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Customer relationship management and applications of it in hotel business
Müşteri ilişkileri yönetimi ve otellerdeki uygulamaları

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CHAPTER 1

INTRODUCTION

"If your business has an organization chart, make a new box at the very top and label it "customers." This will communicate to everyone who the real boss in your business is."

Leboeuf, 1989, P. 168

Before the industrialization period, small-size business enterprises used to establish good relations with their customers because the numbers of customers have been fairly fewer than today. On the contrary, in the industrialization period, scale of enterprises and the number of their customers increased radically. Since the numbers of customers have been abundant, producers have had the bargaining power. For this reason, needs of customers have not been at the center of the production process and relations between customers and firms have not been strong enough. This phenomenon has lead firms to loose control over their customers. But suddenly something has changed this trend. That was computer technology. Computer technology has brought information age. Naturally firms, who were seeking ways to differentiate themselves from competitors, immediately have adapted themselves to that revaluation. They have invested huge amount of money in information technologies. As anticipated technology

has brought the re-humanization and allowed companies to regenerate the relations which were formerly lost. As a result of this revaluation, relations between firms and their customers have birth from their ashes and a new notion has been created. That is Customer Relationship Management (CRM). In this process, customer-driven marketing lies at the very base of CRM. In other words, marketplace power has shifted to the customer or end-user again. There are lots of reasons for that but the most important reason is that many industries today are marketing nothing more than commodities. What will make the difference in the long run is the care for customers. For this reason CRM will seem to play very important role in marketing.

Today CRM is not just a new philosophy, which is implemented optionally that adds some competitive advantage to companies. It is a must for companies anymore, who wants to survive in future because CRM is a system that enables firms to understand their customers. Since customers are a sort of mirror for the companies, CRM is a good candidate to be a doctor for an organization to diagnose any diseases to cure it as soon as possible. Moreover, CRM philosophy defines what to be for which customers because trying to be all things to all customers is not valid anymore. It is more rational to provide right products or services to right people at right place and right time.

In this study, at first CRM will be defined than the data management will be examined, which is the corner stone of CRM and the retention and loyalty will be touched more deeply. Next, the implementation of CRM and applications of it in different sectors will be discussed. Finally application of CRM in hotel business will be discussed under the conclusion of the field study.

CHAPTER 2

KNOWLEDGE OF CUSTOMERS

Traditional customers were abundant and they used to buy what they were offered. They used not to complaint and they were generally unaware of other alternatives in terms of different prices and qualities. Furthermore several influencers like location were formerly the most important factors that used to influence traditional customers' buying decisions. Hence, enterprises that were closer to consumers have had more chance to do business with them.

Recently most of these customs and even the definition of "customers" have been changed. Generally it is used to call buyers as customers as Griffin (1995) states in his book. It might be true formerly but after industrialization period like many things the definition of "customer" has been changed.

Customer is derived from the root word custom. The word custom is defined by the Oxford English Dictionary as meaning "to render a thing customary or usual" and to practice habitually." A customer is a person who becomes accustomed to buying from a particular company. This custom is established through purchase and interaction on frequent occasions over a period of time. Although it is used to define customers as people who are sold products and services, Griffin (1995, P. 30) states that "without a strong track record of

contact and repeat purchases, this person is not a customer; he or she is a "buyer". A true customer is "grown" over time". As Griffin (1995) implies, long-term relations must be build up with customers because it is the only way for a particular company to call them customers. In order to do that changes in the nature of customers has to be redefined because they are not what they used to be anymore. They are more demanding more informed and less tolerant than ever before.

In addition to redefinition of customers its definition has been expanded by Greenberg (2001, P. 3). According to him, customers are composed of two groups. First group of customers are internal customers who are sold products outside the realm of the store and external customers who are a department or division or team or employee. This may come to a particular firm interesting but companies give their employees service for a fee of some sort.

The aim of this new definition is that all parts of service chain, which we serve our ultimate customers, is needed to be treat through, as companies treat to their customers who are sold products and services. By doing this a company ensure that their customers are well treated by their employees. That is a chain reaction which starts from the top management and reflects all positive and negative attitudes to final customers.

Besides redefinition of "customer", some factors which used to affect buying decisions of customers' have been disappeared and new ones have emerged. For instance location that was regarded as an essential advantage previously, has been replaced by the price and quality during the beginning of globalization. Additionally after 1980s service was added as a third and

competitive advantage as an influencer of customers' buying decision. That means a shift from product-driven period to a service and customer-driven period.

What it comes down to is that customer side currently weighs more than producer side anymore. Companies who know this reality should establish relationships with them. In order to achieve this goal, having an idea about a particular customer's lifecycle and his or her lifetime value is vital.

"Customer Lifecycle" and "Customer Lifetime Value" are new notions recently introduced in CRM literature. As companies begin to implement data mining they discovered some interesting patterns. One of the examples of it is in finance industry. It is a well-known fact that typical financial institutions, such as banks make most of their profit from the top value 5% of their customers. That fact shows something, which is very important. Customers should be treated according to their life cycles and their lifetime values. The period during which a typical customer continues to purchase is called as customer life cycle. In other words customer lifecycle is a time period that a customer stays with a company. The longer the lifecycle is the more revenue a particular company will get. Expected revenue generated from that particular customer over the estimated lifetime of that customer's relationship with his or her firm is called customer lifetime value (CLV). "It takes its power as a tool for selecting customers from gross margin improvement because during the normal development of a customer relationship, the cost of marketing and selling gradually declines" (Brown, 2000, P. 61)

Customers sometimes stop purchasing from enterprises because of a reason which may be poor service or poor treatments. Based on this it can be

named that a typical customer as active or passive in terms of time period they buy something or not. It is generally accepted fact that a customer who misses three purchase cycles is lost. So once customers' life cycles and lifetime values are defined companies may react quickly to turn their passive customers into active ones. Moreover companies may treat each of their customers according to their lifetime values. As Bell (1994, P. 26) states, "The worth of a great customer service requires a focus, not on the transaction costs, but on the relationship value". In order to make it clear an example is given below.

For example, if a customer complains about a product and wants the company to refund it, what a particular company should do? What if that company also believes that the customer is not right? If the goods are not refund and if the customer believes that he or she is right the most likely result would be losing that particular customer forever. If it is not known that that particular customer is a high value customer, the result would be more dramatic. For this reason CLV is very appropriate tool for that sort of event. It tells a particular company what a customer is worth. For this reason many companies started to create customer lifetime value metrics to manage their marketing programs.

While focusing on customer life cycle and customer lifetime value companies shouldn't miss the point that although a customer create more value it may not be as profitable as another customer, who is more valuable. So companies should treat customers according to both their values and their true profitability's.

The only way to understand a customer's true profitability is by using activity-based costing (ABC). ABC recognizes that the cost of processing a

transaction, such as obtaining an account balance, is highly dependent on customer behavior (i.e., whether the customer uses the branch, telephone, ATM, or the Internet). By tracking patterns of customer usage, ABC enables firms to get a much truer sense of who their profitable customers are today, and which ones are likely to become profitable in the future (Marlin, 2001).

Groups of customers have been categorized according to these two parameters into the matrix below.

A Customer Value / Profitability Matrix

		Low	High
Customers' Value	**High**	A	B
	Low	C	D
		Low	**High**
		Customers' Profitability	

Group A: These customers are high value customers, whose profitability' are low. There may be many reasons for a customer to fall into this group. For example they may be using the most expensive channels. Most frequently used example is a bank customer, who walks into the downtown bank branch for a routine transaction. These customers may be directed less expensive channels by giving them incentives or showing them the benefits of alternative less expensive channels. Sometimes the reason may be the lack of knowledge how to use these less expensive channels. In this case companies should train and guide these

customers. Increasing profitability of that sort of customers is more challenging issue but not impossible. After adding some sort of special services and care these sorts of customers will be more loyal to their companies and get accustom to their products and finally less incentive sensitive.

Group B: These are the most important groups of customers a particular company have. They are very critical in terms of overall revenues and profitability. At all cost they must be retained many barriers must be created by the companies for preventing them from defection. They deserve more rewards, incentives and care. They also act as if they are sales persons of their companies because of word of mouth. They constitute a small percentage of their companies' customer base. But that is not to say that they are unimportant. On the contrary they make up most of the revenue. As Brown (2000, P. 19) states "Although it is generally small percentage of customer base - about 20 percent or less – it provides a significantly higher percentage of revenues and profits and this relationship is known as the Pareto Principle".

Group C: Dealing with these customers is very hard. They are not only unprofitable but also low value customers. There is a sub-segment in this group of customers who may be harmful to companies. A customer who belongs to this group may frequently pay late or buy products mostly when their companies have discounts. They are generally prone to defect easily. As a result of this their contribution to their companies may be a negative value. These customers, who belong to a sub segment of group C, would better be dropped from the relationship. It would be better to direct them to competitors.

Group D: Customers at this group are very profitable but their lifetime value is not at the satisfactory level. These customers have high potential and they should be forced to increase their share with their companies. At this point cross-selling and up-selling opportunities must be taken into account. They should be converted to Group B customers.

Federal Express Corporation, for example, has revolutionized its marketing philosophy by categorizing its business customers internally as the good, the bad, and the ugly--based on their profitability. Rather than marketing to all customers in a similar manner, the company now puts its efforts into the good, tries to move the bad to the good, and discourages the ugly (Zeithaml, Roland, and Katherine, 2001).

There is an important point, which must be highlighted here. Like customer value, customer profitability must be determined based on not only their current level of profitability but also profitability they are likely to become. So companies should undertake necessary researches to observe their customers' existing and potential values. Moreover Definition of value delivered to customers, necessitates "Value Management" as well.

"Simply supplying more of the same offerings in the same way to customers
overlooks more profitable ways of growing business with them" (Anderson, 2003). Customers are not homogenous in terms of their wants and the "values" desired being delivered to them. Some of them just want to get core benefits of a product and some of them may be satisfied if only they are given some extra services or additional features based on their needs. For this reason a typical

company promises different values to different types of customers. As a result of this, management of "values" is very important for companies who want to keep their promises. As Brown (2000, P. 204) states "In today's environment the value proposition offered a customer is now much more important than the product itself".

Hence many companies are now using a customer value management (CVM) approach to identify the "value" that can be delivered, not only by products but by processes and services, then engineering their business capabilities to deliver "ideal" customer-defined value at each customer interaction (Foss, 2001, P. 189)

Another notion, which is called "Net Value", is also an important weapon for marketers today. It is difference between what a customer is prepared to pay and the cost of service or product provided to them. If it is implemented properly, management of "value" increases the profitability of a company. In other words, value management fills the gap between what companies can do and the expected quality of service or goods by the customers. "Value Management" fills the gap between a particular company's deliverables and the competitors' through benchmarking.

Foss (2001, P. 196) points out that "Put simply, the value management approach involves answering the question: where do our customers want us to be and how do we get there? This is characteristic of an "outside-in" view of the company and results in an externally driven, market defined strategy"

At this point another notion must be touched which is important in value management. That is perception of value. As Leboeuf (1989, P. 52) states, "It is

not the quality of service that is given but the quality of service that the customer perceives that causes him to buy and come back". Since perceived service quality is the difference between what they get and what they expected, management of expectations is very important in "Value Management".

Today's companies started to move towards the customer value proposition because they understood that internally focused companies will not survive in near future. Because in order to understand what customers do value faster than competitors will better pay off rather than focusing on providing the best product or service which are based upon presumptions.

CHAPTER 3

KNOWLEDGE OF CRM

It is very obvious that being flexible is vital for today's companies to survive. That is often perceived by most of the companies as being flexible with production or external environment. When it is thought more deeply it can be said that it is being flexible with customers that makes a company successful. So obviously a vital question arises. How do companies be flexible with their customers? The answer is Customer Relationships Management (CRM). The more a particular company capitalizes on CRM, the more that company knows about their customers. It gives obviously an advantage to shape all the decisions, process, and production according to customer needs and desires. Goodwill is the most important result of it and as Marshall Field states, "Goodwill is the one asset the competition can not undermine or destroy" (Vavra, 1992, P. 59).

Being flexible with customers generates relationship between companies and their customers and relationships in turn generate synergy and in order to create that synergy, CRM is a fairly important tool. As Shoemaker states (2001, P.124), "CRM is the technology, which is used to blend sales, marketing, and service information systems to build partnerships with customers".

Although it is a new terminology, CRM has always been existed since very beginning of commerce in history. Before industrialization and mass production, people who were involved with commerce, had knew also their customers. In order to understand how, it is enough too remind recent history of selling in Turkey. It can be easily remembered that there were many small shops almost every corner of the streets. At that time owners of these small shops used to know each of their customers personally. But after industrialization and mass production they have lost these essential knowledge and information they acted upon. After the mass production period, owners of the companies have lost their control on their customers because the number of customers was much more than their ability to control. As a result of this, relations between companies and their customers undermined. But one day something has happened and a new era started for the customer relations. That was the computer technology and new communication technologies especially internet and wireless communication.

Through these technology improvements lots of opportunities have aroused for the companies to build permanent relations with their customers. For instance the data storage capability of computers increased a lot along with the decrease in their prices. That has enabled companies to build their data warehouses. Moreover additional data analyzing tools have been developed and as a result of them analyzing the huge amount of data became possible. With this technology, finding meaningful patterns became possible also. Internet has given chance to the companies for one-to-one marketing. By the help of internet cost of customer communication decreased tremendously. With mobile technology no

matter where the customers are, companies have had a chance to serve their customers at any time and everywhere.

Because of the leading role of technology in these improvements a misperception of CRM emerged. That was perception of CRM as a just technology and even software. CRM is not just a technology; technology is one of the inputs of CRM. It is just a tool. Some consulting companies exploit on this very much. They claim that their CRM-X package and software in it will solve the problems and companies who run their systems will be successful in CRM application. That is completely wrong.

Besides the technology, change in customers' behaviors plays an important role in the emergence of CRM. Since customers have more information about the companies and competition, their propensity to switch extremely increased. In other words, as Foss (2001, P. 228) names it, "the inflation of customer expectations" occurred. That enforced companies to answer their customers' needs faster than ever before. For this reason companies must be closer to their customers to meet their demands.

Actually CRM is experienced every day while buying goods and services. Every time a particular customer buys these goods and services with expectations. A privileged experience may cement relations with the company and on the other hand a poor experience leads customers not to buy next from that company. The ability to understand this basic fact makes a company CRM oriented because as Brown (2000, Preface) mentions "CRM entails acquiring and deploying knowledge about one's customers and using this information across the various touch points to balance revenue and profits with maximum customer satisfaction."

So CRM may be defined as a philosophy about knowing customers, generating relationships with them and finally serving them with best quality service and products tailored to them. That is about being closer to customers and as Griffin (1995, P.228) states, "There is no magic formula for staying close to customers. It is basic consideration, time, effort, commitment, and follow-up".

Knowing the stages of creating relationships with customers plays an important role to achieve CRM goals. The stages defined by Foss and Stone (2001, P. 233) in their book will be followed below. The first one is segmentation and targeting.

A. Segmentation and Targeting

It can be said that CRM gets much of its power from segmentation and targeting appropriate segments because "all things to all customers" type of marketing strategy is not valid anymore. The "optimal values" should be found expected by each customer and the process must be managed according to them to fulfill their promises. Because as Brown (2000, preface) states, "The key to enhancing revenue opportunities is linking particular products and services to particular customer segments."

B. Enquiry Management

It is about handling the enquiries properly. This stage is very critical because it is the stage that customers make their decision whether to buy or not.

C. Welcoming

After the customer has joined, they should be "relaxed" by telling them "they have chosen the right company and their choice was a rational one and they will be kept. Apart from this, companies must check whether everything goes

right or not. So companies should make their customers feel comfortable and secure.

D. Getting to know

This stage determines the future of the relationship. It is a kind of testing period from the customer point of view. It is also a learning stage from the company point of view. But this stage is not final stage, as it will be explored later in loyalty journey within coming chapters. Companies should be alert to additional needs of their customers and reengineer their system to continually serve their customers.

E. Customer Development

If a particular company has successfully came to this stage this means that it identified additional needs of its customers and meet their requirements. At this stage companies should try to cement the relationship and so loyalty by increasing persistency and renewal. Furthermore cross-selling and up-selling opportunities should be utilized to increase profitability and dependency of customers.

F. Problem Management

Although companies serve their customers extremely well, sometime, somewhere, and somehow they are prone to fail. No matter what is the reason the situation should be corrected immediately. Otherwise companies will most likely lose their customers.

G. Win-Back Stage

In reality there is no company who has 100 percent customer retention rate in the world. In other words the goal of zero defections appears unrealistic because some customer defections may not be related with the satisfaction level

of customers with the company. In one way or another way companies lose their customers. As a result of this it will be more realistic if companies target "Less Defections".

When a company fails somewhere it is important to fix the problem but at this stage it may not be enough. Unsatisfied customers should be informed that the problem has been fixed. Sometimes offering extra service or incentives may be useful. According to Leboeuf (1989, P. 76), if a company doesn't want to lose its customers it should be reliable, credible, attractive, responsive, and empathic. Once it fails to carry out one of these factors data mining can be a very helpful tool to reduce defection. Analyzing through defection data, companies should discover some kinds of patterns in data and these patterns can be signal for new defections for other customers. So when a company sees patterns resembles previously seen in the history of a defected customer necessary actions must be taken and defection must be prevented from occurring again. CRM is very helpful to achieve "Less-Defections".

One of the most widespread mistakes in management of "lost customers" is the assumption of knowing reasons for churning. This prevents companies from looking at data deeply and exploring actual reasons. Because of that most companies consider that they fixed the problem and continue to lose their customers. The worst of all, they may not be aware of this fact.

There is another mistake which is also widespread in management of lost customers. Some companies delete the name of past or lost customers from the databases. By doing this they are articulating the intention of ignoring lost customers. That may be very wasteful for long run.

"Customers who leave you are a double-edged sword" says Griffin (1995, P. 184). Neglecting your defected customers can be very wasteful and destructive for companies. But there is something worse for a company. Some companies either have no data warehouses or at least customer databases or they don't utilize these tools for marketing. No matter what the reason is, such companies' miss the opportunity to capitalize on defected customers' constructive inputs and the opportunity to win them back and stop negative word of mouth.

In order to show how much it is worth following example was given. A particular customer has a problem with a web hosting company. The problem is about e-mail service. He or she receives e-mails but can not send e-mails and it must have been handled quickly. That particular customer calls web-hosting company several times to get them fixed the problem and each time they promise to fix the problem but they don't. After several days he calls them and says that "I want to get my technical codes because I will subscribe to a new web hosting company." They tell him they would give him all the necessary information and technical codes in a couple of days and asks him to send them a complaint letter. After sending complaint letter he begins to wait for the necessary codes that are necessary to switch another company, but at that time what if they fix the problem and ask him not to switch. In fact that particular customer doesn't want to switch neither. Because he knows his company for years and the new subscription process would take too much time. For this reason he most likely changes his mind. This hosting company achieves two things by winning-back that customer. It stops the negative word of mouth and wins his loyalty because he feels that company really care about him.

In general many customers leave their companies because they feel no particular interest associated with themselves from the company. This means that company fails to stay in touch with its customers. The most effective cure for this kind of problem is a powerful CRM application that will repair the relations between a company and its customers.

3.1. BULDING RELATIONSHIPS WITH CUSTOMERS

The aim of conventional selling was selling. It was not important or at least being overlooked to build permanent relationships with customers. The most likely reason was abundant numbers of customers. For this reason the reward systems was based on quantity of sales rather than quality. In the realm of selling by saying quality the customer satisfaction is referred and their willingness to repurchase.

The new orientation in the context of selling is to achieve high satisfaction level with customers. Companies should look beyond the value of a single transaction rather than focusing of sales quantity. This new orientation of selling suggests that companies are beginning to understand that the aim of "closing the sale" is not compatible with the today's market environment, which necessitates retaining customers as much as possible and increasing wallet share of their customers.

At first step naturally companies should have customers to retain. In order to capture new customers companies must be patient. Barera (1990) states that "A typical prospect reads mail as follows: The first letter gets glanced at and thrown

away. By the second letter the prospect says to himself or herself, "Didn't I get something from this person before?" With the third letter, the receiver says, "I know I got something else from this person, but what did I decide?" By the fourth letter, the prospect thinks, "I have heard lots of about them; maybe I should give them a call." Barera tries to explain the importance of communication with customers. The more companies communicate with their customers the more chance they will have to capture them.

There is a widely implemented wrong strategy to capture new customers. Most of the sales rewards or bonuses as mentioned above are based on the quantity of product sold in many companies. Sales peoples are pushed into selling as much product as possible. Under this pressure they neglect some ethical principals for the sole purpose of selling. For instance they are promising much more than they can do. Sometimes it is seen that many of them lie to customers and the irony is that this kind of behavior is generally rewarded if the sales are closed. This wrong orientation is an essential obstacle for the companies who want to move towards CRM philosophy. Its obvious reason is dissatisfaction comes from the poor experiences' of customers. Apart from this widespread wrong marketing strategy there is one more failure regarding CRM philosophy. Many organizations still focus on capturing new customers at the expense of disregarding existing ones. Their contribution to profit, rule of 20/80 (Means that 80% of total revenue comes from 20% percent of most profitable customers), is taken for granted. Vavra (1992, P.10) states that "Satisfaction of existing customers is presumed. The organization fails to maintain them. And when

current customers take their business elsewhere, their defection is often dismissed by the rationale that companies can't please everybody."

After capturing potential customers second step comes. It is to turn first-time buyers into repeat customers. In order to achieve this goal companies must find specific needs of their customers and fulfill them. In order to do that customers should be conducted frequently and they should be offered some sort of promotions that must fit with their needs.

"Consumers often assess alternatives and marketing promotions on the basis of their idiosyncratic fit with the offer; that is, they tend to place significant weight on whether the offer provides a better "fit" for them than for others." (Kivetz and Simonson, 2003). Sometimes customers may not aware of what they need. That sort of unfilled needs can be identified by consulting and helping customers. This is of course the most effective way of fulfilling customers' infinite needs.

Finding new buyers and turning them repeat customers are not enough. Because the old way of marketing strategy, aim of which was to sell even at the expense of losing long run partnership with customers, is not valid anymore. As Vavra (1992) names it "Aftermarketing" is needed to save relationships with customers. Companies who have won customers must take care of them, handle their complaints. In other words, listen to them. But this is still not enough. Enterprises also should follow up the results in post purchasing period because not to follow up on compliments or desires may be as dangerous as not responding to complaints.

After turning first time buyers into repeat customers another important step comes. That is to make them loyal. So how can a company increase loyalty? The prerequisite of it is trust. So how it can be built? Nacra (2000) points out that, "Successful global leaders acquire a reputation for reliability among customers and suppliers by ensuring quality, service and innovation". So it can be said that service quality and innovations are the basics of building long-lasting relationships.

Reliability or trust is the most important credit for companies. That means keeping promises. That is to say promising more than able to deliver must be avoided. Usually many companies raise their customers' expectations which exceed companies' capabilities. For instance, if a hotel claims 100 percent guarantee it means that if a customer is not totally satisfied with the service then the hotel doesn't expect its customers to pay. If that particular hotel has necessary preparation, it may be a good reason to build trust. But if it is not prepared enough this may lead customers defect.

If bills are paid on time, if the service that was promised is provided on right time and right place then it is certain that credits will be gotten from customers. In order to do that, companies must keep listening to their customers. Listening with an open-mind, relaxes dissatisfied customers because they feel the problem is known well and cared. In other words customers should be treated well and companies should make their customers feel as if they are their doctors. Customers should be listened, the problem should be diagnosed and be cured immediately, and finally the results should be follow-upped. Even if the problem

can not be solved immediately, the chance of winning these customers who are listened to, will be pretty high because of trust built by the companies.

If customers trust a particular company, that company should trust them too because they like to be trusted. For instance, if a customer forgets his or her wallet at home it should be said that "Ok no problem; you may pay for it for the next time you come here." If the relations are built based on trust customers will become more loyal.

Result of trusty relations is saving money and time. "Partners, who have trust in their relationships waste no time or energy looking over a shoulder or worrying that a promise made or implied will become a promise broken or ignored" (Bell, 1994, P.9)

Problem solving and consulting is at the center of winning customers' loyalties. Companies who recognized that principle become very successful. For instance Dell computers took on this strategy and emphasized on service business which is provided to customers free of charge. They started to install the hardware for their customers, and founded call centers to immediately answer customers' inquiries. Additionally they listened to their customers and designed systems that meet customers' expectations. Furthermore they acted as a consultant besides listening to their customers. The most effective aspect of this approach was that these all extra services were provided free of charge. As a result of this orientation towards customer loyalty, they have achieved higher customer and market shares than expected.

3.2. CUSTOMER MANAGEMENT MODELS

In their book Foss and Stone (2001, P. 162) categorized customer management into different models. Some of these are touched below.

One to One

In this kind of management model, companies gather as much information as possible for each customer and they provide them custom-based services or products. When the relationship is between a large business as a customer and its suppliers, the sole way in which the process is set up can be one-to-one i.e. the customers tell or show the supplier how they would like to trade using e-technology

Transparent Marketing

Since in the e-world mutual customization becomes much easier, transparent marketing emerged as an alternative way to traditional way of customer management, in which suppliers used to gather information about their customers and then determine the right offer. With transparent Marketing customers have the authority to specify the type of relationship required (Foss and Stone, P. 160-163).

Top Vanilla

Although it seems controversial in CRM context, "Top Vanilla" model is not contrary to CRM philosophy. It is a kind of mass-customization and has gained significant attention in recent years. The philosophy of "Top Vanilla" is creating goods and services that are in conjunction with the most of the customers' needs and desires and it is almost standard. This sort of management

model is widespread in airlines, car hire, and telephony business. The main idea is providing good quality of products as simple as possible. Because they are interested in receiving core benefit of products as simple as possible, top vanilla customers generally know what they exactly want, when they want it and what they are prepared to pay for it. For this reason they are also easy to deal with.

Customer interaction management (CIM) is necessary to know the alternative ways to interact with customers. By utilizing CIM, a customer may evaluate these alternatives and optimize the performance of interactions. It facilitates also exploiting previously unknown opportunities. In other words CIM helps to fill the gaps between a customer's expectations and what a company currently delivers to them.

CIM is a holistic approach rather than leaving responsibilities of services to individuals or groups. There is a second alternative of it and this is even worse than leaving authority to individuals. It is thought that if customer problems left alone customers will somehow take care of themselves. Customer contacts are avoided and sometimes it is thought that dissatisfied customers will somehow raise their complaints. But this is totally wrong because according to many studies and researches, most of unsatisfied customers just go away without voicing any reason or complaint. Even more surprisingly most of the today's customers just leave without dissatisfaction. Hence as Griffin (1995, P.192) says, "No news is bad news". Hidden complaints must be extracted. Otherwise image of companies may be totally destroyed in the eyes of their customers. "It may be taken 30 years building a reputation and in 30 seconds to be destroyed." (Nakra, 2000)

Companies can not hide from their customers and their complaints. If a particular company hide from their customers it is not expected that complaints will just disappear rather they will be more than before but companies will not even be able to know that because of propensity of unsatisfied customers not to voice their complaints.

Studies show that only 4 percent of dissatisfied customers ever complaint. The other 96 percent simply go to another company, the vast majority (91%) of which will never come back. However, if a customer's complaint is handled satisfactorily, there is a 90 % chance that customer will remain a customer. (Vavra, 1992, P.127)

Carlzon (1987, P. 3), president and CEO of Scandinavian Airlines System (SAS) describes in his book Moments of Truth, how he recognized the importance of focusing on contacts with his customers and concluded following:

"Thus SAS is "created" 50 million times a year, 15 seconds at a time. These 50 million 'moments of truth' are the moments that ultimately determine whether SAS will succeed or fail as a company. They are the moments when we must prove to our customers that SAS is their best alternative".

So it can be said that affecting customers' evaluation processes of each experienced "moment of truths" with products or services lies at the heart of the CRM. In order to achieve this goal companies should continually motivate, monitor, and finally evaluate their employees and customers' interactions because each moment of truth is an opportunity to convert dissatisfied customers into a satisfied customer as well as to collect invaluable information about them. CIM is one of the most useful tools to do this.

In order to achieve CIM, enterprises must set some goals and determine what is expected from an employee previously. Although the goals can vary from company to company I want to state the general abilities leading good results in customer blueprinting quoted from a book written by Vavra (1992, P.92).

- **Confidence:** At least one of the parties must convey a certain degree of self confidence; a self-demeaning or apologetic attitude will not elicit a receptive reaction.
- **Creativity:** One must find a way to tune into the feelings of the other party; this requires a sensitivity to a vide variety of people.

- **Caring:** It is important to show personal interest and total attention. Avoiding distraction and staying with the train of thought has surprising results.

- **Consideration:** Establish and radiate a concern for the other person. Consideration entails being sensitive and aware of the relationship with another person who is unique and also has fears, dreams, hopes, and insecurities. Consideration also invokes the art of being a good listener.

Trying to build relationships with customers is perceived by customers as a signal of care. For this reason establishing dialogues may calm angry customers down even if the problem can not be handled properly. Moreover it leads customers' repurchase because of the feeling of being cared.

In order to build relationship with customers companies must utilize all potential ways of communication. Foss and Stone (2001, P. 150) state that "More iterations yield more data which improves relationship handling which produces more interactions, and so on, exploiting the closed loop as a learning loop." Bell (1994, P. 36) agrees with Foss, states that "Connection is the essence of powerful relationships. He continues; a great partnership is analogues to an electrical circuit. The lights go out because of either a poor connection or energy shortage". Some of the ways to avoid first one was given below.

According to Brown (2000, P.133), "From the customer point of view, communicating directly with the manufacturer instead of through an intermediary makes the channel more trustworthy. There are many ways to communicate directly with customers but the unique way of feeling emotions is just possible with the telephone call. Customer's annoyance, satisfaction, concern or indifference can be sensed by the receiver, who can react according to these emotions sensed".

CRM gives some opportunities to determine most appropriate time to conduct with customers. For instance a travel company may learn that its particular customer have holiday on each June. If they communicate with that customer on March that would be a good time and the telephone may a good medium. It is the most direct way of sensing the feelings in customer's mind. Telephone has higher effect at cementing loyalty. For this reason many companies started to use toll-free 800 numbers. Cadillac's ads for its service contained the following description:

Professional help is a toll-free phone call away -24 hours a day, 365 days a year. When you phone the Cadillac Roadside Service Hotline at 1-800-822-1112, you speak with a phone adviser, who knows your Cadillac intimately. The adviser will ask specific questions to help diagnose the problem and, in many cases, give you instructions over the phone to get you back on the road. On-the-spot service when you need it the most –nights, weekends, holidays. If necessary, a service adviser will dispatch an authorized Cadillac dealer's technician in a specially equipped vehicle, well stocked with a special tools and genuine GM parts. The technician will even provide you and your passengers with courtesy transportation to your home, a hotel, or another local destination if more extensive service is required (Vavra, 1992, P. 119).

Moreover there are 900 numbers operations, for which customers pay. "The real advantage of 900 lines is that they can help a marketer share the cost of an 'Aftermarketing Service' with its customers. This allows even the smallest companies to offer relatively sophisticated 'Aftermarketing Services' if their customers are willing to pay for them" (Vavra, 1992, P. 125). Fast-paced technology makes 900 numbers an important marketing tool. There are services associated with them, which can collect marketing information directly from the call itself. One of these is Automatic Number Identification (ANI).

Generally automation in call center activities is increasing. For instance automatic call distribution (ACD) is one of them. In this system callers are directed according to some sort of attributes. Interactive voice response (IVR) is another new technology by the help of which companies can decrease the number of live agents that are dealing with routine transactions.

When customers call a call center they pass through several stages. At each stage there is an activity prepared for them. These are call routing, assignment activity, queue management, call tracking, entitlement processing,

workflow, problem resolution, performance measurement and service management among other things there are activities that are going on without the knowledge of the customer, such as logging and monitoring *(Greenberg, 2001, P. 180).* When it is done properly, call centers also can be used for cross-selling and up-selling. But when companies fail how to do this then it may cause damages rather than profits. A customer experience, which is given below shows the importance of this issue.

"I have called a call center to get my problem solved. That was inter-city call and their call center performance was very poor. When I call, I have realized that they had put a commercial at the beginning of calls. They were advertising an irrelevant product with my money because the service was not call-free. The more irritating thing is that the coordination between representatives. Actually it was very poor. I have had to explain the same problem over and over again to different representatives at each call."

So companies must be careful if they want turn their call center into a commerce center.

Another way of communication is e-mail. It is very widespread and used for the cost advantage. Moreover through an e-mail, messages and any file related with that message attached on them can be delivered, which is not possible through a telephone. It is thought that it is coming soon that all other way of communications will be internet based. Example of which is the ability to talk by using internet. It is even now possible to watch ourselves through internet, to send and receive any mail or file, and to talk.

Technology continues to change everything. Of course call centers activities also changing. The most effective evolution in this business is the integration of all communication channels. But generally these new technologies can not replace the human-being totally. As Greenberg (2001, P. 184) states, "In spite of all these new technologies, don't assume they will take the place of the human-being. Sometimes a human voice is better than a mouse click." The important thing is that giving as much control as possible to customers over the choices.

Companies should keep it in their mind that customers always want to be sure that whenever they need help they can find someone who can solve their problems. "When he was asked, what is the main aim of the answer service? Powell Taylor, one of the managers of the GE, replied that; "We try to give GE a face" (Vavra, 1992, P. 111).

What all comes down to is that each potential way of communication with customers must be utilized because communicating well with customers cause them to communicate with prospects and communicating well with these prospects means that they will be customers and they begin to communicate other prospects and this process continues as long as communication will continue.

CRM is actually an uphill way that has trees (Customers) on both side of it and the more companies get up speed the more fruits (Loyalty) on the trees will be for companies, who run on this way. It should be kept in mind that this way has no place to arrive. It is infinite.

3.3. INTEGRATION IS A MUST FOR CRM

As it can be understood from the figure below the essential part of CRM is integration of it into the organization. Naturally this integration can not be set in couple of mounts. It takes years but it is certain that it will pay off. In spite of that even large firms are hesitating to combine hard (transaction-based) knowledge and soft knowledge into one customer database. For example Dell Computer, often praised as an exemplar of customer-relationship management, has not integrated the customer knowledge it receives online with what it gets from telephone call centers (Davenport, Harris, and Kohli, 2001).

Companies who implement CRM partially should expand its application throughout the whole organization because large companies often fail to understand the requirements of scalable, multi-channel strategies, so start with an approach that works in one channel and collapses in another (Foss, 2001, P.4). So companies also should take integration issue into consideration during this process. As Greenberg (2001, P. 16) points out "A successful CRM requires a holistic approach to every relationship with the entire organization sharing and contributing to that view".
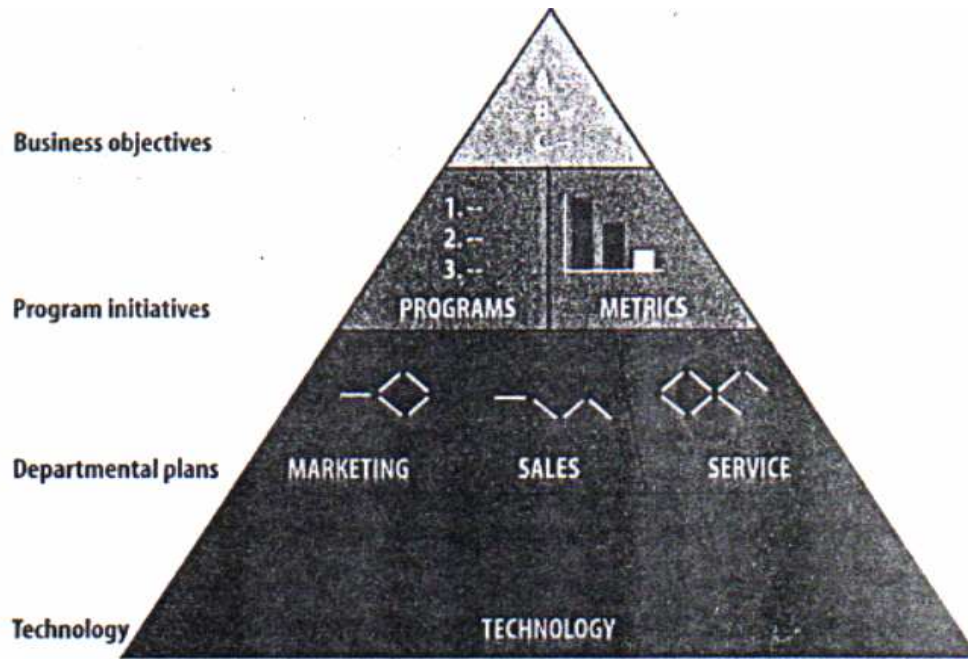
Figure 2: Building Business That Will Use CRM
Source: Greenberg, 2001, P. 17

The three layers of the CRM should feed each other continually. As a result of this, companies appear as a single system as it should be. It is called single customer view in CRM literature. Single view of customer from the company point of view and single view of company from the customer point of view is very important. Single view means time efficiency because there is a single accessible customer view regardless of which department is looking at the customer records. It prevents the time loses because of information translation problems. Integration put a stop to "left hand doesn't know what the right hand is doing" dilemma.
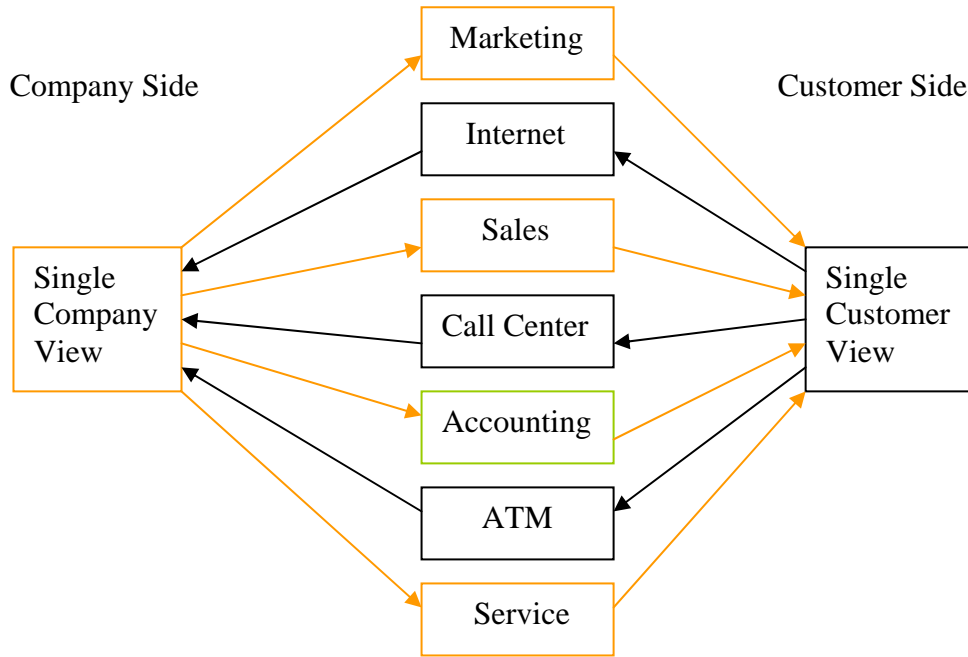
Figure 3: Single View

As an illustrative example consider relationship between a customer and a carrier service company. Let's assume that a customer wants to know the arrival day of his sample. He calls and asks call center customer representative how many days it takes if he sends his sample from Turkey to china. After several minutes representative says that it takes 3 days. Customer decides to use this company and call one of the local offices of that company that is close to his location. Then employee of that firm comes and packages customer's sample. Fortunately while paying him that customer says; well you charge a little bit more but knowing that my sample will be arrived just in three days at China will compensate the extra money that I have paid. Then employee tells customer; but

sir that is not possible you must have been misinformed because as far as I know it will take at least 5 days. What a pity?

Not to experience such an event it should be kept it in mind that any model of customer relationship requires a balanced approach including strategies, systems, people, processes, data, measurement and so forth.

3.4. EFFECTS OF INTERNET AND MOBILIZATION ON CRM

In order to build relationships and cement existing ones with customers, companies started to exploit all channels that are available and affordable because the goal of CRM is the capability to handle customer interactions consistently across channels and functions. One of them and probably most effective one is internet because with the advance of new technologies electronic business called e-business have taken many steps towards to more effective and efficient way of communicating with customers. E-business and as a result of internet 'Automation' enabled companies to reach new markets, create new services, one-to-one marketing and so on. The architecture needed to support such automation is difficult to implement, but it is finally possible, thanks to the power of an integrated web, work flow management and data-warehousing platforms (Brown, 2000, P. 225).

Since the effect of internet is substantially enormous a new notion has emerged. It is Online CRM or e-CRM. Online CRM provides faster and more powerful way to interact with customers as distinct from CRM. So it can be said that e-CRM is what will be the new form of CRM in coming century. With e-

CRM personalization have begun to be used more than ever before in marketing. Berson, Smith, and Thearling (1999, P. 479) state, "The marketing will continue to evolve into an outbound, personalized closed-loop activity as evidenced by increased targeted e-mail marketing, personalized web sites, and more sophisticated tracking and trend analysis." These improvements actually paved the way for CRM applications.

Greenberg (2001, P. 120) explains very well what e-CRM actually is. According to him "Online-CRM generates closed-loop feedback. It is the nucleus of internet-based response management. At its best, it is response management in real time. Put it simply information is generating new activity, which is generating new information"
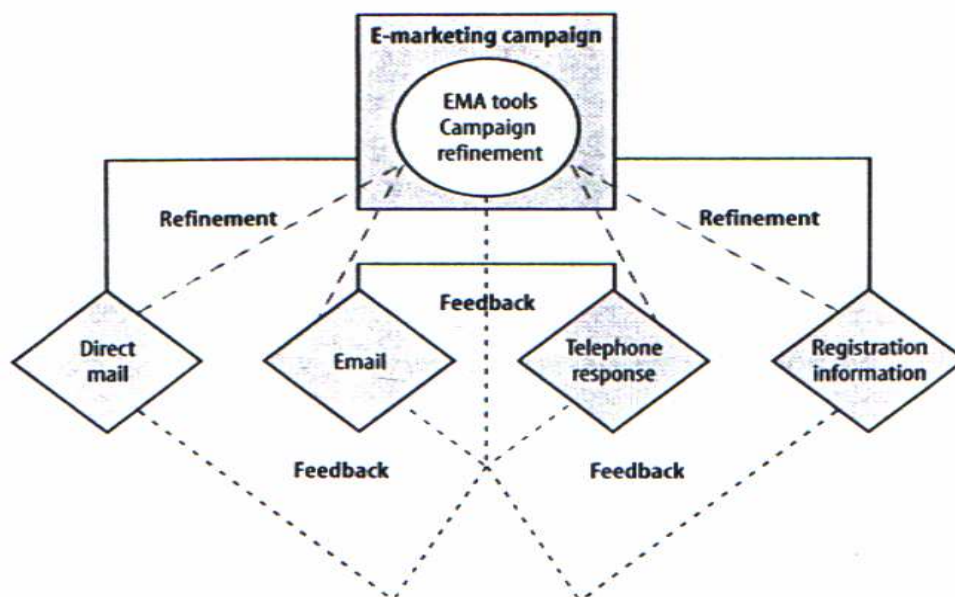
Figure 4
Source: Greenberg, 2001, P. 120

In traditional CRM model, data is used to segment customers and provide each segment the most appropriate services or goods by the most appropriate channel. With the utilization of online CRM, customers became able to validate and refresh the supply their data. Moreover customers became able to choose most appropriate relationship offer among many alternatives. Besides that there are lots of advantages of online CRM over offline. First of all, online interactions can be easily recorded. Moreover it includes many capabilities that traditional CRM channels haven't, like self-service, automated e-mail responses, mass-mailing, personalization of messages and web pages, product bartering and online quoting etc. These features of e-CRM reduce costs and eliminate some of them totally like some of the customer service agents. Furthermore customers interact with companies more easily and faster than traditional channels of CRM. That increases customers' satisfaction levels.

At this point the integration issue should be touched again. While companies move their activities from traditional channels to online platform most of them overlook the importance of integration between online activities and offline activities. Since the two channels still coexist their content must fit together. Therefore as Greenberg (2001, P. 50) emphasis on "It is imperative that e-CRM be installed in conjunction with traditional CRM and that the two are tightly integrated. Otherwise, the value of e-CRM might actually be negative" In other words, existing channels must be considered along with new ones. As Brown (2000, P. 162) states, "e-CRM will be multiple integrated channels."

The most powerful e-CRM would be the combination of online CRM and online Enterprise Resource Planning. It is called e-ERP. It would enable a

consistent customer experience. It would combine all CRM and ERP related activities under one roof. By doing this single view of customers and a perfect integration would be achieved. This should be the ultimate goal of all companies who can foresee the future.

Apart from internet there is one more thing which will shape the future of CRM. That is mobility. Increase in sales force mobility means that increasing efficiency and that means also increasing profitability. One of the drivers of this movement in sales force is personal digital assistants (PDA). CRM companies must move towards wireless system because the capability to be mobile is a competitive advantage. It fastens the processes and provides up-to-date and correct data. Companies who use this technology can benefit from knowing their customers and opportunities arise from up-to-date and useful data. For instance, if a salesperson knows that price has less importance than a high quality service and on-time delivery this up-to-date information gives an advantage to the salespeople over its competitors who remains deprived of this important knowledge.

Another example from a carrier company is the fallowing. For instance, if a customer have sent a sample to china through this company but after a while he has received a call in Saturday afternoon from his business partner from China, who said his sample have not arrived yet. Before the wireless technology the customer must wait for Monday and call the carrier company and ask for the sample. But wireless technology and the usage of mobile phone made it possible that the customer could answer the question of his business partner in 1 minute by sending a message writing the sample code by mobile phone to his carrier company and they would send him back the necessary information he needs.

While utilizing alternative ways of communication it should be kept in mind that each new channel of communication brings additional cost to CRM. Accordingly companies should evaluate each alternative on the bases of their contribution margins. In addition to this companies should take probable conflicts of channel and cannibalization issues into consideration while deciding whether to add an additional communication channel.

3.5. REASONS TO APPRECIATE CRM

Today's fast changing market conditions have enforced companies to look for new attributes that will differentiate them from competitors. Because products have been turned into almost commodity, the only thing that can make companies valuable in their customers' eyes is their level of service and service level depends upon highly the relations that is build with customers and business partners. That is called CRM in marketing Literature.

The reasons behind of this CRM focus are:

- The commoditization of products
- Customers' view in terms of quality keeps changing continually. As an example, see the table below, which shows Characteristics of quality in automobiles (Ranked by consumers in order of importance).
- Customers are more demanding, more informed, but less loyal than ever before. A well implemented CRM philosophy may create loyalty, increase customer lifetime value (CLV) and generate good quality of products based on what customers exactly want from companies.

1970	1975	1980	1985	1990
Styling	Fuel economy	Reliability	Value for the Money	Safety
Value for the money	Styling	Fuel economy	Ease of handling	Reliability
Ease of handling	Prior experience	Value for the money	Fuel economy	Trouble-free maintenance
Fuel economy	Size and weight	Riding comfort	Reliability	Ease of handling
Riding comfort	Ease of handling	Prior experience	Safety	Fuel economy

Figure 5: Customers View In Terms of Quality

Source: Vavra, 1992, P. 253

- Companies must spend more money to get a new customer than to keep an existing one. Because of high attrition rates companies started to spend money like water. For this reason in some industries such as mobile phone industry, getting a new customer needs 10 times more money than keeping one.

- When companies loose one of their existing customers in order to win back him or her they must be very fast. After one week the chance of winning back the defected customer will be very low. In addition to this to win back these defected customers will be more expansive than to retain them.

- Opportunity to sell different products to existing customers that is called cross selling, and to sell the same product with more features, which is called up-selling.

- Eliminating barriers created by the non value-adding intermediaries placed between the supplier and the customer. CRM provides disintermediation opportunities.

- Internal cost reductions from new efficiencies are also an important reason for CRM focus (Vavra, 1992).

Another reason to appreciate CRM is "Word of Mouth" it creates. That causes customers to convey their good experiences to the prospects then it will create a positive environment for companies. That gives a vital advantage over rivals because people are more prone to make decisions based on referrals from their relatives or experts, or friends. Moreover word of mouth reduces the time spent for convincing customers. Since trust is the prerequisite of buying decision, by taking referrals and advice from people who are reliable, the half of the purchasing has already been done for a customer before he or she interacts with the company.

Furthermore customers who are captured by the effect of word of mouth are more prone to be long-term loyal customers. The reason of it is that their buying decision is made without an incentive or that sort of things. Their decisions are initiated by the referrals and trust to company. Thus their probability to defect is more likely to be less than other customers.

In general companies, who implement CRM, create many things that are worth to talk about. It means that if customers get high quality service, which exceeds expected level and sometimes shock them they are more likely to tell this extraordinary thing to their friends. They enjoy sharing these extraordinary experiences. As a conclusion companies who want enjoy the positive effects of

word of mouth should give customers something to talk about and CRM gives it to them.

3.6. CRM AND PERMISSION MARKETING

As companies begin to increase their marketing budget as a way of attracting customers' attention, number of campaigns has increased too. As a result of that the tools like direct-marketing; direct mail, e-mail, promotions, events and other customer touch points and indirect marketing; such as advertising in the print media or on TV and radio are being used more than ever before. For this reason customers exposed hundreds of that sort of advertisements and other such things in a day. This phenomenon lead customer to resist these marketing offers because of the inconvenience they cause. Moreover these traditional methods of mass advertising are getting more expensive and more competitive though their return on investment is not satisfactory.

As it is known, there are lots of advertisements, marketing campaigns, promotions and discount offers which are totally irrelevant with customers' demands, needs or wants. CRM has become the solution to remove this inconvenience, because relevance is vital in marketing policy and that is one of the most important outputs of a powerful CRM. If customers are not interested in the offer it doesn't matter through which channel companies conduct their customers, it may offset the reduced defection rates resulted from right targeting.

That kind of wrong selection by the marketers damages companies by wasting their resources and disturbing customers. As Greenberg (2000, P. 105)

states, "There is actually a name for this kind of marketing; one that seems obvious. It is called interruption marketing."

Bell (1994, P. 7) also points out that fact by saying that, "Not all customers want to participate in close relations. Some customers enjoy as degree of mystery, privacy, and aloofness. As the relations become more intense and intimate, they flinch and move on to another service relationship with exit language that says "They knew us too well… Wee needed some breathing room."

In order to avoid negative effects of interruption marketing a new notion emerged. That is Permission Marketing. Permission Marketing asks for customers' permission to "speak" with them about its product.

Greenberg (2000, P. 105) identifies it as "dating with customers" and defines it as a five-step process.

1. Offer the prospect an incentive to volunteer to receive e-mail or other marketing media.

2. Using the attention offered by the prospect, offer a curriculum over time, teaching the consumer about product or service

3. Reinforce the incentive to guarantee that the prospect maintains the permission.

4. Offer additional incentives to get even more permission from the consumer.

5. Over time, leverage the permission to change consumer behavior toward profits.

Putting it in customer terms, with permission marketing customers will say "I'll tell you what I am interested in so you can make me the right offer" rather than "You try to get information from me and with this information you will

bother me by calling me or with any other way you will continually disturb me".
So companies should inform customers about that they are gathering information
from them to increase their convenience rather than inconvenience. Many
companies started to convert this interruption marketing into permission
marketing. For instance a company in Japan gives free-calls to their customers if
they listen to a 30-second advertisement every time they use the phone.

Since activities related with customer databases are increasingly becoming
the issues of privacy and ethics in CRM literature, privacy and ethics will seem to
be an essential issue in future. As Vavra (1992, P.81) points out, "The issue is one
of the direct confrontations between freedom of information versus the right to
privacy." The problem at the heart of debate is not the quantity or level of detail
of the data. The concern is on the broad market availability. More clearly a
company that keeps a customer's record may not bother that customer to some
extend but if he knows that his personal data is bought and sold between
companies that would be irritating.

Some people suggests that permission is the key to privacy and ethic
issues in CRM and they argue for permission based CRM. According to this idea
even if personal data was shared between different parties that would not be
frustrating for customers who aware of this fact. Over here there may be still
conflicts because a customer may not aware of the aim of the company and how
personal information is used by the company even if the customer is aware that
his or her information is being shared among different parties. So this point also
needs to be cleaned up. Companies should keep this in their minds because if they

use unauthorized information to capture new customers that may cause losing their goodwill.

3.7. PRM AND EFFICIENT CHANNEL MANAGEMENT

Actually business strategies can be expanded easily by just changing the first letter of CRM. So it becomes XRM. For instance, it may be SRM, student relationship management, for a manager at a university. And in the same manner by replacing "X" with partner an important notion emerges, which is Partner Relationships Management.

As the name imply, partner relationship management (PRM) is a business strategy to select and manage partners to optimize their long-term value to an enterprise. In effect, it means picking the right partners, working with them to help them be successful in dealing with mutual customers, and ensuring that partners and the ultimate end customers are satisfied and successful (Greenberg, 2001, P. 149).

Actually PRM is just a subset of CRM. When it is properly implemented PRM makes it easy to identify suppliers and makes it possible to evaluate the alternatives more easily. Apart from this, PRM is a very powerful tool to manage suppliers, ordering processes, tracking logistics and all other interactions with the suppliers. The key point or initiator of PRM is that a company can't simply meet the needs of end-users. In order to do so, companies should view all supply chain as their customer and should meet their demand too.

Today PRM is more important than ever before because supply chains used to be generally product centric and push strategy was dominant. But now its focus shifted from product into customer focus. So customers are now capable of pull the goods and services based on their interest by self-service transactions. In this new context, partner relationship management is more important because partners take on new responsibility, which is conducting the messages from customers to companies. For this reason companies should pay more attention to their partners than ever before.

Besides these new roles partners have taken on, some sort of new partners have emerged. Greenberg (2000, P. 152) names them "influencers". Integrators, consultants, and industry analysts are good examples of them. But since the purchase is made direct, the role of the influencer is hidden, so smart companies should not take them for granted in PRM because building relationships with them is essential.

Once companies select their partners to work with then they should set performance objectives and evaluate them on their performance. Partners who fall behind the critical level of performance must be dropped and others must be rewarded and should be retained. As it can be seen, partner relationship management is similar to customer relationship management in many ways. If partners are seen as internal customers then there will be no need to differentiate PRM as a new notion. In fact PRM is a part of CRM and must be integrated into CRM application.

Emergence of Partner relationship management has brought some discussions with itself. One of the most important of them is "sharing of

customers' information" among the partners of a supply chain because technology have made it possible for the companies and their partners to share customers' information very easily and quickly. So companies should share their information with their partners to some extent, which depends from industry to industry, in supply-chain and make them available to customers as well. This leads customers to affect the structure of supply chain. For this reason the new structure will be more flexible one.

Better aligning products and services to customer needs and then providing customers easy access to those products and services through efficient channels of distribution are very essential. That will allow companies to target and adjust the channels to the specific needs of the most important customer segments of the organization.

The organization has information about the characteristics, service, price and such of their product, which has to be communicated to the customer. The channels do this by virtue of their large interface with the market (Brown, 2000, P. 129-132).

Since CRM gives companies necessary information about customers and their wants, it is normal that there will be fewer conflicts within channels supported by CRM than others. For instance a quality product either sold through a discount retailer or to low-income groups of people would not be compatible. If a company has a well implemented CRM system, that kind of thing happens rarely.

CRM not only helps efficient channel management but also helps optimization in marketing. Optimization is deployed already in production.

Especially with the quality and control systems it is possible to decrease the defection rate and costs in production. It is known that a defected product which is detected and taken out of the process can save the company 150 times additional cost if it is detected by the customer after sold.

When it comes to marketing, it has not been possible to mention optimization in marketing until recently because optimization is applied to problems where there is a well- defined measure of success. Today CRM equipped with new technologies makes optimization easier than ever before. Since it gets its power mostly from data, CRM pave the way for optimization in marketing. But it is still applicable just to well-defined problems. For instance customization can be measured from the response rate.

"Optimization is used on small islands of applications within marketing, but the function of marketing is still viewed as more art than science. Customer relationship management is an attempt to bring some science to the marketing function." (Berson, Smith, and Thearling, 1999, P. 398).

The cleaner the way of marketing, the more chance companies have to optimize it. If companies use many marketing tools it will be harder to measure sole results of an action. The more complex marketing functions, the harder to measure it. The old saying, "I know I am wasting half of my advertising budget, but I just don't know which half "shows that measuring performance and optimization is not an easy task for marketing even today.

3.8. PRINCIPLES OF CRM SUCCESS

The discipline of customer relationship management is young yet evolving rapidly. These guidelines will give a company the right CRM focus, and even generate revenue and profits (Pedraza, 2000):

- Become flexible, adaptable and sustainable.

- Maintain an unrelenting focus on creating customer value. CRM demands a design of economic model that is completely customer centric.

- Understand the power and limits of technology. Focus most efforts on what is done with the technology to add value to customers.

- Reverse customer priorities. CRM should focus the company's efforts on retaining today's best customers, deepening the relationship by cross-selling and up-selling products they need, understanding who the valuable customers are, then working to acquire more like them.

- Invest in the customer experience. It is the only sustainable determinant of the brand value.

- Clean, relevant, accurate and timely data is the point of entry. The right data need to be collected, cleaned, analyzed and available in split seconds.

- Develop powerful, in-house analytic skills. Instead of developing products and channels and then seeking buyers, first find people with needs and then create products for them.

- Integrate marketing into the entire business. Marketers are uniquely qualified to lead their organizations into the CRM business model, but their role must be redefined as one of creating customer value in real time.

- Emphasize customer interaction and dialogue.

- Run business in real time. CRM is essentially an ability to adapt products and services in real time in response to customer demands, particularly on the Internet.

- Institute the core fundamentals, and then scale up. Build CRM in small profitable "chunks" that work and evolve rapidly.

- Foster employee creativity and innovation. Attract great talent and enhance their data management, analytical and value-creating skills above all else.

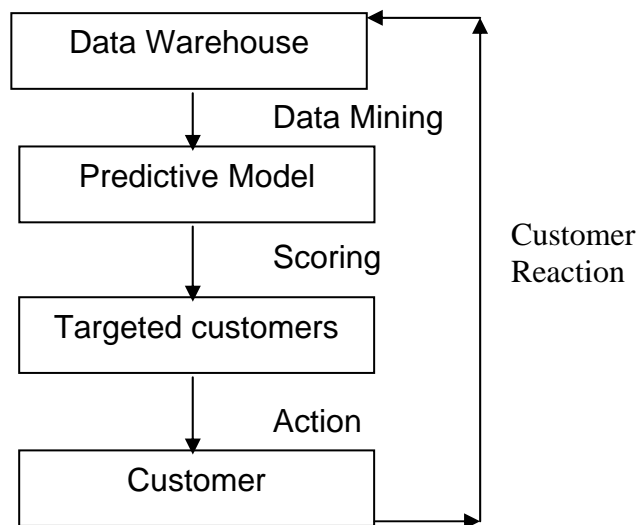# CHAPTER 4

DATA WAREHOUSE AND PROCESSING OF DATA IN CRM

"To fight competition, knowing what's on the customer's mind is the most important thing we can do."

Richard E. Heckert, Chairman, Do Pont

The relations between companies and their customers are evolving into much more closer and care based stage. Companies, who know well the importance of their customers and how critical it is to retain their existing customers, treat them like their babies. The word "baby" is intentionally used here because the level of care they need is extremely high just like customers. In addition to this there is another thing that a customer alike a baby is that they generally don't tell directly their inconvenience. They just give some sort of symptoms or reactions about the satisfaction level. So companies must try to understand what they are trying to tell. Sometimes the situation can be worse. They don't tell anything about their satisfaction level and don't give any reactions as well. In that case they must be enforced to state their ideas about the perceived level of service quality they get from. It is easier to be said than to be done. But these are all possible with the level of technology we have.

Technology made it possible for companies to recover some sort of patterns within customer data and gave them power of understanding their customers' wants and needs and reasons of inconveniences if there exist. As Kotler (1999) has foreseen, CRM will gain high importance by stating that "One key use of the computer is to manage the prospect and customer database"

In order to utilize data efficiently and effectively companies should follow the business process given below. As it can be seen below there are two important activities to meet customers demand. The first one is data warehouse and the second one is data mining. Now let's look at the data warehouse activity more closely.

```
┌─────────────────────────┐ ◄─────────────┐
│     Data Warehouse      │               │
└─────────────────────────┘               │
            │    Data Mining               │
            ▼                              │
┌─────────────────────────┐               │
│    Predictive Model     │               │   Customer
└─────────────────────────┘               │   Reaction
            │    Scoring                   │
            ▼                              │
┌─────────────────────────┐               │
│   Targeted customers    │               │
└─────────────────────────┘               │
            │    Action                    │
            ▼                              │
┌─────────────────────────┐               │
│        Customer         │───────────────┘
└─────────────────────────┘
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Figure 6: A Broader View of Where Data Mining Fits Into The Complete Business Process

Source: Berson, Smith, and Thearling (1999, P. 210)

4.1. IMPORTANCE OF DATA WAREHOUSE

Internet portal Yahoo! records every click made by every visitor, accumulating some 400 billion bytes of data per day — the equivalent of 800,000 books (Davenport, Harris, and Kohli, 2001).

The conventional focus of using computer technology was to increase efficiency in production processes. For this reason many companies implemented some sort of Enterprise Resource Planning (ERP) and used software and hardware related with them. At the end however return on investments (ROI) were not as high as expected because implementation of these ERP processes was challenging and requiring too much investment. Furthermore their structures were inflexible. Now there is an evolution into CRM focus in computing technology. As a part of CRM, data warehousing needs the attention of companies who wants to implement CRM because it is prerequisite of data mining and CRM as well.

A data warehouse is a subject oriented, integrated, time-variant, nonvolatile collection of data in support of management decisions. In other words, as Berson, Smith and Thearling (1999, P. 26) states in their books, a datawarehouse is "The synthesis of the data into a nonvolatile, integrated, subject oriented database with a metadata 'catalog'."

Main driver of data warehouses as a business tool is the improvements in computer technology. Computer technology has experienced significant improvements in both storage capacity and in storage costs. The typical costs for

maintaining a customer record in computer file fell from $10 in 1977 to less than a penny by 1990. These improvements in the computer industry provided exactly what the marketers need to keep track of her customers. Current and future computer developments, when directed at maintaining customer databases, will do for marketing what the steam engine did for manufacturing (Vavra, 1992, P. 28).

In many sectors companies have begun to establish profiles of their customers and many companies have found creative ways to gather information about their customers. For example a company has developed a creative solution to the problem through its "Eat and Earn" program where children find a 15-digit code inside cereal boxes and then go to the company's Web site, enter some personal information, and become eligible for free toys (Winer, 2001). However some companies started to gather all the data regardless of relevance and importance for decision making. The important thing in data-warehouse is not to create huge data mountains that are useless. Gathered data must be as relevant as possible with our company goals. At this point companies should be aware that data warehousing and data mining has a dual relation and they feed themselves in the process. It means that when data mining starts, it gives some sort of insights and clues and this makes companies selective while adding new data into data warehouse.

Today most of the companies understood that databases should be based on customers rather than products. For instance in airline industry companies recognized the benefits of establishing database or data warehouses based on

customers' behaviors, values and attitudes to exploit frequent flyers more and to save wasted money spent on campaigns or incentives targeted wrong peoples.

Data warehouses obviously provide enterprises better orientation then conventional marketing. Companies who utilize warehouses will most likely perform better in advertising, direct marketing, efficient and effective promotions etc. So the question arises. How?

A sales event may answer the question above. In this example, a sales person works for a PVC Windows producer. He goes to one of his customers' home to take the measurements of his windows and doors to give him a price offer. After a while the sales person recognizes that the decision maker is not the man, who has talked with by phone. He realizes that the decision maker was wife of the man. He convinces her and closes the deal. Until this point everything is normal but what if this couple has been already the customers of the company where that sales person works and the sales person knew about them? Sales person most likely would have sold them the products in a shorter time period. Because if he has had a data warehouse before he got to there, he would have relative information and close the deal earlier. So with a powerful data warehouse, companies can make their operations and sales activities more productive.

Different from data mining which is carried out for learning previously unknown facts about customers' behaviors and attitudes; answering specific questions and forecast what future will bring to market, data warehouses generally considered as an answer to the question that "what has been going on". It gives the first impression about customers. Data mining on the other hand equip companies to make good predictions.

Moreover with the help of data warehouses companies easily measure their performance. For instance, the exact results of mass advertising published in a newspaper can not be measured even though the number of newspaper sold is known. Because it can not be known who buys these newspapers personally. If it was possible companies still could have not measure the sole effect of these efforts because the result is composed of different factors different from each others. But in CRM which is based on data warehouse, performance can be tested because it is relationship marketing and it is almost one-to-one marketing.

Flexibility is another output of a well constructed data warehouse because with enough data as it has been mentioned above it is possible to know customers one by one and as a result of this marketing campaigns can be tailored and since the changes in customers' behaviors are seen or shifts in their wants, companies will be always up-to-date with them. This gives the opportunity to customize any interaction with a customer based on his or her preferences, which is called personalization. All of these will naturally make companies flexible with their customers.

"The marketers of the future will reestablish "personal" relationships with customers through detailed, interactive databases. The challenge is to quickly establish the required databases, and then to act on them to restore personal relationships in marketing." (Vavra, 1992, P. 27)

As the name implies date warehouse is a place where the operational data stored. But this is not enough. Data warehousing is not just gathering data and storing it. The data needs to be transformed by using filtering, summarization and other transformation methods into a structure where data mining activity can be

carried out. These warehousing processes shorten the time of mining and eliminate the complexity of the data stored in data warehouses.

There are three steps in data warehousing. These are Sourcing stage, Cleanup stage, and transformation stage (Vavra, 1992, P. 74)

Data need to be sourced: There are mainly two types of information. They are primary and secondary information. First one means, getting data from internal resources and creating information based on them. Second one means, using ready to use information, which is prepared by someone else. Since it is obvious it will not be expanded on secondary information. In order to create primary information companies must find ways to collect as much and relevant information as possible. What has Nintendo (A video game company) achieved is a good example of this data collecting process.

Nintendo offered to its customers "Nintendo fun club", which included a membership card and a bimonthly magazine, Nintendo Power. The magazine began as a newsletter. But as circulation reached two million, Arakawa, who is chairman of Nintendo and his director of marketing have taken a bold step to control costs. They began to sell subscriptions to an enhanced version of the newsletter. Much to the delight of Nintendo, a substantial proposition of its free circulation converted to subscribers of the$15 a year magazine. By 1990 Nintendo Power had developed a circulation approaching 2 millions, and the company had captured 6 million names for its database. (Vavra, 1992, P. 76)

Failure of many companies usually comes from not to fully utilize data source points. Even if they utilize all the touch points some of them still far away of integration of these sources and fail to make them up-to-date. This type of

failure leads to conflicts and chaos in decision making process. There is an example of that in finance industry.

A customer whose salary is 100$, withdraws his or her salary deposited to his or her bank account using current account last day of every month. That customer deposits 55$ for the credit card expenditure to the same account using the credit card account of the same branch of the same bank on fifth day of every month. Since these two systems are examined independently from each other from the current account of view it seems that the customer withdraws all his salary on the last day of each mount and spend or invest all of his or her money and differently from the credit card account of view it seems that the customer spends high amount of his or her salary and payback this money properly (Oğuz C. Gel, 2003, P. 4).

Important point in this example is that if the two systems could be viewed together then it would be possible to make some sort of predictions based on the customer behavior and perhaps it would be possible to keep this 55$ which is withdrawn and paid back after 5 days.

Cleanup: With this process enterprises should remove unnecessary data and make adjustments through scanning, and standardize the definitions of the data. Additionally through cleanup companies may find of missing values and make predictions to put necessary values into their data. For instance high income customers living in the suburbs will probably shopping less frequently and buying more at shopping comparing to typical customers. The things that can be adjusted are given below;

- Address and Zip code corrections: For example adding carrier route codes.

- Titling: Appropriate title is important; Mr. Mrs. Ms. Etc.

- Time management: Adjusting time points. For instance the receiving time of a mail or e-mail.

- Language standardization: All data, which is written in different languages, may be translated into one.

Transformation Stage: After sourcing and cleanup processes companies need to transform this data into meaningful information like "When was the customer's last purchase made?" or "How often does the customer purchase?" or "How much money has the customer spent over a specified period of time?" by using some sort of techniques like summarization changing structure and so on. By doing this decision making process can be accelerated.

At the heart of the warehousing there is the purpose of providing necessary and relevant information to decision makers. For this reason data selection and data processing must not be taken for granted. If enterprises ignore this process then they waste much more time spent on data processing. Moreover if the relevance of data is not at a satisfying level then the probability of giving right decisions will decrease.

Apart from these data processing stages there is another tool which helps managers to understand general situation. That is visualization. By the help of visualization managers or in general decision makers can easily recognize the important patterns of data and make decisions based upon them. With the help of

visualization decision makers who are not equipped well with deeply statistical knowledge can even make decisions based upon this visualized data.

Some terms, which are related to the data warehouse, were put below.

- Current Detail Data: Data that is acquired directly from the operational databases, and often represents an entire enterprise.
- Old Detail Data: Represents aged current detail data or the history of the subject areas; this data is what makes trend analysis possible.
- Data Mart: An implementation of the data warehouse, where its data scope is somewhat limited compared to the enterprise-wide data warehouse.
- Summarized Data: Data that is aggregated along the lines required for executive-level reporting, trend analysis, and enterprise-wide decision making.
- Drill-Down: The ability of a knowledge worker to perform business analysis in a top-down fashion, traversing the summarization levels from highly summarized data to the underlying current or old detail. For example if highly summarized geographical sales data indicate a reduction in sales volumes in North America, an analyst can drill down into the state.
- Metadata: Metadata is data about data. It contains the location and description of warehouse system components; the names definitions etc. (Berson, Stephen, and Thearling, 1999, P. 31).

4.2. DATA MINING

It is a well known fact that companies are experiencing a fast changing environment and also almost everybody knows that enterprises who adapt to this changing environment will survive and the others most likely will die. There is a tool, which has been either not discovered or not totally utilized. That is the power of the data. But the data itself doesn't make sense without exploitation. In other words, as Davenport, Harris, and Kohli (2001) state "Companies may know more about their customers, but most of them don't know the customers themselves or how to attract new ones." For that reason those who utilize this power which is come from several internal and external sources will survive and others will be out of business.

It is a well known fact that a customer database moves a company from a reactive to a proactive context in business building. Chye and Gerry (2002) point out that "Examining and analyzing the data can turn raw data into valuable information about customer's needs. By predicting customer needs in advance, businesses can then market the right products to the right segments at the right time through the right delivery channels."

An analogy can be made between functioning of human brain and the functioning of data mining. Brains of human-beings have very much information come from past experiences. When we come across a point where we make decisions our brains scan for an event which is similar the event we are currently experiencing. If it finds a similar situation we came across before, it takes it into consideration during decision making process. Like human brains data mining can

61

be seen as a scanning tool which scans through the data and past transactions data. In other words data mining is designed to find past success and failures and take lessons from them. More importantly data mining tools give companies the ability to predict what will happen next based on the past experiences. That wisdom makes data mining an invaluable step through customer relationship management because if the responses or behaviors of customers were known formerly then necessary precautions could have been taken to retain them in hand.

Customer satisfaction can also be improved through more effective marketing by the help of data mining. Companies no longer have to wait for customers to contact with them. Because worlds market experiences an informational age, and one of the main source of information is data then it is useful to leverage this data by transforming it into information because information is one of the most important weapons in today's marketing war. With accurate and up-to-date information, managers can make good business decisions and create well strategies based on this information.

As Berson, Smith, and Thearling (1999, Preface) state, "we can define information as that which resolves uncertainty. We can further say that the decision-making is the progressive resolution of uncertainty and is a key to a purposeful behavior by any mechanism (or organism)." In general, the current business market dynamics make it abundantly clear for any company information is the key to its very survival.

In order to understand how data mining helps the following example was given. Assume that 75 percent of a particular company's customers are female. Is it worth something? May be no. What if 75 percent of all customers are married

and 90 percent of married couples have one or more children. Companies can continue to define customers with these percentages and it is obvious that some of these ratios will be surprising and quite valuable (There is something here, which is very critical. Data mining gives companies generally some patterns that companies were not aware of. This feature makes data mining a valuable process). These are just about percentages. Moreover there are much more data that may be useful like data about customers' purchasing behaviors and their transactional data. In addition to these different sources of data, what if that particular company has thousands of customers. How can that company benefits from this huge amount of data? By using data mining techniques and tools this mass data can be easily leveraged.

So how can a particular company leverage this data and use it for the purpose of the CRM. The answer is data mining. Data mining describes a collection of techniques that aim to find useful but undiscovered patterns in collected data (Berson, Smith, and Thearling, 1999, Preface).

Data mining gives a company the wisdom of decision making when it is used to address some strategic business objectives. It must not be carried out for its own sake. But it does not necessarily mean that companies should close their eyes to the findings that show them something interesting apart from their targeted objectives while they are mining. The point wanted to be stressed here is that without a general objective just mining for its own sake will be most likely wasting time and money.

Companies implementing CRM without good data mining applications, waste their money. Some companies use CRM just to focus on their profitable

customers and they treat all profitable customers in a same way. That means these companies are using data mining partially. If the same promotions are sent to all profitable customers and if some of them are insensitive to this promotion then this means that some of promotion budget wasted because customers, who are insensitive to promotion might be retain without promotions they received. So companies must have found those, whose propensity to churn are higher than the others among their profitable customers. After applying data mining deeply enough companies could use their findings as an input in the process of decision making and would have decided to send this promotion to their customers with propensity to churn. The key point in this process is keeping customers at minimum cost. As Berson, Smith, and Thearling (1999, P. 7) emphasize in their book, "Companies should give their customers what they exactly need."

From the example above something can be inferred, which is very important. When it is used properly data mining helps companies achieve their goals of customer retention because with good exploitation of data mining companies can determine customers who has propensity to churn and may prepare a marketing campaign tailored to them to convince them stay with them. So data mining firstly helps segmentation and customer segmentation makes custom-tailored marketing possible. The following example makes the issue more clear.

A customer of an airline business sits in his place and recognizes that the magazines in his sit pocket are the ones he would like to read. What a satisfaction level that company achieves. If companies know their customers' interests then they can tailor their services according to their customers' wants and this is only

possible with the use of data mining process. The ultimate destination in this process is one-to-one marketing.

There is another aspect that can be attributable to data mining. That is fraud detection. When companies control all of the information of their customers it will be very useful for fraud detection. For example the double accounts, which belongs to the same customer whose intention is take advantage of a promotion provided two times, can be detected. Many organizations engage in data mining in order to do the followings:

Discover Knowledge: The goal of knowledge discovery is to determine explicit hidden relationships, patterns, or correlations from data stored in an enterprise's database. Segmentation, classification can be done based on discovered data.

Visualize Data: Analysts must make sense out of huge amount of information stored in corporate databases. Prior to any analysis, the goal is to "humanize" the mass of data they must deal with and find a clever way to display the data.

Correct Data: While consolidating massive databases, many enterprises find that the data is not complete, and invariably contains erroneous and contradictory information. Data mining techniques can help identify and correct problems in the most consistent way possible (Berson, Smith, and Thearling, 1999, P.34).

In general, data mining is carried out for learning previously unknown facts about customers' behaviors and attitudes; answering specific questions and forecast what future will bring to market. So data mining is not just a process of

finding patterns that reflect their customers' behavior. It takes its power and wisdom from capability to build predictive as opposed to reactive approach to their customers. Well implemented data mining process must predict the reactions of customers to a marketing campaign. From this sentence an important question arises. What if future behavior of customers was predicted in a wrong way? Then there would be 2 options. First one is neglecting the wrong prediction and making another one. The second and right one is having lessons from wrong prediction and trying to understand the reasons behind of it. After analyzing reasons necessary adjustments should be done in prediction model. This is called "closed loop" in CRM literature. It is a control mechanism that navigates data mining process into right way.

In order to set up data mining application a company should go trough a program. This program may compose of these stages:

Appropriateness: Data mining can be very expensive. For this reason it is done not for the sake of the name of it. First of all it must be in conjunction with vision, mission statements and the business a particular company in.

Readiness: As it has been mentioned at the beginning, companies should check their readiness level in terms of people, system, infrastructure, etc.

Problem Description: Companies should decide on the problem focus. It may be used to find a solution to specific problem or it may be used to analyze and to find a problem. So unknowing the problem may be the problem itself. Companies should define the problem because according to problem definition the requirements of system or other part of data mining may vary.

Determining the responsibilities: At this stage companies should decide whether to implement the whole process by themselves or not. If they outsource the whole responsibility or a part of it, they need to determine strictly the responsibilities of each party.

Data warehousing: It was mentioned above in details.

Training: Naturally before implementation, training is a must especially if employees are strange to that kind of activities.

Trial and Error: Although it is highly important this stage generally overlooked and ignorance of it generally costs too much. "This may cause garbage in garbage out". That means if input is not appropriate then outputs will not be appropriate too. For this reason at this stage whole process must be tested.

Run and Check the Results: Run the data mining and continually check the results and find new requirements to integrate into the system. Additionally quality assurance should not be overlooked at this stage.

Apart from the stages mentioned above, since data mining techniques deals with discovery and learning, it can also be divided into three major learning modes: Supervised, unsupervised, and reinforcement learning.

Supervised Learning: It involves a training phase during which a historic training data whose characteristics map to known outcomes are fed to the data mining algorithm. This process trains the algorithm to recognize key variables and values that will later become the basis for making predictions when scanning new data.

Unsupervised Learning: It does not involve a training phase. It instead depends on the use of algorithms that detect all patterns.

Reinforcement Learning: Although used less frequently than the other methods today, it has applications in optimization over time and adaptive control. Because the reinforcement model does not provide immediate corrective actions, it can be used to solve some very difficult time-dependent problems (Berson, Smith, and Thearling, 1999, P.34).

Under the light of what mentioned about data mining above until now, a question may arise. What is the difference between data mining and statistics? Actually this is not an easy question to answer. Data mining includes statistics and it is more than statistics. According to Berson, Smith, and Thearling (1999, P. 97), the main difference is that the data mining is meant to be used by end-user not the statistician.

Data mining effectively automates the statistical process, thereby relieving some of the burden from the end user. This results in a tool that is easier to use. So it can be said that data mining makes it easy for business and marketing professionals to utilize the power of statistics. As a result of this the lack of connections between statisticians and managers are less than before. Managers take advantage of all the opportunities that did not exist before.

CHAPTER 5

CUSTOMER RETENTION AND LOYALTY

Customer retention plays an important role in CRM. Some statistics given below proves that.

- 65 Percent of the average company' business comes from its present, satisfied customers.
- It costs five times as much to acquire a new customer as it costs to serve an existing customer.
- A business which each day for one year loses one customer who customarily spends 50$/week will suffer a sales decline of $1,000,000 the next year.
- 91 percent of unhappy customers will never again buy from a company dissatisfying them, and will communicate their dissatisfaction to at least nine other people (Vavra, 1992, P. 13).

The last statistic above tells something which is generally ignored though its importance. That is negative word-of-mouth of dissatisfied and defected customers. The issue can be more dangerous if dissatisfied customer is a person whose voice effective among vast majority of potential customers. Consider that a

receptionist have treated a customer very rude and couldn't meet that particular customer's wills. What would happen if that customer was a journalist who writes on a well-known journal? That would be obviously a disaster for that hotel. It means that if a company looses even one such customer that particular company must face up with the reality that it may loose much more money than it appears and also it may loose its prestige because of negative publicity.

The statistics above show that existing customers are obviously invaluable to companies and companies are also vulnerable to churning of their customers. Additionally some sectors are even more vulnerable to churning of their customers than others. For instance renewals of insurance policies are very vital for an insurance company. Since insurance companies spend much more money (Marketing, selling, agent commissions etc.) for capturing new customers than in many other sectors, churning of a new customer means huge amount of losses.

Under the light of these statistics it can be said that structure of marketing has changed. Companies have begun to establish new departments apart from marketing department like "service department", "complaint departments" and so forth. Because transaction marketing is part of a larger idea, that of relationship marketing, smart marketers try to build up long-term, trusting, "win-win" relationships with customers, distributors, dealers, and suppliers (Vavra, 1992, P. 13-14).

In order to create sustainable relations a new notion has been placed in CRM concept. That is Customer loyalty. It tells how much customers buy from a particular company and how long they stay with that company. The longer and the more often they buy from a company the more loyal its customers will be.

Customer loyalty has two important part associated with it. One is customer retention and the other is total share of customer called wallet share of customers'. Customer retention rate is the percentage of customers who have met a specified number of repurchases over a finite period of time (Griffin, 1995). It is important to understand that the customer retention does not mean necessarily customer loyalty. A particular customer may buy goods or service one a year and the same customer may buy from other goods that related with the same product, may be a complimentary good, from a competitor. So what it means that if total share of that particular customer is just 20 percent. Can it be said that a company who has got many of that kind of customers has high level of loyalty and don't have a loyalty problem? So even if companies retain all the customers that they have sold goods or services, the loyalty problem may still exist.

Share of customer means the percentage of a particular customer's budget which can be spent for the products or services that a company can provide. Firms' willingness to increase their customer shares with themselves have increased a lot recently. Companies in Turkey also have taken steps towards this orientation recently. That trend can be seen every where nowadays. Just like in a commercial saying "the more you increase your share with us the better and more service you get from us". By enforcing customers to increase their wallet of share with the company, companies target two things. One is to weaken competitors' market share and the other is to increase dependency of a customer to the firm. By doing this they finally achieve higher loyalty rates.

5.1. REASONS TO APPRECIATE CUSTOMER LOYALTY

Recently higher customer loyalty rate is put in companies' mission statements more frequently. The reasons or drivers of this orientation were given below.

Increased loyalty can bring cost savings to a company in at least six areas

- Reduced marketing costs (customer acquisition costs require more dollars)
- Lower transaction costs, such as contract negotiation and order processing
- Reduced customer turnover expenses (fewer lost customers to replace)
- Increased cross-selling success, leading to larger share of customer
- More positive word of mouth
- Reduced failure costs (Reduction in rework, warranty claims, etc.)

In general increased customer loyalty leads to higher profitability, higher employee retention, and a more stable financial base. (Griffin, 1995, P. 11)

Customer loyalty is very critical because customers are short in supply and their churning rates are very high. Moreover the longer customers are kept with the more profitable they are because initial costs to capture them decrease gradually when time passes. For this reason even small percentages improvement in customer loyalty can increase customer profitability in incredible amounts.

If a particular company has high customer loyalty rate this means that it has loyal clients. Their retaining costs are less than capturing new customers. In other words they are more profitable. In addition to this, loyal customers or clients

gradually turns into advocates and promote products and services free of charge. Once a customer is loyal then even when he or she stops buying it is easier to win back them because they are used to their companies' way of servicing and know procedures better. They don't want to learn different procedures and don't want to spend time for it especially in some sort of transactions that needs to be examined carefully. For instance if a customer uses a credit card he or she knows all the conditions of using that card. If he or she changes his credit card then new conditions and rules related to this specific credit card must be learnt.

Companies should be careful about the aim of loyalty because although it seems good, the aim of loyalty campaigns is not to make all customers loyal, but rather to improve the loyalty of those customers most likely to respond (Foss and Stone, 2001, P. 485). Otherwise if companies try to give everything to everybody then they will most likely face up with decreased loyalty rates. That principle lies at the heart of the customer loyalty strategy and CRM as well.

Another reason to appreciate customer loyalty is that it acts as a grantor of repeat purchasing. As it is mentioned before today's customers are more demanding and less tolerant. Although they are satisfied, many customers are defecting without a hesitation in today's marketing environment. Hence, caring about their satisfaction levels in order to make them loyal is not enough. So approaching to the problem of customer defection as a satisfaction phenomenon is not valid anymore. A research of Harvard Business Review proves that. According to it "Between 65 and 85 percent of customers who chose a new supplier say they were satisfied or very satisfied with their former supplier" (Frederick, 1993). So it can be said that current satisfaction measurement systems

73

may not be a trustworthy way to predict repeat purchase. For this reason customer loyalty seems to play an important role to ensure repeat purchases.

5.2. ACHIEVING LOYALTY GOAL

In order to make customers loyal it is important to build relationships with them along with high quality service. The ability to be flexible and adapt to the needs of customers are essential in a loyalty-based marketing system. For this reason it can not be reduced to just incentives and reward programs. As Brown (2000, P. 55) states, "True customer loyalty is created when the customer becomes an advocate for the organization, without incentive."

…we have seen firsthand the confusion that exists between trying to buy customer loyalty with points and discounts versus earning customer loyalty by providing value in ways that are meaningful to the individual customer in her or his terms. We have learned that customer loyalty can not be bought (Greenberg, 2001, P. 117).

In fact rewarding customers for their total amount of purchasing and giving incentives for extra purchasing is just a motivator but not a main reason for long-term loyalty. But that is not to say that it is useless because consumers are becoming more demanding in their loyalty requirements as they gain more power. Thus, as Schultz (2000) points out, the seller faces ever-increasing demand to add "value" to the relationship to keep customers satisfied because marketplace power has shifted from producers to the customer or end-user. For this reason rewarding customers is necessary and can be considered telling customers regularly that

means being thankful for their purchasing but not the sole factor that determines loyalty level.

There is an important factor that contributes to the success or failure of loyalty programs at the individual level. That is idiosyncratic fit, namely the perceived relative advantage that a program provides to an individual customer (Kivetz, 2003). For this reason companies who want to achieve high level of loyalty should care enough about the "idiosyncratic fit" of their deliveries.

Moreover companies who want to have loyal customers must be able to meet and even exceed their customers' expectations and build ongoing relationships with customers. Since loyalty is a result of powerful customer relationships management, relationships between a company and its customers must be dynamic and interactive in a way that when one part of the relationship changes the other part should also change to meet their changing and infinite demands. In other words relationships must be elastic or flexible. As Griffin (1995, P.116) states that, "Being flexible or elastic with customers is very important but that doesn't necessarily mean toleration because the word tolerance includes the meaning of superiority. Relationship which includes superiority is a poor one".

Since flexible, dynamic and continually changing relationships result in better products, services and higher level of loyalty companies must do their best to achieve customer loyalty. One of the most important ways to do that is offering exceptional service to customers.

"In order to give real service you must add something which can not be bought or measured with money"

Donald A. Adams

It is a well-known fact that all of the opportunities should be exploited to give customers required level of service to differentiate from competitors. It is however not well-known that if valuable customers are given unconditional extra level of service that they do not expect then it will create an invaluable asset for companies. As Bell (1994, P. 27) states in his book, "Customers will start to feel valued not used."

There is an important point here, which is generally overlooked in loyalty programs. Many companies invest huge amount of money to provide their customers high quality of service to retain them. But they ignore the need for making them aware of the extra services provided for them. This is very critical to achieve the goal of higher retention rate. In order to understand how companies can inform their customers about the extra services provided to them, the last part of a letter written by a company to its customers is given below. It is as follows:

"You probably have noticed our one-year guarantee, proof of our commitment to you satisfaction. If you ever need help or have a question, we have a customer service number: (718) 856-8700." (Griffin, 1995, P. 124)

Most of the customers who are not aware about the extra care and service may easily defect. For this reason keeping in touch with customers and telling them what is offered as an extra service is highly critical. When companies keep informed their customers about the service they give them, most of customers

may perceive the quality of service higher than existing level. It is very important because as Griffin (1995, P. 101) points out, "It is not the quality of service that given but the quality of service that the customer perceives that causes him to buy and come back."

So it can be said that when customers know what they get as an extra service they become more loyal to their companies and products of them. But while doing that, companies must be careful and sensitive. It should be perceived by the customers as a gift rather than a debt which will be paid later.

It is obvious that "giver" orientation is more powerful than the "give to get" orientation to service. In other words, powerful partnerships are anchored in an attitude of generosity, a "giver" perspective that finds pleasure in extending the relationship beyond just meeting a need or requirement (Bell, 1994, P. 34). These types of extra service can be perceived as an invaluable asset that keeps customers very long time.

At this point an important misperception must be highlighted. Giving something extra service to customers is not the same with compensating some failure in service. Normally the second one is not perceived as extra care.

What it comes down to is exceptional service actually not so costly in long run. Furthermore it is rarely needed and the loyalty it creates is incredible.

Another way to achieve loyalty passes through being proactive rather than being reactive. A company who reacts quickly when something goes wrong has been preferable until 1980s. Since 1980s such companies may be still acceptable but not preferable. Preferable companies foresee the problems before they come out and dismiss the inconvenience in the first place. In other words, as Nacra

(2000, P. 173) points out, "While many organizations continue to utilize "crisis management" tactics, dealing with problems only after a disaster occurs, a successful company has an enterprise-wide reputation management strategy in place and a staff that is at-the-ready, building the company's most important asset, corporate reputation, in real time.

Customers may leave their companies either gradually or they may leave suddenly. The first one can be overcome by utilizing data mining activities. But the second one mostly occurs in an emergency. In these emergencies companies should handle the problem immediately because that is generally a critical moment a customer decides whether to stay or not. Even if the problem can not be solved immediately, it is important that customers believe that their companies are doing their best. Leaving that impression in customers' minds is an essential part of customer retention.

Being proactive is not a complex or tough issue if companies have necessary tools and compatible employees. Being proactive necessitates not waiting for customers to contact the firm but rather being aggressive in establishing a dialogue with customers prior to complaining or other reactive solution. In this process the most constructive information comes from the mouth of customers. For this reason listening to customers is a prerequisite to foresee what will happen next. Since a poor service experienced by few customers is a signal for service failure in future, having solved quickly dissatisfaction can be stopped otherwise many customers would experience too. But first it should be known that there is dissatisfaction. So the most easy and accurate way to be aware of dissatisfaction is asking customers whether they are satisfied or dissatisfied

about anything. Accordingly it can be said that feedbacks direct from customers' mouths are effective weapons to be proactive.

Data mining that was mentioned previously is also very critical over here. For instance after carefully analyzing data what if a particular company discovers that sales of one of the products suddenly decrease. In the first place that company can easily understand that there is a problem with the product or service associated with that product. Focusing on other data related with that product deeply it can recognize the problem and fix it before most of its customers experience the same problem.

After achieving high level of relations with customers a new sort of need arises. That is the need to construct barriers to defection. As Brown, (2000, P. 63) states, "What you have today may be gone tomorrow, if the customer is not locked in or dependant." The more loyal a customer the more barriers it should be built. The reason of it is that customers who are more loyal are more profitable. Companies don't want to lose them. The most important barrier companies can make use of is dependence of customers to their company. For instance, if a company has been using a machine that has complex structure, learning all of its features takes long time. Then a particular customer probably doesn't want to switch another company because its machine's structure may totally different. This may be a good barrier for switching. Company who recognizes that potential barrier may differentiate its machine more from others as a retention strategy because the more familiar its customers are with that company and its service, the more loyalty that company gains from them.

Familiarities are also barrier to churning. Bell (1994, P. 155) in his book explains why customers feel very good at home. According to him the reason is the predictability like knowing where the extra paper towels are located. In general he claims that it is the familiarity that enables customers to negotiate their entire dwelling in the dark of night, without bumps and bruises. For this reason companies should create much more familiarity with the services and products by increasing the number of transactions and by keeping them up-to-date with the new services.

Another type of barrier is giving incentives. But this sort of barrier lasts generally by its very nature temporally. For this reason while keeping customers by the help of incentive barriers, additional barriers must be found to retain them permanently when the incentive is given up. Rewarding best customers helps protect them from competitive offers and gifts.

Moreover "Managing expectations" can be considered as a barrier to churning because if a company fails to do this it may increase the expectations more than it can deliver. Of course the more expectations a company creates the more customers it can capture but this is a short term effect. If companies don't balance expectations with deliveries, then in long-term they will be prone to lose most of their customers. If companies manage properly their customers' expectations then this may act as a barrier to churning for them. For instance if they direct their customers' attentions toward aspects of the product or service that are most likely to provide satisfaction, then these companies may achieve to meet their level of service requirements because perception is important for expectation management (Vavra, 1992, P.221).

For example at Four Seasons Hotels, new front-desk clerks wear name badges with "trainee" under the clerk's name. Management finds that it encourages guests to be less demanding and more forgiving of mistakes. That is a good example of managing expectations (Bell, 1994, P. 166).

Another barrier can be easily constructed if the difference between selling and helping people is understood. As Leboeuf (1989, P. 31) states, "Selling creates a sale. Helping people to buy creates customers and in turn prevents them from switching."

Psychological barrier is also one of the most important barriers. It is initiated by perceptions of customers with the quality of products especially for a brand. Sometimes it becomes so strong that a particular customer can not evaluate the alternative products objectively. There may be many ways to create this kind of psychological barriers. One of them is constructing membership clubs. When it is said membership clubs of course Motorcycle Company Harley Davidson comes first to most of the people minds. Although the primary reason to build this sort of membership club is to gather information from customers, they also help companies to build psychological barrier for customers to save existing relationships because these membership clubs generate the feeling of possession to company and it means loyalty in long term.

Relaxing customers is another barrier to churning. After buying something most of the customers become suspicious about the rightness of their purchasing decisions. Generally they show the product they bought to their friends and relatives and ask them whether their buying decision was right or not. Sometimes these friends and relatives effect customers negatively and may lead a negative

impression about the company because of the lack of knowledge about the quality or the feature that differentiate that product from others. In order to prevent this sort of situations companies may follow up the first sale through suitable channels and ask the satisfaction level of them with the product and if the customer is still suspicious about the correctness of his or her buying decision all doubts should be removed. But better thing is helping the customer during sale to buy what he or she really wants. Leboeuf (1982, P. 32) supports the idea by saying that "Focus on what customers want and need, help them to buy what is best for them, and make them feel good about it." By doing this companies freshen the trust of their customers. Moreover it shouldn't be forgotten to say "thank you" after a purchase. It will please customers more and finally creates barrier to churning.

As it is cited earlier, people maturity plays a leading role in CRM and loyalty as well. Especially employees, who are on the front line, are very vital for customer loyalty. It is perhaps not surprising that some successful managers extol the mantra "the customer comes second", meaning that where there is internal focus on employees they in turn will be able to understand customer needs and manage relationships effectively (Foss and Stone, 2001, P. 292).

Employees represent the company's products or services. Customers also see them not only as a front line employee. They also perceive them as the company they interact. Even if the overall performance of a company is good, when these employees treat customers badly or fail to meet their wants, customers may easily switch. For this reason companies should constantly train their employees and motivate them for loyalty objectives. Leboeuf (1982, P. 28) supports that idea by pointing out that "When we think of success in business,

most of us think in terms of dollars, cents, statistics, and facts and figures. Yet all those measures of success are determined by the behavior of customers and the employees who serve them".

Training is a clear issue but how to motivate them. Some managers implement reward programs for motivating them on the other hand some managers argue against reward systems. They believe satisfying customers are already in their job requirements and not to obey this rule is a reason for dismissal. On the other hand the managers who argue for rewarding systems say that if salespeople receive commissions for selling, shouldn't service people also receive commissions for retaining and satisfying customers? (Vavra, 1992, P. 245)

Another issue about employees regarding loyalty is empowerment. It means giving employees the authority to some extend for decision making. A hotel manager's saying, which may make the meaning of empowerment clearer, is the following. "I tell new employees, "you can break a rule to exceed guest expectations as long as it is not illegal or immoral and as long as you have used your best judgment in making that decision" (Bell, 1994, P. 87).

In order to make the issue more understandable, an example is given as follows. A customer of one of the well-known hotels prefers generally this hotel to stay when he travels international. He is a high value customer in terms of his average expenditure at each stay. Then someday he is late to reserve a room for himself and asked the receptionist for a single room. But the receptionist tells him all of the rooms were reserved. But that particular customer answers receptionist it is an emergency because he must prepare his presentations and the closest hotel

is 100 km away. Receptionist, who knows him very well, may tell him kindly that he can do nothing for him. That would most probably dissatisfy the customer. What if receptionist told him that "Well in normal circumstances I am not allowed to do that but since this is an exceptional situation I can give you the key for king suit just for one night and charge you with the same price of standard room? That would be amazing and most probably he would be life-time customer of this hotel.

The example given above, shows the power of empowerment when it is used properly. So companies, who give their employees the authority to settle the problems immediately when the problem arises, will most likely win their customers' loyalty in long run.

Empowerment gives employees the freedom to shape procedures to the needs of particular customers. Because customers are so different from one another, no one set of rules is going to satisfy every customer. If the employees are forced to deal with every customer with the same set of rules, employees will easily become frustrated and will pass this frustration along to customers (Vavra, 1992, P. 243)

In order to make it more concrete another example, which was quoted from the Bell's book (1994, P. 94) was given as follows. Consider that a customer of Electricity Company wants to watch a match on TV but the electricity is out. The customer is a fun of the team and she wants the electricity as soon as possible. Empowered customer representative realizes the problem is less about the electricity and more about the missing the game and the score. Representative

smartly tells the woman "I'll do everything I can to get your power on quickly. In the meantime, I'll call you every five minutes and update you on the score."

What if the companies set high loyalty targets and don't give their employees enough authority to achieve this target. The most likely result will be higher turnover among employees. Employees who work with companies who have high level of turnover can not to be loyal to their companies and their level of commitment to company are most likely generally low. In these circumstances a company can not expect their customers to be loyal because the prerequisite of customer loyalty is employee loyalty and their commitments to the company.

Besides empowerment, companies should exploit their employees as much as possible by creating focus groups and getting feedbacks from them. These types of focus groups may alert marketers before a problem arise. The other benefit of these employee focus groups is generation of new ideas from the feedbacks. Because especially frontline customers are closer to the final customers and they may reflect the needs, wants, and more importantly suggestions of their customers. Since empowered customers are bolder than standard ones they probably contribute their companies more. In order to get more and high quality feedbacks an appropriate environment should be created. Bell (1994, P. 85) states that "The organization that creates a climate of "Problem analysis rather than blame analyses" instills the confidence in its people to continue appropriate risk taking. Leboeuf (1989, P. 19) also supports Bell's advise by stating that "Companies should encourage employees to share their incidents, ideas, and problems and give them plenty of positive recognition and praise when they do."

Besides empowerment, monitoring frontline employees and service is also an important issue. Because in order to keep customers loyal, companies must ensure that their employees treat well to customers. For this reason just training and giving them authority is not enough. Companies should monitor and control the real life. There are several ways to monitor what is going on in real life. For example companies may place a camera at important points or companies may get customers' complaints by directing their complaints to a telephone number.

Another method, which is used widely, is using "mystery shoppers / customers". Firms send mystery shoppers to their customer touch points and they act like customers. They evaluate each employee and sometimes total service quality of a branch. By using mystery shopping, companies are more aware of the real life experiences of their customers. Moreover it is seen that some managers becomes mystery shopper and visit the customer touch points too. These experiences give them a real insight into understanding of real-life situations.

A well designed mystery shopper program, with follow-up training and reward programs, can achieve up to a 20 percent improvement in overall customer service (Vavra, 1992, P. 227)

A satisfied customer may be a good reason or at least a starting point for a particular company to achieve its loyalty goal. Customers can be satisfied by meeting their needs and expectations. "Needs" are obvious and clear. When it comes to expectations, it can be said that they are result of many factors which may be product or service itself, advertising, after-marketing activities and promises of the enterprises. The important point here is that expectations are dynamic and prone to change overtime and CRM as a way of communication

with customers is a good guide for the companies to navigate the company to the changing expectations.

Although companies generally acknowledge the importance of customer satisfaction most of them do not take necessary steps to motivate their customers and to integrate the customer satisfaction activities into their organizations. But there are exceptions like BMW and Rolls-Royce motor companies.

In mid 1991, BMW significantly increased the importance of customer satisfaction index (CSI) to its US dealerships by announcing that it would award performance bonuses to dealerships based not on sales, but on customer satisfaction scores (Vavra, 1992, P. 167).

On the surface it seems that customer' satisfaction level is very easy to determine. But in reality it is not. In order to have accurate information about customers at first companies need to know that how and why their customers purchase. Without this background it is impossible to ask the appropriate questions to determine the exact level of satisfaction. As a result of this the key word here is talking to customers.

"Talking to customers tends to counteract the most self-destructive habit of great corporations, that of talking to themselves" (Brooks, 1976, P. 345).

Paul Beart, who is manager of the Quality Assurance for Rolls-Royce Motor Cars, also highlights the importance of active involvement of customers in satisfaction studies. He describes the fundamentals of the rolls-Royce Owner

Satisfaction Programs:

- We really care about our owners.
- We listen to owners and learn from them.
- We respond to owner' ideas and needs, we really deliver.

This approach, says Paul, builds a thirst for knowledge within the company, a desire to find out why customers feel as they do (Vavra, 1992, P. 236).

5.3. LOYALTY TYPES

Griffin (1995, P. 22-23) classifies loyalty according to relative attachments to the products or services and purchase frequency of these goods or services.

No Loyalty: In no loyalty stage neither purchase frequency nor the attachment to the products or services are at the satisfactory level. For instance buying a sock does not necessitate high attachment. A sock is a sock regardless of where it is bought. Low attachment towards buying a sock combined with low purchase frequency means an absence of loyalty.

Purchase Frequency

	High	Low
High	Premium Loyalty	Latent Loyalty
Low	Inertia Loyalty	No Loyalty

Relative

Attachment

Figure 7: The Four Types of Loyalty

Source: Griffin, 1995, P. 23

Inertia Loyalty: In inertia loyalty stage buyers feel to some extend satisfaction with the company or at least no real dissatisfaction. This kind of loyalty gives enterprises the opportunity to move their customers into higher form of loyalty. At this point differentiation may be an effective weapon to win customers loyalty and respect. Additional features or services may be added to existing products or services. For instance, a hair dresser can add massage service to its standard service. By doing so, it differentiate its services and win its customers' higher level of loyalty.

Latent Loyalty: If customers are satisfied with products but they don't buy from their company frequently that may be a reason of a situational effect like sharp decreases in revenues or other external factors. At this point companies should look for these external factors or situational effects that prevent their customers to buy from them frequently. After finding the reasons companies can develop a strategy or solve the problem that decreases purchasing frequency of their customers.

Premium Loyalty: It is very obvious. As the name implies this kind of loyalty is the premium degree of loyalty enterprises want to achieve. Both attachments to products and purchasing frequency are at the satisfactory level. Premium loyalty may be called 'partnership' as Bell (1994, P. Preface) names it. He states that "Partnership evidence is manifest in customer comments like 'I have been going there for years' and 'I wouldn't go anywhere else.'"

5.4. LOYALTY STAGES OF PEOPLE

People grow into loyal customers by stages as well. Each stage has specific needs to be met by the companies. For this reason recognizing each stage is vital to treat people who buys from a particular company or has a potential to buy from that particular company, differently. According to Griffin (1995, P. 35), people can be categorized as defined below:

Suspects: They include everyone who might possibly buy product or service from a particular company. They are called suspects because it is believed, or 'suspected' that they might buy, but is not known enough yet to be sure.

Prospects: A prospect is someone who has a need for a particular company's product or service and has the ability to buy. Prospects know that particular company but they still haven't bought from it.

Disqualified Prospect: Disqualified prospects are those prospects about which a particular company has learned enough to know what they do not need or do not have the ability to buy that particular company's products.

First Time Customer: First-time customers are those who have purchased from a particular company one time. They can be customers of that particular company and still be customers of its competitors' as well.

Repeat Customer: Repeat customers are people who have purchased from a particular company two or more times. They may have bought the same product twice or bought two different products or services on two or more occasions.

Client: A client buys everything a particular company sells that he or she can possibly use. This person purchases regularly. That particular company has a strong, ongoing relationship that makes its customers invulnerable to the pull of the competition.

Advocate: Like a client, an advocate buys everything a particular company sells that he or she can possibly use. In addition, however, an advocate encourages others to buy from that particular company. An advocate talks about that particular company, does marketing for that particular company, and brings customers.

At this stage some relationships may go beyond advocacy. It is called consumer-company (C-C) identification. Identification causes people to become psychologically attached to and care about the organization, which motivates them to commit to the achievement of its goals, expend more voluntary effort on its behalf, and inter-act positively and cooperatively with organizational members (Bhattacharya and San, 2003).

Inactive Customer or Client: An inactive customer is someone who was once a customer but hasn't bought from a particular company in a period of time longer than the normal purchase cycle.

Customer Stage	Suspect/ Prospect	First-Time Buyer	Repeat Customer	Client	Advocate
Customer/ Account Profitability	$ Little to None $	$ $	$ More $	$ $	$ $ $ $ $ Greatest $ $ $ $ $
Marketing/ Selling Objective	Attraction	Transaction	Develop Relationship	Broaden Relationship	Leverage Relationship
Marketing/ Selling Strategy	Sell Benefits	Deliver on Benefits Promised	Provide Increasing Value Through Service and Support	Provide Value Beyond Product or Service	Provide Value and Get Clients to Sell for You
Cost of Marketing/ Selling	$ $ $ $ $ $ $ $ $ $	$ $ More $ $ $ $	$ $	$ $ $ Less	$ $ $
Knowledge of Customer Buying Preference	Little		More		Greatest

Figure 8: The Evolution of Customer Loyalty

Source: Griffin, 1995, P. 221

At each step follow-up process is mandatory. If a customer becomes inactive companies must take necessary actions to capture them back. But more importantly in follow-up approach companies should be proactive rather than reactive. By being proactive they will have wisdom to predict problems that will arise and take precautions for them.

As it can be seen below the profit generator system was designed very well and tells many things about the stages of customers and what to do at each stage to have loyal customers.
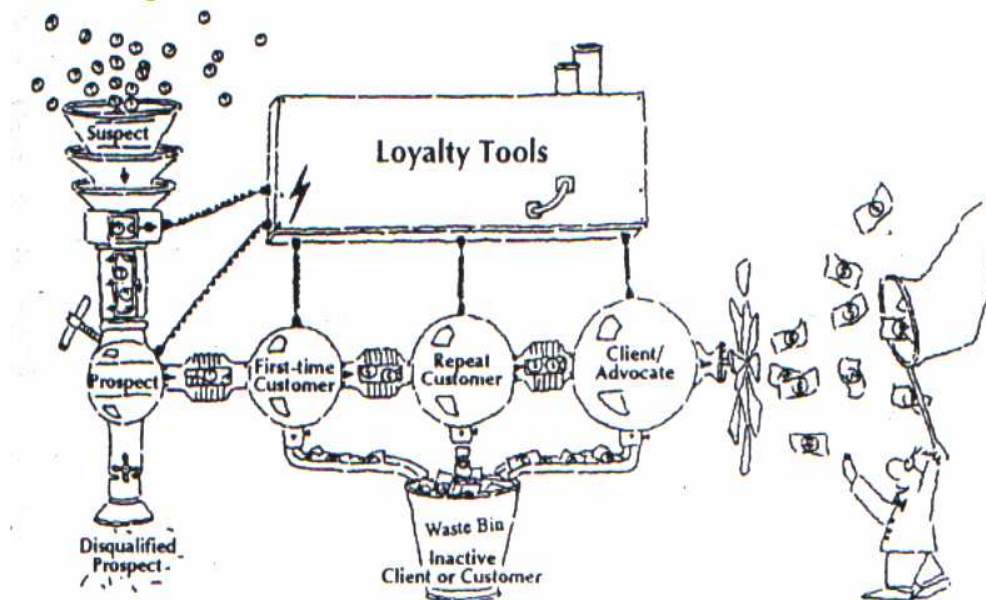
Figure 9: The Profit Generator System

Source: Griffin, 1995, P. 36

As Griffin (1995) explains, the system starts with suspects and these are either qualified prospects or disqualified. Disqualified prospects are thrown away the system. The sooner they are defined the less money and time companies spend. The next step is focusing on the qualified prospect to turn them into first-time customers, then repeat customers, then client and finally advocates.

As it is obvious, when a particular company stops caring about their customers in any stage through their profit generator system they may become inactive clients. It is possible to add another box under the waste bin and should

93

be called irrevocable garbage, because after several purchasing cycle if companies can not win back their customers, which are in waste bin, then they will most likely turn into irrevocable garbage. That means these customers are totally lost. That may prevent wasting time and money.

In fact reactivation of customers who stop buying is one of the most ignored sources of potential profits. When they are overlooked they will be idle for the enterprises and after a while they will most likely be lost forever. If these idle customers can be activated a particular company would have two opportunities. First one is that companies will be able to stop negative publicity of their inactive customers. In addition to this they will begin to promote their company again. The other opportunity is that companies would have the chance to detect the failures associated with their service or product to meet their customers' expectations.

5.5. LOYALTY BASED MARKETING

In order to get as much as benefit from marketing activities companies should be aware the loyalty stages that their customers go through. After defining their customers' loyalty stage they should give them tailored services according to their types of loyalty and stages of loyalty. For instance if companies want to turn prospects into first-time customers, definition of which was given above, companies should give them incentives or something can be done interesting that attract their attentions to their companies so that they will be closer to their

companies than any other competitors because the closer the prospects to a company the more chance a company have to affect them.

For example, Renault, the automaker, sent watches with no movement in them to 300.000 German car buyers. Along with the watch was a note saying that the rest of the watch could be obtained by test-driving a Renault. One-third of the Germans took the bait. Of those 2000 bought Renaults. That was very successful actually. (Griffin, 1995, P. 71)

Of course its success was coming from the custom-tailored campaigns. If loyalty stage has not taken into consideration these watches would be sent to people who were client or advocate of another company and worse of it these watches would be sent people who had already bought a car recently and it is certain that this campaign wouldn't be as successful as the campaign carried out by Renault.

When companies focus on loyalty it may cause a dilemma with market share strategy versus loyalty. For this reason it is very interesting and vital to balance loyalty strategy with the market share strategy. Chasing incremental customer business with steeply discounted prices and closing deals through the provision of "free" supplementary services grows customer share but wrecks a supplier's profits and market strategy (Anderson and Narus, 2003). For this reason, if ultimate goal is increasing market share as much as possible then this goal obviously limits customers' loyalty because in order to attract new customers, companies generally directs some parts of their sources to prospects to win new customers rather than retaining existing customers. This weakens both the loyalty of existing customers and the retention rate of new customers because

95

to win new customers who are not loyal to any company, enterprises provides incentives like sales promotions, discounted prices and so on, to prospects. While generating a short term improvement in sales and in the number of new customers, lots of whom eventually leave for a competitor when the incentives are given up, this strategy does not generate long term benefits to the companies. As the figure, which is given below, shows that most of the money is actually wasted for attracting those customers, who are prone to switch easily.
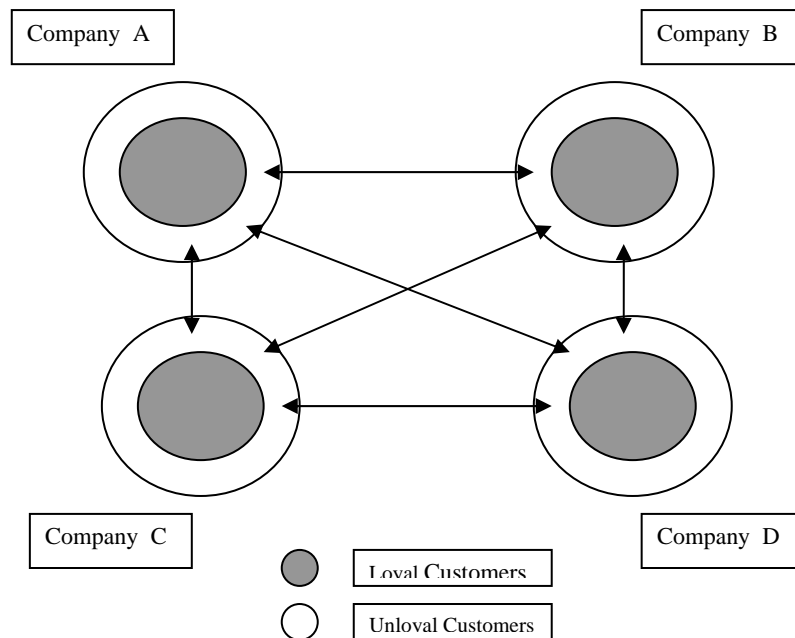
Figure 10: Movements of Customers According to Their loyalty

Moreover as Griffin (1995, P: 7) states, "Misused sales promotions may turn loyal customers into price-sensitive buyers." Hence that sort of over-promoting may be an important threat for the company and for an industry as

well. But it doesn't necessarily means that companies concentrate on just their existing customers. As it has been mentioned before, balancing is important.

Another threat associated with the market share strategy is increasing in diversity of customer base. Because substantial gains in market share can increase the diversity of the company's customer base, the company is forced to serve an increasingly heterogeneous base of customers with a homogeneous set of products and services (Vavra, 1992, P. 8).

CHAPTER 6

IMPLEMENTATION OF CRM

"There's never been a worse time to implement CRM packages. There's also never been a better time" (Taschek, 2001).

Before discussing the implementation of CRM, readiness stage of enterprises for CRM applications should be mentioned here because generally companies, who want to implement CRM, suppose that they are ready and well equipped for CRM implementations. But the truth is that most of them are not.

CRM is perceived by many enterprises as an easy task to carry out because it is seen just as a pill to swallow and hopping that everything will be better. But in reality that is not true. Embracing CRM with a holistic approach, communicating its future benefits and implementing it are not easy tasks. Failures of many companies who have tried to apply CRM within their organizations prove this. Since probability of success in implementing CRM is less than failure according to statistics and implementing CRM needs huge amount of money, the question "Are you ready for CRM" must be answered for companies before deciding to apply it. In fact before answering that question another question needs to be answered. Is CRM for you? In order to answer that question companies should have a look at their processes, channels, the number of existing customers

and prospects who are likely to be a company's future customers, a company's product assortment and so forth (See, App. 1). If they are not complex enough then Return on Investment (ROI) may not be as high as expected.

A match producer company most probably does not invest in CRM. Because the product is a commodity and the price of it is very low. For this reason manager of a match producer company can not expect their customers to be loyal. Even if they were, after investing huge amount of money in CRM, would it be worth?

According to Foss (2001, P. 449), the CRM model works;

- the higher value the product

- the more customizable it is and the more frequently the product is bought

- the more dependent the customer is on the product

- the higher the potential for incremental revenue (up-selling, cross-selling)
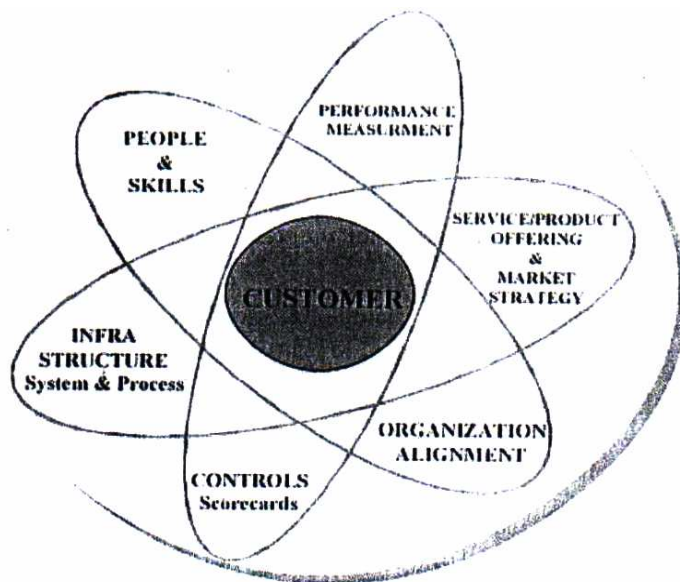
Figure 1: Key Organization Requirements

Source: Brown, 2000, P. 325

But in general as shown in the figure above, there are several organizational requirements for a successful CRM implementation and among them; system, people and customer are the key requirements. For this reason these key requirements must be examined more deeply.

As Gentle (2003) points out, the key to CRM success is to analyze a company's maturity, before implementing it, in four areas; customer focus, process, systems and people, (See App. A).

Customer maturity: Customer maturity is a measure of how far a company has evolved from a product-based model (Moving products out the door at minimum cost) to a customer-based model (Who's buying our products, why do they like us, how can we measure satisfaction, why do they leave, and how can we sell them more?) (Gentle, 2003). Customer maturity is about knowing customers. In other words, companies with high level of customer maturity know their customers in terms of profitability, propensity to churn which means defection or attrition and their lifetime values.

Systems Maturity: System maturity is vital for CRM because it is the level of integration of all divisions. With a high level of system maturity an enterprise share almost all of their information or data throughout all the divisions of a company. That means front office and back office applications are aware of each others activities. On the other hand enterprises with low level of system maturity lack of that ability. For this reason they should take steps to integrate their systems. If it is taken for granted there will be many wrong decisions because of low level of integration and incomplete information.

People Maturity: People maturity is generally taken for granted but that is also vital for a powerful CRM. When it is said people maturity it is referred first top management and then employees. Top management generally focuses on short term financial results because of the pressure from board of directors or owners of the company. Therefore support or acceptance by the board of directors and owner of the companies (top-down sponsorship) for CRM orientation and focusing on long-term rather than short term revenues are essential for a powerful CRM. For this reason it can be said that top management's commitment to CRM and sharing their knowledge with others are very critical for the success of CRM implementation.

Some companies seem to be caught in a vicious circle. If local staff does not understand the principles and practices of customer management, they find it hard to understand the benefits. In some cases, this problem may only be resolvable by staff transfer. However local skepticism about the benefits may be justified if the company has not worked out what the benefits are and demonstrated them clearly in its more mature operations (Foss, 2001, P. 277-278)

Second aspect of people maturity is employees. If a company treat their employees well then the employees treat customers well too. This is actually like a chain reaction. It begins from the top of the company and goes downs to the front line employees. If employees don't believe that top management cares enough for CRM they will do not care too. For this reason enterprises should continually train their customers about the benefits of good relations with customers and make it a work responsibility rather than an extra activity added their job requirements with bonus systems.

After having an idea about readiness stage if a company decides to implement CRM, the first thing to do is setting objectives. It is the most critical part of a CRM. Without an objective it is wasting money and time to implement CRM. A global company that did it the wrong way around found that the whole initiative produced no results except expenditure because a centralized view of objectives, strategies and timing did not match what could be achieved in most business units (Foss and Stone, 2001, P. 299). So the first requirement of implementing CRM is having clear and realistic objectives.

Companies also need to prioritize their CRM goals so that the most important actually get accomplished (Taschek, 2001). As Marline (2001) states, "The vast number of customer relationship management (CRM) projects are being undertaken with little understanding of what they are trying to accomplish.

Then the next stage, finding well equipped people and giving them authority and responsibility, comes for the CRM application. Sometimes companies determine first their customer management strategy and secondly decide on which technology and model to use in that strategy and thirdly they may select the suitable tools and buy them. They finally try to find appropriate human resources to carry out this system. In this approach there is a problem in order. If companies find people then leave them the choices of technology and other tools, on which they carry out the CRM, it would be more rational. Krol (2002) states that "Successful companies are getting the process first, then the people, then technology. That's the right order."

Once the goals are set, top management is convinced, the budget is set, compatible people found and the necessary infrastructure is built then the roll-out

stage comes. As it has been mentioned before, many companies make the mistake of viewing CRM as a pillow ready to swallow.

CRM can be implemented either by companies or it can be outsourced to implementation services. Choosing one of these two alternatives and selecting the right implementation service must not be overlooked. Once the decision is made then it is almost impossible to change that. Greenberg (2001, P. 282) points out that "Implementation services will cost companies double to triple the price of the software itself. Something that costly needs attention."

Sharing responsibilities in this complex system is very critical. Knowing what is in whose responsibility, decreases conflicts and prevents time wasting. For example one of these responsibilities is managing the whole team and it is called implementation leader.

Setting the performance expectations is also important and must be realistic along with the legacy systems, which need to be examined and necessary actions should be taken within the CRM system to provide consistency with legacy systems. If it is overlooked companies have to face up the formula below:

NT + OO = EOO

New Technology + Old Organization = Expensive Old Organization

(Brown, 2000, P. 269)

Final stage is to make necessary adjustments. After requirements are gathered and requests are met, system engineers make final adjustments on the system and also implementation leader eliminates the obstacles in overall system.

After all the stages above handled then the trial stage comes. This is where the actual hands-on work begins-with a prototype. The purpose of prototype is to develop some of the key functionality for the customer to examine before the rollout (Greenberg, 2001, P. 291). Prototyping gives opportunity to foresee the most likely problems and the chance of correcting them. For instance a particular company may test its call center and see the peaks in terms of time and number of calls. Then according to results that company may increase its call center agents or even it may change something radically. For instance that company may decide to charge some money for call center service which was previously free of charge.

After prototyping stage follow-up stage comes. Making plans is not enough. As Brown (2000, P. 273) states, 'Plan the work and work the plan' principle is essential during implementation.

Another vital part of the process is documentation. Implementation team no matter the company itself or a consulting company has full responsibility to provide documentation to relevant parties. All of these stages have an ongoing structure.

As it has been mentioned earlier, implementing a CRM strategy requires customer, system and people maturity. If companies achieve these tree maturity and match that with their objectives they will most likely be successful in implementing CRM. In any event, it must be kept in mind that customers are more than transactions. The companies who know this and act accordingly will reap a continual harvest of new and returning customers (Davenport, Harris, and Kohli, 2001).

A checklist for implementation of CRM was given below, quoted from an article written by Terence (2003).

- Establish measurable business goals.
- Align business and IT operations.
- Get executive support upfront.
- Let business goals drive functionality.
- Minimize customization by leveraging out-of-the-box functionality.
- Use trained and experienced consultants.
- Actively involve end users in solution design.
- Invest in training to empower end users.
- Use a phased rollout schedule.
- Measure, monitor, and track.

6.1. CRM IN DIFFFERENT SECTORS

As it is wanted to examine CRM applications in hotel business in this study it would be better to look at first other industries to have deeper insight into CRM in hotel industry.

CRM and Travel Industry

One of the general features belong to travel industry is that customers, no matter in which class they travel, request from travel companies a standard level of service wherever they are. So if a customer getting first class service in journey from Paris to New York, he or she expects the same level of service in the route from Argentina to Mexico. But this standard level of service quality all over the world is not a sample issue.

In airline industry the quality of service delivered by an airline can not be controlled entirely by the airline. For example when the airline uses a non-home port, typically most of the staff is contract staff. Customer service also depends upon other airlines, airport, authorities, air traffic control and, perhaps most of all, upon other passengers (Foss and Stone, 2001, P. 353). For this reason if the inconvenience is not company's fault, customers should be made informed by the travel company. Since being up-to-date with customers is an important goal of CRM, the companies who implement it will most likely to achieve this informing process.

When it is taken a glance in travel industry the frequent flyer programs are seen as one of the most important result of CRM. It is based on managing high-value customers. It is also important that the travel company should not ignore their customers who are traveling less. On the contrary they should be treated reasonably well because they may become frequent flyers in future. So guesstimating of which travelers will most likely be frequent flyer lies at the heart of this program. Obviously determining of most probable customers who will turn out frequent traveler is not enough. Travel companies should acted upon these findings and should prepare their process or reengineer their process to meet their customers' special needs. This is a stage in which a travel company utilizes CRM heavily because with the abundant data and the tools to analyze this data CRM applications provide the best estimations.

Recently some travel companies started to implement the top-vanilla model in their CRM approach. Its success lies in the basics of marketing which is finding an unmeet demand and filling it. Explanation of it is the following: Since

the provided service in travel industry has became almost commodity many companies have began to look for ways to differentiate. While many companies started to look for ways to differentiate themselves from other companies they took a group of customers for granted. These customers were just expecting the core benefit of traveling, which is arriving securely the place they want. That kind of customers was demanding generally standard and economical service. From this basic unmeet need, the top-vanilla model emerged and likely to exist in future.

CRM in travel companies increases the efficiency and effectiveness as in many other industries. For example as Foss and Stone (2001, P. 379) states in their book, "Once the airplane has left the ground, an empty seat can not be sold. Load factors vary, but rarely hit 100 percent, so using this spare capacity to promote customer retention seems sensible." It seems very easy on the surface to allocate these spare seats as bonuses. But in reality it necessitates a good communication infrastructure and an up-to-date customer-base to get most valuable results. This is what CRM may accomplish. CRM enables travel companies to manage allocation of seats by preferences. Moreover it allows the staff to see the details of customers and status of them.

In order to sum up it can be said that the goal of CRM in travel industry is to identify groups of customers, who behave consistently enough for them to be monitored and managed. This leads to a focused marketing communications policy mainly by mailing, e-mailing and telemarketing policy and service differentiation, which may be defined as greater privileges to more frequent flyers.

CRM and Retailing

Retail industry had little capability to capture customers' buying patterns previously. But currently it is one of the most suitable industries to implement CRM because of online shopping and the usage of some sort of cards like credit cards, membership cards. Moreover the number of buyers and buying frequency of them are very high.

As in many other industries, CRM increases the performance of retailers. In retail industry companies want their customers to visit them frequently, buy more, and buy more expensively. Furthermore in retailing, companies look for new ways to increase their customers' basket shares. In order to achieve this goal data warehouses and data mining activities are very important tools to be acted upon. For instance some goods may be placed close to each other if they are generally bought at the same time. The other example is club cards. They are used to look at each customer more closely and to understand their purchasing patterns and buying behaviors. So retail industry has many opportunities to implement CRM.

CRM and Automotive Industry

Reporting on the conference, the Toronto Star wrote that for automakers, "the neatest trick of the 21st century will be giving customers more product diversity while reducing manufacturing complexity, offering more for less and faster" (Brown, 2000, P. 192). For this reason companies should know customers' needs and wants much better then ever before on a faster time schedule. If companies fail to do that they lose their customers to competitors. Since losing a customer may cost thousands of dollars in automotive industry the automotive

companies give high importance to CRM applications. They have detailed customer data bases to tailor marketing campaigns upon them. Two ways of marketing is given below to give an idea about the new orientation that automotive industry goes toward.

Traditional way of direct marketing in automotive industry

- Its timing is determined by the supplier
- It is one way
- It is transaction focused
- It involves target volumes from lists
- It results in little learning by the supplier

CRM in Automotive Sector have the characteristics below:

- Customer timing is known
- It could involve dialog over time
- It could be continuous
- It could be focused on prospects and customers, finding the best ones to talk to
- It could use predictive algorithms to decide who to talk to and when (Foss and Stone, 2001, P. 437)

The key variables automotive suppliers need to include and have data on, to understand when customers are likely to buy, include not only data on the car owned, but also the current state of and changes in income and wealth and occupation, and also issues such as ethnicity. In other words, car marketing is becoming more life-stage-oriented (Foss and Stone, P. 411). For instance it is most likely in car market that most of loyal customers are old people. It is known that when customers are getting older, it may be hard to get them switch. So the key direct marketing effort may be cross-selling and up-selling.

Those companies, who has understood well the importance of loyalty started to add some new cars based on the requirements of young prospects because they understood well that the first car in a man's life has an invaluable effect in next decision when they change their cars. This finding is a result of data-mining activities and shows the importance of it for strategy management.

The success of automotive business relies on service much more than many other industries. Car producer companies communicate with their customers heavily through "services". For this reason "service" part of the car business is very important in terms of CRM applications because the major part of customer information is gathered through "service". Dealers generally take the initiator role for the usage of CRM. When they start to implement CRM, producers follow the dealers and integrate the CRM philosophy into their existing supply chain. But sometimes top-down CRM application is also seen. In generally car producer companies should measure the performance of both their production process and "service business" to fully satisfy their customers. (Brown, 2000, P. 433)

In automotive industry conflicts of interests likely to arise in near future between the producers and the dealers because producers started to sell directly to their customers and it seems that CRM will play a leading role in this new way.

CRM and Consumer Durables

Consumer Durables have a broader range of products and the level of CRM usage in consumer durables depends on the types of attribute of these products. Some examples of them were given below and went through the titles written by Foss and Stone (2001) in their book.

Durability:

It tells how quickly and how long the item lasts physically (Foss and Stone, 2001 P. 446). Durability is very critical. If it is too long then the implementation of CRM may be useless. If it is short then the orientation towards CRM increases. For instance, until recently owner of the mobile phones are more loyal because the durability of mobile phones was at the middle range. But recently the durability of mobile phones decreased too much caused high churning rates. For this reason CRM applications have increased.

Importance to the product:

Typically in terms of the cost compared to the customer's budget (Foss and Stone, 2001, P. 446). Electric bulb can be an example for that. It is cheap and a commodity. These kinds of products are not suitable to implement CRM.

Customization requirements:

If it is generally designed according to each customer's particular wants, these sorts of products are named as customized products. It is appropriate for the CRM applications.

The important thing from the CRM point of view is to understand different buying patterns and buying frequency of these products. Once that is understood companies can determine the value comes from using CRM and this further makes the companies capable of answering the question "Should we implement CRM".

CRM and Telecommunications Industry

Telecommunication sector is very appropriate for CRM applications. Especially in Turkey privatization of telecommunication services, which will bring competition much more than ever before, is paving the way for CRM applications.

There are several reasons that make telecommunication sector very appropriate for CRM applications. The first one is that communication companies have thousands and millions of customers and so much data about them. Moreover since they are already communication companies, they have the most important weapon to communicate with customers in their body. Besides that cost of communicating with their customers is very cheap.

As Brown (2000, P. 260) suggests, "Telecommunication companies should be differentiated in a market place that is prone to become commoditized." CRM helps companies to achieve this goal. In addition to this telecommunication sector has high churning rates. Accordingly, companies should carefully make the distinction between the valuable customers and invaluable ones and select high-value customers to invest in. If companies fail in targeting this may cause high churning rates because of the new customers whose propensity to switch are

higher than average. For this reason CRM has an important place in telecommunication sector.

Another characteristic of communication sector is that testing campaigns are cheap and simple. For this reason generally communication companies are very successful in campaign management.

CRM in the Higher Education Environment

The relationship between students and the education institutes, which lasts forever for many students, makes CRM an appropriate philosophy for education systems. The relationships do not end generally after graduation because after it customers become "alumnus". Education institutes organize some sort of activities not to lose the soul of friendship and campus life. At this stage institutions organize some sort of activities to convince for donations.

So what may be the reason that leaded an alumnus to donation? The answer is commitment to university and that commitment had been created by relationships between students and the institute.

Education institutes not only provide education as a sole core product. As Greenberg (2001, P. 169) points it out, "Not only does the institution deliver an education, it also embeds products and services that span industries, such as hotel, restaurant, public safety, sports, theatre, retail and media. Given the complexity, diversity, and dynamic nature of these relationships, some form of CRM would seem to be mandatory"

Although they are alike each other in many aspects, student relationship management (SRM) is distinct from CRM because education institutes share their knowledge, solutions, and sometimes resources with each other. Hence all of the

education institutes have a chance to share their unique SRM success for their mutual benefits. For this reason, like many other sectors, education sector should benefit from the CRM as much as possible.

6.2. CRM MEASUREMENTS

What gets measured gets done is a business truism (Brown, 2000, P. 283). Measurements systems are vital because based on the results of these systems managers can make their decisions. The only way to convince top management to implement a new system is to promise them higher revenues than investments. So this approach is called measuring return on investment (ROI). It tells what will be the revenue proportional to investment.

If the performance of a system can not be measured it means that it can not be known whether it is successful or not. Most of the CRM consultants acknowledge ROI as a good way to measure the performance of a CRM system. Although there are different types of measurement tools like cost reductions, revenue increases, and market share indicators that are classically used, in general, As Krol (2003) states, 'success' from the CRM point of view can be measured by measuring the following items: respondents' customer churn rate; 'share of wallet;' customer satisfaction ranking, based on respondents' research; customer acquisition rate; and front-office staffing costs for customer service and sales reps. are all measurements that are taken into consideration in ROI.

Usually the clearer the measurement systems, the more successful companies will be. Specifically The measurement approach needs to be simple enough to implement quickly and identifiable to employees and customers alike (Brown, 2000, P. 291).

Generally, companies need quick actions that are easy to measure in order to improve day by day their customer relations. But that is not enough. The key to a sustainable advantage in this area is the right blend of incentives, metrics and structural changes. These can start to produce a true customer-directed orientation that, when combined with technology to generate and distribute information, can turn a company into a market-driven leader (Day, 2003).

CHAPTER 7

FIELD STUDY: APPLICATION OF CRM IN HOTEL BUSINESS

Hotel business was chosen to be examined in this study because growing rate of hotel business is increasing sharply in Turkey and CRM is not known enough to be fully utilized. In addition to this the number of CRM researches made on tourism sector is fewer than other sectors like finance.

According to Foss (2001), hotel business falls into middle range in terms of frequency of purchase and value of the purchase. Since frequency of purchase and value of the purchase determine the necessity of CRM, it can be said that CRM is necessity for hotel business.

In order to understand the level of CRM applications in hotel business a questionnaire has been prepared (See App. A, App. B, App. C and App. D) and e-mailed to 100 hundred 5 stars hotels in Turkey. But unfortunately in general the respond rate of questionnaire was very low. Just 20 hotels answered the questionnaire. Fortunately it has been achieved to talk with managers of several five stars hotels face to face from different disciplines. For this reason, an insight has been aroused about the level of acceptance of CRM in hotel business as a strategic philosophy.

7.1. METHOTOLOGY AND FINDINGS

First part of questionnaires was given to hotels just to understand their readiness stage and maturity level and second part was given to see their retention focus. Then part three was prepared to have an insight about the acceptance and implementation level of CRM. Moreover after computing the results it has been aimed to see how CRM implementations affect customers' satisfaction and loyalty. For this reason those hotels interviewed, have been analyzed in terms of their readiness stage, retention focus and in general their level of CRM implementations.

In Appendix A, total points are categorized into five degrees. Categorization has been made through the fallowing;

1-4   Points fall into category 1

5-9   Points fall into category 2

10-13   Points fall into category 3

14-17   Points fall into category 4

18-21   Points fall into category 5

In Appendix B, total points are also categorized into five degrees. Scoring has been made like the fallowing;

1-6   Points fall into category 1

7-12   Points fall into category 2

13-19   Points fall into category 3

19-24   Points fall into category 4

25-30   Points fall into category 5

In Appendix C the numbers which are marked by the respondents (Hotel Managers) were summed up and divided by the number of questions asked. In other words their means have been found.

In Appendix D, 2 critical questions asked to the customers of each hotel interviewed. The number of customers for each hotel was 20. Than numbers marked by each customers summed up and divided by 20. In other words for each respondents (Hotel managers interviewed) according to answers of their customers, means of customer satisfaction level and loyalty level have been found.

Customer Loyalty Level, Customer satisfaction level and implementation level of CRM of the respondents have been chosen as variables. In order to find level of CRM implementation of each respondent, the scores of each categories of first, second and third questionnaire have been summed up and divided by 3.

Finally these three variables are applied to SPSS Software and remarkable results have been found. Before discussing the results found by the help of SPSS software, some sort of results at first glance have been tried to discuss below.

It seems that 90 % of the hotels, which have responded, are suitable to apply CRM into their enterprises but unfortunately just 60 % of the hotels have high maturity in terms of system, people and technology. So it can be said that there is an important gap between being suitable to implement CRM and being ready to implement CRM. Under the light of this result it can be said that in spite of the high potential, most of the 5 stars hotels in Turkey in someway don't utilize their potentials to have a well-planned CRM strategy.

When the results of the retention quiz (See App. B) examined, it can be seen that 85 % of responders fall into "retention focus" category, 10 % of them fall into "retention aware" and 5% percent of them fall into not retention aware category. Although these statistics are exciting, something has really surprised me. Most of the respondents have thought too much on the question 1 in retention quiz and most of them told that they spend equal amount of money for both attracting new customers and retaining them. It seems paradoxical when we compare this with the results of retention quiz. I think in reality they spend more money for retaining current customers but they don't aware of that fact.

In general all of the responders were aware of the importance of their customers but surprisingly just 25 % of them have given true definition of CRM. This result tells us something very important. They should have been given CRM training programs because they have just heard of the name of it but they don't know what CRM really means.

Although 75 % of respondents don't know what CRM really is, all of them see CRM as extremely important. This is great and helpful for CRM implementation projects but not enough because still 50 % of hotels interviewed haven't got a system plan to support the holistic customer management approach. In general support of top management seemed very strong on customer related issues but just few of them are enthusiastic to establish serious CRM system plans. They do most of the parts of a CRM plan but they don't put these efforts under the CRM heading. For this reason they can't see what they have and what they need.

When the responders have been asked "Which activities do you perform in your organization?" the answers below have been collected.

Activities	**Percentage of hotels, which perform these activities.**
Conduct regular customer satisfaction surveys	100 %
Sponsor special events or activities for customers	90 %
Collecting, maintaining, or manipulating customers' data	100 %
Conduct a customer communication program	90 %
Publish a proprietary magazine	60 %

The results above tell that the responders are generally good at basic CRM activities except the last one. Surprisingly just 60 % of responders have proprietary magazines. Moreover 80 % of the hotels interviewed seem to have one single system through which employees can view the customers. Additionally all of the responders have stated that they have audit mechanism like mystery shopping.

When it comes to rewarding systems more or less all of the managers of hotels interviewed have mentioned that they are implementing rewarding systems. But the problem is that these rewarding systems were not designed well. They implement short-term incentives system. Percentage of hotels who implement bonus systems proves that conclusion. According to questionnaire just 40 % of responders have automatic bonus systems.

As it has been mentioned before just few hotels interviewed implement CRM professionally. Most of them are performing many parts of a CRM project but they still lack of many things. When the responders were asked "Does your organization quantify the profitability and customer lifetime value (CLV) of each customer?" 60 % percent of responders' answers were negative. It was very surprising actually. Because knowing customers' profitability and their lifetime values are prerequisite of implementing CRM philosophy into organizations. It was the biggest challenge of the hotels interviewed.

Moreover 70 % of responders don't have any information about their companies' share of each customer's business. In other word they don't know their customers' share of wallet. It seems an important obstacle for up-selling and cross-selling. But according to responders who haven't got information about

their customers' share of wallet thought that they try to grow their relations with their customers with up-selling and cross-selling. It shows that most of the hotels interviewed are not taking professional consulting services about CRM applications.

Another result of the field study is that almost all the five stars hotels interviewed have stated that they are segmenting their customers on multiple dimensions. Frequency and profitability were used more than other features according to responders. Moreover 80 % of responders have stated that they are using results of segmentation for customization. They are trying to give their customers the best service according to their needs and wants.

When it comes to service quality, it is a well-known fact that the most important thing is "people". It seems that most of the responders were aware of this fact because when the responders were asked "Which one is the most important factor among people, process and technology for the success of CRM applications", 90 % of them have marked "People" as the most important factor. For this reason it can be said that they value employee empowerment. The result of the question "To what extent do you have no blame culture that encourages the staff to record complaints as a positive means of improving customer service?", also proves that because according to results, 80 % of them have told that it is a positive manner and expected from each employee. That was really a good sign for CRM conscious because the results show that most of the responders were aware of the importance of employee empowerment and they really try to empower their employees.

Although it can not be known what is going on in daily practice 20 % of the hotels seemed to have good performance at CRM in general according to results of the study. The hotels which belong to this group have systems to detect customers who have high potential to defect and their system warns managers about inactive customers and helps them to save their customers from defection. Moreover their systems have the ability to measure customer profitability and customer lifetime value.

Under the light of these findings it can be said that vast majority of the hotels interviewed seemed to have high potential to fully utilize all the benefits of a CRM application but in order to do that, top managers must found a CRM system plan. Since the number of customers is not too much in hotel business compared to other sectors like retail or finance, the cost of founding CRM systems will be very low but the return on investment will be most likely much more than expected when it is applied truly. For this reason hotels must invest in their employee and train them about CRM. Because "employee" is the most important element in hotel business as most of the responders have stated.

Apart from the findings above, by the helping of SPSS Software it is found that there is a strong association between CRM implementation and satisfaction level of customers and their loyalty level.

Measures of Association

	R	R Squared	Eta	Eta Squared
satisfaction level * crm implem.level	,477	,227	,491	,241
customer loyalty * crm implem.level	,607	,368	,648	,420

It has been also found that there is a strong correlation between level of CRM implementation and loyalty of customers and their satisfaction level.

Correlations

		satisfaction level	crm implem.level	customer loyalty
satisfaction level	Pearson Correlation	1,000	,477**	,538**
	Sig. (2-tailed)	,	,008	,002
	N	30	30	30
crm implem.level	Pearson Correlation	,477**	1,000	,607**
	Sig. (2-tailed)	,008	,	,000
	N	30	30	30
customer loyalty	Pearson Correlation	,538**	,607**	1,000
	Sig. (2-tailed)	,002	,000	,
	N	30	30	30

**. Correlation is significant at the 0.01 level (2-tailed).

Correlations

			satisfaction level	crm implem.level	customer loyalty
Kendall's tau_b	satisfaction level	Correlation Coefficient	1,000	,393*	,487**
		Sig. (2-tailed)	,	,012	,002
		N	30	30	30
	crm implem.level	Correlation Coefficient	,393*	1,000	,543**
		Sig. (2-tailed)	,012	,	,001
		N	30	30	30
	customer loyalty	Correlation Coefficient	,487**	,543**	1,000
		Sig. (2-tailed)	,002	,001	,
		N	30	30	30
Spearman's rho	satisfaction level	Correlation Coefficient	1,000	,489**	,580**
		Sig. (2-tailed)	,	,006	,001
		N	30	30	30
	crm implem.level	Correlation Coefficient	,489**	1,000	,637**
		Sig. (2-tailed)	,006	,	,000
		N	30	30	30
	customer loyalty	Correlation Coefficient	,580**	,637**	1,000
		Sig. (2-tailed)	,001	,000	,
		N	30	30	30

*. Correlation is significant at the .05 level (2-tailed).

**. Correlation is significant at the .01 level (2-tailed).

CHAPTER 8

CRM IN FUTURE

In this chapter some predictions will be given based on evaluation of the notion of CRM in its recent history. The first one is that CRM seems to be expanding across all the departments of an enterprise. Additionally, integration process through enterprise resource planning and sales force automation will seems to continue. With this integration CRM will be more attractive in terms of both returns on investment and rightness of decisions based on the outputs of the system.

Another prediction can be made about the new structure of marketing department. Since most of the success of CRM comes from customer retention, CRM may cause marketing department separate into two different parts which are acquisition and retention departments in future.

When it comes to budget constraints it will be cheaper to build necessary infrastructure because world market experienced a continually reduction in prices of hardware and software in past and this will likely to continue in future. So this reduction will accelerate the implementation of CRM in near future. Because information comes from different customer interaction points one of the most challenging parts of building a powerful CRM is creating a single customer view.

This existing challenge will turn out to be a painless issue with the help of integrated CRM infrastructure.

With the emergence of CRM the issue of customer privacy tends to be a more serious threat for CRM. This trend may limit the data captured from customers and CRM as well. In order to avoid this kind of conflict of interests the notion of "Permission Based CRM" will gain high importance. For this reason to inform customers about the aim of the company for storing the information gathered from them will be highly important. If necessary some kind of agreements between customers and the enterprises who get data from their customers will be widespread. With these agreements how much privacy customers expect and how much sharing of customers' information can be performed will be determined. But generally customers will look for higher level of service and will be willing to share their personnel information if they believe that they will get high level of service as a result of this.

Another issue companies will face up to is that, in near future customers will anyhow start to be aware that enterprises are treating them differently. For this reason some sort of ethical issues will probably arise. Enterprises will have to please the customers, who are worth to retain but they will get less benefits from the company than high value customers. Treating one customer better may mean relatively treating others worse. This may even lead to a paradox for CRM philosophy and probably reshape it. For this reason the more customers aware about CRM activities the more careful the companies should be while determining the extent to which they treat their customers differently. Companies who ignore this fact will have to confront mass of unsatisfied customers.

CRM will become truly customer-driven, proactive, and permission based. But more importantly it will become a predictive tool for managers. It is certain that like today in future the power of CRM implementation will come from predictive feature of it. In near future most of the companies will achieve building customer databases and they will be able to know what their customers did in the past but the predictive aspect of CRM will determine the winners and losers.

As Foss (2001, P. 508) states "in some industries, predictions of next year's values will not the issue, prediction of tomorrow (or even today's) value will be. The reason for this will be smart data analysis - whether of high-volume retail transaction data, or of answers to questions posed by call center operators-really does give knowledge about what the customer is likely to do next. In the world of e-business, this has been extended to where the customer will click next".

Furthermore the trend toward wireless world will likely to continue. So a new notion "mobile-CRM" will gain more importance. Soon a sales person will be able to close a deal onsite, give specific guidance as to availability, place the order in their Palm, and have it not only registered in the CRM system back at headquarters, but to trigger manufacturing and billing and have the product in shipping before she gets back to the office. Now that is customer service (Greenberg, 318).

New technologies will enable automated interactions that are data-driven and totally personalized. Additionally customers will easily, quickly and efficiently access information. As a result of this fact, the level of interaction between the companies and customers will be getting deeper and deeper. It may

reach the level that inform a sales representative via his or her mobile phone when a customer opens the file which was e-mailed to him or her by the sales representative.

It must be also mentioned that, "E-business", which will not only reshape CRM but also totally reshape our lives, will have an important role in the future of CRM. Indeed, as Berson (1949, P. 484) claims that the future for data mining and CRM is closely linked with the enormous potential of e-business and therefore looks extremely bright. It will clearly allow companies to compete and win on entirely different levels from those of today.

What it comes down to is, CRM generates profitable and sustainable revenue growth and it will continue to revolutionize marketing.

CHAPTER 9

RECOMMENDATIONS AND CONCLUSION

"Happy families are all alike; every unhappy family is unhappy in its own way."

Tolstoy, *Anna Karenina*

This chapter deals with several recommendations for CRM implementations and conclusion for field study. The scope of the recommendations is trying to illustrate the lacking points and wrong practices of CRM to the managers who are applying or ready to apply it into their enterprises. In addition to the recommendations, a brief summary of findings from field study will be given.

When the CRM applications of enterprises are examined, it is seen that the most important lacking point is misperception of the basics of CRM. Although as a business philosophy CRM is a way of understanding, anticipating, and managing the needs of an organization's existing and potential customers, it has been seen that many companies just achieve the first step which is to understand of their customers. In order to do that they are making interviews and enquiries but other two steps which are to anticipate and to manage their customers' needs are generally remained untouched. Obviously many firms even don't know that

they need other two important steps as well. They think that it is enough just to meet their customers' existing needs but the truth is that only few companies those are exceeding their customers' expectations and managing their needs will be able to survive.

Another weakness of companies, who want to achieve to be customer-centric, is that they don't segment the market or their customers. A successful company should segment the market and target one or more segments to serve according to specific needs of each segment. After that, companies should separate each segment into sub-segments. For instance they may define some attributes like customer lifetime value or customer profitability as a distinctive factor and divide segments into sub-segments but in general while doing that, companies should define objectives and aim of the CRM application and create a channel strategy based upon customers' endless needs and finally build necessary infrastructure for it.

Another point that many companies usually fail at CRM applications is that they determine some CRM related goals but they can't communicate these goals to their employees. CRM philosophy should be set in all of the minds of people who are more or less contributing to companies' value chain. It is certain that without employee training programs companies can not achieve their CRM goals. Even if companies have well-equipped employees, without a bottom-up management focus CRM can not be instilled into body of any organization. For this reason top management should also satisfy their employees and make them happy as well and then employees will make the customers happy in return.

Being firm is also another common mistake done by many companies as well. Firms sometimes forget their main goal which is to satisfy their customers. When a customer demands something which is normally not possible according to rules an employee may have the initiative to react upon. For instance, if a particular customer in a hotel calls customer service and wants them to bring him or her cup of tea then customer representative may say that "it is not possible after 11:00 p.m. so I can not send you a cup of tea". But what if the customer representative says that "Sir I would like to inform you that tea service is not available after 23:00 under normal circumstances but I will send you what you want as an exception for tonight because you may have not knew that". That would be really satisfying. So companies and their employees should be flexible as much as possible with their customers. But it

One more lacking point is about CRM integration. If a customer makes hotel reservation through call center, front desk representative should be aware of the information about the customer. If front desk employee asks to the same customer his or her address again it means that there is a long way to go in terms of CRM application. Once the scope of CRM can be understood, then integration problems can be easily overcome. Information technologies are very helpful for companies, who really want to create a CRM focused company.

There is one more lacking point in CRM applications of many enterprises. Some enterprises stop thinking about one of the main goals of CRM. It is differentiating companies in their customers' eyes. Actually CRM is a way for organizations to differentiate in their customers' eyes. Companies may be able to know their customers' wants and needs almost individually by the help of CRM.

131

For this reason they should fully utilize this valuable knowledge by giving their customers extraordinary and highly customized services. Companies should make their customers feel as if they know each of their customers individually. In other words companies should try to be a face that their customers will always remember. For instance if a particular customer of airplane company con not find his or her favorite magazine or newspaper in his seat pocket that makes him feel that he is a stranger for the airplane company and vice versa.

When it comes to applications of CRM in hotel business, under the light of the findings of field study it can be said that most of the five stars hotels in Turkey have high potential to capitalize benefits of CRM. On the other hand, findings tell that managers of the hotels interviewed think that they know CRM but in reality most of their knowledge is unfortunately superficial. They need professional CRM training programs because in hotel business the way for success pass from differentiation and CRM is an effective tool for this purpose.

In order to sum up it can be said that companies are experiencing a new era in marketing today. Customers are more powerful then ever before and loyalty has gained more importance. Hence, as Thomas (2003) states "CRM has moved from 'nice to have' to necessity" and. For this reason to achieve high loyalty rates companies who want to survive must rebuild their organization charts and listen to their customers and employees more then ever before. As Bell (1994, P.179) states, "Successful leaders will be those willing to turn the organizational pyramid upside down and work daily to serve those, who serve the customer".

QUESTIONARY FOR READINESS STAGE

Should You Even Consider CRM?

Answer the questions Yes or No.

- Do you have a large number of people (more than 30) in sales and service in direct contact with customers?

- Are you in a highly collaborative environment, with customer interaction requiring input from multiple players in sales and service?

- Do you sell complex products that require a high degree of configuration and customization?

- Do you have a large number of customers (more than 5,000)?

- Is a typical customer relationship worth a lot to you from a profit standpoint (will it cost you a lot to lose one)?

- Can your customers interact with you across multiple channels?

- Do you have frequent contact with large groups of customers, or all customers, across multiple channels?

- Do you need to customize what you're saying to each customer through these channels?

Scoring: If you have three or fewer yes answers, your company isn't a candidate for *CRM*. If you have four or more yes answers, then score one point and continue.

Rate Your Maturity Level

- Customer maturity: Is the same unique customer identifier (real or cross-referenced) used in at least two of the following systems: sales, ordering, billing, and customer service? Yes = 2 points

➕ Process maturity: Do you have repeatable processes in the following functional areas?

  ✓ Marketing: Yes = 2 points
  ✓ Order management: Yes = 1 point
  ✓ Customer service: Yes = 1 point
  ✓ Sales: Yes = 3 points
  ✓ Billing: Yes = 1 point

➕ Systems maturity:

  ✓ Do you have a data warehouse that consolidates information about customers and products? Yes = 3 points
  ✓ Do you have an automatic interface between sales and order management (no double entry)? Yes = 2 points
  ✓ Do you have an automatic interface (no double entry) between customer service and at least one of the following systems: sales, order management, billing? Yes = 2 points
  ✓ People maturity: Are your people sufficiently motivated to embrace *CRM* concepts and tools because they're relevant to their jobs? Yes = 3 points
  ✓ Start-ups: Is your company in start-up mode or less than two years old? Yes = -5 (subtract 5 points)

Scoring: Add the scores from Part 2, plus the one point from Part 1, and enter the total here.

Final Scoring

7 points or fewer: Your Company isn't ready for CRM. Concentrate on process improvement and simple tools like contact management software or Web-based applications.

8-14 points: Your Company is ready for *CRM*, but much more work remains over the next 12 to 36 months before *CRM* will yield tangible benefits.

15-21 points: This is a rare occurrence! Your compan*y* is ready for *CRM* because of a sufficiently high level of maturity in terms of customers, processes, systems and people. *CRM* is a logical extension of what you already do and will yield benefits in as little as 12 to 24 months (Source: Gentle, 2003)

APPENDIX B

QUESTIONARY FOR RETENTION STAGE

1. How are your marketing founds currently allocated between

   a) Attracting new customers to win them over to your brand or company (Conquest marketing)
   b) Focusing on current customers to keep them from leaving your brand or company?

Attracting new customers   _____%
Retaining current customers   _____%

                         _____
Must equal   100%

(If retaining equals attracting 3: points; if retaining exceeds attracting 5: points.)

2. Do your current marketing strategies specifically mention customer retention as a goal?

[ ] Yes (1 point)
[ ] No (0 points)

3. Does your company have a database of your current customers?

[ ] Yes (2 points). If the database resides in the marketing department or the marketing department has free access add 2 more points.

[ ] No (0 points)

4. Does your company make itself available to customers with an 800 telephone number?

[ ] Yes (2 points). If the calls are answered directly by operational people, add 3 points, if by clerks with reports sent to management on a regular basis add 2 points.

[ ] No (0 points)

5. Does your firm regularly (at least once a year) initiate some form of contact with your customers?

[ ] Yes (1 point). If more than one contact per year, add 1 point.
[ ] No (0 points)

6. Do you offer any "mileage" or customer appreciation buying incentives?

[ ] Yes (1 point)
[ ] No (0 points)

7. Are customer complaints regularly examined and analyzed?

[ ] Yes (2 point). If each complaint is personally acted upon, add 2 points. If the marketing area operates this function or is involved in the analysis and implementation of correction activities add 2 additional points.

[ ] No (0 points)

8. Are customer purchase records audited to spot changes (discontinuance) of purchasing?

[ ] Yes (2 point)
[ ] No (0 points)

9. Does your CEO play a participatory role in any customer audit or survey programs?

[ ] Yes (1 point). If on a regular basis, add 2 points, if only to review summary reports add 1 point.

[ ] No (0 points)

Add your total points. Scores between
30 and 20: Retention focus
19 and 12: Retention aware
Less than 12: Not retention aware
Source: Vavra, P: 273

APPENDIX C

MAIN QUESTIONARY

In this questionnaire unless another meaning is appointed, numbers from 1 to 5 mean respectively;

○ 1 Not at all
○ 2 A little
○ 3 Somewhat
○ 4 Very
○ 5 Extremely

1. Is your corporate culture customer-based or product-based?

○ 1   ○ 2   ○ 3   ○ 4   ○ 5

(One means product based and five means customer based)

2. How do you define CRM?

○ 1   ○ 2   ○ 3   ○ 4   ○ 5

(One means no idea and five mean very well defined.)

3. To what degree you implement a CRM system plan?

○ 1   ○ 2   ○ 3   ○ 4   ○ 5

4. How much important CRM for you?

○ 1   ○ 2   ○ 3   ○ 4   ○ 5

5. To what degree does top management commit to customer retention, penetration, acquisition, and efficiency objectives?

○ 1   ○ 2   ○ 3   ○ 4   ○ 5

6. To what degree the activities below are applied in your organization?

🔸 Conduct regular customer satisfaction surveys

○ 1   ○ 2   ○ 3   ○ 4   ○ 5

🔸 Sponsor special events or activities for customers

○ 1   ○ 2   ○ 3   ○ 4   ○ 5

🔸 Collecting, maintaining, or manipulating customers' data

○ 1   ○ 2   ○ 3   ○ 4   ○ 5

🔸 Conduct a customer communication program

○ 1   ○ 2   ○ 3   ○ 4   ○ 5

🔸 Offer customers a frequency incentive program

○ 1   ○ 2   ○ 3   ○ 4   ○ 5

🔸 Publish a proprietary magazine for customers

○ 1   ○ 2   ○ 3   ○ 4   ○ 5

7. How much do you conduct interviews with customers?

○ 1   ○ 2   ○ 3   ○ 4   ○ 5

8. To what degree do you stand in your customers' shoes?

○ 1   ○ 2   ○ 3   ○ 4   ○ 5

9. To what degree do you combine all the information about your customers in one easily accessible (e.g. knowledge you receive online or through telephone call centers)?

○ 1   ○ 2   ○ 3   ○ 4   ○ 5

10. To what degree do customer service representatives have easy access to customer service, customer delivery and customer history information?

○ 1　○ 2　○ 3　○ 4　○ 5

11. To what degree do you have quantitative methods for measuring the effectiveness of marketing programs and service quality?

○ 1　○ 2　○ 3　○ 4　○ 5

12. To what degree do you implement employee empowerment?

○ 1　○ 2　○ 3　○ 4　○ 5

13. To what degree do you explore on customers, who are highly dissatisfied?

○ 1　○ 2　○ 3　○ 4　○ 5

14. Which one defines your customers' level of loyalty?

○ 1　Defect and don't come back again
○ 2　Defect easily but have a chance to win-them back again
○ 3　Defect only, if there is a more valuable offer
○ 4　Don't defect even there is more valuable offer
○ 5　Champions (Promote also the company; identification with the company)

15. To what degree do you have audit mechanisms like mystery shoppers?

○ 1　○ 2　○ 3　○ 4　○ 5

16. To what degree do you have activities or opinions on how to build trust in relationships with your customers?

○ 1　○ 2　○ 3　○ 4　○ 5

17. To what degree does your organization quantify the profitability and customer lifetime value (CLV) of each customer?

○ 1　○ 2　○ 3　○ 4　○ 5

18. To what degree does your company have programs to reward loyal customers?

○ 1   ○ 2   ○ 3   ○ 4   ○ 5

19. To what degree does your company know how your customers prefer to communicate with you (Such as fax, internet, person-to-person or not at all)?

○ 1   ○ 2   ○ 3   ○ 4   ○ 5

20. To what degree does your company segment existing and potential customers on multiple dimensions?

○ 1   ○ 2   ○ 3   ○ 4   ○ 5

21. To what degree do you have some measurements system like "A particular company's share of each customer's business"?

○ 1   ○ 2   ○ 3   ○ 4   ○ 5

22. To what degree do you try to grow your relations with your customers with up-selling and cross-selling?

○ 1   ○ 2   ○ 3   ○ 4   ○ 5

APPENDIX D

2 CRITICAL QUESTIONS

ASKED TO HOTEL CUSTOMERS

Numbers from 1 to 5 mean respectively;

○ 1 Not at all
○ 2 A little
○ 3 Somewhat
○ 4 Very
○ 5 Extremely

1. To what degree you feel yourself loyal to hotel you stay currently?

○ 1   ○ 2   ○ 3   ○ 4   ○ 5

2. To what degree you satisfied with the service?

○ 1   ○ 2   ○ 3   ○ 4   ○ 5

THE TECHNOLOGY-CENTRIC

VIEW OF THE DATA MINING PROCESS

```
┌─────────────────────────────┐
│            Data             │
└─────────────────────────────┘
              │  Selection
              ▼
┌─────────────────────────────┐
│     Focused Data Subset     │
└─────────────────────────────┘
              │  Preprocessing
              ▼
┌─────────────────────────────┐
│       Preprocessed Data     │
└─────────────────────────────┘
              │  Transformation
              ▼
┌─────────────────────────────┐
│        Formatted Data       │
└─────────────────────────────┘
              │  Data Mining
              ▼
┌─────────────────────────────┐
│       Predictive Models     │
└─────────────────────────────┘
              │  Human Interpretation
              ▼
┌─────────────────────────────┐
│          Knowledge          │
└─────────────────────────────┘
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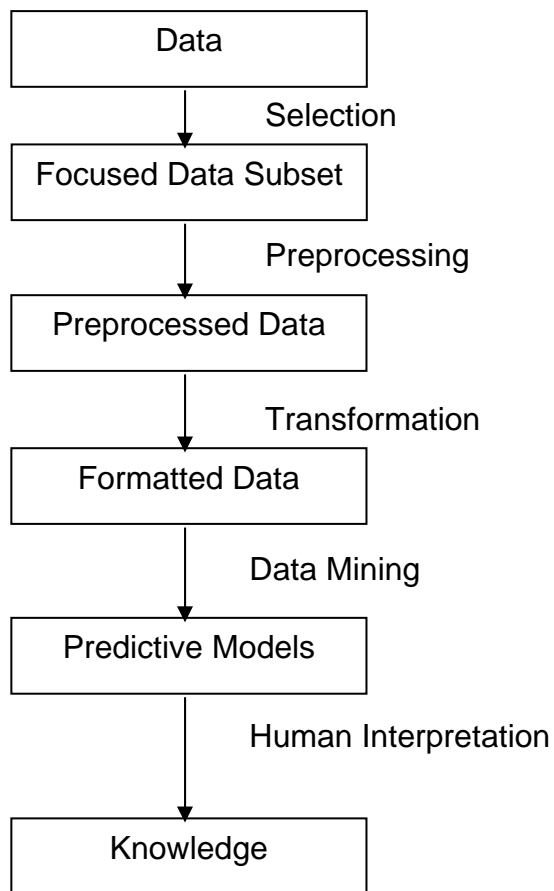
Source: Berson, Smith, and Thearling (1999, P. 203)

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CUSTOMER RELATIONSHIP MANAGEMENT

AND APPLICATIONS AND EFFECTS OF IT IN HOTEL BUSINESS

YASİN BAL

JANUARY 2005

147

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A THESIS SUBMITTED TO

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IN

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JANUARY 2005

Approval of the Graduate School of Social Sciences

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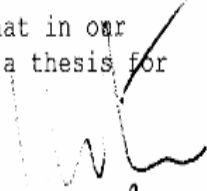
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for the degree of Master of Science/Doctor of Philosophy.

Prof. Dr. Alev Katrinli

(Title and Name)
Head of Department

This is to certify that we have read this thesis and that in our
opinion it is fully adequate, in scope and quality, as a thesis for
the degree of Master of Science/Doctor of Philosophy.

Prof. Dr. Tuncdan Baltacioglu

(Title and Name)   (Title and Name)

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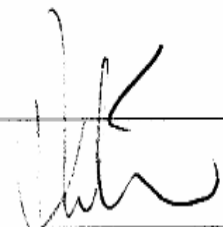
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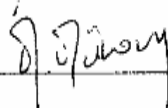
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ABSTRACT

CUSTOMER RELATIONSHIP MANAGEMENT

AND APPLICATIONS OF IT IN HOTEL BUSINESS

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MBA, Department of Business Administration

Supervisor:

Co-Supervisor:

January 2004, 147 pages

This thesis analyzes Customer Relationship Management (CRM), which is a new marketing philosophy, and focuses on a field study which examines the level of acceptance end effects of CRM in hotel business.

Since a new era is experienced in marketing where the power has shifted from enterprises to customers, Customer Relationship Management (CRM) has gained much more importance than ever before and enterprises started to understand that they must go beyond good customer service and begin to build relationships with their customers.

By the help of field study it has been found that despite the fact that CRM is composed of people, system and technology, the most important factor for enterprises to establish good relations with their customers is the "People". So it seems that despite the technological improvements, nothing will replace the "People" especially in service business. From the interviews and observations, it has been also understood that managers of the hotels are highly enthusiastic about building good relations with their customers but it has also been found that they are acting slowly to establish a comprehensive CRM system plan, though most of them are ready to apply CRM in their organizations. The most important reason behind of this fact is the hardness to see true effects of CRM in short-run. Other factors which affect the acceptance of CRM and the effects of CRM on customer satisfaction and customer loyalty are further analyzed and some recommendations are given within the thesis.

Keywords: CRM, Customer Relationship Management, Loyalty, Hotel, Customer Satisfaction

ÖZET

MÜŞTERİ İLİŞKİLERİ YÖNETİMİ VE

OTELLERDEKİ UYGULAMALARI

BAL, Yasin

İşletme Yüksek Lisans, İşletme Yönetimi Bölümü

Tez Yöneticisi: Prof. Dr.

Ortak Tez Yöneticisi: Prof. Dr.

Haziran 2003, 147 sayfa

Bu çalışma, yeni bir pazarlama felsefesi olan "Müşteri İlişkileri Yönetimi'nin (MİY) otellerdeki uygulamaları ve müşteriler üzerindeki etkilerini incelemektedir.

Pazarlık gücünün üreticilerden müşterilere el değiştirdiği günümüz pazarlama anlayışı yepyeni bir boyut kazanmıştır ve MİY hiçbir zaman olmadığı kadar önem kazanmıştır. Artık birçok yönetici, müşterilere kaliteli servis sunmanın ötesinde onlarla uzun süreli ilişkiler kurmayı ihtiyaçtan çok bir gereklilik olarak görmeye başlamıştır.

MİY'nin amacı şirketlerin müşterileriyle iyi ilişkiler kurmasıdır. Söz konusu olan ilişkiler olunca "İnsan" faktörünün en önemli unsur olduğu öngörülmüştür. Nitekim yapılan çalışmayla MİY'ni oluşturan sistem, insan ve teknoloji unsurları incelenmiş olup oteller gibi servis kalitesinin ürünün nerdeyse tamamını oluşturduğu iş kollarında müşteri memnuniyeti açısından en önemli unsurun "İnsan" olduğu görülmüştür. Otel yöneticileriyle yapılan görüşmeler sonucunda yöneticilerin MİY konusunda istekli oldukları görülmüş fakat altyapı olarak çoğunun hazır olmasına rağmen uygulamaya yönelik kapsamlı bir MİY sistem planı oluşturmak konusunda isteksiz oldukları tespit edilmiştir. Bu isteksizliğin CRM uygulamalarının sonuçlarının ölçülmesinin zor ve uzun erimli olmasından kaynaklandığı görülmüştür. Bu çalışmayla MİY uygulamalarının kabul görmesini etkileyen diğer faktörler ve uygulamaların müşteri memnuniyeti ve sadakati üzerindeki etkileri incelenmiş ve önerilerde bulunulmuştur.

Anahtar Kelimeler: Müşteri İlişkileri Yönetimi, Müşteri Sadakati, Otel, Müşteri Memnuniyeti

To My Parents

TABLE OF CONTENTS