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The course of lectures on discipline

**Customer Relationship Management**

for the 3rd year students

of the specialty 6.030601«Management»



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**INTRODUCTION**

Customer Relationship Management (CRM) is a strategy for managing all your company’s relationships and interactions with customers and potential customers. It helps you stay connected to them, ﻿streamline processes and improve your profitability.

More commonly, when people talk about CRM they are usually referring to a CRM system, a tool which helps with contact management, sales management, productivity and more.

Customer Relationship Management enables you to focus on your organisation’s relationships with individual people – whether those are customers, service users, colleagues or suppliers. CRM is not just for sales. Some of the biggest gains in productivity can come from moving beyond CRM as a sales and marketing tool and embedding it in your business – from HR to customer services and supply-chain management.

Customer Relationship Management (CRM) encompasses activities and processes intended to help an organisation understand, communicate with, and service the needs of, customers and prospects. The main driver for CRM is the underlying philosophy that successful customer engagement, and therefore successful business, is based on the ability to build ‘meaningful relationships’ with customers. Of course, different companies have very different ideas about what a meaningful relationship is. Nike doesn’t know the names of all their millions of customers, but they have a very good idea of their preferences across different market segmentations. They probably also know a lot about shoe size distribution curves in different countries around the world. They don’t call people up and try to sell them a pair of shoes. They engage through mass market media, and measure consumer responses to different marketing campaigns. On the other hand a company that sells expensive sports cars to the super rich is likely to have strong personal relationships with each individual customer, and not just related to the cars they buy, built up through face to face interaction. CRM helps a business understand who their customers are, how they like to interact with the company, how profitable they are, and what their future value might be. In this way it helps an organisation make critical decisions about how to do business, such as what new products or services they should be developing, and what sales and marketing channels they should invest in, or discard. Effective CRM therefore is about gathering information about customers, then analysing and interpreting it. This is the role played by CRM software systems.

**LECTURE 1. THE NATURE OF CUSTOMER RLATIONSHIP MANAGEMENT**

*1. The evolution of CRM.*

*2. Definition and importance of CRM.*

*3. The main problems of development in relations with customers.*

*4. Advantages of CRM.*

*5. Future of CRM.*

1. ***The evolution of CRM***

In the late eighties, CRM began to emerge as the successor to Enterprise Resource Planning (ERP). ERP had a traditional, product-centric approach to marketing a company's products and services. CRM developed because ERP lacked the personalization sought by today's companies and to provide basic communication, contact, and analysis tools. In CRM's early days, these tools and the three areas of CRM - service, marketing, and sales - were poorly integrated and marketing databases could not fully utilize their potential. CRM lacked good automation and advanced technological applications.



As the nineties progressed, CRM systems changed rapidly, and two factors significantly affected CRM’s success. First, global competition increased tremendously, causing products and services to be more difficult to differentiate. The product-centric view of traditional marketing changed to a more customer-centric view, offering customers more personalization. The second factor was advanced technology, which gathered customer information from all over the enterprise into a single system. New technologies enabled greater processing power and data analysis capabilities. In addition, data architectures became more integrated and consistent.

Currently, as CRM becomes a more integral component of the modern business enterprise strategy, many companies are turning to wireless devices to deliver market-differentiating customer service. CRM is used with data warehousing, data mining, and other intelligence-based applications. The market continues to develop as many ERP vendors try to respond to the competition by integrating front-office applications with back-office systems.

CRM still has many downsides. Product maturity and cost-effectiveness have not always reached the desired results. There is frustration among end users about the performance and capability of the CRM solutions. Clients are not convinced that CRM performance measures up to the market and vendor hype and label CRM systems as overpriced. CRM is a fast growing market and prices are positioned to decline.

There is great competition between vendors to differentiate their products and services along functionality, integration with existing systems, ease of use, and the range of target markets. Currently, CRM offers faster response to customer inquiries, increased efficiency through highly developed automation, and a deeper understanding of customers through advanced analysis systems. CRM tools are developed continuously and more sophisticated applications enter the market rapidly

1. ***Definition and importance of CRM***

Customer Relationship Management (CRM), also known as relationship marketing or customer management, is an information technology industry term for the methodologies, strategies, software, and other web-based capabilities used to help an enterprise organize and manage customer relationships. The goal of CRM is to aid organizations in better understanding each customer's value to the company, while improving the efficiency and effectiveness of communication. CRM captures, analyzes, and distributes all relevant data from customer and prospect interactions to everyone in the organization. This distribution of information helps an organization better meet customer, product, and service needs.

 CRM has replaced traditional marketing techniques that focused on key marketing mix elements, such as product, price, promotion and place. By being too functionally-based, traditional marketing techniques neglected the customer in the after-sales process and failed to meet customers' desires. CRM emphasizes customer retention over customer acquisition and is recognized as one of the most viable tools used to further a company's success in the highly competitive business world.

 There are three major areas that focus on customer satisfaction: sales, marketing, and service. The functionality of and between these three fields is essential to successfully connecting a company's front and back offices to facilitate effective, enterprise-wide coordination. The professional sales force predicts and proposes the real-time analysis of information and distributes this information to the company and business partners. Marketing concentrates on personalizing customer preferences and offering them satisfying experiences. Service is associated with the companies' call centers and coordinates interaction between Web, e-mail, and other communication medias. These fields are developed further with the help of CRM automation.

The company's activities interact with many external economic partners: consumers or customers, partners, resellers, government, the media. Therefore there is a need to management relationships with economic partners.

*Relationship Management* is a business strategy that aims to reduce costs and increase profitability by strengthening customer satisfaction, creating loyalty and establishing long-term cooperation with economic partners.

There are the following main subsystems of Relationship Management:

CRM – Customers Relationship Management;

SRM - Supplier Relationship Management;

PRM – Partner Relationship Management;

GRM – Government Relationship Management;

MRM – Media Relationship Management.

***Customers Relationship Management*** is concerned with the creation, development and enhancement of individualised customer relationships with carefully targeted customers and customer groups resulting in maximizing their total customer life-time value”.

Definition of CRM are presented in Table 1.

|  |  |
| --- | --- |
| Type of CRM | Dominant characteristic |
| *Strategic* | Strategic CRM is a core customer-centric business strategy that aims at winning and keeping proﬁtable customers. |
| *Operational* | Operational CRM focuses on the automation of customer-facing processes such as selling, marketing and customer service. |
| *Analytical* | Analytical CRM focuses on the intelligent mining of customer-related data for strategic or tactical purposes. |
| *Collaborative* | Collaborative CRM applies technology across organizational boundaries with a view to optimizing company, partner and customer value. |

So, Customer Relationship Management (CRM) is an imperative business function which forms and develops a mutually beneficial relationship between a provider and a client. The significance of CRM has grown from simple customer service to an integrated solution which establishes a level of trust in forming long term relationships and identifying additional business opportunities.

In an attempt to reach and connect with customers in an environment highly saturated with products, advertisements, and promotions, businesses are implementing a customer relationship management component in their marketing schemes. CRM practices enable marketers to build long lasting relationships with consumers at the individual level.

***The purpose of CRM*** is on creating value for the customer and the company over the longer term. When customers value the customer service that they receive from suppliers, they are less likely to look to alternative suppliers for their needs. CRM enables organisations to gain ‘competitive advantage’ over competitors that supply similar products or services.

As a relatively new practice, the definition of customer relationship management has been debated by field experts and is ever evolving. In fact, the term has come to mean different things to different individuals and organizations.

Customer relationship management is a relatively new field, but its importance is becoming even more evident as time passes. The paradigm shift from focusing on attracting new customers to retaining current ones is at the backbone of CRM. Studies revealed that small increases in customer retention rates greatly increased profits, proving that long term customers can be more valuable. More revenue on average is generated from repeat-purchase customers when compared to one time buyers. With potential profit maximization in mind, businesses are turning to customer relationship management in order to better understand customers. Traditional marketing and mass advertising are proving to be ineffective in such a commoditized environment. With the number of similar products on the market increasing and competition among the firms escalating, companies must look toward capturing customers on some factor other than product quality, price, or convenience. They must focus on building unique, one to one relationships with customers based on individual needs and wants; thus, implementing customer relationship management is critical to the growth and future success of firms.

CRM involves the following:

* Organisations must become customer focused;
* Organisations must be prepared to adapt so that it take customer needs into account and delivers them;
* Market research must be undertaken to assess customer needs and satisfaction.
1. ***The main problems of development in relations with customers***

From a company perspective, the costs associated with CRM programs and technology can serve as a great disadvantage if the return on investment does not reach the optimal level. Once firms commit to adopting the CRM practice, they must invest in training employees, developing the database software, and targeting marketing efforts at the most profitable customers. Evaluating the CRM process is another disadvantage due to the fact that there is no one factor that can determine if the program is successful or not. There are many contributing factors that cannot be easily numerically measured, and therefore, firms may find it difficult to get the true value of its CRM programs.

Two main ethical implications, which pertain to both the customers and companies, involve customer discrimination behaviour and privacy issues. Although CRM attempts to target the most profitable customers and maintain strong relationships with them, the process inherently discriminates against other current and potential customers when they are treated differently. When consumer segments are defined and separated according to their values, some customers are evaluated as being more valuable and therefore they hold priority over others. Problems arise when these segments communicate with each other and with the company via social networking sites and other community building sites. When unfavourable communication takes place regarding differences in customer experiences, the company may have to defend itself. Discrimination can be seen as unfair and can ultimately be counterproductive to building customer relationships and maintaining a sense of community. According to Hansen (2000), a “discrimination relationship policy is tied up with problems of moral sensitivity,” and therefore may be detrimental in relationship building.

Since the CRM process requires a vast amount of customer information, privacy issues remain an important and sensitive issue with firms and customers alike. In order to customize products and services for individual customers, personal information is collected and stored in CRM databases. There is a fine line, however, between collecting and capitalizing on information and stepping over customer privacy boundaries. According to Forrester Research, individuals have reported feelings of irritation and violation and some have admitted that they are fearful about internet usage tracking. When firms violate customer privacy by sending unwanted e-mails and mailings or by sharing private information, customers can backlash and boycott the firms. Some privacy issues can be resolved by an “opt-in” option in which the customer must explicitly give consent to personal data collection or by an “opt-out” option in which customers must forbid the use of data. As more firms adopt and develop CRM processes, privacy issues should be addressed in order to ensure that consumers feel comfortable and confident with the firms and with the data those firms are collecting and using.

Although there are many advocates for the adoption of customer relationship management, many skeptics criticize the practice for a number of reasons. The initial criticism attacks the fact that no top marketers, or executives of the same firm for that matter, can agree on a single definition of CRM; this lack of consistency makes it difficult for an organization to create a united front regarding CRM objectives and programs. This lack of definition may not be critical, however, if the firms are able to successfully implement their own individual working systems. Other critics believe that CRM is failing to meet customer needs; CRM practitioners are too focused on managing the customer and not enough on satisfying the customer. Finally, marketing executives often view technology as the most important part of CRM, but many see technology as the only requirement for CRM implementation. Technology does not build relationships, and critics argue that the process of CRM puts too much emphasis on databases and not enough on personal interactions.

1. ***Advantages of CRM***

Implementing customer relationship management offers a number of advantages and disadvantages to both the companies that initiate the programs and the customers that partake in them. From a customer perspective, the advantages are directly attached to experiences and can mostly be attributed to the perceived benefits of the CRM programs. Customers obtain perceived value from the utilitarian benefits, hedonic benefits, and symbolic benefits offered by the CRM programs. Utilitarian benefits derive from completing a task or obtaining a tangible object, and they often are connected with a product’s physical characteristics. Customers who seek utilitarian benefits from CRM programs are often most concerned with the financial rewards, such as monetary savings from coupons or special offerings. Convenience benefits also provide utilitarian value by saving a customer’s time. Hedonic value originates from emotionally gratifying or sensory fulfilling benefits that are not connected with tangible product characteristics. For example, customers receive hedonic benefits from CRM programs when they are encouraged to try new products and enjoy new experiences after collecting a predetermined set of loyalty program points or after obtaining a certain customer status. Customers may also receive symbolic benefits through self expression, recognition, and approval. These benefits are not related to tangible characteristics or to products; they pertain specifically to an individual’s self-esteem and how they feel they are perceived by the world. CRM programs provide its customers with symbolic benefits by recognizing individuals and their own unique product preferences and shopping behaviours. When these individuals are considered a part of an elite group of customers or a brand community, they feel socially accepted and satisfied; therefore, CRM programs should focus on giving these customers the experiences they desire.

The advantages of successful CRM implementation from a company perspective involve increasing customer retention, repeat purchases, and customer relationships in order to gain the ultimate objective of raising profits. In a world inundated with marketing tactics and advertising campaigns, companies must redefine themselves in the eyes of the customers, and CRM allows them to do just that. CRM provides companies with a customer knowledge advantage through effective and efficient internal and external information flow and communication. The technology created for the CRM process and the focus on customer relationships discover customer leads, encourages loyalty, and generates sales. Once companies create and strengthen those customer relationships, they gain a competitive advantage through customer commitment and trust; thereby, the companies psychologically connect with customers and capitalize on their purchase behaviors.

The fundamental reason for companies wanting to build relationships with customers is economic. Companies generate better results when they manage their customer base in order to identify, acquire, satisfy and retain proﬁtable customers.

Benefits of CRM include:

* reduced costs, because the right things are being done (ie., effective and efficient operation);
* increased customer satisfaction, because they are getting exactly what they want (ie. meeting and exceeding expectations);
* ensuring that the focus of the organisation is external growth in numbers of customers maximisation of opportunities (eg. increased services, referrals, etc.);
* increased access to a source of market and competitor information highlighting poor operational processes long term profitability and sustainability;
* increase profitability.

There is little merit in growing the customer base aimlessly. The goal must be to retain existing customers and recruit new customers that have future proﬁt potential or are important for other strategic purposes. Not all customers are of equal importance. Some customers may not be worth recruiting or retaining at all, for example those who have a high cost-to-serve, are debtors, late payers or promiscuous in the sense that hey switch frequently between suppliers. Other things being equal, a larger customer base does deliver better business performance.

Many companies on the Fortune 500 lose 50 % of their customers every 5 years. On average to attract a new customer is more expensive in 7 - 10 times than keeping an existing one. Increased customer retention by 5% increases revenue by 25 – 125 %. About 50% of existing clients are without profit from inefficient interaction with them. Most of the clients in some areas abroad are recovered only in a year of working with them. A happy customer will tell about his successful experience in average to five his friends, an unhappy one – to at least ten.

These facts indicate that the transfer of efforts of companies to attract new customers and maintain existing ones and improving the quality of work with them helps to achieve a much greater effect than the traditional approach - involving many new customers. This idea is a key concept in Customer Relationship Management.

Knowledge of the clients, who will bring or will not bring profit, is the essence of one of the most popular trends in business. Offer special conditions for those who spend a lot of money in your company, and reduce maintenance costs of those who spend little - these are principles of CRM. Customer Relationship Management (CRM) includes many disciplines.

1. ***Future of CRM***

During the last few years, globalization in the field of e-commerce has challenged companies to make customer communication truly interactive. The new customer relationship management strategy is moving away from one-to-many mass-communication philosophy to a more individualized one-to-one communication. Real-time, automated marketing communication regarding personalized sales and services will make companies’ communication with the consumer more relevant and timely. New electronic channels are developing continuously, making CRM’s existence in companies’ strategy even more vital.

Today’s CRM market trends are challenged by increasing customer expectations and customer relationship complexity caused by the new and continuously evolving technology, greater mobility in the field, and faster development of new products. Companies must increase their ability to manage and respond to the relationship-complexity function between customers and themselves. Companies must shift from the old paradigm of mass production to the new paradigm of mass customization to meet the customers’ exacting demands.

The future of CRM is bright if companies are willing to invest money and improve their current practices. Currently, CRM implementation is relatively weak among firms; the future of CRM will be determined by how well these firms adapt to its practices. According to Winer, technology and database functions will continue to improve, but companies will have to become more effective in analyzing customer behavior and information. Firms must continue to build company and brand communities to encourage communication and increase loyalty levels among current and potential customers . A popular trend in improving CRM involves the splitting of the marketing manager job into two separate positions. One position would be responsible for customer acquisition and the other for customer retention, allowing for the managers to solely focus on one’s responsibilities and objectives. Customer experience management (CEM) is another marketing movement that is an offshoot of CRM, and it focuses on the customer experience at every touch point between the firm and the customer. If CEM proves to be a valuable and effective practice, then it is likely that CRM will evolve to include CEM techniques.

Customer relationship management has become the new wave of marketing in an attempt to build loyalty, strengthen customer relationships and increase profits. Using software technology and advanced databases, CRM aims to reach out to customers to meet their individual needs and exceed their expectations. Firms implement relationship programs, such as community-building websites and loyalty card programs, to develop a trusting relationship among consumers to gain their confidence and increase repeat purchases. CRM will continue to be a dominant marketing technique that will contribute to ongoing customer relationships and bottom line profits.

The future of Customer Relationship Marketing is uncertain. Reported results have been disappointing with respect to campaign management, call center management and marketing analytics. According to a recent McKinsey Study, only 35% of the managers responsible for those operations were satisfied with attainment of objectives. In fact, while most IT based initiatives don’t garner CEO visibility,

CRM initiative must begin at the top levels of a corporation to be successful. CRM initiatives are extremely expensive, time consuming and require an organizational commitment to be successful. A typical CRM initiative within a major corporation can cost well over $ 80 million and take 3 years to complete. The size of investment alone warrants senior management involvement; but it is the revenue opportunity for CRM programming that truly requires senior management direction.

The shortcomings in implementing CRM programs have become abundantly clear. Targeted revenue goals, for example, are not often achieved. Most initiatives expect at least a 10% improvement in revenue, but corporations in the U.S. are experiencing half that result. In addition, budgeted costs are generally exceeded and timetables are not met. Budget overruns can exceed estimated amounts by 300%. Failure to achieve revenue forecasts, budget overruns and poor performance of CRM can lead employees to stop using the system, further eroding performance. This was the case at a leading computer wholesaler and retailer where telephone sales representatives, upset with system performance, stopped entering data. Some companies have abandoned CRM initiatives as a result of such problems. Will CRM survive? The answer will be found in an organization’s ability to stay the course and remain committed to the objectives of their programs. What is required is dedication to CRM principles by senior management and technical support personnel. Success will be gained by a team approach across disciplines. Cross-functional resources are necessary because the CRM effort requires technical skill to identify problems and the authority to resolve them.

The start of any CRM turnaround entails the revision and refinement of objectives. Goals must be reevaluated, clearly articulated and clearly prioritized to ensure that resources will be properly allocated to meet the most important goals of a company. For example, how should an organization prioritize the following goals? - increase customer base,

* increase revenue from existing customers,
* convert competitive customers,
* decrease turnover of profitable customers?

These goals all have varying rates of return. Each must be considered in terms of ROI. Only after determining which objectives provide maximum return can strategy provide a clear vision as to how business improvement is to be accomplished.

An organization’s strategy will determine the requirements of the system and which tactical activities should be employed to achieve intended results. In fact, only after the strategic possibilities are ad-dressed and tactics determined can organizational requirements for the initiative be addressed.

The involvement and commitment of the entire organization is critical for a CRM strategy to work given the large number of consumer touch points that cut across many departments. It is important to know who will do the work and what work will be required. One example is sufficient to illustrate the point. Consider a customer service representative who has no incentives for entering data which will benefit manufacturing. Without understanding the importance of the information or the reason for its use, valuable information may be lost.

The technological basis for CRM programming is most often an integrated suite from suppliers like Oracle, PeopleSoft, SAP, Siebel Systems or IBM. These suites are meant to be all encompassing solutions that are mutually exclusive. One system will satisfy the needs of the entire company. While these powerful solutions can work effectively, they may be too far reaching for the needs of a company and provide features that may not be employed until much later in a CRM initiative. It is important to evaluate products based on need and stage in a company’s relationship marketing efforts to ensure that the proper product is purchased.

What are the key lessons that practitioners have learned regarding CRM to date?

1. Use your current customer database more effectively. One industry where this is particularly important is auto insurance. Companies like GEICO and Progressive Insurance are experts at using segmentation to direct policy offerings. CRM efforts allow GEICO to direct offerings to low risk motorists, while Progressive segments and effectively targets products to the high-risk motorist segment.

2. Identify the value of market segments. Most industries have key factors that represent customer leverage points. In the credit card industry, for example, those factors would be monthly margin of a customer, longevity of a customer and customer acquisition costs. Capital One has learned that encouraging existing customers to increase their charge volume produces higher returns than attracting new customers. Consequently, the real focus for the industry is customer lifetime value or the profitability of purchases over time.

3. Build customer relationships. Too often we focus our attention on the size of customer databases. Consider the database for frequent shoppers for the Safeway grocery chain. It exceeds 28 million households in size. Nonetheless, Safeway’s promotional efforts tend to be transaction focused and not relationship oriented.

4. Segmentation is a means to discriminate. If you have the information to differentiate offers, do it! Consider United Airlines Mileage Plus Program. They have the flight history of each passenger at their disposal and therefore offer incentives to their best customers accordingly. They differentiate based on miles flown and revenue earned per customer.

**LECTURE 2. IDENTIFYING CUSTOMER NEEDS**

*"You cannot manage a quality service organisation unless you understand the nature of what you are providing, fully realise what your customers want from you and how they perceive you from the start."*

*W.Martin: Managing Customer Service, Crisp, 1989*

*1. Client orientation of company.*

*2. Customer needs.*

*3. Basic conditions of correct identification of clients’ needs.*

*4. Methods for identifying customer needs.*

1. ***Client orientation of company***

Client orientation is business strategy of the company, by which the company acts to meet customer needs in order to turn him/her into a loyal customer. Customer satisfaction is the main priority in this company. The main motto of the company is "customer is always right" (Harry Gordon Selfridge phrase).

In the new rapidly changing economy, however, customer predictability is dead. "Whatever a customer wants today may not be what he or she wants tomorrow. Or he or she may want more of it. If you're offering low prices, customers want those prices slashed further. If you're offering state-of-the art products, they want them newer still. In meeting ever-increasing customer demands for lower, faster, better, and newer, companies need to be the first in their market to identify their customer needs.

So, the main objectives of client oriented companies are: meet customer needs, establish contact with clients, attract new customers, increase profits.

There are a number of different ways of categorising what customers want and value.One of these is called the RATER scale. This is made up of five elements:

**R**eliability."Do what you say you will do, reliably and consistently". Relates to timeliness, consistency, regularity, accuracy.

**A**ssurance "I need to be confident of the knowledge and courtesy of your staff". Relates to competence, knowledge, respect, credibility, honesty, confidentiality, safety, security.

**T**angibles. "Make sure your facilities, equipment, communication materials look attractive and are user friendly". Relates to appearance of facilities, staff, communication facilities.

**E**mpathy. "Treat me as an individual, in a caring and empathic way; understand my needs". Relates to access to staff and information, clear, appropriate and timely information, individualized attention.

**R**esponsiveness. "Be flexible and willing to help me; resolve my problems promptly and effectively". Relates to prompt service, willingness to help, problem resolution.

The first step in becoming a customer-centric organization is agreeing on a customer needs definition.

1. ***Customer needs***

Providing superior customer service means meeting customers’ needs by providing them with the products and services they want or by providing effective solutions to their problems. In order to do that, customer service, customer care, and call center representatives must be able to accurately and completely identify customers’ needs. Correctly identifying customers' needs is essential for ensuring customer satisfaction and loyalty. If you fail to properly identify customers' needs, or if you are indifferent to their needs, they will take their business elsewhere.

Every customer is different from another individual, therefore every customer has a different need. Understanding customer needs will help you define new market opportunities and drive innovation and revenue growth in every aspect of your organization.

If you have correctly identified customer needs you will only gain a competitive edge. In order to identify customer needs and make use of this information you will need to do three things:

 1. Communicate with your customers and find out how you can satisfy their needs better.

2. Establish ways to record and interpret customer feedback.

3. Use this information when making important decisions about marketing, buying and selling.

Finding out which buying needs are most important to your customers will allow you to match these needs to the benefits of your products. For example, a customer’s buying need might be for comfort and economy - “These slippers are made from wool and are padded with foam, so therefore will be extremely comfortable. They are also on ‘special’ this week so represent a great buy!”

The value of purchases (goods or services) to customers is not determined by its characteristics, but how the product can meet current needs. For example, a person does not buy signaling for the car, and calm and confidence in security. For the seller the most important is to identify the benefits expected by the buyer to purchase. If this is ignored, even if the unit purchase is fulfilled, the customer will not return to you, and certainly will not recommend your company in his/her friends. Remember that only 20% of buyers clearly know their needs.

Academic Krolar identified six types of motivation, which are used by people when buying goods:

* ***Security.*** When buying goods clients want to be sure of their features and characteristics, that they will not break soon and they will not have problems with warranty. For such customers, guarantee, sign of quality, after-sales service are essential.
* ***Affection and Connection.*** The client may be connected to a specific brand, model or even color of product.
* ***Comfort.*** There are clients who give priority to the comfort of the product. For example customers buy an automatic coffeemaker, so that in the morning be able to lie in bed for another 10 minutes longer.
* ***Prestige of product.*** Customers are willing to pay much money in order to enjoy prestige goods and stand out among people. For example, rich people today want to have on their car number with zeros than a regular car number willing to pay several times more.
* ***Novelty.*** When buying prime motive can be novelty of product, its new features or new look.
* ***Savings.*** For most people major motive to purchase goods is saving as a result of buying cheaper goods (sales).

***The five Basic Needs of Customers:***

 1. Friendliness

 Friendliness is the most basic of all customers needs, usually associated with being greeted graciously and with warmth. We all want to be acknowledged and welcomed by someone who sincerely is glad to see us. A customer shouldn’t feel they are an intrusion on the service provider’s work day!

 2. Understanding and empathy

 Customers need to feel that the service person understands and appreciates their circumstances and feelings without criticism or judgment. Customers have simple expectations that we who serve them can put ourselves in their shoes, understanding what it is they came to us for in the first place.

 3. Fairness

 We all need to feel we are being treated fairly. Customers get very annoyed and defensive when they feel they are subject to any class distinctions. No one wants to be treated as if they fall into a certain category, left wondering if “the grass is greener on the other side” and if they only received second best.

 4. Options and alternatives

 Customers need to feel that other avenues are available to getting what they want accomplished. They realize that they may be charting virgin territory, and they depend on us to be “in the know” and provide them with the “inside scoop.” They get pretty upset when they feel they have spun their wheels getting something done, and we knew all along a better way, but never made the suggestion.

 5. Information

 “Tell me, show me – everything!” Customers need to be educated and informed about our products and services, and they don’t want us leaving anything out! They don’t want to waste precious time doing homework on their own – they look to us to be their walking, talking, information central.

1. ***Basic conditions of correct identification of clients’ needs***

Not identifying customer needs correctly is just like building a house on a weak foundation. Why would you knowingly do that? A good builder will consult an expert that then conducts soil surveys and engages contractors to properly set a solid foundation.

Your customers are looking for businesses that understand their requirements. They are the experts on their problems and you need to ask about these, before you develop new offerings.

Here are the three keys to fully know your customers and set your foundation on solid footing:

1. **How and Why** – this is the wants and needs analysis. It goes well beyond asking what kind of features they’d like to see. You need to find out how they currently operate and why. Also find out how they measure success and why they do it that way. By the way, don’t confuse needs and wants – you may find out there is a need for your offering, but providing it is no guarantee you'll find demand;
2. **Core Values** – the next step in customer data mining is determining what would make their life easier. The natural assumption here is that it is related to the product you are proposing, but dig deeper. Find the emotional connections that will allow you to see how your product can fit into their personal lifestyle and if selling to businesses, life within their company. You may be surprised what you discover that will help you improve your product and position it in the market;
3. **Through Your Customers’ Eyes** – certainly you’ve done a competitive analysis but the best sources of information are your target customers. An understanding of the competitive landscape from the expert, your potential customer and user, is a great way to gather information on the competition. You’ll discover their strengths and weaknesses and what customers would like to change.

The importance of market research in identifying customer needs before your go to market is critical. Let your prospects and customers be your secret weapon.

*Conditions of effective relationships with customers:*

1. Learn about customer needs.

To build productive relationships with customers, you need to put yourself in their shoes and understand their needs. In this case, you can not only satisfy their best, but may offer the customer any related products and services. For example, customer came to the shop to buy a mobile phone. Seller who listens attentively to customer needs regarding phone will sell not only the phone which client wanted, but also to persuade the customer to buy an additional memory card.

1. Give the customer feeling that he is important for you.

Listen to customers - people like to be listened to. And not just listen but hear. Do not make contact with clients to monologues - listen to what they tell you, and use information to your advantage. Show your customers that you are interested in them, interact with them, be open to dialogue.

1. Constantly maintain relationships with clients.

It is important to remember: after signing a specific agreement, your relationship with clients does not end there, because permanents clients often bring more profit than the temporary ones. Therefore it is important to keep in touch with clients. One way to do this - is to greet customers with holidays. For example, you can send a Christmas card by email to your customers. This is an example of an individual approach for clients.

1. Attention from the enterprise to the client should not be intrusive and annoying.

If you are too intrusive, the clients can think that you pursue them. This rather reflects back than helps for future cooperation.

So, the ***basic conditions of correct identification of clients needs are:***

1. *Set the contact.* Welcome your client with happiness, be polite and patient. Once you have gained a prospect’s attention it is time to find out the needs and wants of that person. People buy for different reasons, and they are motivated to buy because of individual needs and wants. A good salesperson takes the time to persuade a customer to reveal those needs and wants -- not alway an easy task, but it’s the basic technique of the sales process. Once those needs and wants are establishe ask yourself this key question -- “What can I do for this customer?” Then go all out to provide the appropriate product or service.

Most customer needs can be divided into four basic categories:

* The need to be understood. Customers need to feel that the message they are sending is being correctly received and interpreted.
* The need to feel welcome. Customers need to feel that you are happy to see them.
* The need to feel important for you. Customers like to feel important and special.
* The need for comfort. Customers need physical and psychological comfort.
1. *Ask questions.* Start with general questions and then ask for details. For example, if the client has come to your shop, a seller must ask if he/she wants to buy a normal mobile phone or iPhone, which brand, with which functions, what color etc.
2. *Listen to buyer carefully.* Use active listening skills: ask clarifying questions, encourage, give a feedback. Get confirmation that you have understood correctly, if you have doubts on this score. Do it in pauses without interrupting client. This will show how the real needs of the client are important for you.
3. *Show that you understand what the buyer really wants and you know how to help him/her.*

During contact with the client, listen more than talk, and follow these rules:

1. Speak in turn and do not interrupt your client.
2. Looking at eyes, you show your interest in the conversation.

There are three kinds of listening to client:

* Passive is when the seller listens, but thinks about something else.
* Selective hearing. When the seller listens to client and tries to understand what can be offered.
* Active listening. Seller is fully concentrated on the client, defines his motives and needs, wishes to please him/her the best.

To find out what clients want from your company and your products, companies use the following means:

* Letters of complaint;
* Warranty or insurance claims;
* Formal market surveys;
* Contacting the customers;
* Test marketing new products.

***4. Methods for identifying customer needs***

The methods for identifying customer needs are next:

*Starting with existing data*

You most likely have existing data at your fingertips. Review past surveys, customer interviews, and customer-support call logs. There’s no point in funding an extensive and expensive research campaign if the data you need is already collected.

Save the budget for data you don’t have and more advanced questions you need answered.

*Interviewing stakeholders*

Why not begin with the data you don’t have to pay for: the collective knowledge stakeholders have. Start with sales and support teams. They know the product and the customer. They often have a list of feature requests, bug reports, and enhancements — straight from the customer’s mouth.

*Mapping the customer process*

If you know your customer’s process, map it out. For example, before Uber, to get a ride you called a taxi company, waited to reach a dispatcher, waited for a car to be dispatched, hoped the driver would find you, and hoped you had enough cash when you reached your destination.

*Mapping the customer journey*

A customer journey map is a visualization of the process a customer goes through when engaging with a product or service. It takes process mapping to a new level by including multiple phases and touchpoints a person goes through — from prospect to loyal customer. It’s a document meant to unify fragmented efforts and identify points of friction and opportunities for improvement.

*Interviewing customers*

Go right to the source: Ask customers what problems they have and what features they want. Even when customers can’t articulate their needs clearly, you can often gain insights that lead to successful innovations.

Use the “Five Whys” technique to help you discover what needs people don’t even know they have, needs that no one has recognized before: Keep asking why until you get at the root cause of the problem and not a symptom. (It’s called “Five Whys” because you often have to go through five levels before you get to the point where you can make a change that addresses the problem.)

*Conducting voice of customer surveys*

Voice of Customer surveys collect data, from email or from a pop-up on a website, about the attitudes and expectations of existing or prospective customers. Use a mix of open- and closed-ended questions to see what produces the most useful data.

Although customers aren’t necessarily good at identifying their needs, this type of survey often yields data from which you can discern customer goals, challenges, problems, and attitudes, and then recommend opportunities for improvement.

*Analyzing your competition*

Consider using research firms that might present a more objective face to customers who engage with your organization and its competition. Consider using the SWOT rule: Identify your competitors’ strengths, weaknesses, opportunities, and threats. You can use a SWOT for a brand, product, or even an experience.

Define the competition both narrowly and broadly. Don’t just look at your competition in the same industry, but other industries as well.

*Analyzing cause-and-effect relationships*

No one will disagree that it’s usually good to think positively, but sometimes, negative thinking can solve problems more effectively. Through observations, surveys, and other data sources, you may find problems that are actually just symptoms of other root cause problems.

*Recording experiences through diary studies*

Sometimes opportunities reveal themselves over time. One cost-effective longitudinal method is a diary study. Ask participants to record problems, frustrations, positive experiences, or thoughts at intervals throughout a day, week, or even a year. This can be low tech, with customers writing their experiences and thoughts down on paper and mailing it in, or high tech, in which you send text messages or emailed surveys to customers at particular intervals.

Because you’re asking your customer to do the data collection for you, be sure you have targeted questions and clear hypotheses you want to test with all the data that gets collected.

Expect a good percentage of customers to drop out or not be 100% diligent about filling out their diaries. Still, any information you can garner is better than no information at all. After all, you can’t fix what you don’t know about.

**LECTURE 3. ADMISSION OF CLIENTS AND ESTABLISHING CONTACT**

*1. Find and attract of customers.*

*2. Establishing contact with clients*

*3. Conflicts with clients.*

*4. Information Technology and CRM.*

1. ***Find and attract of customers***

In managing the customer relationship, the very important is to find and attract customers. Customers can come to your company themselves or you have to search them and engage in activities.

The concept of CRM involves regular collection and analysis of customer information, actual and potential: how client responded to the business proposal, whether he is satisfied with the service quality, do his benefits change over time, how well he performs duties and finally, how much income the client brings (or could bring) to company. All stages of the relationship with the client are monitored. Thoroughly trap signs of dangerous deterioration of relationships, because, as you know, the cost of attracting a new customer is much more than the cost of maintaining an existing client.

In large enterprises, there are whole departments and services to find and attract new customers. The world is filled with different people and in business you will face different types of customers. With some of them it will be easy and pleasant to do business but with others it can be very hard to please. It is important to understand the business customer type clearly. Everything will depend on seller’s performance of certain tasks and finally signing a contract.

It is very important to identify the buyer of a particular product capable to buy it. To find potential customers try different sources. Firstly, the information is provided by marketing research - own or borrowed. Targeted market research and segmentation allow you to identify the target client group. Secondly, the source of new customers may be already involved in buying customers who can recommend your goods and company to acquaintances, colleagues, friends, relatives, neighbors. Thirdly, you can attract customers from competitors by more favorable service, product competitiveness, professionalism of sellers.

Table 1.

**Types of business clients**

|  |  |
| --- | --- |
| ***Types of business clients*** | ***Task of seller*** |
| 1. *Willing and able to buy.*
 | *Maintain and develop good relationships, increasing sales of the client. With his positive experience with the product and loyalty, use him to find new customers, improve the image of your company and product.* |
| 1. *Want, but can not buy.*
 | *Find out reason. Achieve priority for your goods. Make client interested, provide the necessary conditions (for example, credit, deferred payment, discount, etc.). Wait and make a sale.* |
| 1. *Do not want, but can buy.*
 | *Find out why customer doesn’t want to buy the product and try to remove the reason by telling about the benefits of the product or the provision of additional conditions. To make the test, allow temporary use, to stimulate a desire by present, participation in lotteries, etc. Sign a contract.* |
| 1. *Do not want and can not buy.*
 | *Find out the reasons and decide to stimulate desire and provide conditions to make it easier to buy goods or refuse from this client.* |

It is very important to identify the buyer of a particular product capable to buy it. To find potential customers try different sources. Firstly, the information is provided by marketing research - own or borrowed. Targeted market research and segmentation allow you to identify the target client group. Secondly, the source of new customers may be already involved in buying customers who can recommend your goods and company to acquaintances, colleagues, friends, relatives, neighbors. Thirdly, you can attract customers from competitors by more favorable service, product competitiveness, professionalism of sellers.

Methods of finding customers:

* Through direct mail. Search for potential customers through mail service often brings a certain result, but in any case we can not reduce this method only to sending letters to potential clients and expectations of purchases and orders. The most reasonable method of using direct mail communication is simultaneous sending of 10-50 and more emails by carefully formed list, and then in 2-4 days accompany each letter wth a phonecall.
* Through advertising. Local advertising (media, business cards) is accompanied by a list of services and products of a company, is a good source to search potential customers. Therefore, the process of communication through advertising let buyers first identify their own reasons (how not to overpay, get a discount, delivery, installments, loan, convenient service and self-assurance), and help to solve their problems.
* Exhibitions, conferences, all kinds of meetings, involving people who have similar problems - are the primary source of potential customers. So explore them, watch them to find customers and agreements.
1. ***Establishing contact with clients***

It is believed that the seller has only 7-8 seconds to accept the client and establish contact with him/her. These seconds are crucial, and either you get success or get defeated in sales. By skills of seller to attract customer's attention will depend whether business relations will be established between them.

There is a logical process when receiving and establishing contact with the client. Attention-interest-desire-buy. If you don’t attract attention of client immendiately, then this process will not start and so buying of the product will not occur.

To accept successful contact with clients, it is important to follow these steps:

1. Prepare for meeting with the client.
2. Try to attract attention at once and creating a positive first impression. Creating a welcoming environment and greeting your customers are both part of creating a positive first impression… and you know the old saying "You never get a second chance to make a first impression".
3. Seller must immediately show his/her sincerity and simplicity so that the client had feeling of credibility. The key to a successful greeting is to make sure that it reflects the overall feel of your store, and that it is appropriate to your customer. Howeve, you should never forget that what you say is not as important as the way you say it. Even the most fantastic and appropriate greeting will not work unless it is said with a friendly smile and helpful attitude.
4. You must accept the client as a personality.
5. Seller has to have a good look. For example, in business negotiations customers pay attention to cigarettes, which seller smokes or which pen he uses. Important that your company in outside and inside to have a good look. Have you heard the story about the manager of the most successful McDonald's restaurant in the USA? Every morning, he used to park his car a block away and walk the distance so that he could see what his customers were seeing as they approached the restaurant. He understood that factors such as: rubbish in the car-park and dirty windows could influence his customers in a negative way; and a tidy garden area and attractive colours could influence them in a positive way.

“Customer relationship management“ focuses on strategically significant markets. Not all customers are equally important”. Therefore, relationships should be built with customers that are likely to provide value for services Building relationships with customers that will provide little value could result in a loss of time, staff and financial resources

Strategically significant customers need to satisfy at least one of three conditions:

* Customers with high life-time values (i.e. customers that will repeatedly use the service in the long-term e.g.);
* Customers who serve as benchmarks for other customers e.g.
* Customers who inspire change in the supplier.

If you *want to build trust and credibility with your customers*, and hold on to them for life, follow these 10 important tips:

1. Avoid selling a solution that isn’t in the customer’s best interest.

Sometimes you just don’t have the right solution at the right price. If that is the case, it is always best to be honest with the customer, instead of proposing something which you know will not fully deliver the outcome the customer is looking for.

2. Never misrepresent the features, advantages and benefits of a product or service.

Customers don’t want a product or solution that only comes close to meeting their needs, or that usually functions properly. Give them the whole, unvarnished truth, and let them decide if the proposed solution will work for them.

3. Don’t promise anything you can’t deliver.

Some sales professionals find it very difficult to say no to the customer about anything. Telling the customer that a certain solution with specific features and benefits will be delivered by a specific deadline, when you know you can’t deliver, is a recipe for disaster.

4. Accepting or offering bribes or gifts is always unethical.

There is perhaps no brighter ethical line sales professionals must not cross than the one prohibiting off-the-books inducements.

5. Keep pricing consistent to all departments within the same company.

You will poison the relationship and kill the account if the discrepancy is ever discovered.

6. When problems develop after the sale, don’t make excuses and don’t place blame; fix the problem.

You are the face of the company; it is your duty as sales professional to deliver on the promise you made.

7. Don’t withhold bad news.

If you think the customer will be upset when you tell them the bad news, just imagine how much more upset they will be when they find out you knew the bad news three weeks ago and hid it from them.

8. If and when you must speak of the competition, be respectful at all times.

Some sales professionals seem to think that “trash-talking” the competition will make their own products and services look better. Usually, it only makes them look petty and immature in the eyes of the customer.

9. Always honor the relationships that other sales professionals on your team have with their accounts.

Stealing accounts from your team members is just that–stealing.

10. And finally: make promises and keep them.

Above all, you must do what you say, when you said you would do it. This one skill alone will put you head and shoulders above your competition.

1. ***Conflicts with clients***

As you know, you can not be a good seller if you do not know how to persuade and work with clients.

While working and communicating with clients, you can often get into problems. These problems relate to the emergence of conflicts with clients.

To make the work with customers without problems, do the following:

1. You have to accept a policy that "the customer is always right", even if it is not always true.
2. Remember that customers have their rights to the product. There are seven consumer rights:
* The right to choose themselves.
* Right to security of the product and its functionality.
* The right to full information about the product, its quality, expiration time, the warranty.
* The right to protection from poor quality products and damages from its use.
* The right to be heard and get support in defending consumer rights in the state and public organizations.
* The right to get consumer education, acquiring comprehensive knowledge and skills that facilitate consumer decision.
* The right to a safe environment.
1. Listen attentively to all claims and suggestions of your customers; be grateful when a customer complains. Give the client understanding that his problem is important for you, and you really want to fix it, but not trying to get rid of it as soon as possible. Let them know that you appreciate feedback – and don’t ignore it! Handled sensitivity, a dissatisfied customer often becomes your most loyal customer. If customers are not satisfied with service in your company, they can share strong negative advertising, which has longer life cycle than a positive one.
2. Try to resolve the conflict correctly to make client feel satisfied. Never humiliate clients. Even if a customer shout at you, do not do the same. In that way you reduce your company's image. If the client begins to insult you directly, in calm voice explain him that you don’t like his tone, you are trying to solve his problem, but not hear bad things about yourself .
3. Remember, the more customers trust you, the less they complain. Even if you make a mistake, but you always behaved yourself as a responsible person, the customer is unlikely to arrange scandal. So, the problem will not be solved at the level of the conflict, but at the level of normal communication. The man who got a good reputation is rarely dissatisfied by customers. Of course, we all make mistakes, but if they are not repeated very often, people who know us will just forgive them.
4. ***Information Technology and CRM***

Customer relationship management (CRM) encompasses sales, marketing, customer service, and support applications. It includes all the tools, technologies and business procedures used to attract and retain customers, prospects and business partners. CRM is a combination of Contact Management, Sales Force Automation (SFA), Opportunity Management, Relationship Management, Marketing Automation, Company Web sites, Telesales and Telemarketing Systems, and evolving eBusiness technologies.

Technology plays a pivotal role in CRM. Technological approaches involving the use of databases, data mining and one-to-one marketing can assist organizations to increase customer value and their own profitability. This type of technology can be used to keep a record of customer’s names and contact details in addition to their history of buying products or using services. This information can be used to target customers in a personalised way and offer them services to meet their specific needs. This personalised communication provides value for the customer and increases customers loyalty to the provider.

*Information Technology and CRM: Examples*

 Here are examples of how technology can be used to create personalised services to increase loyalty in customers: Phone calls, emails, mobile phone text messages, or WAP services: Having access to customers contact details and their service or purchase preferences through databases etc can enable organisations to alert customers to new, similar or alternative services or products - Illustration: When tickets are purchased online via Lastminute.com, the website retains the customers details and their purchase history. The website regularly send emails to previous customers to inform them of similar upcoming events or special discounts. This helps to ensure that customers will continue to purchase tickets from Lastminute.com in the future.

 *Examples Loyalty cards “* the primary role of a retailer loyalty card is to gather data about customers.

This in turn leads to customer comprehension and cost insights (e.g. customer retention rates at different spending levels, response rates to offers, new customer conversion rates, and where money is being wasted on circulars), followed by appropriate marketing action and follow-up analysis”- Illustration: The supermarket chain, Tescos, offers loyalty cards to its customers. When customers use the loyalty cards during pay transactions for goods, details of the purchases are stored in a database which enables Tescos to keep track of all the purchases that their customers make. At regular intervals, Tescos sends its customers money saving coupons by post for the products that the customers have bought in the past. The aim of this is to encourage customers to continually return to Tescos to do their shopping CRM software- “Front office” solutions - “Many call centres use CRM software to store all of their customer's details. When a customer calls, the system can be used to retrieve and store information relevant to the customer. By serving the customer quickly and efficiently, and also keeping all information on a customer in one place, a company aims to make cost savings, and also encourage new customers”.

**interesting information**

**Here are 67 methods and reasons to contact clients:**

Invite clients to a client appreciation event.

Invite clients to a holiday party.

Invite clients to a benefit for a favorite charity.

Invite a client to lunch.

Invite one or more clients to a sporting event, play or concert.

Say thanks or send a small gift to a client who has made a referral, expressed appreciation, or who is just a joy to do business with.

Call to wish them happy birthday, or send a card or letter.

Send a get well card to a client who is ill.

Send flowers or a sympathy card upon the death of a client or family member.

Send a card commemorating an upcoming holiday other than Christmas.

Send regular postcards or letters with history or trivia about the client's hometown.

Send a cartoon that relates to a recent conversation or a personal incident.

Send a personal letter, at holiday time or more often, telling what's going on in your life, sharing some personal thoughts.

Call when there's news on a client's hobby or favorite sport.

Send a newspaper or magazine article or a book on a favorite topic.

Share Web site addresses related to their interests.

Send an Internet printout about a favorite topic to a client who doesn't use a computer.

Tell a client about a restaurant you tried and think they'd like.

Do the same for a movie or play.

Call about a new consumer product you think a client would find useful.

Share news about a sale that will interest a client.

Send a small gift to cheer up a client who has had bad luck or bad news such as a job loss.

Send a card or small gift with congratulations on the birth of a baby or grandchild.

Talk about your family with clients whose offspring are close to the same age.

If clients have children or grandchildren planning college, share your own experiences and insights.

Tell a client who is job hunting about an opening or a potentially helpful contact.

Offer congratulations on kids' (or grandkids') graduation.

Congratulate clients on buying a new home or vacation residence.

Acknowledge a client's promotion or business purchase.

Ask about vacation plans; inform clients of your vacation plans.

Send postcards when you're on vacation.

Share travel notes with clients planning a vacation.

Put clients in touch with someone who has relevant travel tips.

Send a clipping about a client's vacation destination.

Welcome clients back from a vacation or major trip, and find out how it went.

Share news of research advances relating to a problem or illness of interest to a client or their family members.

Share news of a support group related to a situation, problem or illness.

Offer best wishes on a client's retirement.

Send a recipe for a dish or a drink.

Call to tell the client the weather is hotter or colder or simply worse in your location than theirs.

Leave a message on an answering machine saying, “Call me, nothing urgent. We haven't talked for a while.”

Business-Related Reasons

Call (or have a sales assistant call) to schedule a routine review.

Invite a client to a financial seminar.

Invite clients who have unique concerns (own businesses, are divorced, etc.) to a luncheon with a speaker who specializes in their issues.

Ask clients' advice on a company (or industry) about which they have knowledge.

Ask for clients' feedback about your service.

Thank clients for news or information they gave you.

Call with an earnings report on a stock the client holds.

Send a copy of investment research on stocks a client owns.

Discuss news relating to the clients' investments, such as a new manager of a mutual fund.

Discuss economic news such as interest rate cuts.

Ask which parts of their statements they do not understand.

Notify clients of a tender notice or corporate action.

Discuss changes in tax law that might impact their accounts, and remind them to consult with their tax experts.

Discuss what to do in the low-rate environment.

When an account is being transferred to you, call with an update.

When a client is waiting for information from you, call to say you haven't forgotten.

Reconfirm that a client's asset allocation is appropriate.

Review the reasons for holding recommended investments.

Call and admit if you were wrong about something.

Discuss a recent educational seminar you've attended.

Let them know a portfolio manager of a fund they own will be on TV.

Help a client sign up for online account access. Walk them through the firm's Web page.

Ask how retirement plans are coming, how the job is going.

Check on the status of action steps clients have agreed upon, such as drawing up a will.

Check on the title of newly acquired or inherited assets.

Call or send a note saying, “Thank you for your business.”

**LECTURE 4. MARKETING OF CUSTOMER RELATIONSHIP**

*1. Conceptions of management customer relationships.*

*2. Satisfaction of client.*

*3. Levels of customer relationships.*

*4. Methods for identifying customer needs.*

1. ***Conceptions of management customer relationships***

CRM is grounded in the long-held belief that customer-retention and building customer loyalty over time is the key to long-term business success. Each concept relates to implementation of business rules that attempt to turn one-time business transactions into ongoing customer relationships.

Customer relationship management, believed to have been coined in 1999, initially emerged as a technology-driven business process leveraging database marketing capabilities. While the main emphasis of CRM is still building and maintaining strong customer relationships, it is a much more complex and more universally referenced component of general marketing activities for most companies. CRM attempts to go one step further than relationship marketing by customizing marketing and business solutions to each individual customer, relying on infinite data storage and retrieval capabilities.

Issues related to implementation of CRM to an organization often result from a conviction that it is sufficient to develop appropriate strategy, targeted to satisfy the needs of the customer and buy supporting software. In fact, the strategy is only an action plan, and the software is an assisting tool. The main in the implementation process is to revise the entire organization, including changes in approaches among employees, to contact with customers, particularly those who have direct contact with the customer. These changes are associated with overcoming the fear of the new, as well as the adoption, acceptance and commitment to an employee at new direction of company management.

During work with the clients of companies follow such conceptions:

* conception of improving production (it is based on statement that a user will buy only those commodities which are accessible by price and have good indexes of quality). Thus, to attract new clients, companies must improve the process of production of the goods and due to it reduce the price.
* conception of improving commodities (its essence is that a user will give advantage to a commodity which has the greatest indexes of quality and new properties comparing with the analogical commodity). Company must use all efforts to improve the products.
* conception of strengthening commercial efforts (its essence is that clients will not buy the commodity of company, if it does not do the special measures on sales of the products promotion, for example discounts, advertising). A company must stimulate the sale of the products, apply the different channels of its distribution. The lack of this concept is that it is directed only on the increase of size of sales, but not adjusting the long duration relations with clients.
* marketing conception (its essence is that a company can achieve the aims only by correct discovering and maximal satisfying the necessities of clients better than their competitors).

While choosing that or an other conception companies must remember how it is possible to satisfy the necessities of clients better. The level of satisfaction of client from the purchase depends on how this purchase answers his expectation.

1. ***Satisfaction of client***

Customer satisfaction surveys are a vital part of running a business, especially one that deals directly with the consumer. Ideally, customer satisfaction surveys should be an annual event, taking the pulse of your customers' feelings about your business, products, customer service, and competitors. Conducting effective customer satisfaction surveys can identify problems with your products or your ways of doing business before they sink your business. They can also help you discover unmet customer needs, leading to new products, new locations, or other initiatives that will grow your business and help it prosper.

Clients can feel different degree of satisfaction by a purchase. For example, if properties of commodity differ from expected, a client is in the *dissatisfied state*. If properties of commodity answer his expectation, a client is in the *state of satisfaction*. And if properties of commodity are better that expectations of client, he is in the *state of oversatisfaction from a purchase.*

In order that company not to lose the clients and find new ones, it is necessary, that clients at the purchase of commodities of this company always were in the state of oversatisfaction from a purchase. For example, a company Honda declared, that "One of reasons that our clients are always satisfied it that we are not satisfied". This company is convinced, that if clients do not feel maximal satisfaction from the purchase of your products, they quickly can pass to your competitors.

Companies understand that the oversatisfied client is profitable for a company, because then a client is so addicted by products, that he pays less attention on its price. Such client constantly will buy products only of this firm and advertise it to the colleagues, friends, relatives, that will provide additional profits for a firm.

However, it is necessary for a company to be careful in of permanent increase of level of satisfaction of the clients, as it can bring losses for a firm in a result. If firm in order to promote the level of satisfaction of the clients will reduce the price for this purpose and will increase the amount of additional services, in a result it can decline incomes of this firm.

In order to be in a position quickly to react on changing of level of satisfaction of the users, companies must constantly check level of their satisfaction. For this purpose companies can use the followings methods:

1. "Hot lines", calling on which, clients can tell the claims and complaints.

2. Questioning. Companies can conduct it by phone and applications. Draft a survey asking your customers what you would like to know in terms of their views on your products, the level of customer service they receive and their opinion of your company as well as your competitors. The questions you can ask are flexible, but be certain to ask customers to rate, on a scale of one to 10 or one to five, several of your key products and to rate their satisfaction with your service and with your company overall. Consult with several departments in your company to find out what each department would like to know from your customers. Try to incorporate as many of these questions as feasible while keeping the number of questions under 20, and the amount of time needed to complete the survey under 10 minutes.

Today many companies place the applications of questioning in different newspapers and magazines.

For example, workers of a Richer Sounds shop give a postcard to every client with the picture of workers of this shop where from one side is written: "We listen to you attentively" and from the other: "We thank you for support, in fact exactly due to you we became one of the most successful companies in Great Britain. But in order to become even more successful, we need to know that we do not do properly. Your remarks or suggestions are very important for us and we will take them into account in our activity".Thus, the use of such method allows companies not only to work out existent problems in qualities of products or even services of customers but also get interesting ideas on the improvement of the activity and quality of products.

Asking the right questions is crucial in getting answers that will be useful.

*Interview.* Conducting interviews with customers and employees can help you understand the questions you should ask in your survey. By interviewing a random sampling of customers, you can be sure you are not overlooking important details. Employees can also inform you of the concerns they hear the most from customers.

*Company Questions.* Customer satisfaction surveys should include questions about the company as a whole. These questions are typically at the beginning of the survey and include broad questions to get an overall consumer view of your business.

*Specific Questions.* The majority of your survey should be concerning the specific services rendered. For example, KeySurvey suggests asking about wait times, the courtesy and knowledge of your staff, the ease with which the problem was solved and accuracy. This information is used to evaluate the exact areas where customers are satisfied or dissatisfied.

*Loyalty Questions.* The goal of the customer satisfaction survey is to ensure the company is performing well enough to hold on to its current customers. This is why it is important to ask questions that pertain to loyalty, not just satisfaction. You should include questions about how likely the person is to use your services again, or how likely they would be to recommend using the service to a friend.

*Competitor Questions.* Ask questions about how you compare to your competitors. You can ask general questions about how you relate to others in your field, or you can ask them to rate your company along with other specifically-named companies.

*Branching Questions.* Branching questions are used in reply to specific questions earlier in the survey. If you would like to know the specific reason a customer was dissatisfied, you can ask for further explanation.

1. "False users". For that, to acknowledge the level of satisfaction of the clients, many companies engage the special people who pretend to be ordinary clients buying the commodities of different companies, and then tell about their observation to boss. Sometimes companies hire such people to check professional qualities of workers. Such "false users" can create problems for workers on spot to show if they will be able to solve them.

Today many companies work at the market, that is why a client can select what is the best for him, easily pass from the products of one company to the products of another one. A growing level of loss of clients for a company is the certificate of that it can’t provide the clients the high level of services (quality of products, moderate price, high level of service).

Many companies which lost the clients do not know reasons and do not analyze why clients go from them. Specialists recommend companies not only to support connection with existent clients but also with those who went from them to the competitors.

For an example, when a company IBM loses the clients, it tries to set reasons of it immediately, so it asked such questions: "Was a price high? Was quality of products low? Was a level of service low?".

A company must attentively behave to the level of loss of the clients and do everything for that to decrease this level. Firstly it is necessary to set reasons of these losses, and find out among them those on which it is possible to influence and liquidate. One of existing problems for companies today is that they are concentrated not on establishment of mutual relations with the clients, but on signing with them only short-time agreements.

1. ***Levels of customer relationships***

Marketing of customer relationships is the process of creation, support and distribution of close and long mutual relations with clients.

Marketing of mutual relations needs from all subsections in the firm common efforts on service of customers to satisfy of their necessities.

***Select 5 levels of mutual relations with users:***

 1) *Basic.* When the basic purpose of firm is only to sell the commodity to a client, not interested in a client.

 2) *Reactive.* When a firm sells the commodities to clients and offers to them to call, if they have questions in the process of use of this commodity.

3) *Responsible.* When after a purchase salespeople ring to the client and are interested in their opinion in relation to the purchased commodity. Salespeople also ask about their complaints and wishes.

4) *Active.* Salespeople from time to time ring to clients with suggestions to purchase a commodity for them, which has the best properties, or lower price.

5) *Partner.* When a company constantly supports relationships with the clients, creates all terms for their deep satisfaction.

For establishment of proof customer relationships companies can use different approaches.

1. Giving additional services, or suggestions in relation to an economy. For example, hotels offer to the permanent clients rooms for cheaper price, in shops for permanent clients the special cards are given with discounts. Company Procter & Gamble for creation of proof of long-term relationships with the clients offered the unique program which guarantees returning of money for the tooth-paste Crest. Except that this program allowed to increase the volumes of sales of tooth-paste, it also allowed companies to create the base of these users, in which there is all information about illnesses of cavity of mouth for those users which took part in the program. By questionnaires which users sent, now a company will have information about them, their data and can support relations with these users and offer to them a commodity.
2. This approach provides that a company will be concentrated only on the certain circle of the users and set close mutual relations with them. For this purpose companies study the individual necessities of these users in accordance with it they develop the products. This approach is used for example by companies which are concentrated on making meal for babies, or for overweight people.

**LECTURE 5. BASICS OF CREATING MUTUALLY BENEFICIAL RELATIONSHIP WITH CUSTOMERS**

*1. Creating mutually beneficial relationship with customers.*

*2. Customer database.*

*3. Customer service.*

1. ***Creating mutually beneficial relationship with customers***

KEYS TO A SUCCESSFUL CUSTOMER RELATIONSHIP:

One: Show respect to the customer. From the moment the initial contact happens – whether it be a person who walks in the door, calls you on the phone, or hits your website – you have to treat the customer as if he or she is the most important person in your world.

Two: Improve service to the customer. Nothing facilitates customer satisfaction like efficient and cost effective services. The better your service, the more customers you will win, and retain.

Third: Deliver what the customer wants.

Fourth: make your relationship with the customer a “win-win” relationship – not just a “me win” relationship. In order to get the customer to keep a relationship with us, we have to practice win-win in all we do – we have to give more value than we get.

Fifth, need to maintain the relationship.

We should develop relationships with customers until revenues to support this relationship will exceed the costs. Depending on the ratio of income and expenses for the development of the relationship there are 4 categories of customers:

**"Sleeping giants"**

**"The powerful merchants"**

**"Favorite ones"**

**"Offenders"**

**high**

**low**

**low**

**high**

Income from support of relationship with customers

The expences of establishing of relationship with customers

***Pic. 1 –Comparison of income and expenses of establishing relationship with customers***

***"Sleeping giants"*** are the clients that provide significant revenue and cost of establishing relationships with them is low.

***"The powerful merchants"*** are clients who are also profitable for the company, but the costs of establishing relationships with them are high. These clients are very demanding.

***"Favorite ones"*** are the clients who bring low profits for the firm, but to establish relationships with them you do not need much money.

***"Offenders"*** are the clients who provide low profits for the company, but they are very demanding.

A successful customer relationship management program revolves around building a network of loyal customers through a process of rewards, incentives, loyalty, and quality services. So, for effective relationship management, the company must develop and implement a special program.

The program of relationships with clients involves the following steps:

1. **Define a range of important clients for the company. Install and maintain contacts with these clients.**

* *Build Database*. Before you start with your customer relationship program, it is important to build a database listing the names, profiles, and other important information regarding your customers.
* *Identify Potential Targets.* Identify the customers that are likely to be the most loyal to your company. Then draw up a plan for building customer loyalty, like special offers and incentives.
* *Communicating with Customers.* Send your clients emails, newsletters, anniversary cards, gifts, and invitations to special events to build customer relationships. While emails and postcards are fine, there is nothing quite like making a phone call when it comes to building customer relationships.

2. **Pin each important client with qualified manager of relationships**. *Manager of relationships* - is an employee of the company, who provides a sufficient level of quality customer service through improved relationships with them based on the results of regular surveys of customer satisfaction. A relationship manager is more than a glorified salesman. Whereas a salesman looks to meet an immediate need, a relationship manager looks to meet the immediate and long-term needs of a client.

Most importantly, you must teach your employees the practical details of customer relationship management. Developing the interpersonal skills of your employees is as important to your business as other job related skills.

A relationship manager has to be knowledgeable and present himself as a person who can provide solutions. Anyone can sell a television or a car, but it requires a relationship manager to solve the complex and varied needs of clients who are planning for retirement, trying to manage their wealth or exploring options to sell their business. Due to the long-term nature of his needs, a client must be able to trust that his relationship manager will always be there to take care of him and help him through any changes.tablishing a relationship, maintaining it and deepening it.

**3. Determine for each of the managers of relationship clear functions, duties, responsibilities.**

**4. Develop plans of relationships with your customers.** This plan should include objectives, strategies, activities and required resources.

**5. Identify the general manager who will manage the work of all managers of relationships.**

1. ***Customer database***

The key of customer relationship is the creation of a customer database which contains all pertinent information including descriptive information. That customer information can include:

customer activity data – sales, promotions, customer support, surveys, website visits, interaction frequency

demographic data – education levels, zip code, salary bands, age group, religious affiliation, home owner/renter, marital status, loyalty

psychographic data (sometimes referred to as interest, attitudes, and opinions or IAO) – social class, lifestyles, behavior, opinions, values, hobbies.

 Customer responses to marketing tactics such as redemption rates regarding coupons, mailers, or emails is also usually recorded in the database.

The customer database can serve as a competitive advantage if it is maintained correctly since it is the beginning step in customer relationship management. In order to build up the content of the database, companies acquire customer information from warranty cards, loyalty customer cards, company websites, and contests. The ultimate goal is to collect customer information with every customer interaction. Internet transactions allow for prime tracking and cross-referencing since information inputted by the customer is generally very useful and applicable to building a potential relationship with that customer. Although it is easy for some companies to collect data, it is extremely difficult for others.

Traditionally, customer databases have been analyzed with the intent to define customer segments.

Customer database is the best marketing tool you have to track your customers interests. It's your key small business marketing asset -- but only if you treat it right.

Along with the name and email address of everyone you've sold to, your customer database should also include what they purchased – and when.

Selling to an existing customer is far easier (and cheaper) than finding a new one. It’s also a fair bet that someone who bought a printer from you will need replacement ink cartridges and photo paper within a few months of buying it and throughout the life of the printer.

Efficient database provides:

- Improving of the efficiency of data processing;

- Improving of communications with customers;

- Increasing customer satisfaction;

- Improvement of management decision making;

- Reduction of the maximum use of resources.

***3. Customer service***

Customer service is important in establishing and developing relationships with them.

Good customer service is the lifeblood of any business. You can offer promotions and slash prices to bring in as many new customers as you want, but unless you can get some of those customers to come back, your business won't be profitable for long.

Good customer service is all about bringing customers back. And about sending them away happy - happy enough to pass positive feedback about your business along to others, who may then try the product or service you offer for themselves and in their turn become repeat customers.

If you're a good salesperson, you can sell anything to anyone once. But it will be your approach to customer service that determines whether or not you’ll ever be able to sell that person anything else. The essence of good customer service is forming a relationship with customers – a relationship that that individual customer feels that he would like to pursue.

Customer service is the provision of service to customers before, during and after a purchase. "***Customer service*** is a series of activities designed to enhance the level of customer satisfaction – that is, the feeling that a product or service has met the customer expectation."

Its importance varies by products, industry and customer; defective or broken merchandise can be exchanged, often only with a receipt and within a specified time frame. Retail stores often have a desk or counter devoted to dealing with returns, exchanges and complaints, or will perform related functions at the point of sale; the perceived success of such interactions being dependent on employees "who can adjust themselves to the personality of the guest,". From the point of view of an overall sales process engineering effort, customer service plays an important role in an organization's ability to generate income and revenue. From that perspective, customer service should be included as part of an overall approach to systematic improvement. A customer service experience can change the entire perception a customer has of the organization.

Customer support is a range of customer services to assist customers in making cost effective and correct use of a product. It includes assistance in planning, installation, training, trouble shooting, maintenance, upgrading, and disposal of a product.

Regarding technology products such as mobile phones, televisions, computers, software products or other electronic or mechanical goods, it is termed technical support.

Customer service may be provided by a person (e.g., sales and service representative), or by automated means. Examples of automated means are Internet sites. An advantage with automated means is an increased ability to provide service 24-hours a day, which can, at least, be a complement to customer service by persons.

Rules For Good Customer Service:

*1)* *Answer your phone.*

*2)* *Don't make promises unless you will keep them.* Reliability is one of the keys to any good relationship, and good customer service is no exception. If you say, “Your new bedroom furniture will be delivered on Tuesday”, make sure it is delivered on Tuesday. Otherwise, don't say it. The same rule applies to client appointments, deadlines, etc.. Think before you give any promise - because nothing annoys customers more than a broken one.

*3)* *Listen to your customers.* Is there anything more exasperating than telling someone what you want or what your problem is and then discovering that that person hasn't been paying attention and needs to have it explained again? Let your customer talk and show him that you are listening by making the appropriate responses, such as suggesting how to solve the problem.

*4) Deal with complaints.* No one likes hearing complaints, and many of us have developed a reflex shrug, saying, "You can't please all the people all the time". Maybe not, but if you give the complaint your attention, you may be able to please this one person this one time - and position your business to reap the benefits of good customer service.

*5) Be helpful - even if there's no immediate profit in it.*

*6) Train your staff (if you have any) to be always helpful, courteous, and knowledgeable.*

*7) Take the extra step.* For instance, if someone walks into your store and asks you to help them find something, don't just say, "It's in Aisle 3". Lead the customer to the item. Better yet, wait and see if he has questions about it, or further needs. Whatever the extra step may be, if you want to provide good customer service, take it. They may not say so to you, but people notice when people make an extra effort and will tell other people.

*8) Throw in something extra.* Whether it's a coupon for a future discount, additional information on how to use the product, or a genuine smile, people love to get more than they thought they were getting.

Firms can engage in two general types of customer service: *reactive and proactive*. *Reactive service* takes place when the customer initiates contact with the firm due to a problem or question. *Proactive service* involves the firm making the first contact with the customer in order to ensure satisfaction before a formal complaint is made.

Good customer service meets customers needs, but great customer service meets and exceeds their needs -- every time. Sales people are friendly and courteous at the point of sale, but when problems arise or follow-up is needed, customer services seem to fall short of meeting customer expectations. Employee training is the key to providing service that will be consistent both during and after the sale. Establishing written guidelines to be followed will ensure that customers will always have a satisfying experience when dealing with your company.

Good customer service does not begin when the customer has a problem with the product or service. It begins when the customer purchases the commodity or service. Proper planning ensures that the customer does not have to wait to make a purchase. The good customer service mindset is apparent in each associate, not just those dealing directly with the customer.

**LECTURE 6. CLIENTS COMMUNICATION**

*1. Definition and general characteristics of client’s communications.*

*2. Foundations of clients communications.*

*3.* *Ways to communicate with client.*

*4. System of unified communications.*

1. ***Definition and general characteristics of client’s communications.***

Ask any successful business proprietor what the key to success is, and he will tell you that it is indubitably communication. Communication is transmission of information, the contents between two or more people. Communication is critical to understanding problems, presenting solutions and informing the public about your goods and services. It becomes increasingly important when dealing with customers. Fortunately, there are a multitude of ways to improve communication with the people keeping your business afloat. Effective communication encompasses a variety of individual skills, including body language, clear speech, eye contact and active listening.

***Communication with customers*** is the activity of a company, aimed at informing, persuading and reminding consumers of their products, promoting their sales and creating a positive image of the company.

Four basic elements identify in the clients communication process:

1)***sender*** - person who generates ideas and gathers information and transmits it (manager);

1.Form ore selects the idea

2.Encodes and selects the channel

3. Transfers by channel

4.Decodes.

 Sender.

Idea.

Message.

Receiver.

The valuation of understanding the idea.

Figure 1. Schematic model of the communication process.

2) ***message*** - The information encoded using symbols (information about new products, new sales and service);

3) ***channel*** - a means of communication (orally (for example, when meeting with a client or by telephone), in writing (for example sending a letter by mail or e-mail));

4) ***recipient*** - a person who receives information and who interprets it (clients).

Model of communication presented in Fig. 1, which shows that the communication process consists of:

- The formation or selection of ideas (ideas of origin);

- Coding and channel selection (conversion to an idea using gestures, intonation, choice of mode of transmission (by telephone or electronic communication, video-tapes, etc.);

- Transfer of ideas;

- Decoding (translation characters sending to recipients);

- Implementation of feedback (sender and receiver roles are changing in communication process), wages occur in communication.

Noise is something that distorts the content (deviation, errors, etc.). Possible errors during transmission should be taken into account. It is appropriate to remember also that the communication process often takes only a few seconds that is almost instantly.

*Goals of clients communications:* attract attention, rise interest, desire to action - that is to purchase.

Business communication unlike its other kinds has its own characteristics, such as:

* availability business status of a particular entities;
* focus on the establishment of contacts and support, relations between interested parties;
* predictability of business contacts that are previously planned, determine their purpose, content and implications;
* constructive nature of the relationship, their focus on solving specific tasks to achieve a goal, usually without going beyond a certain range;
* coordination of decisions, understanding and further interaction of partners;
* significance of each partner as an individual;
* focus on solving business problems rather than domestic.

In business communication with the client, it is recommended to use the following phrases:

• I apologize;

• Thank you for informing us

• I would do the same thing if I was you

• Thank you for your interest ...

• I'm glad ...

• We are sorry to hear about the problems you had with ...

• We hope our suggestions will be useful for you

• We share your concerns (position, doubts, etc.)

• I would like you to know

• Please let me know if ...

1. ***Foundations of clients communications***

For a business to succeed, it must provide customers with excellent products and services through effective Customer Relationship Management. Solid CRM systems provide fast responses to customer inquiries, boost sales, and show customers that the business is actively satisfying their needs. Some of the best CRM systems have comprehensive account management functions, automated quotes and correspondence, and instant access to specific account history.

Effective communication with the client means thousands of dollars repeated sales for your company. Large and small organizations recognize that changing of market conditions, and expanding of sales can lead to the loss of personal contact with the client, which was established yesterday in the act of sale. Because of this, the customer service department is responsible to support a bridge between the company and customers who bought your products and services. Customer satisfaction after the act of sale is a key to repeating and increasing recurring sales.

One of the main problems of companies is losing customers because of ineffective communication with them. The main reason is the ignoring of customer appeal and lack of feedback from them.

Communications with customers can be open and closed, traditional and electronic. ***Open communication*** includes process of involving direct contact with customers. Open clients communications are: interview of different population groups, telemarketing, creating of so-called "focus groups" among the regular customers, with whom the problems facing the company are discussed, and their possible solutions, conferences, presentations etc., personal communication with customers. ***Closed clients communication*** is advertising (is any paid form of non-personal information dissemination about the company and its product). ***Traditional communication*** channels found in the workplace include meetings, presentations, post office mail, and bulletin boards. ***Electronic communication*** methods used in the workplace include emails, instant messages, faxes, voice mail, and videoconferences. Picking an appropriate channel to communicate your message plays an important role in effective communication. Susan J. Bethanis, author of "Leadership Chronicles of a Corporate Stage," recommends using more than one communication channel to send messages because not everyone reacts to all forms of communication the same.

We have already said that it is important to keep an existing customer. You must communicate with him not only when he comes to you to buy something but after he made you purchase. In the first case, you can use oral communication, and in the second case, a written or telephone one.

It is known that for effective sales it is better to perform oral direct communication with customers. However, not always it is possible to hold meetings with the client, that’s why companies are using such channels of communication with the client as telephone contact, e-mail and the Internet today.

Technology is the biggest change in customer service over the past two decades. Phones have always been a tool for customers to reach companies to deal with complaints or receive assistance. Today many companies have automated systems that direct customers to the help they need.

Successful businesses today also use the Internet to allow customers to contact them through websites, e-mail, chat room and social media. Some use services like Twitter to not only advertise the company, but to keep in touch with customers.

Using different channels of communication can get information about the needs of the customer satisfaction of client expectations, the client's behavior before and after the purchase of the product, according to the various aspects of the organization (the range of services, pricing, convenient location of branches, etc.).

So, today communication with the customer is on the first place of importance. This communication can be improved, if you follow a couple of simple steps:

1. Listen to the customer. One of the best ways to improve communication with the customer is by listening to her. It seems simple enough, but active listening requires a good deal of effort. You have to pay attention to exactly what the customer is saying, and participate in the conversation. Ask questions to clarify parts of his statements that may be confusing, and rephrase comments to make sure you fully understand what is being said. Better active listening leads to greater comprehension of needs and concerns, which helps your company's customer service, and ultimately, its bottom line.

2. Be informed (Present accurate information). Effective communication is educated communication. Before addressing the customer's comment, make sure you have all the right information. There are two parts to this. First, try to be as educated as possible on the pertinent subjects of your business. Investigate every topic related to your products, services, market, and legal obligations. This will help you to be able to instantaneously respond to customer issues in an informed manner. However, because you can never know everything, be willing to tell the customer that you have to do some research to make sure you are giving them an accurate response, and look it up before answering to their comments. Customers will appreciate your thoroughness.

3. Follow up. After the initial communication has ended, be sure to contact the customer again to ensure that their concerns have been adequately addressed. This does a few things. First, it confirms that the answer you provided was adequate, which is not only good customer service, but aids you in answering similar questions in the future. Second, it allows the customer to ask any follow up questions necessary, which expands your knowledge base and leads to a more satisfied customer. Moreover, customers who feel taken care of are more likely to become frequent patrons of your business, impacting your bottom line.

Remember that effective collaboration with customers is needed to provide feedback. The company should provide convenient channels of communication to its customers, for example, companies use telephone numbers of free line, which is very convenient for customers today.

Communicate the way your customers want – paper, email, web, mobile, ...

Let your customer choose the communication medium and frequency, be it monthly emails or annual letters or both! Whether its print or electronic – the information is securely delivered in a clear, consistent manner that supports your company’s communication strategy. Online copies of past communications can be made readily available to your underwriters, brokers, claims agents – so that they are be able to provide the highest degree of customer service possible.

Not everyone speaks English, so many companies provide customer service in other languages. Spanish is one of the most popular.

When your customers call, give them automated options in different languages that allow them to be connected with a representative who speaks another language. You can also provide your brochures in other languages and provide links to parts of your website that provide content in another language. This attracts customers who may not normally seek your business.

1. ***Ways to communicate with client***

Communication has the potential to become the ultimate differentiator in prospecting efforts and then in client retention. In our industry, there is a lot of competition for affluent clients and the frequency and quality of your communication can make all of the difference when it comes to winning their business.

It used to be (back before the Internet, smartphones and social media) that if you wanted or needed to speak to a client, you picked up the phone – or you sent her a letter. Today, however, there are many ways to communicate with clients. However, not every method is right for every situation or for every client. Indeed, choose the wrong communication strategy and you could wind up alienating valuable clients.

To help you navigate the various options, we’ve compiled a list of the most popular, and effective, communication methods (listed alphabetically) and included advice from client communication experts regarding when and how to use each one.

**Top 7 client communication methods:**

*1. Email.* Email allows you to “communicate in a way that respects the client’s time and attention, as both are scarce resources,” says Anne Janzer, an author and marketing consultant. “That means sending short email messages, with the most important content in the first sentence and a clear subject line [as] some people never read past the first line of any email.”

*2. Newsletters.* “It seems rather counterintuitive but we actually send a paper copy of a newsletter to our clients,” says Nick Espinosa, CIO, BSSi2, an IT services company. “I thought this was a bad move when we first tried it, but I was amazed at how many responded asking questions about articles. And I have actually spotted our newsletter on the desks of our clients!”

*3. Phone.* “When one needs to work with a client in detail and manage the nuances of the conversation, a phone call is still the best communication channel,” says John Kinskey, founder and president, AccessDirect, which provides virtual PBX phone systems. “At times a staff member will forward to me an email chain from a client and ask me how to respond. I say ‘pick up the phone!’”

Indeed, while good for certain types of communication, “email responses at certain points can become counterproductive,” he says, and can lead to misunderstandings. “With a phone call (using a VoIP desk phone) we have a chance to show that we care about solving a client issue quickly, along with apologizing for any misunderstanding,” he explains.

“We use email to keep a recorded history of client requests, but all of our client follow-up and engagement is done by phone,” says Espinosa.

4. *Skype* (or Google Hangouts). “For regular communications, we try to maintain a weekly or bi-weekly Skype call with clients, with or without video (based on need and bandwidth),” says Weissman. “These weekly ‘calls’ can typically last 30 to 45 minutes and offer a great way to connect multiple people in different locations.”

“Skype is great for conference calls and international clients, as it's free,” says Michelle Garrett, owner, Garrett Public Relations. “It's [particularly] useful when you have people in multiple countries coming together for a meeting.”

5. *Snail mail.* “Don't dismiss ‘snail mail,’” cautions Deborah Dumaine, CEO, Better Communications Writing Workshops. “Today almost all of our communication is delivered through our phones or computers. To stand out to new prospects [and even existing clients], a mailed letter can make a far bigger impression than yet another email in an overflowing inbox,” she says. “Letters are so rare that people can be intrigued and will open them. Try it.”

6. *Social media* (LinkedIn, Facebook & Twitter messaging). “One of the most significant upsides of staying in touch with clients over social media is that you’re meeting consumers where they’re already spending their time,” says Bruce Milne, executive vice president, Socialware, which helps clients manage social media across the enterprise. “Use social media networks to regularly share content, updates and your own tips with clients, thus establishing yourself as a credible expert in your field and a top-of-mind choice when your type of services are required.

7. *Texting.* “I always give my clients my cell number and let them know it's OK to text me about urgent matters,” says Tomaro. “This not only helps me stay on top of things that need my immediate attention, but shows my clients I truly care about their business.”

“Some of my service providers (doctors, salons) have moved to text messaging, which is really effective as a way to remind clients of their appointments and of special deals they may have going on,” notes Garrett. “It gets my attention much more so than an email that just sits in the inbox with dozens of other messages.”

*The best way for businesses to stay in contact with clients is to discuss with them the best means of communication.*

Whichever method of communication you use, make sure you are delivering value in your communications and ensure the method and frequency of communications is welcome. Contact or notify customers with useless information or a few too many promotional emails and you may lose them as customers.

1. ***System of unified communications***

To succeed you need to keep in touch with your employees, customers, and business partners. There are different ways of doing business: by phone, by e-mail, instant messaging and video conferencing. Regardless the method of communication, you need a technology that works together with business processes, and will promote the development and prosperity of your company.

Today, customers expect 24 hours immediate response to their queries and problems.

Therefore, effective work with clients and managing relationships with them, company implements a system of unified communications that unites all means of voice and data converged in network, creating a foundation for business process optimization.

This technology allows you to work in more convenient for you and your customers way through wired and wireless phones, email, fax, video conferencing, and call center, combined into a single network.

Business that develops, always has a task - to make the most with the least money. Thanks to unified communications you combine voice, data and video communications. Much cheaper and easier is to manage one network than operate separate networks.

System of unified communication ensures your staff mobility and flexibility in the provision of services at any time and in any place. No matter where your employees are - in the office, home, hotel or Internet cafe, they can connect with the necessary people and get the information you need to solve problems and answer customer inquiries.

Business communications are developing very quickly, and customers require quick response. The faster you answer the query or the call, the more satisfied a customer will be. With Unified Communications company employees can instantly access the needed people, information, and tools of information exchange, regardless of the place of work and type of communication.

**LECTURE 7. ADVERTISING: MEANING, TYPES AND ROLE IN RELATIONSHIP WITH CLIENTS**

*1. The concept of advertising.*

*2. Types of advertising.*

*3.* *The process of creating advertising.*

1. ***The concept of advertising***

According to Entrepreneur, the purpose of business advertising is to make potential customers aware of what your business has to offer, make customers desire your products so more products sell, increase your business' popularity and notify the public about any new products available. Advertising methods are often used because it helps a business' growth financially. More customers are influenced to buy products, as well, if the advertisement methods are convincing. Because of this, advertising is used by most businesses.

Business advertising is important to the overall growth of a company, especially when the business is just starting out. Without business advertising, many customers won't know why your products are important and why they should continue to buy from your business. Not only does business advertising make customers want to buy your products, but it also gives businesses the chance to prove that they are better than their competitors with the advertising methods they use.

Advertising is a non-personal form of promotion that is delivered through selected media outlets that, under most circumstances, require the marketer to pay for message placement. ***Advertising***has long been viewed *as a method of mass promotion in that a single message can reach a large number of people*. But, this mass promotion approach presents problems since many exposed to an advertising message may not be within the marketer’s target market, and thus, may be an inefficient use of promotional funds. However, this is changing as new advertising technologies and the emergence of new media outlets offer more options for targeted advertising.

Advertising also has a history of being considered a one-way form of marketing communication where the message receiver (i.e., target market) is not in position to immediately respond to the message (e.g., seek more information). This too is changing. For example, in the next few years technologies will be readily available to enable a television viewer to click a button to request more details on a product seen on their favorite TV program. In fact, it is expected that over the next 10-20 years advertising will move away from a one-way communication model and become one that is highly interactive.

Another characteristic that may change as advertising evolves is the view that advertising does not stimulate immediate demand for the product advertised. That is, customers cannot quickly purchase a product they see advertised. But as more media outlets allow customers to interact with the messages being delivered the ability of advertising to quickly stimulate demand will improve.

***The main features of the advertising:***

1. Ability to present product or company effectively and nice.

2. Mass catch of many people.

3. Possibility of repeated performance.

4. It is expensive.

In small firms an employee from sales department can engage advertising or they may look for assistance in advertising agencies. Large companies establish whole advertising departments. The functions of advertising department is to develop the overall budget for advertising and development of the advertising.

It is wrong that advertising provides sales for the company. It only finds potential buyers and stimulates demand, but sales are provided only by consumers. The key to advertising is to bring potential buyers to place of selling goods. To make the client not to go out of the store without buying, advertising should be supplemented by other methods of goods promotion, but goods must satisfy the requirements of the consumer. So you should evaluate the effectiveness of advertising not in terms of sales, but by the number of contacts with potential customers.

Consistency is key to successful advertising. Running a small ad in a newspaper one time will have a slim chance of producing a lot of results, unless it's for a spectacular one-day sale or some other dated event. Otherwise, plan on running media ads multiple times. Experts say that, on average, a person needs to see or hear an ad three or four times before they take action (such as ordering a product, picking up the phone to initiate a call or visiting a Web site). Also, keeping the name of your business in front of people is important in building the confidence of both current and potential customers.

Decide on a budget for advertising, be generous in the funds you earmark for this purpose, and don't cave in to using that money for other expenses. When business is slow, it's tempting to pull back on advertising, but this is exactly when you need to stimulate more business. Businesses that have advertised during economic downturns have often fared better than those that didn't.

The concept of advertisement is to sell an item based on the emotions a customer may feel for the item after seeing or hearing the advertisement. Different advertisements have different concepts within themselves. They can be hard sells or soft sells. Advertisement essentially is a tool to get people to buy the products that are advertised.

The purpose of advertising is to sell something - a product, a service or an idea. The real objective of advertising is effective communication between goods and clients and increasing awareness.

Specific objectives of advertising:

* To make an immediate sale.
* To build primary demand.
* To introduce a price deal.
* To build brand recognition or brand insistence.
* To help salesman by building an awareness of a product among retailers.
* To create a reputation for service, reliability or research strength.
* To increase market share.

A normal characteristic of advertising is to create primary demand for a product category rather than for a specific brand. It is believed that the product advertising must give stress on brand name.

Now, we are going to out line the functions of advertising:

* To distinguish products from their competitors: There are so many products in the market. Sometime the same types of products are competing in one market.
* To communicate product information: Through advertisement one company can send its product information to the target audiences.
* To urge product use: Advertisement can create the urge within ourselves for a product.
* To expand product distribution: When the market demand of a particular product increases, the retailer and distributor are engaged in the sale of that product.
* To increase brand preference: There are various products with various bands. So we are getting the preference to choose the band of a particular product with the help of advertisement.
* To reduce overall sale cost: Advertising increases the primary demand in the market. When demand is there and the product is available, automatically the overall price will decrease.
* Business advertising also allows businesses to stand out from the crowd.
* Business advertising helps expose the company to the public, so that the business can build credibility.
1. ***Types of advertising***

The main purpose of advertising is to inform, persuade and remind customers about the company and its products. Depending on what is the purpose of advertising, its mission will depend on it.

Using one or other advertising will depend on the stage of the life cycle of the company.

Informative advertising is used on stage of moving product on the market to create a primary demand.

Advertising of motivation is applied at the stage of growth when it is necessary to create selective demand. Along with this advertising comparative advertising is often used which provides a comparison of one product with another brand. Comparative advertising is often used in such product categories as toothpaste, cars.

Advertising that reminds is very important on the stage of the maturity of the company because it makes consumers think about the product.

Table 1

***Types and objectives of advertising***

|  |  |
| --- | --- |
| Type of advertising | Objectives of advertising |
| ***Informative advertising*** | Informing customers about the new product or a new use of an existing product.Informing customers about the change in price.Explanation of the principles of good.Description of services provided by the company.Dispelling client's fears about product or company. |
| ***Advertising of motivation*** | Creating image of the company.Formation of the benefits to the brand.Encouragement to purchase goods.Changing consumer perception of the product's properties. |
| ***Advertising that reminds*** | Reminding to the consumer that he will need this product in the near future.Reminding to consumers about where to buy the goods.Support of customer awareness about the product and company. |

To attract clients the following types of advertising are used: a prestigious advertising - it is advertising, which is used to form a stable company’s image, brand advertising - it is advertising, which is used for the promotion of a particular type of branded goods, sales advertising - it is advertising, which is used for the announcement of the sale by reduced prices, explanatory advertising - it is advertising, which is used to defend a particular idea.

There are such classificational features of advertising as:

1. By the type of target audience - consumer advertising (the advertising is focused on people who buy this product for themselves and for others), business advertising (the advertising is aimed at people who buy goods for organizations)

2. By level of territory - global, national, regional and local.

Global advertising It is executed by a firm in its global market niches. Reputed global magazines like Time, Far Eastern Economic Review, Span, Fortune, Futurist, Popular Science. Cable TV channels are also used to advertise the products through out world. Supermodels and cinema stars are used to promote high-end products Examples: Sony, Philips, Pepsi, Coca Cola, etc.

National advertising It is executed by a firm at the national level. It is done to increase the demand of its products and services throughout the country. Examples: BPL (Believe in the best). Whirlpool Refrigerator (Fast Forward Ice Simple) etc.

Regional advertising If the manufacturer confines his advertising to a single region of the country, its promotional exercise is called Regional Advertising. This can be done by the manufacturer, wholesaler, or retailer of the firm. Examples: Advertisements of regional newspapers covering those states or districts where these newspapers are circulated.

Local advertising When advertising is done only for one area or city, it is called Local Advertising. Some professionals also call it Retail Advertising. It is sometime done by the retailer to persuade the customer to come to his store regularly and not for any particular brand.

3. By means of transmitting information - newspaper, magazine, radio and television, mail, outdoor (signboards, billboards).

4. By purposes - products (advertising of products) and corporate (advertising of company).

5. By the focus on profit - commercial (advertising, aimed at making profit) and non-commercial (advertising aimed at achieving non-public purposes).

1. ***The process of creating advertising***

80% of customers believe that all advertising is similar to each other, and therefore a task of such advertising, is to be different from all others and that customers will remember and through buy your products.

The customer is willing to pay big money for a product only when he knows the manufacturing company and it has a good reputation. So, winning positive image, the company can sell its products for a high price regardless quality.

Good advertising contributes to the fact that the consumer begins to associate their needs with the firm commodity and determines that this product meets his tastes and interests.

People buy products to satisfy not only their physical needs but also psychological. That’s why advertising is closely connected with the study of consumer psychology, his motives in choosing purchase.

Thus, advertising is obliged to fully cover the activities of firms, starting from appearance, behavior of employees and ending of name of a product, its packaging and customer service.

In the process of creating advertising there are three stages: 1) forming of application, 2) assessment and choosing of options of application, 3) and doing of it.

1. To create an application, creative workers of companies use different methods. Many ideas of advertising application appear from conversations with consumers, experts and competitors.
2. Sometimes there are many options of advertising application, including the need for company to choose only one that will be introduced. Therefore, it is important to be able to properly evaluate and choose the advertising application among its several possible options. It is important to remember that advertising has to say to the recipient something desirable and interesting about a product, something special and exclusive, which is not typical for competitor’s products.
3. The level of influence of application depends not only on what to say, but also how to say. This is very important especially for similar products, such as cigarettes, coffee and beer. Companies must submit their advertisement to catch the attention and interest of customers.

Use a media mix of advertising. There are dozens of ways to advertise your business, and you should try them all at one time or another. Some will be fruitful and others will not, so it's important to track results. Newspapers, radio and TV are the most predominant media for advertising local businesses, with weekly tabloid newspapers generally being the most cost-effective while providing high visibility. Also try billboards, flyers, church bulletins, newsletters, signs and spots on supermarket shopping carts, souvenirs, catalogs, and in public transport.

The firm should avoid deception and discrimination of consumers in its advertising.

Falsely advertising. Companies should not to lie in advertising. For example, to say that the product will cure you from some disease, when in fact it has no such effect.

Advertising that is misleading. Do not attract the attention of buyers by false promises. For example, a seller advertises a sewing machine for $ 79, and then refuses to sell it at that price, or offer defective product for the price or excessively long delivery time.

With effective business advertising, product sales can increase a business' profit enormously. New businesses starting out have a chance of succeeding and making a difference in society. Business advertising benefits customers as well as business owners, since customers will be able to find better deals through advertisements and business owners profit from products bought. Business advertising helps expose the company to the public, so that the business can build credibility. Business advertising also allows businesses to stand out from the crowd.

**LECTURE 8. ARGUMENTATION AND PRESENTATION OF GOODS**

*1. Technique argumentatiton.*

*2. Presentation and demonstration of the product.*

*3.* *Working with customer objections.*

1. ***Technique argumentatiton***

Whill argumenting and presenting products to customers three factors are important: the ability to speak well, the ability to persuade and influence on customers. *To improve this ability you should follow these rules:*

1. Think in advance the logics and structure of your argumentation. During the conversation with your customer, you must say the strong and weak evidence in turn.
 2. During the conversation, repeat several times and emphasizes on positive aspects of your product.

3. Never exaggerate the capabilities and features of your product, especially if they do not respond it. Your arguments should be accurate, truthful and concise, but in any case they should not be exaggerated, because if the client knows that you lied he will never come to you again. Falsely advertising will necessarily turn into anti-advertising, as deceived people will tell about false advertising to their friends, family and the company that gave false advertising will lose its credibility and the trust of its customers.

4. Learn how to turn weaknesses into strengths of your product. Indeed, in most cases each product has not only positive but also negative aspects. Don’t emphasize attention on weaknesses of your product, but they tell your client about them. Thus, you can gain the trust of the client.

5. Don’t to openly criticize the product of competitors and don’t humiliate them.

Experts recommend to attract the attention of the client on such points:
- The advantages, which belong only to your product.
- On advantages, which are able to satisfy existing customer needs.
  - On advantages, which your product has compared with competitors' products.

6. While argumentation, you should mention about the credibility of your company, it’s popularity, with which famous commissions your company operates. For example, a firm that sells soap Seifgard in their advertising, shows a certificate of quality given by the National Institute of sanitation and hygiene.

7. You need to ensure that the client perceive you and your company as a trusted companion with whom he formed trusting relationships. Experts recommend spending the argumentations and presentation of product so that the customer was interested and he easily perceived important information. Do not make your product presentation for the lecture, but make your client speak, ask him a question, be interested in his opinion.

8. Present your product in practice, not just multimedia.

**2. *Presentation and demonstration of the product***

Presentation is one of the channels of communication with customers.

Structure the Presentation. A product presentation should have a beginning, middle and end. Start off with an opening that introduces participants to the product in the presentation and briefly states the purpose of the meeting. The main part of the presentation, the body, should be divided into easily understood modules, each with a single focus. Use a short summary to reinforce main points.

Giving a presentation about your product strategy does not have to be complicated. All you need to do is describe in a compelling manner how your product or service meets or exceeds the needs of customers. Do this by describing the product, its basic features and then any competitive advantages. You may need to distinguish your offering (perhaps based quality and availability) from any others.

Your presentation should describe your vision, objective, desired outcome and how you will report on your performance. Minimize the words on any visuals and include crisp charts to accentuate your verbal message. Script your presentation to ensure you touch upon all important points but do not read from your materials. Convey enthusiasm and confidence about the future for the product and your company.

Practice your presentation so you do not waste time. Time is money and people are extremely busy, so respect that by not dragging out your presentation.

Be energetic and enthusiastic. Never use monotone speech since it will bore your prospects quickly.

Use whiteboards, PowerPoint slides, and flip charts to display facts physically.

When you are giving a presentation to unveil a new product or introduce an existing product to a new buyer, there are some tips to keep in mind that will make your presentation more effective.

***There are rules for the presentation to be followed:***

1. Remember that you are communicating information to the potential customer. For a successful presentation, think of how you can deliver your message clearly with an eye toward closing the sale.
2. Know what you are talking about. Make sure you know everything there is to know about your product and the competition. Research the history of the product, who manufactures a similar item, how your price point compares to other, similar products, and where the product is available. If there have been problems in the past, such as difficulties with shipping, you should know about it. That way in case an objection is raised during your presentation you can be prepared to handle it. By being well prepared, you can alleviate some of the anxiety that sometimes goes along with public speaking.

In addition to knowing what you are talking about, you should know who you are talking to. Find out about your clients, and whether they have experience with or knowledge of your product. It also helps to know if they are in the mindset to accept what you are about to tell them, or if you are likely to face objections that might hinder a sale.

1. Question and Answer. Allow time for the clients to respond to your presentation with questions about the product. This may give you the opportunity to elaborate on the features and benefits of the product. On the other hand, you may be asked something you don’t have a ready answer for. Tell the audience you will look into it, and use this situation as an opportunity to follow up with the potential customer.
2. Presentation Techniques. Rather than reading from a script, it is often more effective to adopt a conversational tone and use index cards with main points written out. Rehearse the presentation using the cards. Visual aids are also very effective in getting your point across. Simple charts and graphs can be effective, or you may choose a PowerPoint presentation or state-of-the-art audio visual effects. Make sure the images you use can be seen clearly by the entire audience. Handouts should be given at the end of the presentation, with your contact information clearly stated.
3. ***Working with customer objections.***

Offering your product or service, a company must be prepared to ensure that the customer can show certain objections and comments such as "I already have such product", "I have no time," and others.

Sales specialists recommend the following:

1). If not to overcome objections, then at least make it smaller. Seller should be persistent, but not boring and annoying.

2). Listen to the client intently. Allow him to talk and fully express every objection he has regarding your offering before you respond. Take notes and ask pertinent questions to show that you're actively listening and honestly interested in addressing these concerns. Gain a thorough understanding of his issues before you proceed.

If the client denies you quite sharply, try to reduce his objections, particularly admit that he was right on some issues. In this case, you can use such technique do not argue with the client, but with the company that he respects and which prefers.

3). Ask the client or customer to describe how she would envision the ideal outcome of using the product or service. Listen again and take notes. Agree with customer that the issues he brings up are valid and important. Look at this conversation as an opportunity to educate rather than argue. Stay positive and be genuinely understanding of the customer's concerns.

Address each objection one-by-one according to your knowledge of your company's products and services. It is extremely crucial to have a close familiarity with your offerings when faced with this type of scenario. If you can show that you're knowledgeable and confident in what you offer that may help you overcome most of the customer's objections.

4). If the customer hesitates and you can not persuade him to purchase the product immediately, then you need to give the client some time for thinking. After a some time, you can contact with the client and ask about his decision.

One of the methods to answer the objections is comparing. It is to compare the benefits of two same products.

You must remember that if a customer expresses an objection, it is an indication that he wants to buy the product, but looks for excuses for purchase.

*In most cases, denying of customers is associated with the price of the goods.* So, specialists in selling recommend to use the following rules:
1. Don’t to immediately say the customer about the price as long as he is not familiar with its features and until appreciated its benefits.
2. Tell the client about discount system, the existence of discount cards. You might also decide to offer a one-time discount to help overcome this type of objection.

3. Ask the client to compare the features and price of your product with the features and price of the same product of your competitor.

Discuss the customer's company (if this is a business-to-business transaction) or situation (if a business-to-customer transaction) and reaffirm why you believe your offering is an ideal fit for her needs.

Negotiate a compromise with the customer on terms if he still has objections after you've made your case. For instance, if the customer isn't sure that the product will meet his needs you might offer a money back guarantee or more items at no additional cost.

Offer the prospective client a no-strings-attached sample or trial of what you offer so that she can see how it works for herself. This is often one of the simplest ways to overcome customer objections, as it allows the client to test the product or service to see that it offers just what she needs.

If you need time to address the prospective client's concerns, get back to him later, but do so promptly. It is better to research the issues rather than make empty or false promises that you're not sure you can deliver.

**LECTURE 9. CUSTOMER SATISFACTION AND LOYALTY**

*1. Customer satisfaction and loyalty: understanding and differences.*

*2. Customer loyalty: meaning and importance.*

 *3. The loyalty types and program.*

1. ***Customer satisfaction and loyalty: understanding and differences***

Everyone talks about it: “We’ve got to make sure our customers are satisfied.” Some businesses go to great lengths to define what they think it takes to satisfy their clientele and then spend lots of time and money on comment cards, online surveys, focus groups or just in-the-moment chats with customers or clients to measure how well they have done at delivering what was expected. What’s wrong with that? Well, it a turn out that just because you’ve satisfied your customers doesn’t necessarily mean they will be back. And isn’t the normal assumption that, if you have satisfied their expectations, they will reward you with their loyalty?

The problem is that too many people use the terms “customer satisfaction” and “customer loyalty” to mean the same thing. They don’t. And consumer behavior research shows why this distinction is important: Frederick Reached of Bain & Co. found that, in a series of studies of a variety of businesses, between 65 percent and 85 percent of customers who “defected” — i.e. switched to the competition — reported that they had been “satisfied” or “very satisfied” with their original provider, but they left anyway!

Don’t get me wrong — I’m not suggesting that you don’t need to be concerned with satisfying your clients, attendees, or sponsors. On the contrary, if the goal is to inspire repeat business, you need to go beyond merely meeting expectations and consider what really motivates people to be loyal. After all, satisfaction is just an attitude or opinion a customer has, but loyalty has to do with the customer’s behavior. And their behavior is what we’re ultimately interested in, not just what they think of us.

Loyal customers do more than just come back again. They are also less price-sensitive; they are more forgiving of occasional slip-ups in the product or service or experience you provide; they are more resistant to the allure of new competition and, perhaps most important, they provide crucial word-of-mouth advertising, whether it’s face-to-face or online. Clients or guests who are only “satisfied” do not. In an era of increasing competition, we need to be looking at customer satisfaction as merely the entry fee for playing the game — sort of like the ante that allows you to sit at a poker table. If you don’t deliver satisfaction, then you don’t get to play. But “satisfying” your customers — i.e. delivering what they already think they should get anyway — only avoids chasing them away to the competition. If you want to truly inspire loyalty, you have to build a lasting bond with them.

So why do people develop loyalties to a particular company? A few years back, I conducted a study on the issue of customer loyalty at Champlain College in Burlington, Vermont. After studying a group of “loyal” restaurant customers, it became clear that loyal behavior is closely related to feelings of affiliation and personal connection that the client establishes with a business and its employees. These loyal customers were satisfied customers, for sure, but they also consistently expressed an appreciation for being recognized, for receiving personalized service and for being treated like valued individuals. Individualized attention like using the guest’s name, offering their regular drink, providing personal recommendations that you think this particular guest might appreciate or delivering a swift and sincere response to any problems that might arise all appear to go a long way toward establishing a sustainable relationship.

*Customer satisfaction*

 Customer satisfaction has been the subject of considerable research, and has been deﬁ ned and measured in many ways. Customer satisfaction is essential for business success in today's marketplace. Customer satisfaction is defined as "the number of customers, or percentage of total customers, whose reported experience with a firm, its products, or its services (ratings) exceeds specified satisfaction goals. Customer satisfaction measures how well the expectations of a customer concerning a product or service provided by your company have been met.

Customer satisfaction is an abstract concept and involves such factors as the quality of the product, the quality of the service provided, the atmosphere of the location where the product or service is purchased, and the price of the product or service. Businesses often use customer satisfaction surveys to gauge customer satisfaction. These surveys are used to gather information about customer satisfaction. Typical areas addressed in the surveys include:

* Quality of product;
* Value of product relative to price - a function of quality and price;
* Time issues, such as product availability, availability of sales assistance, time waiting at checkout, and delivery time;
* Atmosphere of store, such as cleanliness, organization, and enjoyable shopping environment;
* Service personnel issues, such as politeness, attentiveness, and helpfulness

*Customer loyalty*

Customer loyalty is both an attitudinal and behavioral tendency to favor one brand over all others, whether due to satisfaction with the product or service, its convenience or performance, or simply familiarity and comfort with the brand. Customer loyalty encourages consumers to shop more consistently, spend a greater share of wallet, and feel positive about a shopping experience, helping attract consumers to familiar brands in the face of a competitive environment.

Customer loyalty can be said to have occurred if people choose to use a particular shop or buy one particular product, rather than use other shops or buy products made by other companies.

Customers exhibit customer loyalty when they consistently purchase a certain product or brand over an extended period of time. As an example, many customers stick to a certain travel operator due to the positive experiences they have had with their products and services.

Customer loyalty is the key objective of customer relationship management and describes the loyalty which is established between a customer and companies, persons, products or brands. The individual market segments should be targeted in terms of developing customer loyalty.

1. ***Customer loyalty:******meaning and importance***

Customers make decisions about where to spend their time, money, and effort every day. They might be business buyers between 9 to 5, but consumers the rest of the time. In either case, the scenario is always the same for the seller – to make their product or service offering the preferred choice. They do this by building offers that will:

* Customer Loyalty Thought Perpective;
* Differentiate them from competitors;
* Generate significant demand by customers;
* Demonstrate superior value;
* Build customer loyalty.

Loyalty is more than just behavior. It is a fallacy to assume that a customer is loyal just because they continue to buy from you. There are many reasons why a customer repeats purchasing which have little to do with being really loyal. Consider the following:

There is a contractual arrangement with your company

It takes too much effort or money to change suppliers;

You are currently the low cost provider;

Their relationship is with one of your employees and not with your company;

Habits are hard to break;

They may actually be in the process of finding an alternative supplier.

If any of the above is the case, what do you think is likely to happen should a desirable competitor come around and seek out your customer’s business? The easier and more attractive they make it for the customer to switch, the less appealing the above reasons are. Customer loyalty is far more than repeat business.

Loyalty can be defined as a customer continuing to believe that your organization’s product/service offer is their best option. It best fulfills their value proposition whatever that may be. They take that offer whenever faced with that purchasing decision.

Moreover, loyalty means hanging in there even when there may be a problem. This occurs because the organization has been good to them in the past and addresses issues when they arise. It means that they do not seek out competitors and, when approached by competitors, are not interested. It also means being willing to spend the time and effort to communicate with the organization so as to build on past successes and overcome any weaknesses.

In a nutshell, loyalty means a customer wants to do business with you and does.

The challenge for organizations is taking this definition and translating it into actual practice, where specific actions are defined and ideal customer relationships are envisioned. It also means identifying a means for taking this loyalty construct and putting it into measurable terms so that success and failure can be assessed and progress or decline tracked.

Loyal customers believe the products and services purchased from their supplier are superior to those of the competition. Frequently, they are customers who view their interactions as more than simply transactional. They believe there is a relationship that is bigger than just the products or services they buy. *Measuring loyalty means measuring the strength of this relationship between buyer and seller, between the organization and its customer.*

It is challenging to measure the level of customer loyalty within the relationship, which is why companies so often succumb to simply defining loyalty as the number of purchases made or a continuing pattern of buy behavior. And asking the customer directly about whether or not they are ‘loyal’ does not provide a valid measure.

What we are looking at is measuring those attitudes as well as behaviors that we know make up this concept of loyalty. For example, some of the important attitudes and behaviors expected of a loyal customer include:

Likelihood to recommend your products and services to others

Likelihood to continue purchasing your products and services, at minimum, at the same level

Likelihood of purchasing other products and services you offer

Believing your products and services are superior to others offered in the marketplace

Not actively seeking alternative providers to replace you

Providing your company with opportunities to correct problems and not using these as a basis for compromising the relationship

Based on customers’ responses to questions such as these as well as others that evaluate specific aspects of their relationship with your company, a loyalty profile of your customers can be created. *Loyalty segments categorize customers as Loyal, Neutral and Vulnerable.*

The basis for loyalty segmentation should be sufficiently flexible in that it recognizes and accounts for the uniqueness and special challenges of any one business or organization as well as the environment in in which it competes.

Four different reasons for loyalty should be promoted:

psychological;

economic;

technical/functional;

contractual.

*Example*

***Psychological.*** Customers might also develop a sense of loyalty to a certain person working for a company. People can build up a good relationship with a bank advisor they have known for several years and who has always fulfilled their expectations. The fact that people develop a sense of loyalty can be described as a psychological reason to stick to a specific product.

***Economic.*** In business-to-business markets, it might also be possible that customer loyalty results from the fact that switching to another company would lead to the company facing economic disadvantages. In this case, loyalty is based on economic grounds.

***Technical/ functional.*** Furthermore, it might be possible that a company adjusted and adapted its technical procedures to a particular supplier and a change would cause immense technical problems, thus, technical or functional reasons are the grounds for customer loyalty.

***Contractual.*** A contractual reason for loyalty exists if a customer is bound to the company for a certain period of time due to a contractual agreement and for legal reasons.

1. ***The loyalty types and program***

There are four traditional types of customer loyalty:

***1.*** ***No Loyalty.*** Believe it or not, there is actually a group of customers that is not loyal to brands. This group is usually a small cohort, but it definitely exists. Marketing best practice for this group is to identify what percentage of your customer base falls into this category, and treat the group as a control. It’s unlikely that even the best loyalty marketing tactics would sway this customer type into one of the other buckets, but it can be great for benchmarking.

***2. Inertia Loyalty.*** This type of loyalty is based on pattern spending and convenience. Customers who fall into this bucket tend to purchase from a certain brand because it is easy to do, or it’s what “they have always done.” A great example of inertia loyalty is a family who is loyal to a certain bread brand because their neighborhood market sells it, and they can easily pick it up. Inertia loyalty is interesting because it is both very compelling and very easy to disrupt. For example, if the store in the example above stopped carrying that type of bread and stocked another brand, the family with inertia loyalty would become loyal to the new brand out of sheer convenience.

***3. Latent Loyalty.*** This type of loyalty refers to consumers who might not purchase often from a brand (usually because its products/services are set at a seasonal or high-ticket price), but when they do purchase, they always purchase from the one brand. I like to think of this loyalty group as it relates to cars or skis. You don’t purchase a car often, but a lot of families consider themselves either a “Toyota” family or maybe a “Chevy” family. That sort of pull toward a brand is latent loyalty.

***4. Premium Loyalty.*** This type of loyalty refers to customers who purchase often from a brand, and advocate on the brand’s behalf when they do. Premium loyalty usually plays into a great deal of pride on the customers part. If the customer is proud to represent this brand, then they fall into this bucket. In today’s hyper-social ecosystem, you can imagine why premium loyalty is often sought after.

While the four traditional types have been great to us in the past, there has been a shift in today’s consumers. Today’s consumer demands more from the brands they love, and as marketers, it’s our job to give it to them. There is a better type of loyalty that brands should be looking to increase, which is called “Reciprocal Loyalty.”

1. ***Reciprocal loyalty*** is a premium relationship benefiting both the brand and the consumer. It creates a relationship where consumers support brands through advocacy, purchase behavior, and community participation. As a result, brands then appreciate consumers through investing in their experiences, providing valuable content and thanking consumer with rewards and benefits.

Why should you monitor customer satisfaction?

Any breach of this trust can seriously damage the relationship you've built. This is why it is so essential to monitor customer satisfaction, and correct any problem areas. Where a complaints system can allow you to see why some customers (those few who bother to complain) are unhappy, a customer satisfaction measurement (CSM) programmed allows you to actively identify specific problem areas based on statistically sound information and correct them.

It will also enable you to prioritize improvement based on an understanding of what the 'key drivers' of satisfaction are, the areas that will have the greatest impact in improving customers' overall perception of you. Once a CSM programmed has been established it can be monitored and fed back to customers over time, informing them of actions you are taking and sending a strong message about your commitment to customer service.

Perhaps one of the most powerful programs in the customer relationship management process is the loyalty program, which is designed to increase customer loyalty and satisfaction. Through a loyalty program, the firm aspires to create a mutually beneficial relationship with the customer; the ultimate goal is for each party to receive a positive benefit. Loyalty programs may be implemented in various ways, but all of them are created to retain customers, to generate long term relationships, and to increase the number of customer interactions in order to increase profit.

Before a firm creates a program, it must first define loyalty in company terms and identify the firm’s goals regarding loyalty. True customer loyalty is a combination of two components: attitudinal and behavioral loyalty. Attitudinal loyalty is created when customers hold strong, positive beliefs about a specific company, brand, or product. Once individuals have made a mental or emotional commitment, behavioral loyalty often follows in the form of repeat purchases or frequent store visits. Since true loyalty depends on both the customer’s satisfaction and involvement with the purchase, companies design loyalty programs to enhance these experiences.

Loyalty program is defined as a marketing practice that offers rewards for customers to encourage them to make repeat purchases. Effective loyalty programs are those that are customized to fit the needs and goals of a company and their customers. When designing a loyalty program, the reward structure accounts for the most defining characteristic. The reward structure is the most alluring component of the loyalty program; consumers are primarily attracted to loyalty programs because of the rewards and benefits available to them. Loyalty programs can offer hard and/or soft rewards depending upon the nature of the product or service, but both should be perceived as valuable in the consumers’ minds. Hard rewards offer tangible or financial benefits such as promotions, free products or services, and price reductions. Soft rewards are based on psychological benefits and often incorporate special customer recognition or status. These rewards may or may not be connected with the company’s product offerings. Firms can choose to directly support their product proposition by allowing customers to redeem loyalty points for free products or price reductions on those products. On the other hand, firms can offer products that are unrelated to their business. More often than not, however, firms usually choose to offer rewards that are directly tied to their product offerings in order to encourage additional business and further develop the relationships with the consumers. Offering rewards directly related to the products is also less costly to the firm. No matter the type of reward offered in the loyalty program, firms should reward customers at a high rate, which is determined from the ratio of the monetary value of the reward to the monetary value of the initial transaction. Consumers are much more satisfied and perceive the loyalty program justified when this rate is higher because the decreased lag time between rewards keep customers perceiving the value of the program.

The effectiveness of the loyalty program comes down to whether or not the consumer adopts the program and consistently uses the tools provided to them, such as a loyalty card. Through offering valuable rewards in a timely manner, customers will increase repeat purchases and strengthen their relationships with the firm and its products. The loyalty program in combination with the other relationship programs allows for the CRM process to cater to the needs and wants of the customer base.

So, the ultimate goal of your actions should not only be improvement of performance perceptions but, in the end, increasing the percentage of your customers who are loyal to your company/organization. Why increase your percentage of loyal customers? Go back to the first table and look at the annual revenue spend. In this example the Loyal customer segment spends an average of about $6,000 – $8,000 per year more than the other segments. While not shown here, annual profit margins are typically higher as well. It is usually the case that loyal customers:

Buy more

Buy across your product lines

Will pay for value add services/products

Require less product usage instruction

Do not need sales support

Are more likely to sole source

Make referrals on your behalf

It is financially beneficial for the business to retain and grow a loyal customer.

**LECTURE 10. BUILDING CUSTOMER LOYALTY**

*1. Understanding who your most valuable customers are.*

*2. How to achieve a high standard of customer care for all your customers.*

*3. How to turn your most valuable customers into your most loyal customers.*

Customer loyalty matters because selling more to existing customers is easier, and cheaper, than finding and selling to new ones.

Loyal customers tend to buy more, more regularly. And they will frequently recommend your business to others.

***1. A total approach***

**1.1 Make customer care a key part of your business strategy.**

Effective customer relationship management means organizing your entire business to focus on the needs of customers.

         List your top key accounts, and give these customers the best service.

         Make sure customer-facing employees have access to all the information they need to serve customers efficiently.

Give them the power to make certain decisions independently.

         Draw up a set of procedures and standards to be used wherever customers have direct contact with your business.

For example, set standards for speed and courtesy when answering phone calls.

**1.2 Learn as much about your different customer segments as you can.**

         Find out what, when and how customers buy, and use this information to improve the service you offer.

Use your database to record information about your customer's buying habits so you can tailor your offer and service. For example, a travel agent could send customers information about their favorite resorts at the time they normally book holidays.

         As part of your sales and marketing strategy, set out the levels of service you plan to offer your different customer types.

For example, you might assign key account managers to your largest or most profitable customers.

         Find out more about your customers by generating opportunities for feedback

**1.3 Develop a brand around your company, products or services.**

If customers can identify with your company and feel good about it, they will be more likely to remain loyal.

         Create a consistent, clearly defined identity for your business or product.

         Advertise to build brand awareness of your product or service.

However strong your brand is, it should always be accompanied by consistently high levels of customer service.

**1.4 Design and deliver a 'customer experience' to address how you handle customers when they contact your business, whether by phone, letter or email.**

         Do you address customers by their first name or use a more formal form of address?

         Follow up queries with a 'thank you' letter, email or phone call.

1. ***Essentials of customer care***

Whatever added extras you may offer, they will be useless if you do not give your customers excellent basic service.

**2.1 Encourage employees to deliver high-quality customer care.**

         Make sure employees have good basic communication skills.

For example, a poor telephone manner will ruin the credibility of a telesales company.

         Train employees in job-specific skills.

For example, get sales people to listen to the customer more, so they sell intelligently, not aggressively.

         Train all relevant personnel how to answer and deal with telephone calls.

         Make sure employees can handle complaints effectively.

They should apologise, be sympathetic, listen, establish the facts, agree what to do, and then do it.

Ask employees for ideas on how your customer service could be improved.

**2.2 Think of ways to make life easier for customers. For example, a retailer might provide customer car parking, and a simple procedure for returning unwanted goods.**

         Concentrate on providing quality service in key areas.

For example, customers often complain that deliveries or maintenance people fail to arrive on time.

         Try to save the customer inconvenience. For example, the motor trade gives top priority to maintaining stocks of 'vehicle off road' spares.

         Exceed your customers' expectations. For example, promise delivery in ten days, but actually deliver in seven.Always keep your promises.

         Keep customers informed about any problems, and make it easy for them to contact you. For example, by providing a free phone number and the direct email address of the member of staff responsible for their account.

         Use your website to give customers the services and information they want.

For example, you could provide a simple ordering system using secure servers, useful information - including answers to frequently asked questions (FAQs), and technical advice - or a tracking system for orders placed.

**2.3 Use appropriate technology.**

         A good database system can help you record, organize and plan your contact with customers.

Make sure information from your website can be transferred to your main database.

         Contact management software may be a useful tool if you have a lot of high-value customer accounts.

You will need to explain the advantages of the system to employees, and provide training and incentives for use.

**2.4 Give customers a personalised service.**

         A common way to achieve this is by giving each customer an account manager.

         Personalise all communication ([see 4](http://www.marketingdonut.co.uk/marketing/customer-care/customer-loyalty-schemes/building-customer-loyalty#section-4)).

         Personalise the email addresses of customer-facing employees.

         If you use computerized telephone systems, give customers the option of talking to an operator at any time.

***3. Customer feedback***

The more you know about customers, the better you can meet their needs.

**3.1 Create opportunities for feedback.**

         Ask new customers why they chose you over the competition and existing customers what you could do better.

         Set up a customer hotline, and make sure the number is on every piece of communication you send out.

         Get feedback online by putting an email response form or forum on your website.

         Forums may need filtering or editorial control. Make sure you have time to deal with this before setting it up.

         Consider making part of your website registration-only to allow you to get more information about customers.

         Encourage customers with a concern to contact you.

You may then have a chance to rectify an issue before it has escalated to a complaint.

Complaints are a vital indicator of what needs to be improved - and how to gain a competitive advantage.

         Carry out customer satisfaction surveys. Keep the questions brief and specific, and offer an incentive as an inducement to return the form.

**3.2 Contact any customer who has stopped buying from you (a lapsed customer) and find out the reason.**

         Assign a skilled person to this task, otherwise customers tend to give easy answers, such as "you are too expensive", which may hide the real reasons.

**3.3 Monitor and analyze the contact you have with customers.**

         Keep a record of customer feedback to help you identify problem areas.

Find out what caused each problem.

         Use hit analysis software to discover which of your web pages are most popular.

         Call analysis software lets you monitor selling and levels of satisfaction.

***4 Communications***

If you keep a dialogue going with customers, they will be more likely to buy from you in the future.

**4.1 When marketing -- or selling - to customers, divide them into at least three groups, and plan a different type of communication for each**.

         Group one is potential customers who have not yet purchased anything. For example, someone who has made an questioning as a result of an advertisement.

The aim of your communication is to build interest in your products. You may also be trying to make a sale at this early stage.

         Group two is customers who have made a purchase.

Your aim is to increase the frequency of their buying and to sell them other products in your range.

         Group three is your premium customers, who already make regular purchases.

Your aim is to turn them into 'advocates' who recommend you to their contacts.

Your communication is based on showing your appreciation and keeping them informed, rather than selling them products.

**4.2 Only offer products that match customers' needs.**

         Ask your customers which of your products they are interested in.

For example, send out a questionnaire.

         Regularly email, mail or phone them with special offers, and news about your new products.

Suggest products which will enhance or upgrade what they have already bought.

         Include a checkbox in your written mailings, or on your website, that customers can tick to confirm they want to receive future communications.

         Ideally, you should anticipate when they need to re-order.

**4.3 Have regular contact with customers.**

For example:

         Telephone key customers regularly to get feedback, or send them a newsletter or e-newsletter.

         Send best wishes for Christmas, anniversaries or other occasions.

Be original. The challenge is to distinguish yourself from all other suppliers. For example, you could avoid the Christmas post by sending an electronic greetings card direct to your customers.

***5 Entertainment***

One route to achieving customer loyalty is to become friends with your customers. When entertaining customers, choose events that reflect your company image and set you apart from your competitors.

**5.1 For your most important customers, entertain on a one-to-one basis.**

         An occasional lunch or an after-work drink can be fitted into most people's schedules.

         Activities like golf provide a relaxed, non-work environment to get to know people in.

         Find out what your customer's interests are, and indulge them.

**5.2 If you need to entertain large numbers of customers, consider having an annual event.**

This need not be expensive. For example:

         A specialized travel company might put on a video or slide show each year, plus an exhibition of customers' photos.

         An injection molding company might combine a presentation on state-of-the-art plastics technology (by a suitably high-profile speaker) with some kind of social networking event afterwards.

**Give top customers more**

Small firms often find that a few big customers are responsible for a large proportion of their profits. Keeping these customers happy is essential - so you should reserve a special level of service for them.

Give key customers extra benefits which are particularly visible.

Make it **easier** for them to buy from you.

         Waive restrictions such as minimum order quantities.

         Give them first options on opportunities such as discounted stock clearances.

         Set up a dedicated extranet ordering system.

Let key customers know you **value** them.

         Invite them to special events ([see 5](http://www.marketingdonut.co.uk/marketing/customer-care/customer-loyalty-schemes/building-customer-loyalty#section-5)), or give them special discounts.

         Reinforce the idea that they are valued customers in all communication with them.

Ask for their **opinions** before making significant decisions.

         For example, discuss your ideas for a new product, or a new brochure.

Invite them to join a **club**.

         You could give key customers the opportunity to meet regularly to discuss important issues and enjoy networking opportunities - broadening the scope and value of what you offer them.

Only make promises you can keep. If you say you will speed up delivery but then dispatch goods late, your special service will be meaningless.

1. ***Added-value schemes***

A successful loyalty scheme pays for itself by encouraging more frequent purchases. The most common loyalty schemes are based on offering rewards to loyal customers.

**6.1** A **cumulative** (or 'retrospective') discount gives customers money back whenever they reach specified spending targets.

         Retail businesses can offer loyalty cards which work this way.

         Your accounting system may need to be able to track the purchasing activity of each customer and flag up the discounts as they are earned.

If customers have to ask for the discount, you may achieve less loyalty as a result.

**6.2** Some schemes offer customers a discount off their **next purchase**. For example, you may issue discount coupons. If they are only valid for a limited time, you also encourage prompt action.

         Be aware that discounts may cheapen your product in the eyes of the customer.

For this reason, businesses often prefer to make offers such as '20 per cent extra free'.

**6.3** Some schemes offer the customer **rewards**.

One danger of discounts and rewards is that your customer might have made the purchases anyway, in which case you are wasting money.

**LECTURE 11. CUSTOMER RETENTION AND PRESCRIPTIONS FOR LOYALTY**

*1. The magic beanstalk of loyalty.*

*2. Prescriptions for loyalty.*

*3. Customer retention.*

1. ***The magic beanstalk of loyalty***

In the ideal world we’d like our customers to come back to us again and again… after all, customers are the lifeblood of any business. No customers = no business!

But don’t customers come back anyway? No! 68% of customers defect through perceived indifference: We have to put time, effort and resources into ensuring our customers come back, and that’s why customer retention campaigns are so important.

Is it really worth putting in this effort into repeat business?

Yes, absolutely! It’s 6 or 7 times more expensive to find a new customer than it is to retain an existing customer. So if you need to be careful about your marketing expenditure (and which small business doesn’t!), then it makes sense to focus on your customer retention campaigns. Not only can it mean more repeat business, but also more referrals.



Customer retention campaigns are vital, so that you don’t lose 68% of clients through ‘perceived indifference’.

Why customer retention campaigns can boost your word of mouth referrals

If you’re regularly contacting your best customers in a helpful, proactive way, chances are they’ll be impressed by your care and attention. They’ll feel valued and appreciated… and that means that they’re likely to tell all their friends about your business too. This can transform many customers into being Advocates or Raving Fans, who’ll do your marketing for you.

In short, you’re helping your clients climb the magic beanstalk of customer loyalty.



The key to customer retention is to get clients to climb the magic beanstalk of customer loyalty.

Notice the topics of customer retention and customer loyalty are very much related. Why? Because it takes a happy, satisfied customer to become an advocate or raving fan.

Let’s take quick look at the magic beanstalk of customer loyalty

Most of these levels are fairly self-explanatory. The one thing that does tend to surprise business owners is the ‘Shopper’. That is, that someone who’s bought from you once is not a customer – they are just trying you out.

If you have a lot of shoppers, you have a problem, and marketing alone won’t fix this. You need to ask yourself these questions:

         Is your product/service of an adequate standard?

         Is your product/service priced at a level to match its quality?

         How good and consistent is your customer service?

         Are you regularly maintaining contact with your clients? Not just to sell them more, but in a way that adds value and makes them feel appreciated?

Assuming that you’re happy with your answers to those questions, you can now focus on how to get your clients to climb that magic beanstalk of loyalty.

Clients won’t climb this magic beanstalk of loyalty by themselves

Although you might get some raving fans without trying, most clients need a little more encouragement to climb this magic beanstalk of customer loyalty. They need a reason to climb it, and it’s your job to give them those reasons.

Not all clients have a head for heights

Even if you do all the right things, not all clients will climb the magic beanstalk of loyalty. It’s impossible to convince everyone to be a raving fan. For some people, it’s simply not part of their personality to gush and enthuse about other businesses.

Or for others, maybe the fact that they use your product or service is their little secret that’s very personal to them. It doesn’t mean they don’t love what you do, it’s just that they want to keep it to themselves.

And that’s okay: they’ll appreciate that you’re keeping in touch with them anyway, and will help to ensure that they’ll remain a loyal customer. They may climb the magic beanstalk of loyalty as far as ‘Member’ level, and that’s fine too.

Besides, so what if a certain percentage of clients don’t climb the magic beanstalk of loyalty all the way to the top? That’s okay too, because many others will – provided you give them a reason to climb.

How to get your clients to climb the magic beanstalk of customer loyalty

The good news is that you have lots of tools and media to encourage your clients to climb the magic beanstalk of customer loyalty. And many of these are low cost, too.

Here are the different media you have available to you to help you with your customer retention (and to get clients to climb the magic beanstalk of loyalty):

         Social media

         Email

         Mail

         Phone

         Face-to-face

What you need to know about these different customer retention media

These media vary in terms of effectiveness, and you need to be aware of this. I’ve seen far too many business owners use just one tool (or maybe two tools), and think that’s enough.

For your message to really get through, you need to be using as many of these media as you can, and as effectively as you can. People are incredibly busy these days, and if you use just one medium, your business will appear flat and one-dimensional. The more media you use, the more multi-dimensional and sparkling your business will appear!

You need to nurture your magic beanstalk of loyalty all year round

For your customer retention campaigns to work, you need to implement them all year round. After all, you can’t water magic beans just once or twice a year and expect them to grow: you need to water them regularly. Same with your marketing campaigns; you need to tend to them regularly.

That’s why it’s vital that you make a marketing plan for the year, which includes regular customer retention campaigns. And then diarise these campaigns to make sure they actually happen.

Here’s an example as to what a solopreneur might do to encourage customer retention:

         **Social media:** updates five times a week

         **Email:** monthly email newsletters

         **Mail:** send Christmas cards plus a mid-year mailing

         **Phone:** call two or more clients each week

         **Face-to-face:** arrange a catch-up with your top clients every quarter or every six months.

1. ***Prescriptions for loyalty***

We often put too much emphasis on hiring “experienced” customer service personnel, rather than on selecting people who are natural rapport-builders. Then we spend most of our training time on the mechanics of service, instead of on activities that will really promote loyal behavior.

*What kinds of action could we be taking? Here are a few suggestions:*

•   **(1) Raise awareness among both staff and management.** Employees can’t be expected to appreciate loyalty’s importance on their own; it is management’s job to make them aware of its impact on everyone’s success and how their own behavior can increase loyalty. Use stories of “legendary” service incidents to help illustrate the kind of behavior you’re looking for.

• **(2) Hire people who have natural rapport-building skills.** If its part of their job to build relationships with clientele, then management should be careful to recruit, hire and retain staffs that have a natural talent for it.

•  **(3) Teach and reward the learning and use of guest’s names.** Bring in a memory expert to instruct your staff in memorization techniques. Build a list of guest names and personal preferences. Provide financial incentives for staff that collect new names for the list. Coach staff members on how to incorporate individual guest names into normal service encounters.

•  **(4) Train employees to “read” guest needs and to personalize each service encounter.** Stress the fact that suggestive selling should be used to make personal recommendations of items that the server thinks the client might enjoy or appreciate. Your staff should be encouraged to get creative; try to anticipate things that might appeal to the client before they ask.

•  **(5) Go out of your way to respond to service failures or guest complains.** Problem situations can be exploited for the opportunity they offer to provide a highly responsive, personalized service experience to the client, which reinforces feelings of being noticed and valued as an individual. A weak or nonexistent response will produce the opposite effect.

•  **(6) Expect and empower employees to respond to problems without waiting for management’s approval.** Data collected by the Technical Assistant Research Programs show a close link between resolving the client’s problem on the spot and their intent to patronize your business again. Staff members need to receive instruction in handling a variety of scenarios, and they also should be given clear parameters to define what corrective actions they are authorized to take.

• **(7) Reinforce relationship building through employee incentive and reward programs.** Recognize and encourage employees who demonstrate success at building repeat patronage. For example, restaurant servers who are most often requested by guests at the door deserve credit for it. Likewise, employees who are skillful at collecting the names of repeat customers or attendees can be rewarded for their extra contribution. In both cases management is pointing out the kind of results they want their staff to be shooting for.

•  **(8) Invest in employee retention.** Studies have shown a strong correlation between high customer ratings and low employee turnover. When an employee leaves, any relationships they have built with clients are in danger of being broken. Consider taking steps to protect your best “people people” by earning *their* loyalty. (By the way, these same principles apply to employee loyalty. They’re human, too!)

•  **(9) Adjust your customer feedback tools to measure for loyalty indicators.** Instead of just asking clients whether they were satisfied with their experience, find out if they would be willing to recommend your services to others. Why or why not? Do they know any of your staff or management by name? Did they feel as if they received personal attention? Were they made to feel like they matter? These may be the kinds of things that will determine whether loyalty will be produced.

•  **(10) Provide clients with opportunities to “connect” with staff members beyond normal business transactions.** Inviting guests to receptions, seminars or public-relations events will offer the possibility for social interaction not possible during normal business interactions, enhancing the potential for social bonding. You will build closer relationships by getting to know your guests as individuals, rather than as relatively anonymous consumers and providers.

Where loyalty is concerned, it’s not just what we do for people; it’s how we treat them while we’re doing it. The key question is, how do they feel when they’re walking out the door? One thing is for sure: to the degree that your clientele are allowed to feel anonymous in their interactions with you, you’ll have a hard time inspiring their loyalty.

1. ***Customer retention***

On most of The Leadership Factor's surveys customer loyalty is measured in two ways: loyalty behavior is gauged by a measure of retention, or intention to buy again; loyalty attitudes are termed commitment.

*Why should you worry about customer retention?*

• Customer lifetime value. This phrase relates to a very simple concept. Every interaction you have with a customer should be done on the basis that their value to you is the total of all the purchases they will ever make, not that one sale. For example your most valuable customers are probably not those who make the biggest purchases, they're the ones who come back again and again. This way of thinking also allows you to consider marketing approaches that don't require you to make back the cost of acquiring a customer in a single sale.

• The cost of acquisition. It has been demonstrated that it is up to 20 times more expensive to acquire a new customer than it is to keep an existing one. A traditional sales approach can be likened to pouring new customers into a bucket with a hole in the bottom - the weaker your levels of customer retention the larger the hole.

*Why should you worry about customer commitment?*

Committed customers have been shown to demonstrate a number of beneficial behaviors, for example committed customers tend to:

• Come to you. One of the key benefits of establishing a good level of customer loyalty is that you don't have to sell to them; they will come to you when they need a product or service, and they may even come on spec to see if you have new products.

• Buy more often. Loyal customers come back more and more often, since they enjoy the service they receive from you. If customers find themselves forced to use you against their will they will come as little as possible.

• Try new products. If customers are happy with what they've bought from you before, they will be more willing to try new products. Perhaps they will even trust you to suggest products suitable for them.

• Recommend you. Another key benefit - loyal customers can become your most effective marketing tool (far more trustworthy than salesmen in the eyes of other customers) and they're free.

• Buy only from you. A strong relationship of trust can mean that customers will prefer you even if it is more difficult or more costly to use you than a competitor.

• Look only at you. The holy grail of customer loyalty - customers at this stage trusts you to provide a good product/service at a reasonable cost, and will not go to the trouble of shopping around before buying.

• The key to these is the establishment of trust based on good service, reputation and image. To illustrate how this works, imagine that you have just started dealing with a supplier. To begin with you probably check every invoice carefully, but after a while (if they've all been correct) you'll tend to assume that the invoice will be accurate. Eventually you may not even bother checking the invoice unless something catches your eye. Of course, the moment something goes wrong you go back to checking every item. Similarly if someone else tells you of a problem your trust in the supplier would be damaged.

Why should you monitor customer satisfaction?

Any breach of this trust can seriously damage the relationship you've built. This is why it is so essential to monitor customer satisfaction, and correct any problem areas. Where a complaints system can allow you to see why some customers (those few who bother to complain) are unhappy, a customer satisfaction measurement (CSM) programmed allows you to actively identify specific problem areas based on statistically sound information and correct them.

It will also enable you to prioritize improvement based on an understanding of what the 'key drivers' of satisfaction are, the areas that will have the greatest impact in improving customers' overall perception of you. Once a CSM programmed has been established it can be monitored and fed back to customers over time, informing them of actions you are taking and sending a strong message about your commitment to customer service.

Surveys have consistently shown very strong correlations between customer satisfaction and loyalty. Our work, and that of other agencies, suggests that customer loyalty is driven by a combination of customer perceptions such as satisfaction, image and perceived value, and is further subject to something called ‘loyalty personality’. Loyalty personality refers to innate differences in the way customers form their opinions. Commonly these differences can be predicted by a number of geo-demographic factors, such as age, gender, occupation and location.

***Common loyalty personality divisions might include:***

 *Innovators/risk averse.* Some people will always be on the lookout for the latest product or trend, and will tend to try something just because it's new. If you're not making the most up-to-date product you may have to resign yourself to losing these customers, however good your service is. Rest assured, though, that they're no more likely to remain loyal to your competitors, and tend to be less profitable in the long term than customers who need a reason for switching. Customers who moved to telephone banking when it first came out fall into this category - how many of them are still using telephone banking accounts, and how many have moved on to internet banking? How much money did they make for the telephone bank?

 *Level of involvement.* Some markets are more 'high involvement' than others, reflecting the importance to customers of making the right purchasing decision. Beyond market-wide trends, however, the most significant difference is in how involved your customers feel with you.

 *Perception of switching barriers.* Switching barriers are the perceived obstacles to changing supplier. The key word here is 'perceived'. For instance, how difficult is it really to change bank? Probably not nearly as hard as most people think, but it's in the interests of the big high-street banks to maintain this impression.

One message that is often missed is that it can be okay to write off customers. There are some customers that cannot be kept loyal, just as there are some that cannot be kept happy. Increasingly the concept of 'firing' customers is growing in currency, and it is a valuable idea. The important thing is to make sure you focus on keeping the right customers. The most damaging customer is one who takes up your resources but doesn't yield commensurate gains. Worst of all they may be damaging you by criticising your performance. These 'terrorists' are customers that you are better off without since they're losing you business and you're probably making a loss on them anyway.

• *Concrete advantage*

At the end of the day, what's in it for you? You've surveyed your customers' levels of satisfaction and loyalty, you’ve focused improvement on the drivers of satisfaction and loyalty and seen these soar as a result, and you've fired your terrorists. What difference will it have made? The honest answer is that we can't be sure. We believe that for almost every organization improving customer satisfaction will improve customer loyalty, which will in turn improve profit. But we can't prove this is the case for every organization, and we can’t predict by how much. To predict what an improvement in satisfaction will mean to you in terms of loyalty and profit you have to model the relationships between these items.

Only a small number of companies at the cutting edge of customer research have managed to model the links between satisfaction, loyalty and profit. The perception seems to be that the process is very complex and requires enormous amounts of data, which is far from the case. Of course the more data is available the more reliable and precise a model will be, but the chances are you could make a start with existing financial data.

In simple terms the modeling of a relationship is no more complex than drawing a line of best fit on a scatter diagram. Getting at the specifics of this relationship and understanding how reliable the equation is requires some statistical knowledge, however, and unless you have a statistical background it is probably best to let an outside agency do the work for you. Such an agency should also be able to employ more advanced techniques such as Structural Equation Modeling and Latent Class Regression, which are only available through specialist software.

As a final thought for those that are still unconvinced about the concrete benefits of making your customers satisfied and loyal consider this: markets are becoming more and more competitive, and consumers are getting more demanding. If you're experiencing high customer turnover, but your competitors are locking in customers by targeting loyalty, you're soon going to run out of prospects to pour in at the top of the bucket.