

Building Customer Relationships

Ade Brownlow

Caveat

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- ...but today I am speaking as an individual
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Two sessions

- **Session 1: Customer Relationships**
 - Drivers: Long term value creation for institution and customer
 - Strategic approaches
- **Session 2: Sales & Marketing**
 - Delivers: Revenue for institution and timely solution for customer
 - Tactical approaches

Session 1: Customer Relationships

Creation of mutual value over time

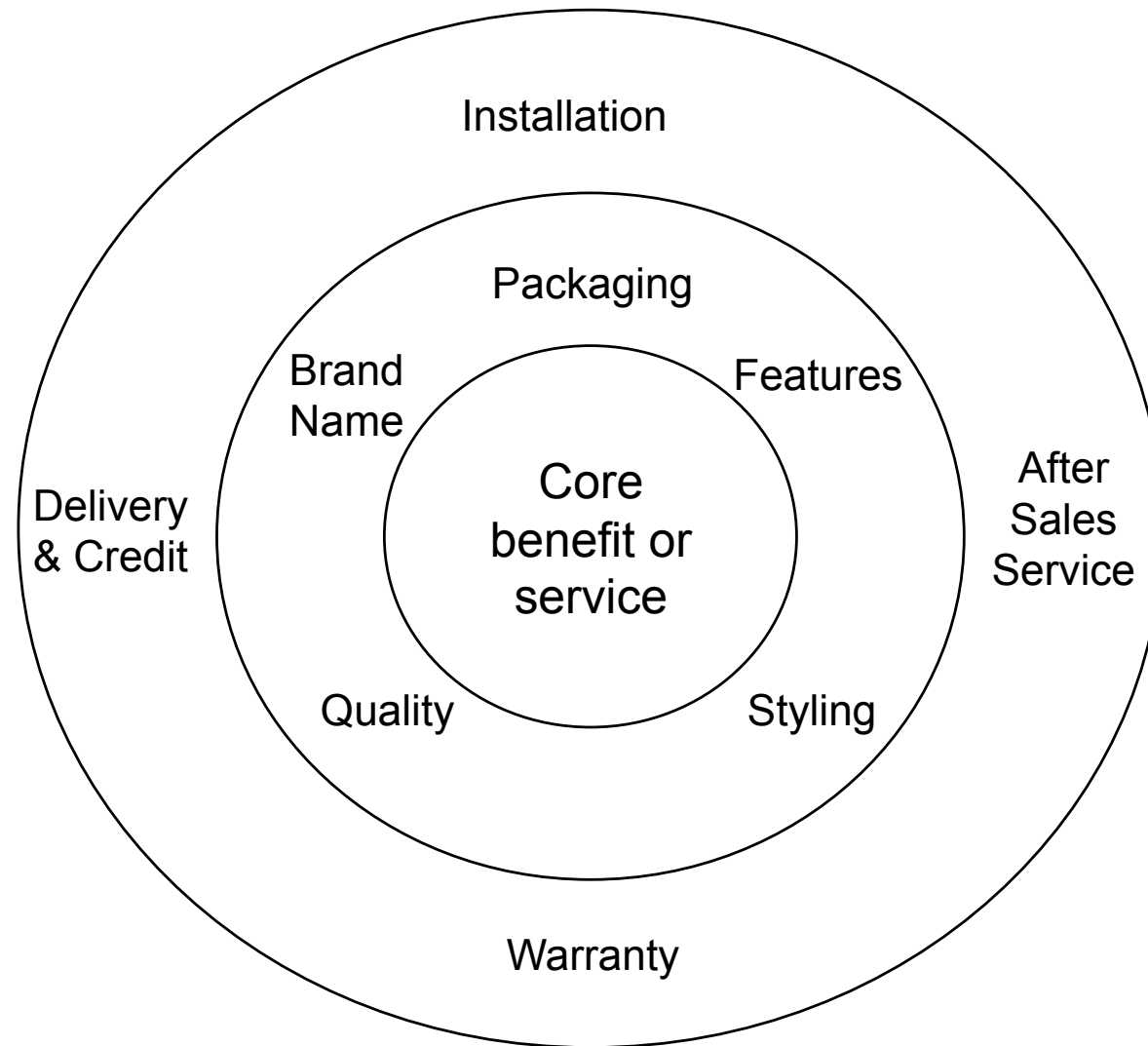
Principal Questions

- What are we selling?
 - What's the product?
- Who are we selling it to?
 - Who buys the product? Who is the customer?
- Why do they want it?
 - What need does the product fulfil for the customer?
- Do we want a relationship with the customer?
 - Why?
 - What sort of relationship do we want?
 - How are we going to build it?

What's the product?

Is it what the customer wants or
what we want to sell them?

Levels of Product – What is the HE product?



A question of value creation?

How does HE provision fit?

Infrastructure
used by
customer to
obtain value

Value Pools

Customer leases use of infrastructure from firm (e.g. airlines, car leasing company)

Value Networks

Customer subscribes to firm for right to use an infrastructure (e.g. utilities, banking)

Infrastructure
used by **firm**
to create value
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customer

Value Chains

Firm sells product to customer (e.g. car manufacturers, retailers)

Value Shops

Firm solves a specific problem for the customer (e.g. consultancies, insurance brokers)

Customer obtains value
from **product** (*i.e.*
renting or buying)

Customer obtains value
from **outcome** (*i.e.*
connection is successful
or problem is solved)

Who is the customer?

Is it the buyer or the consumer of
HE?

What does the customer need? What does the customer value?

Do they love what they buy or accept what they get?

Do we meet their need?

Does the customer get what we think we sell them?

The Customer Perspective

Our view 7Ps	Their view 7Cs
Product Plan product / service mix	Choice Consider how customers make choices: differentiate and inform to support the purchase decision
Price Consider all elements of the price mix	Cost Consider how customers perceive value for money
Place Manage distribution channels	Convenience Consider what customers find convenient - May not like the channels that are most efficient.
Promotion Persuade customers that the product meets their needs	Communication Enter into a dialogue with customers; inform and support their decision-making: they are increasingly aware that promotion is being used to persuade or manipulate
People Select, train and manage staff in service delivery	Care Communicate and implement customer care values
Processes Organise, plan and control systems and operations	Corporate competence Understand customer expectations and convey commitment to deliver: customers don't need to know how things are done (much less how difficult they are to do...)
Physical Evidence Manage all physical factors (premises, logos etc)	Consistency Ensure that customer contacts and experiences are alike, to establish recognition and positive associations.

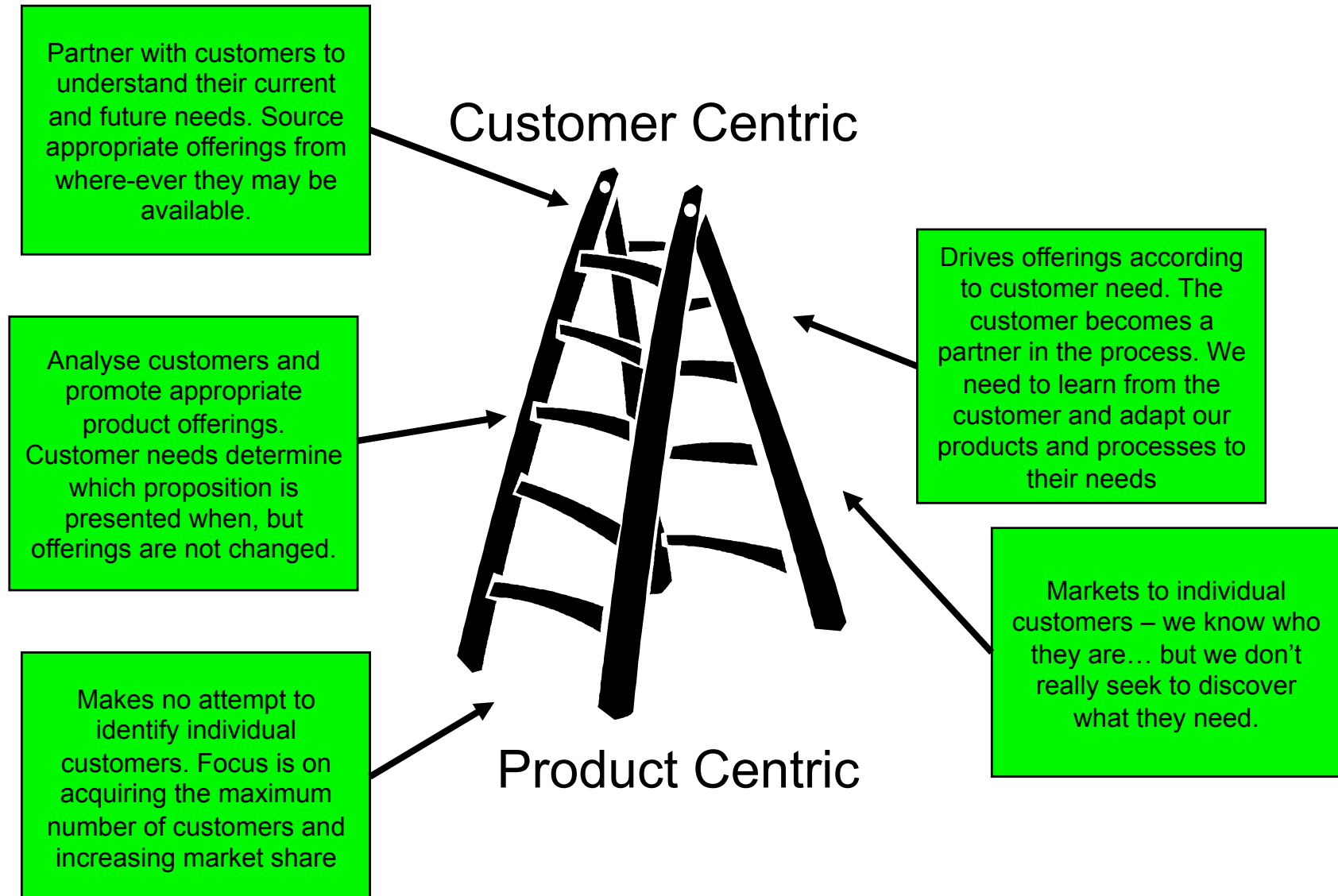
The point...

So just how customer focused are we?

Levels of customer interaction

Basic	The organisation sells the product/service without initiating any further contact with the customer.
Reactive	The customer is invited to contact the organisation if there are any problems with the product/service.
Accountable	The organisation follows up the sale, asking the customer if there have been any problems, and inviting feedback for future product/service improvements
Proactive	The organisation contacts the customer on a regular basis for a range of purposes (cross/up sell, incentives, updates, loyalty schemes etc)
Partnership	Organisation and customer exchange information and work together to effect customer savings and added value. (Usually 'Key-accounts')

Customer-Centric



The Marketing Concept

Concept	Focus	Means	Aims
Marketing concept	Customer needs and wants; long term customer relationships	Integrated marketing activities	Profitability through customer satisfaction
Selling concept	Existing products made by the firm; creating sales transactions	Energetic selling and promoting	Profitability through sales volume
Production concept	Assumed customer demand for product availability and affordability	Improving production and distribution efficiency.	Profitability through efficiency
Product concept	Assumed customer demand for product quality, performance & features	Continuous product improvements	Profitability through product quality

Building customer relationships

Or what constitutes an integrated approach?

Where can we achieve customer intimacy?

How can we plan to develop customer intimacy?

Which of these are indicators of an integrated approach to customer focus?

- A loyalty programme
- A user group
- Having a strong brand
- The principal / CEO visiting existing customers / students
- The marketing director buying her own companies products regularly
- Measuring retention
- Asking customers what they think about our products
- Dealing with customer complaints
- Having a helpline
- Measuring achievement
- Doing customer / student satisfaction surveys
- Sharing our plans and ambitions with our customers / students
- Understanding and enhancing customer lifetime value

Quantitative (traditional) approaches: Customer Lifetime Value

- The value of a customer over their lifetime...can be calculated taking into account:
 - Churn Rate
 - Retention Rate
 - Retention Cost
 - Period
 - Profit Margin
 - Etc.

Engagement as a characterisation of consumer behaviour

- **Satisfaction:** Satisfaction is simply the foundation, and the minimum requirement, for a continuing relationship with customers.
- **Loyalty - Retention:** Highly engaged consumers are more loyal. Increasing the engagement of target customers increases the rate of customer retention.
- **Word of Mouth advertising - advocacy:** Highly engaged customers are more likely to engage in free (for the company), credible (for their audience) Word of Mouth advertising. This can drive new customer acquisition and can have viral effects.
- **Awareness - Effectiveness of communications:** When customers are exposed to communication from a company that they are highly engaged with, they tend to actively elaborate on its central idea.
- **Filtering:** Consumers filter, categorise and rate the market
- **Complaint-behaviour:** Highly engaged customers are less likely to complain to other current or potential customers, but will address the company directly instead.
- **Marketing intelligence:** Highly engaged customers can give valuable recommendations for improving quality of offering.

Value disciplines & value configurations

	Operational Excellence	Product Leadership	Customer Intimacy	Examples of customer intimacy
Chains	Customers often not identified uniquely; little attempt to cross-sell; price and accessibility focused	Customer product feedback loop. Emphasis on effective product support.	Product often customised to customer needs; customers uniquely identified; probably attempts to cross sell to existing customers	Manufacture allows customer to configure products and builds to order
Shops	Intimacy sacrificed to imposition of standard methods and solutions to deliver cheapest and most accessible solution	Customer's solution is constrained by 'best practice' in the service specialisation	Customer needs dictate firm's solution and approach.	Consultancy works collaboratively to the customers agenda without dictating approach or solution.
Network	Standard service imposed on customer – quality and relevance of experience compromised to low price	Customer feedback used to enhance scope of network's service.	Customisation of service and experience; marked differentiation in service treatment of different customers	Bank allows customisation of account options and delivers relevant differentiated experience
Pools	One size fits all and no frills service – customers rent resource on price and availability.	Customer feedback used to expand breadth and quality of available resources	High value customers differentiated and rewarded; high level of resource customisation possible.	Hotel records valued customers' preferences and uses these to differentiate service across all hotels

Value Disciplines

- Operation excellence – The manufacturing orientation
 - Focus: Market Share through low price
 - Cost minimisation, Efficiency, Timeliness, Quality of service
 - Eg: Kwik-Fit, Freeserve, EasyJet
- Product leadership – The product orientation
 - Focus: Market Share through product superiority – seek to make competitors products redundant
 - Offering the best product / service through continuous innovation
 - E.g. BMW
- Customer intimacy – The marketing orientation
 - Focus: maximise the customers spend with us (wallet share)
 - Match customer needs as closely as possible
 - E.g. Dell, Hotel Chains etc
- Sales orientation can impact on each approach

Purpose of Customer Relationship Management

- Value Chains
 - Focus on product
 - CRM is about customisation of the product
 - Cross-sell works well
- Value Shops
 - CRM is about managing knowledge of the customer
- Value Network
 - CRM is about ensuring the customer gets incremental value the more the network is used
 - Managing behaviour within the network to maximise customer value
- Value Pool
 - Yield management focus
 - CRM to fill unused capacity
 - Marketing is about optimising resource usage

End of part one.

Any questions?

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Session 2: Sales & Marketing Tactics

Delivery of solutions and
revenues.

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Recap

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Reminder: Value disciplines & value configurations

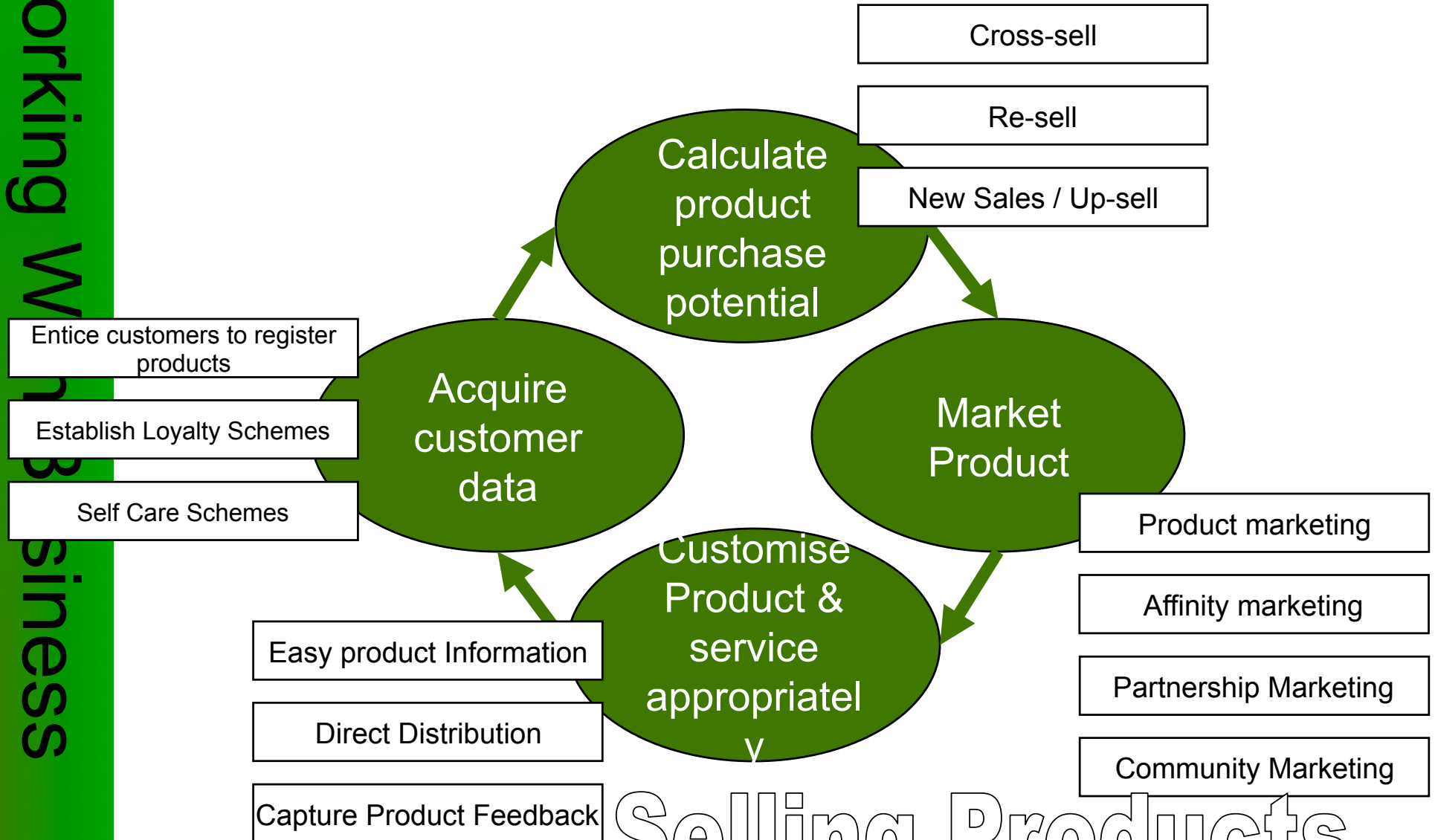
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Tactical approaches

How do we turn relationships into cash?

Turning customer relationships into cash : Value Chains

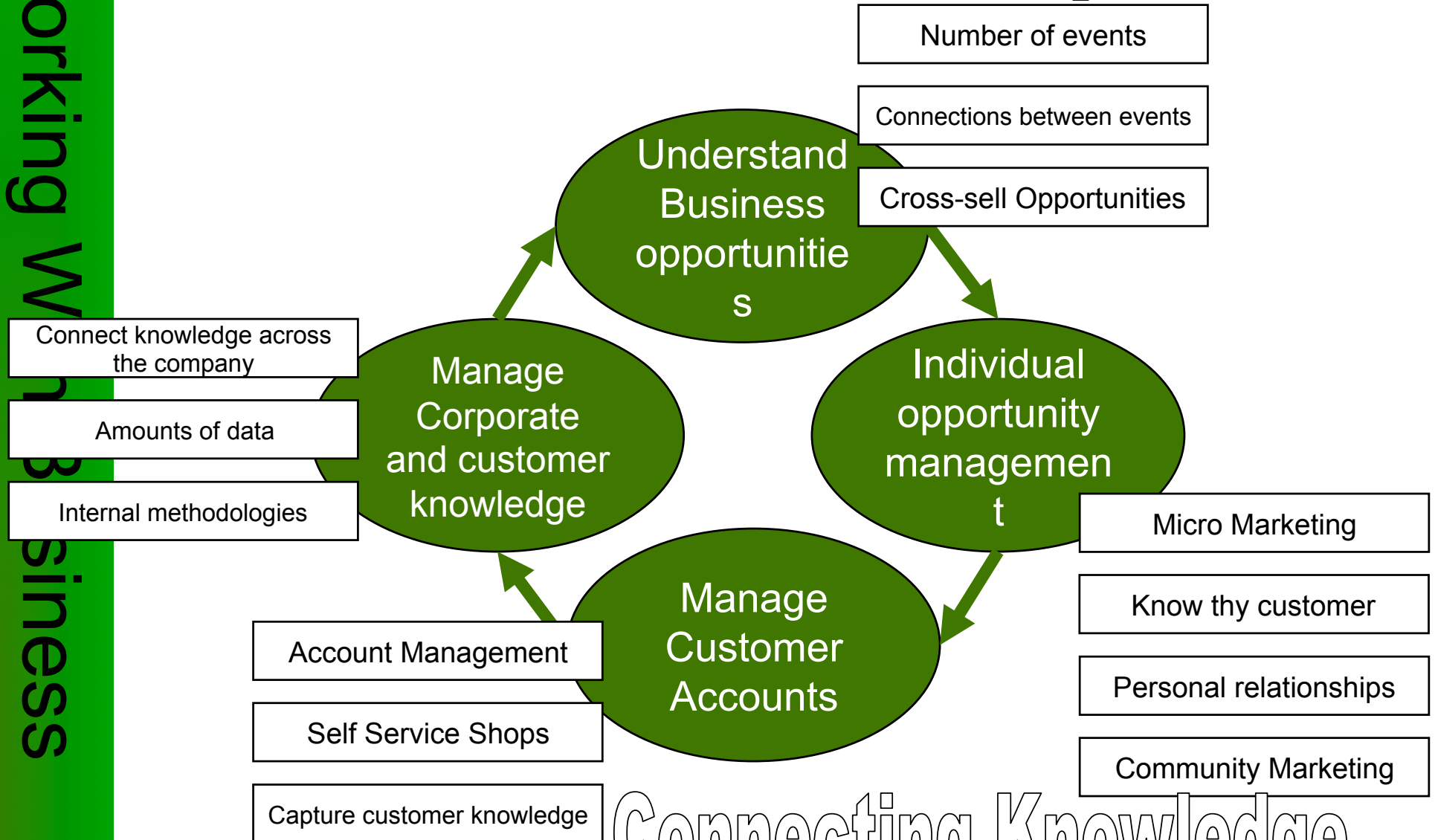
Working with business



Selling Products

Turning customer relationships into cash : Value Shops

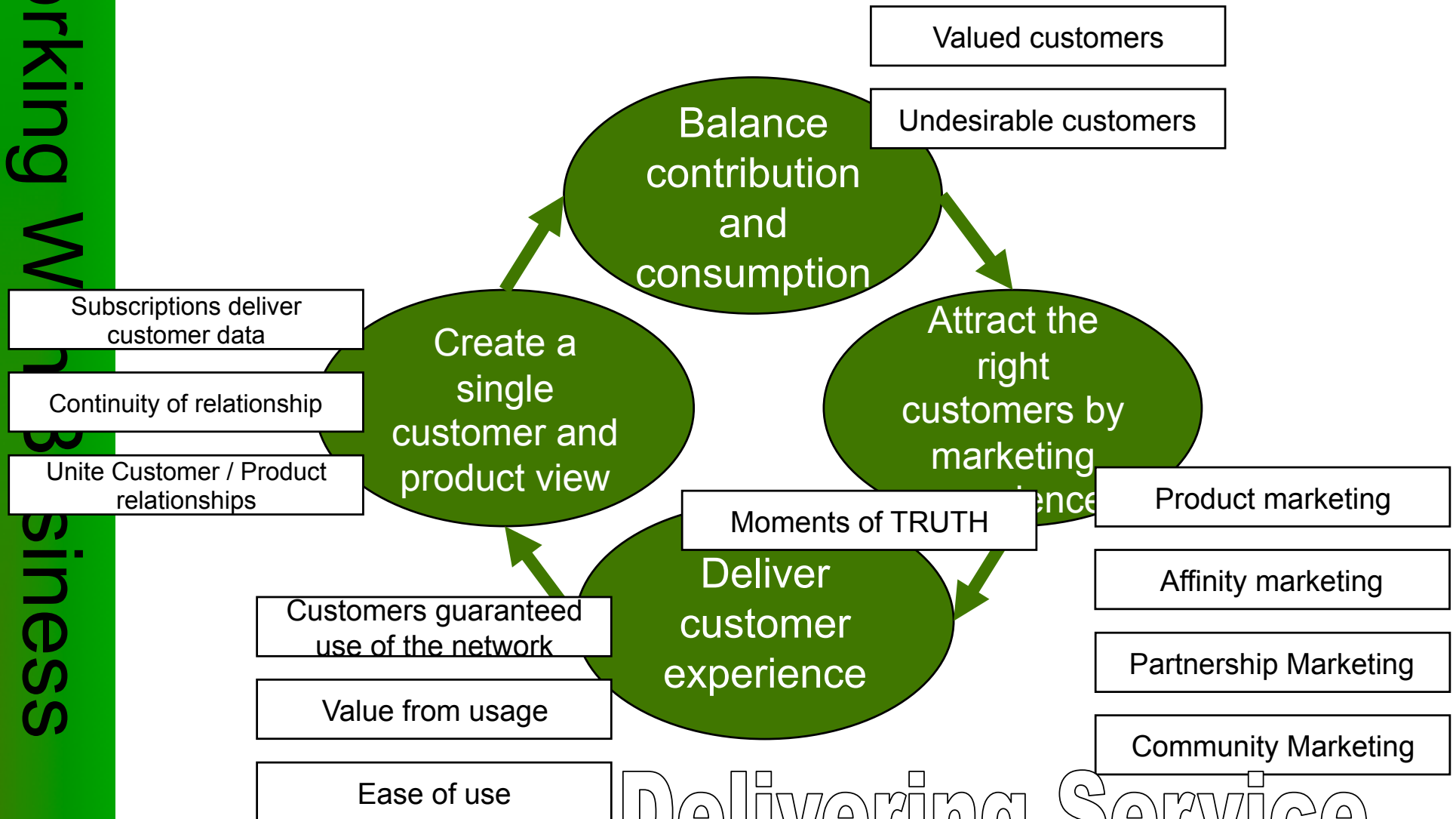
Working with business



Connecting Knowledge

Turning customer relationships into cash : Value Networks

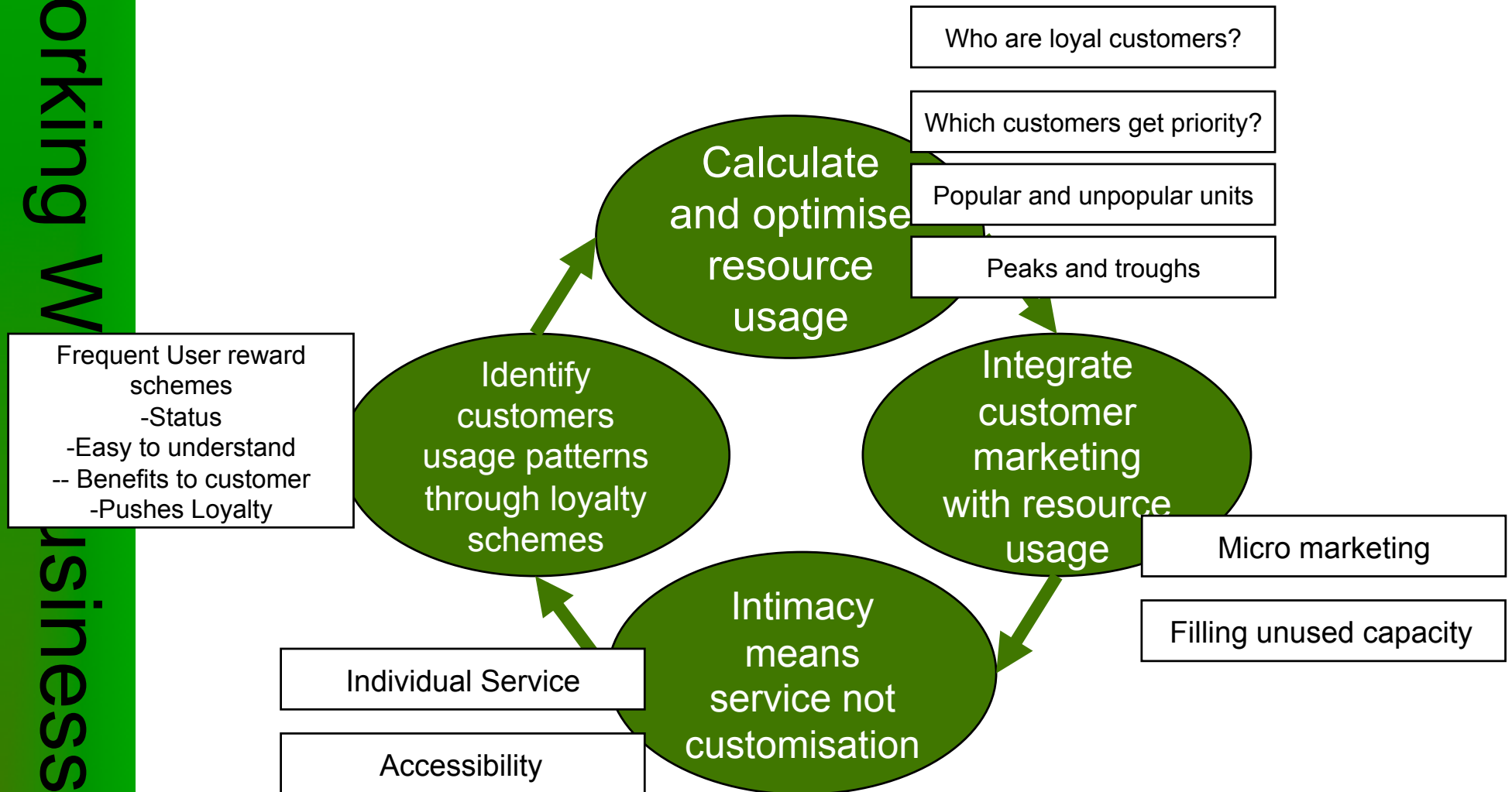
Working with business



Delivering Service

Turning customer relationships into cash : Value Pools

Working W
business



Managing Capacity

Buyer Behaviour

How do people buy?

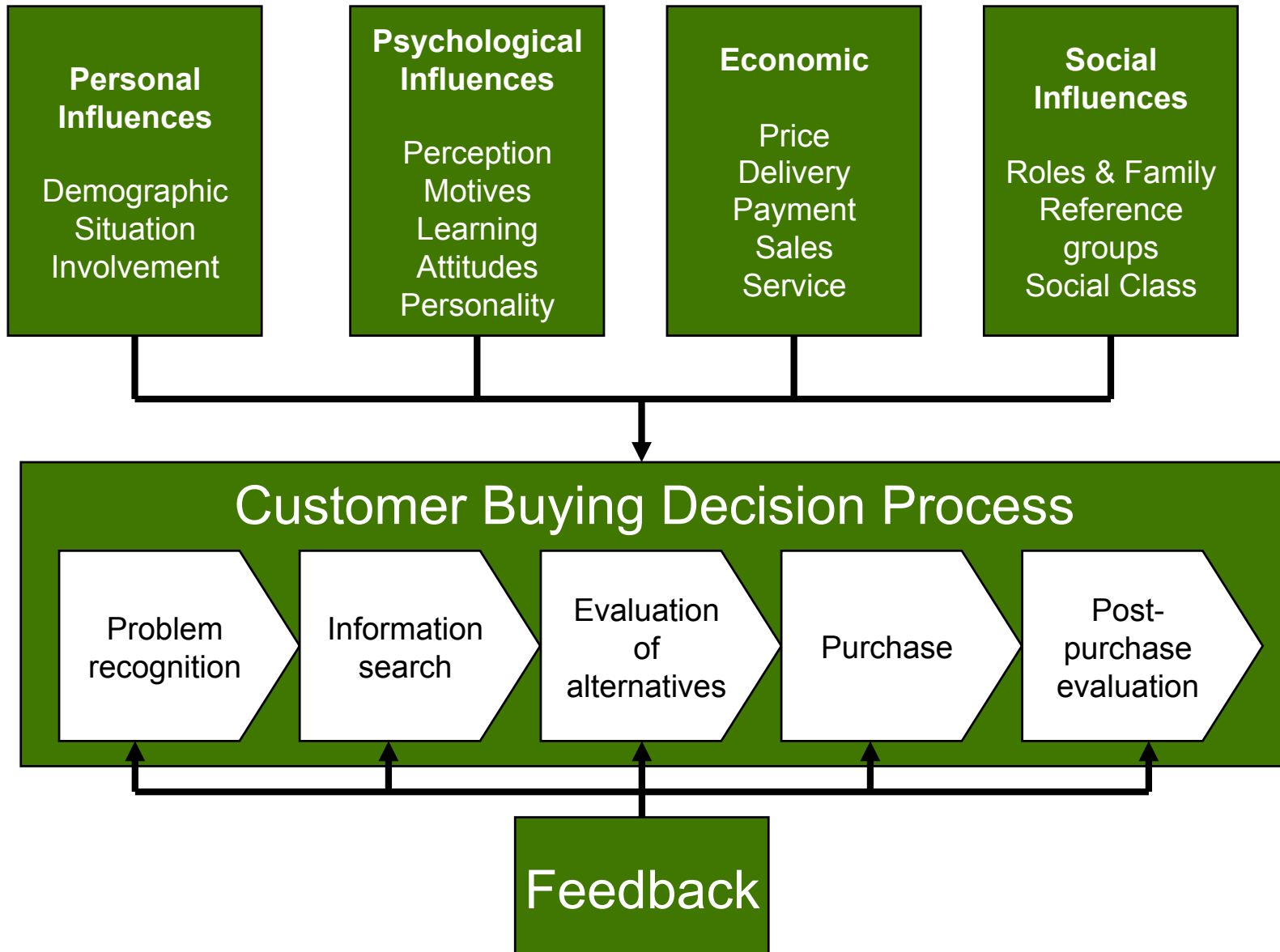
Key Ideas

- Influence of the DMP
 - Decision making process
- Means communicating with the DMU
 - Decision making unit
- Telling them about our USP
 - Unique Selling Point
- How is this communicated
 - What is the most effective message?
 - Which medium can best transmit that message?
 - How do we buyers process that message?

Buying Process Model

What are the stages of purchase?

The Purchase Decision Making Process



Information processing approach

Buying is influenced by information. How do potential buyers use that information?

Caution: Rationality is more common in organisational purchasing!

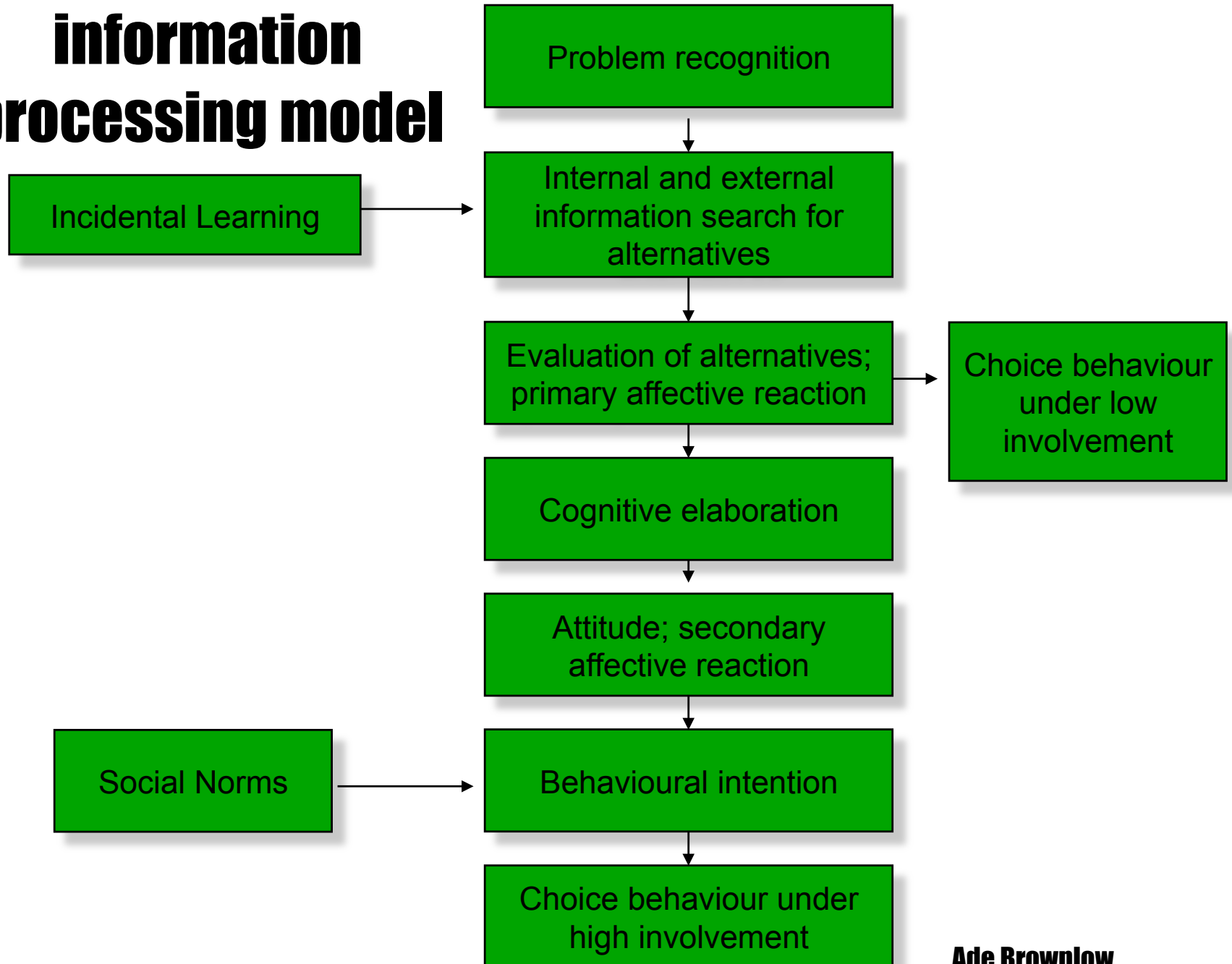
Types of decision

- Generic Choice
 - Time, budgets general benefits of choice
 - Abstract or experiential level
- Modal Choice
- Specific choice
- Internal v external information choices

Functions of information

- A better decision outcome
- Reduction of perceived risk
- Confidence
- Cost / benefit of information processing
- Desirable and undesirable alternatives
- Justification

An (individuals) information processing model



Cognitive elaboration

- ... an argumentation process
 - Support argumentation
 - Information from one source is supported by other sources – e.g.: own experience
 - Counter argumentation
 - Information from one source is not supported by information from other sources.
 - Source derogation
 - A means of solving inconsistency by attacking the credibility of one or other source.
 - Medium
 - How is the information presented. Editorial v Advert?

Information Processing

- Levels

Shallow Level	Deep Level
Physical, sensory coding	Semantic / symbolic coding
Emphasis on form and layout	Emphasis on content and meaning
Little or no elaboration	Much elaboration
Low involvement	High involvement
Episodic, isolated storage of information	Integrated storage of information
Low level of generation of cognitive responses	High level of generation of cognitive responses

- Internal representation
 - Combing of attributes etc
- Categorisation

Decision rules

- What are they?
 - Limitations in our ability and willingness to process information
 - Decision rules specify the default processes we undertake.
- How are they used?
 - Generally under constraints of time and pressure decision rules will be used.
 - In a rational decision they are less likely

Types of decision rule # 1

- Affect referral rule
 - No attributes are examined
 - A simple affective reaction is used to make decision
- Linear-compensatory rule
 - Alternatives described as having many attributes
 - Weighting of attributes
 - Weighted attributes added in a linear fashion
 - Compensatory as 'poor' attributes may be compensated by 'strong' ones

Types of decision rule # 2

- Conjunctive rule
 - Attributes assigned max and min cut offs
 - Alternatives thus categorised as acceptable or unacceptable
 - If two or more remain – another rule is used.
- Disjunctive rule
 - Based on positive values on one attribute.
 - Think 'Top Trumps'

Types of decision rule # 3

- Lexicographic rule
 - Ordering attributes in terms of importance
 - Compared on the first attribute. If one alternative is better than others then chosen. If not compare on the second attribute. (e.g. You want a car under £15k, It needs to have 4 doors etc)
- Sequential elimination rule
 - Minimum cut offs for each attribute
 - Alternatives eliminated considering one attribute at a time.
 - No rule for the order

Limits to information search and processing

- Humans have limited capacities and not always motivated to maximise utility
- Rationality has cost – information acquisition, cognitive processing etc
- Habitual decision making (e.g. brand loyalty) has almost no decision cost.
- Thus for individuals: Rationality is the exception rather than the rule?

Communicating Information

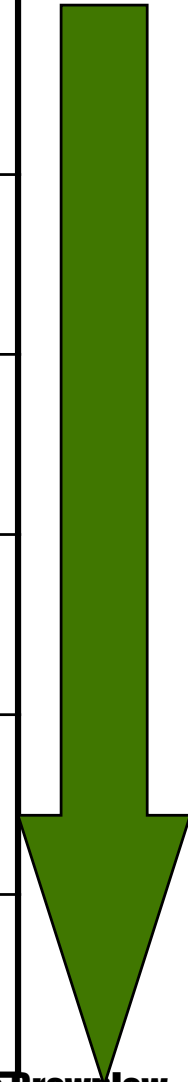
... hopefully in the right way...
...and at the right time...

Information environment

- Structure
 - Alternatives
 - Comparative
 - Sequential
- Format
 - Ratio-scale (e.g. weight, price)
 - Ordinal numbers (E.g. 4* rating)
 - Binary (present or absence of attribute)
- Framing
 - Positive or negative stresses
- Amount of information
- Integration of information

Mapping Communication Objectives to the Buying Process

AIDA — A response hierarchy model of communication	The stages of the buying process
Gain A ttention	Need recognition / problem solving
Stimulate I nterest	Information Search
Create D esire	Evaluation of Alternatives
Generate A ction	Purchase decision
Create S atisfaction	Post Purchase Stage



Individual Differences

- Particular decision rules known by the individual
- Processing abilities, for example: cognitive skills, intelligence, or speed of processing
- Level of involvement: high involvement may see more complex decision rules
- Perceptions of degree of difficulty and the potential of various decision rules leading to good choices
- Amount and organisation of product-related information in memory. Some people have more retrieval problems.
- Degree to which various methods are used for implementing choice . E.g. recall v recognition.

Modifications for B2B

Communication Summary

	B2C	B2B
Message Reception	Informal	Formal
Number of decision-makers	Single or Few	Many
Balance of promotional mix	Advertising and sales promotions dominate	Personal Selling dominates
Specificity and integration	Broad use of promotional mix with move towards integrated mixes	Specific use of below-the-line tools but with a high level of integration
Message content	Greater use of emotions and imagery	Greater use of rational, logic and information based messages.
Length of decision time	Normally short.	Longer and more involved
Negative communications	Limited to the people close to the purchaser /user.	Potentially, an array of people in the organisation and beyond.
Target marketing and research	Greater use of sophisticated targeting and communication approaches	Limited but increasing use of targeting and segmentation approaches.
Budget allocation	Majority of budget allocated to brand management	Majority of budget allocated to sales management
Evaluation and measurement	Great variety of techniques and approaches used	Limited number of techniques and approaches.

The Decision Making Unit

- Members of the DMU
 - The Purchaser
 - The Initiator
 - The User
 - The influencer
 - The decision-maker
 - The gatekeeper

Habits of organisational buyers

- Types of organisational buyer
 - Loyal Buyers
 - Opportunistic Buyers
 - Best Deal Buyers
 - Creative Buyers
 - Advertising Buyers
 - Chisellers Buyers
 - Nuts and Bolts buyers

Buying as an organisational task

- Type of organisational purchase
 - Straight re-buy
 - Modified re-buy
 - New Task

Buying Process modifications

- Stages of organisational buying decision making process
 - Anticipation or recognition of needs
 - Determination of product/service required
 - Specification of characteristics / quality
 - Search for potential suppliers
 - Analysis of proposals
 - Evaluation of proposals / supplier selection
 - Negotiation of contract or routine order
 - Performance feedback / evaluation

End of part two.

Any questions?