**Strategic Marketing** - **Contemporary Issues**
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**Lecture - 22**

In the last session, we were discussing about the leadership strategies in the marketplace. We discussed that the leadership strategy has to be an evolving strategy, in consonance with the product like cycle, the market life cycle, the life cycle position of the business in which you are in. We also discussed that while in the initial phase of the market we can or rather we must focus our strategy on product leadership,

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At a later stage the most lucrative stage in the business cycle, we have to graduate to operational excellence, and then to customer intimacy. In fact, in most businesses today this to later strategies; that means, operational excellence and customer intimacy, because of the general acceleration in the market, in the compression of life cycle today in most products and services.

These two later strategies, that is operational excellence that as you would recall the product leadership gives way to operational excellence, because after the initial face soon dominant designs, standards, emerge. And it is a result the distinctiveness, the unique selling proposition must come from enhanced value proposition which means, decreasing

cost; improving operational efficiency to retain your margin under price pressure that happens due to new competitors coming in.

But that due to this increased velocity in the market place, cannot only be efficiency based strategy to be effective, that operational excellence must derive it is inputs from customer intimacy. The operational excellence that means, where we must improve, where we must distinguish ourselves must come from the guidance of the customer. So, market leadership today therefore, depends the lost lot on, what we called relationship marketing.

More popularly also often called CRM, which can be expanded sometimes as customer relationship management, customer relationship marketing, some people call it continuous relationship marketing and so on, and so forth. But customer is at the centre, the relationship is at the centre of this kind of strategy formulation. Often people believe or kind of are misled that you can become SERM focused company by buying some software. But that is an absurd proposition it is just like you cannot become a poet, unless poetry is inside you just by buying a new computer or a new fountain pen or whatever.

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So, the tools can help you, but until and unless you have a total systemic approach you cannot be a relationship marketing based leader, just by buying some hardware and software. There is an increasing need of software, but that software is not necessarily

computer software, that software is in terms of intangibles developed through the people in your organization, and that is what we want to discuss today. So, in definition vice relationship marketing means long term relation creation, an approach towards repeat purchase, easing, facilitating, repeat buying. It is based on transaction mentality that means, just one time buy and sell mentality to a long-term relationship mentality.

A better way to think about it is to think that this is a journey, a continuously escalating approach that makes your first buyer, a repeat buyer could be a repeat buyer through friends and relatives could be a repeat buyer. For other offerings, adjacent offering at you may have, but most importantly the relationship marketing must aim at co-opting the customer within your marketing strategy.

So, that the customer becomes your advocate, this customer advocacy achieving that status which can only happen if the customer is delighted, if the customer feels that you offer superior value. If the customer is convinced that you are reliable, if the customer is assured that your response will be of the first-order, your response will be in time, your response will solve the problem that has come up.

So, if the customer advocacy is based on these believes in the mind, in the perception of the customer, then you have and unassailable position, one of the best competitive positions that you can create. Because the word of mouth the so called viral marketing are essential tools today in the high velocity market place. Now, to do this, you do need to know the customer, you can use communication and information technology tools to collect information at every touch point with the customer, out of every transaction with the customer.

You can create a database that is continuously is updated, it is a dynamic database, but using the data base just to calculate the customer life cycle value or to facilitate the profit chain. That we have discussed before is not enough, unless you can move more and more of your customers to the best customer category which happens by enhancing the life time value, which means by enhancing the repeat buying or co-opting that customer to cost more sales to happen. Unless you are able to make that happen, then just their gathering up information is not enough this is a very important point.

That means, feedback is important, but real action effective action on that feedback to close gaps which we will discuss a little bit more, what are those gaps, what are the

criteria for understanding, we will just now discuss. So, that action out of the feedback completes the loop you know some of you aware of control system you know, that the closed loop system based on feedback, based on corrective action, always offers a superior result as opposed to open loop systems. And this means in the marketing sense, that it is not focus on presales only, not focus on the act of getting the next order.

But, it has a very important component in terms of the post sales, continued relationship and enhancing the post sales experience of the customer, ensuring that that sale that you have achieved. In reality in handsets customers experience or customers life position, we can discuss it, in terms of very impressive success achieved by some of the Korean manufactures of consumer durables in the Indian market place.

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They followed some simple approaches, the people who came to install their refrigerators or washing machines, where not just you know people who where use to lifting heavy load. But they give them good training, good attire, ability to present themselves as experts, who not only install the product at the customers premise efficiently, but held the customer to use they equipment more efficiently. And on top of that they actually created a program of contacting the custom 1 week later, 1 month later, 3 months later. To ensure that refrigerator, that washing machine, that microwave was performing at it stop level, this created a tremendous relationship brand loyalty.

Once you have sold the refrigerator, you are able to convince the same customer to prefer your washing machine or your microwave or your dishwasher and so on, and so forth. So, this is an interesting example from the Indian market place that you can study, there are a lot of material available on the success of LG or Samsung in the Indian market place; and you can read that how they executed this relationship enhancing strategy.

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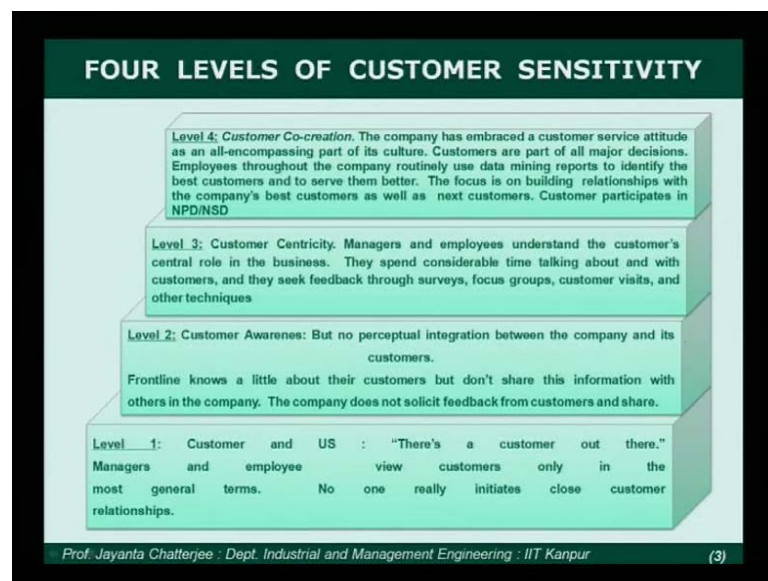


This chart kind of presents to you a sort of maturity model and it is in the form of stepped pyramid, because not everybody who is at the level 1 can actually migrate to the level 4. But it is not too narrow to demonstrate that disclaim, this enhancement of your customer sensitivity is not rocket science; it can be achieved through mindful execution. So, in the level 1 which is the level where most companies are particularly in India where our service orientation, our customer satisfaction orientation, needs a lot of improvement.

Because, we are still kind of in many companies focused on this assent them type of mentality, that there are customers out there, our job is to somehow convince them to buy our products and that is it. So, customers are important for our revenue increase, but what we in most companies often fail to investigate in depth and act upon it that, what we mean to the customer in the long term. So, the level 2 is a company which has awareness about the company about the customers, the front line employees the sales

people, your distributer sales people, your service people, your service agents. They know about what the customers are saying about your product, about its functioning, about they have a much better knowledge.

But, that knowledge does not get shared across the various parts of the company, so the company does not actively solicit feedback, does not create that conversation with the customer nor does it actually does much with the feedback that they receive from their front line. So, what we say that there is no perceptual integration between the company and its customers.

And today if you are at level 1 or level 2 most probably you will fail, even if you come up with a brilliant product you cannot achieve leadership, the leadership must start. So, it is you have to cannot spend the time to go through level one and level two feeding that, someday we will arrive at level 3.

Today right when you hit the market you have to be running at this level, that customers managers employees are all on the same page, employees and managers spend considerable time talking about the customer centricity. And not only talking, the actively seek feedback through surveys focus groups, customer visits and other techniques. But the distinction between level 3 and level 4 is in action, is an implementation that means, not only collect feedback, not only get inputs, but act upon it action.

This action orientation where you can co-opt the customer, this customer co-option is a very important concept, increasingly being developed by the service dominant logic community, as opposed to goods logic dominant community of marketing. In fact, you can find a lot of material on the web site of SD logic dot com, you can see a lot of research that are happening in different types of markets, particularly in service market with respect to customer co-option, customer or co-creation.

So, here actually the customer embraces the company embraces, the customer centricity in its culture, customers are often made part of the managerial decisions, they become your active guides and advisers. And the focus is on building relationship not only with the best customers, but also with the next customers. The peripheral customers that we talked about in the last session, the could be customers as well as today's customers and

actively solicit customer participation in new product development, new service development and so on.

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Another way of looking at it instead of going into all those diagrams and steps and pyramids, is so simply answer the W and H questions, the why, what, when, how questions to develop your CRM system. So, before or even if you acquire hardware, software and talk about these things, understand that the purpose of the feedback that you are trying to get. The conversation that you want to have the customers must lead to solutions that save time that save direct and indirect costs, so if you know that it is difficult for your customers to come to your premises, because the transport system in the city.

So, create some shuttle buses running from a convenient point to your store, particularly if you are a big store create opportunities for better parking facility, even this simple things can generate a lot of satisfaction, can become building blocks up that relationship. If you actually, there are stores today in India who were in the unorganized sector, the kind of local grocery stores, they have practice certain kind of relationship, because they knew the kind of monthly purchase that you would need.

And they have now taken steps for what some of them in competition with organized sector, in competition with the mall, the hypermarkets and so on; supermarkets organized, supermarkets coming up they have become responsive. They have become

proactive in contacting, the customer that should we send such and such items that you procured last month or you buy regularly, we can package it and send it to you, this kind of proactively can be quiet appreciated not by all, but by some customers, but by many customers.

Some people may not like that kind of intrusion, but you can always manage it that it is not intrusive, but rather facilitating type of approach. So, saving time, saving direct and indirect costs making customers life easier, you know taking that step forward that before the customer meets to step towards you, making buying more convenient that you take orders on the telephone and deliver. Or take orders to the web and deliver, blend your offline and online marketing strategies and so on, and so forth.

If you are coming up with the new product, if you are actually an entrepreneur growing your market share, remember that every new purchase creates a kind of risk perception in the customers mind that will this work, can I rely on this side new supplier and so on. So, do everything to reduce that risk perception, be there when the customer faces any difficulty with that usage of the new product.

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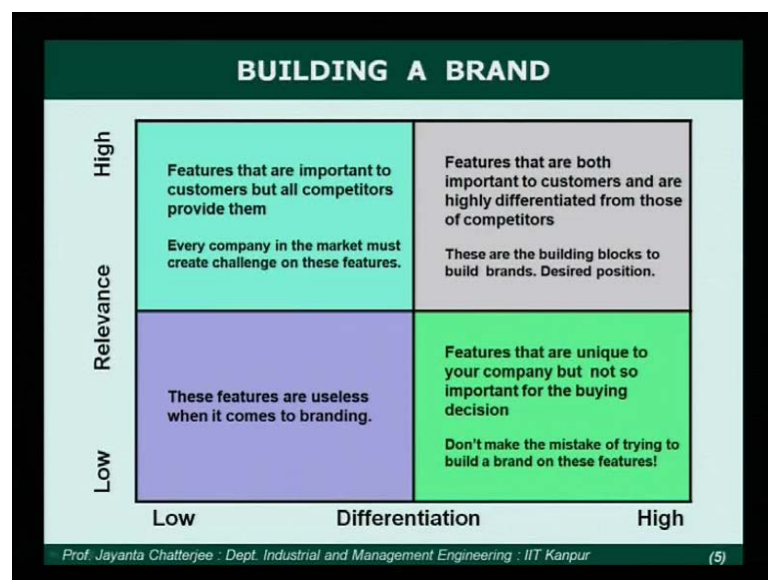


So, this customer makes them feel better, make their life easier these are important components a building a brand, as a market leader in the growth market that we were discussing in the last session. That to retain long term relationship, to create a long term
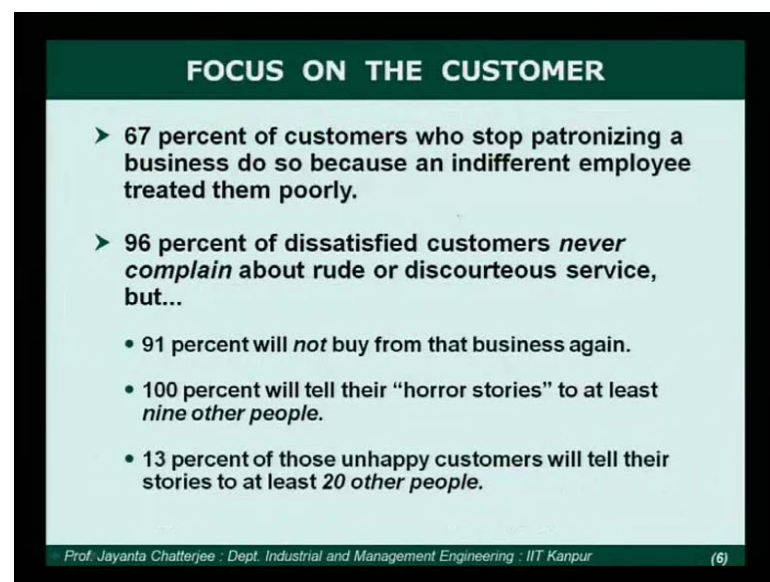
brand based on relationship, we can look at as this 2 by 2 matrix where we have differentiation on the x axis, low differentiation versus high differentiation.

We know that new or growing products, product markets a focused on differentiation and to go from this position to this position; that means, you become highly relevant with high differentiation. You have to create features that are both important to customers and highly differentiated from competitors and as we have been discussing that these features need not necessarily be only product features or functional features or function attributes. These can be created by building layers on your core product through service, through different types of satisfaction levels.

So, that is the key point here that companies in the growth market to build a long-term brand equity based on relationship would like to be here, were their remain highly relevant and with high differentiation. But that differentiation need not be only in terms of the core product features, a lot of important differentiation can be built through service, and through factors that delight the customer.
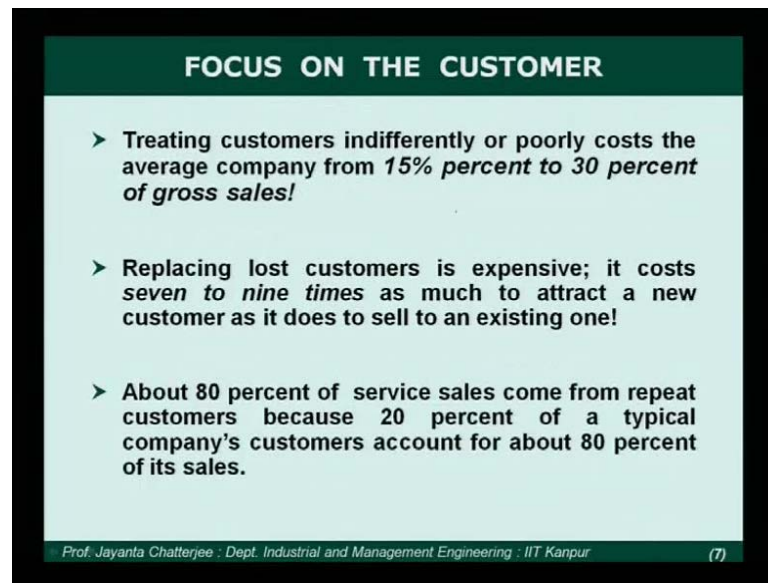
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These are some interesting statistics shared in the book that I have written with professor Lovelock, and professor (( )), on services marketing collected from many other research work in the western world. We are doing such studies in the Indian context, I believe that these percentages of dissatisfied customers may be hired in Indian businesses; at least some of our preliminary studies indicate that, in the organized sector.

And the dissatisfied customers are very damaging, just that satisfied customers can become extremely important asset, because treating customers indifferently when they look away from you, can actually make a huge impact on your revenue, on your bottom line. Because replacing a lost customer is very expensive today the biggest component of your marketing expense or when you calculated return on your marketing investment, you will find that the most expensive proposition today is to get that new customer, customer acquisition cost.

On the other hand, your investment in detention, your investment in building a relation is a fraction of that cost, so obviously, that is a very good investment. This relationship based marketing everything that you can do to claim that pyramid that we discuss just now is very good investment. Because it costs about nine times as much to attract a new customer as it does to sell to an existing one, in fact the customer acquisition cost has become so high in highly competitive industries, like say mobile telephone service and so on.

That you need to retain that customer for at least two years to get any return from that customer, so if you today's cell a prepaid connection to a customer, if you are not able to retain that customer through superior service, for at least two years if you really cannot make money.

And if you look at the dynamics the financial returns of many of the mobile service providers, in today's market here, you will realize this relationship, you will realize that many of these companies are bleeding, because of this nine times factor. Because they are not able to retain, a good way to judge it may be look to look at the ratio of their post-paid to prepaid customer base.

And link that ratio to the profitability of that particular company, in any quarter which you are looking at or any financially year you are looking at. So, 80 percent of profitable sales today come from customers, who are repeat buyers and who help through their advocacy, to inspire others to buy your products or services.

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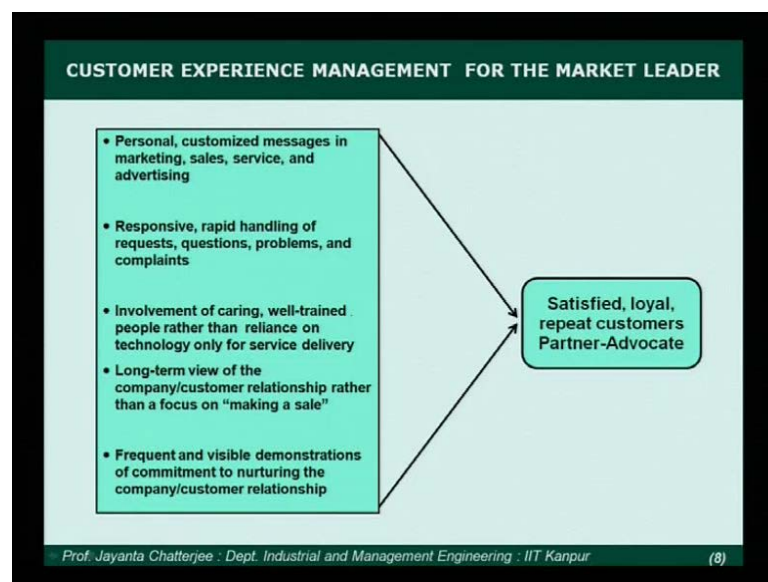


So, fundamentally therefore, our aim for market leadership, can only be realized through an increasing number of satisfied, loyal, repeat customers, who are happy to be your marketing partner, your advocate; these are some simple steps, action steps to achieve. We will discussed a little bit more academic or more abstract concepts, but here this is very easy to understand, it is a managerial action level, to create personal, customized messages many companies are doing it, they send cards, on your birthday or on your anniversary.

But, this is just at the first level; this is the good, but not good enough unless you have responsive rapid handling of requests questions, problem solving, and addressing complaints. And of course, back possibility can only be achieved by continuous

employee development, so there are people who say employees first, because if you have satisfied capable x, but employees then most likely will have satisfied customers, if your other systems and other strategies are in place.

But, you can have all strategies you can have all intense, but if you do not have capable people who are customer centric, who love serving customers, then all those strategies, all those systems, all those software will not work. So, the focus therefore, will not only be on making a sale, but on this long-term view which can come true frequent and visible demonstration of commitment.

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Now, how do we achieve that, it is by closing the gap between pre-purchase, pre-purchase expectation when the customer approaches you, the customer has certain expectation with from your product, your service, from your total approach to relationship. And then there is a post purchase perception, it is this we have discussed this point before, so that is pre-purchase expectation versus your post purchase perception, expectation verses perception, it is this gap. The gap between expectations, so if you are post purchase perception exceeds the initial expectation then the customer is satisfied, if that that differences higher then the customer may be delighted.

And that is good research that has been done in different ways that these gap between expectation and perception, we can measure by these five criteria namely tangibles that relate to the equipment, the facilities, the people, that the customer interfaces with

reliability, responsiveness, assurance, and empathy, what is responsiveness, what is reliability, what is empathy simple to understand. If you read reliability is doing what to say you will do responsiveness is the promptness, is the speed, the effectiveness, the efficiency in helping the customer.

Empathy is the way you do it the soft issues delivered by your frontline, delivered by your back office, delivered by your call centre, and above all the customers belief that you will solve the problem when called upon. So, gap analysis and closing the gap based on these five factors, which we often actually say it is a tear with a double R is that, the core of building long-term relationship. Another way of closing gaps, seeking feedbacks and acting up on them to delight the customers, advances simple questions with respect to convenience.

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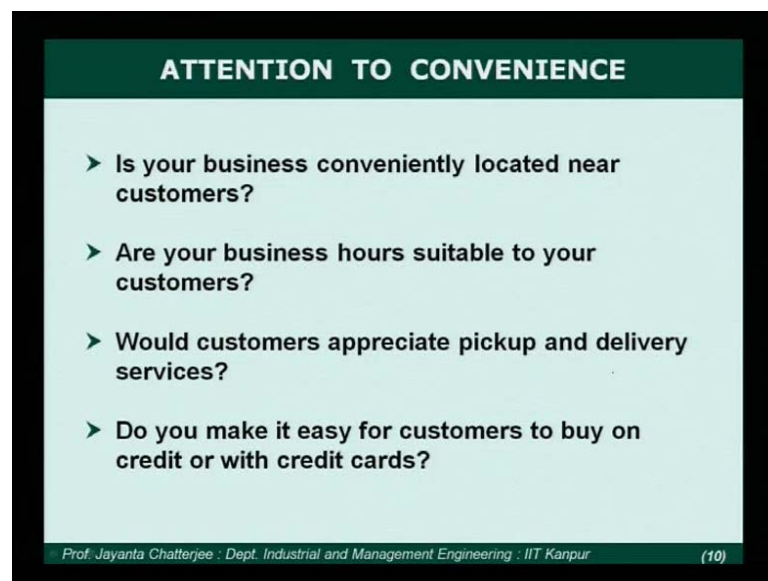


This is particularly true for retail-marketing, because as somebody said that the core strategy to succeed in the retail market must be based on three issues, and those three issues are convenience, convenience and convenience. So, that is mean that means, that single focus, all types of convenience can be a powerful tool for retail-marketing success. And it is in many ways a success mantra for most businesses not only retail today, is to answer questions like is your business conveniently located, are your business ours convenient, do you make it easy for customers to place order to delivered the goods and so on.

Do you make it easy for the customers to buy on credit or using credit card and so on, or other instruments? So, today it is not only E-businesses which are open 24 by 7, there are many physical stores which are open 24 7, there are banks who provide you the touch point, the service through physical locations, through ATM's, through telephone banking, through internet banking, anytime, anywhere service.

There are retailers who are now open 7 days, almost all days may be excluding 1 or 2 top holidays, there are retailer who can actually cater to customer segments and like call centre employees, and they had the busiest time late-night, early-morning, customer your.