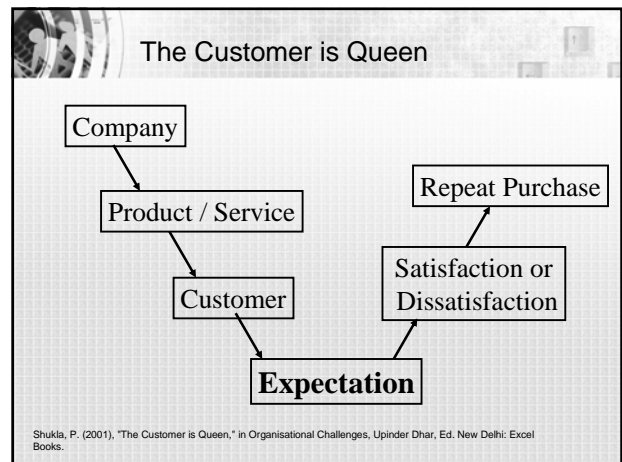
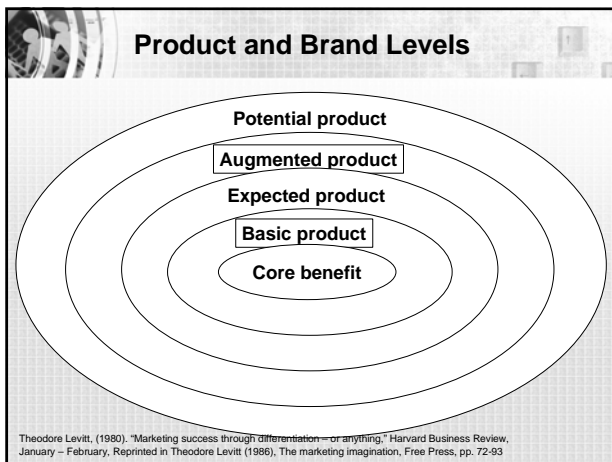


MK282
Customer Relationship Marketing
 Lecture Five
Customer Expectations, Satisfaction & Loyalty
 Dr. Paurav Shukla

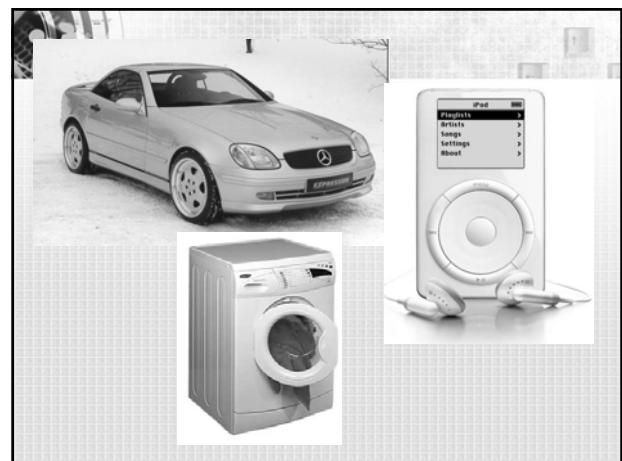
Aims of Session

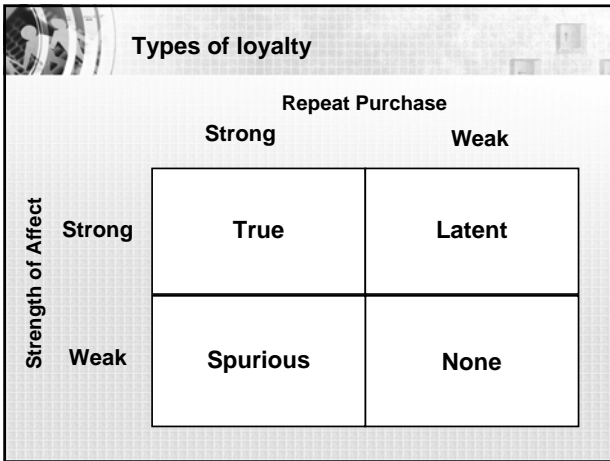
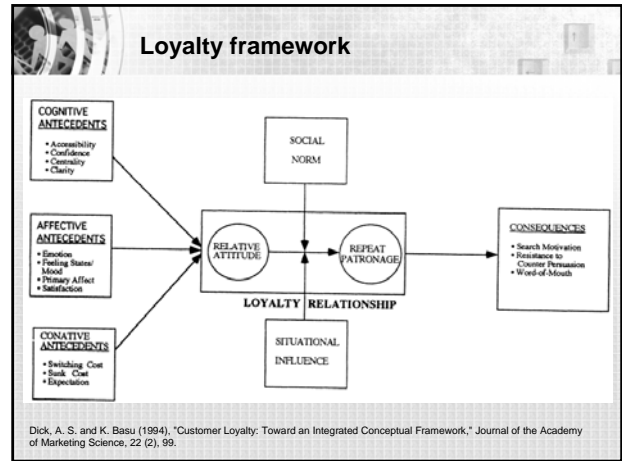
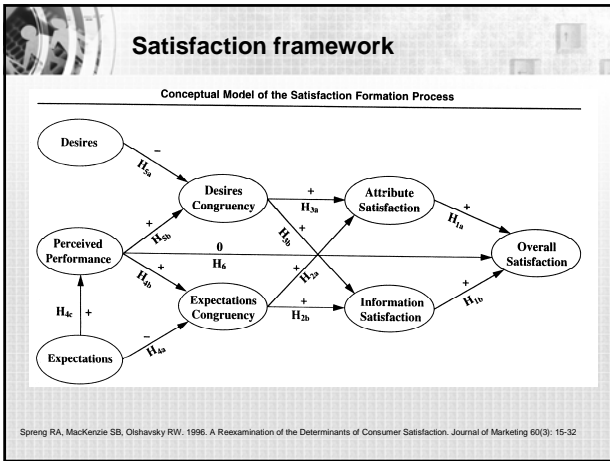
- To explore what makes a customer loyal
- To understand the notion of internal and external customers
- To explore various methods of customer research
- To examine what is meant by a customer value chain
- To understand the importance of customer service criteria



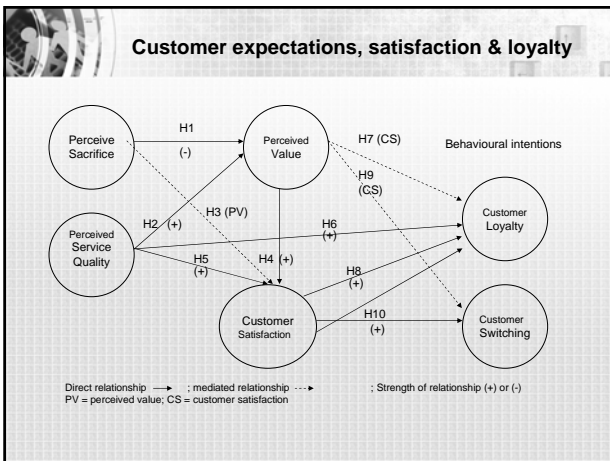
Factors Intervening between Satisfaction and Loyalty

- Shear number of competitors' offerings
- Novelty seeking
- Lack of personal attachment with brand
- Lack of consistency in performance
- New competitors offering better value or a greater variety of ancillary services
- Customer expectation of future use
- Customers may not want a relationship with your firm





- ### Loyal Customers
- Make regular repeat purchases
 - Purchases across product and service lines
 - Refers others
 - Demonstrates an immunity to the pull of the competition
- Reichheld, F. (1996). "Learning from customer defections." Harvard Business Review, March-April 1996, pp56-69.



- ### Internal Customers
- Needs Theory
 - Incentives Theory
 - Expectancy Theory
 - Staff empowerment
 - Knowing what to do
 - Knowing who can help
 - Managerial support

External Customers

- Customers vote with their feet:
 - 96% of dissatisfied customers never complain
- But:
 - 90% of them will not return in the future
 - ONE unhappy customer will tell at least NINE others
 - 13% of unhappy customers will tell at least twenty others

Source: USA White House, Office of Consumer Affairs

Customer Research

- Segmentation & targeting
- Positioning customer service and support
- Perceptual mapping
- How much do we charge?
- Communications with the customer
 - Impersonal communications
 - Personal communications
- Customer Satisfaction Indexes
- Techniques for understanding customers
 - Focus Groups
 - Questionnaires
 - Surveys
 - Interviews
 - Secondary information
- The Lifetime Value

The drivers of future

- Personnel drivers
 - Competence, Courtesy, Credibility, Reliability, Responsiveness, Initiative, Communication
- Channel drivers
 - Coverage, Expertise, Performance

BCG competitive advantage matrix

Number of Approaches to Achieve Advantage

		Few	Many
Size of the Advantage	Large	Volume	Specialized
	Small	Stalelated	Fragmented

Customer Lifetime Value

Average transaction value
x
Yearly frequency of purchase
x
Customer life expectancy

$$Value = \int_{k=0}^{\infty} \int_{t=k}^{\infty} n_k m_{t-k} e^{-ik} e^{\left(\frac{1+i-r}{r}\right)(t-k)} dt dk - \int_{k=0}^{\infty} n_k c_k e^{-ik} dk$$

Gupta, S., Donald Lehmann & Jennifer Stuart (2004), Valuing Customers, Journal of Marketing Research

Impact of Improving Retention, Acquisition Cost and Margins On Customer Value

	Customer Value (\$b)	% Increase in Customer Value for a 1% improvement in			
		Base Case	Retention	Acquisition Cost	Margin
Amazon	0.82	2.45%	0.07%	1.07%	0.46%
Ameritrade	1.62	6.75%	0.03%	1.03%	1.17%
Capital One	11.00	5.12%	0.32%	1.32%	1.11%
Ebay	1.89	3.42%	0.08%	1.08%	0.63%
E*Trade	2.69	6.67%	0.02%	1.02%	1.14%

