CHAPTER – 2

RELATIONSHIP MARKETING

Understanding customers –

Types of customers

Customers can be of following types:

- **Loyal Customers-** These types of customers are less in numbers but promote more sales and profit as compared to other customers as these are the ones which are completely satisfied. These customers revisit the organization over times hence it is crucial to interact and keep in touch with them on a regular basis and invest much time and effort with them. Loyal customers want individual attention and that demands polite and respectful responses from supplier.

- **Discount Customers-** Discount customers are also frequent visitors but they are only a part of business when offered with discounts on regular products and brands or they buy only low cost products. More is the discount the more they tend towards buying. These customers are mostly related to small industries or the industries that focus on low or marginal investments on products. Focus on these types of customers is also important as they also promote distinguished part of profit into business.

- **Impulsive Customers-** These customers are difficult to convince as they want to do the business in urge or caprice. They don't have any specific item into their product list but urge to buy what they find good and productive at that point of time. Handling these customers is a challenge as they are not particularly looking for a product and want the supplier to display all the useful products they have in their tally in front of them so that they can buy what they like from that display. If impulsive customers are treated accordingly then there is high probability that these customers could be a responsible for high percentage of selling.

- **Need Based Customers-** These customers are product specific and only tend to buy items only to which they are habitual or have a specific need for them. These are frequent customers but do not become a part of buying most of the times so it is difficult to satisfy them. These customers should be handled positively by showing them ways and reasons to switch to other similar products and brands and initiating them to buy these. These customers could possibly be lost if not tackled efficiently with positive interaction.

- **Wandering Customers-** These are the least profitable customers as sometimes they themselves are not sure what to buy. These customers are normally new in industry and most of the times visit suppliers only for confirming their needs on products. They investigate features of most prominent products in the market but do not buy any of those or show least interest in buying. To grab such customers they should be properly informed about the various positive features of the products so that they develop a sense of interest.

Orientation:

A group of actions taken by a business to support its sales and service staff in considering client needs and satisfaction their major priorities. Business strategies that tend to reflect a customer orientation might include: developing a quality product appreciate by consumers; responding promptly and respectfully to consumer complaints and queries; and dealing sensitively with community issues.

Profiling of Customer / Segmentation

Customer segmentation is the practice of dividing a customer base into groups of individuals that are similar in specific ways relevant to marketing, such as age, gender, interests and spending habits.

Companies employing customer segmentation operate under the fact that every customer is different and that their marketing efforts would be better served if they target specific, smaller groups with messages that those consumers would find relevant and lead them to buy something. Companies also hope to gain a deeper understanding of their customers' preferences and needs with the idea of discovering what each segment finds most valuable to more accurately tailor marketing materials toward that segment.

Customer segmentation relies on identifying key differentiators that divide customers into groups that can be targeted. Information such as a customers' demographics (age, race, religion, gender, family size, ethnicity, income, education level), geography (where they live and work), psychographic (social class, lifestyle and personality characteristics) and behavioural (spending, consumption, usage and desired benefits) tendencies are taken into account when determining customer segmentation practices.

Customer Relationship – Stages and attributes,

Acquiring customers
It has always been the first important step in establishing business relationships. With CRM, advanced software databases are used to capture key customer data at the point of first contact. Profile data includes a prospect's name, address, phone number, email address and sometimes social media accounts. Entering this data into a computer enables future and ongoing communication access.

Customer Retention
The real purpose of gathering data on acquired customers is to improve retention rates. The typical customer attrition rate for companies is around 15 to 20 percent per year, but a 2013 Forbes article indicates that some industries experience significantly higher average rates. Effective data analysis, regular and systematic follow-up communication with contacts, and well-serviced accounts help you reduce your company's churn rate. Data analysis allows you to

identify the traits of prospects and customers that offer the best lifetime earning potential as well, which enables greater focus on retaining core customers.

Customer Extension
The customer extension phase of CRM includes activities intended to draw out the length of typical customer relationships, enabling greater revenue. A simple perspective is that satisfying a customer during one buying experience increases the likelihood of a follow-up visit. Over time, delivering quality solutions, following through on commitments and addressing problems convert a buyer into a loyal customer. You also can enhance revenue through add-on product selling and cross-selling, which involves recommending unrelated solutions. Because of the high costs of customer acquisition, extending relationships with customers already captured is hugely valuable for a business.

Satisfaction , delight and Wow effect

Customer delight is achieved through a WOW effect, a level of satisfaction that goes beyond expectation. In terms of market research, a satisfied customer's contentment lies somewhere between their expectations and the desired results. A delighted customer, however, will feel that the desired results have not only been met, but also exceeded.

It's very important to have a clear view of the two elements, as well as taking into consideration a third one:

Satisfaction: You did enough to satisfy an expectation;
Delight: You went above and beyond to satisfy an unexpected desire;

Levels of CRM – financial, structural and social

- **Financial**

The financial bonds tie in the customer primarily through financial incentives. Banks normally try to retain their customers by giving loans at relatively low interest rates for customers who have been patronizing the bank over a period of time. Giving loans to farmers at low interest rates, providing the home loan customers the option of making pre- payment without any penalty charges and calculating interest on the balance amount after the pre- payment, offering gold coins at discount prices to regular customers on some special occasions etc. are some of the examples for financial incentives given by a bank to its regular customers with a view to retain them.

- **Social**

Bonding with customers through financial incentives are the weakest bonds, as they can be easily imitated by competing banks. At this level the bank can retain its customers for long by developing more social and friendly relations with them. What every human being likes is a friendly, caring and understanding nature. Social bonds along with financial bonds are difficult to break and are more enduring in nature.

- **Structural**

At this level there is a greater bonding between the customer and the bank and the relationship between the parties is characterized by shared processes and equipment and integrated data bases. Here, there is a partnering relationship between the bank and its customer.

Role of CRM- CRM and HRM, CRM and Marketing, CRM and communication CRM and sales , CRM and technology

Chapter – 4	**Customer Loyalty and Satisfaction**		**08**	**08**
	4.1	Customer Loyalty – factors and drivers		
	4.2	Attitudinal and behavioural components of loyalty		
	4.3	Customer Loyalty Ladder		
	4.4	Loyalty programs		
	4.5	Customer Equity- strategy and Customer Life Time Value (CLV)		
	4.6	Customer Satisfaction – meaning , importance, influencing factors		
	4.7	Measuring customer satisfaction- C SAT score		
Chapter – 5	**Customer Retention and Feedback**		**08**	**08**
	5.1	Customer QRC Management – query, request and complaint resolution, capturing voice of customer, moments of truth		
	5.2	Customer Retention - meaning, importance, advantages, acquisition cost Win back and acquisition strategy		
	5.3	Strategy and Methods for customer retention		
	5.4	Customer Satisfaction Survey – designing, planning, collection, analysing		
	5.5	Drawing conclusion and report preparation , following up and implementation		
Chapter – 6	**CRM System**		**07**	**08**
	6.1	CRM process / cycle		
	6.2	Implementing CRM – analysis , strategy selection, construction, communication and training, system test and installation		
	6.3	CRM in service and hospitality sector, various soft wares used		

6.4   Future of CRM - role of blogs and   other social
       media , next generation CRM – big data

                                         Total   45   50

Assignments: A minimum of *02 assignments* to be submitted by students by the end of the
semester based on following topics.
   1. C - Sat Survey of Hospitality and allied sector
   2. Customer survey (Primary data) of a tourist place / eating joint / restaurant
   3. Making and comparing the customer service profile of hospitality and allied
      sectors
   4. Presentation on the loyalty and retention programs adopted by hotels and
      restaurants

Practical / Field Activity:
(Practical File & Continuous evaluation 10 marks and 10 marks for final Viva)
   1. Designing a feedback form – types and formats. (Learning evaluation parameters)
   2. Analysis and presentation of the feedback
   3. Planning a tourist destination itinerary by using social media reviews
   4. Role play on customer handling
   5. Comparison of service providers on social media for similar hospitality products
   6. Two guest lectures on sharing CRM practices in service sector
   7. Focus Group Discussion (FGD) on reviews of any one hospitality service provider
   8. Analysis and conclusion of FGD
   9. Designing Posters on customer sensitivity

Reference Books
   1. Customer Relationship Management A step By Step Approach – H Peeru Mohamed and
      A Saga Devan / Visas publishing house
   2. Understanding CRM – Seema Girdhar / Excel books
   3. Customer Relationship Management –William G Zikmund, Raymond McLeod, Faye W.
      Gilbert / Wiley India Pvt Ltd
   4. Customer relationship management – Shraddha M Bhome, Dr. Amarpreet Singh Ghura /
      International Book House
   5. Customer relationship management – Kristin Anderson and Carol Kerr / Tata McGraw-
      Hill
   6. Customer relationship Management - M V Kulkarni / Everest Publishing House
   7. Customer Relationship Management –Ed Peelen / Pearson
   8. CRM Customer Relationship Management –Dr. K Govinda Bhatt / Himalay Publishing
      House