodification** The trend of standardizing business processes, IT Services and application services enabling businesses to intelligently buy at the right price.
- Allows a wide range of businesses access to services previously only available to large corporations.
- **Risk management.** An approach to risk management for some types of risks is to partner with an outsourcer who is better able to provide the mitigation.
- **Time zone.** A sequential task can be done during normal day shift in different time zones - to make it seamlessly available 24x7. Same/similar can be done on a longer term between earth's hemispheres of summer/winter.

- **Customer Pressure.** Customers may see benefits in dealing with your company, but are not happy with the performance of certain elements of the business, which they may not see a solution to except through outsourcing.

CRITICISMS OF OUTSOURCING

Public Opinion

There is a strong public opinion regarding outsourcing (especially when combined with offshoring) that outsourcing damages a local labor market. Outsourcing is the transfer of the delivery of services which affects both jobs and individuals. It is difficult to dispute that outsourcing has a detrimental effect on individuals who face job disruption and employment insecurity; however, its supporters believe that outsourcing should bring down prices, providing greater economic benefit to all. There are legal protections in the European Union regulations called the Transfer of Undertakings (Protection of Employment). Labor laws in the United States are not as protective as those in the European Union. A study has attempted to show that public controversies about outsourcing in the U.S. have much more to do with class and ethnic tensions within the U.S. itself, than with actual impacts of outsourcing.

Against Shareholder Views

For a publicly listed company it is the responsibility of the board to run the business for the shareholders. This means taking into consideration the views of the shareholders. Shareholders may be interested in return on investment and/or social responsibility. The board may decide that outsourcing is an appropriate strategy for the business. Shareholders have a responsibility to make their views known to the board of directors.

International CRM:

In order to go international as an E-business requires a new strategy—it must be redesigned completely, which is not an easy task. Not only is there a considerable difference in Internet use between countries, local culture and regulations make that what works in one country doesn't work or even may not be allowed in/from another country.

And you are not alone in this! Also your customers operate internationally via the Web, just like prospects, suppliers, competitors, employees, trade unions, etc., are doing. So, if you deliver in different countries customers may compare and choose to their own advantage. For example, they may compare GBP prices + p&h of amazon.co.uk with those in EUR of amazon.de if they live in—say Belgium. You may choose to produce in different countries, using different suppliers, for reasons of cost efficiency and logistics.

As another but "reverse" example, consider the latest development regarding plane ticket prices (Dec 2003). When buying tickets via Internet 18 European airline carriers quote different prices for identical flights, dependent of where the buyer lives. The difference can be as high as 300 %! The EU's first commissioner for transport, Loyola de Palacio, has demanded an explanation

Depending on the responses the European Commission will decide about further action.

Email marketing, consumer acceptance and local business climate all play a role. You must decide in which countries you need an office and in which not. This goes hand in hand with designing an international marketing strategy that covers all countries in which you want to sell your products or services.

Global Strategy

Speaking about adapting the strategy, it is necessary to really make it a global one. From this renewed strategy has to follow the business case for your global internet investment. In order to build this case successfully you have to know the markets you are interested in. What is the attractiveness of your products or services in each of these markets and how is the (potential) competition performing there? If you are going to deliver products, you also must consider where you are going to produce them and how your suppliers can fit in that arrangement. Logistics, costs and local regulations play a role.

In order to be successful via the Web channel the whole business has to be adapted to it. Usually this means that the complete IT infrastructure has to be integrated, but also that sales, service and marketing work closely together.

Going international not necessarily always is an expansion in the sense that more products or services are being sold to more customers in more countries. Maybe that does not work for all products or it may not be profitable for certain services. It must be decided beforehand which products or services will be involved and which ones not (yet).

Where to Go?

As mentioned before. Internet penetration varies considerably per country. While in countries like the US, Canada, Australia and the Nordic countries 54 % to some 79 % (Iceland) of the population are Internet users, for the rest of Europe that figure is lower.

Other areas of the world, like Africa, South America and Asia have even lower numbers of Internet users, with as exceptions South Korea (53 %) and Hong Kong (60 %). Another useful figure is the number of PCs per 1000 inhabitants for which #1 San Marino (!) stands at 738, at a distance followed by US (574), Sweden (507) and Denmark (506). Australia is #8 at 460 and Singapore #10 at 436. (All figures from Issues 2004, a Newsweek Special Edition, December 2003.)

The international marketing campaign should furthermore take into account the local costs of Internet connections. This has influence on the relative number of at work Internet users as compared to the number of home users. The (relative) purchasing power of the prospects per country also is a relevant parameter.

Various markets (B2B/B2C)

In a B2B market the above considerations have a different impact than in B2C. In general, B2B markets are more open than B2C in regions outside Northern America, Europe and the Asia Pacific region. In which countries do you expect an interest for your product (service) and where shall the ROI be the greatest? Consult the latest figures from e-commerce research companies such as Forrester and The Boston Consulting Group, about the development of numbers of Web site visits and purchases for the countries and product/service categories you are interested in.

With so many companies currently on the Web, it in itself becomes an attractive platform to advertise. This B2B billboarding seems to be especially attractive on those sites at work Internet users are likely to visit: news sites with financial or technological (telco) content.

Whatever your products are, you must be certain that you are allowed to market and sell your products in each of the selected countries. The products and campaigns have to comply with all local legal and regulatory requirements and should not infringe on the patent or intellectual property rights of a (local) competitor.

In going international your business objectives will dictate what the best balance is between operational excellence and time-to-market. This sets the stage for your multi-national marketing campaign. Furthermore, you must be flexible and able to adapt your international strategy to whatever responses and changing circumstances you will encounter while going forward.

Some of the other issues that play a role are:

Production and Distribution

Do you sell goods or services? Will you be distributing the products worldwide from one location or will you have production facilities in various countries? Semi products must be assembled, products must be packaged, shipped and stored. Similar questions hold for after-sale services and remediation, or do you want to outsource that? How about end-user training? All of these issues depend on factors such as logistics, costs, product regulations, labour conditions, taxation, public perception and strategy.

Products (Goods) vs. Services

The distinction between "product" and "service" may not in all cases be that clear and may even not be the same in all countries. If you have a software product that you ship in large quantities to buyers, it are products (goods), but if you have agreed to develop a custom application with certain functionality to a customer it may very well be a service. This may have consequences for your contracts and the ownership of the intellectual property rights.

Legal & Regulatory

The above examples already demonstrate the influence on your legal position and that it requires a detailed and thought-through approach. In general, in the absence of a comprehensive international regulatory body, if you offer products or services via a Web site from one country to users in another country both national jurisdictions play a role. This is a tricky area, as for instance information you are allowed to solicit or display in one country not necessarily is allowed to be displayed/used in (or even transferred to) another country. Issues like privacy, intellectual property rights, taxation and product safety (toys, food, pharma) play an important role.

A recent development shows limits on international operations. There already are countries which ban a large portion of the Internet pages, often as a form of censorship. As a more recent case take the example of certain companies who offer betting via the Web. As they had no license to offer betting in The Netherlands, as required by local law, by court order they had to make their Web sites unavailable for users in The Netherlands.

In the abovementioned example of the airline plane ticket prices, complaints received by the European Commission suggest "that people feel that they have been discriminated against when buying plane tickets. Airlines typically use the postal address or the credit card address to determine the residence of a customer. Depending on the country of residence they then may quote different prices." And in a recent document about protection of consumer rights, the Commission wrote that it had been receiving complaints [about] "insufficient information, confusion about tariffs, [and other] issues raised by disappointed and frustrated passengers."

During the coming months the commission will decide if further action is necessary to ensure consumer protection.

Legislation, regulation and taxation are very dynamic and the impact of (potential) changes on the profitability (or even legality) of your business can be tremendous. To address these issues the best approach is to evaluate the changes on an ongoing basis through the use of proper legal counsel for all relevant jurisdictions.

Language

In an international context you must consider having also Web pages in other languages than English. Currently, a growing majority of the Internet users is not a native English speaker while about 2/3 of the Web pages is in English. Recently there was an increase of the number of pages in for instance Chinese, like with CNN, and the trend is that in the nearby future a growing part of new Web pages will no longer be in English.

Therefore, multiple-language Web sites become a must. In some cases this means translation, in other cases the text for each language version has to be drafted from scratch. Usually, a mixture of these two approaches will do. Once it has been decided that your audience requires significant information in its own language you can start building the content. If your Web site is extensive, you could start with three to five pages per language. There are companies which offer services to maintain Web pages in multiple language versions simultaneously.

Apart from the language issue itself, to communicate effectively on the Web one must observe a few rules for writing texts. Not only because the majority of the readers may not have English as first language but also because of the specific format and layout of Web pages. In general, these rules come down to "write simply and correct": short sentences (~ 15 words max), no cliches, be positive and make sure the text is free from typos and grammatical errors. Writing for the Web is an art in itself. Therefore, it may be a good investment to hire a professional Web writer/editor to build the basis of your Web content.

Culture

Local culture, as an extension of the language and legal dimensions, sets the expectations for your international marketing campaign and determines the degree of localization your campaign requires. The significance of this depends on your product or service and on its market characteristics.

Consumer behaviour (incl. email usage) differs between countries and also between B2B and B2C. Here the costs of connection and the state of the infrastructure plays a role. Another factor of relevance is that there is no country where the acceptance of credit card payments is as great as in the US. It also varies between countries how people perceive the security of credit card payments via the Web.

International branding is an area of increasing importance—a strong brand is an asset in itself. Certain brands (like Coca-Cola) have become so strong, that the product seems to have become less important than the experience. In order to be successful in this area, the branding strategy must be part of the overall corporate strategy. It also must take into account all relevant language and culture issues in order to avoid errors that easily can destroy a reputation.

Operations

The network infrastructure also will be different between countries, which on its turn will depend on the way population centres and industrial areas are spread across a country. As an example, short message service (SMS) is very popular in Europe and Asia. In Japan wireless communication is much more common than elsewhere.

Search Engine Marketing (SEM)

The increasing number (both relative and absolute) of Web site visitors with another language than English as their native language means that the use of non-English search engines will increase. Therefore Web pages must be optimized also for the most relevant ones of these non-English search engines: i.e. non-English versions of the well known U.S.-based engines like Google and Yahoo! as well as local search engines.

Traffic

Some of the issues above directly or indirectly influence the number of visitors on your Web site. Creating the right content, taking into account cultural and regulatory issues, etc. is critical in attracting enough visitors. Although specialized agencies can help with that, it is not the sophistication of the Web site that matters here but clear and good content plus a customer-centred handling of interactions through all touch points.

Risk

As an entrepreneur you want to be successful and everything described above may have been taken care of properly where required, including an evaluation of your legal position. But in the end it comes down to whether or not you get paid for the goods or services delivered. Ensure that both the delivery and payment arrangements you envisage are adequate and robust. Will the (foreign) customer get what he (she) ordered and does he pay and can he pay?

And even if the customer does pay, there may be local regulations or taxation issues that keep part of your money (temporarily) out of reach.

A risk assessment should address these issues and cover also for a/o the currency risk.

The Way of the Web

By starting a global E-business it will change the perception of your customers and of your suppliers. The nature of doing business will change dramatically. It will open the door to real-time customer-centric business, which requires a totally different attitude (relationship building), operations & IT, as well as accounting model.

The Web can be one source of further guidance and advice in this. But it is a challenge to sift the wheat from the chaff. Also consult other sources like (local) organizations in your sector of industry or government advisory agencies.

By exploiting to the fullest the possibilities of the Internet you have an opportunity to service more customers better and in a totally different way, a way which requires adequate and ongoing navigation to respond to the new challenges. Through this you can know your customers better than the competition, for your customers determine who wins the competition, your competitors don't!

Despite that there seem to be much more stories about failing Internet companies, I am convinced that this new way also can be to the benefit of your customers (prospects) and therefore to the profitability of your entrepreneurship.

Last May you subscribed to an online consumer product evaluation service so you could evaluate different brands of dishwashers. The monthly subscription cost was automatically billed to your credit card.

Trouble is, it's now November and you haven't used the service since, though the $3.95 fee shows up on your monthly credit card bills. Because you have no plans to evaluate other products, you decide to cancel the subscription. You log on to the site and navigate to the Customer Support screen, which requests your username and password.

You haven't used the service lately, so you don't remember your password and you're not sure whether the username is even right. You try a couple of variations but realize it's not going well when your dog's name doesn't do the trick. Why haven't they put some sort of 'cookie' on your workstation like everyone else? You jump to several screens that promise to explain how to change or cancel service, only to be greeted by a request for your username and password. Not even the FAQs (Frequently Asked Questions) page is accessible without a password.

You decide to phone the company and request cancellation, but no phone number is displayed on the site. To contact the company via e-mail, the site requires your user ID and password. There would be no easy way to cancel the service. The toll-free operator has no listing for the online service. You are condemned to online hell. And-irony of ironies-it's with a consumer advocacy company!

The above scenario is a good example of a well-meaning company failing to put itself in its customers' shoes. And it's not the only one. Companies who trip up on customer service do so at their peril, because they risk alienating the very constituencies they want to attract.

Despite the CRM frenzy, good customer service is harder to come by than ever before. Everybody seems to have a service horror story and, as we discussed in Chapter 1, everybody's more than happy to share it. No wonder most companies planning CRM projects begin with the goal of improving customer support. If anything can affect a customer's experience, it's the service—or lack thereof.

The Call Center and Customer Care

Twenty years ago, most consumers complained by writing letters, mailing them, and awaiting a response whose arrival was hit-or-miss. The 800 number sparked a revolution in customer service, offering consumers real-time dispute resolution and the accountability of a company representative. Now e-business has upped the ante.

To its dismay, Dell Computer recently uncovered the fact that customers who ordered their PCs from the company's Web site made an average of two and a half calls to the company's support center.[3] (So much for the Web's efficiency.) And scathing news reports began citing shoddy customer service as ground zero for why online retailers had lost a combined $6.1 billion in 1999. E-tailers were accused of intentionally omitting contact phone numbers from their Web sites and print ads to avoid costly telephone calls, in effect, forcing customers to interact with a company via its lower-cost Web channel. The fact is that with the Internet, the call center often represents the customer's only opportunity to interact with a real human being.

Call centers, increasingly known as contact centers, customer interaction centers, or—somewhat optimistically—customer care centers or even knowledge centers, were around long before customer databases, and friendly service was the hallmark of such companies as the Walt Disney Company and State Farm Insurance even before the Web made its mark.

Companies have long known that customer support is critical to both keeping existing customers and acquiring new ones.

What they haven't always known is how to perform it effectively. Until recently, executives considered their companies' contact centers a necessary cost of doing business and treated them as if they served the sole purpose of weighing down corporate profitability. Call center hiring involved merely testing how fast a job candidate could type.

Call center operators had been responding to each call as if it were unique, in effect, proving their executives partially right. The reality is that up to 50 percent of call center contacts are duplicates. Call center effectiveness was measured by how quickly the operator could get the customer off the phone. When the customer's call required research, tracking down a product specialist who could work on the problem could take days or even weeks. Because calls were rarely monitored, some operators took liberties in inventing their own ersatz solutions to turn over as many calls as possible.

Leading CRM vendor Siebel Systems parodies the nightmare of poor customer service in their recent TV spot, in which a concerned operator listens attentively as a frantic customer shrieks about the company's failure to respond to her problem. When the operator politely asks the customer to describe her problem, the customer becomes so hysterical she hangs up, leaving the dismayed operator wondering what has just happened.

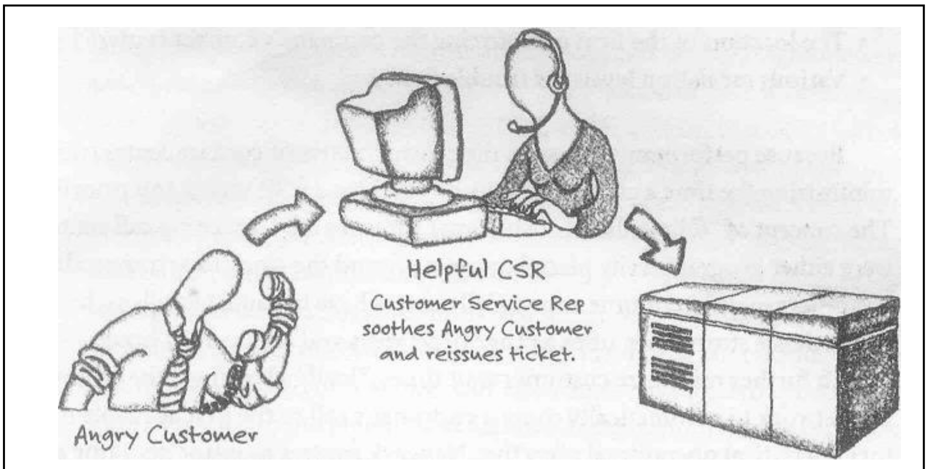
Not so humorous are the anecdotes scattered across the Web and print media bemoaning the decline in customer service. Last July, the *New York Times* asked the question "Is the Customer Ever Right?" in an article profiling the service nightmares of disconsolate consumers who had dedicated a disproportionate amount of their lives to resolving disputes. The article pointed its editorial finger at corner-cutting companies guilty of hiring unqualified Help Desk staff, portraying the telephone and Web support infrastructures of several companies as "infuriating mazes."' In October, a *Forbes* cover article lamenting outrageous wait times in lines and on hold asked readers, "Shouldn't profits and customer service go hand in hand? How did we get to the point where a company thinks it can improve its prospects by wasting customers' time?"[2] Withholding its diplomacy that same month, *Business Week* proclaimed on its cover, "Why Service Stinks."

Call center technologies entered the marketplace to effectively alleviate some of the repeat work and increase efficiencies, allowing companies to handle escalating call volumes. Call center products offered the creation of trouble tickets for customer complaints and provided tracking of trouble tickets from the seminal call through its resolution. CSRs (customer service representatives) could look up similar calls and resolutions while a customer was on the phone without having to repeat research. Products such as Remedy and Clarify enable companies to run statistics on their calls, categorizing them by call type, time-to-resolution, escalation percentages, and average call duration. Such products also provide forecasting of call volumes to ensure adequate call center staffing.

Such vendors legitimately aid their clients in increasing agent productivity and turnover rates, expediting training, gauging the effectiveness of solutions offered, and—ideally—shortening problem-resolution times and reducing costs. (One popular maxim advises that any customer interested in bankrupting a company need merely phone the call center on a regular basis.) Most companies use statistics from their call center products to track CSR performance, compensating them according to the volume of calls they can support.

Notwithstanding consistent improvements in call center software, business processes have still played a larger role than customers do.

The customer is not happy. The airline had promised to mail him a ticket, which never came. The CSR is authorized to reissue the ticket and log the customer's complaint. Lucky for the customer, the fare hasn't changed. And lucky for the airline, the customer accepts his new ticket. However, the focus here is not on the customer's happiness but on the process of ensuring that the complaint is recorded, with the goal of post facto analysis and comparison. Soothing the customer is up to the call center agent—standard operating procedure m most of today's call centers. Indeed, the customer hasn't figured into the call center infrastructure at all until very recently.



Angry customer’s plane ticket never showed up and he’s due to fly tomorrow.	Call center system call is Assigned a trouble ticket and stored on the call Call center system

The typical call center process

The Contact Center Gets Automated

Contact centers have evolved quickly from a group of local workers answering phones during business hours to a dedicated organization providing on-demand global support and sales through several different channels. Companies are realizing increasingly that their customer relationships are only as good as the quality of their support and are adopting computer telephony integration (CTI) features that automate various communication processes.

Call Routing

A company's customer support "help desk" might actually be made up of several—or many—geographically dispersed contact centers. These contact centers might be segregated based on

- ❖ The location of the company's regional offices
- ❖ Staff expertise or product specialization
- ❖ Proximity to key research and development (R&D) activities
- ❖ The location of the firm outsourcing the company's contact center
- ❖ Various escalation levels for trouble tickets

Because performance remains the central metric of contact center success, minimizing the time a customer waits on hold for a CSR stays a top priority. The concept of "follow the sun" customer care emerged, meaning call centers were either geographically placed or open around the clock to accommodate customers in different time zones. Call centers have become like all-night convenience stores: they offer a range of services and are open 24 hours.

More sophisticated automatic call distribution, also known as precision call distribution, facilitates calls to be routed to agents who have access to specific information or with particular areas of expertise. It can delineate a company's valuable customers by mapping the incoming phone number to the customer profile, thus prioritizing customer calls to favor repeat customers or routing customers to specialty agents who are instructed in ways to differentiate treatment based on the customer's assigned segment. Saks Fifth Avenue's parent company Saks Incorporated bases its call routing on CSR skillsets, ensuring that customer support staffers receive calls on the subjects they know well. Saks ensures that its high-value customers—those who spend over $2000 annually—reach an operator in one second or less.

Interactive voice response (IVR) systems provide round-the-clock routing based on a customer's response to questions typed on her telephone keypad. The now-pervasive instructions ("Press 1 if you would like your account balance;

Press 2 if you are responding to our ad; Press 3 ...") delay contact with a human being, allowing CSRs to dispense with qualifying a caller before helping her.

Automated speech recognition features can offer customers even more options by allowing callers to communicate their troubles without having to navigate an often-cumbersome, multilayered phone menu. Speech recognition technologies deconstruct the words in a sentence string to provide a call center with more choices offered through the digits and "yes/no" options available from a numeric keypad. For instance, United Airlines has adopted speech recognition technology to support higher call volumes from customers inquiring about flight availability, improving throughput for these frequent calls while easing the burden for reservations agents.

CTI features such as IVR and call routing, although considered technical, can nevertheless play a key role in an overall CRM strategy. Providing multi-modal access to customers is great, but understanding which mode a customer prefers is even better. "A fundamental flaw is that companies apply speech recognition everywhere, instead of where it will provide the most value," says John Earle, president of Chant, a leading provider of speech technology development tools and services.

Earle stresses the importance of knowing a customer's preferred mode of interaction, be it via a telephone operator, e-mail, fax, or handheld device. "In theory, a customer should be able to customize his own interface: Maybe he prefers voice response when using his cell phone on the freeway because of bad reception or because his hands are on the wheel. At such times he prefers saying 'one' to pressing '1'—and that preference should be part of his customer profile." Earle adds that such automated services haven't reached their full potential because they're being implemented to emulate humans rather than to drive further efficiencies.

Contact Center Sales Support

Your customer has just purchased a diamond solitaire necklace and would like to know if there are matching earrings. Such an interaction could be just another customer inquiry or an opportunity to generate additional revenue. With the right information—often displayed via a little window called a "screen pop" on the customer service rep's workstation—a rep can gauge an incoming call to determine whether the customer on the other end of the phone line is a good candidate for another product or service. The call center as a point-of-sale is a relatively new practice that requires a combination of robust customer data and CSR finesse, because the CSR needs to transcend his traditional role of answering questions, landing smack in the middle of revenue generation.

This type of sales support not only saves the company money by preempting an in-person sales visit, but it can also provide more information to the customer than a direct sales call—after all, the CSR has product information at his fingertips—and can even push through an in-progress sales activity.

Web-based Self-Service

Customers are both refreshed and annoyed by company Web sites re-intermediating the support process. After all, the shortest distance between two points is a straight line—shouldn't you be able to talk to a human being when you want?

The previously mentioned redundancy of calls to customer support centers has initiated the automation of customer support processes, not only increasing support efficiencies but also allowing customers a greater degree 6f access to important information via the Web, any time of day, for a variety of questions.

For instance, sites such as FedEx-com allow customers to track their shipments. Testing this theory, I recently called the FedEx support center to track a package. The time from initial call to answer was 93 seconds. By comparison, the FedEx Web site took 17 seconds from the time of access. Multiply the improvement by the number of people every day who want to know where their packages are, and it's easy to see why FedEx automated their package tracking.

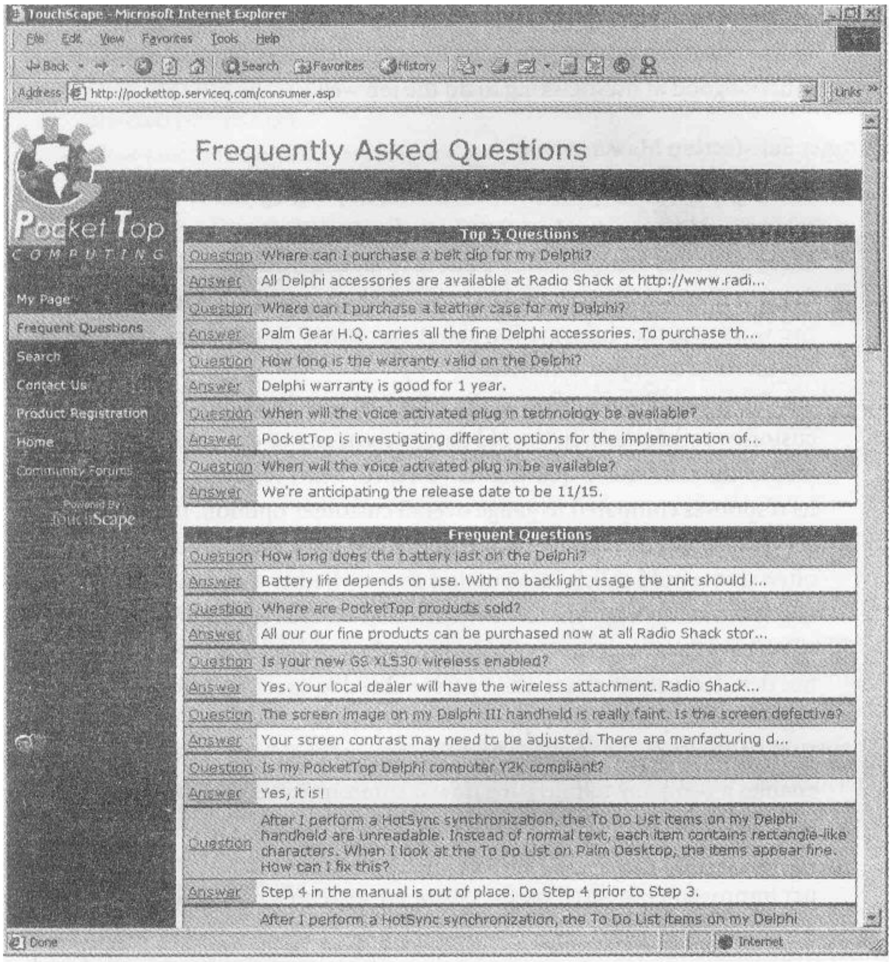
The more choices customers have in how they can deal with the company, the more likely they will be satisfied with that company's service. This can mean something as simple as a company e-mail address provided on the Web site so customers can provide the company with details on a question or problem.

It can also mean the inclusion of a "Call me" button that allows the customer to request an in-person conversation with a company representative, on the company's nickel. Indeed, many companies have taken person-to-person electronic support[4] one better by offering customers the ability to chat online with a customer care representative. Lands' End is famous for this. Its Lands' End Live™ service offers customers the capability to ask questions of a company rep either by telephone—a Lands' End agent will call the customer after she enters her phone number—or by live text chat—the customer can engage in an e-mail dialog with a representative. (Lands' End reps have even been known to ask whether your child has grown a size since you ordered those overalls last March.)

CRM application services provider TouchScape customizes self-service screens for its customers. The FAQ screen in Figure 3-2 not only displays the most frequently asked questions; it also categorizes the top five most frequent questions so visitors can more easily scan questions similar to their own.

"Live person chat" features bring customer support to real time; customers with a single phone line need not log off the Web site to call an 800 number. Likewise, CSRs staffing live chats can service more than one customer simultaneously. Live chat helps ensure that the customer stays on the site and takes his online shopping cart through checkout rather than abandoning it. This increases the likelihood not only of sales, and thus revenues, but of customer satisfaction as well.

Of course, breakthrough technological capabilities alone won't ensure stellar customer service. Studies show many companies still can't handle the volumes of phone calls they receive. A Southwest Airlines spokesperson told *The Dallas Morning News* the company would not move toward e-mail support until it could guarantee the same level of service it could provide to its telephone customers. (Customers calling the airline's Customer Service Department rarely wait more than 60 seconds before speaking to a human being, and the company's Web site is exemplary for its ease of use.) Other companies, such as



Frequently Asked Questions

- ❖ What will make customers return to a company's Web site
- ❖ How customers found the site
- ❖ Why customers did or didn't make a purchase during the visit
- ❖ Why customers did or didn't register on the site
- ❖ Which features the customers found particularly useful onsite
- ❖ How the customers' impressions about the company or the brand was affected by this visit
- ❖ How customers would rate the site in comparison to the Web sites of the company's competitors

Such electronic surveys are becoming increasingly sophisticated, serving as the technical equivalent of the focus group, albeit with more science and sans the overhead. Companies can randomize their surveys and achieve detailed response reports. Many companies who might have developed their own Web sites and the accompanying infrastructures have nevertheless chosen to outsource their customer surveys to firms that specialize in designing custom questionnaires, tallying responses, and mapping survey results to the client company's overall strategic goals.

Call-Scripting

As customer contact centers become more automated, the infrastructure improves. Customer databases become richer, and customer behavior and preferences can actually be predicted by comparing them to the behaviors of similar customers over time.

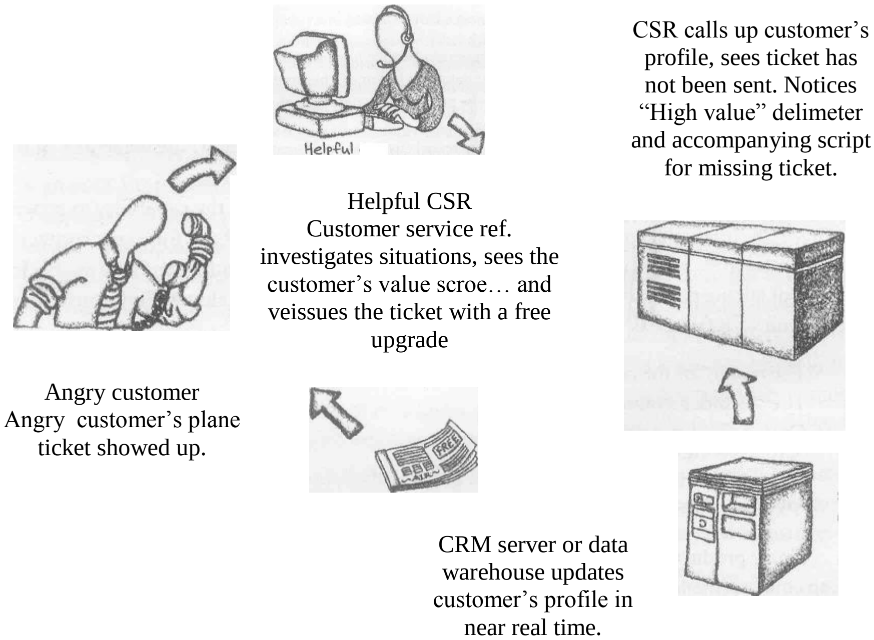
Because of this increased customer intelligence, the capability to provide CSRs with situational scripts is emerging as a must-have for many contact centers. Such scripts eliminate agent guesswork by providing the CSR with a logical series of talking points and guiding her through a dialog with the customer based on such factors as

- The reason for the contact
- The customer's value
- Cross-selling opportunities and propensity-to-buy data
- Current product promotions or discounts
- Past-due bills or accounts payable issues

Some products actually provide natural language support, meaning the agent can enter a sentence or phrase ("Customer needs laundry instructions for flannel sheets") and be supplied with the appropriate response ("Cold water, tumble dry on low"). Others feature logging of transcripts, allowing a company to retain a running text log of each customer's chat. Saving such information allows call center reps to e-mail transcripts of customer conversations to subject matter experts or even call up past chats in real time while the customer is online.

Even vendors of CRM products designed to support scripting admit there's no such thing as a "canned" response, and their software can't possibly make up for a CSR with deep product knowledge and a good disposition. However, scripting helps a company's contact center present a uniform image of the company by ensuring that the company responds in a consistent way to common problems so two different customers don't get two different answers.

The flip side to this, of course, is that your high-value customers might deserve different answers than the customer population at large. Consider the illustration from as revised in to accommodate a high-value customer.



Adding customer intelligence to customer support

In this example, the angry customer's profile is maintained on a CRM server or, more likely, on an enterprise data warehouse that contains a superset of information about that customer, not simply his calls to the contact center. Such a database might include information about the marketing promotions the customer has received, his travel history, how he books his tickets, his seating and meal preferences, and his use of partner products and services. In this case, the customer's profile indicates most of his ticket purchases are "Y" fares, he has flown over 60 segments in the past seven months, and he belongs in the top 3 percent of the airline's frequent fliers.

This information in turn dictates a script that guides the CSR in offering the customer a free upgrade along with his overdue tickets. The customer is more likely to remain loyal and consider the airline's error an anomaly rather than a reason to churn.

The ability to differentiate treatment of different customers based on their value is not only the Holy Grail for contact centers; it is the crux of CRM.

Cyberagents

Some CRM vendors are taking the concept of self-service one better by introducing cyberagents, lifelike "representatives" normally depicted on a company's Web site as a real person—CompUSA's "Jill" being one of the archetypes.

Cyberagents attempt to pull together the best of both personalization and advanced technology. On the one hand, the cyberagent is given a personality—complete with voice and facial expressions—often communicating with the Web visitor by her first name. On the other hand, the cyberagent can draw from a wealth of detailed information to answer basic FAQs as well as guide a customer to the appropriate screen for making a purchase or checking an order.

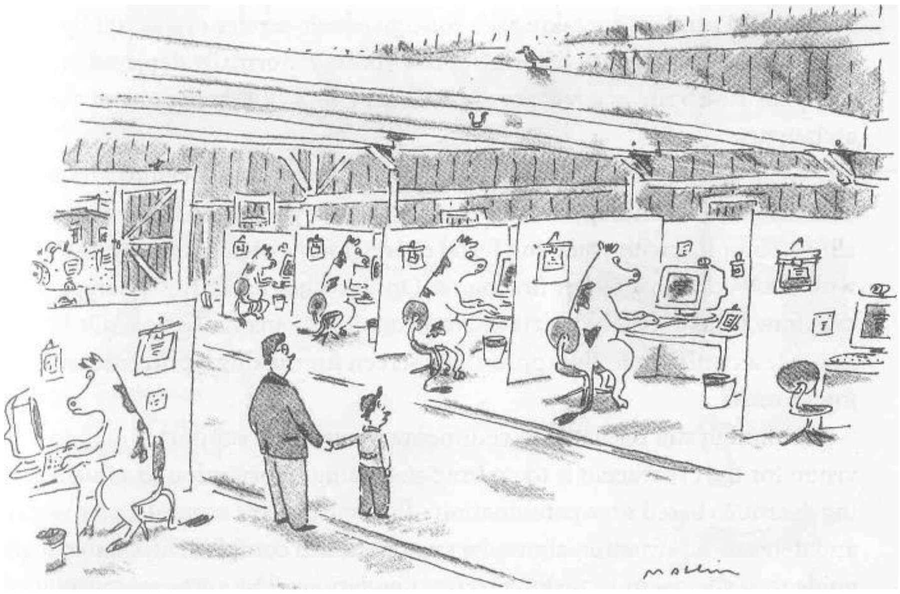
Although still relegated to rudimentary customer support functions, the vision for the cyberagent is to go from providing information to actually making decisions based on a combination of the customer's request, heterogeneous and detailed information about the customer, and complex rules-based logic to guide the cyberagent in making recommendations. The anthropomorphic qualities of a particularly effective cyberagent could one day further retention and loyalty initiatives by providing the customer with a personal company representative all his own. Until then, cyberagents are emerging as a viable means of providing basic customer support.

Workforce Management

Staffing the contact center has traditionally been a matter of determining who can work when. The contact center with three people dedicated to the Top 100 customers, six more covering the next tier of 500, and so on, is bound to fall short of customers' expectations, not to mention employees'. It's great that the best customers are getting better service, but is it good enough?

Workforce management tools specialize in staff planning and optimization, and several products are specific to contact center staffing. Optimizing staff around high call volumes, different communication channels, and customer types is the surest means of guaranteeing that the right customers receive the appropriate levels of support. Such products can combine operational contact center tasks, such as call routing, with planning functions including

- Ability to forecast contact volumes to predict busy periods
- Recommendations for the optimal number of CSRs for certain peak periods



"Things were done very differently on the farm when I was your age, Kenny."

- Performance tracking by customer value, customer satisfaction, priority level, or other metrics
- Employee scheduling based on skills, tenure, or preferred work hours
- Global monitoring of multiple contact centers, with the ability to combine findings into single reports for staffer performance fine-tuning

With staffing issues claiming up to 70 percent of a contact center's operating budget, the ability to track performance against customer satisfaction levels and fine-tune staffing choices accordingly is the goal of customer support executives worldwide, many of whom are now being compensated based on such measurements. Indeed, increasing customer satisfaction should be the overarching goal of every contact center employee.

- **CALL CENTRE**

While the telephone was responsible for giving birth to the first call centre, the advent of internet has attributed to a phenomenal change in a call centre's role and modus operand!. New contact centres offer a variety of avenues for interaction including voice, e-mail, voice-mail, fax, web interactivity. New ideas in technology, resource management, and process design will alter how companies do business. A contact centre can, thus be defined as;

"A place that has adequate telecom facilities, trained personnel, access to wide databases, Internet and other on-line support infrastructure to provide information and support to the customers and business on real time basis."

These new-generation call centres, better known as 'contact centres' are a mix of low-tech telephony and the latest in online collaborative technology. Their capabilities range from simultaneous interactive voice and data access over the Internet to the use of a web page as the simple but time-saving first step in the service process. Web users who need extensive help click a call-back button to have an agent call them. Customers with less complex questions use an instant text-chat feature to get answers from agents almost immediately.

The evolution of call centres into contact centres is all about responding to customers in whatever form of communication they prefer saving on their as well company's time, cost and effort. It might be through e-mail, interactive chats, web callbacks, VoIP (Voice over Internet Protocol), fax, voice mail, or phone calls. As individuals become more comfortable with these types of communication media, the demand for companies to support them becomes increasingly important in enhancing customer service and ensuring customer retention.

Contact Centers of today use many media to interact with the customer

❖ CLASSIFICATION OF CALL CENTRES

Call centres can be broadly classified into three different categories according to the nature, area, and ownership of the call that they make into the three categories respectively:

1. *Inbound/Outbound:* When a call centre specializes in receiving calls from customers/ third parties, it's known as an Inbound call centre. It is basically used in customer care and ideally should have one or more tollfree numbers. Outbound call centre can, thus, be easily defined as one wherefrom calls are made to third parties. The main utility of outbound call centres is for collections, telemarketing and catalog retailing. Outbound calling can be further broken down into two components: B2C (business to consumer) and B2B (business to

business) which depends on whether the called party is a business or an individual consumer.

2. *International/Domestic:* Signifies the geographic area of customers a call centre is catering to. A call centre making/taking calls to/from customers situated outside the political boundaries of the country the call centre is located in would be termed as an international call centre. Some of the characteristics of such a call centre is the difference of time zones, laws of the land, area of dominant influence, and cultural and language differences between the customer and the agent. Domestic call centres would obviously cater to customer requirements within the same geographical and political boundaries.
3. *In-house/Outsourced:* An in-house call centre is run by the company which owns the product/service regarding which the call is made or received. Whereas in outsourcing, the company simply enters into a service contract with a company willing to undertake the responsibility of call handling for the customers of the former. Though it is difficult to judge which option is better, it often depends on the priorities assigned to various factors viz. customer confidentiality, capital resources, total customer base, time available etc. Companies may outsource because they do not want to risk capital on a new enterprise, or they don't have expertise to undertake the assignment as compared to a third party which is quoting a lower price to provide the same service with more stringent quality standards supported by a better technology.

The drawbacks to outsourcing are similar to the drawbacks to renting as compared to buying. With outsourcing a company never gains expertise in the function. One is always dependent on the claimed expertise of the vendor and the associated assets never become tangible.

Some other classifications can be arrived at after taking number of seats, continuity of operation and agent availability (2), as a yardstick.

SCOPE OF CALL CENTRE

Contact centres offer excellent opportunity for career growth. If one is keeping track of newspapers and various business publications, it would be quite clear that the ' quantum of activity and growth happening in this fledgling industry is enormous. Basically this industry in India owes its existence to Internet and telecommunication revolution because of which the cost of transferring voice data has become negligible. Companies utilize artificial satellites and leased lines to integrate their businesses and services over the globe.

It is widely acknowledged that this industry needs over 10,000 agents to man the Contact Center operations in India every year and it is going to be the single largest employer of young graduates in the urban sector within two years.

India is slowly but steadily becoming the preferred global destination for companies to outsource their back office/contact centre operations because of the following apparent advantages:

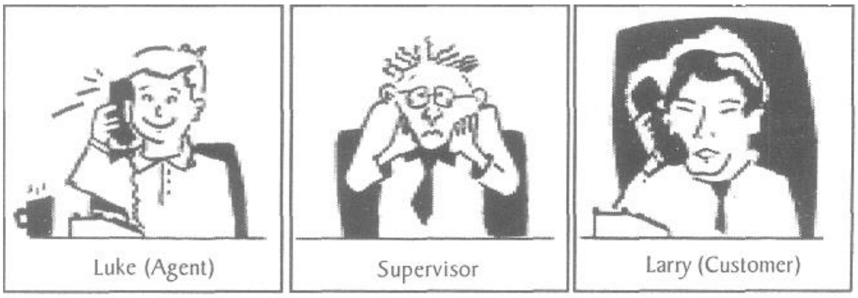
1. Availability of well-educated, English-speaking manpower.
2. Low infrastructure and labor costs.
3. Stable political environment which makes the business investments safe.
4. Availability of high-bandwidth for data transfer via internet/satellite telephony.
5. Thrust of government on service industries.
6. Favorable time difference with the developed economies.

By outsourcing IT enabled services requirements to India, large overseas companies including an increasing number of Fortune 500 companies and existing overseas service providers are not only achieving significant benefits in cost, quality and time but are also creating platforms for building new businesses. Overall, these benefits are due to the advantages offered by relevant skill-surplus economies. India offers the case of best value proposition for all IT enabled services.

India's value proposition is already leading IT enabled services hubs such as Ireland and Singapore to back-end their operations in India, since skilled labor is becoming an increasingly scarce resource in these countries. To take maximum advantage of these conducive factors, the Government of India has initiated drastic improvements in the telecommunications infrastructure of the country ensuring India offers a-hard-to-beat proposition to emerge as a "Preferred Global Hub". Seizing the opportunity, several companies in the financial services sector, for example, have saved at least 50-60 percent of their process costs after relocating their contact centre facilities in India. The process redesign that comes with out-location also provides additional cost savings and consolidation of operations.

MEASURING AGENT EFFICIENCY

The most important tool for quantifying agent efficiency is monitoring. An agent is closely monitored while at work. This may be with or without his/her knowledge. Further, it can be screen monitoring or talk monitoring, this monitoring is an important tool for managers/ supervisors to assess the quality of calls, identify and take care of any issue which amounts to miscommunicarion, malpractice or any functional error. Every agent is provided with a feedback regarding these aspects. Some quantitative parameters include percentage of time agents actually spend on the phone; productivity goals such as contacts per hour and promises/sales per hour; collection goals such as the number of dollars collected per month; and the agent's quality monitoring scores.



A contact centre manager has expressed his views on agent assessment as "contact centres are multifaceted, it's when you analyze a combination of all of these factors that you see your real stars rise to the top. You know that agents aren't sacrificing one goal for another."

Self Evaluation Question

1. Out souring mean ____________
2. RFP _______________________
3. SEM ______________________.

Measuring performance for a contact centre operation is essential to the overall success and requires tracking skills. The top management has to determine strategic measurement and operation goals, establish real-world performance targets, and develop an effective system for contact centre measurement needs.

There are both external and internal performance measurements for contact centres. External measurement areas include the overall satisfaction level experienced by the customer, his willingness to recommend a company/product to a friend, and his likelihood to repurchase or to do business with a company in the future.

Internal performance measurements can again be both qualitative and quantitative. Qualitative measurements include product awareness and knowledge and chain of command for issues beyond the agent's experience or control. Quantitative measurements include maximum delay time, abandoned calls, average talk times, after call work time, and value or revenue per call. In addition, cost of hiring, initial training costs, ongoing training cost, turnover rates, employee job satisfaction, and sales conversion ratios must be considered when establishing performance measurements. An effective evaluation for any call centre must include both external and internal performance measurements and should lead to satisfied customers.

Performance of an agent is done on a daily basis which might come as an MIS report or in any form of statistical dashboard. Some quantitative productivity measuring tools with reference to the different contact functionalities are as follows:

Customer care:

- ❖ Number of clients/product/portfolios handled.
- ❖ Average customers handled.
- ❖ Average talk time.
- ❖ Number of escalations. Telemarketing:
- ❖ Number of calls made.
- ❖ Number of sales made.
- ❖ Number of lead generation/referrals. Collections:
- ❖ Number of accounts worked.
- ❖ Revenue per call.
- ❖ Total promises taken.
- ❖ Number/Percentage of promises kept.
- ❖ Number of disputes reported.

CALL CENTRE TECHNOLOGY

A call centre is an integration of human and technical resources. Usually apart from having general all-purpose gadgets like computer, printers, faxes and telephone lines a call centre needs to have some sophisticated equipment in order to maximize productivity. The purpose of installing these gadgets ranges from maximizing number of calls handled, reducing stress on agents, distributing call load evenly, route calls to specific agent group etc.

To attain this objective of maximizing call centre productivity some of the following gadgets/ technologies are used:

Computer-Telephony Integration (CTI): This refers to the integration of computers with telephone switches and let's a computer issue the switch commands to move calls around. It applies computer intelligence to telecommunications devices like switches and telephone instruments. It covers many technologies such as local area network, interactive voice processing, voice mail, automated attendant, voice recognition, predictive dialing, collaborative computing, simultaneous voice data and text-to-speech.

Automatic Call Distributor (ACD): An ACD answers a call and puts the call in a pre-specified order in a line of waiting calls. On the simplest level, it makes sure the first call to arrive is the first call answered. It delivers calls to agents in a pre-specified order. It delivers the call to the agent who has been free (or idle) the longest or to the next agent that becomes available in a call centre. It also provides the means to specify the many possible variations in the order of calls and agents. In a nutshell, it assures that human resources in a call centre are used as effectively as possible since it has the ability of handling calls at a rate and volume far beyond human capabilities.

It also provides detailed reports on every aspect of the call transaction with reference to the following statistics:

❖ The number of calls connected to the system.
❖ The total number of calls reaching agents.
❖ How long the longest call waited for an agent.
❖ Average length of each call and the wrap-up time.
❖ Time for which the agent was logged-in.
❖ Total number of abandoned calls.

In fact, there is no end to the kind of statistics the ACD can be programmed to report and the interpretations which can be drawn thereof.

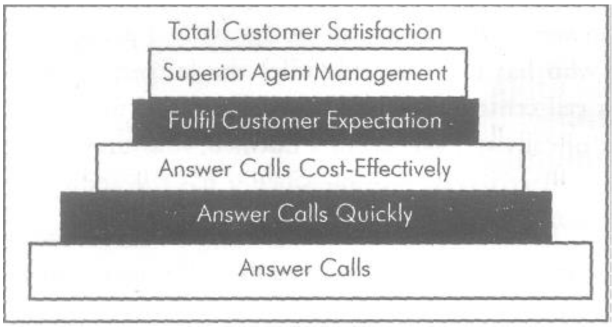
ACD can be of two types, switch based and server based. Earlier the term ACD meant a very specific type of telephone switch which had specialized features and particularly robust call processing capabilities which served at least 100 extensions.

Server based ACD is built on an open platform. Usually, although not necessarily, this platform is a PC. Server based ACD have many advantages, the biggest one being its ability to integrate closely with data processing systems, including the IVR system, CTI applications, and multimedia interface such as fax, e-mail, Internet and video applications.

For example, a server based ACD can route e-mail, fax and a video call with the same ease as it does a voice call. Moreover, it can mix information from the database with the incoming call and pass in on to the agent attending that particular call.

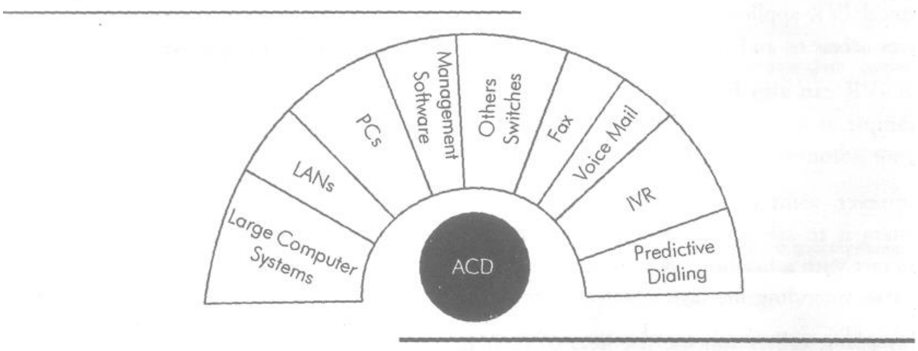
However, the server based ACD have two major disadvantages. Firstly, the size of the platform and the required processing .power needed for an ACD. Secondly, the relative incompatibility or unreliability of PCs with the telecommunications standards resulting in weird outcomes.

A lot of changes, modifications have been undertaken since Rockwell introduced this technology. Today, we have key systems with ACD functions, key systems that integrate with a computer and software to create a full-featured ACD, PBXs with ACD functions etc.



Advantages of Using an ACD

Now, let's follow a call to explore the features one may expect to find these days. First, the call will be greeted by an announcement of some kind. The announcement may simply tell the caller that all agents are busy, please wait remember that ubiquitous 197 or 131 reply in Indian context. Through integration with a reporting system, it might tell the caller the duration of wait in advance. A separate queue can be assigned for valued customers to minimize inconvenience. It might ask the caller to enter his/her telephone number, account number or ID. The ACD will use this to do a database lookup and present information about the caller to the agent as he gets the call in the form of a screen pop. This screen pop might provide an agent with the information about the number that the caller dialed, the selections that the caller made in the early part of the call, or even the phone number of the caller. From this information the computer might also be able to bring up the whole computer record of the caller and a history of their recent contacts. The ACD might also offer the caller to get his/her query resolved through an IVR if the case is so.



An ACD can integrate many resources to maximize productivity in a call center

Some ACDs have built-in ANI (Automatic Number Identification) which identify the number dialed in case a call centre handles helpdesks for many clients simultaneously. Intelligent skill based call routing can be done in the above mentioned way.

Some variables on which call routing can be programmed in an ACD are time of day, day of week, volume of calls in the organization, number of agents available etc.

While the call is being processed, the ACD can provide a supervisor with real-time information about calls in the centre, a group or the status of a single agent, and even the gap time between two calls. It also enables a supervisor to listen in on calls to evaluate agents or to handle escalated calls.

After the call, the ACD can automatically give the agent a certain amount of time to wrap-up the transaction, make notes, decide follow-up date etc. before throwing the next call. Statistics for the finished call are added to the reporting system.

Thus, the ACD is at the centre of a call centre's activity.

Interactive Voice Response (IVR): An IVR can be best described as a telephone interface to a computer system i.e. a system acting on the front end of a computer system that let's a caller enter information from that system either through a telephone keypad or the spoken word.

However, input via numeric digits is much more simple and accurate than any word or letter because of the ease of using the numeric keys on the telephone keypad. Voice recognition, which would entail that caller speaks the information is making great strides but of course is error prone due to the nature and diversity of human speech. A *very* good example of a successful IVR implementation would be the KBC (Kaun Banega Crorepati) hotline which uses a combination of both voice and data input during the call, the data input is for record-keeping and the voice of the caller is archived for verification.

Installing an IVR system has resulted in tremendous cost and time savings for call centres as it cuts down on the need for agents-especially when repetitive queries are involved. A typical IVR application takes an existing database and makes it available by phone. IVR gives access to and takes in information and performs record-keeping as well.

An IVR can also help in intelligent skill-based call routing to appropriate agents. For example, it may ask the caller for a choice and route a call accordingly - "for sales - press 1, for accounting — press 2 etc".

However, some essential points to consider while implementing or deploying an IVR system is to ask for customer acceptance level. Many customer profiles do not want to interact with a machine. For example, a customer of Mercedes Benz would not like to wait for the unending message which dictates his option as the last one.

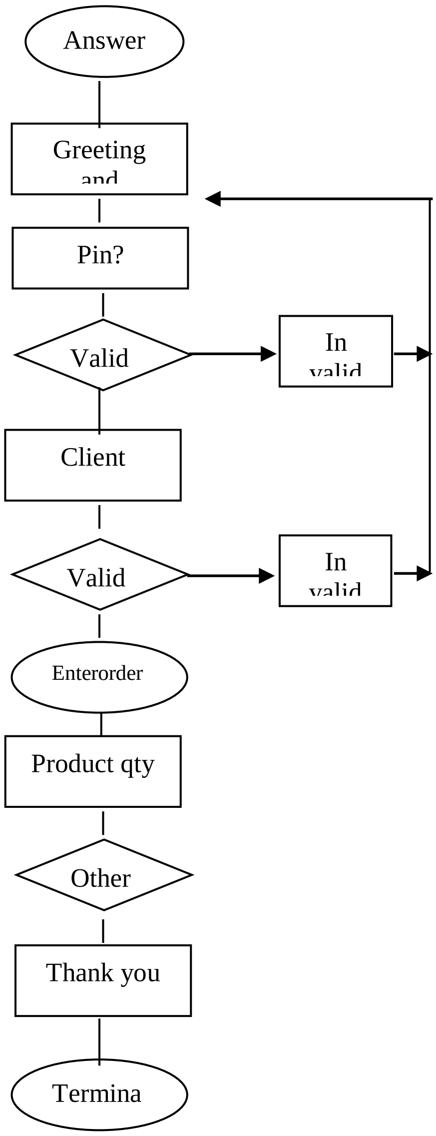
Nowadays, callers can use the keys of their telephone, spoken words, or any noise at all (there is a wonderful technology called "grunt detect") to choose menu items, enter credit card details, bill numbers, meter readings, or other information, or to help in the routing of a call to an appropriate person. Some of these applications completely replace the use of people, however many callers are unhappy with too much use of this technology. Talking to a robot is rather boring! Given below is a diagramaric representation of an IVR.

To leave a message, press 1.

For technical support, press 2.

To send a mild electric shock to our customer relations manager, press 3.

IVR can route calls according to the specifications provided Also known as Voice Response Unit.



Message: Thank *you for calling XVZ* Corporation. You hove reached our automated ordering system. If you need assistance at any time, you may press the star key to reach our operator.

Message: Please enter your personal identification number.

Response: 6354

Message: Please enter your client number.

Response: 755336

Message: Please enter the product code followed by the pound key now.

Response: 14546#

Message: Please enter the quantity desired followed by the pound key now.

Response: 1 #

Message: Your order has been accepted. To place another order, press 3. To exit the system, press 9.

Response: 9

Message: Thank you for using our automated ordering system.

An IVR Flowchart

Predictive Dialing: Predictive dialing is an automated outbound calling process which uses advanced software to select, dial and connect the agent on to the telephone number called. It also estimates the correct number of calls to place, and the number of agents that will be required to handle those calls.

Predictive dialing is very important in outbound calling and enhances productivity the most. A simple example in support of its effectiveness can be linked to an observation which concluded that average talk time in a manual dialing process ranges from 23-27 minutes an hour. Most of the rest of that time is unproductive involved in activities such as: looking up the next number to be called, dialing the number, listening to the rings, dealing with nonhuman contacts such as answering machine, fax, busy signal etc. Predictive dialing increases the average talk-time to about 45-50 minutes an hour by taking off these distractions off from agent's workload. It recognizes and distinguishes the human voice from answer-phones, engaged tones, telecom intercepts, and many other things that can happen when a call is made and passes the call onto a human agent only in case of a human contact.

It uses complex mathematical algorithms which analyze a number of variables such as agent & line availability, probability of not reaching the intended party, the time required between calls for maximizing agent efficiency, the length of an average conversation and the average wrap-up time required by the agents. Some advanced predictive dialers adjust the dialing rate by monitoring and sensing changes in these factors on a periodic basis as these are highly dynamic in nature.

Furthermore, it can be programmed to dial as per instructions ignoring it's own decision-making and relying onto human intelligence when the Nth factor comes in.

- **CUSTOMER CARE**

"Customer care is a service that seeks to provide superior customer satisfaction to existing customers, to acquire new customers and build customer loyalty."

In a nutshell, customer care can be defined as reaching out to customers rather than waiting for the customers to reach the company. The nature of this customer care may depend on the company's business and it be outbound/inbound or even blended. It might be a call to ascertain whether the ordered goods have reached your customer, or a continuity program that offers something to your company's valued customers who are paying on time, or to call your customer for a refill order when your experience shows that the last order must have been exhausted.

Customer care focuses on customer satisfaction and loyalty, which can be attained only when the customer can reach for help at the given number without blinking an eyebrow. This means that the telephone number/website for a particular customer care function must be easy to find and a customer must deal with an agent who is knowledgeable, courteous and who provides an answer or solution quickly. Follow-up within 24 hours is critical and resolution with the first contact is ideal.

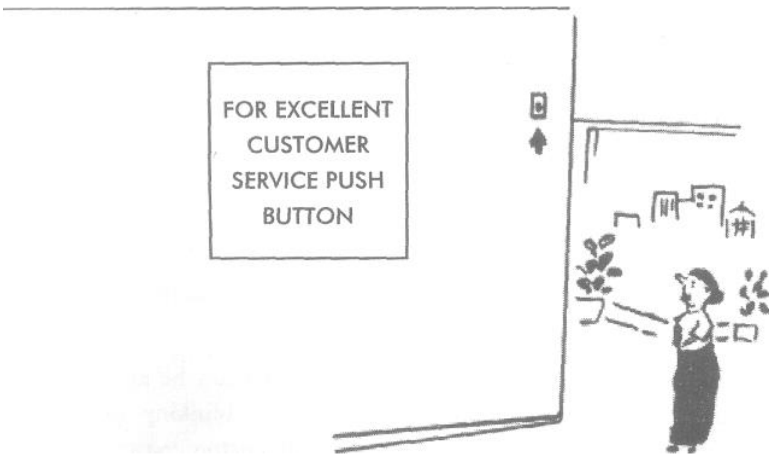
The customer care centre serves as a lifeline to understanding and managing customer sentiment. Customer care agents should be empowered to assume 100% ownership for resolving customer issues. They should really serve as advocates of the customer first and of the company second (without having customers you needn't worry about having a company). For this reason, the customer care organization should have equal representation at the table of strategic decision making, along with Marketing, Product Development, Finance, Sales, etc.

The nature of customer care when thought over from a call centre point of applicability might be a help-line to guide the customer regarding proper usage, handlings of the product/service and on various issues related to the product/service of the client company etc.

Five Customer Care Must-haves: More performance measurements take place in inbound telephone service centres than in just about any other type of workplace. So it can be challenging to determine which measurements are the most important to'evaluate on an ongoing basis.

To pinpoint the measurements that require the most attention, a company always needs to start by evaluating what its customers are looking for. On the basis of surveys and other measurement tools, customer care and call centre experts agree that the following five areas are the most critical for any customer care function:

1. *Accessibility:* Most telephone service centres measure accessibility only in terms of speed of answer, number of busy signals, and other basic internal call statistics. But one area they often neglect is the accessibility of the service centres phone number and other direct contact information.



Accessibility is the most critical aspect in customer care

2. Many companies seem to keep their toll-free numbers a secret, and customers have to exert a great deal of effort to locate these numbers. These centres are trying to keep their incoming volume down. But this defeats the entire purpose of having a customer service call centre in the first place.

3. *Personal interaction with the customer service representatives:* Customers are looking\ for interactions with agents that are friendly, enthusiastic, empathetic, and courteous. They want to feel that the agents genuinely care about their needs and problems. And they want the sense that the agents are treating them as individuals, with personalized behaviours such as using customers' names and referring to customers' specific issues or concerns rather than just as account numbers or invoice numbers and sounding like robots.

4. *The effectiveness of the solution or response:* Customers want clear explanations of the solutions to their problems and the answers to their questions. They place trust in the agents stationed at the contact centres and think them to be representatives of the company. They need to feel that the agents know what they're talking about and can provide authoritative, effective responses.

5. *Follow-up:* Customers want the products and information they've requested in a timely manner. They want their orders to be processed promptly, and fast turnaround time (TAT) for e-mail information requests.

6. *First-contact resolution:* Few things irritate customers more than having to talk to a agents supervisor or manager and one of them is this series-of-singles, one call, one contact and one resolution.

This doesn't mean that agents should never transfer a call to someone else within the contact centre or within another area of the company. Sometimes, in fact, it's best if agents escalate a call to someone with more expertise.

However, agents should be trained and empowered to handle a vast array of customer concerns themselves. And when they do need ro transfer a call, it should always be to someone who is actually present in the company at that moment. Studies have shown that live transfers have no negative effect on customer satisfaction.

❖ **INDUSTRY USAGES**

Software: A typical example of a software company's customer care activity would be to maintain a helpdesk where the customers who have bought its software would call in to be guided for installing and running the software or to have some other related product feature inquiry. The customer care executives then advise them for troubleshooting. In a contact centre, an agent can even have access to the customer's screen after seeking his IP address. This feature has popularized the web-based tutorial concept.

Banking: Banking system facilitates its customers to call up a centralized number, which is most probably a toll-free number. The services offered are account balance or credit card bill inquiry, check clearance status, requesting a demand draft etc. It has been increasingly observed that this whole process is fast becoming agent-free wherein the agent is replaced by an IVR.

Travel Services: Most of the airlines have a centralized toll-free number to enable a person book his/her journey tickets, cancel the same, or for itinerary inquiry on phone,

❖ **TELEMARKETING**

Telemarketing involves situations in which companies call consumers to sell their goods or services, or consumers call companies to make purchases in response to mailings or other forms of advertising. Telemarketing activity is usually outbound (i.e., sales representatives make outbound calls). Telemarketing services follow the following steps as a process flow:

"No, this isn't a telemarketing call. It's a product/money transference opportunity notification

Telemarketing is the art of selling over phone

❖ *Targeting the customer:* This is the process of identifying consumers to be called. Randomly targeting consumers is not productive and can even result in annoyed customers. A customer identification system produces a list of consumers most likely to purchase an offering.

- *Campaign execution:* Once the product and the list of targeted consumers is available, the campaign can begin. The sales representatives call using the list of consumers, inform the customers about the campaign, and, if the customer is interested, order the product for him. A system based on predictive dialing automatically calls the unprocessed consumers in the list; passes only the calls baying answered by consumers (as opposed to calls being answered by answering machines); displays customer information automatically; and provides product-consumer match analysis and product information, as well as the capability to order the product on the spot.
- *Inbound sales:* Sometimes interested customers call in to purchase a product being offered in a campaign. Sales representatives provide information about the campaign and order the product for them. This call from the customer might be a result of an earlier call in which he was provided with the information but did not order because of some reason. A customer care system automatically marks this customer as processed in the campaign's target consumer list to avoid an unnecessary call in future.

A few businesses that primarily use telemarketing as a marketing tool are:

Catalog shopping: Direct marketing chains such as Otto Burlington, Hanover Direct and shopping portals which have little or no physical presence in the form of retail stores use telemarketing to expand and service their clientele. They make calls to customers who have earlier purchased their products and might be interested in a related or similar product and also call prospects who have been referred by these customers. They also scout for people to call from the mailing lists.

- **COLLECTIONS**

It's the backbone of call centre industry. It involves inbound and outbound calling to collect on the past dues or arrears of the customers. They are essentially reminder calls to update the customers about delinquency on the credit card, overdiaft, or merchandise accounts. Most call centres also have speed-pay facility where checks over the phone or credit card payments can be accepted during the call itself through Internet. Almost all the companies in the financial sector are either having their own call centres or are utilizing the services of other call centres through outsourcing. Usually it's the need for confidentiality that forces the companies to set-up their in-house call centres.

Some of the services that have collections as the prime motive behind their call centre operations are:

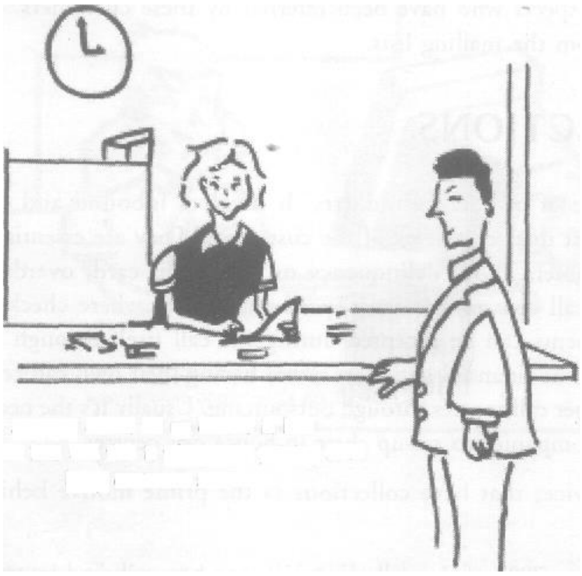
Credit Cards: Over 70% of the collection calls can be attributed to credit card companies, both bank and private label credit cards. This may include calling a customer to collect a past due, late charge, verifying the billing address or to sell some new scheme or package. It also has the highest reported customer dissatisfaction rates as the frequency of call, low call-net (they call customers carrying arrears of even $5) are believed to be major issues.

Insurance: Companies in this sector use call centres to give reminder calls for collecting premium on policies, address claim issues and gathering information.

❖ **BACK-OFFICE MANAGEMENT**

Although call centres are a sub-set of back office operations management and back office management can't come under the purview of call centre functionality but some of its aspects do and it is worth mentioning in that context. Basically, this type of call centres just process data received from the customer. Their aim is to build database. The back office management team does have all the relevant details about the customer and is empowered to contact the customer but only when it is justified. Let's consider an example:

An insurance company has a back office operations centre wherefrom all the new policy sign-ups are handled. The team receives the data from its overseas arm in the form of image files of the forms a customer fills up and the job is to electronically update the data on the central database by analyzing the forms filled up by the customer. Now, it may so happen that there is some field which is left blank by the customer or is filled up illegibly. The agent while scrutinizing the form comes across this and now he/she would be required to call up the customer to take or verify the information. This is calling based on need.



See you didn't fill up details in line
number 262 and this is why you're getting
such lousy customer service.

Back-Office Management

Some other fields which carry on the need of building up user database are marketing research companies, companies doing psephological or customer behaviour studies, helplines which build up a user database and then lend it out, internet companies offering freebies over internet etc"

Self Evaluation Question

4. CTI ________________________
5. IVR ________________________

Question

1. What is BPO
2. List out the scope of BPO
3. Explain is importance of the BPO
4. What is call centres
5. What is international CRM
6. List out the new, trend in the BPO in CRM

Answer

1. **Transfer of management.**
2. **Request for proposed.**
3. **Search engine marketing**
6. **Computer telephony integration.**
7. **Interactive voice response.**

NOTES

……………………………………..……………………………………………
……………………………………..……………………………………………
……………………………………..……………………………………………
……………………………………..……………………………………………
……………………………………..……………………………………………
……………………………………..……………………………………………
……………………………………..……………………………………………
……………………………………..……………………………………………
……………………………………..……………………………………………
……………………………………..……………………………………………
……………………………………..……………………………………………
……………………………………..……………………………………………
……………………………………..……………………………………………
……………………………………..……………………………………………
……………………………………..……………………………………………
……………………………………..……………………………………………
……………………………………..……………………………………………
……………………………………..……………………………………………
……………………………………..……………………………………………
……………………………………..……………………………………………
……………………………………..……………………………………………
……………………………………..……………………………………………
……………………………………..……………………………………………
……………………………………..……………………………………………
……………………………………..……………………………………………
……………………………………..……………………………………………
……………………………………..……………………………………………
……………………………………..……………………………………………
……………………………………..……………………………………………
……………………………………..……………………………………………
……………………………………..……………………………………………
……………………………………..……………………………………………
……………………………………..……………………………………………

NOTES