CUSTOMER RELATIONSHIP MANAGEMENT QUESTIONS WITH ANSWERS

**SECTION A**

**QUESTION 1**

Customers define their loyalty to an organization according to their total experience with it. Similarly, they define loyalty by the sum of their experiences with the organization, across all touch points and across all experiential elements. This means that Customer Relationship Management initiatives whose goal is to improve loyalty must view the Total Customer Experience from a holistic perspective.

1. Total customer experience **(6 marks)**

Total customer experience is what a customer feels about the sum of her experiences with a company combined with other experiences and information he has gained from the external marketplace. The customer’s total customer experience is the result of marketing experiences and expectations. Meeting or exceeding expectations yields loyalty, while a negative match yields disloyalty and customer exit. One of the most important yardsticks that we can use to measure how well we are doing is to monitor customer experience. Thus in order to manage total customer experience, the company needs to evaluate all aspects of contact with its customers through the marketing mix with each of the aspects of the marketing mix needs being evaluated from the customers’ perspective.

1. The **three** vectors that influence the customers’ total experience. **(9 marks)**
2. **The external marketplace**

What customers hear based on what is happening in the marketplace. Market analysts, media, the competitors, stock market, innovations and events all influence customer expectations. **(3 marks)**

1. **Company brand image**

A company’s brand is a promise to the customers. Hence the brand image influences customer expectations. The company’s brand position, the image it establishes in the marketplace, is a key element in setting expectations. **(3 marks)**

1. **Customer experience management**

This consists of all the different ways the company touches its customers like customer service, product support, marketing, products and services etc. It is by delivering on their brand promises that companies create value. **(3 marks)**

**(Total 15 marks)**

**QUESTION 2**

The significance of corporate values in ensuring consistently high levels of customer satisfaction. **(15 marks)**

Organizational climate and culture are the foundations of long-term marketing effectiveness. Corporate (core) values are what support the vision, shape the culture and reflect what the company values. In other words, they are the essence of the company’s identity-the principles, beliefs or philosophy of values. Core values are part of a company’s DNA. They define what an organization stands for, highlighting an expected and ultimate set of behaviors and skills in as far as customer service is concerned. A company’s values lie at the core of its culture. There are several ways how corporate values can help a company and its manager to ensure consistently high levels of customer satisfaction:

1. Corporate values constitute the driving force behind the company’s products or services and its after-sales procedures. If the company really believes in the need to maximize customer satisfaction and thereby ensure long-term success, then the product or service, the sales activities and after-sales elements will be coordinated to deliver what the organization and customer want.
2. In companies where the corporate values are customer focused the other elements of the service chain will always blend together, which will result into a seamless delivery of quality services at all the customer touch points thus ensuring satisfied customers.
3. Corporate values help companies in the decision-making processes. i.e. corporate values influence the company’s decision on how it will allocate its financial, technical and human resources to maximize customer satisfaction. For example, if one a company’s core values is to stand behind the quality of its products, any product not reaching the satisfactory standard are automatically eliminated. This will ensure consistent provision of quality products onto the market leading to customer satisfaction and retention.
4. Customer oriented corporate values help the company and its managers to maintain focus on the customer i.e. the help to balance the quantitative and qualitative factors of the company. This will ensure that every decision being taken at all levels has the customer in focus resulting into consistent customer service.
5. When properly executed at the leadership level, core values play a fundamental role in attracting and retaining talented employees, reducing internal conflict, differentiating the brand, and attracting the right breed of customers. Thus, establishing strong core values provides both internal and external support to the company’s effort to ensuring consistently high levels of customer satisfaction.
6. Corporate values educate clients and potential customers about what the company is all about and clarify the identity of the company. This will help to shape the expectations of the customers and impact on the customers’ satisfaction levels. Especially in a highly competitive market, having a set of specific corporate values that speak to the public is definitely a competitive advantage.
7. Corporate values are the values that underlie work, how employees interact with each other and they help them to decide which strategies they employ to fulfil the mission. They act as a guide or a standard upon which people’s behavior and performance is modelled and assessed. Since corporate values point to standards of behavior, they ensure that there is consistency in the treatment company employees give to customers regardless of which area the customer visits.

When well developed, corporate values built around high customer satisfaction will result into:

* A team that has a distinct appreciation for customer service and a deep understanding of the impact of their service on their clients’ businesses.
* A team that is willing to go out of their way to meet customer expectations and takes pride in their work and have standard that they want to live up to
* A team that works well together to achieve company and client goals.

**QUESTION 3**

Banking is predominantly a customer-oriented business and good customer service is the key to the banks’ growth and stability. But a bank is only as good as its people and therefore, the quality of its human capital will be the single most important defining factor in shaping the future of banks in Malawi. As a Marketing Manager of a leading commercial bank in Malawi:

1. Three ways to achieve employee empowerment to enhance customer satisfaction. **(6 Marks)**
2. Job involvement

Jobs are designed in such a way that employees use a variety of skills. Employees have considerable freedom in deciding how to do the work. This approach satisfies the employees which leads to high quality work. However, the higher level strategic decisions remain the responsibility of senior management.

1. Suggestion involvement

Employees are encouraged to contribute ideas through formal suggestion programs of quality circles, but their day to day work does not change. They are only empowered to recommend; management typically retains the power to decide whether to implement or not.

1. High involvement

In this approach, organizations give their lowest level employees a sense of involvement in the total organization’s performance. By sharing business performance information, employees develop skills in teamwork, problem solving and business operation. However, these high involvement designs may be expensive to implement as they will need good training.

1. The five major challenges to the implementation of service workers’ enfranchisement. **(9 Marks)**
2. Short supply of unit managers with human and technical skills to interpret policies associated with enfranchisement and to make them work.
3. Middle managers’ unwillingness to support it as their role shifts from operating the firm to coaching and advising unit managers.
4. Senior managers’ inability to allow it to work as their role shifts from an operational to a strategic orientation.
5. Managers may be perceived as being unfair by associates as assignments influence rewards.
6. Programs may not be properly designed and implemented for example, it may conflict with the existing corporate culture.
7. Organized labor may be uncomfortable with the concept of individual employees as contractors.
8. Participants’ expectations may be inadequately conditioned. Due to poor orientation the expected behavior by both parties may not be spelt out in advance if the results are not continuously achieved. This leads to disappointments in cases when adverse conditions arise.

**QUESTION 4**

Electronic commerce (e-commerce) is forcing changes for organizations including banks.

1. Three key ways how the Internet is having an impact on customer relationships. **(9 marks)**
2. **Access**

The Internet has granted customers the ability to access more information faster than possible before. This accords an opportunity to customers to evaluate alternatives and to make much more intelligent decisions about purchase.

1. **Control**

The Internet has given customers more power and control than ever before. The customers are able to choose as to when and how they want to do business. For instance, customers are able to all their shopping in the comfort of their bedrooms all because of the Internet.

1. **Speed**

The internet has impacted on the speed at which business happens. Transactions on the internet now happens at unprecedented speeds than ever before. This has impacted on customer expectations and satisfaction as time of delivery is of great essence in customer satisfaction than ever before.

1. **Globalization**

The internet has eliminated country boundaries by opening up the entire world as a marketplace to everyone. This has made resulted into the elimination of barriers of trade resulting into intense competition and wider choice for consumers. At the same time, it has created more problems as the global market have different needs that may require different solutions to satisfy so issues of standardization and customization feature more highly than ever before.

1. **Automation**

The internet has eliminated the people component from the processes that have moved online. However, there are other customers who needs the human touch for them to be satisfied for example, financial advisory services cannot be offered entirely on the internet, as it requires physical interactions to understand the needs of the customers.

1. Explain any **three** benefits of e-commerce to consumers. **(6 marks)**
2. Global choice and access to a wider range of goods and services in location
3. Lower prices because of reduced operating costs and wider competition.
4. Ease of use when identifying and browsing the choices available
5. Supply is spontaneous for products that can be delivered electronically like e-books.
6. Rapid response to orders e.g. when one orders a book from Amazon once online payment is confirmed they can download it immediately.
7. 24/7 shopping experience without limitations of time zones and geographical location.

**SECTION B**

Answerany **two** questions from this section

**QUESTION 5**

To : The CEO

From : Marketing Manager

Subject : Growth strategies & appropriate marketing mix

Introduction

1. The **three** growth strategies the bank can use grow the bank’s market share. **(9 Marks)**
2. **Differentiation strategy**

A company that follows this strategy seeks to be unique in its industry along some dimensions that are valued by the customers. It selects one or more attributes that many customers in the industry perceive as important and uniquely positions itself to meet those needs. It is rewarded with a premium price. Key success factors include continuous improvement, innovative or creative team of staff.

1. **Cost leadership strategy**

The company that follows this strategy sets out to become a low-cost provider of the service. The company has a broad scope and serves many segments. Good cost management skills, modern equipment and limited service range are some of the key success factors.

1. **Focus strategy**

The company chooses a narrow competitive scope within an industry and serves it to the exclusion of others. This strategy has two variants: cost-focus and differentiation-focus. Its success factors are as in above.

1. Describes an appropriate marketing mix which can be used by the bank to develop stronger bonds with its customers. **(6 Marks)**
2. **Product** – The product in service marketing mix is intangible in nature. At the same time service products are [heterogenous](http://www.marketing91.com/heterogeneity-in-service-marketing/), [perishable](http://www.marketing91.com/perishability-services-marketing/) and cannot be [owned](http://www.marketing91.com/ownership-service-marketing/). The service product thus has to be designed with care. Generally, service blue printing is done to define the service product. This service blue print need to define exactly how the product (in this case the bank) is going to be.
3. **Place –** Place in case of services determine where the service or product is going to be located. Convenient access is key for the bank to attract and retain customers. This may involve both brick and mortar branches as well as digital channels like Internet banking and mobile banking services. It will therefore not be out of place for management to harmonize the elements of place (distribution) to offer good satisfaction to customer. Management should simplify the electronic aspect of distribution and embark on high orientation for customers.
4. **Promotion** – Promotions have become a critical factor in the service marketing mix. Services are easy to be duplicated and hence it is generally the brand which sets a service apart from its counterpart. Thus the banks should place themselves above the rest by brand building using integrated marketing communications tools like advertising or promotions. The brand promise must be backed by superior customer service delivery so as to delight the customers. Management should involve in promotional messages that educate and enlighten customers. The bank should also use sales promotion that gives incentives such as discounts to customers to lower cost of banking and capital.
5. **Pricing** – Price is one of the ways marketers communicate with customers. It is seen as revenue oriented been the only marketing mix element that produces revenue. Customer perceptions of value (Price) directly influence customer satisfaction as such the bank has to enhance the perception of value through exceptional service. There are other factors that influence bank customers’ satisfaction such as the price of services, or the number and severity of negative critical incidents which the bank must manage critically. Furthermore, it is important for the bank to invest in brand building so as to create brand loyal customers who will be less price sensitive.
6. **People** – People, refers to those involved in service delivery. Their level of training, interpersonal behavior, discretion in rendering the service and appearance matters a lot in customer satisfaction in the banking industry. Therefore, the bank must ensure that interaction among the employees and customers create good customer satisfaction. The bank should get its staff trained in interpersonal skills and customer service with a focus towards customer satisfaction. Management should have right marketing mix of personnel in marketing their banks’ products, and personnel that are not rude and consider customer as king and who pay prompt attention to customer complaints.
7. **Process** – Service process is the way in which a service is delivered to the end customer. Thus the process of a service company in delivering its product is of utmost importance. It is also a critical component in the service blueprint, wherein before establishing the service, the bank should define exactly what should be the process of the service product reaching the end customer. Therefore, the bank should create a good service process to maintain satisfied customers and attract potential customers.
8. **Physical Evidence** – This deals with the environment where business operates. Services are essentially intangible in nature. However, to create a better customer experience tangible elements are also delivered with the service for example deposit slips. Several times, physical evidence is used as a differentiator in service marketing. the tangible and physical surroundings of the service environment can have a significant impact on customers’ affective responses and their behavioral intention. Therefore, management should create a more conducive environment for bank services such as parking space, air conditioning, fence and more secured environment to enhance customer satisfaction.

Conclusion

**QUESTION 6**

One of the most valuable services a bank can provide is the ability to protect its customers’ privacy. You have been hired as a marketing consultant by Zaithwa Bank Inc. Write a report to the bank’s CEO that:

To : The CEO,

From : Marketing consultant

Date : 20 January 2016

Subject : Privacy and its significance to the bank

Introduction

1. The **five** elements of privacy and why each is important. **(10 Marks)**
2. **Notice**

* This means telling the truth about what data you collect, where you get it, why you need it, how you use it and whom you let see it. This encourages willingness or encourages customers to provide data. It is important for the bank to have an internal privacy policy that will form the basis for defining the bank’s practices and the foundation from which the bank will make customers aware of it intent. Again the bank needs to create an online privacy statement. It is important that all the partners to the bank have a privacy policy which is equally stringent as the bank’s.

1. **Choice**

* This involves giving the customer the ability to decide whether or not he agrees to let you use his data in the ways you have described. Choice requires that the bank should provide a way to let the customers answer “yes” or No to whether the bank can use his/her data after the transaction is completed. It is important for the bank to find a way of storing the customers’ choice safely so as to continue to honor their decision over time. Use of force damages customer trust or confidence in the use of the data.

1. **Access and accuracy**

* This refers to letting a customer review and correct his own data. Data can change over time hence the more reason to allow data validation. This should apply to both online and offline data. For the banking sector, it is regulatory for customers to review and validate their account details periodically. It is important for the bank to build a capacity for customers to receive and correct as soon as possible any data they have given online. This will help in building customers’ confidence in the bank.

1. **Security**

* This is keeping customer information safe from anyone with whom you have not planned to share it. You should protect your customers’ personally identifiable data from the moment it leaves their PC until you no longer keep it. It is important for the bank to invest in the right products and technology and using them. For example, the bank needs to invest in strong firewalls to protect the customer databases from unauthorized access.

1. **Oversight**

* Oversight refers to giving your customers the option to contact an independent party if they fell their privacy rights have been abused. This will build customer trust in the bank. Customers will be more willing to provide data if they know they can get advice of an independent party if they find their data has been abused by the bank.

1. The significance of privacy to the bank in this digital banking age. **(10 Marks)**
2. The increasing customers’ perception that it is just so easy to access large amount of data at warp speeds leaves customers nervous about online transactions.
3. Privacy is a huge opportunity for the bank to improve customer relationships, increase trust and build customer loyalty and enhance brand image.
4. Customer are concerned about fraud, harm to financial and credit standing, identity theft and evasive marketing.
5. Since information is the lifeblood of relationship management and e-commerce, the most successful companies will be those that earn customer trust. Customers will only share their information with those who value privacy.

**QUESTION 7**

Database marketing

To : The Head of Marketing

From : Customer Relationship Manager

Date : 31 January 2016

Subject: Customer database

Introduction

1. How customer database could be used to build relationships with customers. **(12 marks)**
2. Develop new customers by collecting lists of potential customers to incorporate in the database.
3. Tailor made messages based on customer usage
4. Recognize customers after purchase. This will help to reinforce the purchase decision by follow-ups.
5. Cross-sell related and complementary products by using the customer purchase database to identify opportunities to suggest additional products during the buying season
6. Up sell high value products based on the customers’ product (brand) loyalty
7. Personalize customer service
8. Eliminate conflicting and confusing communications.
9. The key methods that can be used to collect data about the bank’s customers **(8 marks)**
10. Surveys
11. Feedback forms
12. Online and e-mail questionnaires
13. Message boards on the website to allow customers to communicate with the bank
14. Face-to-face interviews

Conclusion

**(Total 20 marks)**

**QUESTION 8**

It is said that effective market segmentation is a key to successful customer relationship management. Discuss the process of market segmentation **(20 marks)**

**Process of market segmentation**

**Introduction**

Market segmentation refers to the process of creating small segments within a broad market to select the right target market for various brands. It helps companies to devise and implement relevant strategies to promote their products amongst the target market. A market segment consists of individuals or companies who have similar choices, interests and preferences. There are steps that are followed in market segmentation as outlined below.

1. **Define the market**

The first and foremost step is to identify the target market. The marketer must be very clear about who should be included in a common segment. They need to make sure that they all have something in common such that they can respond the same way to the company’s marketing mix. For example, the urban and rural customers cannot be included in one segment as they have different needs and expectations. Segmentation will help the organization decide on the marketing strategies and promotional schemes.

1. **Profile customers**

The second step is often referred to as market mapping and involves structuring the entire marketing procedures based upon the need of the said market. Qualitative then quantitative research is necessary to gather sufficient data on which to base the profiles. The marketer must interact with the target market to know more about their interests and demands. There are many variables that make profiling difficult; the mostly used ones are geographical, demographical, behavioral, psychographic, attitudinal and situational factors.

1. **Define customer groups**

The organization should ensure that the target market is well defined by creating sub-groups for effective results. For example, it is common for banks to segment customers based on needs like youth accounts. It is essential for the marketer to review the needs and preferences of individuals belonging to each segment and sub-segment. The consumers of a particular segment must respond to similar fluctuations in the market and similar marketing strategies.

1. **Select and prioritize target segments**

Available market data and consumer research findings should be added to the description of the segments such as segment size, growth rates, price sensitivity, brand loyalty, etc. Using this combined information, the company will then evaluate each market segment on its overall attractiveness. The segment should be assessed based on whether it is identifiable, relevant, substantial and accessible. With the priority segments in mind, the marketer decides which marketing approach to use for each selected segment.

1. **Marketing mix strategies**

Devise relevant strategies to promote brands amongst each segment. It’s important to ensure that there is a connect between the product and the target market.

1. **Monitor and revise segments**

It is important to monitor results from the strategy in order to ensure that they are in line with the company’s expectations. If they are not in line with the expectations, the company should revise the plans.

**Conclusion**

**THE END**