Customer Relationship Management

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Preface

It is with great pleasure that I present this book. It has been carefully written after numerous discussions with my peers and other practitioners of the field. I would like to take this opportunity to thank my family and friends who have been extremely supporting at every step in my life.

Customer relationship management refers to an approach for the management of the interaction of a company with current and potential customers. It utilizes data analysis about customers' history with a company in order to improve business relationships with customers. It primarily focuses on customer retention and driving sales growth. One of the most important aspects of this approach is the systems of CRM that collect data from diverse communication channels such as telephone, company's website, email, marketing materials, live chat and social media. There are various types of customer relationship management such as strategic, operational, analytical and collaborative customer relationship management. The topics included in this book on customer relationship management are of utmost significance and bound to provide incredible insights to readers. It attempts to assist those with a goal of delving into this field. Those with an interest in this field would find this book helpful.

The chapters below are organized to facilitate a comprehensive understanding of the subject:

Chapter – Introduction

Customer relationship management uses data analysis for managing and handling an organization's interaction with its customers. Strategic CRM, operational CRM, analytical CRM, social CRM, etc. are a few of its types. The topics elaborated in this chapter will help in gaining a better perspective about customer relationship management.

Chapter – Concepts of Customer Relationship Management

Some of the significant concepts of customer relationship management are customer involvement, customer lifecycle management, relationship marketing, consumer to consumer markets, customer retention, demand-chain management, customer data platform, etc. These diverse concepts of customer relationship management have been thoroughly discussed in this chapter.

Chapter – Consumer Behavior

Consumer behavior deals with the study of emotions, attitudes and preferences that affect the buying behavior of a person. Consumer culture, consumer buying process, consumer socialization, customer switching, consumer neuroscience, etc. are some of its aspects. This chapter delves into these aspects of consumer behavior to provide an extensive understanding of the subject.

Chapter – Customer Service

Customer service includes high quality service and assistance provided to the customer with their purchase of goods and services. Customer support, consumer complaint, service recovery, customer feedback management services, technical support, virtual assistant, service level, etc. are some of the criteria that fall in this domain. All these diverse criteria of customer service have been carefully analyzed in this chapter.

Chapter – Customer Experience

Customer experience focuses on the customer's perception, awareness and ideology after an interaction with the organization. It is an interdisciplinary subject which makes it essential to understand its related fields such as experience management, customer insight, customer delight, quality of experience, customer satisfaction, touchpoint, etc.

Chapter – Customer Knowledge Management

Customer knowledge is the blend of experience, standards and insight information which is required or absorbed during the transaction between a firm and its customer. It includes various processes like customer knowledge acquisition, storage, dissemination and utilization, etc. All these processes of customer knowledge have been thoroughly discussed in detail.

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Introduction

Customer relationship management uses data analysis for managing and handling an organization's interaction with its customers. Strategic CRM, operational CRM, analytical CRM, social CRM, etc. are a few of its types. The topics elaborated in this chapter will help in gaining a better perspective about customer relationship management.

Customer Relationship Management

Customer relationship management (CRM) is the combination of practices, strategies and technologies that companies use to manage and analyze customer interactions and data throughout the customer lifecycle, with the goal of improving customer service relationships and assisting in customer retention and driving sales growth. CRM systems compile customer data across different channels, or points of contact between the customer and the company, which could include the company's website, telephone, live chat, direct mail, marketing materials and social media. CRM systems can also give customer-facing staff detailed information on customers' personal information, purchase history, buying preferences and concerns.

Components of Customer Relationship Management

At the most basic level, CRM software consolidates customer information and documents into a single CRM database so business users can more easily access and manage it.

Over time, many additional functions have been added to CRM systems to make them more useful. Some of these functions include recording various customer interactions over email, phone, social media or other channels; depending on system capabilities, automating various workflow automation processes, such as tasks, calendars and alerts; and giving managers the ability to track performance and productivity based on information logged within the system.

- Marketing automation: CRM tools with marketing automation capabilities can automate repetitive tasks to enhance marketing efforts at different points in the lifecycle. For example, as sales prospects come into the system, it might automatically send the prospects marketing materials, typically via email or social media, with the goal of turning a sales lead into a full-fledged customer.

- Sales force automation: Sales force automation tools track customer interactions and automate certain business functions of the sales cycle that are necessary to follow leads and attract and obtain new customers.

- Contact center automation: Designed to reduce tedious aspects of a contact center agent's job, contact center automation might include prerecorded audio that assists in customer problem-solving and information dissemination. Various software tools that integrate with the agent's desktop tools can handle customer requests in order to cut down on the time of calls and to simplify customer service processes.

- Geolocation technology or location-based services: Some CRM systems include technology that can create geographic marketing campaigns based on customers' physical locations, sometimes integrating with popular location-based GPS apps. Geolocation technology can also be used as a networking or contact management tool in order to find sales prospects based on a location.

CRM tools specifically for social media platforms help companies foster customer relationships and monitor customer sentiments around their brands.

- Workflow automation: CRM systems help businesses optimize processes by streamlining mundane workloads, enabling employees to focus on creative and more high-level tasks.

- Lead management: Sales leads can be tracked through CRM, enabling sales teams to input, track and analyze data for leads in one place.

- Human resource management (HRM): CRM systems help track employee information, such as contact information, performance reviews and benefits within a company. This enables the human resource department to more effectively manage the internal workforce.

- Analytics: Analytics in CRM help create better customer satisfaction rates by analyzing user data and helping create targeted marketing campaigns.

- AI: Artificial intelligence (AI) technologies, such as Salesforce Einstein, have been built into CRM platforms to automate repetitive tasks, identify customer buying patterns to predict future customer behaviours and more.

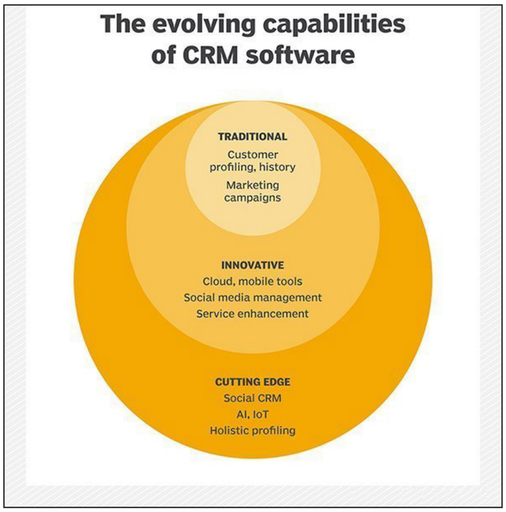
Types of Customer Relationship Management Technology

The four main vendors of CRM systems are Salesforce, Microsoft, SAP and Oracle. Other providers are popular among small to midmarket businesses, but these four tend to be the choice for large corporations. The types of CRM technology offered are as follows:

- On-premises CRM: This system puts the onus of administration, control, security and maintenance of the database and information on the company using the CRM software. With this approach, the company purchases licenses upfront instead of buying yearly subscriptions from a cloud CRM provider. The software resides on the company's own servers and the user assumes the cost of any upgrades. It also usually requires a prolonged installation process to fully integrate a company's data. Companies with complex CRM needs might benefit from an on-premises deployment.
- Cloud-based CRM: With cloud-based CRM, also known as SaaS (software as a service) or on-demand CRM, data is stored on an external, remote network that employees can access anytime; anywhere there is an internet connection, sometimes with a third-party service provider overseeing installation and maintenance. The cloud's quick, relatively easy deployment capabilities appeal to companies with limited technological expertise or resources.

Companies might consider cloud CRM as a more cost-effective option. Vendors such as Salesforce charge by the user on a subscription basis and offer the option of monthly or yearly payments.

Data security is a primary concern for companies using cloud-based systems, as the company doesn't physically control the storage and maintenance of its data. If the cloud provider goes out of business or is acquired by another company, an enterprise's data can be compromised or lost. Compatibility issues can also arise when data is initially migrated from a company's internal system to the cloud. Finally, cost may be a concern, since paying subscription fees for software can be more costly over time than on-premises models.



CRM systems have moved far beyond traditional customer profiling functions.

- Open source CRM: An open source CRM system make source code available to the public, enabling companies to make alterations at no cost to the company employing the system. Open source CRM systems also enable the addition and customization of data links on social media channels, assisting companies looking to improve social CRM practices.

Open Source CRM platforms such as OroCRM, SuiteCRM and SugarCRM offer alternatives to the proprietary platforms from Salesforce, Microsoft and other vendors.

Adoption of any of these CRM deployment methods depends on a company's business needs, resources and goals, as each has different costs associated with it.

Customer Relationship Management Examples in Practice

- Contact center: Traditionally, data intake practices for CRM systems have been the responsibility of sales and marketing departments, as well as contact center agents. Sales and marketing teams procure leads and update the system with information throughout the customer lifecycle, and contact centers gather data and revise customer history records through service calls and technical support interactions.
- Social CRM: Social media in CRM involves businesses engaging customers directly through social media platforms, such as Facebook, Twitter and LinkedIn. Social media presents an open forum for customers to share experiences with a brand, whether they are airing grievances or promoting products.

To add value to customer interactions on social media, businesses use various social CRM tools that monitor social media conversations, from specific mentions of a brand to the frequency of keywords used, to determine their target audience and which platforms they use. Other tools are designed to analyze social media feedback and address customer queries and issues.

Companies are interested in capturing customer sentiments, such as the likelihood they will recommend products and their overall customer satisfaction, to develop marketing and service strategies. Companies try to integrate social CRM data with other customer data obtained from sales or marketing departments to get a single view of the customer.

Another way in which social CRM adds value for companies and customers is through customer communities, where customers post reviews of products and can engage with other customers to troubleshoot issues or research products in real time. Customer communities can provide low-level customer service for certain kinds of problems and reduce the number of contact center calls. Customer communities can also provide new product ideas or feedback that companies can use in lieu of feedback groups.

- Mobile CRM: CRM applications built for smartphones and tablets have become a must-have for sales representatives and marketing professionals who want to access customer information and perform tasks when they are not physically in their offices. Mobile CRM apps take advantage of features that are unique to mobile devices, such as GPS and voice recognition capabilities, to give sales and marketing employees access to customer information from anywhere.
- Business-to-business (B2B) practices: A CRM system in a B2B environment helps monitor sales as they move through the sales funnel, enabling a business to address any issues that

might come up during the process. CRM systems in the B2B market help create more visibility into leads and, therefore, increase efficiency throughout the sales process.

Customer Relationship Management Challenges

For all of the advancements in CRM technology, without the proper management, a CRM system can become little more than a glorified database in which customer information is stored. Data sets need to be connected, distributed and organized so that users can easily access the information they need.

Companies may struggle to achieve a single view of the customer if their data sets are not connected and organized in a single dashboard or interface. Challenges also arise when systems contain duplicate customer data or outdate information. These problems can lead to a decline in customer experience due to long wait times during phone calls, improper handling of technical support cases and other issues.

CRM systems work best when companies spend time cleaning up their existing customer data to eliminate duplicate and incomplete records before they supplement CRM data with external sources of information.

Strategic Customer Relationship Management

The aim of strategic CRM is to concentrate and enhance the knowledge about customers and use this knowledge to improve and customize the interactions with customers to maintain a long-term relationship with them.

Determining and development of CRM strategies involves following steps:

- Amplify commitment: Strategic CRM involves almost all the departments of an organization e.g. finance, sales, manufacturing, distribution, marketing etc. Hence it is essential to get support and use their important feedback while determining strategies. For this each and every department should be kept informed about all the developments and implementation of processes carried out or performed. Everyone should also be emphasized about the positive approaches and end results of the strategies.
- Building valuable project team: After organizational commitment is secured the next important stage in developing CRM strategies is building a determined and valuable project team. Each and every member of this team should be experiences and dedicated professional as these members will be the key decision makers in the whole process. They will be responsible to communicate all the related details and benefits of the CRM strategies to all the members of the organization. These members should be from following work groups to ensure all the aspects of strategies are addressed efficiently:
    - Management: Management professionals are responsible to provide motivation, leadership and management at every strategic development step especially when a change in business process or organizational structure is expected.

- Technical: Automation of CRM strategies are important and must involve experienced technical hands. Also technical professional provide their useful contribution in building and managing software application and determining their compatibility with existing software features.
- Sales and Marketing: These are final users of CRM system once the strategies are determined and implemented. The applied strategies are supposed to be successful once these users fell comfortable and satisfied by using all the CRM features. Being the end users these people are also responsible to provide useful feedbacks on efficiency and effectiveness while the strategies are in development phase.
- Financial: The CRM strategies must also be gone through or evaluated under financial aspects. The financial professionals of the team can provide crucial analysis on assessment of enhanced productivity, evaluation of operational and production cost and final estimated cost of the project. They also help in assessing the investment cost per module or segment so that the product is delivered inside the budget.
- External Experts: Many times some external consultants and other CRM vendors are substantially helpful in strategy development. These are people who are generally hired or outsourced for second fruitful opinion or if the organization is lacking with sufficient CRM experts. These professionals have vast experience in the same field and helps analysing organization's actual business needs, work with other professional to review and approve complex business structure and even helps in formulating the team members according to the expertise they possess.

- Requirement Analysis: CRM strategies should always focus and concentrate on the actual business requirements. This process involves a series surveys and questionnaires with top level sales, marketing and financial managers to gather the actual expectations regarding the strategies to be implemented and what results these strategies will throw in the final stage. This is a very crucial factor in the development of an effective CRM system because if the results are not matching the actual requirement or if they diverge from focus points, then that means it's not achieving the desired goals.

Operational Customer Relationship Management

Operational CRM refers to services that allow organizations to take good care of their customers. This aspect of CRM provides support for different business processes including sales, service and marketing. Data aggregation system, call centers and contact centers are a few examples of operational-CRM. OCRM is a tool that can help you resolve issues like high service costs and high customer turnover. The high-tech expertise can gives you access to all the information about customers, as well as a clear view of the particular needs and requirements of your customers.

Operational-CRM mainly focuses on enhancement, automation and improvement of business processes that are based on customer facing and/or customer supporting. The significance of OCRM lies in the fact how this system forms policies and strategies on selling, marketing and service based processes. These are automated, where operational-CRM systems are embedded with below given automation application:

Marketing Automation

As the name suggests, marketing automatic focuses on automatic marketing related processes. In this process, campaign management involves use of marketers to use customer-specific information. This helps them determine, analyze and develop form of communications that are customer targeted in the form of individual, multilevel and multi-channel environment.

Campaigns developed to communicate with customers on individual basis are relatively easy as it involves direct and unique communications. On the other hand, multi-channel environment involves implementation of strategies and campaign management that is complex, difficult and challenging. For example; some retailers use multi-channel transactions like wholesale stores, websites, shops or stores, home shopping and television shopping.

In this case, the integration of communication strategy becomes difficult, as well as evaluation of quality and performance of the campaign needs automated system that is technologically advanced across each of the channel. In order to handle such systems, event-based marketing is inherited as CRM marketing strategy. This strategy uses event-based marketing communication, as well as present offers to customers as and when required.

For example, when a credit card customer will call the call center, it is evident that he/she is looking for more information on specific credit card details which can be interest rates, cash back and other available features. Now, if he is particularly inquiring about interest rate, then it means that the customer will compare the interest rates being offered by other banks as well, and might even switch to find the best suitable deal for him. If your interest rates are not the best in the industry, then your CRM system will automatically show specific deals which can suit the customer depending upon their interests and history.

Sales-force Automation

A CRM system is not just focused on dealing with the needs and requirements of existing customers. It is also a useful tool for acquiring new customers. It helps identifying new customers and maintaining corresponding details into the system. The process is distributed into a number of stages that begins with lead generation, followed by identifying qualified leads and prospects. The sales representative then tries to get some business from the qualified leads by making winning deal. This process is solely handled by sales force team in the organization.

Service Automation

Service automation focuses on managing organization’s service. It deals with actual interactions with customers like, contact, direct mail, direct sales, call centers, web sites, data aggregation systems, and blogs. Each interaction made with individual customers are collected in the database known as, “customer history”. The information can be later on used as per the requirement. Any employee in the organization can have free access to this information, which works best in giving a clear picture of the specific needs and requirements of the customer. It also eliminates the need of obtaining the same information from customers. Also, on the basis of information provided, customers can be easily contacted whenever required.

Plan for Success

Operational CRM is one aspect of CRM that is most prone to failure. There can be a number of different reasons for failure such as underestimating costs, organizational politics, time and commitment, technology-driven strategies and lack of measures of accountability and success. In order to ensure success, working executives should be steer clear of processes in CRM, especially if the company is not prepared to make the required efforts for successful implementation.

Benefits of Operational Customer Relationship Management

The reason businesses use this software is that it invariably brings two concrete benefits: more sales and more loyal customers.

A CRM system takes the edge off customer-facing interactions with easy access to relevant data. Your service becomes more fluid and effective, and your business is made more agile as key information is put at the fingertips of all relevant team members. Instead of flipping back and forth between a bunch of spreadsheets and forwarded emails, you can run your customer relationships out of one box.

Supported by customer data and a productivity-boosting user interface, all business processes are coaxed towards better practice. Existing customer are retained, and higher conversions on new leads are obtained.

It's enough to make you leave behind your cluttered but comfy Google Drive, and embrace a slicker, more lucrative future.

Components of Operational Customer Relationship Management

Marketing automation interprets data and helps develop offers that are tailored to specific clients. When a customer fills out an online contact form, spends time on a specific website section, or leaves a blog comment, that information goes into an organized database.

When someone gets in touch asking for information about a certain item, marketing automation can automatically start targeting them with relevant ads. Timing is everything, but it's hard to communicate with clients at just the right moment, in just the right way every time.

Things have gotten easier, however, with the advent of event-based (trigger) marketing, which allows you to send out accurately targeted, personalized emails to customers and would-be customers. Trigger marketing is a proven way of boosting sales and building brand awareness and brings the additional benefit of freeing up time and brainpower for more creative work.

Meanwhile, people are increasingly picky, and these days they want complex things to be spelled out simply as fast as possible. Product configuration lets you do that, by offering customers the ability to choose the specific product type and options they want in the course of a sales interaction. Anticipating customer requests and speeding up the sales process makes your company look very chivalrous indeed.

Sales force automation helps your team's daily hustle by sorting information and improving workflow.

Quotation management lets you generate quick quotes and keep track of those already in play.

Lead management and contact management give you easy access to information on who's who in relation to your business, and who they're connected to in general.

Opportunity management lets you see when potential sales develop, giving you time to respond and capitalize. Proposal management keeps track of projects and quotes, letters, contracts, and, well, whatever else can be called proposals. Accounts management lets you keep track of specific client information in one location, with activity, pending deals, and associated contacts, as well as payments.

Examples of How Operational Customer Relationship Management Works

In a quest to ensure your customers get most personal attention, it is important to make the process easy and professionally sound. Right implementation and throughout acceptance are two factors that make this effort a success.

Let's see the working of this system through a small example:

Suppose your employees are overwhelmed with plenty of telephone calls every day. On the other hand, even you desire to speak to your customers to explain services being offered, it may not be feasible due to other priorities. Now in this case, an operation CRM system will allow your customers to log in to an account through website and view details of the services being offered by your company. Apparently, this can help you save a lot of time without having to waste your time in responding the calls. As a result, you're responsive to your customer and they are happy with your prompt service. Thereby, improving the efficiency of your company.

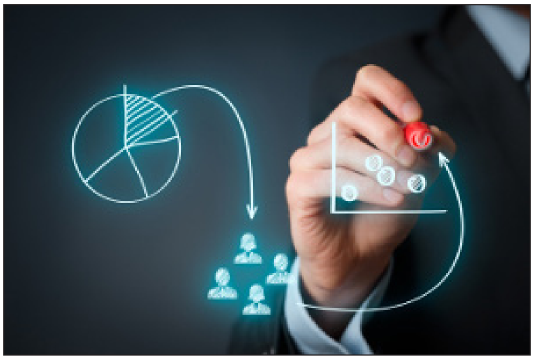
The final outcome results from an operational CRM strategy is far reaching and can be easily implemented by using either basic software or a more complex one, depending on the company's specific requirements.

Analytical Customer Relationship Management

Analytical CRM (Customer Relationship Management) denotes the systematic electronic analysis of collated customer data. Customer data is defined as contact data, customer properties and information derived from both online and offline behaviour. Market research data is collected and analyzed just as customer behaviour is analyzed with respect to the shops they enter and the purchases they make. Contrary to operative CRM, analytical CRM focuses on the exact analysis and enrichment of all data. This means that data is not just collected, but runs through various processes to glean valuable information.

The Most Important Components of Analytical CRM

As a rule, analytical CRM consists of the following components: the data warehouse, a data mining module and OLAP tools (online analytical processing). The data warehouse is a type of database which is used for collecting, integrating and preparing customer data. In addition to this basic component, there are a number of tools which are used for data analysis, also known as data mining. Data mining is a collective term used for different tools which analyze large amounts of data automatically resulting in information and correlations. You can form hypotheses from customer requirements and activities using this tool. OLAP represents a complex analytical tool that is used to validate hypotheses derived from previously gathered information.



Benefits of Analytical Customer Relationship Management

Analytical CRM provides a deeper level of intelligence, which is what its name implies. Its objective is to create an automated way to get more insight about what it predicts are your best opportunities. Your database may hold 20,000 contacts but at any given time maybe 5,000 of them are interacting with your marketing touch points (website, emails, white papers, social posts, etc.). Your sales reps could randomly try calling all 20,000 contacts or you could systematically prioritize calls based on tools ranking leads showing "interested" patterns and purchase intent.

Besides allowing an organization to make better decisions based off of data, Analytical CRM also offers the ability to highlight new opportunities, revenue streams, and capabilities. Below are just a few examples of the intelligence you can extract when using an analytical CRM system:

- Account based Marketing: When you know the interests of an individual or organization, you have the ability to specifically address their needs. Email segmentation is one example of what account based marketing can allow, which is why tracking touch points becomes important.
- Marketing campaign optimization: What are the most successful marketing campaigns and which are the biggest flops? In the past, we would have to manually conduct surveys and correlate sales by educated guesses. Using tracking info and Analytics, we can take the guess work out of where to spend marketing dollars.
- Optimization of marketing and sales activity: While this is also a benefit of operational CRM, tracking software can provide analytic intelligence across different departments. Your sales and marketing teams can learn to further maximize time and resources by focusing on prospects most likely to be persuaded by their efforts.
- Knowledge on what motivates prospects to become customers: When you combine prospects' demographic info with a record of their interests and marketing exposures, you can

begin to get a picture of what motivates them to become a customer. If you analyze this data properly and apply what you learn to future endeavors, you will be able to convert more and more prospects.

- New sales opportunities: When you understand how your clients are connected and what motivates each target segment, you can see opportunities for up-sells and cross-sells. Plus, you can use these analytic CRM tools to be more timely and relevant. For example, if a client is prompted to view additional products on your site from an email, you could be notified to reach out and contact that person.

Analytical Customer Relationship Management Software

Generally speaking, a customer relationship management (CRM) tool does sales, marketing, service, and support. Part and parcel to that are collecting heaps of data in one place so you might make sense of it, and subsequently make hay with it. That's where CRM analytics come in.

There are three main features of analytical CRM tools: data warehousing, data mining, and online analytical processing (OLAP). Data warehousing ensures data is available, while data mining analyzes giant amounts of data to find meaningful patterns, so instead of trying to piece together scraps of information like some plucky detective, you can just have everything interpreted automatically. OLAP tools offer sophisticated slicing of data, so you can combine sales region, product type, time of sale and more to find very specific information.

Analytical CRM solutions make your business smarter, achieve better relationship management, and boost customer satisfaction.

They offer a lot of help when it comes to turning a lead into a customer. A CRM solution of this kind can anticipate shopping habits and determine how likely a person is to buy something, and if they'll be likely to buy it again. Through data collection, customer information of all descriptions can be collected and analyzed, giving you a helping hand with future marketing decisions and financial forecasting.

Predictive modeling helps use big data and business intelligence to anticipate customer behavior. Market trends and client preferences help you plan for the future based on the past. That's useful for running your business on a day-to-day level because you'll have a better idea of what's working and where to direct resources.

Customer segmentation grouping, a fancy way of saying sorting out customers, is important for growing your business. By identifying and separating your customers based on needs or buying behavior, you can better focus your marketing and fine-tune your product offering.

You can also use analytic tools to find meaningful data on customer churn and help minimize it. By figuring out what type of customers leave your business and why you can take steps to stop it from happening. Instead of spending resources on maintaining existing revenue, you can take steps to work on increasing it.

Profitability analysis draws out deep information on the profitability of a given customer. It also makes it available for company-wide review in a legible way, unlike old school, labyrinthine accounting programs where you need a specialist (or perhaps a local minotaur) to figure out what the numbers mean.

Event monitoring lets you help secure your business. You can keep track of user activity over time, and find out if anything fishy is going on. For example, if someone just logged in a hundred times in one hour, it's probable that there's a security problem that needs fixing.

One caveat to be made about CRM analytics software is that is has a bit of a learning curve. That's not to say analytical CRM systems are hard to use, but rather that you'll need to allow some time to get your team using them in an effective way. You'll also gain more benefits from using analytical tools over time, as you accumulate more and more useful data.

Social Customer Relationship Management

Social customer relationship management (social CRM) refers to the use of social media and social media techniques to engage a business's customer base. Social CRM is seen as a customer-centric approach to providing service and product support, raising brand awareness, marketing products and creating a community. The interaction with the customer via social CRM is believed to help companies more clearly understand customer needs and deliver superior products and services.

Social CRM is still more of a buzzword than a concrete concept. It is seen as the next step in the evolution of social media marketing where, instead of simply focusing on sales, a company can engage the customer and get direct feedback that will improve the business. As customers see their feedback implemented by the company, they will feel more strongly about the product or service, thus becoming brand advocates for the company.

Working of Social Customer Relationship Management

Determining how social CRM works depends partially on how it's defined. CRM solutions that provide basic social network account management within the app don't require advanced algorithms so much as access to the social network's API. This still produces useful CRM functions — aggregating social data from one or multiple accounts into a unified inbox is one level of social CRM. Solutions that allow interaction with the social account from within the CRM go a step further. Meanwhile, social CRM solutions that trawl publicly available social profiles to enrich contact information and compile an activity feed of contacts' engagement with your brand are even more useful.

However, the social CRM features that will come to define the space go further than integrating social networks as an additional channel. They rely on advanced algorithms and statistical models to identify patterns within the unstructured social data. Much the way these advancements are revolutionizing traditional CRM, social CRM will come to be dependent on emergent technologies whose development will continue well into the future – and when it comes to social CRM, complement one another. These innovations include natural language processing, text mining, machine learning and sentiment analysis:

- Natural Language Processing (NLP): Modern natural language processing is, in some ways, an application of computational linguistic methods to derive statistical patterns and meaning from a body of text. NLP, a form of corpus linguistics — the study of language using samples of 'real world' text — benefits from machine learning to process large quantities of unstructured data using probabilistic models to attribute weighted values to linguistic parts of speech, such as nouns, verbs, adjectives and so on. Statistical NLP, compared to older decision-tree ('if, then') methods of language analysis, is more equipped to account for randomness within the text body, including unfamiliar, misspelled or omitted words. Therefore, statistical NLP is better suited to analyze social media text, which originates from a myriad of sources with vast variation in styles, content and formatting. In recent years, natural language processing, applied by cutting-edge deep neural networks, has shown considerable progress in language modeling and parsing, which provide the basis for text mining and social media sentiment analysis.

- Text Mining: Also known as text data mining, or text analytics, text mining refers to the process of structuring text data, usually through parsing, in order to observe patterns within the structured data and submit it to a database. The quality of derived data refers to its relevance to the purpose for which the text was mined. Text mining allows for the categorization of text by type, tone and similarity, from concept to lexicon, as well as summarizing documents, extracting information and analyzing author sentiment. The latter, in particular, relates to social CRM: textual data organized by descriptive terms according to emotional polarity offers high-level views of mood changes associated with a given topic or term within a large population. This also applies to large quantities of text attributable to numerous sources — especially pertinent to social media data.

- Machine Learning: Machine learning, sometimes colloquially known as 'artificial intelligence' (though the latter often refers to a vast range of computer science subdisciplines), seeks to recreate through algorithms the cognitive ability of humans to process information, identify patterns and make predictions on the state and properties of forthcoming data. Machine learning algorithms can be broadly characterized as 'supervised' or 'unsupervised': the former involves feeding training sets of data into algorithms to orient predictive inferences while the latter provides no baseline for predictive accuracy, and may be suited to discern hidden structures within unlabeled data. Machine learning enables programs to derive highly complex statistical models and algorithms from vast sets of data in support of reliable, repeatable decisions for predictable results. This has numerous CRM applications even outside social CRM, from digital sales assistants to marketing campaign suggestions to recommended responses in helpdesks.

- Sentiment Analysis: Sentiment analysis relies on subdisciplines of computational linguistics, including natural language processing and text mining, to identify and quantify subjective emotional tones in bodies of text. Sentiment analysis often relies on documents relating to the 'voice of the customer' — such as reviews, survey responses and social media posts — and scales sentiments according to the emotional 'polarity' of words, phrases and documents. Sentiment analysis is contextual and can qualify sentiment words in relation to modifying parts-of-speech or phrases and the overall concept of the text. Sentiment analysis can be automated for large collections of texts, such as blogs, online reviews, online news and social media. However, existing solutions for sentiment analysis still rely on the human analytical component. People don't always agree on the interpretation of a given statement or document. By current standards, the most accurate algorithms would produce correct sentiment analyses equivalent to the rate of human consensus.

The technologies that underpin social CRM seek to enable computers to understand natural languages akin to humans' own understanding, including subtle nuances of tone as influenced by word choice, metaphor, irony, perspective and wit. These technologies are not fully matured, and they are naturally influenced by the existing social media platforms whose data they seek to analyze, so broadly speaking, social CRM will continue its evolution as new technology and new platforms for social communication arise.

Functions of Social Customer Relationship Management

Modern communication incorporates idioms, shorthand and online mannerisms defined by particular social channels. Businesses can use these channels for additional data collection, advertisement, customer engagement and to establish a modern brand identity by deploying the right social CRM solution with talented social media professionals.

Social CRM enables companies to expand their sales, marketing and customer support capabilities into social media channels in several distinct ways:

- 360-Degree Customer View: Social CRM solutions connect silos of hitherto restricted customer information. Customers typically use a multitude of social networks — Facebook, Twitter, LinkedIn, Google+, Pinterest — and a social CRM solution will be able to bring together direct and indirect communication, whether through PMs, mentions, hashtags or others. Much the way traditional CRMs can unify contact activity into a timeline, a social CRM can combine contacts' social media activity across multiple platforms and provide a fuller sense of the customer's interaction with your brand.
- Social Engagement: Companies are equipped to engage customers the way customers engage each other — in an intimate, casual, instantaneous voice. An active brand presence on social networks communicates accessibility. Participation in product conversations offers an opportunity to canvass customer sentiment regarding service quality, customer support issues or broader dialogues on social responsibility. The less canned, the better: Modern customer's prize authenticity and a brand that conveys a social media personality stands out more than ones that don't.
- Social Listening: A social CRM will present your social media activity on a dashboard, allowing you to track brand mentions along with keywords, hashtags, influencers and so forth. Users are able to customize real-time notifications when users direct message your accounts, when trending topics related to your brand reach a certain threshold or when your brand is associated with words of certain emotional polarity. Social listening can be automated across social networks, allowing for relatively minimal oversight while retaining the ability to directly react to social media activity that affects your brand presence.
- Social Media Analytics: The extraction of insight from the massive quantity of unstructured social media data can provide a real-time pulse of brand sentiment and adoption from the voluntary conversations held among customers and between them and company representatives. Social media analytics informs marketing campaigns, lead qualification

and lead scoring models, sales approaches and customer support with social-specific KPIs, such numbers of followers, retweets, impressions, clicks or mentions.

- Social Customer Service: Customers often turn to social media for product complaints before contacting the company. Inbound customer queries give businesses an opportunity to foster meaningful engagement and build brand advocacy by resolving a case. However, even indirect mentions allow for proactive customer support to potentially reverse negatively trending brand mentions. Social CRM solutions can also include this engagement as an audit history of customer interactions that can yield further insight into costs per customer.

- Social Media Management Integration: Social CRMs often combine social media integration with CRM features, such as sales pipelines, contact management tools and an integrated calendar. Your company may already deploy a social media management tool — this doesn't necessarily preclude the use of a social CRM. Many social CRMs integrate with social media management software and can bridge the gap between a high-functioning traditional CRM platform and the cutting edge social media capabilities the management software provides.

Deploying a Social Customer Relationship Management Solution

As mentioned, social CRM solutions typically do not intend to supplant traditional CRM platforms. In fact, the most prevalent social CRMs on the market today integrate with a wide range of traditional CRM solutions. While these solutions are integrating social media features on their own — a unified inbox of social PMs, 2-way communication, real-time notifications of brand mentions, social media analytics reports — dedicated social CRMs exist for a higher focus on social media integration with CRM capability. It bridges social media management software and CRM, typically at a more cost-effective price than each.

Therefore, currently, social CRMs are most effective when used in conjunction with a traditional CRM that offers the robust sales automation features and marketing automation tools specific to your business needs. At present, the need for a social media presence that isn't met by your current CRM isn't reason enough to jettison the platform entirely — an affordable social CRM can patch the capability gap without the interruption in operations that normally accompanies the switch to a new system.

Adoption of a social CRM platform will not itself guarantee improved social media engagement, though it will help. Businesses can get the most from their solution by observing three general principles:

- Social CRM is complementary: Social CRM solutions are not yet at the point where they can replace traditional CRM solutions. Fortunately, deployment of a social CRM is not an 'either, or' proposition. Find a solution that integrates into your existing system so you don't upend your current operations.

- Build a social media strategy: There is a tremendous amount of social media activity and you can't respond to everything. Building internal parameters to govern responses according to social network — when and how — requires a social media coordinator. This individual is ultimately responsible for turning the social CRM into more than an inbox – they promote a company voice commensurate with your desired brand identity.

- Treat every customer as an individual: On social media, everyday people can interact on a 1:1 basis with artists, athletes, politicians, organizations and so on. People are accustomed to being engaged personally. Social media conversations don't require the degree of personalization as email marketing campaigns, but small amount of extra time it takes to craft a human reply to a direct message is worth the positive brand impression it fosters in the recipient's mind.

Going Forward with Social Customer Relationship Management

Social CRM provides the ability to quickly disseminate information and receive feedback from customers and prospects in real-time. It allows companies to obtain additional insights into their customers' brand sentiments and buying habits while proactively offering customer service to negate potentially bad PR. In this manner, social CRM provides an effective platform for companies to add personality to their public image, attend common grievances and maintain, regain or rebuild customer confidence.

Current incarnations of social CRM provide a powerful complement to traditional CRM primarily by enriching the profiles of contacts and leads with a timeline of social activity and brand interactions. Going forward, the technologies underpinning social CRM can be expected to recommend specific responses to customers based on the nature of their complaint, their emotional level, their demographic characteristics and behaviour history based on probabilistic models to achieve a desired response — retention of a customer, resolution of a complaint, a successful cross — or upsell. Meanwhile, the underlying technologies are already being deployed as supplemental to traditional CRM – found in machine-learning sales or marketing assistants on multiple platforms.

The current combination of social CRM and traditional CRM provide an effective platform for companies to engage a rapidly changing social media environment while retaining essential CRM functions for core business processes. The specific combination of social and traditional CRM functions, whether in separate solutions or from a single vendor, depend largely on a company's use case — their budget, size, needs and goals. Nevertheless, in an era where most consumers are on multiple social networks, and the networks have become institutional in mainstream culture, it is incumbent on businesses to obtain social CRM capabilities of some kind, lest they cede brand presence and market opportunity to companies that have them.

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Concepts of Customer Relationship Management

Some of the significant concepts of customer relationship management are customer involvement, customer lifecycle management, relationship marketing, consumer to consumer markets, customer retention, demand-chain management, customer data platform, etc. These diverse concepts of customer relationship management have been thoroughly discussed in this chapter.

Customer Involvement

Consumer involvement refers to the depth of interest in a product or service displayed by consumers through their behaviour and approach. The aspect called Consumer Involvement has many striking characteristics. Key characteristics of Consumer Involvement are:

- Exerts high levels of influence over the personal choice of consumers.
- Directly related to the self-concept aspect of consumers.
- Arouses interest in consumers in one form or the other.
- Involvement levels vary from one customer and another depending on the various factors surrounding them.

Levels of Consumer Involvement

Consumer Involvement can basically be classified into three types based on the level of intensity:

- High Involvement,
- Low Involvement,
- Routine or least Involvement.

High Involvement is witnessed in consumers when the products bought are of huge value. Products that consumers buy probably once or maximum twice in a life time fall under this category. Consumers take a lot of precautionary measures while going in for buying such products in order to avoid taking any sort of risk post purchase. Huge money is at stake and so the care being taken by consumers is also high.

Low Involvement is witnessed in customers who go in for products that are not purchased frequently but is changeable after a few years. Television sets, refrigerators, wooden almirahs etc. fall in this category.

Routine or Least Involvement – Products which are purchased month on month as a need fall under this category. Consumers generally stick to a brand as far as purchase of products like tooth paste, body soaps and talcum powder are concerned.

Producer Involvement Needed	Action	Consumer Involvement Generated	Producer to Consumer Model
High	Generate Reference	Low	Push
High	Generate Watch list	Medium	Interactive
Low	Use Reference	Low	Pull
High	Issue Tactical Warning	High	Push
Medium	Issue Tactical Report	Medium-High	Push-Interactive
Medium-High	Issue Strategic Warning	Medium-High	Push-Interactive
Medium	Issue Situation Report	Medium	Push-Interactive
High	Generate Estimate	Low-Medium	Push
High	Build Strategic Assessment	High	Fully Interactive

Factors Affecting Consumer Involvement

Consumer Involvement is dependent on many variables some of which are listed below:

- Preferences of Consumers.
- Response from other sources.
- Stimuli exerted by internal and external factors.
- Consistent interest of the Consumer.
- Situations surrounding the Consumers.
- Focus area of the consumer which differs according to their social status.
- Depth of Intensity exerted by Consumers over a period of time.

Importance of Active Customer Involvement

Budding entrepreneurs from all walks of life need to pick up on some important things pretty early on in their professional lives to avoid falling down the rabbit hole. One such thing is to realize the importance of your customers and to recognize their true value to your business. It doesn't matter what the size of your company is, nor does it matter if you have been in business for 30 years, your customers and your clients are your bread and butter. Without these clients, you cannot succeed, even if you have a top-notch workforce and amazing ideas. Catering to the customers not only increases your revenues, but it also results in building a positive image of your company among the masses. But that's not all, in fact, getting the customers involved with the company as much as humanly possible, is always a good strategy.

Interacting with the Customer Reveals what and how they Think

Whether you are a services company or a firm that offers specialized products to clients, interacting with the customers can always bring you invaluable insights that you wouldn't have gotten otherwise. Businesses operate on a Demand-Supply equation, so if there is a demand for the product or the service you offer, you can match it up with adequate supply to increase sales.

Increased Conversion Rate

Due to advanced marketing techniques and new ways to engage with the customer, companies can say good-bye to the traditional method of advertising door to door and promote their brand. Nowadays, instead of doing that, they can just concentrate on putting their best foot forward by offering unrivalled services and products and let their work speak for itself. Secondly, with the help of modern-day technology, they can ask the customers outright as to what they are looking for in a good quality product, so that they can offer exactly the same thing. Since the product or service will be exactly what the customers wanted in the first place, you can easily increase the rate of conversion, translating to more revenue.

Increased Customer Satisfaction

Customers love it when their voices are heard. There isn't a company out there which doesn't listen to its fan base and doesn't give them exactly what they want. They know that if they don't deliver what the customer wants, they won't get the required results in terms of sales, money, and reputation. Giving the customers exactly what they want, will only lead to positive things all the way, and you can only get a satisfied customer once you know what he or she wants and deliver upon it.

Social Media Presence

Thanks to social media, it is so easy to interact with people from all around the globe. Almost all the companies and firms realize the important role that social media plays and have official profiles on all major social media platforms like, Facebook, Twitter, and Instagram. This is so that they can interact with their customers or potential clients in a much more intuitive manner, and get the word out. With almost half the population of the world using social media to interact with other people, this strategy makes sense and can result in increased numbers at the end of a fiscal year. Social media also helps you build engagement with the customer-base, and can even help you sell products or services via the internet.

Investment in Customer Retention Pays for Itself in the Longer Run

Any monetary investment that you make in keeping your customers happy, will only result in increased revenue at the end of the year. A good customer retention plan pays for itself if you look at it, and the only way to truly retain a customer is to keep them happy by offering them exactly what they want.

Customer Involvement Management

Customer Involvement Management, CIM, is an approach that takes the customer orientation one step further than Customer Relationship Management. CIM is about identifying and developing possibilities to involve customers in the business and product development process, such as design, marketing, sales, customer service, etc. The degree of involvement can be as far as to make the customer a part of the product, experience and delivery.

Within CIM the product is regarded to be a subset in what meets the customer's need of identification, problem solving and consumption. The possibility to influence the design and the consumption itself is assumed to be of great importance for the customers buying decision and loyalty.

One example of a company that uses CIM is Nike. With the concept NikeiD they let the customers design their own sport shoes.

More recently companies have started to build Web portals, in order to involve their customer in the idea generation, selection, developments and commercialization phase of their innovation process.

Customer Lifecycle Management

Customer lifecycle management or CLM is the measurement of multiple customer-related metrics, which, when analyzed for a period of time, indicate performance of a business. The overall scope of the CLM implementation process encompasses all domains or departments of an organization, which generally brings all sources of static and dynamic data, marketing processes, and value added services to a unified decision supporting platform through iterative phases of customer acquisition, retention, cross and up-selling, and lapsed customer win-back.

Some detailed CLM models further breakdown these phases into acquisition, introduction to products, profiling of customers, growth of customer base, cultivation of loyalty among customers, and termination of customer relationship.

According to a DM Review magazine, "The purpose of the customer life cycle is to define and communicate the stages through which a customer progresses when considering, purchasing and using products, and the associated business processes a company uses to move the customer through the customer life cycle."

The Customer Lifecycle begins the Moment a Sales is Closed

As soon as an account transfers from 'prospect' to 'customer', the lifecycle begins and the customer success team is responsible for providing an exceptional experience. For larger companies or organizations in more mature markets or even global markets, customer lifecycle mapping can be a key differentiator from competitors in a crowded industry.

Global organizations especially must pay attention to the Customer Journey Map and Customer Lifecycle Management. Traditions and processes are often different between different countries or regional areas, and these exercises can often fix or control issues before they become a problem. It also gives Customer Success Managers (CSMs) time to develop new standard operating procedures (SOPs) or workflows and then actually run them by other existing customers or internal employees for feedback and final sign off.

Importance of Customer Lifecycle Management

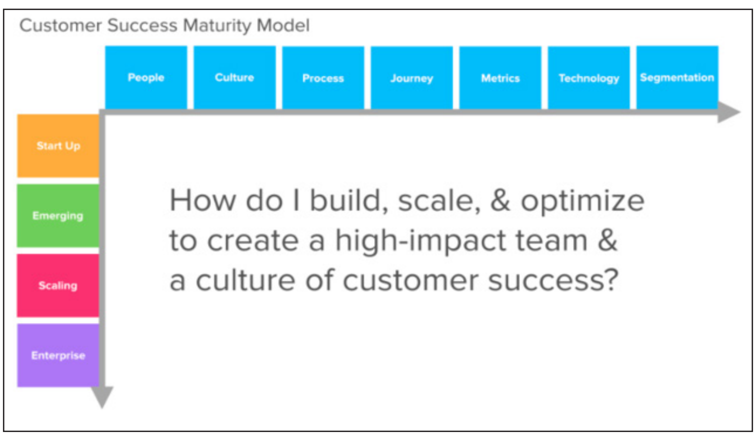
At organizations within more established audiences, it's important to thoroughly understand how the customer experience delivery is stacking up against the competition. While newer industries can afford to test out different strategies and pick and choose which areas of the customer experience to focus on (and we hope it's all of them!), organizations in mature markets are forced to adhere to certain type of standards.

Mature marketplaces also mean a wider variety of options for consumers. This means that if an organization loses a customer due to lack of experience or satisfaction, there are plenty of other options the customer can latch on to. Customer success teams must be 100% attentive and diligent when it comes to understanding and tracking customer lifecycle metrics and checkpoints, as they can often be signs of impending churn.

For many organizations, mapping out customer lifecycles and tracking these stages against industry-wide benchmarks is a great way to determine the health of customer accounts and where relationships stand. It can also be an excellent way to understand where an organization falls in relationship to other similar companies, and how customers rate a brand against competition.

How to Get Started with Customer Lifecycle Management

Organizations can get started with Customer Lifecycle Management by first creating a Customer Journey Map. Building the Customer Journey Map is the first step towards ensuring all internal employees, departments, and even executives are on the same page when it comes to customer interactions and engagements. Customer Journey Maps are extremely helpful when talking to customers at kick-off meetings or initial planning sessions where many customers want to know how a new vendor relationship will pan out.



Customer success teams can leverage past data, metrics, and industry benchmarks to create the ideal Customer Lifecycle Management program. After drawing up a comprehensive Customer

Journey Map, Customer success leaders can then associate each checkpoint or lifecycle moment to a specific metric or data point. These metrics are then tracked and measured to determine how well a customer success team is doing when it comes to meeting critical goals or KPIs.

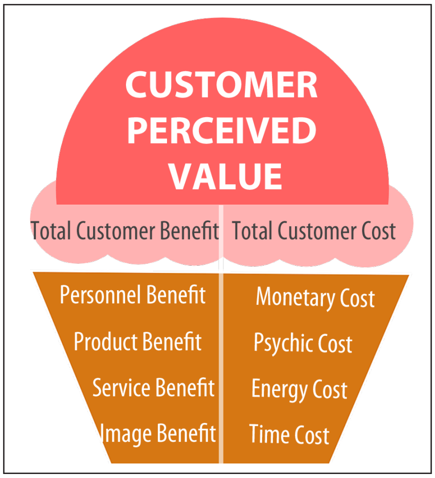
This mapping process is especially important for companies in older, more established marketplaces because it can help decision makers wade through the industry 'noise' to identify clear, tangible metrics that actually measure important factors of a customer relationship. Every company is different, which is why the same metrics may not apply across an entire industry. Each organization must look at crucial, defining metrics to know exactly what to map out, track, and measure.

Eliminating Manual Processes and Procedures is Key

For larger companies or those in more mature marketplaces, creating a seamless customer experience relies heavily on eliminating manual processes and procedures. Developing an innovative, customer-centric lifecycle map and then bridging the gap to actual execution (where Customer Lifecycle Management comes into play), CSMs can rise to the top of even the most crowded marketplace.

Beyond standing out from the competition, Customer Lifecycle Management builds the groundwork for optimizing internal processes and procedures. By streamlining interdepartmental handoffs and tracking critical metrics such as Employee Time Spent or overall results, Customer Lifecycle Management opens up a whole new world for customer success professionals. Team members can now spend more 1:1 time with critical accounts and less time worry about turnkey processes and arrangements.

Customer Value



Customer value is the perception of what a product or service is worth to a customer versus the possible alternatives. Worth means whether the customer feels that he or she received benefits and services over what was paid.

That can be broken down to a simple equation: Customer Value = Benefits – Cost (CV=B-C).

It can't be so linear as to focus only on price because customers spend a lot more than just their cash when investing in products or services. You have to consider what they pay in time, effort, convenience, energy and so forth.

To the customer, the benefits can also vary which can shift the value. Value for one customer may not be the same as another. What's important to one may not be important to another segment of your audience. Benefits could include:

- Quality of the product,
- Advantages of ownership,
- Image,
- Company brand and affiliation,
- Access to a solution,
- Experience,
- Success from use of the product or service,
- Long term takeaways (including knowledge).

Value is created through the development and improvement of processes, much like other things in your business. It's also a subset of the culture and vision of your company. While culture and mindset can be difficult to change, it's entirely possible to shift those things to put far more emphasis on creating customer value and better customer experiences.

Value, or perceived value, can change over the course of the customer's journey. They'll have some idea of the value you offer when they're first introduced to your product or brand, and this will change once they begin to interact with you and your product or service, your people, and even other customers.

Communicating value and establishing customer value is important because the results of your efforts to create value are measured in the customers' perception of that value.

Remember: Your customers will never buy something you because you like it. They buy things because they like or need them. It's never something you can force.

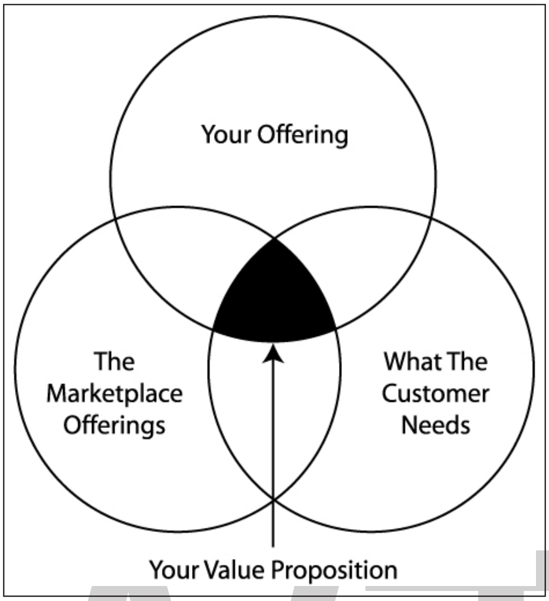
Think about the last time you decided to go out to eat, but without a destination in mind. You compared the perceived value of similar restaurants while trying to make a decision. It's entirely based on subjective perceptions.

Because it's so subjective, customer value can only be influenced – never controlled. Don't let that scare you away from trying. It's easier than you think to communicate value, and the stronger your relationship with the customer, the greater the perceived value is.

Cultivating Customer Value

This is far easier than you can imagine. Your customers already know what interests them. They already have subconscious and conscious drivers. They already know the problems they have, and may even know the solutions they need.

You just need to understand what drives value for your customers. Good customer research, including surveys and talking to your customers, can unearth what matters most to them.



Refine your Value Proposition

Consider all the businesses out there offering exactly what you offer. With similar products, customers have no choice but to make a subjective choice. Your value proposition is where you win them over. You need to communicate what makes you different, and continually work to increase that value proposition to set yourself apart. You can do that through:

- Identifying what you're good at and owning it.
- Make your value proposition clear in all your communications.
- Ask customers why they buy from you, use feedback to boost your value proposition.
- Quantify your value with real data.
- Communicate the benefits of your service so customers can see the value.

Segment your Audience

Different customers have different ideas of value, and what is important to them. Rather than trying to shoehorn the same value proposition to your entire audience, identify what makes different segments tick.

Value could vary based on season, geography, demographics or certain product attributes. Segment your audience based on what they value, and adjust your message to each. What an adult considers as value, for example, can be completely different than that of a teenager.

If you have a target market cut out for you, then all you have to do is get in the shoes of your customer, and figure out what's a gesture they would appreciate.

Don't Compete on Price

If you try to compete on price alone with your competitors, you'll often lose. Cost is certainly a factor for customers, but many people are willing to pay more when they can see the value and feel like they're getting their money's worth. Satisfied customers that perceive a lot of value in your offering are not only willing to pay more, they're willing to talk you up.

Conversely, an unsatisfied customer who hasn't seen the value is going to go somewhere else, even if you offer the lowest price.

Set a price that makes it clear that customers are receiving value, but it also maximizes your take. Somewhere in the middle, but not the lowest, communicates value at a fair price to customers who are comparison-shopping.

Focus on your Most Valuable Customers

You can't spread your resources, service teams, and sales force evenly among your entire customer base and expect a good return. You need to focus on the customers provide the greatest value in return. This is another reason why audience segmentation is so important.

Likewise, push a lot of resources towards building relationships with existing customers over acquisition. It costs less to keep a customer than to acquire a new one, and great service will boost the lifetime customer value so each customer is worth more in the long run.

Customer Value Model

A customer value model (CVM) is a data-driven representation of the worth, in monetary terms, of what a company is doing or could do for its customers. Customer value models are tools used primarily in B2B markets where the choice of a given product, service, or offering is based primarily upon the amount customer value created. Customer value is defined as Value = Benefits - Price. Thus, customer benefits are quantified in a CVM - product features and capabilities are translated into dollars. Customer value models are different from customer lifetime value models, which seek to quantify the value of a customer to its suppliers.

Firms using Customer Value Models

Many firms have been reported to use customer value models, including General Electric, Alcoa, W.W. Grainger, Qualcomm, Sonoco, BT Industries Group, Rockwell Automation, and Akzo Nobel.

Uses of Customer Value Models

- New product and service development and refinement: The dialog and customer immersion that is part of a CVM is used to discover and determine which potential product features and functionality would create the most value for customers. This on-site interaction can be used to frame and define those features and functionality. Often a key is to focus on product or service capabilities rather than on features. Successful CVM efforts change the basis of the customer-supplier product conversation away from features and functions and toward problems, benefits, and value.

- Sales tools: CVMs can serve as a quantified statement of value and benefits for a customer that is used by the vendor sales staff to both sell into a new account, as well as to reaffirm and validate value created for current customers as a means to retain and grow current customer. CVMs also can help firms to determine the more rational promotion cost.

Customer Value Model Methods

There are several methods and approaches used to create customer value models. All of these approaches appear to depend on substantial customer interaction and on-site interviews and observations of customers' challenges related to the product or service being valued. The CVMs are of varying complexity. One consulting firm has found it useful to reverse-engineer customer P&Ls (profit and loss statements) to establish a clear connection between the product benefits and the customer bottom-line.

Relationship Marketing

Relationship marketing is a form of marketing developed from direct response marketing campaigns that emphasises customer retention and satisfaction rather than sales transactions. It differs from other forms of marketing in that it recognises the long-term value of customer relationships and extends communication beyond intrusive advertising and sales promotional messages. With the growth of the Internet and mobile platforms, relationship marketing has continued to evolve as technology opens more collaborative and social communication channels such as tools for managing relationships with customers that go beyond demographics and customer service data collection. Relationship marketing extends to include inbound marketing, a combination of search optimization and strategic content, public relations, social media and application development.

Relationship marketing refers to an arrangement where both the buyer and seller have an interest in a more satisfying exchange. This approach aims to transcend the post-purchase-exchange process with a customer in order to make richer contact by providing a more personalised purchase, using the experience to create stronger ties. A main focus on a long-term relationship with customers differentiates relationship marketing from other marketing techniques.

The technique was first proposed by American marketing scholars Berry and Jackson. Berry argued in a conference about the field of service marketing that relationship marketing is a marketing activity for enterprises to obtain, maintain and promote effective relationships with customers. After a long-term study on the marketing process of the service industry, it was concluded that the ultimate goal of enterprise marketing is not only to develop new customers but also to focus on maintaining existing customers. Ultimately, the goal is to improve the long-term interests of both parties through cooperative relationships. The study also argues that the cost of maintaining an old customer is far lower than the cost of developing a new customer and that maintaining a relationship with old consumers is more economical than developing new customers. Jackson further modified the concept in the aspect of industry marketing. He argued that the essence of relationship marketing is to attract, establish and maintain a close relationship with enterprise customers. Furthermore, other studies have concluded that the essence of relationship marketing is the actual maintenance of existing customers, which creates long-term interest in a product. This research conclusion has been generally recognised after the original proposal of relationship marketing. The research scope, however, is limited to the relationship with old customers, easily ignoring the dynamic development of customers because long-term customers are developed from new customers. If an enterprise is restricted to the maintenance of existing customers, it is impossible for it to achieve any progress or compete in the market since it cannot attract long-term customers in the first place.

From a social anthropological perspective, relationship marketing theory and practice can be interpreted as commodity exchange that instrumentalists features of gift exchange. Marketers, consciously or intuitively, are recognizing reciprocity, a 'pre-modern' form of exchange, and have begun to use it.

Thus relationship marketing revolves around gaining loyal customers. According to Liam Alvey, relationship marketing can be applied where there are competitive product alternatives for customers to choose from and an ongoing desire for that product. Research studying relationship marketing suggests that companies can do this through one of the three value strategies: best price, best product or best service. Hence companies can relay their relationship marketing message through value statements.

The practice of relationship marketing has been facilitated by several generations of customer relationship management software, which track and analyse each customer's preferences and activities. For example, an automobile manufacturer maintaining a database of when and how customers repeat buy their products, including data concerning their choices and purchase financing, can more efficiently develop one-to-one marketing offers and product benefits. Moreover, extensive use of such software is found in web applications. A consumer shopping profile can be built as a person shops online and is then used to compute his likely preferences. These predicted offerings can then be presented to the customer through cross-sell, email recommendation and other channels.

Relationship marketing has also migrated back into direct mail. Marketers can use the technological capabilities of digital, toner-based printing presses to produce unique, personalised pieces for each recipient through variable data printing. They can personalise documents by information contained in their databases, including name, address, demographics, purchase history and dozens to hundreds of other variables. The result is a printed piece that reflects the individual needs and preferences of each recipient, increasing the relevance of the piece and increasing the response rate.

Scope

Additionally, relationship marketing has been strongly influenced by reengineering. According to process reengineering theory, organizations should be structured according to complete tasks and processes rather than functions. Thus cross-function teams should be responsible for a whole process from beginning to end rather than having the work go from one functional department to another, whereas traditional marketing uses the functional (or 'silo') department approach where stages of production are handled by different departments. The legacy of traditional marketing can still be seen in the traditional four Ps of the marketing mix: pricing, product management, promotion, and placement. According to Gordon, the marketing mix approach is too limited to provide a usable framework for assessing and developing customer relationships in many industries and should be replaced by the relationship marketing alternative model where the focus is on customers, relationships and interaction over time rather than markets and products.

In contrast, relationship marketing is cross-functional, organised around processes that involve all aspects of an organization. In fact, some commentators prefer to call relationship marketing 'relationship management' because it involves much more than that which is included in normal marketing.

Because of its broad scope, relationship marketing can be effective in many contexts. As well as being relevant to 'for profit' businesses, research indicates that relationship marketing can be useful for organizations in the voluntary sector and in the public sector.

Martin Christopher, Adrian Payne and David Ballantyne at the Cranfield School of Management claim that relationship marketing has the potential to forge a synthesis between quality management, customer service management and marketing.

Approaches

Satisfaction

Relationship marketing relies on the communication and acquisition of consumer requirements solely from existing customers in a mutually beneficial exchange usually involving permission for contact by the customer through an opt-in system. With particular relevance to customer satisfaction, the relative price and quality of goods and services produced or sold through a company alongside customer service generally determine the amount of sales relative to that of competing companies. Although groups targeted through relationship marketing may be large, accuracy of communication and overall relevance to the customer remains higher than that of direct marketing. However, relationship marketing has less potential for generating new leads than direct marketing and is limited to viral marketing for acquiring customers.

Retention

A principle of relationship marketing is the retention of customers in order to ensure repeated trade from preexisting customers by satisfying requirements above those of competing companies through a mutually beneficial relationship. This technique balances new customers and opportunities with current and existing customers to maximise profit and counteracts the leaky bucket theory of business, where new customers in older direct marketing-oriented businesses are gained at the expense of the loss of older customers. This process of 'churning' is less economically viable than retaining all or the majority of customers using both direct and relationship management because securing new customers requires more investment.

Many companies in competing markets redirect or allocate large amounts of resources towards customer retention. In markets with increasing competition, attracting new customers may cost up to five times more than retaining current customers because direct or 'offensive' marketing requires much more to cause defection from competitors. However, it is suggested that because extensive classic marketing theories center on means of attracting customers and creating transactions rather than maintaining them, the predominant usage of direct marketing used in the past is now gradually being used more with relationship marketing as the latter's importance becomes more recognizable.

Reichheld and Sasser claim that a 5% improvement in customer retention can cause an increase in profitability of between 25 and 85 percent in terms of net present value depending on the industry. However, Carrol and Reichheld dispute these calculations, claiming that they result from faulty cross-sectional analysis. Research indicates that engaged customers generate 1.7 times more revenue than normal customers while having engaged employees and engaged customers returns a revenue gain of 3.4 times the normal return.

According to Buchanan and Gilles, the increased profitability associated with customer retention efforts occurs because of several factors once a relationship has been established with a customer:

- The cost of acquisition occurs only at the beginning of a relationship. The longer a relationship, the lower the amortised cost.
- Account maintenance costs decline as a percentage of total costs or as a percentage of revenue.
- Long-term customers tend to be less inclined to switch products and also tend to be less price-sensitive. This can result in stable unit sales volume and increases in dollar-sales volume.
- They also may provide free word-of-mouth promotions and referrals.
- Furthermore, they are more likely to purchase ancillary products and high-profit margin supplemental products.
- Customers who stay with a company tend to be satisfied with the relationship and are less likely to switch to competitors, increasing the difficulty for competitors to enter the market or gain market share.
- Regular customers tend to be less expensive to service because they are familiar with the process, require less 'education' and are consistent in their order placement.
- Increased customer retention and loyalty makes employees' jobs easier and more satisfying. In turn, happy employees increase customer satisfaction in a virtuous circle.

The relationship ladder of customer loyalty groups types of customers according to their level of loyalty. The ladder's first rung consists of prospects, non-customers who are likely to become customers in the future. This is followed by the successive rungs of customer, client, supporter, advocate, and partner. The relationship marketer's objective is to 'help' customers climb the ladder as high up as possible. This usually involves providing more personalised service and providing service quality that exceeds expectations at each step.

Customer retention efforts involve multiple considerations:

- Customer valuation: Gordon describes how to value customers and categorise them according to their financial and strategic value so that companies can decide where to invest for deeper relationships and which relationships need to be served differently or even terminated.

- Customer retention measurement: Dawkins and Reichheld calculated a company's customer retention rate. This is the percentage of customers at the beginning of the year that is still customers by the end of the year. In accordance with this statistic, an increase in retention rate from 80% to 90% is associated with a doubling of the average life of a customer relationship from 5 to 10 years. This ratio can be used to make comparisons between products, between market segments, and over time.
- Determining reasons for defection: It comprises investigating root causes, not mere symptoms. This involves probing for details when contacting former customers. Other techniques include the analysis of customers' complaints and competitive benchmarking.
- Developing and implementing a corrective plan: This could involve actions to improve employee practices, using benchmarking to determine best corrective practices, visible endorsement of top management, adjustments to the company's reward and recognition systems, and the use of recovery teams to eliminate the causes of defections.

A technique to calculate the value to a firm of a sustained customer relationship has been developed. This calculation is typically called customer lifetime value, a prediction of the net profit of a customer's relationship with a company.

Retention strategies may also include building barriers to customer switching by product bundling (combining several products or services into one package and offering them at a single price), cross-selling (selling related products to current customers), cross-promotions (giving discounts or other promotional incentives to purchasers of related products), loyalty programs (giving incentives for frequent purchases), increasing switching costs (adding termination costs such as mortgage termination fees), and integrating computer systems of multiple organizations (primarily in industrial marketing).

Many relationship marketers use a team-based approach due to the concept that the more points of contact between the organization and customer, the stronger the bond and the more secure the relationship.

Application

Relationship marketing and traditional or transactional marketing are not mutually exclusive, and there is no need for a conflict between them. In practice, a relationship-oriented marketer still has choices depending on the situation. Most firms blend the two approaches in order to reach a short-term marketing goal or long-term marketing strategy. Many products have a service component to them, which has been growing in recent decades. Relationship marketing aims to strengthen the relationship with clients and secure them. Morgan and Hunt made a distinction between economic and social exchange on the basis of exchange theory and concluded that the basic guarantee of social exchange was the spirit of the contract of trust and commitment. The transition from economic exchange theory to social exchange theory is where the one-time transaction's prevalence is reduced. Besides, the theoretical core of enterprise relationship marketing in this period is the cooperative relationship based on commitment, which defines relationship marketing from the perspective of exchange theory and emphasizes that relationship marketing is an activity related to the progress, maintenance and development of all marketing activities. The theory states that trading enterprises are composed of trust and commitment and that the basis of marketing activities to establish long-term relations.

Factors affecting cooperation from both sides include communication, power, cost and benefit and opportunism behaviour; but the relationship effect is mainly formed by trust and commitment. Moreover, Copulsky and Wolf introduced terminology like ‘one to one’ marketing that leverages IT to target customers with specific offers. Enterprise has an incentive to improve the effect of relationships with customer. When access to data and information that improves the relationship with the customer has a low cost, enterprises pay the cost in order to improve relations with customers. Due to the development of communication and Internet technology, information costs have decreased substantially. Liker and Klamath introduced the relationship between enterprises and suppliers into the scope of relational marketing, claiming that in the marketing process manufacturers make suppliers assume corresponding responsibilities and enable them to exploit technological and resource advantages in the production process, improving their marketing innovation. Meanwhile, Lukas and Ferrell believe that the implementation of customer-oriented marketing can greatly promote marketing innovation and encourage enterprises to break through the traditional relationship model between enterprises and customers and propose new products. Lethe confirms the relationship between enterprises and customers through the observation of the benchmarking customer research, finding a positive correlation to innovation. He posits that good relations between enterprises and customers results in more efficient benchmarking, identifying new potential products, reduce the cost of new product development and increase market acceptance of products.

Also he proposes that all relationships established with relevant parties for enterprise marketing are cantered on the establishment of good customer relations: The core concept of relationship marketing is maintaining a relationship with customers. Guinness propounds that relationship marketing is a consciousness that regards the marketing process as the interaction between enterprises and various aspects of relationships and networks. According to his research, enterprise faces four relations: its relationship with the macro-environment, that with the micro-environment, market relations and relations with a special market. In addition, enterprises in the implementation of relationship marketing are often able to use networks to promote all aspects of relationship coordination and progress.

Internal Marketing

Relationship marketing stresses internal marketing, which is using a marketing orientation within an organization itself. Many relationship marketing attributes like collaboration, loyalty and trust determine internal customers’ words and actions. According to this theory, every employee, team and department in the company is simultaneously a supplier and a customer of services and products. An employee obtains a service at a point in the value chain and then provides a service to another employee further along the value chain. If internal marketing is effective, every employee both provides and receives exceptional service to and from other employees. It also helps employees understand the significance of their roles and how their roles relate to others’. If implemented well, it can encourage every employee to see the process in terms of the customer’s perception of value and the organization’s strategic mission. Further, an effective internal marketing program is a prerequisite for effective external marketing efforts.

Six Markets Model

Christopher, Payne and Ballantyne identify six markets that they claim to be central to relationship marketing: internal markets, supplier markets, recruitment markets, referral markets, influence markets and customer markets. Referral marketing is the development and implementation of a marketing plan in order to stimulate referrals. Although it may take months before the effect of referral marketing is noticeable, it is often the most effective part of an overall marketing plan and the most efficient use of resources. Marketing to suppliers is aimed at ensuring a long-term conflict-free relationship in which all parties understand the others' needs and exceed their expectations. Such a strategy can reduce costs and improve quality. Meanwhile, influence markets involve a wide range of sub-markets, including government regulators, standards bodies, lobbyists, stockholders, bankers, venture capitalists, financial analysts, stockbrokers, consumer associations, environmental associations and labor associations. These activities are typically carried out by the public relations department, but relationship marketers believe that marketing to all six markets is the responsibility of everyone in an organization. Each market may require its own explicit strategies and marketing mix.

Live-in Marketing

Live-in marketing (LIM) is a variant of marketing and advertising in which the target consumer is allowed to sample or use a product in a relaxed atmosphere over a long period of time. Much like product placement in film and television, LIM was developed as a means to reach select target demographics in a non-invasive and much less garish manner than traditional advertising.

While LIM represents an entirely untapped avenue of marketing, it is not an entirely novel idea. With the rising popularity of experiential and event marketing in North America and Europe and the relatively high ROI in terms of advertising dollars spent on experiential marketing compared to traditional big media advertising, industry analysts see LIM as a natural progression.

Premise

LIM functions around the premise that marketing or advertising agencies aim to appeal to companies' target demographic. Avenues such as sponsorship or direct product placement and sampling are explored in turn. Unlike traditional event marketing, LIM suggests that end-users can sample the product or service in a comfortable and relaxed atmosphere. The theory posits that the end-user will have as positive as possible an interaction with the given brand, thereby leading to word-of-mouth communication and potential future purchases. If the success of a traditional event and experiential marketing is shared with LIM, a lucrative and low-cost means of product promotion could be demonstrated. However, this means of advertising is still being developed, and more research is required to determine the true success of such campaigns. The first company to explicitly offer LIM services was Hostival Connect in late 2010.

Consumer to Consumer Markets

Consumer to consumer (C2C) markets provides an innovative way to allow customers to interact with each other. Traditional markets require business to customer relationships, in which a customer goes to the business in order to purchase a product or service. In customer to customer markets, the business facilitates an environment where customers can sell goods or services to each other. Other types of markets include business to business (B2B) and business to customer (B2C).

Consumer to consumer (or citizen-to-citizen) electronic commerce involves the electronically facilitated transactions between consumers through some third party. A common example is an online auction, in which a consumer posts an item for sale and other consumers bid to purchase it; the third party generally charges a flat fee or commission. The sites are only intermediaries, just there to match consumers. They do not have to check quality of the products being offered.

Consumer to consumer (C2C) marketing is the creation of a product or service with the specific promotional strategy being for consumers to share that product or service with others as brand advocates based on the value of the product. The investment into conceptualising and developing a top of the line product or service that consumers are actively looking for is equitable to retail pre-launch product awareness marketing.

Business Model

Most C2C websites, such as eBay, have both streamlined and globalized traditional person-to-person trading, which was usually conducted through such forms as garage sales, collectibles shows, flea markets and more, with their web interface. This facilitates easy exploration for buyers and enables the sellers to immediately list an item for sale within minutes of registering.

When an item is listed on a C2C site, a nonrefundable insertion fee is charged based on the seller's opening bid on the item. Once the auction is completed, a final value fee is charged. This fee generally ranges from 1.25 percent to 5 percent of the final sale price.

After the C2C site sets up the system in which bids could be placed, items can be put up for sale, transactions can be completed, seller fees are charged, and feedback can be left, while the C2C site stays in the background. For example, at the end of an auction, the C2C site notifies the buyer via e-mail that he or she has won. The C2C site also e-mails the seller to report who won and at what price the auction finished. At that point it's up to the seller and buyer to finish the transaction independently of the C2C site. C2C sites make money by charging fees to sellers. Although it's free to shop and place bids, sellers place fees to list items for sale, add on promotional features, and successfully complete transactions.

Many C2C sites have expanded and developed existing product categories by introducing category-specific bulletin boards and chat rooms, integrating category-specific content, advertising its service in targeted publications and participating in targeted trade shows. eBay specifically has also broadened the range of products that it offers to facilitate trading on the site, including payment services, shipping services, authentication, appraisal, vehicle inspection and escrow services.

Specialty marketplaces have also been added to serve the specialized needs of buyers and sellers. For example, eBay Motors serves the automotive marketplace, including vehicles, parts and accessories; and Half.com (now closed) was focused on providing a fixed-price trading environment, initially for books music, videos and video games.

Many online auction sites use a system called PayPal for sellers to receive online payments securely and quickly. A traditional credit card is not required to use this site because PayPal can be linked directly to your bank account.

There are various platforms that Consumer-to-consumer e-commerce is taking place on, such as social media (e.g. Facebook), advertisement websites (e.g. Craigslist) and online auction sites (e.g. eBay).

Product or Service

Consumer to Consumer transactions often involve products sold via either a classified or auction-like system. As such, the products and services bought and sold are usually varied in type and have a short development and sale cycle. Products sold may often be used or second-hand, since consumer to consumer sales are often facilitated through auction or classified sites.

Development

Since products are usually second-hand, surplus, or used there is seldom a long development cycle associated with the products that are marketed via this method. However, in the case of individuals who are looking to sell a product or service they have developed to be sold on the small-scale, there is a product development life cycle. However, even when a product goes through a development life cycle when marketed in this manner, seldom does traditional marketing research occur. Oftentimes individuals are looking to make a quick profit, and simply place their product in the market place in hopes that it will be sold.

Communications

Advertising

Advertising is essential towards the success of any business. In the case of customer to customer marketing, advertising often relates to online auctions and listings. As opposed to the pricey costs to advertise in media such as newspapers and magazines, products are already being promoted and publicized once users decide to officially put them on the internet. Potential buyers will become aware of products or services by conducting searches on the websites. Aside from possible fees and commissions imposed by the auction or listing site, advertising in this market does not require a substantial amount of money.

Advantages

Customer to Customer C2C marketing has become very popular in the recent years. Customers can directly contact sellers and eliminate the middle man. Moreover, anyone can now sell and advertise a product in the convenience of one's home – enabling one to easily start a business. Therefore, a wide variety of products can often be found on auction sites such as eBay, including second-hand goods. Since majority of these sales occur over the internet, sellers can reach both national and international customers and greatly increase their market. Feedback on the purchased product is often requested to aid both the seller and potential customers. The actual buying and searching process is simplified and search costs, distribution costs, and inventory costs are all reduced. Moreover, the transactions occur at a swift rate with the use of online payment systems such as PayPal.

Disadvantages

Although online auctions allow sellers to display their products, there is often a fee associated with such exhibitions. Other times, websites may charge a commission when products are sold. With the growing use of online auctions, the number of internet-related auction frauds have also increased. For instance, a seller may create two accounts on an auction site. When an interested buyer bids for an item, the seller will use another account to bid on the same item and thus, increasing the price. Consequently, many users have purchased products at unnecessarily inflated prices.

Identity theft has become a rising issue. Scam artists often create sites with popular domain names such as "ebay" in order to attract unknowing eBay customers. These sites will ask for personal information including credit card numbers. Numerous cases have been documented in which users find unknown charges on their credit card statements and withdrawals in their bank statements after purchasing something online. Unfortunately, websites often have a liability statement claiming that they are not responsible for any losses or damages. Furthermore, illegal or restricted products and services have been found on auction sites. Anything from illegal drugs, pirated works, prayers, and even sex have appeared on such sites. Although most of these items are blacklisted, some still find their way onto the internet.

E-commerce

Internet Auctions

Despite the success of eBay, numerous other online auction sites have either shut down or consolidated with other similar sites. Creating an innovative and efficient business model is vital towards success. Online auctions can be categorized into five main models: C2C, B2C, B2B, B2G, and G2P. C2C refers to customer to customer, B2C signifies business to customer, B2B refers to business to business, B2G signifies business to government, and G2P refers to government to public. In recent years, online auctions have even appealed to major businesses. For instance, Sears has reported selling items at higher prices on these auctions when compared to discounting them in stores.

The success of an online auction site largely depends on six variables: interactivity, product offering, level of trust, rate of growth and adoption, networking, level of commitment, and payment options. Interactions among users are crucial and thus, websites must be accessible and easily navigable. E-mails, community boards, and feedback all aid in increasing the interactivity. With the growing need for convenience, the variety of products offered can greatly attribute to the client basis. Especially with the growing number of online frauds, trust is essential in auction sites. Users must be guaranteed that their personal information will remain secured and that they will receive their purchased product in a perfect condition and in a timely manner. With the fast-paced advancements in technology, auction sites must respond to these changes by staying updated. Moreover, sites also need to constantly search for business opportunities in order to expand their market. A large network of users is also crucial. Having an array of different sellers, buyers, suppliers, and delivery agents will increase the number of users, which would also raise the level of interactivity. In addition, forming alliances with different partners will also aid in the site's success. The level of commitment in buyers and sellers also plays a role in the auction's success. Similar to the level of trust, buyers must be ensured that they receive their purchased item, and sellers must actually receive payment. Although most prefer speedy online transactions, it is beneficial to offer different payment options that will accommodate different buyers.

Internet Classifieds

Internet classifieds are another example of customer to customer marketing. An example of an internet classified company is Craigslist. Craigslist utilizes the internet to attract a wide customer and buyer base which employs the website to list and sell items.

Since the customer to customer marketing strategy is strongly focused on serving the customer, the business model of Craigslist is simple: serve the customer first. Utilizing this model, Craigslist has developed into a prime example of a customer to customer driven 'machine', which focuses on the customer selling to the customer.

Revenues which support the company are derived through subsidiary channels, while maintaining the model and convenience of the site. In fact, Craigslist makes no money off the customer to customer interactions that occur on the classifieds of the website. All of their revenue is derived from portion of the website targeted at businesses. Thus, in other words, their revenue is derived solely from their business to customer model utilized by businesses to post jobs and hire new workers.

As such, it becomes apparent that companies who focus on this particular model and, specifically classifieds, whether online or off, are often not focused on profit; but rather, on delivery of the service or product to ensure customer to customer interaction.

Internet classifieds sites such as OLX, Quikr, Loogga etc. are gaining prominence in emerging economies such as India, Brazil and Nigeria. OLX and Quikr recently enabled their users to sell cows and buffaloes in rural India.

Marketing

C2C marketing is of critical importance to retailers. When a shopper buys a product, if it can be shared with the shopper's friends that drives significant traffic back to the customer site. Additionally, shoppers trust user generated recommendations much higher than recommendations pushed by the retailer. Retailers like CafePress have implemented C2C marketing on their website and companies like ShopSocially are building C2C marketing platforms for retailers. Recent trends by Facebook and Wavespot that leverage free WIFI at a local business are indicative of C2C marketing's importance in SMB space.

Most companies think of C2C marketing as the use of social media channels such as Facebook and Twitter. However, in many cases, the messaging tends to be business to consumer.

Customer Retention

Customer retention refers to the ability of a company or product to retain its customers over some specified period. High customer retention means customers of the product or business tend to return to, continue to buy or in some other way not defect to another product or business, or to non-use entirely. Selling organizations generally attempt to reduce customer defections. Customer retention starts with the first contact an organization has with a customer and continues throughout the entire lifetime of a relationship and successful retention efforts take this entire lifecycle into account. A company's ability to attract and retain new customers is related not only to its product or services, but also to the way it services its existing customers, the value the customers actually generate as a result of utilizing the solutions, and the reputation it creates within and across the marketplace.

Successful customer retention involves more than giving the customer what they expect. Generating loyal advocates of the brand might mean exceeding customer expectations. Creating customer loyalty puts 'customer value rather than maximizing profits and shareholder value at the center of business strategy'. The key differentiation in a competitive environment is often the delivery of a consistently high standard of customer service. Furthermore, in the emerging world of Customer Success Retention is a major objective.

Customer retention has a direct impact on profitability. Research indicates that engaged customers generate 1.7 times more revenue than normal customers, while having engaged employees and engaged customers return a revenue gain of 3.4 times the norm.

Measurement

The measurement of customer retention should distinguish between behavioural intentions and actual customer behaviours. The use of behavioural intentions as an indicator of customer retention is based on the premise that intentions are a strong predictor of future behaviours, such that customers who express a stronger repurchase intention toward a brand or firm will also exhibit stronger corresponding behaviours. Customer repurchase and retention behaviours can be measured in a variety of different ways. The different studies that also involve different metrics to measure customer repurchase intention and actual repurchase behaviours point to the following general conclusions:

- Customer satisfaction is a strong predictor of both customers repurchases intentions and repurchases behaviour.
- Repurchase intentions are statistically significantly, and positively associated with repurchase behaviour: As people repurchase intention increases, so does their likelihood to actually repurchase the brand. However, the magnitude of the association, though positive, is moderate to weak—suggesting that intentions and behaviours are not interchangeable constructs to measure customer retention.
- The association between different retention metrics is not always straightforward. It can be (a) non-linear exhibiting increasing or diminishing returns, (b) different for different customer segments), and also vary by type of industry.
- Customer retention is a strong predictor of a firm's financial success, both using accounting and stock market metrics. A study of a Brazilian bank showed that bank branches that were more adept at efficiently satisfying and retaining customers were more profitable than their counterparts that did one or the other but not both.

In terms of measurement, the intention measures can typically be obtained using scale-items embedded in a customer survey. The retention behaviours must be measured using secondary data such as/accounting measures of the volume (amount and financial value) and frequency with which a customer purchases the firm's goods or services. This requires that the firm should have a strong customer information management department that can capture all the relevant metrics that may be needed for analysis. In a typical firm, these may come from a diverse set of departments such as accounting, sales, marketing, finance, logistics, and other customer research.

Antecedents and Drivers

Customer retention is an outcome that is the result of several different antecedents as described below:

- Customer Satisfaction: Research shows that customer satisfaction is a direct driver of customer retention in a wide variety of industries. Despite the claims made by some one-off studies, the bulk of the evidence is unambiguously clear: there is a positive association between customer satisfaction and customer retention/though the magnitude of the association can vary based on a whole host of factors such as customer, product, and industry characteristics. Some companies and individuals have created mathematical models to evaluate customer satisfaction.

- Customer Delight: Some scholars argue that in today's competitive world, merely satisfying customers is not enough; firms need to delight customers by providing exceptionally strong service. It is delighted customers who are likely to stay with the firm, and improve overall customer retention. More recently, it has been argued that customer delight may be more strongly applicable to hedonic goods and services rather than for utilitarian products and services.

- Customer Switching costs: Burnham, Frels, and Mahajan define switching costs as "one-time costs that customers associate with the process of switching from one provider to another". Customers usually encounter three types of switching costs: (1) financial switching costs (e.g., fees to break contract, lost reward points); (2) procedural switching costs (time, effort, and uncertainty in locating, adopting, and using a new brand/provider); and (3) relational switching costs (personal relationships and identification with brand and employees). A recent meta-analysis examined 233 effects from over 133,000 customers and found that all three types of switching costs increased customer retention—however; relational switching costs have the strongest association with customer repurchase intentions and behaviour.

- Customer Relationship Management: Acknowledging the social and relational aspects—especially those embedded in services—it has been argued that firms can increase retention by focusing on managing customer relationships. Relationship management occurs when firms can take a longer-terms perspective, rather than a transactional perspective to managing their customer base. However, all long-term customers are not profitable, and worth retaining; sometimes, short-term transactional customers can be more profitable for the firm. As such, companies may have to strategically develop a framework to manage unprofitable customers.

Standardization of Customer Service

Published standards exist to help organizations deliver process-driven customer satisfaction and Customer Success in order to increase the lifespan of a customer. The International Customer Service Institute (TICSI) has released The International Standard for Service Excellence. TISSE 2012 enables organizations to focus their attention on delivering excellence in the management of customer service, whilst at the same time providing recognition of success through a 3rd Party certification scheme. TISSE 2012 focuses an organization's attention on delivering increased customer satisfaction by helping the organization through a Service Quality Model. TISSE Service Quality Model uses the 5 P's - Policy, Processes, People, Premises, Product/Service, as well as performance measurement. The implementation of a customer service standard leads to improved customer service practices, underlying operating procedures and eventually, higher levels of customer satisfaction, which in turn increases customer loyalty and customer retention.

Customer Profitability

Customer profitability (CP) is the profit the firm makes from serving a customer or customer group over a specified period of time, specifically the difference between the revenues earned from and the costs associated with the customer relationship in a specified period. "A profitable customer is a person, household or a company that overtime yields a revenue stream that exceeds by an acceptable amount the company's cost stream of attracting, selling and servicing the customer."

Calculating customer profit is an important step in understanding which customer relationships are better than others. Often, the firm will find that some customer relationships are unprofitable. The firm may be better off (more profitable) without these customers. At the other end, the firm will identify its most profitable customers and be in a position to take steps to ensure the continuation of these most profitable relationships. However, abandoning customers is a sensitive practice, and a business should always consider the public relations consequences of such actions.

Purpose

Although CP was nothing more than the result of applying the business concept of profit to a customer relationship, measuring the profitability of a firm's customers or customer groups can often deliver useful business insights.

The purpose of the "customer profit" metric is to identify the profitability of individual customers. Companies commonly look at their performance in aggregate. A common phrase within a company is something like: "We had a good year, and the business units delivered $400,000 in profits." When customers are considered, it is often using an average such as "We made a profit of $2.50 a customer." Although these can be useful metrics, they sometimes disguise an important fact that not all customers are equal and, worse yet, some are unprofitable. Simply put, rather than measuring the "average customer", we can learn a lot by finding out what each customer contributes to our bottom line.

Quite often a very small percentage of the firm's best customers will account for a large portion of firm profit. Although this is a natural consequence of variability in profitability across customers, firms benefit from knowing exactly who the best customers are and how much they contribute to firm profit.

At the other end of the distribution, firms sometimes find that their worst customers actually cost more to serve than the revenue they deliver. These unprofitable customers actually detract from overall firm profitability. The firm would be better off if they had never acquired these customers in the first place.

Construction

Customer profitability is the difference between the revenues earned from and the costs associated with the customer relationship during a specified period. In theory, this is a trouble-free calculation. Find out the cost to serve each customer and the revenues associated with each customer for a given period.

The biggest challenge in measuring customer profitability is the assignment of costs to customers. While it is usually clear what revenue each customer generated, it is often not clear at all what costs the firm incurred serving each customer. Activity Based Costing can sometimes be used to help determine the costs associated with each customer or customer group. For components of cost not directly related to serving customers, the calculation of customer profit must use some method to fully allocate these costs to customers if the total of customer profit is to match the operating profit of the firm. If the firm decides not to allocate these non-customer costs to customers, then the sum of customer profit will be greater than the operating profit of the firm.

Cautions

Like other profit measures, customer profitability is historical. It is a financial summary of what happened in a previous period. And although the past is often indicative of the future, it is easy to imagine situations in which relationships that were unprofitable in the past might become profitable in the future (and vice versa). The forward-looking measure of the value to be derived by serving a customer is called customer lifetime value. Unprofitable customers can have high customer lifetime values (and vice versa).

Application Service Provider

An application service provider (ASP) is a business providing computer-based services to customers over a network; such as access to a particular software application (such as customer relationship management) using a standard protocol (such as HTTP).

The need for ASPs has evolved from the increasing costs of specialized software that have far exceeded the price range of small to medium-sized businesses. As well, the growing complexities of software have led to huge costs in distributing the software to end-users. Through ASPs, the complexities and costs of such software can be cut down. In addition, the issues of upgrading have been eliminated from the end-firm by placing the onus on the ASP to maintain up-to-date services, 24 x 7 technical support, physical and electronic security and in-built support for business continuity and flexible working.

The importance of this marketplace is reflected by its size. As of early 2003, estimates of the United States market ranged from 1.5 to 4 billion dollars. Clients for ASP services include businesses, government organizations, non-profits, and membership organizations.

Provider Types

There are several forms of ASP business. These are:

- A specialist or functional ASP delivers a single application, such as credit card payment processing or timesheet services.
- A vertical market ASP delivers a solution package for a specific customer type, such as a dental practice.
- An enterprise ASP delivers broad spectrum solutions.
- A local ASP delivers small business services within a limited area.

Some analysts identify a volume ASP as a fifth type. This is basically a specialist ASP that offers a low cost packaged solution via their own website. PayPal was an instance of this type, and their volume was one way to lower the unit cost of each transaction.

In addition to these types, some large multi-line companies, use ASP concepts as a particular business model that supports some specific customers.

The ASP Model

The application software resides on the vendor's system and is accessed by users through a web browser using HTML or by special purpose client software provided by the vendor. Custom client software can also interface to these systems through XML APIs. These APIs can also be used where integration with in-house systems is required. ASPs may or may not use multitenancy in the deployment of software to clients; some ASPs offer an instance or license to each customer (for example using Virtualization), some deploy in a single instance multi-tenant access mode, now more frequently referred to as "SaaS".

Common features associated with ASPs include:

- ASP fully owns and operates the software application(s).
- ASP owns, operates and maintains the servers that support the software.
- ASP makes information available to customers via the Internet or a "thin client".
- ASP bills on a "per-use" basis or on a monthly/annual fee.

The advantages to this approach include:

- Software integration issues are eliminated from the client site.

- Software costs for the application are spread over a number of clients.
- Vendors can build more application experience than the in-house staff.
- Low-code development platforms permit limited customization of pre-built applications.
- Key software systems are kept up to date, available, and managed for performance by experts.
- Improved reliability, availability, scalability and security of internal IT systems.
- A provider's service level agreement guarantees a certain level of service.
- Access to product and technology experts dedicated to available products.
- Reduction of internal IT costs to a predictable monthly fee.
- Redeploying IT staff and tools to focus on strategic technology projects that impact the enterprise's bottom line.

Some inherent disadvantages include:

- The client must generally accept the application as provided since ASPs can only afford a customized solution for the largest clients.
- The client may rely on the provider to provide a critical business function, thus limiting their control of that function and instead relying on the provider.
- Changes in the ASP market may result in changes in the type or level of service available to clients.
- Integration with the client's non-ASP systems may be problematic.

Evaluating an Application Service Provider security when moving to an ASP infrastructure can come at a high cost, as such a firm must assess the level of risk associated with the ASP itself. Failure to properly account for such risk can lead to:

- Loss of control of corporate data.
- Loss of control of corporate image.
- Insufficient ASP security to counter risks.
- Exposure of corporate data to other ASP customers.
- Compromise of corporate data.

Some other risks include failure to account for the financial future of the ASP in general, i.e. how stable a company is and if it has the resources to continue business into the foreseeable future. For these reasons Cisco Systems has developed a comprehensive evaluation guideline. This guideline includes evaluating the scope of the ASP's service, the security of the program and the ASP's maturity with regard to security awareness. Finally the guidelines indicate the importance of performing audits on the ASP with respect to:

- Port/Network service,

- Application vulnerability,
- ASP Personnel.

Physical visits to the ASP to assess the formality of the organization will provide invaluable insight into the awareness of the firm.

Comparisons

The ASP model is often compared with Software as a Service (SaaS), but while the latter typically delivers a generic service at scale to many users, the former typically involved delivering a service to a small number of users (often using separate single-tenant instances). This meant that the many benefits of multi-tenancy (cost sharing, economies of scale, etc.) were not accessible to ASP providers, and their services were more comparable to in-house hosting than to true multi-tenant SaaS solutions.

Customer Lifetime Value

In marketing, customer lifetime value (CLV or often CLTV), lifetime customer value (LCV), or life-time value (LTV) is a prediction of the net profit attributed to the entire future relationship with a customer. The prediction model can have varying levels of sophistication and accuracy, ranging from a crude heuristic to the use of complex predictive analytics techniques.

Customer lifetime value can also be defined as the monetary value of a customer relationship, based on the present value of the projected future cash flows from the customer relationship. Customer lifetime value is an important concept in that it encourages firms to shift their focus from quarterly profits to the long-term health of their customer relationships. Customer lifetime value is an important metric because it represents an upper limit on spending to acquire new customers. For this reason it is an important element in calculating payback of advertising spent in marketing mix modeling.

Early adopters of customer lifetime value models in the 1990s include Edge Consulting and Brand-Science.

Purpose

The purpose of the customer lifetime value metric is to assess the financial value of each customer. Don Peppers and Martha Rogers are quoted as saying, “some customers are more equal than others.” Customer lifetime value differs from customer profitability or CP (the difference between the revenues and the costs associated with the customer relationship during a specified period) in that CP measures the past and CLV looks forward.

As such, CLV can be more useful in shaping managers’ decisions but is much more difficult to quantify. While quantifying CP is a matter of carefully reporting and summarizing the results of past activity, quantifying CLV involves forecasting future activity.

Customer Lifetime Value

The present value of the future cash flows attributed to the customer during his/her entire relationship with the company.

Present value is the discounted sum of future cash flows: each future cash flow is multiplied by a carefully selected number less than one, before being added together. The multiplication factor accounts for the way the value of money is discounted over time. The time-based value of money captures the intuition that everyone would prefer to get paid sooner rather than later but would prefer to pay later rather than sooner. The multiplication factors depend on the discount rate chosen (10% per year as an example) and the length of time before each cash flow occurs. For example, money received ten years from now must be discounted more than money received five years in the future.

CLV applies the concept of present value to cash flows attributed to the customer relationship. Because the present value of any stream of future cash flows is designed to measure the single lump sum value today of the future stream of cash flows, CLV will represent the single lump sum value today of the customer relationship. Even more simply, CLV is the monetary value of the customer relationship to the firm. It is an upper limit on what the firm would be willing to pay to acquire the customer relationship as well as an upper limit on the amount the firm would be willing to pay to avoid losing the customer relationship. If we view a customer relationship as an asset of the firm, CLV would present the monetary value of that asset.

One of the major uses of CLV is customer segmentation, which starts with the understanding that not all customers are equally important. CLV-based segmentation model allows the company to predict the most profitable group of customers, understand those customers' common characteristics, and focus more on them rather than on less profitable customers. CLV-based segmentation can be combined with a Share of Wallet (SOW) model to identify "high CLV but low SOW" customers with the assumption that the company's profit could be maximized by investing marketing resources in those customers.

Customer Lifetime Value metrics are used mainly in relationship-focused businesses, especially those with customer contracts. Examples include banking and insurance services, telecommunications and most of the business-to-business sector. However, the CLV principles may be extended to transactions-focused categories such as consumer packaged goods by incorporating stochastic purchase models of individual or aggregate behaviour. In either case, retention has a decisive impact on CLV, since low retention rates result in Customer Lifetime Value barely increasing over time.

Construction

When margins and retention rates are constant, the following formula can be used to calculate the lifetime value of a customer relationship:

$$\text{Customer Lifetime Value} = \text{Margin} \cdot \frac{\text{Retention Rate}}{1 + \text{Discount Rate} - \text{Retention Rate}}.$$

The model for customer cash flows treats the firm's customer relationships as something of a leaky bucket. Each period, a fraction (1 less the retention rate) of the firm's customers leave and are lost for good.

The CLV model has only three parameters: (1) constant margin (contribution after deducting variable costs including retention spending) per period, (2) constant retention probability per period, and (3) discount rate. Furthermore, the model assumes that in the event that the customer is not retained, they are lost for good. Finally, the model assumes that the first margin will be received (with probability equal to the retention rate) at the end of the first period.

The one other assumption of the model is that the firm uses an infinite horizon when it calculates the present value of future cash flows.

Under the assumptions of the model, CLV is a multiple of the margin. The multiplicative factor represents the present value of the expected length (number of periods) of the customer relationship. When retention equals 0, the customer will never be retained, and the multiplicative factor is zero. When retention equals 1, the customer is always retained, and the firm receives the margin in perpetuity. The present value of the margin in perpetuity turns out to be the Margin divided by the Discount Rate. For retention values in between, the CLV formula tells us the appropriate multiplier.

Methodology

Simple Commerce Example

(Avg Monthly Revenue per Customer * Gross Margin per Customer) ÷ Monthly Churn Rate.

The numerator represents the average monthly profit per customer, and dividing by the churn rate sums the geometric series representing the chance the customer will still be around in future months.

For example: $100 avg monthly spend * 25% margin ÷ 5% monthly churn = $500 LTV.

A Retention Example

CLV (customer lifetime value) calculation process consists of four steps:

- Forecasting of remaining customer lifetime (most often in years).
- Forecasting of future revenues (most often year-by-year), based on estimation about future products purchased and price paid.
- Estimation of costs for delivering those products.
- Calculation of the net present value of these future amounts.

Forecasting accuracy and difficulty in tracking customers over time may affect CLV calculation process.

Retention models make several simplifying assumptions and often involve the following inputs:

- Churn rate: The percentage of customers who end their relationship with a company in a given period. One minus the churn rate is the retention rate. Most models can be written using either churn rate or retention rate. If the model uses only one churn rate, the assumption is that the churn rate is constant across the life of the customer relationship.

- Discount rate: The cost of capital used to discount future revenue from a customer. Discounting is an advanced topic that is frequently ignored in customer lifetime value calculations. The current interest rate is sometimes used as a simple (but incorrect) proxy for discount rate.
- Contribution margin.
- Retention cost: The amount of money a company has to spend in a given period to retain an existing customer. Retention costs include customer support, billing, promotional incentives, etc.
- Period: The unit of time into which a customer relationship is divided for analysis. A year is the most commonly used period. Customer lifetime value is a multi-period calculation, usually stretching 3–7 years into the future. In practice, analysis beyond this point is viewed as too speculative to be reliable. The number of periods used in the calculation is sometimes referred to as the model horizon.

Thus, one of the ways to calculate CLV, where period is a year, is as follows:

$$\mathrm{CLV} = \mathrm{GC} \cdot \sum_{i=1}^{n} \frac{r^i}{(1+d)^i} - \mathrm{M} \cdot \sum_{i=1}^{n} \frac{r^{i-1}}{(1+d)^{i-0.5}},$$

where GC is yearly gross contribution per customer, M is the (relevant) retention costs per customer per year (this formula assumes the retention activities are paid for each mid-year and they only affect those who were retained in the previous year), n is the horizon (in years), r is the yearly retention rate, d is the yearly discount rate. In addition to retention costs, firms are likely to invest in cross-selling activities which are designed to increase the yearly profit of a customer over time.

Simplified Models

It is often helpful to estimate customer lifetime value with a simple model to make initial assessments of customer segments and targeting. If GC is found to be relatively fixed across periods, CLV can be expressed as a simpler model assuming an infinite economic life (i.e., $\mathrm{N} \to \infty$):

$$\mathrm{CLV} = \mathrm{GC} \cdot \left(\frac{r}{1+d-r} \right).$$

Uses and Advantages

Customer lifetime value has intuitive appeal as a marketing concept, because in theory it represents exactly how much each customer is worth in monetary terms, and therefore exactly how much a marketing department should be willing to spend to acquire each customer, especially in direct response marketing.

Lifetime value is typically used to judge the appropriateness of the costs of acquisition of a customer. For example, if a new customer costs $50 to acquire (COCA, or cost of customer acquisition), and their lifetime value is $60, then the customer is judged to be profitable, and acquisition of additional similar customers is acceptable.

Additionally, CLV is used to calculate customer equity.

Advantages of CLV:

- Management of customer relationship as an asset.
- Monitoring the impact of management strategies and marketing investments on the value of customer assets, e.g.: marketing mix modeling simulators can use a multi-year clv model to show the true value (versus acquisition cost) of an additional customer, reduced churn rate, product up-sell.
- Determination of the optimal level of investments in marketing and sales activities.
- Encourages marketers to focus on the long-term value of customers instead of investing resources in acquiring "cheap" customers with low total revenue value.
- Implementation of sensitivity analysis in order to determinate getting impact by spending extra money on each customer.
- Optimal allocation of limited resources for ongoing marketing activities in order to achieve a maximum return.
- A good basis for selecting customers and for decision making regarding customer specific communication strategies.
- A natural decision criterion to use in automation of customer relationship management systems.
- Measurement of customer loyalty (proportion of purchase, probability of purchase and repurchase, purchase frequency and sequence etc).

The disadvantages of CLV do not generally stem from CLV modeling per se, but from its incorrect application.

Misuses and Downsides

NPV vs. Nominal Prediction

The most accurate CLV predictions are made using the net present value (NPV) of each future net profit source, so that the revenue to be received from the customer in the future is recognized at the future value of money. However, NPV calculations require additional sophistication including maintenance of a discount rate, which leads most organizations to instead calculate CLV using the nominal (non-discounted) figures. Nominal CLV predictions are biased slightly high, scaling higher the farther into the future the revenues are expected from customers.

Net Profit vs. Revenue

A common mistake is for a CLV prediction to calculate the total revenue or even gross margin associated with a customer. However, this can cause CLV to be multiples of their actual value, and instead need to be calculated as the full net profit expected from the customer.

Segment Inaccuracy

Opponents often cite the inaccuracy of a CLV prediction to argue they should not be used to drive significant business decisions. For example, major drivers to the value of a customer such as the nature of the relationship are often not available as appropriately structured data and thus not included in the formula.

Comparison with Intuition

More predictors, such as specific demographics of a customer group, may have an effect that is intuitively obvious to an experienced marketer but are often omitted from CLV predictions and thus cause inaccuracies in certain customer segments.

Over-values Current Customers at the Expense of Potential Customers

The biggest problem with how many CLV models are actually used is that they tend to deny the very idea that marketing works (i.e., that marketing will change customer behaviour). Low-value customers can be turned into high-value customers by effective marketing. Many CLV models use incorrect math in that they do not take account of the value of a far greater number of middle-value customers, over-prioritizing a smaller number of high value customers. Additionally, these high-value customers may be saturated (i.e., not have the ability to buy any more coffee or insurance), may be the most expensive group to serve, and may be the most expensive group to reach by communication. The use of survey data is a viable way to collect information on potential customers.

CLV is a Dynamic Concept, Not a Static Model

A Customer Life Time Value is the output of a model, not an input. If you change the model inputs (e.g., let's say marketing is effective and you increase your retention rates), your average CLV will increase.

Customer Equity

Customer equity is the total combined customer lifetime values of all of the company's customers.

In deciding the value of a company, it is important to know of how much value its customer base is in terms of future revenues. The greater the customer equity (CE), the more future revenue in the lifetime of its clients; this means that a company with a higher customer equity can get more money from its customers on average than another company that is identical in all other characteristics. As a result, a company with higher customer equity is more valuable than one without it. It includes customers' goodwill and extrapolates it over the lifetime of the customers.

The term is a misnomer since the term has nothing to do with the traditional meaning of equity.

There are three drivers to customer equity, all of which refer to three sides of the same thing:

- Value equity: What the customer assesses the value of the product or service provided by the company to be.
- Brand equity: What the customer assesses the value of the brand is, above its objective value.

- Retention equity: The tendency of the customer to stick with the brand even when it is priced higher than an otherwise equal product.

Customer Equity Strategy

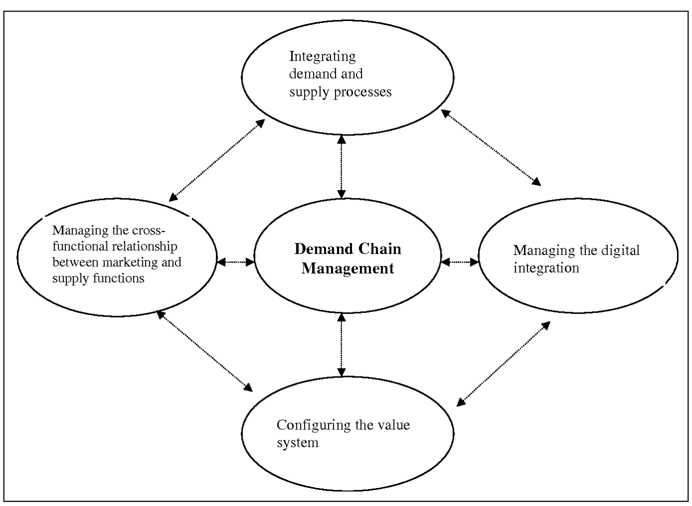
Companies often attempt to gain more customers and increase revenues by improving customer equity. They do this by:

- Improving consumer service.
- Improving the value or desirability of the brand.
- Improving goodwill.
- Improving brand popularity such as by advertisements.
- Improving the trust of the customer towards the brand.

Demand-chain Management

Demand-chain management (DCM) is the management of relationships between suppliers and customers to deliver the best value to the customer at the least cost to the demand chain as a whole. Demand-chain management is similar to supply-chain management but with special regard to the customers.

Demand-chain-management software tools bridge the gap between the customer-relationship management and the supply-chain management. The organization's supply chain processes are managed to deliver best value according to the demand of the customers. DCM creates strategic assets for the firm in terms of the overall value creation as it enables the firm to implement and integrate marketing and supply chain management (SCM) strategies that improve its overall performance. A study of the university in Wageningen (the Netherlands) sees DCM as an extension of supply chain management, due to its incorporation of the market-orientation perspective on its concept.



Demand chain management is aimed at managing complex and dynamic supply and demand networks.

Demand-driven Supply Network

A Demand-driven supply network (DDSN) is one method of supply-chain management which involves building supply chains in response to demand signals. The main force of DDSN is that it is driven by customers demand. In comparison with the traditional supply chain, DDSN uses the pull technique. It gives DDSN market opportunities to share more information and to collaborate with others in the supply chain.

DDSN uses a capability model that consists of four levels. The first level is Reacting, the second level is Anticipating, the third level is Collaborating and the last level is Orchestrating. The first two levels focus on the internal supply chain while the last two levels concentrate on external relations throughout the Extended Enterprise.

In a demand-driven chain, a customer activates the flow by ordering from the retailer, who reorders from the wholesaler, who reorders from the manufacturer, who reorders raw materials from suppliers. Orders flow backward, up the chain, in this structure.

Many companies are trying to shift from a build-to-forecast to a build-to-order discipline. The property of being demand-driven is one of degree: Being “0 percent” demand-driven means all production/inventory decisions are based on forecasts, and so, all products available for sale to the end user is there by virtue of a forecast. This could be the case of fashion goods, where the designer may not know how buyers will react to a new design, or the beverage industry, where products are produced based on a given forecast. A “100 percent” demand-driven is one in which the order is received before production begins. The commercial aircraft industry match to this description. In most cases, no production occurs until the order is received.

Competitive Advantages

To create sustainable competitive advantages with DDSN, companies have to do deal with three conditions: Alignment (create shared incentives), Agility (respond quickly to short-term change) and Adaptability (adjust design of the supply chain).

Misconceptions

There are five commonly-made misconceptions of demand driven (DDSN):

- Companies might think they are demand driven because they have a good forecast of their company.
- They have implemented lean manufacturing.
- They have great data on all their customers.
- They think it is a technology project and the corporate forecast is a demand visibility signal.
- They have a better view of customers demand.

An important component of DDSN is DDM (“real-time” demand driven manufacturing). DDM gives customers the opportunity to say what they want, where and when.

Demand-driven Execution

Demand-chain management is the same as supply chain management, but with emphasis on consumer pull vs. supplier push. The demand chain begins with customers, and then funnels through any resellers, distributors, and other business partners who help sell the company's products and services. The demand chain includes both direct and indirect sales forces. Customers demand is hard to detect because out of stock situations (OOS) falsify data collected from POS-Terminals. According to studies of Corsten/Gruen the OOS-rate is about 8%. For products under sales promotion OOS rates up to 30% exist. Reliable information about demand is necessary for DCM therefore lowering OOS is a main factor for successful DCM.

Corsten and Gruen describe key factors for lowering OOS-rates:

- Data accuracy,
- Forecast and order accuracy,
- Order quantity,
- Replenishment,
- Capacity (time supply),
- Capacity (Packout) and Planogram Compliance,
- Shelf Replenishment.

Implementation of system supported processes leads to the new technology Extreme Transaction Processing described by Gartner Research. This technology allows to process the huge amount of data (POS, RFID) in real time providing information for store managers, shelve managers and the supply chain.

According to studies of Ayers, in order to find appropriate methods which fitting different kinds of companies, the first thing companies should do is to assess their progress toward achieving world-class levels of supply chain management. In order to raise demand-driven levels, companies need to undertake a systematic effort that has three elements:

- Shortening process lead-time: Overall lead-time is composed of individual cycle-times for multiple processes. This step involves shortening the cycle-time at each step in the critical path processes from the point of purchase to the start of production for the entire supply chain.
- Adopting flow model economics: Flow model economics encompass low-cost ways to vary mix and volume. Lean manufacturing is a discipline that has the same goals as flow economics.
- Replacing forecasts with demand: This step requires efficient sharing of information up and down the chain. An ideal is for all partners to have access to the level of real-time sales as well as the business rules to react.

Demand-driven Supply-chain Assessment

Companies must have an appropriate performance-measurement system to be applied on a regular basis to identify areas to be improved in order to establish a sustainable continuous improvement process. According to Dale and Ritchie, to use self-assessment process is very important. The self-assessment will allow organizations to discern its strengths and gaps, and define improvement actions linked to the business planning process. There are some necessary criteria for a successful self-assessment process:

- Gaining commitment and support from all levels of staff.
- Action being taken from the previous self-assessment.
- Incorporation of self-assessment into the business planning process.
- Not allowing the process to be “added on” to employees existing workload.
- Developing a framework for performance monitoring.

The importance of supply chain and operations audit process which represents a fundamental step to support improvement projects. According to study of Salama, the core element of audits is the diagnostic stage and that no audit can be considered successful unless it really provides a thorough understanding of how the constituent elements of an organization interact with one another (e.g., people, processes and technologies), that is the interactions which constrain the system, and how these interactions are reflected on the market-driven performance. The provided a set of features and requirements for an audit methodology that can be considered when developing a DDSC assessment:

- Quick/Accurate: The methodology should be based on tools, steps and an “engine” which were designed to deliver a result as accurate as possible in the shortest time possible.
- Not invasive: The methodology should be built in order to require the least possible effort from organization’s resource.
- Scalable: The methodology should be scalable.
- Avoid bias/theoretically grounded: The methodology should be built in a way to reduce possible bias in the diagnostic stage, while exploiting the knowledge that people who daily work in an organization have on their processes.
- Stimulate consensus building: The stimulation of consensus building can be achieved in different ways.
- Transparent: All tools and steps used in the methodology should be clearly described in all parts. No “secret engine” is behind the methodology.

Customer Magazine

A customer magazine is a magazine produced by a business as a means of communicating to its customers. It is a branch of custom media, a product that broadly shares the look and feel of a newsstand or consumer magazine but is paid for in part or whole by a business. Rather than copy sales and advertising, the primary goal of a customer magazine is to achieve a particular business objective. This could be for a firm to cross- or up-sell, change brand perception or engender loyalty. In-flight magazines, sponsored by airlines, were among the first customer magazines, and remain typical of the genre. In the UK, every supermarket chain now provides a customer magazine to promote its products through recipes and other food editorial. Many prominent digitally-native companies, like WebMD and Net-À-Portér, have released customer magazines of their own. Some customer magazines carry advertising; this is often seen as a useful way to offset the cost but equally can have some benefit in making the product look more like a regular magazine.

As a communications tool customer magazines are enormously powerful and allow firms to have a level of engagement with their customers that other media do not have. They are particularly good at conveying difficult and complex messages to an audience. They also lend themselves well to measurement and tracking, offering tangible information on return on investment and performances against objectives.

Customer Data Platform

A customer data platform (CDP) is a type of packaged software which creates a persistent, unified customer database that is accessible to other systems. Data is pulled from multiple sources, cleaned and combined to create a single customer profile. This structured data is then made available to other marketing systems. Customer data platforms have evolved from a variety of mature markets, "including multichannel campaign management, tag management and data integration."

The CDP market is currently a $300 million industry and projected to reach $1 billion by 2019.

Capabilities

In addition, some CDPs provide additional functions such as marketing performance measurement analytics, predictive modeling, and content marketing.

Commonalities across CDPs:

- Marketer-managed,
- Unified, persistent, single database for customer behavioural, profile and other data, from any internal or external source,
- Consistent identifier that links all of a customer's data,
- Accessible by external systems and structured to support marketers' needs for campaign management, marketing analyses and business intelligence,
- Provide a 360-degree view of the customer,
- Group customers into audience segments,
- Allow users the capability to predict the optimum next move with a customer.

Data Collection

A main advantage of a CDP is its ability to collect data from a variety of sources (both online and offline, with a variety of formats and structures) and convert that disparate data into a standardized form. Some of the data types a standard CDP should work with include:

- Customer events: Browsing activity, actions on a website or in an app, clicks on a banner, etc.
- Transactional data: Data including purchases, returns, data from a POS terminal.
- Customer attributes: Age, gender, birthday, date of first purchase, segmentation data, and customer predictions.
- Campaign evaluation data: Impressions, clicks, reach, engagement, etc.
- Customer-company history: data from interactions with customer service, NPS scores, data from chatbots, etc.

Marketing Automation Systems

A CDP is fundamentally different in design and function when compared with marketing automation systems, though CDPs provide some of the functionality of marketing systems and customer engagement platforms. CDP tools are designed to talk to other systems. They retain details from other systems that the engagement or automation tool does not. This is valuable for trend analysis, predictive analytics, and recommendations that can leverage historical data.

CDP vs DMP

A Data Management Platform (DMP) collects anonymous web and digital data. CDPs collect data that is tied to an identifiable individual. Users of CDP can leverage the intelligence to provide more personalized content and delivery.

A data warehouse or data lake collects data, usually from the same source and with the same structure of information. While this information can be manually synthesized, neither type of system delivers the identity resolution needed to build a consolidated single customer view. Data warehouses are often updated at scheduled intervals whereas CDPs ingest and make available data in real-time. In practice, most CDPs use the same technologies as data lakes; the difference is the CDP has built-in features to do additional processing to make the data usable, while a data lake may not.

Table: Main differences between a customer data platforms (CDP) vs. data management platforms (DMP).

Attribute	CDPs	DMPs
Customer data management	Manage an individual customer with a single profile.	Manage segments of customers with anonymous profiles.
Data sources	Work with both anonymous data (Cookie, device IDs and IP address) and known individual data (e.g. names, addresses, email, and phone).	Work mainly with anonymous data (cookies, device IDs and IP addresses).

Data unification methods	Use sophisticated cleansing and matching algorithms to provide high-quality unified customer profiles.	Use deterministic key matching to track customers and build anonymous profiles across digital channels.
Data updates	Continuously processes batch and streaming data to keep profiles up to date and accurate.	Updates customer profiles via batch process every one or two days.
Data maintenance	Maintains customer golden records that persist over time.	Maintains an anonymous customer record for a short period of time.

The CDP Industry

Although similar tools existed in the past, the term Customer Data Platform was first used in 2013. It was meant to describe a marketing software that could build a single customer view (a collection of all of a customer's data and events into one file).

These databases were originally used to power some other type of software, such as a marketing automation suite, a personalization engine, or a campaign management tool.

The power of the database behind these systems eventually became desirable in its own right. They evolved to become full-fledged software. Simultaneously, some tag management and web analytics providers also transformed their platforms into similar solutions, creating CDPs with a different origin but the same use.

These platforms became successful, and by 2016 they had become the CDP industry. This industry experienced quick growth, due to marketers recognizing the shortcomings of alternatives like DMPs and data lakes, as well as the capabilities a CDP could offer them.

Customer Intelligence

Customer intelligence (CI) is information derived from customer data that an organization collects from both internal and external sources. The purpose of CI is to understand customer motivations better in order to drive future growth. The application of business analytics to customer data is sometimes called customer data mining.

Internal customer data can be generated by any customer interaction and is typically stored in corporate databases in management systems, call centre systems and sales systems. Data external to the organization can be gathered from many different sources. External data typically falls into one of three categories:

- Personal demographics, which include data such as age, income level, debt level, educational profile and marital status. Such data might be analyzed to explore buying patterns of people in specific income brackets, changes in sales as people age, or sales comparisons of homeowners and renters.
- Geographic demographics, which include data aggregated from specific locations. Such data might be analyzed to explore buying patterns in rural areas, for example, or areas where most residents are young professionals.

- Attitudinal data, which includes any information about how a customer -- or potential customer – perceives a company. Such data might be gathered from surveys, contact centres or even comments about a product or service on Twitter.

Building Successful Customer Intelligence

There is a huge amount of customer data that flows into your company from numerous channels, including customer activity on company websites, apps, communications initiated by customers etc. Following steps can be considered the building blocks for successful customer intelligence:

- Step 1: The first task in building customer intelligence is the ability to collect all the customer information to form a single archive of data that will help you examine and analyze it effectively. This is known as a single customer view.
- Step 2: The next immediate step is the infrastructure needed to analyze the data- technology. Modern customer intelligence allows organizations to dwell deeper into customer insights based on customer lifecycle: newly acquired customer, active customer, customer churn and so on. Customer Lifetime Value forecasting helps in predicting customer churn.
- Step 3: Once the data is collected and analysed, it now is ready to deliver meaningful insights that will help an organization or business make informed decisions to suit their business needs. Customer intelligence not only allows organizations to get great clarity about customer interaction but also customer expectations.

Customer Intelligence Through Customer Journey Mapping

This elaborate 360-degree view of customer journey is a proven model for understanding, how, when and where your customers have experienced your brand, there creating a proper channel for customer intelligence through communication and data collection.

In order to have a successful customer experience, you would want to measure your customer's perception at a variety of stages over time. Here are some of the common customer intelligence platforms that can be used by businesses to gather meaningful insights through customer journey mapping:

- Physical Location: If your customer comes to a physical location, like your store or restaurant, hotel etc. then it is highly recommended to collect their feedback at the location itself, like setting up a kiosk and set up a quick poll question, so that the customers don't have to spend a lot of time giving their feedback. This is one of the easiest ways to communicate with them, as they have just bought something from the store or dined at the restaurant or even stayed at the hotel. The feedback will be spontaneous.
- Sending Emails: This is one of the easiest ways of getting in touch with your customers. It is extremely easy to automate this process so that a closed ticket or a successful sale generates an email from the system to be sent to the customers to collect their valuable feedback and establish communication with them.
- Call Centre: This mode of communication can be used for either conducting telesales or even collecting customer feedback. You can get customer feedback either by an email or a

telephone-based interview. Please note, if it's a telephone-based interview, you don't want to ask too many questions and annoy your customers.

- Website: If customers are visiting your website often, for example, if you are an online retail store and most of the customer interaction happens through your website then this is one of the best customer intelligence platforms that will generate ways of communicating with your customers. Gathering feedback on your website is a holistic customer experience approach.

Essential Ways of Mastering Customer Intelligence

- Voice of Customer (VOC): Voice of a customer, the first step is all about gaining genuine knowledge of important trends and discussion that come from customer inputs. This is known as the voice of the customer, where the customer is free to give feedback through surveys or questionnaires that are sent to them. The art here is to discover different channels through which their voice can be heard including open-ended survey questions and using flexible tools to capture their valuable inputs.

- Capture Customer Insights in real-time: Capturing customer insights will help you understand the grey areas in your business. A real-time insight will indicate where the business is working and where it isn't. What is important here is your customers are damn intelligent so as a business owner you too should be intelligent. Whenever a customer sends in a negative response there should be an automatic email trigger to know more about the issue, this will help you solve the issue immediately.

- Customer Satisfaction is the Key: Be proactive, don't let the customer feedback disappear in the black hole. Make customer satisfaction the most important part of your organization or business. Let the customer feedback be of use to your organizational development and not just merely meaningless stacks of paper.

The above mentioned three ways can be conducted using powerful online software. Such software enables organizations to conduct real-time customer surveys, collect automated survey data and get robust analytics to measure customer satisfaction and experience, thus allowing them to master customer intelligence.

Advantages of Customer Intelligence

- With a well-executed customer intelligence system, an organization will be able to shift all the customer interaction to be highly personalized. This personalization will, in turn, better customer satisfaction; helps increase Net Promoter Score and similar attributes.

- This level of customer satisfaction generated unique brand affinity. There is no better way to build strong customer relations to reduce customer churn and as a business, you will be able to cater to customer needs efficiently.

- Customer intelligence, when done right, gives you a clear visibility of all your marketing efforts. As customer intelligence primarily focuses on the entire customer journey, you can keep a track of what marketing activities are bringing in better customer communication.

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3

Consumer Behavior

Consumer behavior deals with the study of emotions, attitudes and preferences that affect the buying behavior of a person. Consumer culture, consumer buying process, consumer socialization, customer switching, consumer neuroscience, etc. are some of its aspects. This chapter delves into these aspects of consumer behavior to provide an extensive understanding of the subject.

Consumer behaviour is the study of how individual customers, groups or organizations select, buy, use, and dispose ideas, goods, and services to satisfy their needs and wants. It refers to the actions of the consumers in the marketplace and the underlying motives for those actions.

Marketers expect that by understanding what causes the consumers to buy particular goods and services, they will be able to determine—which products are needed in the marketplace, which are obsolete, and how best to present the goods to the consumers.

The study of consumer behaviour assumes that the consumers are actors in the marketplace. The perspective of role theory assumes that consumers play various roles in the marketplace. Starting from the information provider, from the user to the payer and to the disposer, consumers play these roles in the decision process.

The roles also vary in different consumption situations; for example, a mother plays the role of an influencer in a child's purchase process, whereas she plays the role of a disposer for the products consumed by the family.

Nature of Consumer Behavior

Influenced by Various Factors

The various factors that influence the consumer behaviour are as follows:

- Marketing factors such as product design, price, promotion, packaging, positioning and distribution.
- Personal factors such as age, gender, education and income level.
- Psychological factors such as buying motives, perception of the product and attitudes towards the product.
- Situational factors such as physical surroundings at the time of purchase, social surroundings and time factor.

- Social factors such as social status, reference groups and family.
- Cultural factors, such as religion, social class—caste and sub-castes.

Undergoes a Constant Change

Consumer behaviour is not static. It undergoes a change over a period of time depending on the nature of products. For example, kids prefer colourful and fancy footwear, but as they grow up as teenagers and young adults, they prefer trendy footwear, and as middle-aged and senior citizens they prefer more sober footwear. The change in buying behaviour may take place due to several other factors such as increase in income level, education level and marketing factors.

Varies from Consumer to Consumer

All consumers do not behave in the same manner. Different consumers behave differently. The differences in consumer behaviour are due to individual factors such as the nature of the consumers, lifestyle and culture. For example, some consumers are technoholics. They go on a shopping and spend beyond their means.

They borrow money from friends, relatives, banks, and at times even adopt unethical means to spend on shopping of advance technologies. But there are other consumers who, despite having surplus money, do not go even for the regular purchases and avoid use and purchase of advance technologies.

Varies from Region to Region and Country to County

The consumer behaviour varies across states, regions and countries. For example, the behaviour of the urban consumers is different from that of the rural consumers. A good number of rural consumers are conservative in their buying behaviours.

The rich rural consumers may think twice to spend on luxuries despite having sufficient funds, whereas the urban consumers may even take bank loans to buy luxury items such as cars and household appliances. The consumer behaviour may also vary across the states, regions and countries. It may differ depending on the upbringing, lifestyles and level of development.

Information on Consumer Behaviour is Important to the Marketers

Marketers need to have a good knowledge of the consumer behaviour. They need to study the various factors that influence the consumer behaviour of their target customers.

The knowledge of consumer behaviour enables them to take appropriate marketing decisions in respect of the following factors:

- Product design/model,
- Pricing of the product,
- Promotion of the product,
- Packaging,

- Positioning,
- Place of distribution.

Leads to Purchase Decision

Positive consumer behaviour leads to a purchase decision. A consumer may take the decision of buying a product on the basis of different buying motives. The purchase decision leads to higher demand, and the sales of the marketers increase. Therefore, marketers need to influence consumer behaviour to increase their purchases.

Varies from Product to Product

Consumer behaviour is different for different products. There are some consumers who may buy more quantity of certain items and very low or no quantity of other items. For example, teenagers may spend heavily on products such as cell phones and branded wears for snob appeal, but may not spend on general and academic reading. A middle-aged person may spend less on clothing, but may invest money in savings, insurance schemes, pension schemes, and so on.

Improves Standard of Living

The buying behaviour of the consumers may lead to higher standard of living. The more a person buys the goods and services, the higher is the standard of living. But if a person spends less on goods and services, despite having a good income, they deprive themselves of higher standard of living.

Reflects Status

The consumer behaviour is not only influenced by the status of a consumer, but it also reflects it. The consumers who own luxury cars, watches and other items are considered belonging to a higher status. The luxury items also give a sense of pride to the owners.

Importance of Consumer Behaviour

- It is essential for the marketer to study the behaviour of the consumers in order to make better strategic marketing decisions. If the marketer has complete knowledge about the consumer's likings or disliking, then he can predict the response of the potential customers towards his offerings.

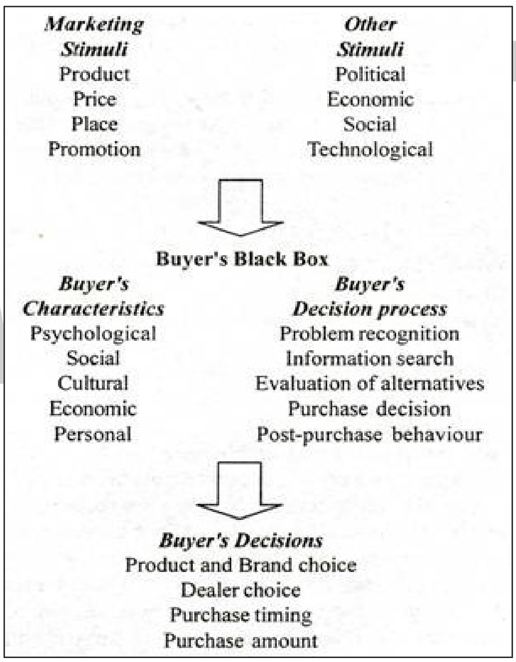
  Thus, by studying the consumer behaviour before and during purchase helps in production scheduling, designing, pricing, positioning, segmentation, advertising and other promotional activities.

- The study of consumer behaviour is equally important for the non-profit organizations such as governmental agencies, hospitals, NGO's, charitable organizations. For example, the polio campaigns can be designed for the vulnerable sections of the society who cannot afford the basic livelihood.

- The Government also studies the consumer behaviour to provide them with the necessary goods and services, understanding the potential future problems, such as pollution, anti-plastic drive, Swacch Bharat Abhiyan, traffic, etc.
- For legislation, it is again essential to understand the consumer behaviour, and then only the protective measures against the consumer exploitation can be taken. Such as mandatory information on the packaging related to manufacturing date, expiry date, terms of use, etc.
- The understanding of behaviour of a consumer is necessary before the launch of the de-marketing programmes. For example, motives, attitude, behaviour of the customers behind the purchase of injurious products Viz. Cigarettes, Tobacco, etc. should be properly understood.

Thus, marketers try to understand the consumer psychology with respect to their purchase decisions and identify the factors influencing the consumer behaviour.

Factors Influencing Consumer Behaviour



Model of Buyer Behaviour.

The consumer behaviour or buyer behaviour is influenced by several factors or forces. They are:

Internal or Psychological Factors

The buying behaviour of consumers is influenced by a number of internal or psychological factors. The most important ones Motivation and Perception.

Motivation

A need becomes a motive when it is aroused to a sufficient level of intensity. A motive is a need that is sufficiently pressing to drive the person to act.

There can be of types of needs:

Biogenic Needs

They arise from physiological states of tension such as thirst, hunger.

Psychogenic Needs

They arise from psychological states of tension such as needs for recognition, esteem.

In the words of William J Stanton, “A motive can be defined as a drive or an urge for which an individual seeks satisfaction. It becomes a buying motive when the individual seeks satisfaction through the purchase of something”. A motive is an inner urge (or need) that moves a person to take purchase action to satisfy two kinds of wants viz. core wants and secondary wants. Let us take two examples:

Table: Examples of core and secondary want.

Products	Core want	Secondary want
Glasses	Protection to eyes	It should look goo
Shoes	Protection to feet	Elegance in style

So, motivation is the force that activates goal-oriented behaviour. Motivation acts as a driving force that impels an individual to take action to satisfy his needs. So it becomes one of the internal factors influencing consumer behaviour.

Perception

Human beings have considerably more than five senses. Apart from the basic five (touch, taste, smell, sight, hearing) there are senses of direction, the sense of balance, a clear knowledge of which way is down, and so forth. Each sense is feeding information to the brain constantly, and the amount of information being collected would seriously overload the system if one took it all in. The brain therefore selects from the environment around the individual and cuts out the extraneous noise.

In effect, the brain makes automatic decisions as to what is relevant and what is not. Even though there may be many things happening around you, you are unaware of most of them; in fact, experiments have shown that some information is filtered out by the optic nerve even before it gets to the brain. People quickly learn to ignore extraneous noises: for example, as a visitor to someone else’s home you may be sharply aware of a loudly ticking clock, whereas your host may be entirely used to it, and unaware of it except when making a conscious effort to check that the clock is still running.

Therefore the information entering the brain does not provide a complete view of the world around you. When the individual constructs a world-view, she then assembles the remaining information to map what is happening in the outside world. Any gaps (and there will, of course, be plenty of these) will be filled in with imagination and experience. The cognitive map is therefore not a 'photograph'; it is a construct of the imagination. This mapping will be affected by the following factors:

Subjectivity

This is the existing world-view within the individual, and is unique to that individual.

Categorisation

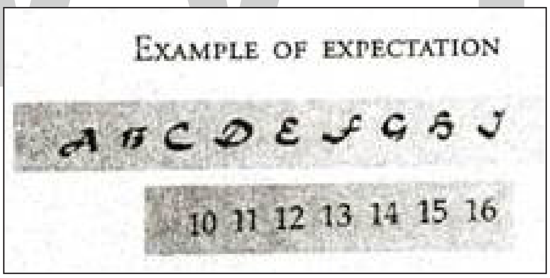
This is the 'pigeonholing' of information, and the pre-judging of events and products. This can happen through a process known as chunking, whereby the individual organises information into chunks of related items. For example, a picture seen while a particular piece of music is playing might be chunked as one item in the memory, so that sight of the picture evokes the music and vice versa.

Selectivity

This is the degree to which the brain is selecting from the environment. It is a function of how much is going on around the individual, and also of how selective (concentrated) the individual is on the current task. Selectivity is also subjective: some people are a great deal more selective than others.

Expectation

These lead individuals to interpret later information in a specific way. For example, look at this series of numbers and letters:



In fact, the number 13 appears in both series, but in the first series it would be interpreted as a B because that is what the brain is being led to expect, (The B in Matura Ml Script looks like this. B).

Past Experience

This leads us to interpret later experience in the light of what we already know. Psychologists call this the law of primacy, Sometimes sights, smells or sounds from our past will trigger off inappropriate responses: the smell of bread baking may recall a village bakery from twenty years ago, but in fact the smell could have been artificially generated by an aerosol spray near the supermarket bread counter.

An example of cognitive mapping as applied to perception of product quality might run as follows. The consumer uses the input selector to select clues and assign values to them. For quality, the cues are typically price, brand name and retailer name. There are strong positive relationships between price and quality in most consumers' perceptions, and brand name and quality; although the retailer name is less significant, it still carries some weight.

For example, many consumers would feel confident that Big Bazaar would sell higher-quality items than the local corner shop, but might be less able to distinguish between Food Bazaar and Giant hyper store. The information is subjective in that the consumer will base decisions on the selected information. Each of us selects differently from the environment and each of us has differing views. Information about quality will be pigeonholed, or categorised: the individual may put Scoda Octavia in the same category as Mercedes Benz or perhaps put Sony in the same slot as Aiwa.

Social Factors

Man is a social animal. Hence, our behaviour patterns, likes and dislikes are influenced by the people around us to a great extent. We always seek confirmation from the people around us and seldom do things that are not socially acceptable. The social factors influencing consumer behaviour are a) Family, b) Reference Groups, c) Roles and status.

Family

There are two types of families in the buyer's life viz. nuclear family and Joint family. Nuclear family is that where the family size is small and individuals have higher liberty to take decisions whereas in joint families, the family size is large and group decision-making gets more preference than individual. Family members can strongly influence the buyer behaviour, particularly in the Indian contest. The tastes, likes, dislike, life styles etc. of the members are rooted in the family buying behaviour.

The family influence on the buying behaviour of a member may be found in two ways:

- The family influence on the individual personality, characteristics, attitudes and evaluation criteria.
- The influence on the decision-making process involved in the purchase of goods and services. In India, the head of the family may alone or jointly with his wife decides the purchase. So marketers should study the role and the relative influence of the husband, wife and children in the purchase of goods and services.

An individual normally lives through two families:

Family of Orientation

This is the family in which a person takes birth. The influences of parents and individual's upbringing have a strong effect on the buying habits. For instance, an individual coming form an orthodox Tamil or Gujarati vegetarian family may not consume meat or egg even though she may appreciate its nutritional values.

Family of Procreation

This is the family formed by an individual with his or her spouse and children. Normally, after marriage, an individual's purchasing habits and priorities change under the influence of spouse.

As the marriage gets older, the people usually settle in certain roles. For instance, a father normally takes decisions on investment whereas the mother takes decision on health of children.

From a marketing viewpoint, the level of demand for many products is dictated more by the number of households than by the number of families. The relevance of families to marketing is therefore much more about consumer behaviour than about consumer demand levels. In terms of its function as a reference group, the family is distinguished by the following characteristics:

Face-to-face Contact

Family members see each other every day and interact as advisers, information providers and sometimes deciders. Other reference groups rarely have this level of contact.

Shared Consumption

Durables such as refrigerators, washing machines, televisions and furniture are shared, and food is collectively purchased and cooked. Purchase of these items is often collective; children even participate in decision making on such major purchases as cars and houses.

Subordination of Individual Need

Because consumption is shared, some family members will find that the solution chosen is not one that fully meets their needs.

Purchasing Agent

Because of the shared consumption, most families will have one member who does most, or all of the shopping. Traditionally, this has been the mother of the family, but increasingly the purchasing agents are the older children of the family and even pre-teens are sometimes taking over this role.

The reason for this is the increase in the number of working mothers who have less time for shopping. This has major implications for marketers, since pre-teens and young teens generally watch more TV than adults and are therefore more open to marketing communications.

Role specialisation is critical in family decision making because of the sheer number of different products that must be bought each year in order to keep the family supplied. What this means in practice is that, for example, the family member responsible for doing the cooking is also likely to take the main responsibility for shopping for food. The family member who does the most driving is likely to make the main decision about the car and its accessories, servicing, fuelling and so forth; the family gardener buys the gardening products, and so on.

Culture has a marked effect on family decision-making styles. Religion and nationality will often affect the way decisions are made. Indian cultures tend to be male dominated in decision-making, whereas European and North American cultures show a more egalitarian pattern of decision-making.

There are two issues here for the marketer: first, what is the effect on the marketing mix of the multi-ethnic society like in India; and secondly, what is the effect when dealing internationally? This is a somewhat sensitive area and the marketers are still getting to grips with.

Social class creates patterns of decision-making. Among very wealthy families, there appears to be a greater tendency for the husbands to make the decisions, but at the same time the norms of purchase tend to be well established and therefore discussion is unnecessary.

Lower-class families, with low incomes, tend to be more matriarchal, with the wives often handling the financial decisions about rent, insurance, grocery and food bills without reference to the husbands. Middle-class families tend to show greater democratic involvement in decision-making. These social class distinctions are gradually breaking down, however, as a result of increasing wealth and mass education.

The family may well adopt different roles according to the decision-making stage. At the problem recognition stage of, for example, the need for new shoes for the children, the children themselves may be the main contributors. The mother may then decide what type of shoes should be bought, and the father may be the one who takes the children to buy the shoes. It is reasonable to suppose that the main user of the product might be important in the initial stages, with perhaps joint decision making at the final purchase.

Other determinants might include such factors as whether both parents are earning. The double income families generally take decisions jointly because each has a financial stake in the outcome. Gender role orientation is clearly crucial to decision making. Husbands (and wives) with conservative views about gender roles will tend towards the assumption that most decisions about expenditure will be made by the husband. Even within this type of decision-making system, however, husbands will usually adjust their own views to take account of their wife's attitudes and needs.

The family is a flexible concept, and families go through life cycles. There have been various versions of the family life cycle, but most are based on the original work of Wells and Gubar. Following table shows the stages of the family life cycle.

Table: Family life cycle.

Stage of life cycle	Explanation
Single/ Bachelor stage	Single people like student, unemployed youth or professionals at their age tend to have low earnings, but also have low outgoings so have a high discretionary income. They tend to be more fashion and recreation orientated, spending on clothes, music, alcohol, eating out, holidays, leisure pursuits and hobbies. They may buy cars and items for their first residence away from home.
Newly married couples	Newlyweds without children are usually dual-income households (Double Income No Kids commonly known as DINK) and therefore usually well off. They still tend to spend on similar things to the singles, but also have the highest proportion of expenditure on household goods, consumer durables and appliances. Appear to be more susceptible to advertising.
Full nest I	When the first child arrives, one parent usually stops working outside the home, so family income drops sharply. The baby creates new needs, which alter expenditure patterns: furniture and furnishings for the baby, baby food, vitamins, toys, nappies and baby food. Family savings decline and couples are usually dissatisfied with their financial position.

Full nest II	The youngest child is over 6, so often both parents will work outside the home. The employed spouse's income has risen due to career progression, and the family's total income recovers. Consumption patterns still heavily influenced by children: bicycles, drawing or swimming lessons, large-size packages of breakfast cereals, cleaning products, etc.
Full nest III	Family income improves, as the children get older. Both parents are likely to be working outside the home and both may have had some career progression; also, the children will be earning some of their own money from part-time jobs, etc. Family purchases might be a second car, replacement furniture, some luxury items and children's education.
Empty nest I	Children have grown up and left home. Couples are at the height of their careers and spending power, have low mortgages, much reduced living costs. Often go for luxury travel, restaurants and theatre, so they need fashionable clothing, jewellery, diets, spas, health clubs, cosmetics or hairdressing.
Empty nest II	Main breadwinner has retired so some drop in income. Expenditure is more health orientated, buying appliances for sleep, over-the-counter (OTC drugs like Crocin, Disprin, Gellusil) remedies for indigestion. They often buy a smaller house or move to an apartment in suburbs.
Solitary survivor	If they still are in the workforce, widows and widowers enjoy a good income. They may spend more money on holidays, as well as the items mentioned in empty nest II.
Retired solitary survivor	Same general consumption pattern is evident as above, but on a smaller scale due to reduced income. They have special needs for love, affection and security, so may join local clubs for aged etc.

The family life cycle is a useful rule-of-thumb generalisation, but given the high divorce rate and the somewhat uncertain nature of career paths, it is unlikely that many families would pass through all the stages quite as neatly as the model suggests. The model was developed in 1965 and 1966 and should therefore be treated with a degree of caution.

Influence of Children on Buying Decisions

First-born children generate more economic impact than higher-order babies. First-born and only children have a higher achievement rate than their siblings, and since the birth rate is falling, there are more of them proportionally. More and more couples are choosing to have only one child and families larger than two children are becoming a rarity. Childlessness is also more common now than it was 30 years ago.

Children also have a role in applying pressure to their parents to make particular purchasing decisions. The level of 'pester power' generated can be overwhelming, and parents will frequently give in to the child's demands. This is substantiated by the spurt of cartoon channels like Cartoon Network, Pogo, Nick, Animax, Hungama or Splash, all of which depend on the advertisements of all possible products in which children have their influence over their parents. Although the number of children is steadily declining, their importance as consumers is not. Apart from the direct purchases of things that children need, they influence decision making to a marked extent. Children's development as consumers goes through five stages:

- Observing,
- Making requests,
- Making selections,
- Making assisted purchases,

- Making independent purchases.

Recent research has shown that pre-teens and young teens have a greater influence on family shopping choices than do the parents themselves, for these reasons:

- Often they do the shopping anyway, because both parents are working and the children have the available time to go to the shops.
- They watch more TV, so are more influenced by advertising and more knowledgeable about products.
- They tend to be more attuned to consumer issues, and have the time to shop around tor.

Reference Group

A group is two or more persons who share a set of norms and whose relationship makes their behaviour interdependent. A reference group is a group of people with whom an individual associates. It is a group of people who strongly influence a person's attitudes values and behaviour directly or indirectly. Reference groups fall into many possible grouping, which are not necessarily to be exhaustive (i.e. non over-lapping). The various reference groups are:

Membership or Contractual Groups

They are those groups to which the person belongs, and interacts. These groups have a direct influence on their member's behaviour.

Primary or Normative Groups

They refer to groups of friends, family members, neighbours co-workers etc. whom we see most often. In this case, there is fairly continuous or regular, but informal interaction with cohesiveness and mutual participation, which result in similar beliefs and behaviour within the group.

Secondary Groups

They include religious groups, professional groups etc., which are composed of people whom we see occasionally. These groups are less influential in shaping attitudes and controlling behaviour but can exert influence on behaviour within the purview of the subject of mutual interest. For example, you can be member of a philately or literary club where you can discuss on mutually interesting subjects.

Aspiration Group

These are group to which a person would like to join as member. These groups can be very powerful in influencing behaviour because the individual will often adopt the behaviour of the aspirational group in the hopes of being accepted as a member. Sometimes the aspirational groups are better off financially, or will be more powerful; the desire join such groups is usually classed as ambition.

For example, a humble office worker may dream of one day having the designation to be present in the company boardroom. Advertising commonly uses images of aspirational groups, implying that the use of a particular product will move the individual a little closer to being a member of an aspirational group. Just consider Nokia 6230 ad campaign where a young man with Nokia mobile is shown to be capable to go the top position in the company, thus instigating you to use the same model in order to join the same aspirational group.

Dissociative or Avoidance Groups

These are groups whose value an individual rejects and the individual do not want to be associated with. For example, a senior corporate executive does not want to be taken as a teenager. Hence, the individual will try to avoid certain products or behaviours rather than be taken for somebody from the dissociative group. In the just given example, the executive may not use cigarette, perfume or car, which are very much teenager-oriented. Like aspirational groups, the definition of a group as dissociative is purely subjective and it varies from one individual to the next.

Formal Groups

These groups have a known list of members, very often recorded somewhere. An example might be a professional association, or a club. Usually the rules and structure of the group are laid down in writing. There are rules for membership and members' behaviour is constrained while they remain part of the group.

However, the constraints usually apply only to fairly limited areas of behaviour; for example, the association of Chartered Accountants (CA) or the Cost Accountants have laid down the codes of practice for their members in their professional dealings, but has no interest in what its members do as private citizens. Membership of such groups may confer special privileges, such as job advancement or use of club facilities, or may only lead to responsibilities in the furtherance of the group's aims.

Informal Groups

These are less structured, and are typically based on friendship. An example would be an individual's circle of friends, which only exists for mutual moral support, company and sharing experiences. Although there can be even greater pressure to conform than would be the case to a formal group, there is nothing in writing.

Often informal groups expect a more rigorous standard of behaviour across a wider range of activities that would a formal group; such circles of friends are likely to develop rules of behaviour and traditions that are more binding than written rules.

Automatic Groups

These are those groups, to which one belongs by virtue of age, gender, culture or education. These are sometimes also called category groups. Although at first sight it would appear that these groups would not exert much influence on the members' behaviour, because they are groups, which have not been joined voluntarily, it seems that people are influenced by group pressure to conform. For example, when buying clothes, older people are reluctant to look like a teenager and hence they normally do not buy jeans.

Indirect Groups

In this case, the customers are not in direct contact with the influencers. For example, a film stars pitches for several brands, it obviously has a deep influence over the blind fans.

Comparative Groups

The members of this group are those with whom you compare yourself. For example, you may compare yourself with your brother or sister (sibling rivalry) or the colleagues and try to emulate by possessing some unique products or brands like Modava watch or Christian Dior perfume.

Contactual Group

The group with which we are in regular contacts like college friends, office colleagues.

Roles and Status

A person participates in many groups like family, clubs, and organisations. The person's position in each group can be defined in tern of role and status. A role consists of the activities that a person is expected to perform. Each role carries a status. People choose products that communicate their role and status in society. Marketers must be aware of the status symbol potential of products and brands.

Cultural Factors

Kotler observed that human behaviour is largely the result of a learning process and as such individuals grow up learning a set of values, perceptions, preferences and behaviour patterns as the result of socialisation both within the family and a series of other key institutions. From this we develop a set of values, which determine and drive behavioural patterns to a very large extent.

According to Schiffman and Kanuk, values include achievement, success, efficiency, progress, material comfort, practicality, individualism, freedom, humanitarianism, youthfulness and practicality. This broad set of values is then influenced by the subcultures like nationality groups, religious groups, racial groups and geographical areas, all of which exhibit degrees of difference in ethnic taste, cultural preferences, taboos, attitudes and lifestyle.

The influence of subcultures is subsequently affected by social stratification or social class, which acts as a determinant of behaviour. Social class is determined by a series of variables such as occupation, income, education and values rather than by a single variable. People within a particular social class are more similar than those from different social classes, but they can move from one social class to other in due time and circumstances.

Cultural factors consist of a) Culture, b) Sub culture and c) Social class.

Culture

Culture is the most fundamental determinant of a person's want and behaviour. The growing child acquires a set of values, perception preferences and behaviours through his or her family and other key institutions. Culture influences considerably the pattern of consumption and the pattern of decision-making. Marketers have to explore the cultural forces and have to frame marketing strategies for each category of culture separately to push up the sales of their products or services. But culture is not permanent and changes gradually and such changes are progressively assimilated within society.

Culture is a set of beliefs and values that are shared by most people within a group. The groupings considered under culture are usually relatively large, but at least in theory a culture can be shared by a few people. Culture is passed on from one group member to another, and in particular is usually passed down from one generation to the next; it is learned, and is therefore both subjective and arbitrary.

For example, food is strongly linked to culture. While fish is regarded as a delicacy in Bengal and the Bengalis boast of several hundred different varieties, in Gujarat. Rajasthan or Tamil Nadu, fish is regarded as mostly unacceptable food item. These differences in tastes are explained by the culture rather than by some random differences in taste between individuals; the behaviours are shared by people from a particular cultural background.

Language is also particularly culturally based. Even when a language is shared across cultures, there will be differences according to the local culture; differences between Hindi accents and choice of words of various places like Mumbai, Delhi or Bihar are clearly understandable.

While cultural generalities such as these are interesting and useful, it would be dangerous to make assumptions about individuals from other countries based on the kind of general findings in Hofstede's work. Individuals from within a culture differ more than do the cultures from each other: in other words, the most individualistic Indian is a great deal more individualistic than the most conformist American. Having said that, such generalisations are useful when approaching mass markets and are widely used when planning mass advertising campaigns such as TV commercials.

Culture can change over a period of time, although such changes tend to be slow, since culture is deeply built into people's behaviour. From a marketing viewpoint, therefore, it is probably much easier to work within a given culture than to try to change it.

Sub-culture

Each culture consists of smaller sub-cultures that provide more specific identification and socialisation for their members. Sub-culture refers to a set of beliefs shared by a subgroup of the main culture, which include nationalities, religions, racial groups and geographic regions. Many sub-Cultures make up important market segments and marketers have to design products and marketing programs tailored to their needs.

Although this subgroup will share most of the beliefs of the main culture, they share among themselves another set of beliefs, which may be at odds with those held by the main group. For example, Indians are normally seen as orthodox, conservative people, but rich, up-market youths do not hesitate to enjoy night parties with liquor and women. Another example is that, the urban educated or upper class exhibits more trace of individualism although Indian culture is mostly collective in nature.

Social Class

Consumer behaviour is determined by the social class to which they belong. The classification of socioeconomic groups is known as Socio-Economic Classification (SEC). Social class is relatively a permanent and ordered division in a society whose members share similar value, interest and behaviour. Social class is not determined by a single factor, such as income but it is measured as a combination of various factors, such as income, occupation, education, authority, power, property, ownership, life styles, consumption, pattern etc.

There are three different social classes in our society. They are upper class, middle class and lower class. These three social classes differ in their buying behaviour. Upper class consumers want high-class goods to maintain their status in the society. Middle class consumers purchase carefully and collect information to compare different producers in the same line and lower class consumers buy on impulse.

Again there could be education considerations. A rich but not so educated people will not normally buy a computer. We should consider another factor of social mobility where a person gets up in the social ladder (for example, poor can become middle class and middle class become rich or the children of uneducated family can attain higher education) or down in the social ladder (for example, rich can become poor or the children of a highly educated family may not continue study).

Therefore marketing managers are required to study carefully the relationship between social classes and their consumption pattern and take appropriate measures to appeal to the people of those social classes for whom their products are meant.

Economic Factors

Consumer behaviour is influenced largely by economic factors. Economic factors that influence consumer behaviour are:

- Personal Income,
- Family income,
- Income expectations,
- Savings,
- Liquid assets of the Consumer,
- Consumer credit,
- Other economic factors.

Personal Income

The personal income of a person is determinant of his buying behaviour. The gross personal income of a person consists of disposable income and discretionary income. The disposable personal income refers to the actual income (i.e. money balance) remaining at the disposal of a person after deducting taxes and compulsorily deductible items from the gross income. An increase in the disposable income leads to an increase in the expenditure on various items. A fall in the disposable income, on the other hand, leads to a fall in the expenditure on various items.

The discretionary personal income refers to the balance remaining after meeting basic necessaries of life. This income is available for the purchase of shopping goods, durable goods and luxuries. An increase in the discretionary income leads to an increase in the expenditure on shopping goods, luxuries etc. which improves the standard of living of a person.

Family Income

Family income refers to the aggregate income of all the members of a family. Family income influences the buying behaviour of the family. The surplus family income, remaining after the expenditure on the basic needs of the family, is made available for buying shopping goods, durables and luxuries.

Income Expectations

Income expectations are one of the important determinants of the buying behaviour of an individual. If he expects any increase in his income, he is tempted to spend more on shopping goods, durable goods and luxuries. On the other hand, if he expects any fall in his future income, he will curtail his expenditure on comforts and luxuries and restrict his expenditure to bare necessities.

Savings

Savings also influence the buying behaviour of an individual. A change in the amount of savings leads to a change in the expenditure of an individual. If a person decides to save more out of his present income, he will spend less on comforts and luxuries.

Liquid Assets

Liquid assets refer to those assets, which can be converted into cash quickly without any loss. Liquid assets include cash in hand, bank balance, marketable securities etc. If an individual has more liquid assets, he goes in for buying comforts and luxuries. On the other hand, if he has less liquid assets, he cannot spend more on buying comforts and luxuries.

Consumer Credit

Consumer credit refers to the credit facility available to the consumers desirous of purchasing durable comforts and luxuries. It is made available by the sellers, either directly or indirect y through banks and other financial institutions. Hire purchase, instalment purchase, direct bank loans etc. are the ways by which credit is made available to the consumers.

Consumer credit influences consumer behaviour. If more consumer credit is available on liberal terms, expenditure on comforts and luxuries increases, as it induces consumers to purchase these goods, and raise their living standard.

Other Economic Factor

Other economic factors like business cycles, inflation, etc. also influence the consumer behaviour.

Personal Factor

Personal factors also influence buyer behaviour. The important personal factors, which influence buyer behaviour, are a) Age, b) Occupation, c) Income and d) Life Style.

Age

Age of a person is one of the important personal factors influencing buyer behaviour. People buy different products at their different stages of cycle. Their taste, preference, etc. also change with change in life cycle.

Occupation

Occupation or profession of a person influences his buying behaviour. The life styles and buying considerations and decisions differ widely according to the nature of the occupation. For instance, the buying of a doctor can be easily differentiated from that of a lawyer, teacher, clerk business-man, landlord, etc. So, the marketing managers have to design different marketing strategies suit the buying motives of different occupational groups.

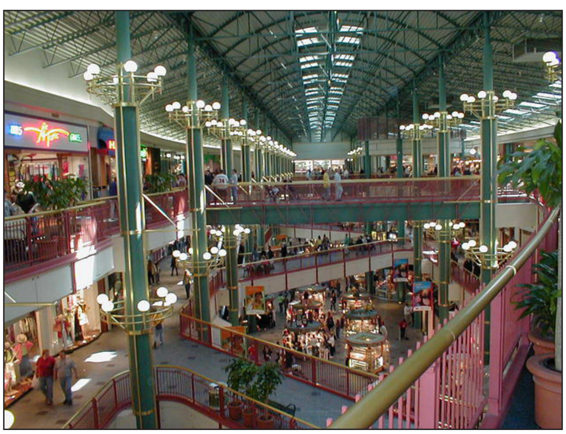
Income

Income level of people is another factor which can exert influence in shaping the consumption pattern. Income is an important source of purchasing power. So, buying pattern of people differs with different levels of income.

Life Style

Life style to a person's pattern or way of living as expressed in his activity, interests and opinions that portrays the "whole person" interacting with the environment. Marketing managers have to design different marketing strategies to suit the life styles of the consumers.

Consumer Culture



Malls have been a huge impact on the consumer culture.

Consumer Culture focuses on the spending of the customers money on material goods to attain a lifestyle in a capitalist economy. One country that has a large consumer culture is the United States of America. Over the past hundred years, 1900 to 2000, market goods came to dominate American life and for the first time in history, consumerism had no practical limits. Consumer culture has provided affluent societies with peaceful alternatives to tribalism and class war; it has fuelled extraordinary economic growth. The challenge for the future is to find ways to revive the valid portion of the culture of constraint and control the overpowering success of the all-consuming twentieth century.

Types of Culture

According to Berger, "Social scientists Aaron Wildavsky and Mary Douglas suggest that there are four political cultures, which also function as consumer cultures: hierarchical or elitist, individualist, egalitarian, and fatalist."

- An elitist, is a person who believes that a system or society should be ruled or dominated by an elite.
- An individualist, is a person who does things without being concerned about what other people will think.
- An egalitarian, believes in the principle that all people are equal and deserve equal rights and opportunities.
- A fatalist, is someone who feels that no matter what he or she does, the outcome will be the same because it's predetermined.

Consumer culture is based on the idea of demographics, which is targeting a large group of people with similar interests, traits or cultural attributes.

Mass Market Theory

Advertising and Strategies

Over the years, people of different age groups are employed by marketing companies to help understand the beliefs, attitudes, values, and past behaviours of the targeted consumers. This creates a more effective advertisement than the normal data gathering strategy that is used.

A quote by Shah states that, "The sophistication of advertising methods and techniques has advanced, enticing and shaping and even creating consumerism and needs where there has been none before."

Labor

After this consumer culture developed, the life of workers changed forever.

Wage Work

Before the Industrial Revolution, home was a place where men and women produced, consumed, and worked. The men were high valued workers, such as barbers, butchers, farmers, and lumbermen who brought income into the house. The wives of these men completed various tasks to save money which included, churning butter, fixing clothes, and tending the garden. This system created an equal value to all of the jobs and tasks in a community. Once the Industrial Revolution began, there was no such thing as an equal and high valued work(er) in a mass production industry. The only value these workers had were the wage they made. That meant the wives lost their value at home and had to start working for a living. This new system created the thought of everyone being replaceable.

Both men and women working in the factory together.

Life of a Worker

The life of a worker was a challenging one. Working 12-14 hour days, 6 days a week, and in a dangerous environment. The worst part was the infrequency of pay or not being paid at all. At times, employers paid their workers in script pay, or non-U.S. currency, or even in-store credit.

Consumer Culture Theory

Consumer culture theory is the study of consumption choices and behaviours from a social and cultural point of view, as opposed to an economic or psychological one. It does not offer a grand unifying theory but "refers to a family of theoretical perspectives that address the dynamic relationships between consumer actions, the marketplace, and cultural meanings". Reflective of a post-modernist society, it views cultural meanings as being numerous and fragmented and hence views culture as an amalgamation of different groups and shared meanings, rather than a homogeneous construct (such as the American culture). Consumer culture is viewed as "social arrangement in which the relations between lived culture and social resources, between meaningful ways of life and the symbolic and material resources on which they depend, are mediated through markets" and consumers as part of an interconnected system of commercially produced products and images which they use to construct their identity and orient their relationships with others.

Methodology

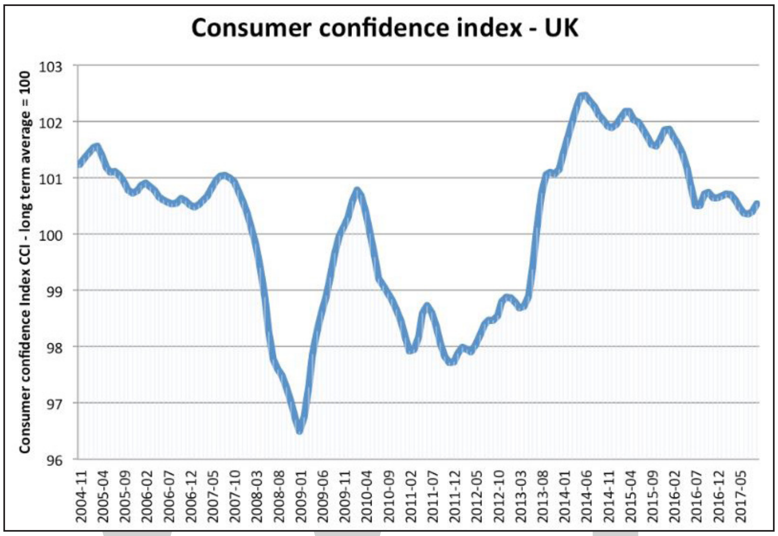
There is a widely held misperception by people outside CCT researchers that this field is oriented toward the study of consumption contexts. Memorable study contexts, such as the Harley-Davidson subculture or the Burning Man festival probably fueled this perspective, which is far from the theory development aim of this school of thought.

While CCT is often associated with qualitative methodologies, such as interviews, case studies, ethnographic, as well as 'netnographic' methods which are well adapted to study the experiential, sociological and cultural aspects of consumption, these are not a prerequisite to CCT contribution.

Consumer Confidence

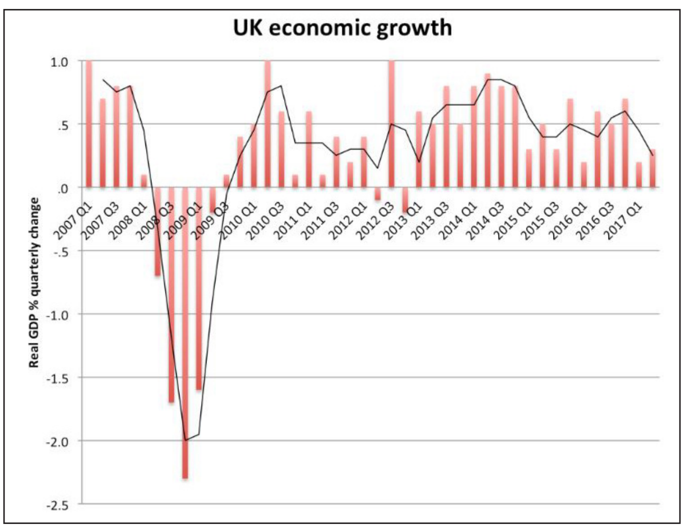
Consumer confidence is the outlook that consumers have towards the economy and their own personal financial situation. This outlook can be optimistic (high consumer confidence) or pessimistic (low consumer confidence).

The level of consumer confidence will be an important factor that determines the willingness of consumers to spend, borrow and save. A high level of consumer confidence will encourage a higher marginal propensity to consume. A fall in levels of consumer confidence is often an indicator of an economic downturn.



This measure uses 100 as the long-term average for confidence. Therefore, a stat above 100 indicates consumer confidence is higher than average. A value below 100 indicates below average confidence.

Consumer Confidence often Mirrors the State of the Economy

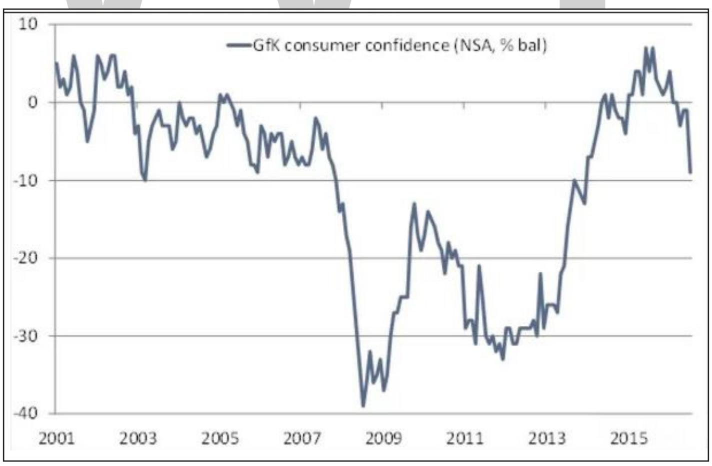


Confidence fell sharply during the 2008/09 recession and recovered with the economic recovery.

Factors that affect Consumer Confidence

- House prices: Housing is the largest form of household wealth Falling prices reduce wealth and confidence. Rising house prices enable households to 're-mortgage' and gain equity withdrawal.
- Economic news: Depressing statistics about the global and national economy will reduce confidence and encourage saving rather than spending.
- Uncertainty: A major political/economic change can lead to uncertainty which reduces confidence. For example, major terrorist attack.
- Unemployment: The fear of rising unemployment will discourage consumers.
- Inflation and real wages. High inflation will reduce confidence. Stagnant and falling real wages will make people pessimistic.
- Personal debt levels: Rising debt levels will be a source of concern – especially if interest rates rise or the economy slows down.
- Economic growth: A recession will invariably be associated with a fall in consumer confidence; positive economic growth tends to improve consumer confidence.
- Current economic situation: Expectations are largely based on the current economic situation and reported the news. News of job losses and falling house prices are amongst the key factors which influence consumer confidence.

Measuring Consumer Confidence



This measure plots net positive vs net negative. It shows people more likely to be negative in this period. – rarely does index record net positive score.

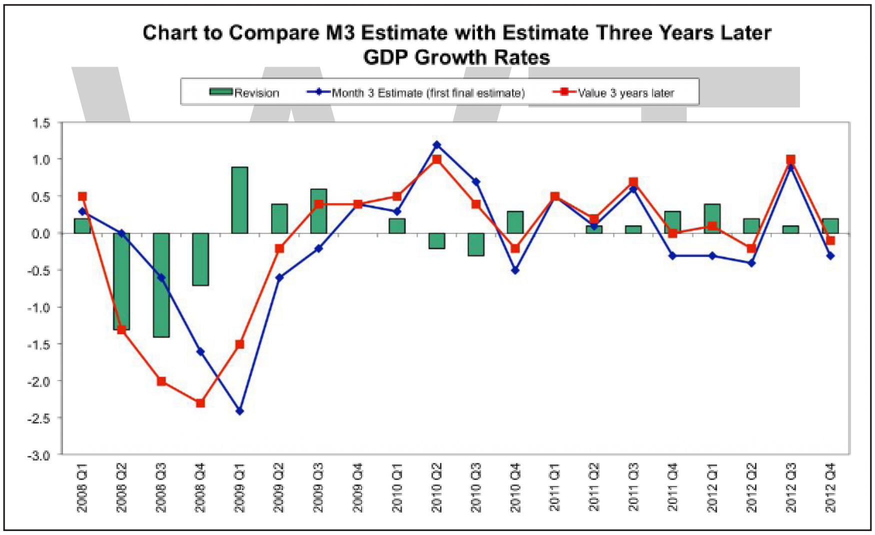
Consumer confidence is based on qualitative surveys, where people carrying out research ask a sample of the population questions, such as:

- Do you feel confident about the general economic situation for next year?
- Do you feel confident about your personal economic situation for next year?

- Expectations regarding employment conditions six months hence.
- Expectations regarding their total family income six months hence.
- Confidence indexes are often measured in terms of +/-. With a + of 10 meaning, there are a greater number of people optimistic than pessimistic about the future.

Importance of Consumer Confidence

- Consumer spending is a major component of aggregate demand (60%) and economic growth. If confidence falls, this will tend to cause lower spending and reduce the rate of economic growth.
- Consumer confidence is a leading indicator. This means consumer confidence can give a good indication of future economic downturns. For example, in 2008, real GDP stats took time before they indicated the economic situation, but the fall in confidence was a very good predictor of the sharp recession.



This shows initial estimates of real GDP in the 2008 recession over-estimated GDP. Confidence was a better indicator of what was happening.

- Confidence can become self-fulfilling: If confidence falls because of uncertainty, this can have a significant impact on other economic variables and become self-fulfilling, i.e. if confidence and spending falls, firms will react by delaying investment too.
- Consumer confidence can influence the effectiveness of economic policy. Suppose the Bank of England cut interest rates from 5% to 0.5% – in theory, this gives consumers more disposable income to spend. However, if consumer confidence is very low, they are much more likely to save this extra income. Therefore, the interest rate cut may be ineffective in boosting spending. This is what happened in 2009. On the other hand, if consumer confidence is very high, consumer spending is likely to rise despite higher rates.
- In theory, it is possible for consumers to 'talk themselves into a recession'. If people expect a recession, confidence drops, spending drops, creating a negative multiplier effect of lower

growth and higher unemployment. This, in turn, causes more falls in consumer spending. Though in reality, consumers don't expect a recession without some good reason. Recessions have more causes than an unexplained fall in confidence. However, the drop in confidence strengthens the underlying negative factors.

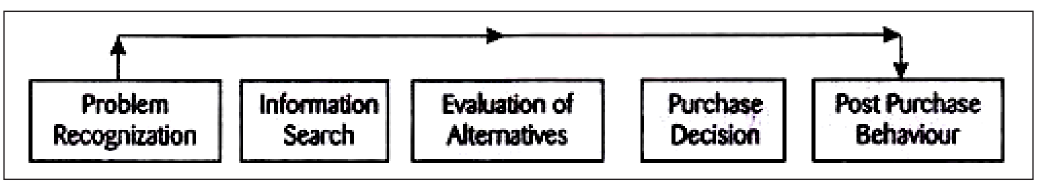
Evaluation of Consumer Confidence

- Consumer confidence is only a survey and people may become pessimistic for reasons not related to a change in economic fundamentals.
- Sometimes confidence can be influenced by non-economic factors and prove temporary, e.g. a major sporting success may improve confidence, but this could be very short lived.
- Falls in confidence may not be as important as the changing factors behind them. In 2008, we saw a sharp fall in confidence because of the financial crisis. But, some may argue it was this financial crisis and decline in bank lending which was a more important factor in causing the recession. In other words, falling confidence is a symptom rather than the cause of the recession.
- A fall in consumer confidence can lead to a rise in savings. When confidence returns, consumers may spend these savings on items they have delayed buying.
- Delayed investment. Similarly, a decline in confidence may cause firms to hold back on investment. But, in the future, this could lead to a mini-boom in investment as all the delayed investment comes back into the economy.

Consumer Confidence and Saving Rates

There is an inverse relationship between saving rates and consumer confidence. When confidence falls the immediate reaction is for households to increase savings and reduce borrowing. This makes sense if you fear unemployment; it is not the time to engage in a borrowing spree.

Consumer Buying Process



Consumer Buying Process.

A buying process is the series of steps that a consumer will take to make a purchasing decision. A standard model of consumer purchase decision-making includes recognition of needs and wants, information search, evaluation of choices, purchase, and post-purchase evaluation.

Consumer buying process consists of sequential steps the consumer follows to arrive at the final buying decisions. Mostly, consumers follow a typical buying process. Marketer must know how consumers reach the final decision to buy the product. The manager can learn about the stages in the buying process through four methods. Each method gives hint regarding the steps in the consumer buying process.

The typical buying process involves five stages the consumer passes through described as under:

Problem Identification

This step is also known as recognizing of unmet need. The need is a source or force of buying behaviour. Buying problem arises only when there is unmet need or problem is recognized. Need or problem impels an individual to act or to buy the product.

Buyer senses a difference between his actual state (physical and mental) and a desired state. The need can be triggered by internal or external stimuli. Internal stimuli include basic or normal needs – hunger, thirst, sex, or comfort; while external stimuli include external forces, for instance, when an individual watch a new brand car, he desires to buy it.

Marketer must identify the circumstances that trigger a particular need. He can collect information from a number of consumers regarding how stimuli spark an interest in products. Based on information, he can develop marketing strategies to trigger consumer interest.

Information Search

Interested consumer will try to seek information. Now, he will read newspapers and magazines, watch television, visit showroom or dealer, contact salesman, discuss with friends and relatives, and try all the possible sources of information.

Mostly, the consumer can try one or more of following sources of information:

- Personal Sources: They may include family members, friends, package, colleagues, and relatives.
- Commercial Sources: Advertising, salesmen, dealers, package, trade show, display, and exhibition are dominant commercial sources.
- Public Sources: Mass media (radio, TV, newspapers, magazines, cinema, etc.), consumer-rating agencies, etc., are main public sources.
- Experimental Sources: They include handling, examining, testing, or using the product. Selection of sources depends upon personal characteristics, types of products, and capacity and reliability of sources. Each information source performs different functions in influencing buying decision. By gathering information from relevant sources, the consumer can learn about different products and brands available in the market.
- Note that consumer will not collect detail information on all the brands available in the market. He scrutinizes all the brands in sequence, like total (brands) set to awareness set to affordable set, and to choice set. Consumer collects information only on limited brands, say, choice set.
- Marketer must try to get his brand into the prospects' awareness set and choice set. Moreover, the company should identify sources and their relative importance. Company must

ask the consumers regarding types of sources they exercise. They can elicit valuable information about sources they normally use and their relative value. On that basis, effective communication can be prepared for the target market.

Evaluation of Alternatives

In the former stage, the consumer has collected information about certain brands. Now, he undergoes evaluation of brands. He cannot buy all of them. Normally, he selects the best one, the brand that offers maximum satisfaction. Here, he evaluates competitive brands to judge which one is the best, the most attractive. Evaluation calls for evaluating various alternatives with certain choice criteria.

Following criteria are considered while evaluating alternatives:

- Benefits offered by the brands.
- Qualities, features or attributes, and performance.
- Price changed by various brands.
- History of brands.
- Popularity, image or reputation of brands.
- Product-related services offered by the brands, such as after-sales services, warrantee, and free installation.
- Availability of brands and dealer rating.

Different criteria are used for different products. For example, if a person wants to purchase a motorbike, he will consider following criteria:

- Price,
- Pick-up and performance,
- Facilities and comfort,
- Gear-transmission system,
- Get-up/appearance,
- Speed per hour,
- Average per liter petrol,
- Maintenance costs,
- Image, status and novelty,
- Safety,
- Resale value,
- Services, guarantee, warrantee, etc.

The brand that meets most of the above conditions reasonably is more likely to be preferred. Marketer should highlights superior features of his brand. Some companies also advertise comparative table to help consumers evaluate various brands. For example, Yamaha and Hyundai provide comparative table in newspapers to show how the bike/car is superior to other brands.

Purchase Decision

This is the stage when the consumer prefers one, the most promising band, out of several brands. The former stage helps consumers evaluate various brands in the choice set. The brand that offers maximum benefits or satisfaction is preferred.

Simply, the most attractive brand, that can offer more benefits in relation to price paid, is selected by comparing one brand with others. Comparison shows superiority/inferiority of the brands.

Now, consumer makes up his mind to purchase the most preferred brand. However, three factors further affect whether buying intension result into actual purchase. More clearly, the consumer' decision to avoid, modify, or postpone a purchase decision is influenced by these factors.

The first factor is attitudes of others. The impact of other persons' attitudes depends on degree of their negative attitudes toward the consumer's preferred brand, and consumer's degree of compliance with other persons' wishes.

The second factor is unanticipated situational factors. Purchase intension may change due to certain unanticipated situational factors like price hike, loss of job, family income, major medical expenses, non-availability of the preferred brand, or such similar factors.

The third and the last factor is consumer's perceived risk. Degree of risk depends on price, attribute uncertainty, entry of a new superior product, and his self-confidence.

Sub-decisions in Purchase Decision

Consumer's buying decision involves following five sub-decisions:

- Brand Decision,
- Vender Decision,
- Quantity Decision,
- Timing Decision,
- Payment Decision.

Post-purchase Decisions

Consumer buys the product with certain expectations. Though he decides very systematically, there is no guarantee of a complete satisfaction. There is always possibility of variation between the expected level of satisfaction and the actual satisfaction. His subsequent behaviour is influenced by degree of satisfaction/dissatisfaction.

Marketer must monitor the post-purchase experience of the buyers that includes:

- Post-purchase Satisfaction.
- Post-purchase Action.
- Post-purchase Use and Disposal.

Post-purchase Satisfaction

Actual satisfaction may not be equal to the expected one. He may find some problems or defects in the product while using. It is the matter of interest for marketer to know whether consumer is highly satisfied, somewhat satisfied, or dissatisfied. Consumer's satisfaction is the function of the relationship between expected/perceived performance (expectations) and actual performance.

The larger the gap between expectations and performance, the greater the consumer's dissatisfaction will be. The consumer is satisfied when product meets or exceeds all the expectations and vice versa. If he is satisfied, he buys the product again, and talks favourably. In order to minimize the gap between expectations and performance, the seller must not exaggerate the product benefits; must make truthful claim of product's likely performance.

Post-purchase Action

Obviously, level of the consumer's satisfaction with the product affects his subsequent behaviour/action. If he is satisfied reasonably, he purchases the product again, and talks favourably to family members, friends, relatives, and co-workers.

That is why marketer says: Our best advertisement is a satisfied consumer. Quite opposite to it, dissatisfied consumer responds differently. He may abandon product, complain to the company for compensation, resort to the court and warn other organisations, friends, relatives and co-workers to avoid product. The task of marketer consists of taking certain steps to minimize amount of consumer's post-purchase dissatisfaction.

Dissatisfaction can be reduced by:

- Congratulating consumers for the right choice to justify their decision.
- Sending booklet to guide for effective use of the product.
- Inviting suggestions from consumers.
- Managing complaints by effective counselling and after-sales services.
- Informing about changes made in the product.
- Exchanging or returning amount, etc.

He must investigate where the product falls short. Close informal relations with consumers can yield valuable information. Remember that a dissatisfied consumer is more important than a satisfied one as his every problem regarding the product reveals a ready suggestion. Marketer must welcome complaints and tackle them carefully for the bright future.

Post-purchase use and Disposal

Marketer should also monitor how the consumers use and dispose the product. Such information can be a very good guideline for the marketer. Marketer can learn possible problems and opportunities relating with the product.

In normal situation, the consumer uses or disposes the product in followings ways:

- He may not use the product immediately; store it for the future use.
- Use the product fully immediately after purchase.
- Resell or trade it.
- Use the product differently than it is meant for. He may find new uses of the product.
- Offer the product to others as a gift.
- Throw the product away, considering as useless.

Marketer can change or modify marketing programme based on the study of how the product is used and disposed. In case, when consumers are much creative, it is important to investigate how the product is used or disposed.

Thus, buying process is a journey from problem recognition to reaction of buyers. The entire process is very meaningful to the seller. The process reflects most of factors affecting consumers. Marketer, therefore, must study the buying process from consumer's viewpoint. Company must take certain steps to support consumers in each stage to buy its product.

Models of Buyer Decision-making

There are generally three ways of analyzing consumer buying decisions:

- Economic models: Largely quantitative and are based on the assumptions of rationality and near perfect knowledge. The consumer is seen to maximize its utility. Game theory can also be used in some circumstances.
- Psychological models: Psychological and cognitive processes such as motivation and need recognition. They are qualitative rather than quantitative and build on sociological factors like cultural influences and family influences.
- Consumer behavior models: Practical models used by marketers. They typically blend both economic and psychological models.

In an early study of the buyer decision process literature, Frank Nicosia identified three types of buyer decision-making models. They are the univariate model in which only one behavioral determinant was allowed in a stimulus-response type of relationship; the multi-variate model in which numerous independent variables were assumed to determine buyer behavior; and finally the "system of equations" model (He called it a "structural scheme" or "process scheme".) in which numerous functional relations (either univariate or multivariate) interact in a complex system of equations. He concluded that only this third type of model is capable of expressing the complexity of buyer decision processes. Nicosia builds a comprehensive model involving five modules. The encoding module includes determinants like "attributes of the brand", "environmental factors", "consumer's attributes", "attributes of the organization", and "attributes of the message". Other modules in the system include consumer decoding, search and evaluation, decision, and consumption.

Some neuromarketing research papers examined how to approach motivation as indexed by electroencephalographic (EEG) asymmetry over the prefrontal cortex predicts purchase decision when brand and price are varied. In a within-subjects design, the participants have presented purchase decision trials with 14 different grocery products (seven private labels and seven national brand products) whose prices were increased and decreased while their EEG activity was recorded. The results showed that relatively greater left frontal activation (i.e., higher approach motivation) during the decision period predicted an affirmative purchase decision. The relationship of frontal EEG asymmetry with purchase decision was stronger for national brand products compared with private label products and when the price of a product was below a normal price (i.e., implicit reference price) compared with when it was above a normal price. The higher perceived need for a product and higher perceived product quality were associated with greater relative left frontal activation.

For any high-involvement product category, the decision-making time is normally long and buyers generally evaluate the information available very cautiously. They also utilize an active information search process. The risk associated with such a decision is very high.

Making a few last minute decisions before purchasing a gold necklace from a Navy Exchange vendor.

Cognitive and Personal Biases in Decision-making

It is generally agreed that biases can creep into our decision-making processes, calling into question the correctness of a decision. Below is a list of some of the more common cognitive biases:

- Selective search for evidence: You tend to be willing to gather facts that support certain conclusions but disregard other facts that support different conclusions.
- Selective perception: You actively screen out information that we do not think is salient.

- Premature termination of search for evidence: We tend to accept the first alternative that looks like it might work.
- Conservatism and inertia: Unwillingness to change thought patterns that we have used in the past in the face of new circumstances.
- Experiential limitations: Unwillingness or inability to look beyond the scope of our past experiences; rejection of the unfamiliar.
- Wishful thinking or optimism: We tend to want to see things in a positive light and this can distort our perception and thinking.
- Recency: We tend to place more attention on more recent information and either ignore or forget more distant information.
- Repetition bias: A willingness to believe what we have been told most often and by the greatest number of different sources.
- Anchoring: Decisions are unduly influenced by initial information that shapes our view of subsequent information.
- Group think: Peer pressure to conform to the opinions held by the group.
- Source credibility bias: We reject something if we have a bias against the person, organization, or group to which the person belongs: We are inclined to accept a statement by someone we like.
- Incremental decision-making and escalating commitment: We look at a decision as a small step in a process and this tends to perpetuate a series of similar decisions. This can be contrasted with zero-based decision-making.
- Inconsistency: The unwillingness to apply the same decision criteria in similar situations.
- Attribution asymmetry: We tend to attribute our success to our abilities and talents, but we attribute our failures to bad luck and external factors. We attribute other's success to good luck and their failures to their mistakes.
- Role fulfilment: We conform to the decision-making expectations that others have of someone in our position.
- Underestimating uncertainty and the illusion of control: We tend to underestimate future uncertainty because we tend to believe we have more control over events than we really do.
- Faulty generalizations: In order to simplify an extremely complex world, we tend to group things and people. These simplifying generalizations can bias decision-making processes.
- Ascription of causality: We tend to ascribe causation even when the evidence only suggests a correlation. Just because birds fly to the equatorial regions when the trees lose their leaves, does not mean that the birds migrate because the trees lose their leaves.

Consumer Confusion

Consumer confusion is a state of mind that leads to consumers making imperfect purchasing decisions or lacking confidence in the correctness of their purchasing decisions.

Confusion occurs when a consumer fails to correctly understand or interpret products and services. This, in turn, leads to them making imperfect purchasing decisions. This concept is important to marketeers because consumer confusion may result in reduced sales, reduced satisfaction with products and difficulty communicating effectively with the consumer. It is a widely studied and broad subject which is a part of consumer behaviour and decision making.

Causes

Choice Overload

Choice overload (sometimes called overchoice in the context of confusion) occurs when the set of purchasing options becomes overwhelmingly large for a consumer. A good example is wine in the UK where supermarkets may present over 1000 different products leaving the consumer with a difficult choice process. Whilst large assortments do have some positive aspects (principally novelty and stimulation and optimal solutions) any assortment greater than around 12-14 products leads to confusion and specifically transferring the ownership of quality assurance to the consumer. What this means in practice is reduced levels of satisfaction with purchases from large assortments as a consumer may be left with doubt that they have succeeded in finding the “best” product. Choice overload is growing with ever larger supermarkets and the internet being two of the main causes.

Similarity

Similarity is where two or more products lack differentiating features which prevents the consumer easily distinguishing between them. Differentiating features could be any from the marketing mix or anything else associated with the product such as brand. Similarity of products has the negative effect on the consumer of increasing the cognitive effort required to make a decision and reducing the perception of accuracy of decision. Both of these reduce the satisfaction with a decision and thereby satisfaction with the purchase.

Lack of Information

A consumer may suffer from lack of information if the information doesn’t exist, is unavailable to them at the required moment or is too complex for them to use in their decision making process.

Information Overload

Too much information surrounding a product or service disturbs the consumer by forcing them to engage in a more complex and time-consuming purchasing process. This, and the fact that it is difficult to compare and value the information when it is superfluous, leaves the consumer unsatisfied, insecure regarding what choice to make, and more prone to delay the decision-making, and thereby the actual purchase.

Lack of Consistency

When information provided on a product and/or service is not consistent with the consumer's previously held beliefs and convictions, ambiguity occurs in the understanding of the product.

Law

Trademark infringement is measured by the multi-factor "likelihood of confusion" test. That is, a new mark will infringe on an existing trademark if the new mark is so similar to the original that consumers are likely to confuse the two marks, and mistakenly purchase from the wrong company.

The likelihood of confusion test turns on several factors including:

- Strength of the plaintiff's trademark;
- Degree of similarity between the two marks at issue;
- Similarity of the goods and services at issue;
- Evidence of actual confusion;
- Purchaser sophistication;
- Quality of the defendant's goods or services;
- Defendant's intent in adopting the mark.

Initial interest confusion occurs when a mark is used to attract a consumer, but upon inspection there is no confusion. This type of confusion is well-recognized for Internet searches, where a consumer may be looking for the site of one company, and a second site mimics keywords and metadata to draw hits from the "real" site.

Point of sale confusion occurs when a consumer believes their product to be from a company which it is not.

Post sale confusion occurs after a product is purchased, and third parties mistakenly think that the product is produced by a different, generally more prestigious, brand.

Overchoice

Overchoice or choice overload is a cognitive process in which people have a difficult time making a decision when faced with many options. The term was first introduced by Alvin Toffler in his 1970 book, Future Shock.

Psychological Process

The phenomenon of overchoice occurs when many equivalent choices are available. Making a decision becomes overwhelming due to the many potential outcomes and risks that may result from making the wrong choice. Having too many approximately equally good options is mentally draining because each option must be weighed against alternatives to select the best one. The satisfaction of choices by number of options available can be described by an inverted "U" model. In this model, having no choice results in very low satisfaction. Initially more choices lead to more satisfaction, but as the number of choices increases it then peaks and people tend to feel more pressure, confusion, and potentially dissatisfaction with their choice. Although larger choice sets can be initially appealing, smaller choice sets lead to increased satisfaction and reduced regret. Another component of overchoice is the perception of time. Extensive choice sets can seem even more difficult with a limited time constraint.

Examples of overchoice include increased college options, career options, and prospective romantic relationships. Many of these increased options can be attributed to modern technology. In today's society we have easy access to more information, products and opportunities.

Preconditions

Choice overload is not a problem in all cases; there are some preconditions that must be met before the effect can take place. First, people making the choice must not have a clear prior preference for an item type or category. When the choice-maker has a preference, the number of options has little impact on the final decision and satisfaction. Second, there must not be a clearly dominant option in the choice set, meaning that all options must be perceived of equivalent quality. One option cannot stand out as being better from the rest. The presence of a superior option and many less desirable options will result in a more satisfied decision. Third, there is a negative relationship between choice assortment (quantity) and satisfaction only in people less familiar with the choice set. This means that if the person making a choice has expertise in the subject matter, they can more easily sort through the options and not be overwhelmed by the variety.

Psychological Implications

Decision-makers in large choice situations enjoy the decision process more than those with smaller choice sets, but feel more responsible for their decisions. Despite this, more choices result with more dissatisfaction and regret in decisions. The feeling of responsibility causes cognitive dissonance when presented with large array situations. In this situation, cognitive dissonance results when there is a mental difference between the choice made and the choice that should have been made. More choices lead to more cognitive dissonance because it increases the chance that the decision-maker made the wrong decision. These large array situations cause the chooser to feel both enjoyments as well as feel overwhelmed with their choices. These opposing emotions contribute to cognitive dissonance, and causes the chooser to feel less motivated to make a decision. This also disables them from using psychological processes to enhance the attractiveness of their own choices. The amount of time allotted to make a decision also has an effect on an individual's perception of their choice. Larger choice sets with a small amount of time results in more regret with the decision. When more time is provided, the process of choosing is more enjoyable in large array situations and results in less regret after the decision has been made.

Reversal when Choosing for Others

Choice overload is reversed when people choose for another person. Polman has found that overload is context dependent: choosing from many alternatives by itself is not demotivating. Polman found that it is not always a case of whether choices differ for the self and others in risk, but rather "according to a selective focus on positive and negative information." Evidence shows there is a different regulatory focus for others compared to the self in decision-making. Therefore, there may be substantial implications for a variety of psychological processes in relation to self-other decision-making.

Among personal decision-makers, a prevention focus is activated and people are more satisfied with their choices after choosing among few options compared to many options, i.e. choice overload. However, individuals experience a reverse choice overload effect when acting as proxy decision-makers.

In an Economic Setting

The psychological phenomenon of overchoice can most often be seen in economic applications. There are limitless products currently on the market. Having more choices, such as a vast amount of goods and services available, appears to be appealing initially, but too many choices can make decisions more difficult. According to Miller, a consumer can only process seven items at a time. After that the consumer would have to create a coping strategy to make an informed decision. This can lead to consumer's being indecisive, unhappy, and even refrain from making the choice (purchase) at all. Alvin Toffler noted that as the choice turns to overchoice, "freedom of more choices" becomes the opposite—the "unfreedom". Often, a customer makes a decision without sufficiently researching his choices, which may often require days. When confronted with too many choices especially under a time constraint, many people prefer to make no choice at all, even if making a choice would lead to a better outcome.

Existence of overchoice, both perceived and real, is supported by studies as early as the mid-1970s. Numbers of various brands, from soaps to cars, have been steadily rising for over half a century. In just one example—different brands of soap and detergents—the numbers of choices offered by an average US supermarket went from 65 in 1950, through 200 in 1963, to over 360 in 2004. The more choices tend to increase the time it requires to make a decision.

Variety and Complexity

There are two steps involved in making a choice to purchase. First, the consumer selects an assortment. Second, the consumer chooses an option within the assortment. Variety and complexity vary in their importance in carrying out these steps successfully, resulting in the consumer deciding to make a purchase. Variety is the positive aspect of assortment. When selecting an assortment during the perception stage, the first stage of deciding, consumers want more variety.

Complexity is the negative aspect of assortment. Complexity is important for the second step in making a choice—when a consumer needs to choose an option from an assortment. When making a choice for an individual item within an assortment, too much variety increases complexity. This can cause a consumer to delay or opt out of making a decision.

Images are processed as a whole when making a purchasing decision. This means they require less mental effort to be processed which gives the consumer a sense that the information is being processed faster. Consumers prefer this visual shortcut to processing, termed "visual heuristic" by

Townsend, no matter how big the choice set size. Images increase our perceived variety of options. As previously stated, variety is good when making the first step of choosing an assortment. On the other hand, verbal descriptions are processed in a way that the words that make up a sentence are perceived individually. That is, our minds string words along to develop our understanding. In larger choice sets where there is more variety, perceived complexity decreases when verbal descriptions are used.

Buyer's Remorse

Buyer's remorse is the sense of regret after having made a purchase. It is frequently associated with the purchase of an expensive item such as a vehicle or real estate.

Buyer's remorse is thought to stem from cognitive dissonance, specifically post-decision dissonance that arises when a person must make a difficult decision, such as a heavily invested purchase between two similarly appealing alternatives. Factors that affect buyer's remorse may include: resources invested, the involvement of the purchaser, whether the purchase is compatible with the purchaser's goals, feelings encountered post-purchase that include regret.

Causes

The remorse may be caused by various factors, such as: the person purchased a product now rather than waiting, the item was purchased in an ethically unsound way, the property was purchased on borrowed money, the purchased object was something that would not be acceptable to others. In the phase before purchasing, a prospective buyer often feels positive emotions associated with a purchase (desire, a sense of heightened possibilities, and an anticipation of the enjoyment that will accompany using the product, for example); afterwards, having made the purchase, they are more fully able to experience the negative aspects: all the opportunity costs of the purchase, and a reduction in purchasing power.

Also, before the purchase, the buyer has a full array of options, including not purchasing; afterwards, their options have been reduced to:

- Continuing with the purchase, surrendering all alternatives.
- Renouncing the purchase.

Buyer's remorse can also be caused or increased by worrying that other people may later question the purchase or claim to know better alternatives.

The remorse associated with some extreme shopping activity may be, again, a sign of some deeper disquiet. However, normal "buyer's remorse" should not be confused with the complex emotional dynamics of "shopaholic" behaviour, just as a binge on a special occasion should not be confused with a serious eating disorder such as bulimia.

Cognitive Dissonance

The phenomenon of buyer's remorse has been generally associated with the psychological theory of cognitive dissonance, a state of psychological discomfort when at least two elements of cognition are in opposition, and which motivates the person to appease it by changing how they think about the situation. Buyer's remorse is an example of post-decision dissonance, where a person is stressed by a made decision and seeks to decrease their discomfort. The buyer may change their behaviour, their feelings, their knowledge about the world (what they thought the purchased item would be like), or even their knowledge of themselves. The more resources such as money, time, and cognitive resources that are invested into making a purchase, the more likely the buyer will experience buyer's remorse or psychological discomfort.

Psychologists have focused on three main elements that are related to cognitive dissonance and buyer's remorse. They are: effort, responsibility, and commitment. Effort is the resources invested in a purchase (material, intellectual, psychological, and others) and effort is directly related to the importance of the purchase. Purchases that require high amounts of effort but do not bear high rewards are likely to lead to buyer's remorse. Responsibility refers to the fact that the purchase is done out of free will. Buyers that have no choice on the purchase will be less likely to feel dissonance because it was not of their own volition. Commitment refers to the continuing of an action. The purchase of an automobile has high commitment because the car must usually be driven for a long duration. Purchases with higher commitment will lead to more buyers' remorse. Low rewards matched with these three conditions will most likely result in buyer's remorse via cognitive dissonance. The buyer feels anxiety and psychological discomfort because their behaviour does not match their attitude.

The following scale was developed by Sweeney, Hausknecht, and Soutar in a study to investigate three elements (one emotional, two cognitive) of buyer's remorse.

Table: Elements of cognitive dissonance (22 Items).

	After I bought this product:
Emotional	I was in despair
	I resented it
	I felt disappointed with myself
	I felt scared
	I felt hollow
	I felt angry
	I felt uneasy
	I felt I'd let myself down
	I felt annoyed
	I felt frustrated
	I was in pain
	I felt depressed
	I felt furious with myself
	I felt sick
	I was in agony
Wisdom of purchase	I wonder if I really need this product
	I wonder whether I should have bought anything at all

	I wonder if I have made the right choice
	I wonder if I have done the right thing in buying this product
Concern over deal	I wondered if I'd been fooled
	I wondered if they had spun me a lie
	I wondered whether there was something wrong with the deal I got

There may be a duality of attitudes that explain how a person may be satisfied with their purchase but have the intention to never repeat the purchase. For example, a husband who takes his wife to the most expensive restaurant in town for their anniversary only to find that the food and service does not meet his expectations might still be satisfied with his decision to go to the restaurant but have the intention to never return. In this extension of cognitive dissonance, the duality of satisfaction and intention are separate phenomena within buyer's remorse.

Involvement

In social psychology, "involvement" describes the effort, investment, and commitment in purchases. Involvement is often coupled with cognitive dissonance to explain buyer's remorse. In most cases, buyer's remorse resulting from a purchase that demands high involvement and results in cognitive dissonance is, all else (most notably nominal purchase price) being equal, harder to overcome than is buyer's remorse resulting from a purchase that demands low involvement and results in cognitive dissonance. This phenomenon is a result of the brain's instinctive (and rational) treatment of the transaction costs involved in acquiring a product as part of the purchase price of that product: The more involvement that a purchase requires or the purchaser puts in, the more dissonance or psychological discomfort the buyer will experience if dissatisfied with the purchase, just as if the purchaser had spent more "on paper" (i.e., paid a higher nominal price) for the product.

Studies investigating the link between cognitive dissonance and impulse buying have shown that impulse buyers experience less cognitive dissonance when they are disappointed with their purchase. The main explanation for this is that impulse buyers go into the purchase already without high expectations. Another possible explanation, at least among more sophisticated buyers, is that persons who are dissatisfied with a purchase that they made on impulse may blame that dissatisfaction at least in part on their own failure to thoroughly consider whether the product will satisfy their prior expectations even if it performs as advertised, thus blaming any discrepancy at least in part on themselves (via their own impulsivity) rather than on the purchased product (via any sort of difference between its promised and its actual attributes and/or performance).

Paradox of Choice

The paradox of choice is a theory by American psychologist Barry Schwartz claiming that, after a certain threshold is reached, an increase in the number of choices will cause a significant amount of psychological distress. This distress, according to Professor Schwartz, can manifest itself in many ways. One way is through buyer's remorse. The theory states that buyer's remorse is created through increasing opportunity costs associated with increased choices. Opportunity costs associated with alternative choices compound and create strong feelings of dissonance and remorse.

The number of choices in a typical grocery store aisle.

As the number of choices increase, it is easier to imagine a different choice that may have been better than the one selected. The constant comparison to one's expectations induces regret, which reduces the satisfaction of any decision, even if it fills the individual's needs. When there are many alternatives to consider, it is easy to imagine the attractive features of rejected choices and there is a decrease in overall satisfaction.

Consider the number of choices in a simple supermarket. There are likely to be many different options for a single type of product. With so many to choose from, the customer might expect that one of the available options must be perfect for their needs and will have no drawbacks. This leads to expectations rarely being met, a significant psychological issue. In the example of a supermarket, buying the wrong product may not be a significant mistake. For more involved decisions, the consequences of a wrong decision are significant.

Reducing

Choice-supportive bias leads to an increased liking of one's choices, including purchases. This seems to contradict the concept of buyer's remorse. However, this choice enhancement can collapse when presented with even minor indication that the wrong choice was made. While initial positivity towards a decision is greater for more difficult decisions, this positivity also has greater vulnerability to evidence of an incorrect choice. This effect is larger when the purchaser is more involved in the decision. However, buyer's remorse can be reduced by post-purchase confirmation, though post-purchase communication may aggravate a buyer's discomfort if the purchase did not meet the buyer's predominant goals. Indeed, if the purchase meets an individual's goals there will be less post-purchase dissonance which means there will be less remorse and greater decision satisfaction.

Marketing Implications

Buyer's remorse is a powerful experience for consumers. For years, marketers have been attempting to reduce buyer's remorse through many different methods. One specific technique employed by marketers is the inclusion of a coupon towards a future purchase at the point of sale. This has many benefits for both the consumer and retailer. First, the consumer is more likely to return to the store with the coupon, which will result in a higher percentage of repeat customers. Each successive time a purchase is made and is deemed satisfactory; buyer's remorse is less likely to be experienced. Customers can justify their purchases with product performance.

Another technique used is the money back guarantee, a guarantee from the retailer that the product will meet the customer's needs or the customer is entitled to a full refund. This technique is highly successful at lessening buyer's remorse because it immediately makes the decision a changeable one. The unchangeability of an "all-sales-final" purchase can lead to a larger amount of psychological discomfort at the point of the decision. This makes the stakes higher, and poor choices will cause significant buyer's remorse.

In addition, legislation exists in various parts of the world enforcing the right to a cooling-off period, during which contracts may be cancelled and goods returned for any reason, for a full refund.

Customer Switching

In marketing and microeconomics, customer switching or consumer switching describes "customers/consumers abandoning a product or service in favor of a competitor". Assuming constant price, product or service quality, counteracting this behaviour in order to achieve maximal customer retention is the business of marketing, public relations and advertising. Brand switching—as opposed to brand loyalty is the outcome of customer switching behaviour.

Reasons

Variability in quality or market price fluctuations—especially a rise in prices—may lead customers to consult price comparison services where alternative suppliers may be offered. Declining customer satisfaction may be due to poor service quality but also—to a lesser degree—be a symptom of boredom with the brand of choice. Brand loyalty can be very strong, however, and the longer a commitment to a brand lasts, the stronger the ties will usually be.

According to 2013 Nielsen studies on customer loyalty, brand switching can happen for 5 main reasons, but mainly based on price considerations. The overall global averages are:

- Better Price (41%),
- Better Quality (26%),
- Better Service Agreement (15%),
- Better Selection (10%),
- Better Features (8%).

Because of the dominant role of pricing, market tactics like penetration pricing have evolved to offer a convincing incentive for switching. Along with these are the factors like service inconvenience, poor location, ethical issues like hard selling or unsafe products and also change in customers' income levels. Another approach is the advertisement of vaporware that seemingly will offer newer or better features than established products without actually possessing any innovation.

Affected Sectors

Switching is a significant business factor affecting revenues for companies providing continuously delivered services, as is the case for the energy market as opposed to sectors providing products that stimulate non- or sparsely recurring purchase because of the durability of the product or a general orientation towards casual customers. Energy customer switching is a significant risk or success factor for energy suppliers.

Serial Switching

The term serial switcher was first coined by Charles Turner and David Alexander in their Customer relationship management course and then their CRM Pocketbook. It describes a person who continually moves his/her patronage from one company to another and highlights the ignorance of many organisations, including credit card companies, who strive for customer acquisition regardless of retention rates.

By offering a range of financial incentives, such as free balance transfers or interest free periods, a company may hope to attract new customers. This is superficially attractive to companies if it meets acquisition and competitive switching targets. In practice, however, a serial switcher will not contribute any profit if he/she does not stay long enough to provide a return on investments. The lesson is that lack of integration and analysis across the business allows bad decisions to be made.

Consumer Adoption of Technological Innovations

Consumer adoption of technological innovations is the process consumers use to determine whether or not to adopt an innovation. This process is influenced by consumer characteristics, such as personality traits and demographic or socioeconomic factors, the characteristics of the new product, such as its relative advantage and complexity, and social influences, such as opinion leaders.

In the context of technological innovations, the adoption process is also influenced by one or several new technologies that are incorporated in the new product. New technologies are likely to significantly affect the innovation's functionality or interface. Functionality refers to the set of potential benefits that a product can provide the consumer. Interface refers here to the specific means by which a consumer interacts with a product to obtain a particular functionality. Specifically, new technologies suggest four types of innovations with unique characteristics that are likely to affect the adoption process. Alternatively it can be looked at as a Paradox of Technology.

Paradox of Technology

Donald Norman in his book, The Design of Everyday Things, outlines the idea of "Paradox of Technology". Norman's paradox states that when a new functionality is added to a technology, it also increases its complexity. Thus, a technology intended to make life easier by providing more functionality, also makes it more complex by making things harder to learn. A good design must reduce the difficulties in use of the ever-growing technology.

Information and communications technologies such as Facebook experienced this phenomenon when they released the News Feed functionality to all users. The new groundbreaking feature was met with mass upheaval with only one in 100 messages about News Feed being positive. Now, News Feed is an essential feature of Facebook which users today would be outraged if removed.

Symbolic Interactionism

Symbolic interactionism, the concept that people act toward things based on the meaning they have for them; and these meanings are derived from social interaction and modified though interpretation), plays a key in role in the consumer adoption of technological innovations. People have personal meanings for certain aspects of the technology; when these technologies are changed or modified it can greatly affect how the user interacts with the technology.

A good example of this concept is the controversial removal of the Start Menu from Microsoft's Windows 8. A major reason this was so controversial is this concept of symbolic internationalism. Critique Mark Wilson writes, "I grew up on Windows 3.1 and the introduction of the Start button/ menu in Windows 95 was a revelation. Windows 8 was a step in the wrong direction." Similar critiques and reactions was a major issue and Microsoft even brought it back the next release of Windows. Many including Microsoft will argue the start menu was dated and that the newer metro start screen is an improvement upon the start menu but that is still up to debate and preference.

Social Influences

When a new technology is introduced a user evaluates if the perceived benefits (functionality, aesthetics etc.) outweigh any negative social nuances it may introduce. New technology not only changes the way that the user interacts with it, but often also asks users to embrace new behaviors. However, as our technologies are increasingly becoming more mobile, these new behaviors frequently take place in a public location and become an integral part of a user's social appearance.

It is often the case that every new technology introduces public discomfort. While the first handheld cellular phone was developed in 1973, it was not until the early 2000s that they technology became truly ubiquitous. While a part of the slow growth of cellular phones can be attributed to its design, another big part was the technology being considered esoteric by many.

Sandra Vannoy and Prashant Palvia developed a theoretical model called the "Social Influence Model" that investigates technology adoption at a societal or communal level. The postulate that social influence constitutes of four overlapping phenomenon:

- Social Computing Action: Actions performed through use of technology such as Web browsers and cell phones.
- Social Computing Consensus: Agreement from all people that it is right to carry out the action.

- Social Computing Cooperation: Participating in a way that is in the best interests of the group.
- Social Computing Authority: Recognizing that the authority imposed by the group supersedes traditional authority.

Technology adoption is typically measured on two factors: embedment and embracement in daily life. Social influence deals with the embedment of technology. Embedment in daily life is evaluated by examining how other members of the society present in the same environment utilize the technology, and how the technology is perceived by these members.

Existing Functionality and Existing Interface

These innovations are incremental in nature since they offer an existing functionality and an existing interface; however, they are usually characterized by esthetic changes that affect the product's appearance. Smart phones, for example, are usually black or silver when first introduced into the market but are available in multiple colors several months later.

Existing Functionality and New Interface

These innovations provide benefits available by existing products but result in a new set of actions for the consumer. Voice recognition software is one example of this type of innovation. Consumers create documents or emails, for example, by dictating (instead of typing) to a computer.

New Functionality and Existing Interface

These innovations do not change consumer interaction with a device; they offer, however, a new functionality. Multi-mode cellphones, for example, operate in more than one frequency and enable roaming between different countries.

New Functionality and New Interface

Car GPS navigation systems, for example, fall under this category. These products provide the consumer with novel functionality, such as door-to-door navigation and real-time traffic information. The novel interface implies a new set of actions for using the device, such as using a touch-screen and voice recognition interfaces. Innovations that incorporate a novel interface require significant learning cost from the consumer since they imply learning a new set of tasks. High learning cost is likely to hinder the adoption of such innovations, unless the functionality provided is new and provides significant benefits to the consumer. Furthermore, innovations incorporating a novel interface often result in fear of technological complexity leading to feelings of ineptitude and frustration. Conversely, innovations that provide the consumer with a new functionality are characterized by a high relative advantage, which is likely to facilitate adoption.

Impact of Privacy Concerns

As technologies have improved in the past years privacy has become a major concern among consumers because the data revolution and Big Data. Technological innovations more recently have seriously been affected by these concerns and changes how people interact with these new technologies. Privacy is a very broad concept, it is very hard to define in simple manners and is still a controversial subject, and because of this confusion, consumers reject many innovations or unknowingly give their personal data to third parties. Daniel J. Solove is an expert in the topic of Privacy and in his recent book Understanding Privacy he lays out the problems and frameworks of privacy in the era of technology and the data revolution. Another good example is Eli Pariser's concept of The Filter Bubble that he lays out in his book, The Filter Bubble: What the Internet Is Hiding from You. Innovations like personalized search from Google are very controversial mainly because most consumers have no idea that it is even occurring.

Consumer Socialization

Mothers tend to have the most influence in consumer development and can teach consumer behaviour through observation, direct discussions, and parent supervision.

Consumer socialization is the process by which young people acquire skills, knowledge and attitudes relevant to their functioning as consumers in the marketplace. It has been argued, however, that consumer socialization occurs in the adult years as well. This field of study is a subdivision of consumer behaviour as its main focus is on how childhood and adolescent experiences affect future consumer behaviour. It attempts to understand how factors such as peers, mass media, family, gender, race, and culture plays an influence in developing customer behaviour.

This field of study has increasingly interested policy makers, marketers, consumer educator and students of socialization.

Influences

George Moschis and Gilbert A. Churchill Jr posit that mass media, parents, school and peers are all agents of consumer socialization. According to this theory children and young adults learn the rational aspects of consumption from their parents while the mass media teaches them to give social meaning to products; schools teach the importance of economic wisdom and finally peers exercise varying social pressures.

Research in this field is primarily based on two models of human learning: the cognitive development model, which stem primarily from the works of Jean Piaget, and the social learning model, which is based primarily on neo-Hullian, neo-Skinnerian and social learning theory.

This aspect of child socialization started receiving academic attention in early 1970s. Systematic academic research in this area was triggered by charges of various consumer advocacy groups which were concerned with the effects of marketing, especially TV advertising on children.

Peers

Adolescents tend to rely more on peers, such as friends and classmates, to develop their consumer behaviour compared to television and family.

Television and Advertisements

Mass media has been shown to be as important of a socialization agent as family and peers. Children learn from observation so by viewing advertisements and lifestyles from a television show they will develop their consumer behaviour as well as leaning consumer role perceptions.

Family

Family is a major influence in consumer socialization. Parent-child socialization is an adult initiated process by which developing children, through insight, training, and imitation acquire the habits and values congruent with adaptation to their culture. Mothers tend to have the most influence in consumer development and can teach consumer behaviour through observation, direct discussions, and parent supervision.

Parenting style plays an important role in consumer socialization because parent-child interactions determine how parents teach their child consumer behaviour. Parents who have negative attitudes toward television advertising tend to have children who request fewer purchases and are more consumers educated. Children who spend less time with parents and other familial ties are more likely to be affected by peers and media than children who spend time with their family.

The influence that other familial connections, such as siblings and grandparents, may have on consumer socialization has not been studied as extensively as parents. Siblings have been found to rely on each other to gain information on the marketplace.

Gender

Gender has been identified as a critical social structure variable in consumer socialization. Women tend to have a more positive attitude toward advertisements than males. Young girls and teenagers are more affected by peer and family influence than boys. Young girls are also more likely to deem a brand their favorite based on whether their friends have them. Boys tend to be more influenced by non-personal communication than interpersonal interactions.

Race

African Americans tend to watch more hours of television a week and watch different types of television programs compared to their Caucasian counterparts. African Americans rely more on television as a form of consumer socialization than family. African Americans also have a more positive attitude toward advertisements than their Caucasian counterparts. African Americans tend to buy the same brand rather than competing brands.

In Asian cultures, parents and peers tend to have a greater influence on consumer socialization than television. This may be due to Asian cultures' tendency to behave in ways that are best for the community rather than for the individual. This close-knit community leads to a reliance on referrals and word-of-mouth.

Hispanic cultures, like Asian cultures, are family-oriented and can be considered to be collectivist. Hispanic children tend to depend on parents and peers to learn more about consumer behaviour.

Consumer Neuroscience

Consumer neuroscience is the combination of consumer research with modern neuroscience. The goal of the field is to find neural explanations for consumer behaviors in individuals either with or without disease.

Consumer Research

Consumer research has existed for more than a century and has been well established as a combination of sociology, psychology, and anthropology, and popular topics in the field revolve around consumer decision-making, advertising, and branding. For decades, however, consumer researchers had never been able to directly record the internal mental processes that govern consumer behavior; they always were limited to designing experiments in which they alter the external conditions in order to view the ways in which changing variables may affect consumer behavior (examples include changing the packaging or changing a subject's mood). With the integration of neuroscience with consumer research, it is possible to go directly into the brain to discover the neural explanations for consumer behavior. The ability to record brain activity with electrodes and advances in neural imaging technology make it possible to determine specific regions of the brain that are responsible for critical behaviors involved in consumption.

Consumer neuroscience is similar to neuroeconomics and neuromarketing, but subtle, yet distinct differences exist between them. Neuroeconomics is more of an academic field while neuromarketing and consumer neuroscience are more of an applied science. Neuromarketing focuses on the study of various marketing techniques and attempts to integrate neuroscience knowledge to help improve the efficiency and effectiveness of said marketing strategies. Consumer neuroscience is unique among the three because the main focus is on the consumer and how various factors affect individual preferences and purchasing behavior.

Advertising

Advertising and Emotion

Studies of emotion are crucial to advertising research as it has been shown that emotion plays a significant role in ad memorization. Classically in advertising research, the theory has been that emotion and ratio are represented in different regions of the brain, but neuroscience may be able to disprove this theory by showing that the ventromedial prefrontal cortex and the striatum play a role in bilateral emotion processing.

The attractiveness of the advertisements correlates with specific changes in brain activity in various brain regions including the medial prefrontal cortex, posterior cingulate, nucleus accumbens and higher-order visual cortices. This may represent an interaction between the perceived attractiveness of the ad by the consumer and the emotions expressed by the people pictured in the advertisement. It has been suggested that ads that use people with positive emotions are perceived as attractive while ads using exclusively text or depicting people with neutral expressions may generally be viewed as unattractive. Unattractive ads activate the anterior insula, which plays a role in the processing of negative emotions. Both attractive and unattractive ads have been shown to be more memorable than ads described as ambiguously attractive, but more research is needed to determine how this translates to the overall brand perception in the eyes of the consumer and how this may impact future purchasing behavior.

Mental Processing of Advertisements

There are various studies that have been conducted to research the question of how consumers process and store the information presented in advertisements. Television commercials with scene durations lasting longer than 1.5 seconds have been shown to be more memorable one week later than scenes that last less than 1.5 seconds, and scenes that produce the quickest electrical response in the left frontal hemisphere have been shown to be more memorable as well. It has been suggested that the transfer of visual advertising inputs from short term memory to long term memory may take place in the left hemisphere, and highly memorable ads can be created by producing the fastest responses in the left hemisphere. However, these theories have been renounced by some who believe that the research findings may be attributed to extraneous and unmeasured factors. There is also evidence to suggest that a front to back difference in processing speed may be more influential on ad memorization than left to right differences.

Research has shown that there are certain periods of commercials that are far more significant for the consumer in terms of establishing advertising effects. These short segments are referred to as "branding moments" and are thought to be the most engaging parts of the commercial. These moments can be identified using an EEG and analyzing alpha waves (8–13 Hz), beta waves (13–30 Hz) and theta waves (4–7 Hz). These results may suggest that the strength of a commercial with regard to its effect on the consumer can be evaluated by the strength of its unique branding moments.

Affective vs. Cognitive Ads

Affective advertising (using comedy, drama, suspense, etc.) activates the amygdala, the orbitofrontal cortices, and the brainstem whereas cognitive advertising (strict facts) mainly activates the posterior parietal cortex and the superior prefrontal cortices. Ambler and Burne in 1999 created the Memory-Affect-Cognition (MAC) theory to explain the processes involved in decision making. According to the theory, the majority of decisions are habitual and do not require affect or cognition; they require memory only. Most of the remaining decisions only require memory and affect; they do not require cognition. The main use for cognition is in the form of rationalization following a particular action, however, there are occasional instances in which memory, affect and cognition are all used in conjunction, such as during a debate about a particular choice. The above findings suggest a correlation exists between ad memorization and the degree of affective content within the advertisement, but it is still unclear how this translates to brand memory.

Branding

Brand Associations

Much of consumer research is devoted to studying the effect of brand associations on consumer preferences and how they manifest into brand memories. Brand memories can be defined as "everything that exists in the minds of customers with respect to a brand (e.g. thoughts, feelings, experiences, images, perceptions, beliefs and attitudes)". Several studies have indicated there is not a designated area of the brain devoted to brand recognition. Studies have shown that different areas of the brain are activated when exposed to a brand as opposed to a person, and decisions regarding the evaluation of brands in different product categories activate the area of the brain responsible for semantic object processing rather than areas involved with the judgment of people. These two findings suggest that brands are not processed by the brain in the same manner as human personalities, indicating that personality theory cannot be used to explain brand preferences.

Consumer Neuroscience Explains Brand Loyalty

In a study of fMRI scans of loyal and less loyal customers it was found that in the case of loyal customers the presence of a particular brand serves as a reward during choice tasks, but less loyal customers do not exhibit the same reward pathway. It was also found that loyal customers had greater activation in the brain areas concerned with emotion and memory retrieval suggesting that loyal customers develop an affective bond with a particular brand, which serves as the primary motivation for repeat purchases.

Brand loyalty has been shown to be the result of changes in neural activity in the striatum, which is part of the human action reward system. In order to become brand loyal the brain must make a decision of brand A over brand B, a process which relies on the brain to make predictions based upon expected reward and then evaluate the results to learn loyalty. The brain is required to remember both positive and negative outcomes of previous brand choices in order to accurately be able to make predictions regarding the expected outcome of future brand decisions. For example, a helpful salesman or a discount in price may serve as a reward to encourage future customer loyalty. It is thought that the amygdala and striatum are the two most prominent structures for predicting the outcomes of decisions, and that the brain learns to better predict in part by establishing a larger neural network in these structures.

In an attempt to model how the brain learns, a temporal difference learning algorithm has been developed which takes into account expected reward, stimuli presence, reward evaluation, temporal error, and individual differences. As yet this is a theoretical equation, but it may be solved in the near future.

How Branding affects Consumers

Brands serve to connect consumers to the products they are purchasing either by establishing an emotional connection or by creating a particular image. It has been shown that when consumers are forced to choose an item from a group in which a familiar brand is present the choice is much easier than when consumers are forced to choose from a group of entirely unfamiliar brands. One MRI study found that there was significantly increased activation in the brain reward centers including the orbitofrontal cortex, the ventral striatum and the anterior cingulate when consumers were looking at sports cars as compared to sedans (presumably because the status symbol associated with sports cars is rewarding in some way). Many corporations have conducted similar MRI studies to investigate the effect of their brand on consumers including Delta Air Lines, General Motors, Home Depot, Hallmark, and Motorola but the results have not been made public.

A study by McClure et al. investigated the difference in branding between Coca-Cola and Pepsi. The study found that when the two drinks were tasted blind there was no difference in consumer preference between the brands. Both drinks produced equal activation in the ventromedial prefrontal cortex, which is thought to be activated because the taste is rewarding. When the subjects were informed of the brand names the consumers preferred Coke, and only Coke activated the ventromedial prefrontal cortex, suggesting that drinking the Coke brand is rewarding beyond simply the taste itself. More subjects preferred Coke when they knew it was Coke than when the taste testing was anonymous, which demonstrates the power of branding to influence consumer behavior. There was also significant activation in the hippocampus and dorsolateral prefrontal cortex when subjects knew they were drinking Coke. These brain structures are known to play a role in memory and recollection, which indicates they are helping the subjects to connect their present drinking experience to previous brand associations. The study proposes that there are two separate processes contributing to consumer decision making: the ventromedial prefrontal cortex responds to sensory inputs and the hippocampus and dorsolateral prefrontal cortex recall previous associations to cultural information. According to the results of this study, the Coke brand has much more firmly established itself as a rewarding experience.

Purchasing

Research in consumer buying has focused on the identification of processes that contribute to an individual making a purchase. The brain does not contain a “buy button”, but rather recruits several processes during choice tasks, and studies report that the prefrontal cortex is heavily involved in limiting the emotions expressed during impulse buying. Reducing the effect of these executive control areas of the brain may contribute to changes in purchasing behavior, for example music may lead to reduced cognitive control which is why it has been shown to correlate with a higher percentage of unplanned purchases.

Purchasing Process

Several MEG studies have been conducted to measure the neuronal correlates associated with decision making in order to investigate the underlying processes governing purchasing. The studies suggest that decisions involved with purchasing can be seen as occurring in two halves. The first half is concerned with memory recall and problem identification and recognition. The second half is associated with the purchasing decision itself; familiar brands produce different brain patterns than do nonfamiliar brands. The right parietal cortex is activated when consumers choose a familiar brand, which indicates the choice is at least partially intentional and behavior is influenced by prior experiences.

Familiar vs. Unfamiliar Purchases

When consumers select less well known products or products that are completely unfamiliar, several areas of the brain are activated to help with the decision making process that are not activated when consumers select more well-known products. There is an increased synchronization between the right dorsolateral cortices (associated with consideration of multiple sources of information), there is increased activity in the right orbitofrontal cortex (associated with evaluation of rewards) and there is increased activity in the left inferior frontal cortex (associated with silent vocalization). Activation in these brain structures indicates that the decision between less well known products is difficult in some way. MEG findings also suggest that even repetitive daily shopping that is apparently simple actually relies on very complex neural mechanisms.

Associated Areas of the Brain

Ventromedial Prefrontal Cortex

It has been shown that the ventromedial prefrontal cortex is heavily involved in decisions regarding brand-related preferences and individuals with damage to this region of the brain do not demonstrate normal brand-preference behavior. People with damage to the ventromedial prefrontal cortex have also been found to be more easily influenced by misleading advertisement.

Amygdala and Striatum

It is thought that the amygdala and striatum are the two most prominent structures for predicting the outcomes of decisions, and that the brain learns to better make predictions in part by establishing a larger neural network in these structures.

Hippocampus and Dorsolateral Prefrontal Cortex

The hippocampus and dorsolateral prefrontal cortex help consumers recall previous associations with cultural information and cultural expectations. These associations with prior information serve to modify consumer behavior and influence purchasing decisions.

Real-world Applications

Consumer research provides a real-world application for neuroscience studies. Consumer studies help neuroscience to learn more about how healthy and unhealthy brain functions differ, which may assist in discovering the neural source of consumption-related dysfunctions and treat a variety of addictions. Additionally, studies are currently underway to investigate the neural mechanism of "anchoring", which has been thought to contribute to obesity because people are more influenced by the behaviors of their peers than an internal standard. Discovering a neural source of anchoring may be the key to preventing behaviors that typically lead to obesity.

Limitations

- Most of the consumer neuroscience studies involving brain scanning techniques have been conducted in medical or technological environments where such brain imaging devices are present. This is not a realistic environment for consumer decision making and may serve to skew the data relative to consumer decision making in normal consumer environments.
- Testing underlying neurophysiological principles is extraordinarily difficult from an experimental setup standpoint simply because it is unclear exactly how various factors are perceived in the human mind. An extremely comprehensive understanding of the neuroscientific testing techniques to be used is required to be able to establish proper controls and create an environment such that test subjects are not inadvertently exposed to unwanted stimuli that may bias results.
- There are many concerns over the value and the potential usage of consumer neuroscience data. The potential for enhanced consumer welfare is certainly present but equally present is the potential for the information to be used inappropriately for individual gain. The reaction to emerging study results in both the public and the media remains to be seen.
- In its current state, consumer neuroscience research is a compilation of only loosely related subjects that is unable, at this point, to produce any collective conclusions.

Customer Analytics

Customer analytics is a process by which data from customer behavior is used to help make key business decisions via market segmentation and predictive analytics. This information is used by businesses for direct marketing, site selection, and customer relationship management. Marketing provides services in order to satisfy customers. With that in mind, the productive system is considered from its beginning at the production level, to the end of the cycle at the consumer. Customer analytics plays an important role in the prediction of customer behaviour.

Uses

Retail

Although until recently over 90% of retailers had limited visibility on their customers, with increasing investments in loyalty programs, customer tracking solutions and market research, this industry started increasing use of customer analytics in decisions ranging from product, promotion, price and distribution management. The most obvious use of customer analytics in retail today is the development of personalized communications and offers and/or different marketing programs by segment. Additional reasons set forth by Bain & Co. include: prioritizing product development efforts, designing distribution strategies and determining product pricing. Demographic, lifestyle, preference, loyalty data, behaviour, shopper value and predictive behaviour data points are key to the success of customer analytics.

Retail Management

Companies can use data about customers to restructure retail management. This restructuring using data often occurs in dynamic scheduling and worker evaluations. Through dynamic scheduling, companies optimize staffing through predictive scheduling software based on predictive customer traffic. Worker schedules can be adjusted in response to updated forecasts at short notice. Customer analytics allows retail companies to evaluate workers by comparing daily sales to daily traffic in a store. The use of customer analytics data affecting the management of retail workers in a phenomenon known as refractive surveillance. The model of refractive surveillance describes how the collection of information on one group can affect and allow for the control of an entirely different group.

Criticisms of Use

As retail technologies become more data driven; use of customer analytics use has raised criticisms specifically in how they affect the retail worker. Data driven staffing algorithms can lead to irregular working schedules because they can change on short notice to adapt to predicted traffic. Data driven assessment of sales can also be misleading as daily traffic counters do not accurately distinguish between customers and staff and cannot accurately account for workers' breaks.

Finance

Banks, insurance companies and pension funds make use of customer analytics in understanding customer lifetime value, identifying below-zero customers which are estimated to be around 30% of customer base, increasing cross-sales, managing customer attrition as well as migrating customers to lower cost channels in a targeted manner.

Community

Municipalities utilize customer analytics in an effort to lure retailers to their cities. Using psychographic variables, communities can be segmented based on attributes like personality, values, interests, and lifestyle. Using this information, communities can approach retailers that match their community's profile.

Customer Relationship Management

Analytical Customer Relationship Management, commonly abbreviated as CRM, enables measurement of and prediction from customer data to provide a 360° view of the client.

Predicting Customer Behaviour

Forecasting buying habits and lifestyle preferences is a process of data mining and analysis. This information consists of many aspects like credit card purchases, magazine subscriptions, loyalty card membership, surveys, and voter registration. Using these categories, consumer profiles can be created for any organization's most profitable customers. When many of these potential customers are aggregated in a single area it indicates a fertile location for the business to situate. Using a drive time analysis, it is also possible to predict how far a given customer will drive to a particular location. Combining these sources of information, a dollar value can be placed on each household within a trade area detailing the likelihood that household will be worth to a company. Through customer analytics, companies can make decisions based on facts and objective data.

Data Mining

There are two types of categories of data mining. Predictive models use previous customer interactions to predict future events while segmentation techniques are used to place customers with similar behaviours and attributes into distinct groups. This grouping can help marketers to optimize their campaign management and targeting processes.

Retail Uses

In retail, companies can keep detailed records of every transaction made allowing them to better understand customer behaviour in store. Data mining can be practically applied through performing basket analysis, sales forecasting, database marketing, and merchandising planning and allocation. Basket analysis can show what items are commonly bought together. Sales forecasting shows time based patterns that can predict when a customer is most likely to buy a specific kind of item. Database marketing uses customer profile for effective promotions. Merchandising planning and allocation uses data to allow retailers to examine store patterns in locations that are demographically similar to improve planning and allocation as well as create store layouts.

Impulse Purchase

Impulse buying by definition is purchasing items that you may or may not need or that your budget cannot afford. It can be candy at the convenience store, a cute shirt that seems to be on sale, or even sometimes things like gadgets which you didn't have a budget for but you bought it on impulse because you liked it so much.

Marketing is a big business, you see it all over the place, at the supermarket, discount stores virtually every place that you shop even in convenience stores i.e. the fruit at the counter for instance. We are inundated every day with compulsive shopping everywhere we go, and when we watch TV or listen to the radio, Infomercials are another good one. They make you think that you can't live without this product or that this may be the only chance that you have to buy the product at this price or that it is about to sell out.

Also known as the Shopaholic syndrome, this type of buying is becoming an increasing problem for a lot of people and is the source of a lot of credit card debt. Think about it for a minute, how many times have you fell into this trap? Granted there are a lot of occasions that these purchases are legit and needed but could you have done without the purchase. A good way to not fall into this marketing trap is to know what compels you to make impulse purchases and be able to control it.

Factors Influencing Compulsive or Impulse Buying

Impulse purchasing is influenced by various factors which could be external, internal or situational. Some of these factors are discussed in detail below:

Consumer Characteristics

This is one factor that significantly influences the consumption decisions of many people. Consumers may have a tendency or trait to engage in compulsive buying. In most cases, it is that consumers enjoy shopping that they end up buying things that they had not planned for or that they do not need. Also, a person may feel obliged to impulsive buying depending on the degree to which he/she identifies with the product. Impulse buying occurs when the consumer sees the product.

Emotions

Most consumers expect their emotional support to be fulfilled by their social interaction, intrinsic to the shopping experience. When they are in an emotional state that compels them to make unnecessary purchases, buyers are often more concerned about their greater feelings of amusement, delight, and joy without thinking about the aftermath financial consequences.

Visual Merchandising

Visual merchandising is meant to communicate the product value and quality to consumers. It is a ploy that retailers use to improve the image of their stores and present what they sell to customers in a way that grabs their attention and compels them to buy the products.

While these stores may be doing this with innocent intentions, such tactics and displays significantly influence a consumer purchasing decision, and thus it is a great contributing factor towards impulsive buying.

Displays

A well-decorated store with a beautiful and calm environment with beautiful surroundings tends to initiate good spirits in consumers motivating them to visit the store and make a purchase even if they didn't intend to.

Consumers get quickly attracted to beautifully set up stores and colorful displays. This is actually why most store owners have taken up this tactic to lure customers into their retail stores.

Money Availability

This together with the income level of an individual is a highly and significantly contributing factor to why customer engages in uncontrolled buying. When a consumer has sufficient funds at the time of shopping, he/she will extend the shopping spree to include things that they hadn't planned for and those that they also don't need.

The availability of money tends to develop positive feelings in individuals which consequently leads to impulse buying.

Time Availability

As previously mentioned some situations can influence a consumer's purchasing tendencies. Among such factors include time availability. There is a close relationship between time availability and compulsive shopping. In other words, the more time available to an individual in buying situations, the greater will be the likelihood of the person to make impulse purchases.

Influence of Friends and Relatives

Often impulse shoppers get influenced by their friends and relatives during shopping. A friend or relative can sway you towards making a purchase just because they think something will go well with you. For example, they will encourage you to buy a dress or shirt because they think it looks good on you.

Discounts and Offers

When it comes to buying things, there is one word that can make even the most disciplined shopper fall to his knees. Can you guess what it is? If you answered, "sale," then you've guessed correctly.

Discounts slashed prices, buy one take one – these words significantly count in making people give in to the Shopaholic syndrome. Why? Well, people have this idea that buying things at a discount makes them good shoppers. It makes them feel that they got the better end of the deal when in some cases; it only makes them make unnecessary purchases.

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Customer Service

Customer service includes high quality service and assistance provided to the customer with their purchase of goods and services. Customer support, consumer complaint, service recovery, customer feedback management services, technical support, virtual assistant, service level, etc. are some of the criteria that fall in this domain. All these diverse criteria of customer service have been carefully analyzed in this chapter.

Customer service is the direct one-on-one interaction between a consumer making a purchase and a representative of the company that is selling it. Most retailers see this direct interaction as a critical factor in ensuring buyer satisfaction and encouraging repeat business.

Even today, when much of customer care is handled by automated self-service systems, the option to speak to a human being is seen as necessary to most businesses.

Behind the scenes at most companies are people who never meet or greet the people who buy their products. The customer service representatives are the ones who have direct contact with the buyers. The buyers' perceptions of the company and the product are shaped in part by their experience in dealing with that person.

For this reason, many companies work hard to increase their customer satisfaction levels.

The Cost of Customer Satisfaction

For decades, businesses in many industries have sought to reduce personnel costs by automating their processes to the greatest extent possible.

In customer service, that has led many companies to implement systems online and by phone that answers as many questions or resolve as many problems as they can without a human presence. But in the end, there are customer service issues for which human interaction is indispensable, creating a competitive advantage.

Amazon is an example of a company that is doing all it can to automate a vast and complex operation. It has to, given that it delivered five billion packages to customers' doors in 2018, and that's just the purchases made by Prime members.

Nevertheless, Amazon still offers 24-hour customer service by phone, in addition to email and live chat services.

Most successful businesses recognize the importance of providing outstanding customer service. Courteous and empathetic interaction with a trained customer service representative can mean the difference between losing or retaining a customer.

Basics of Good Customer Service

Successful small business owners understand the need for good customer service instinctively. Larger businesses study the subject in-depth, and they have some basic conclusions about the key components:

- Timely attention to issues raised by customers is critical. Requiring a customer to wait in line or sit on hold sours an interaction before it begins.
- Customer service should be a single-step process for the consumer. If a customer calls a help-line, the representative should whenever possible follow the problem through to its resolution.
- If a customer must be transferred to another department, the original representative should follow up with the customer to ensure that the problem was solved.

Principles of Good Customer Service

The key to good customer service is building good relationships with your customers. Thanking the customer and promoting a positive, helpful and friendly environment will ensure they leave with a great impression. A happy customer will return often and is likely to spend more.

To ensure you provide the best customer service:

- Know what your customers consider to be good customer service.
- Take the time to find out customers' expectations.
- Follow up on both positive and negative feedback you receive.
- Ensure that you consider customer service in all aspects of your business.
- Continuously look for ways to improve the level of customer service you deliver.

The following are some of the main elements of good customer service:

Customer Relationships

To build good customer relationships you need to:

- Greet customers and approach them in a way that is natural and fits the individual situation.
- Show customers that you understand what their needs are.
- Accept that some people won't want your products and concentrate on building relationships with those who do.
- Help people - even just letting a customer know about an event that you know they're personally interested in is helpful.

- Continue to keep customers aware of what's in it for them to do business with you.

Staff

If you want to provide the best customer service, all of your staff needs to have good communication and sales skills. You will also need to show leadership by personally providing excellent customer service at all times. Learn more about the sales process.

Complaints

Listen to customer complaints; you may learn something about your product or service. Let customers know that you appreciate feedback.

Overcome any objections. Listen to what the customer is objecting about (often price, merchandise or time). Confirm the validity of each concern and offer a solution. Find out more about managing customer complaints.

Products

Know your products - where everything is located, brand names, place of manufacture and price. The more you know, the more confidence you can build in the customer.

Recognise product features. Turn these features into benefits for the customer. Ensure your staff can tell customers about the product features and benefits.

Customer Service Training

Customer service training (CST) refers to teaching employees the knowledge, skills, and competencies required to increase customer satisfaction.

Audience

Any employee who interacts with a customer is a candidate for customer service training. In addition to customer service representatives, this includes other positions such as receptionists, technical support representatives, field service technicians, sales engineers, shopkeepers, waiters, etc.

Content

Course content typically includes greeting the customer (either by phone or in person), questioning to understand the customer's need or problem, listening, confirming understanding, responding with value, using positive language, eliminating jargon, concluding the phone or face-to-face interaction, dealing with angry customers, and the importance of body language and tone of voice.

Methodology

Customer service classes can be taught in a traditional classroom setting with workbooks or DVD and a trainer, through various methods of e-learning (web based training), or a blend (blended learning) of the two.

An advantage of classroom training, whether traditional or the synchronous form of blended learning is that participants can discuss best-practices with each other and build a solid team foundation. Drawbacks include work-force management when scheduling a large number of people off the job at one time, and the cost of travel if participants need to travel to the training location.

A main advantage of e-learning is that participants can be scheduled for training in a staggered fashion to allow for job coverage. Participants can work at their own pace and take whatever time is needed in order to develop a thorough understanding of the content. One drawback of e-learning is that without management oversight there may not be a satisfactory completion rate.

Benefits

Listed below are several benefits that accrue to an organization when employees are trained in customer service skills:

- Employees, who are properly trained and demonstrate professional customer service skills, can improve customer satisfaction and loyalty. This helps the business retain customers and improve profits. It costs less to retain loyal customers than to acquire new ones. In addition, satisfied customers are more open to additional sales messages and are likely to refer others to that business.
- Good listening skills and questioning techniques can shorten the interaction time with customers. This allows an organization to serve more customers in less time, possibly with fewer staff. However, consumers are intelligent and do not want to feel rushed, when they have questions. So be proactive and make sure every consumer feels they are being heard and not just “listened” to.
- Being able to clearly explain the next step in a process and confirming that the customer is satisfied, will decrease the number of callbacks and return customers. Improving “first contact” resolution is one of the primary drivers of customer satisfaction.
- Training all employees using consistent customer service skills, allows them to have a common process and language when assisting customers. This allows the business to brand their interaction of excellent service to the customer, which adds value to the business.
- Investing in employee training gives employees a feeling of value and improves morale. In addition, when employees feel valued, they value their customers. This could be a result of effective customer service skills training, which not only benefits the employee, but will enhance the relationships with the customers. These important factors can help to increase employee loyalty, reduce employee turnover, and lower productivity costs.

Customer Support

Customer support is a range of customer services to assist customers in making cost effective and correct use of a product. It includes assistance in planning, installation, training, troubleshooting, maintenance, upgrading, and disposal of a product.

Regarding technology products such as mobile phones, televisions, computers, software products or other electronic or mechanical goods, it is termed technical support.

Customer support is considered as one of the main data channels for customer satisfaction research and a way to increase customer retention.

Automation

Automation of service organizations aims to achieve, for example, a lower mean time to repair (MTTR).

Customer support automation involves the building of a knowledge base of known issues and their resolution to support incidents with delivery mechanisms, often by expert systems. A service automation platform includes a suite of support solutions including proactive support, assisted support and self-support.

With automated support, service organizations can make their services available to their customers 24 hours a day and 7 days a week, by monitoring alarms, identifying problems at an early stage and resolving issues before they become problems. Automated assisted support enables remote access to sites that need instant problem solving. By automating the collection of information of devices and applications coexisting with the supported application, problems can be quickly detected and fixed.

Automated self-support, automates the self-support process, freeing users from self-help diagnostics and troubleshooting from on-line libraries or knowledge bases. Support automation solutions can be integrated with customer relationship management (CRM) systems and network management systems (NMS), and provide full customer reports to management tallying problems and incidents that were solved mechanically ensuring compliance to industry regulations like Sarbanes Oxley, 21 CFR part 11, and HIPAA.

Types

- Proactive Support Automation refers to support automation solutions that minimize downtime and enable 24x7 availability. This is achieved by constant health check tracking with diagnostic procedures to enable issue monitoring and problem solving.
- Preemptive Support Automation refers to a support solution that utilizes information that is either generated or culled from an application or service, e.g. log files, database queries, configuration changes, etc. This information can then be exploited to predict service degradations or interruptions. The upshot of this is a higher level of service/application availability for the underlying application.
- Self-Support Automation is the term organizations give to their support structures that provide on-line libraries and tools for self-help and easy troubleshooting solutions to automatically and precisely diagnose and resolve problems and incidents.
- Assisted Support Automation is the software that enables support personnel to remotely access their customers desktop or server for diagnostics and trouble ticket resolution.

Communication Channels

Channels of communication that companies may offer to customers for support:

Phone Support

Customers speak directly to customer support representatives over the phone. For inbound calls, an IVR (Integrated Voice Response) can be programmed to route captured calls in a variety of ways with the potential goal of quickest resolution of a customer's request/problem.

Phone Support is often used for order taking, pre-sales queries, upselling and cross-selling, troubleshooting etc. Outbound calls are calls made to customers from the call centre to give or take information.

Online Chat

With online chat a web visitor seeks assistance; a text chat session is started by clicking on a link on the provider's website. The customer support representative interacts with the web visitor, understands the requirements, resolves the query and closes the interaction. Alternatively, based on the requirements the customer support representative could also trigger a chat session with the web visitor. Chat support assists with language barriers as both parties involved in the chat session may be able to use an online translation service to communicate. It is also considered less intrusive than phone support. Live chat support is often used for lead generation and fulfillment, campaign management, pre-sales and post-sales enquiries, complaint registration, tech support etc.

Email Support

Email is the primary means to offer web-based assistance for your customers when matters do not require an immediate answer. Low-cost, non-intrusive and anywhere-anytime access are some of the advantages of email-based communications. Trouble Ticketing System and CRM Applications help keep track of a series of follow-up correspondence with a particular customer. Services offered via email response management are claims processing, polling/media analysis, subscription services, troubleshooting, complaint registrations etc.

Remote Support

Solving problems of a computer at a particular location from a computer at another location is remote support. Companies can save considerable amounts of money on logistics through remote support. IT technicians are empowered with several tools that allow them to gain access to customers' computers at various parts of the world. They are able to gain access and repair software related problems from remote locations. The need for a technician to visit the customers' premises is mitigated. With the movement of applications from the desktop to the cloud, newer forms of browser based remote support have developed such as Cobrowsing.

On-site Support

On-site support is the opposite of remote support. Certain kinds of assistance cannot be rendered remotely, like, hardware related problems. Repairing a TV, replacing a spare part, servicing of air conditioners etc. In some occasions, a service provider might choose to take devices or gadgets back to their warehouse for repair.

Social Media

Since the arrival of social media platforms like Facebook & Twitter, service providers have found that many of their customers spend plenty of time on them daily. To make it convenient to customers, many service providers have set up a webcare team as support channel on their social media profiles. Customers are able to ask questions, register complaints, clarify doubts etc. by interacting with the company's staff through these social media platforms. With millions of users now gaining access to social media, this platform has become as prominent as traditional media like phone, live chat and email.

Consumer Complaint

A consumer complaint or customer complaint is "an expression of dissatisfaction on a consumer's behalf to a responsible party". It can also be described in a positive sense as a report from a consumer providing documentation about a problem with a product or service. In fact, some modern business consultants urge businesses to view customer complaints as a gift.

Consumer complaints are usually informal complaints directly addressed to a company or public service provider, and most consumers manage to resolve problems with products and services but it sometimes requires persistence.

If the grievance is not addressed in a way that satisfies the consumer, the consumer sometimes registers the complaint with a third party such as the Better Business Bureau, a county government (if it has a "consumer protection" office) and Federal Trade Commission (in the United States). These and similar organizations in other countries accept for consumer complaints and assist people with customer service issues, as do government representatives like attorneys general. Consumers however rarely file complaints in the more formal legal sense, which consists of a formal legal process.

In some countries (for example Australia, the United Kingdom, and many countries of the European Community), the making of consumer complaints, particularly regarding the sale of financial services, is governed by statute (law). The statutory authority may require companies to reply to complaints within set time limits, publish written procedures for handling customer dissatisfaction, and provide information about arbitration schemes.

Internet forums and the advent of social media have provided consumers with a new way to submit complaints. Consumer news and advocacy websites often accept and publish complaints. Publishing complaints on highly visible websites increases the likelihood that the general public will become aware of the consumer's complaint. If, for example, a person with many "followers" or "friends" publishes a complaint on social media, it may go "viral". Internet forums in general and on complaint websites have made it possible for individual consumers to hold large corporations accountable in a public forum.

Service Recovery

Service recovery is a company's resolution of a problem from a dissatisfied customer, converting them into a loyal customer. It is the action a service provider takes in response to service failure. By including also customer satisfaction into the definition, service recovery is a thought-out, planned, process of returning aggrieved/dissatisfied customers to a state of satisfaction with a company/service. Service recovery differs from complaint management in its focus on service failures and the company's immediate reaction to it. Complaint management is based on customer complaints, which, in turn, may be triggered by service failures. However, since most dissatisfied customers are reluctant to complain, service recovery attempts to solve problems at the service encounter before customers complain or before they leave the service encounter dissatisfied. Both complaint management and service recovery are considered as customer retention strategies. Recently, some researches proved that strategies such as value co-creation, follow up, etc. can improve the effectiveness of service recovery efforts.

Effects

Literature on service recovery suggests that a good recovery has a positive impact on satisfaction, recommendation intention, word-of-mouth, loyalty, image, and trust.

Effective service recovery could not only eliminate the loss of service failure, but also improve much higher service satisfaction on contrast with the situation without service failure. Some even argue that a good recovery can increase satisfaction to a higher level than if nothing had gone wrong in the first place, which is referred to as the service recovery paradox. Many researchers provided evidence in the existence of service recovery paradox from rational customer expectation through interaction between employees and customers under service failure.

Categories

Three categories of recovery strategies can be distinguished: Customer recovery is aiming at satisfied customers; process recovery tries to improve processes and employee recovery as an internal marketing strategy to help employees coping with failure and recovery situations.

Service Recovery Paradox

The service recovery paradox (SRP) is a situation in which a customer thinks more highly of a company after the company has corrected a problem with their service, compared to how they would regard the company if non-faulty service had been provided. The main reason behind this thinking is that successful recovery of a faulty service increases the assurance and confidence from the customer.

For example, a traveller's flight is cancelled. When she calls the airline, they apologise and offer her another flight of her choice on the same day, and a discount voucher against future travel. Under the service recovery paradox, the traveller is now happier with the airline, and more loyal to it, than she would have been had no problem occurred.

Understanding SRP has been an important goal for both researchers and managers, as service failure is one of the main determinants of customer switching behaviour and successful recovery from these failures is seen by some as critical for customer retention. Recovery is especially important for service providers for whom ensuring an error-free service is impossible.

The term service recovery paradox was first coined in 1992 by McCollough and Bharadwaj who described a situation when customer's post-failure satisfaction exceeded pre-failure satisfaction. The service recovery paradox contends that effective service recovery can go beyond merely maintaining customer satisfaction, but can also elevate it to a higher level, winning customers and engendering long term customer loyalty. They defined it as "a situation in which a consumer has experienced a problem which has been satisfactory resolved, and where the consumer subsequently rates their satisfaction to be equal to or greater than that in which no problem had occurred".

Since the concept was introduced in the early 1990s, a number of empirical studies have sought to establish when and under what circumstances the paradox operates in practice. However, these studies report mixed findings.

Before the term Service Recovery Paradox was first used, the concept of service recovery was described by Hart, Hessket and Sasser in the following terms: "A good recovery can turn angry, frustrated customers into loyal ones. It can, in fact, create more goodwill than if things had gone smoothly in the first place". It was also theorized that this concept could be used strategically to increase customer retention.

Attribution of Blame

Service failures occur when service delivery falls short of customer expectations. Service failures are profoundly different to product failures in that service failures are far more personal with psychological outcomes. In the event of a service failure, customers will often seek to attribute blame. In attributing blame, customers typically consider three things:

- Locus: Who is responsible for the failure?
- Stability: How likely is the failure to recur?
- Controllability: Did the responsible party have control over the causes of the service failure?

Blame may be attributed to:

- The service organisation (system and personnel failures).
- External sources (e.g. Weather, volcanic eruption).
- The customer who may have contributed, at least partially, to service failure.

In the aftermath of service failure, dissatisfied customers have five major courses of action open to them:

- Do nothing - suffer in silence, but the service provider's reputation may deteriorate with the dissatisfied segment.
- Complain privately - by, for example, spreading negative word-of-mouth about the company or by writing about the negative experience on social media.

- Complain - in some form to the service firm.
- Take some kind of overt action with a third party e.g. complains to a consumer claims tribunal, or even launch a legal action to obtain redress.
- Defect - simply not patronise the firm again—or spread negative word of mouth messages about the firm.

Research consistently shows that customers who blame external factors are more forgiving. However, customers who blame the service system are more likely to complain. When customers complain directly to the service provider, there is an opportunity to turn customers around, increase their satisfaction and win loyal customers. For this reason, companies should develop strategies for handling service failures.

Types of Service Recovery Responses

Service recovery consists of all the actions taken to move a customer from a state of dissatisfaction to a state of satisfaction, following a service failure. In the event that a service failure occurs, the service organisation's response has the potential to either create or reinforce a strong customer relationship or change a minor incident into a major distraction. Hence, the way that organisations respond can have a bearing on winning customers in the long term.

Service failures can be categorised according to the following typology:

- Responses to service delivery system failures: Failures in the core service offering of the firm.
- Responses to customer needs and requests: Employee responses to individual consumer needs and special requests (whether implicit or explicit).
- Unprompted and unsolicited employee actions: Events and employee behaviours, both good and bad, that are totally unexpected by the customer.
- Failures relating to problematic customers: Instances where neither the staff nor the service organisation is at fault for the service failure.

Perceived Justice

When consumers who have suffered as a result of service failures, seek redress, they are seeking some type of perceived justice defined as the process in which "consumers weigh their inputs against their outputs when forming recovery evaluations." Perceived justice consists of three components: distributive justice, procedural justice and interactional justice:

- Distributive justice: Focuses on the specific outcome of the firm's recovery effort. It is a form of equity in exchange. In other words, what specifically did the offending firm offer the customer in the form of compensation for the service failure, and did the compensation offset the costs/inconvenience of the service failure?
- Procedural justice: Examines the process that is undertaken to arrive at the final outcome. Hence, even though a customer may be satisfied with the type of recovery strategy offered,

recovery evaluation may be poor due to the time and effort spent trying to obtain recompense or recovery outcome.

- Interactional justice: Refers to the manner in which the service recovery process is implemented and how recovery outcomes are presented.

All three types of justice should be taken into consideration when devising recovery remedies.

Factors

There are several factors behind the Service Recovery Paradox phenomenon:

- Customer dissatisfaction: Customer dissatisfaction plays an important role for a firm in improving service quality and gaining loyal customers. Customer dissatisfaction may have a bigger effect on service quality and customer loyalty than customer satisfaction. A firm should aim to minimise customer dissatisfaction. Therefore, good recovery of a certain service by a firm may lead a customer's dissatisfaction to return to at least the level before a service failure occurred and even turn into satisfaction.
- Customer perceived value: High perceived value is believed to lead to high satisfaction. In case of a service failure, a firm's goal should be to provide service recovery, to increase perceived value by customers and decrease dissatisfaction. Depending on the quality of the service recovery, a customer's perceived value may be higher than his/her pre-failure perceived value.
- Customer trust: A customer's trust in a firm leads to that individual thinking that the firm will provide quality service, which results in the firm gaining a loyal customer. Even in the case of service failures, which decrease customer trust, firms can provide recovery efforts to increase trust and re-gain loyalty.
- Customer switching Behaviour: Customers may voice their complaints or switch their preferred firm in the case of a service failure. In both cases, the profitability of a firm is damaged. Good service recovery is important in terms of customer retention and can lead to stronger loyalty for customers, thus further increasing customer retention exceeding the pre-failure level.

Empirical Evidence

Empirical studies examining the Service Recovery Paradox have yielded mixed results. Some studies support the existence of SRP while other studies have contradictory findings. One study concludes that although Service Recovery Paradox exists, and its effects are significant, it is a very rare occurrence and it should not have any managerial relevance. Another empirical study which examined the repurchasing behaviours of the customers of a telecommunication company discovered that the number of customers who repurchased after a good service recovery was significantly higher than those who did not. However, Michel and Coughlan in their 2009 study, using data from Swiss bank customers, concluded that service recovery paradox may only occur in case of mediocre service but not excellent service. Another conclusion was that the effect was most likely to occur when a number of conditions were met, such as the customer considering the failure not to be serious and to be out of the firm's control. A meta-analysis by de Matos, Henrique and Rossi aimed to get a better understanding of the SRP phenomenon to help further research by:

- Estimating its combined effect for the key variables such as repurchase intentions and satisfaction.
- Testing how studies might influence these results.
- Suggesting further research directions.

Customer Feedback Management Services

Customer feedback management (CFM) online services are web applications that allow businesses to manage user suggestions and complaints in a structured fashion. A 2011 study conducted by Aberdeen Group showed that companies using customer feedback management services and social media monitoring have a 15% better customer retention rate.

Methodology

Various online CFM services use different approaches. The aim of most methodologies is to measure customer satisfaction, with some models also measuring related constructs including customer loyalty and customer word-of-mouth. The methodology behind each service has an important impact on the nature of the service itself, and is the main differentiator between them. The main feedback management methodologies are listed below.

Feedback Analytics

Feedback analytics services use customer generated feedback data to measure customer experience and improve customer satisfaction. Feedback data is collected, then, using key performance indicators and feedback metrics, turned into actionable information for website improvement. Feedback analytics services provide website owners with the ability to create feedback forms that can be customized to fit the website and placed on all pages. This allows the website's users to submit feedback when they encounter a problem or have a feature request. A feedback button is visible at all times on each of the site's pages. Feedback analytics provide page- and website- level actionable data, and enable a website owner to read and manage feedback, as well as to get back to the users. The feedback is only made accessible to the website owner. This means that websites using feedback analytics are not exposed to the potential harm to their brand that feedback made public may cause. Feedback collection can be passive (using a feedback button), or active (using a feedback form set to appear in certain conditions), or both. The ability to choose the location of the button, as well as the frequency and conditions of the pop-up make feedback analytics a relatively non-intrusive approach from the point of view of the website user. Due to its measurable nature, feedback analytics data can be integrated with web analytics data, allowing website owners to understand what their users are doing on their site (using web analytics) and why they do it (using feedback analytics), in one single interface.

Customer Feedback Optimization

Similar to SEO, CFO is the process of affecting the visibility of select web pages or results in the natural or un-paid results of various customer feedback management services or online review forums. CFO stands for Customer Feedback Optimization, thus the sites being optimized are those for the review, ranking, and giving feedback of goods and or services by customers. In recent years review forums or customer feedback management services have been growing rapidly in influence, with 83% of consumers saying online reviews influence their perception of a company. In addition, a study states that, consumers were willing to pay between 20 percent and 99 percent more for an Excellent (5 star) rating than for a Good (4 star rating), depending on the product category. Some commonly known review forums are Yelp (20 million visits in February 2013), Trip Advisor (10 million visits in February 2013), Travelocity (3.7 million visits in February 2013), and Angie's List (3.4 million visits in February 2013).

XY Problem

The XY problem is a communication problem encountered in help desk and similar situations in which the real issue, *X*, of the person asking for help is obscured, because instead of asking directly about issue *X*, they ask how to solve a secondary issue, *Y*, which they believe will allow them to resolve issue *X*. However, resolving issue *Y* often does not resolve issue *X*, or is a poor way to resolve it, and the obscuring of the real issue and the introduction of the potentially strange secondary issue can lead to the person trying to help having unnecessary difficulties in communication and offering poor solutions.

The XY problem is commonly encountered in technical support or customer service environments where the end user has attempted to solve the problem on their own, and misunderstands the real nature of the problem, believing that their real problem *X* has already been solved, except for some small detail *Y* in their solution. The inability of the support personnel to resolve their real problem or to understand the nature of their enquiry may cause the end user to become frustrated. The situation can make itself clear if the end user asks about some seemingly inane detail which is disconnected from any useful end goal. The solution for the support personnel is to ask probing questions as to why the information is needed, in order to identify the root problem and redirect the end user away from an unproductive path of inquiry.

The term XY problem was implicitly coined by Eric S. Raymond in his text How To Ask Questions The Smart Way when adding "How can I use X to do Y?" to the "Questions Not To Ask" section (although note in this original version, the meanings of X and Y are swapped):

Q: How can I use X to do Y?

A: If what you want is to do Y, you should ask that question without pre-supposing the use of a method that may not be appropriate. Questions of this form often indicate a person who is not merely ignorant about X, but confused about what problem Y they are solving and too fixated on the details of their particular situation.

The problem itself was known long before it received this name. In 1980's "Applied Management Science: A Quick and Dirty Approach", Gene Woolsey described a famous example of solving the wrong problem. Management was concerned about complaints that people had to wait too long for elevators, and so spent a lot of time and money researching how to schedule elevators to reduce the wait times. Woolsey pointed out that they were trying to solve the wrong problem. The real problem was that “people were complaining”. The installation of large mirrors in the lobby gave people something to do, and the complaints were drastically reduced.

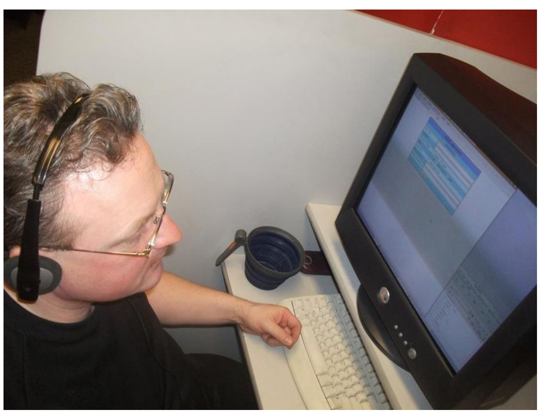
Call Centre

A call centre or call centre is a centralised office used for receiving or transmitting a large volume of enquiries by telephone. An inbound call centre is operated by a company to administer incoming product or service support or information enquiries from consumers. Outbound call centre are operated for telemarketing, for solicitation of charitable or political donations, debt collection, market research, emergency notifications, and urgent/critical needs blood banks. A contact centre, further extension to call centre administers centralized handling of individual communications, including letters, faxes, live support software, social media, instant message, and e-mail.

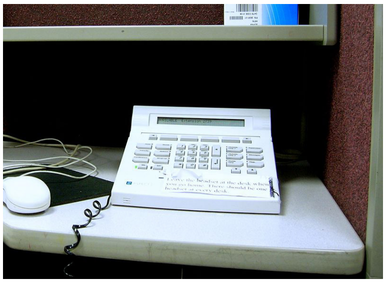
A call centre has an open workspace for call centre agents, with work stations that include a computer and display for each agent, a telephone set/headset connected to a telecom switch or to an inbound/outbound call management system, and one or more supervisor stations. It can be independently operated or networked with additional centres, often linked to a corporate computer network, including mainframes, microcomputer/servers and LANs. Increasingly, the voice and data pathways into the centre are linked through a set of new technologies called computer telephony integration.

The contact centre is a central point from which all customer contacts are managed. Through contact centres, valuable information about company are routed to appropriate people, contacts to be tracked and data to be gathered. It is generally a part of company’s customer relationship management infrastructure. The majority of large companies use contact centres as a means of managing their customer interactions. These centres can be operated by either an in house department responsible or outsourcing customer interaction to a third party agency (known as Outsourcing Call Centre).

Technology



Call centre worker confined to a small workstation/booth, using CallWeb Internet-based survey software.



A typical call centre telephone. Note: no handset; phone is for headset use onlyCall-centre technology circa.

Call centre technologies include: “Caller ID” (US Patent: 4,797,911, Claim 42 - Customer Account Online Servicing) a method that instantly displays caller’s identity including customer information (assuming their phone number was present in the database) and speech recognition software which allowed Interactive Voice Response (IVR) systems to handle first levels of customer support, text mining, natural language processing to allow better customer handling, agent training via interactive scripting and automatic mining using best practices from past interactions, support automation and many other technologies to improve agent productivity and customer satisfaction. Automatic lead selection or lead steering is also intended to improve efficiencies, both for inbound and outbound campaigns. This allows inbound calls to be directly routed to the appropriate agent for the task, whilst minimising wait times and long lists of irrelevant options for people calling in. Outbound Predictive Dialing introduced in mid-80’s (US Patents: 4,797, 911 - Customer account online servicing system, revolutionized call centre industry. Agent’s no longer waste time looking up and dialing customers, listening to; busy, no answer, disconnected number, answering machines type conditions. Agents only speak with customers who answered their phones (US Patent: 4,540,855 - Detecting signals within a passband on a telephone line). By deploying outbound predictive dialing, agent productivity has tripled, i.e., a single agent can perform the work of three.

For outbound calls, lead selection allows management to designate what type of leads go to which agent based on factors including skill, socioeconomic factors, past performance, and percentage likelihood of closing a sale per lead.

By the late 1970s and early 1980s, call centres deployed PABX and or ACD phone systems with designated agents handling either incoming or outgoing calls. Many agents handling incoming calls would sit idle awaiting calls. In late 1980 ‘Call Blending’ technology was introduced to enable designated agents to handle both inbound and outbound calls, thus eliminating agent idle time (US Patent: 5,214,688 - Method and apparatus for dynamic and interdependent processing of inbound calls and outbound calls.)

The universal queue standardises the processing of communications across multiple technologies such as fax, phone, and email. The virtual queue provides callers with an alternative to waiting on hold when no agents are available to handle inbound call demand.

Premises-based Technology

Historically, call centres have been built on Private branch exchange (PBX) equipment that is owned, hosted, and maintained by the call centre operator. The PBX can provide functions such as automatic call distribution, interactive voice response, and skills-based routing.

Virtual Call Centre

In a virtual call centre model, the call centre operator (business) pays a monthly or annual fee to a vendor that hosts the call centre telephony and data equipment in their own facility - Cloud based. In this model, the operator does not own, operate or host the equipment on which the call centre runs. Agents connect to the vendor's equipment through traditional PSTN telephone lines, or over voice over IP. Calls to and from prospects or contacts originate from or terminate at the vendor's data centre, rather than at the call centre operator's premises. The vendor's telephony equipment (at times data servers) then connects the calls to the call centre operator's agents.

Virtual call centre technology allows people to work from home or any other location instead of in a traditional, centralised, call centre location, which increasingly allows people 'on the go' or with physical or other disabilities to work from desired locations - i.e. not leaving their house. The only required equipment is Internet access and a workstation. The companies prefer Virtual Call Centre services due to cost advantage. Companies can start their call centre business immediately without installing the basic infrastructure like Dialer, ACD and IVRS.

Cloud Computing

Through the use of application programming interfaces (APIs), hosted and on-demand call centres that are built on cloud-based software as a service (SaaS) platforms can integrate their functionality with cloud-based applications for customer relationship management (CRM), lead management and more.

Developers use APIs to enhance cloud-based call centre platform functionality—including Computer telephony integration (CTI) APIs which provide basic telephony controls and sophisticated call handling from a separate application, and configuration APIs which enable graphical user interface (GUI) controls of administrative functions.

Outsourcing

Outsourced call centres are often located in developing countries, where wages are significantly lower. These include the call centre industries in the Philippines, Bangladesh, and India.

Companies that regularly utilise outsourced contact centre services include British Sky Broadcasting and Orange in the telecommunications industry, Adidas in the sports and leisure sector, Audi in car manufacturing and charities such as the RSPCA.

Industries

Healthcare

The healthcare industry has used outbound call centre programmes for years to help manage billing, collections, and patient communication. The inbound call centre is a new and increasingly popular service for many types of healthcare facilities, including large hospitals. Inbound call centres can be outsourced or managed in-house.

These healthcare call centres are designed to help streamline communications, enhance patient retention and satisfaction, reduce expenses and improve operational efficiencies.

Hospitality

Many large hospitality companies such as the Hilton Hotels Corporation and Marriott International make use of call centres to manage reservations. These are known in the industry as “central reservations offices”. Staff members at these call centres take calls from clients wishing to make reservations or other inquiries via a public number, usually a 1-800 number. These centres may operate as many as 24 hours per day, seven days a week, depending on the call volume the chain receives.

Evaluation

Mathematical Theory

Queueing theory is a branch of mathematics in which models of service systems have been developed. A call centre can be seen as a queueing network and results from queueing theory such as the probability an arriving customer needs to wait before starting service useful for provisioning capacity. (Erlang’s C formula is such a result for an M/M/c queue and approximations exist for an M/G/k queue.) Statistical analysis of call centre data has suggested arrivals are governed by an inhomogeneous Poisson process and jobs have a log-normal service time distribution. Simulation algorithms are increasingly being used to model call arrival, queueing and service levels.

Call centre operations have been supported by mathematical models beyond queueing, with operations research, which considers a wide range of optimisation problems seeking to reduce waiting times while keeping server utilisation and therefore efficiency high.

Technical Support

AT & T Mobility previously provided technical support for some of its mobile phones through Device Support Centre.

Technical support (often shortened to tech support) refers to services that entities provide to users of technology products or services. In general, technical support provide help regarding specific problems with a product or service, rather than providing training, provision or customization of product, or other support services. Most companies offer technical support for the services or products they sell, either included in the cost or for an additional fee. Technical support may be delivered over by phone, e-mail, live support software on a website, or other tool where users can log an incident. Larger organizations frequently have internal technical support available to their staff for computer-related problems. The Internet can also be a good source for freely available tech support, where experienced users help users find solutions to their problems. In addition, some fee-based service companies charge for premium technical support services.

Coverage of Support

Technical support may be delivered by different technologies depending on the situation. For example, direct questions can be addressed using telephone calls, SMS, Online chat, Support Forums, E-mail or Fax; basic software problems can be addressed over the telephone or, increasingly, by using remote access repair services; while more complicated problems with hardware may need to be dealt with in person.

Categories of Technical Support

Call In

This type of technical support has been very common in the services industry. It is also known as “Time and Materials” (T&M) IT support. The customer pays for the materials (hard drive, memory, computer, digital devices, etc.) and also pays the technician based on the pre-negotiated rate when a problem occurs.

Block Hours

Block hours allow the client to purchase a number of hours upfront at an agreed price. While it is commonly used to offer a reduced hourly rate, it can also simply be a standard non-reduced rate, or represent a minimum fee charged to a client before providing service. The premise behind this type of support is that the customer has purchased a fixed number of hours to use either per month or year. This allows them the flexibility to use the hours as they please without doing the paperwork and the hassle of paying multiple bills.

Managed Services

Managed services means a company will receive a list of well-defined services on an ongoing basis, with well-defined “response and resolution times” for a fixed rate or a flat fee. This can include things like 24/7 monitoring of servers, 24/7 help desk support for daily computer issues, and on-site visits by a technician when issues cannot be resolved remotely. Some companies also offer additional services like project management, backup and disaster recovery, and vendor management in the monthly price. The companies that offer this type of tech support are known as managed services providers.

Crowd Sourced Technical Support

Many companies and organizations provide discussion boards for users of their products to interact; such forums allow companies to reduce their support costs without losing the benefit of customer feedback.

Self-help

Almost all tech brands and service providers give free access to a rich library of technical support solutions to users. These are huge databases of step-by-step solutions, however if you visit the support sites for big brands the solutions are more often for their products alone. Another method of getting technical support that's gained popularity is to follow troubleshooting steps shown in a support video.

Outsourcing Technical Support

With the increasing use of technology in modern times, there is a growing requirement to provide technical support. Many organizations locate their technical support departments or call centre in countries or regions with lower costs. Dell was amongst the first companies to outsource their technical support and customer service departments to India in 2001. There has also been a growth in companies specializing in providing technical support to other organizations. These are often referred to as MSPs (Managed Service Providers).

For businesses needing to provide technical support, outsourcing allows them to maintain a high availability of service. Such need may result from peaks in call volumes during the day, periods of high activity due to introduction of new products or maintenance service packs, or the requirement to provide customers with a high level of service at a low cost to the business. For businesses needing technical support assets, outsourcing enables their core employees to focus more on their work in order to maintain productivity. It also enables them to utilize specialized personnel whose technical knowledge base and experience may exceed the scope of the business, thus providing a higher level of technical support to their employees.

Multi-tiered Technical Support

Technical support is often subdivided into tiers, or levels, in order to better serve a business or customer base. The number of levels a business uses to organize their technical support group is dependent on a business' needs regarding their ability to sufficiently serve their customers or users. The reason for providing a multi-tiered support system instead of one general support group is to provide the best possible service in the most efficient possible manner. Success of the organizational structure is dependent on the technicians' understanding of their level of responsibility and commitments, their customer response time commitments, and when to appropriately escalate an issue and to which level. A common support structure revolves around a three-tiered technical support system.

Tier 0

Tier 0 (or self-help) is in the form of "wikis" or FAQs that allow for users to access and resolve information on their own rather than have to contact a local Helpdesk or Service Desk for resolution.

Tier 1

Tier I (or Level 1, abbreviated as T1 or L1) is the initial support level responsible for basic customer issues. It is synonymous with first-line support, level 1 support, front-end support,

support line 1, and various other headings denoting basic level technical support functions. The first job of a Tier I specialist is to gather the customer's information and to determine the customer's issue by analyzing the symptoms and figuring out the underlying problem. When analyzing the symptoms, it is important for the technician to identify what the customer is trying to accomplish so that time is not wasted on "attempting to solve a symptom instead of a problem".

This level should gather as much information as possible from the end user. The information could be computer system name, screen name or report name, error or warning message displayed on the screen, any logs files, screen shots, any data used by the end user or any sequence of steps used by the end user, etc. This information needs to be recorded into the issue tracking or issue logging system. This information is useful to analyze the symptoms to define the problem or issue.

Once identification of the underlying problem is established, the specialist can begin sorting through the possible solutions available. Technical support specialists in this group typically handle straightforward and simple problems while "possibly using some kind of knowledge management tool." This includes troubleshooting methods such as verifying physical layer issues, resolving username and password problems, uninstalling/reinstalling basic software applications, verification of proper hardware and software set up, and assistance with navigating around application menus. Personnel at this level have a basic to general understanding of the product or service and may not always contain the competency required for solving complex issues. Nevertheless, the goal for this group is to handle 70%-80% of the user problems before finding it necessary to escalate the issue to a higher level.

In other industries (such as banking, credit cards, mobile telephony, etc.), first-level support is carried by a call centre that operates extensive hours (or 24/7). This call centre acts as an "initial sink" for user requests and, if required, creates an incident to notify other business teams/units to satisfy the user request (for example, blocking stolen credit cards or mobile phones from use). In some industries, first-line support requires knowledge of the products, terms and conditions offered by the business rather than technical information itself (Retail / Wholesale). Most ISPs only offer tier 1 support.

Tier 2

Tier II (or Level 2, abbreviated as T2 or L2) is a more in-depth technical support level than Tier I and therefore costs more as the technicians are more experienced and knowledgeable on a particular product or service. It is synonymous with level 2 support, support line 2, administrative level support, and various other headings denoting advanced technical troubleshooting and analysis methods. Technicians in this realm of knowledge are responsible for assisting Tier I personnel in solving basic technical problems and for investigating elevated issues by confirming the validity of the problem and seeking for known solutions related to these more complex issues. However, prior to the troubleshooting process, it is important that the technician review the work order to see what has already been accomplished by the Tier I technician and how long the technician has been working with the particular customer. This is a key element in meeting both the customer and business needs as it allows the technician to prioritize the troubleshooting process and properly manage his or her time.

This team needs to collect information such as program name that is failed or application name or any database related details (table name, view name, package name, etc.) or API names. These details are useful for Tier 3.

If a problem is new and/or personnel from this group cannot determine a solution, they are responsible for raising this issue to the Tier III technical support group. In addition, many companies may specify that certain troubleshooting solutions be performed by this group to help ensure the intricacies of a challenging issue are solved by providing experienced and knowledgeable technicians. This may include, but is not limited to onsite installations or replacements of various hardware components, software repair, diagnostic testing, and the utilization of remote control tools used to take over the user's machine for the sole purpose of troubleshooting and finding a solution to the problem.

Tier 3

Tier III (or Level 3, abbreviated as T3 or L3) is the highest level of support in a three-tiered technical support model responsible for handling the most difficult or advanced problems. It is synonymous with level 3 support, 3rd line support, back-end support, support line 3, high-end support, and various other headings denoting expert level troubleshooting and analysis methods. These individuals are experts in their fields and are responsible for not only assisting both Tier I and Tier II personnel, but with the research and development of solutions to new or unknown issues. Note that Tier III technicians have the same responsibility as Tier II technicians in reviewing the work order and assessing the time already spent with the customer so that the work is prioritized and time management is sufficiently utilized. If it is at all possible, the technician will work to solve the problem with the customer as it may become apparent that the Tier I and/or Tier II technicians simply failed to discover the proper solution. Upon encountering new problems, however, Tier III personnel must first determine whether or not to solve the problem and may require the customer's contact information so that the technician can have adequate time to troubleshoot the issue and find a solution. It is typical for a developer or someone who knows the code or backend of the product, to be the Tier 3 support person.

This Tier 3 team can analyze the code and data using information from Tier 1 and Tier 2.

In some instances, an issue may be so problematic to the point where the product cannot be salvaged and must be replaced. Such extreme problems are also sent to the original developers for in-depth analysis. If it is determined that a problem can be solved, this group is responsible for designing and developing one or more courses of action, evaluating each of these courses in a test case environment, and implementing the best solution to the problem. Once the solution is verified, it is delivered to the customer and made available for future troubleshooting and analysis.

Tier 4

While not universally used, a fourth level often represents an escalation point beyond the organization. Tier IV (or Level 4, abbreviated as T4 or L4) is generally a hardware or software vendor. Within a corporate incident management system, it is important to continue to track incidents even when they are being actioned by a vendor, and the Service Level Agreement (SLA) may have specific provisions for this. Within a manufacturing organization, the fourth level might also represent the Research & Development.

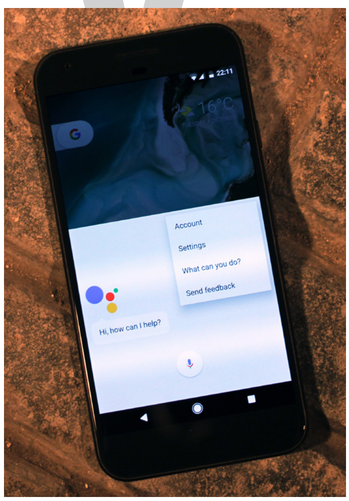
Remote Computer Repair

Remote computer repair is a method for troubleshooting software related problems via remote desktop connections. Technicians use software that allows them to access the user's desktop via the Internet. With the user's permission, the technician can take control of the user's mouse and keyboard inputs, transfer various diagnostic and repair applications to the user's desktop, run scans, install antivirus programs, etc. If the remote service permits it, the technician can even re-boot the PC and reconnect remotely to continue his/her work without the user's assistance.

Common repairs available with online computer support providers are computer virus and spy-ware removal, computer optimization, Windows Registry repair, device driver issues, Web-related issues, and Windows security updates.

Normally, only software can be "repaired" remotely. A computer with a broken hardware component (such as a motherboard or hard disk) can, in some cases, be diagnosed and worked around but must be repaired or replaced on-site. On high-available or redundant systems the failure of a component doesn't necessarily render the whole system unusable, because an equivalent stand-by component can be remotely activated to take the faulty component's place. However an eventual on-site replacement is still required in such scenarios because the failure of the backup component will render the system unusable.

Virtual Assistant



Google Assistant running on a Pixel XL smartphone.

An intelligent virtual assistant (IVA) or intelligent personal assistant (IPA) is a software agent that can perform tasks or services for an individual based on commands or questions. Sometimes the term "chatbot" is used to refer to virtual assistants generally or specifically accessed by online chat. In some cases, online chat programs are exclusively for entertainment purposes. Some virtual assistants are able to interpret human speech and respond via synthesized voices. Users can ask their assistants questions, control home automation devices and media playback via voice, and manage other basic tasks such as email, to-do lists, and calendars with verbal (spoken?) commands.

As of 2017, the capabilities and usage of virtual assistants are expanding rapidly, with new products entering the market and a strong emphasis on both email and voice user interfaces. Apple and Google have large installed bases of users on smartphones. Microsoft has a large installed base of Windows-based personal computers, smartphones and smart speakers. Amazon has a large install base for smart speakers. Conversica has over 100 million engagements via its email and sms interface Intelligent Virtual Assistants for business.

Apple TV remote control, with which users can ask Siri virtual assistant to find content to watch.

Method of Interaction

Virtual assistants make work via:

- Text, including: online chat (especially in an instant messaging app or other app), SMS Text, e-mail or other text-based communication channel, for example Conversica's Intelligent Virtual Assistants for business.
- Voice, for example with Amazon Alexa on the Amazon Echo device, Siri on an iPhone, or Google Assistant on Google-enabled/Android mobile devices.
- By taking and uploading images, as in the case of Samsung Bixby on the Samsung Galaxy S8.

Some virtual assistants are accessible via multiple methods, such as Google Assistant via chat on the Google Allo and Google Messages app and via voice on Google Home smart speakers.

Virtual assistants use natural language processing (NLP) to match user text or voice input to executable commands. Many continually learn using artificial intelligence techniques including machine learning.

To activate a virtual assistant using the voice, a wake word might be used. This is a word or groups of words such as "Hey Siri", "OK Google" or "Hey Google", "Alexa", and "Hey Microsoft".

Services

Virtual assistants can provide a wide variety of services. These include:

- Provide information such as weather, facts from e.g. Wikipedia or IMDb, set an alarm, make to-do lists and shopping lists.

- Play music from streaming services such as Spotify and Pandora; play radio stations; read audiobooks.
- Play videos, TV shows or movies on televisions, streaming from e.g. Netflix.
- Conversational commerce.
- Assist public interactions with government (see Artificial intelligence in government).
- Complement and/or replace customer service by humans. One report estimated that an automated online assistant produced a 30% decrease in the work-load for a human-provided call centre.

Conversational Commerce

Conversational commerce is e-commerce via various means of messaging, including via voice assistants but also live chat on e-commerce Web sites, live chat on messaging apps such as WeChat, Facebook Messenger and WhatsApp and chatbots on messaging apps or Web sites.

Third-party Services

Amazon enables Alexa "Skills" and Google "Actions", essentially apps that run on the assistant platforms.

Virtual Assistant Privacy

Virtual assistants have a variety of privacy concerns associated with them. Features such as activation by voice pose a threat; as such features require the device to always be listening. Modes of privacy such as the virtual security button have been proposed to create a multilayer authentication for virtual assistants.

Developer Platforms

Notable developer platforms for virtual assistants include:

- Amazon Lex was opened to developers in April 2017. It involves natural language understanding technology combined with automatic speech recognition and had been introduced in November 2016.
- Microsoft Bot Framework was open sourced in March 2016 and integrates natural language understanding technology through the LUIS cognitive service and the Azure Bot Service enabling surfacing of your virtual assistant through a broad range of channels. Bot Framework powers many virtual assistants, chatbots around the world and the associated Virtual Assistant template enables rapid creation of a speech enabled assistant where you can control the wake-word, brand, voice and personality.
- Google provides the Actions on Google and Dialogflow platforms for developers to create "Actions" for Google Assistant.
- Apple provides SiriKit for developers to create extensions for Siri.

- IBM's Watson, while sometimes spoken of as a virtual assistant is in fact an entire artificial intelligence platform and community powering some virtual assistants, chatbots. and many other types of solutions.

Previous Generations

In previous generations of text chat-based virtual assistants, the assistant was often represented by an avatar of (a.k.a. 'interactive online character *or* automated character*) — this was known as an embodied agent.*

Service Level

Service level measures the performance of a system. Certain goals are defined and the service level gives the percentage to which those goals should be achieved. Fill rate is different from service level.

Examples of service level:

- Percentage of calls answered in a call centre.
- Percentage of customers waiting less than a given fixed time.
- Percentage of customers that do not experience a stockout.
- Percentage of all parts of an order being fulfilled completely.

If one component part of an order is not filled the Service Level for that order is Zero, If all the component parts of an order are delivered except one is filled at 51%, the service level for that order is 51% (This system is often used in supply chain delivery to manufacturing), This is a very different from a simple order fill measurement which does not consider line items on the order.

Service level is used in supply-chain management and in inventory management to measure the performance of inventory replenishment policies. Under consideration, from the optimal solution of such a model also the optimal size of back orders can be derived.

Unfortunately, this optimization approach requires that the planner knows the optimal value of the back order costs. As these costs are difficult to quantify in practice, the logistical performance of an inventory node in a supply network is measured with the help of technical performance measures. The target values of these measures are set by the decision maker.

Several definitions of service levels are used in the literature as well as in practice. These may differ not only with respect to their scope and to the number of considered products but also with respect to the time interval they are related to. These performance measures are the *key performance indicators* (KPI) of an inventory node which must be regularly monitored. If the controlling of the performance of an inventory node is neglected, the decision maker will not be able to optimize the processes within a supply chain.

α Service Level (Type 1)

The α service level is an event-oriented performance criterion. It measures the probability that *all* customer orders arriving within a given time interval will be completely delivered from stock on hand, i.e. without delay.

Two versions are discussed in the literature differing with respect to the time interval within which the customers arrive. With reference to a demand period, α denotes the probability that an arbitrarily arriving customer order will be completely served from stock on hand, i.e. without an inventory-related waiting time (period α_p service level):

$$\alpha_p = \text{Prob}\{\text{Period demand} \le \text{Inventory on hand at the beginning of a period}\}.$$

In order to determine the safety stock that guarantees a target α_p service level, the stationary probability distribution of the inventory on hand must be known. This version of α is also called ready rate.

If an order cycle is considered as the standard period of reference, then α denotes the probability of no stockout within an order cycle which is equal to the proportion of all order cycles with no stockouts (cycle α_c service level):

α_c = Prob {Demand during replenishement lead time ≤ Inventory on hand the beginning of the lead time}.

This second definition, which is often used in operations management textbooks, is based on the idea of not running out of stock during the time between re-ordering and order arrival (the lead-time). That is, the probability of demand during that leadtime being less than or equal to the amount of stock you had left when you ordered. It assumes your reorder point is positive, that orders are in unit increments and inventory is monitored continuously so you cannot stock out prior to reordering.

β Service Level (type 2)

The β service level is a quantity-oriented performance measure describing the proportion of total demand within a reference period which is delivered without delay from stock on hand:

$$\beta = 1 - \frac{\text{Expected backorders per time period}}{\text{Expected period demand}}.$$

This is equal to the probability that an arbitrary demand unit is delivered without delay. This approach usually involves calculating a loss integral, whose values are tabulated for the normal distribution.

Because, contrary to the variations of the α service level, the β service level does not only reflect the stockout event but also the amount backordered, it is widely used in industrial practice.

Also, by the definitions, comparing service levels we have $\alpha \le \beta$ whenever the probability of zero demand equals 0.

γ Service Level

The γ service level, a time- and quantity-related performance criterion, serves to reflect not only the amount of backorders but also the waiting times of the demands backordered. The γ service level is defined as follows:

$$\gamma = 1 - \frac{\text{Expected backorder level per time period}}{\text{Expected period demand}}.$$

The γ service level is rarely used in industrial practice.

Service Rate

- In business, service rate is a performance metric used to measure the customer service in a supply organization. One example of a service rate measures the number of units filled as a percentage of the total ordered and is known as fill rate. If customer orders total 1000 units, and you can only meet 900 units of that order, your fill rate is 90%.

In statistics, notably in queuing theory, service rate denotes the rate at which customers are being served in a system. It is the reciprocal of the service time. For example, a supermarket cash desk with an average service time of 30 seconds per customer would have an average service rate of 2 per minute. In statistics the Greek letter μ is used for the service rate.

Importance of Customer Service in an Organization

A lot of businesses just like yours are competing for customer dollars and customer loyalty. Chances are good that you're investing in marketing and advertising efforts to bring consumers through your doors. The important part of customer service is in keeping the customers once you bring them in. It costs significantly more to attract new customers than it does to take care of the ones you already have.

Customer service is important to reducing turnover. Employees who have to deal with unhappy customers are unlikely to enjoy their jobs for long and may leave to seek more hospitable working environments.

Provide Exceptional Service

Good service starts with your attitude and employee training. After all, good service works from the top down, and employees who are specifically trained in the art of quality customer service are far more likely to represent your company in the way that ensures satisfaction and repeat business.

- Develop customer service policies: Implement service policies that address every conceivable aspect of the customer experience. This includes how quickly your phone is answered or your website or email questions responded to, how many cashiers you have on busy days, how generous your return or exchange policy is, and how you handle irate customers.

Put yourself in your customer's shoes and brainstorm every potential scenario your specific business could encounter, and then develop customer-friendly ways to address them. Involve your staffers in the process – you'll get fresh ideas as well as buy-in to the customer service concept.

- Hire well: When you interview candidates, ask them what quality customer service means to them. Pose sticky customer scenarios and ask them how they would respond to the situation. This gives you an idea of whether the people you hire for your front lines will represent your business in a way you find acceptable.
- Provide customer service training: Train your employees on customer service policies. Role-playing works well with one staffer acting as the customer and another as the staffer. Moderate the session to offer your take on what the role-players did right and where they can improve. Make customer service training an ongoing part of your company's professional development program so that staffers are continually urged to up their games.

Survey your Customers

Another way to gauge service levels is to invite customers to give you an honest assessment of the type of service you and your employees provide. Does this via surveys, focus groups, or by having an online or in-store comment box available? Carefully review compliments and complaints and look for common threads that can be addressed and improved upon.

Ask your employees to keep you apprised of the most common complaints and compliments they receive and strive to do less of the former and more of the latter. Consider rewarding staffers for exceptional levels of service as well. This encourages not only compliance but also above-and-beyond efforts.

Customer service isn't just about being courteous to your customers – it's a vital element of business operations that can impact your bottom line and affect how your company is viewed in the public eye. Several high-profile companies have been in the news of late, finding themselves in the spotlight because of poor customer service policies. The good news is, it's relatively simple to implement a customer service improvement plan that keeps your business on top.

The way we treat our customers is indicative of the way we look at things in life. Are we short-sighted, merely searching for the next pay day, or does our vision give us a deeper understanding of the long-term implications of our actions? Clearly, if you want to make strides today, you really do have to place the customer on a pedestal.

And while there are ample reasons why any person should start a business in the first place, everyone needs to pay homage to the customer so that they can stay in business. The less short-sighted the approach is from any enterprise, the more likely it will be to achieve long term success.

Customer Retention is far less Expensive than Customer Acquisition

On average, it costs approximately five times more to attract a new customer to your business than it costs to retain an existing customer. That logic on its own should highlight the importance of providing excellent customer service. Why risk losing a customer? It's costly enough to locate new customers in the first place, and every business should do whatever it takes to ensure they stay happy and continue doing business with them.

Existing Customers are more Likely to Buy for you than New Customers

Aside from simply trying to retain your existing customers for sake of it being less expensive to do so, it's important to note that selling anything to anyone new is also far less likely. For the most part, the probability of selling to a new customer hovers in the range of 5-20 percent, whereas selling to an existing customer resides in the range of 60-70 percent.

Great Customer Service Results in a Reduction of Overall Problems

By treating your customers like gold, you are sure to reduce the overall problems associated with your business, sales and the potential for any legal issues that might arise. Treat your customers poorly, and you can almost be certain that you'll run into problems at one point or another. And those problems can oftentimes lead to the ominous and untimely demise of your business.

Excellent Customer Service Improves Public Persona and Strengthens your Brand

If you're interested in public perception, your reputation or the strength of your brand, you absolutely have to insure a high quality of customer service. Not only does this result in positive reviews, but it helps to solidify you in the minds of anyone searching for your type of products, services or information.

You're more likely to retain your customers for longer

When you offer a great customer service experience, your customers are far more likely to stick around and use your business any chance the moment arises. Even when it comes to ancillarly services, consumers more willing to work with a business that they've had a great experience with before than to find someone new.

Word-of-mouth Advertising is the Best Kind of Advertising that Money can't Buy

You absolutely cannot buy word-of-mouth advertising -- the kind that can have a monumental effect on a business. It's priceless. People are considerably more likely to listen to the advice of a friend than they are to heed the guidance from some online review or advertisement. Whether you're trying to make money online or offline, great customer service will create an army of raving fans that will champion your business for you.

It Improves Employee Turnover in your Business

Employees pay careful attention to how a company treats its customers. That resonates powerfully with people. When they see an employer treating their customers like gold, it delivers a sense of endowment, making them proud to be part of the team and making them more willing to stick around. When employees, on the other hand, are taught to undercut and discount customers for whatever reason, it does quite the opposite.

Great Customer Service Opens Doors for New Partnerships and other Opportunities

Treating your customers like gold is infectious. It opens the doors for new partnerships, especially when other businesses see just how well you take care of your existing customers. It says a lot about a company and what they value when they care deeply about their customers. It's something that you rarely find in business these days, but it most certainly paves the way for powerful parternships, collaborations and other opportunities.

It Conveys Strong Moral Values and Beliefs in the Company's Mission

Taking care of your customers conveys a strong set of moral values and beliefs in the company's mission. It means that it's transcending the necessity for profits by focusing on building its tribe. It also means that there are greater forces at work here than mere profits. It's indicative of a deeper desire to build something of value, to help others, and to somehow, in some way or another, change the world a bit by doing so.

It Elongates the Life of any Business

Today, only four out of every 100 businesses last through until the 10-year mark. That's a massive 96 percent failure rate. When you ignore the needs of your customers, and you don't focus on going out of your way for them, you're cutting short the potential for longevity in business. With so many obligations and responsibilities, if you're serious about your business, you have to focus on the core -your customers. Because, without them, you have no business at all.

5

Customer Experience

Customer experience focuses on the customer's perception, awareness and ideology after an interaction with the organization. It is an interdisciplinary subject which makes it essential to understand its related fields such as experience management, customer insight, customer delight, quality of experience, customer satisfaction, touchpoint, etc.

Customer experience (CX) is the sum total of customers' perceptions and feelings resulting from interactions with a brand's products and services. Customer experience spans the lifetime of customers' relationships with a brand, starting before a purchase is made, continuing to active use and advancing to renewal or repeat purchase.

Working of Customer Experience

Customer experience encompasses all of the touchpoints that customers have with a brand. Examples of touchpoints include opening a product's packaging, reading the instruction manual, speaking to customer service, having the product repaired and exchanging the product for a different model.

Customers experience feelings and emotions at each touchpoint, which cause them to form judgments. Feelings can range from joy to apathy to disappointment. Judgments can range from positive, such as viewing the company as helpful when a customer is efficiently assisted, to negative, such as seeing the company as incompetent when dealing with slow and frustrating customer service. The emotions and judgments can vary wildly from one touchpoint to the next.

Customer Experience Providers

Any brand with customers provides customer experience, whether the brand realizes it or not. As the name implies, customer experience is based on the perceptions and opinions of customers. A brand may claim to sell a superior product or provide outstanding customer service, but customers are the ultimate arbiter.

Customer experience can be hard for brands to control, since customers can act, respond and react in unpredictable ways. The best approach for brands is to assess and optimize each customer touchpoint to maximize the likelihood of customer satisfaction.

Customer Experience Management

Companies can use processes to track, oversee and organize customer touchpoints through customer experience management (CEM). With CEM the organization can evaluate and improve every interaction between a customer and the company throughout the customer lifecycle.

In a small business, such as a bakery, produce market or dry cleaner, customer experience is provided by a few individuals. In larger companies that sell complex products and services, customer experience is provided by many groups and departments. Whether the customer interaction is direct or indirect, every group plays a role in customer experience. Sales and customer support interact directly with customers, while engineering, marketing, finance and legal create products, services and processes that affect and influence customers.

For more complex products, excellent customer service requires close coordination across groups. For example, sales and customer support shares customer feedback to engineering, which creates a new feature to address a product deficiency. Engineering coordinates with marketing to communicate the new feature to the market. Without such coordination, the product deficiency may not have been addressed, which leads to a poor customer experience.

It can be helpful for brands to assess the customer experience they provide through CEM. Companies can use several techniques and technologies, including:

- Customer data analytics,
- Knowledge management systems,
- Business intelligence,
- Emotional analytics,
- Customer relationship management (CRM) platforms.

Importance of Customer Experience

Brands must provide a customer experience that meets or exceeds customer expectations. Brands that provide a poor customer experience will not survive. Providing excellent customer experience results in satisfied and loyal customers, who will purchase again. These customers may also become brand ambassadors or advocates, recommending a brand's products and services to friends, associates and colleagues. Many brands use customer experience as a competitive differentiator, taking market share by providing a superior customer experience compared to competitors.

The quality of a customer's experience can make or break a company. For example, a brand may sell an innovative product that wins industry awards. However, the customer service they provide is a weak link; when customers ask for assistance, the requests fall on deaf ears and customers' issues go unresolved. In this example, the poor quality of customer service defines the customer experience, minimizing the value delivered by the innovative product.

Customer Experience Systems

Customer experience systems are business and operational support systems (BSS/OSS) intended to help service providers to improve customer experience.

In the past, communications service providers (wired communication, wireless, broadband cable, satellite) and other companies competed through product differentiation and price points. By 2005 products were increasingly commoditized and price differences negligible, leaving quality of customer service as the differentiator.

Customer experience systems are part of service providers' strategies to address this change, as products and prices become increasingly similar. These systems power the front and back office (BSS/OSS) and integrate billing, customer relationship management (CRM), ordering, self service, digital content delivery, service fulfillment and assurance, and computer network planning. Software companies that sell these applications, including customer care and billing vendors, and increasingly network equipment providers, can be considered providers of customer experience systems when their offerings are appropriately integrated. The first customer experience systems were introduced by Amdocs.

Customer Opinion

A 2006 Bain and Company report found that 80 percent of executives believed their company delivered a superior customer experience, but only eight percent of customers said they received one. Business Week's Jeneanne Rae says, "Building great consumer experiences is a complex enterprise, involving strategy, integration of technology, orchestrating business models, brand management and CEO commitment."

Service providers using their experience to differentiate their products will help to bridge the gap between consumers' and suppliers' perceptions, and deliver products and services that meet customer needs, according to Forrester analyst Maribel Lopez. "These new experience-based providers will integrate both internal and external innovations to create end-to-end customer experiences." Customer experience systems are part of this accommodation.

Experience Management

Experience management is an effort by organizations to measure and improve the experiences they provide to customers as well as stakeholders like vendors, suppliers, employees, and shareholders. The concept posits the notion that experiences comprise distinct economic offerings that create economic value and competitive advantage.

Organizations have begun to collect experience data in addition to operational data, since experiences are seen as a competitive advantage. Experience management platforms provide various services to automate the process of identifying and improving experiences across an organization.

Broader than customer experience, experience management now encompasses customer experience along with other areas, such as brand experience, employee experience and product experience, which are all seen as interrelated.

In 1994 Steve Haeckel and Lou Carbone collaborated on a seminal early article on experience management, titled "Engineering Customer Experiences," where they defined experience as "the 'take-away' impression formed by people's encounters with products, services and businesses — a perception produced when humans consolidate sensory information." They argued that the new approach must focus on total experience as the key customer value proposition.

The concept reached a wide audience in 1999, when it was popularized by B. Joseph Pine II and James H. Gilmore in their book Experience Economy. In the same year, Bernd Schmitt published Experiential Marketing: How to Get Customers to Sense, Feel, Think, Act, and Relate to Your Company and Brands.

In the 2000s, experience management emerged as a complex field unifying the experiences of brands, employees, products and more. It was acknowledged that generating new experiences for end customers requires designing better experiences for internal players of an organization. Value is created by focusing on the experiences of everyone involved in or affected by a new offer, such as customers, employees, suppliers, and other stakeholders.

Management

To create and manage the experiences, businesses must evaluate, implement, integrate, and build experiences from a fragmented landscape. Such needs are met by experience management platforms, which help automate the process of measuring and improving experiences across an organization by coordinating content, customer data and core services, and unifying marketing, commerce and service processes.

Experience management platforms compare multiple layers of data and statistics to enable organizations to identify any experience gaps. They connect operational databases with human feedback, analyzing respondents' emotions, beliefs, and sentiments for a holistic view of the experiences they provide. Their methods include artificial intelligence, predictive analytics, and statistical models.

Customer Insight

A customer insight, or consumer insight, is an interpretation of trends in human behaviours which aims to increase effectiveness of a product or service for the consumer, as well as increase sales for mutual benefit.

Specifically, Consumer Insights is a field that focuses on analyzing market research and acting as a bridge between Research and Marketing departments within a company. Commonly referred to as CI, it is the intersection between the interests of the consumer and the features of a brand. Its main purpose is to understand why the consumer cares for the brand as well as their underlying mindsets, moods, motivation, desires, aspirations, that motivates and trigger their attitude and actions.

Another definition of consumer insight is the collection, deployment and interpretation of information that allows a business to acquire, develop and retain their customers.

A customer insight can be more precisely defined as: “A non-obvious understanding about your customers, which if acted upon, has the potential to change their behaviour for mutual benefit”.

The author emphasises four components of this definition: First, such insight is “non-obvious”, so it does not normally come from just one source of information and often does not come from just analysis or just research; rather there is a need to converge evidence to glean insights. Second, true insights need to be “action-able”; hypotheses which stay theoretical and cannot be tested in practice are not insights. Third, customer insights should be powerful enough that when they are acted upon customers can be persuaded to “change their behaviour”. Just benefitting from targeting based on analysing past behaviour and assuming people will be creatures of habit does not reveal any depth of understanding them, certainly not insight. Fourth, to be sustainable, the goal of such customer change must be for “mutual benefit”. As argues, a key law for marketing today is “earn and keep the trust of your customers”, which is achieved by acting in their best interests as well as the long term value for the organisation.

Analysis

- Firstly, the collected data must be audited to fully understand the quality and opportunity within the database. Once this is done, there are a number of different types of analysis that can be applied.
- Impact Assessment will help a business to understand how actions taken by the business affected their customer behavior, and also allow for some predictions of customer reaction to proposed changes.
- Customers as Assets measures the lifetime value of the customer base and allows businesses to measure several factors such as the cost of acquisition and the rate of churn.
- Propensity Modelling predicts the future behaviour of customers based on previous actions and helps businesses understand how likely it is that a customer will behave in a given way.
- Cross-Sell Analysis identifies product and service relationships to better understand which are the most popular product combinations. Any identified relationships can then be used to cross-sell and up-sell in the future.
- Critical Lag allows a business to deliver specific customer communications based on an individual’s purchase patterns, helping to increase loyalty and improve customer retention.

The above components only cover the scope of customer analysis or marketing analysis. Best practice is now expanding to including customer data management, behavioural analysis, predictive analytics, consumer research and database marketing.

Customer Delight

Customer delight is surprising a customer by exceeding his or her expectations and thus creating a positive emotional reaction. This emotional reaction leads to word of mouth. Customer delight directly affects sales and profitability of a company as it helps to distinguish the company and its products and services from the competition. In the past customer satisfaction has been seen as a key performance indicator. Customer satisfaction measures the extent to which the expectations of a customer are met (compared to expectations being exceeded). However, it has been discovered that mere customer satisfaction does not create brand loyalty nor does it encourage positive word of mouth.

Customer delight can be created by the product itself, by accompanied standard services and by interaction with people at the front line. The interaction is the greatest source of opportunities to create delight as it can be personalized and tailored to the specific needs and wishes of the customer. During contacts with touch points in the company, more than just customer service can be delivered. The person at the front line can surprise by showing a sincere personal interest in the customer, offer small attentions that might please or find a solution specific to particular needs. Those front-line employees are able to develop a relationship between the customer and the brand. Elements in creating motivated staff are: recruiting the right people, motivating them continuously and leading them in a clear way.

Purpose of Customer Delight

There are three objectives when implementing Customer Delight:

- Make customers loyal: As described by Sewell, that finding new customers costs 4 to 9 times more time and money than reselling to an existing client. It is thus commercially intelligent to retain as many clients as possible.
- Have customers that are more profitable: Average delighted customers spend more with less hassle. As can be seen with the list of Van Setten, when all other elements are correct, clients accord less importance to price (as long as their perception of price remains reasonable).
- Have clients talk positively about your product, brand or shop, the so-called word of mouth. In a world of informed customers, 92% of customers consider word of mouth as the most reliable source of information. Delighted clients can be a valuable source of advertisement for a company.

The effect of achieving those objectives, only 9% of the world's major firms achieve real sustainable profit and growth over 10- year period from 1999 to 2009. Customer Delight is the only kind of growth that can be sustained over the long term. The authors mention that their company Bain & Company have researched and concluded that a 5% increase in customer retention could yield anywhere between 25% to 100% increase in profits. The book explains the Net Promoter Score; a system which measures what customers are feeling and thus creating accountability for the customer experience.

In order to consistently deliver Customer Delight at all customer touch points throughout the company, a customer-centric corporate culture is key. With this corporate culture all processes, systems, people and leadership are aligned: everyone in the organization shares the same set of values, attitudes and practices. Developing the culture is a continuous exercise of innovation and improvement, involving every employee of the company. An absolutely necessary step is linking Customer Delight behaviour to the core values of the brand. Core values are operating principles that guide an organization's internal conduct as well as its relationship with customers, partners and shareholders. Once core values are clearly outlined it is critical to incorporate them into every process, from hiring, to employee appraisals and decision making.

Customer Success

Customer success is the business methodology of ensuring customers achieves their desired outcomes while using your product or service. Customer Success is relationship-focused client management that aligns client and vendor goals for mutually beneficial outcomes. Effective Customer Success strategy typically results in decreased customer churn and increased up-sell opportunities. The goal of Customer Success is to make the customer as successful as possible, which in turn, improves customer lifetime value (CLTV) for the company.

Key Sub-functions

Key functions of a CS team includes:

- Technical Enablement: While the scope and level of effort (LOE) can vary drastically from a few hours to many person-years, almost every software solution, and generally any innovation, requires some level of initial setting and enablement. This activity, which can also be referred to as Initial Implementation or the Customer On-boarding and Initial Engagement, is normally the first that follows the initial sale of the solution and any add-on component of it and is normally governed by a statement of work (SOW) that defined the deliverables the software provider commits to provide, the timeframe for it and the commercial structure for the engagement. In many organizations, the team responsible for this function is referred to as professional services.
- Knowledge Enablement: Providing the customer with the knowledge needed to make best use of the solution is a function that can sometimes be independent from the two functions noted above or sometimes provided by one of them. Formal and informal training are part of this function as well as customer-to-customer relations (like community sites) and self-service knowledge systems.
- Identifying Growth Opportunity: During the lifecycle of the contract, the CSM will have direct access to conversations around growth of the clients business. It is a key function of the role to stand in as a "trusted adviser" and help identify expansion opportunities. Either in contract scope of feature/function expansion.
- Identifying Churn Risk: Utilizing a Customer Health score is pivotal in identifying churn (or lost revenue). As the main point of contact for accounts, the CSM has visibility into the possibility of churn/cancelled accounts. The CSM can intervene when needed to help decrease the likelihood of a lost account.

- General Account Management: While Customer Success is a more robust solution to account management, there is good portion of the day-to-day that falls under the "account management' title. CS is the team that manages the business relations between the customer and the provider. This function operates in parallel with the technical teams and is working with the customer to ensure they best utilize the provider's capabilities, expand and improve them. They will work to increase adoption of the solution, ensure renewal and expansion of contracts and manage executive relations. This includes being an advocate for the customer to various groups within an organization.

Metrics of Success

- NPS: "Net Promoter Score" is a management tool that can be used to gauge the loyalty of a firm's customer relationships. It serves as an alternative to traditional customer satisfaction research and is claimed to be correlated with revenue growth.
- CSAT: "Customer Satisfaction" is a score that indicates how satisfied a customer is with a specific product, transaction, or interaction with a company. The term "CSAT" is most often used in the context of a "CSAT score," which describes a numerical measure of customer satisfaction.
- CES: "Customer Effort Score" (or "Net Easy Score") is a single-item metric that measures how much effort a customer has to exert to get an issue resolved, a request fulfilled, a product purchased/returned or a question answered.
- Churn: Churn rate, when applied to a customer base, refers to the proportion of contractual customers or subscribers who leave a supplier during a given time period.

Customer Success Managers

Presently, the customer success function within most organizations is embodied in the customer success manager (CSM) job title.

The CSM acts as the main point of contact and as a trusted advisor for the customer from the vendor side as they are the one ultimately responsible and accountable for that customer's success. The function may share many of the same functions of traditional account managers, relationship managers, project managers, and technical account managers, but their mode of operations tend to be much more focused on long-term value-generation to the customer. At its heart, it is about maximizing the value the customer generates from utilizing the solutions of the vendor, while enabling the vendor the ability to derive high return from the customer value. To enable that, the CSM must monitor the customer's usage of and satisfaction from the solutions of the vendor, identify opportunities and challenges from the way the customer engages with the solution and take action to help resolve challenges and foster expansion of the usage as well as the value from the solutions (to both sides) over time.

As a consequence, relentlessly monitor and manage the customer health is a key success factor for every CSM as well as the need to deeply understand the drivers of value the customer gains from the solutions provided by the vendor. Without such deep and timely understanding of these two aspects of the customer, the CSM will not be able to act effectively.

In young organizations, where the total number of employees (and customers) is small, the CSM may be the first employee of the customer success team. As such, they will be responsible for most of the functions, which over time may be fulfilled by more specialized team members. Ownership of commercial responsibilities by CSM varies among companies. While some believe a CSM's neutrality from sales or commercial conversations may make a customer more likely to respond to and engage with a CSM, other view the ownership of the commercial relations natural to a long-term relations between a vendor and a customer and more empowering to the CSM.

For CSMs to fulfill the responsibilities of their role, they must be empowered by an organization's executive team to navigate freely among all parts of an organization. This maintains the CSMs credibility with the customer as an effective resource. In organizations where CSMs are just another level of abstraction or a "screen" between the customer and the resources they need, the credibility of the CSM is compromised and the customer experience eroded which may result in a customer not renewing or expanding their business with the vendor. Furthermore, lacking the top-down support will deprive the CSM the ability to garner the right resources needed by them to complete their jobs.

Virtual Customer Success Managers (VCSM)

Virtual customer success managers are remote points of contact for customers and monitor the success of customers, providing important feedback.

Customer Engagement

Customer engagement is a business communication connection between an external stakeholder (consumer) and an organization (company or brand) through various channels of correspondence. This connection can be a reaction, interaction, effect or overall customer experience, which takes place online and offline. The term can also be used to define customer-to-customer correspondence regarding a communication, product, service or brand. However, the latter dissemination originates from a business-to-consumer interaction resonated at a subconscious level.

Online customer engagement is qualitatively different from offline engagement as the nature of the customer's interactions with a brand, company and other customers differ on the internet. Discussion forums or blogs, for example, are spaces where people can communicate and socialise in ways that cannot be replicated by any offline interactive medium. Online customer engagement is a social phenomenon that became mainstream with the wide adoption of the internet in the late 1990s, which has expanded the technical developments in broadband speed, connectivity and social media. These factors enable customer behaviour to regularly engage in online communities revolving, directly or indirectly, around product categories and other consumption topics. This process leads to a customer's positive engagement with the company or offering, as well as the behaviours associated with different degrees of customer engagement.

Marketing practices aim to create, stimulate or influence customer behaviour, which places conversions into a more strategic context and is premised on the understanding that a focus on maximising conversions can, in some circumstances, decrease the likelihood of repeat conversions. Although customer advocacy has always been a goal for marketers, the rise of online user generated content has directly influenced levels of advocacy. Customer engagement targets long-term interactions, encouraging customer loyalty and advocacy through word-of-mouth. Although customer engagement marketing is consistent both online and offline, the internet is the basis for marketing efforts.

In March 2006, the Advertising Research Foundation announced the first definition of customer engagement as "turning on a prospect to a brand idea enhanced by the surrounding context." However, the ARF definition was criticized by some for being too broad. The ARF, World Federation of Advertisers, Various definitions have translated different aspects of customer engagement. According to Forrester Consulting's research in 2008, it has defined customer engagement as "creating deep connections with customers that drive purchase decisions, interaction, and participation, over time". Studies by the Economist Intelligence Unit result in defining customer engagement as, "an intimate long-term relationship with the customer". Both of these concepts prescribe that customer engagement is attributed by a rich association formed with customers. With aspects of relationship marketing and service-dominant perspectives, customer engagement can be loosely defined as "consumers' proactive contributions in co-creating their personalized experiences and perceived value with organizations through active, explicit, and ongoing dialogue and interactions". The book, Best Digital Marketing Campaigns in the World, defines customer engagement as, "mutually beneficial relationships with a constantly growing community of online consumers". The various definitions of customer engagement are diversified by different perspectives and contexts of the engagement process. These are determined by the brand, product, or service, the audience profile, attitudes and behaviours, and messages and channels of communication that are used to interact with the customer.

Since 2009, a number of new definitions have been proposed in literature. In 2011, the term was defined as "the level of a customer's cognitive, emotional and behavioral investment in specific brand interactions," and identifies the three CE dimensions of immersion (cognitive), passion (emotional) and activation (behavioral). It was also defined as "a psychological state that occurs by virtue of interactive, co-creative customer experiences with a particular agent/object (e.g. a brand)". Researchers have based their work on customer engagement as a multi-dimensional construct, while also identifying that it is context dependent. Engagement gets manifested in the various interactions that customers undertake, which in turn get shaped up by individual cultures. The context is not limited to geographical context, but also includes the medium with which the user engages.

Online Customer Engagement

Although offline customer engagement predates online, the latter is a qualitatively different social phenomenon unlike any offline customer engagement that social theorists or marketers recognize. In the past, customer engagement has been generated irresolutely through television, radio, media, outdoor advertising, and various other touchpoints ideally during peak and/or high trafficked allocations. However, the only conclusive results of campaigns were sales and/or return on investment figures. The widespread adoption of the internet during the late 1990s has enhanced the processes of customer engagement, in particular, the way in which it can now be measured in different ways on different levels of engagement. It is a recent social phenomenon where people engage online in communities that do not necessarily revolve around a particular product, but serve as meeting or networking places. This online engagement has brought about both the empowerment of consumers and the opportunity for businesses to engage with their target customers online. A

2011 market analysis revealed that 80% of online customers, after reading negative online reviews, report making alternate purchasing decisions, while 87% of consumers said a favorable review has confirmed their decision to go through with a purchase.

The concept and practice of online customer engagement enables organisations to respond to the fundamental changes in customer behaviour that the internet has brought about, as well as to the increasing ineffectiveness of the traditional 'interrupt and repeat', broadcast model of advertising. Due to the fragmentation and specialisation of media and audiences, as well as the proliferation of community- and user generated content, businesses are increasingly losing the power to dictate the communications agenda. Simultaneously, lower switching costs, the geographical widening of the market and the vast choice of content, services and products available online have weakened customer loyalty. Enhancing customers' firm- and market- related expertise has been shown to engage customers, strengthen their loyalty, and emotionally tie them more closely to a firm.

Since the world has reached a population of over 3 billion internet users, it is conclusive that society's interactive culture is significantly influenced by technology. Connectivity is bringing consumers and organisations together, which makes it critical for companies to take advantage and focus on capturing the attention of and interacting with well-informed consumers in order to serve and satisfy. Connecting with customers establishes exclusivity in their experience, which potentially will increase brand loyalty, word of mouth, and provides businesses with valuable consumer analytics, insight, and retention. Customer engagement can come in the form of a view, an impression, reach, a click, a comment, or a share, among many others. These are ways in which analytics and insights into customer engagement can now be measured on different levels, all of which is information that allows businesses to record and process results of customer engagement.

Taking into consideration the widespread information and connections for consumers, the way to develop penetrable customer engagement is to proactively connect with customers by listening. Listening will empower the consumer, give them control, and endorse a customer-centric two-way dialogue. This dialogue will redefine the role of the consumer as they no longer assume the end user role in the process. Instead of the traditional transaction and/or exchange, the concept becomes a process of partnership between organisations and consumers. Particularly since the internet has provided consumers with the accumulation of much diverse knowledge and understanding, consumers now have increasingly high expectations, developed stronger sensory perceptions, and hence have become more attracted to experiential values. Therefore, it would only be profitable for businesses to submit to the new criteria, to provide the opportunity for consumers to further immerse in the consumption experience. This experience will involve organisations and consumers sharing and exchanging information, which will generate increased awareness, interest, and desire to purchase, retention, and loyalty among consumers, evolving an intimate relationship. Significantly, total openness and strengthening customer service is the selling point here for customers, to make them feel more involved rather than just a number. This will earn trust, engagement, and ultimately word of mouth through endless social circles. Essentially, it is a more dynamic and transparent concept of customer relationship management (CRM).

Marketing Value

Customer engagement marketing is necessitated by a combination of social, technological and market developments. Companies attempt to create an engaging dialogue with target consumers and stimulate their engagement with the given brand. Although this must take place both on and off-line, the internet is considered the primary method. Marketing begins with understanding the internal dynamics of these developments and the behaviour and engagement of consumers online. Consumer-generated media plays a significant role in the understanding and modeling of engagement. The control Web 2.0 consumers have gained is quantified through 'old school' marketing performance metrics.

The effectiveness of the traditional 'interrupt and repeat' model of advertising is decreasing, which has caused businesses to lose control of communications agendas. In August 2006, McKinsey & Co published a report which indicated that traditional TV advertising would decrease in effectiveness compared to previous decades. As customer audiences have become smaller and more specialised, the fragmentation of media, audiences and the accompanying reduction of audience size have reduced the effectiveness of the traditional top-down, mass, 'interrupt and repeat' advertising model. A Forrester Research's North American Consumer Technology Adoption Study found that people in the 18-26 age group spend more time online than watching TV.

In response to the fragmentation and increased amount of time spent online, marketers have also increased spending in online communication. ContextWeb analysts found marketers who promote on sites like Facebook and New York Times are not as successful at reaching consumers while marketers who promote more on niche websites have a better chance of reaching their audiences. Customer audiences are also broadcasters with the power for circulation and permanence of CGM, businesses lose influence. Rather than trying to position a product using static messages, companies can become the subject of conversation amongst a target market that has already discussed, positioned and rated the product. This also means that consumers can now choose not only when and how but, also, if they will engage with marketing communications. In addition, new media provides consumers with more control over advertising consumption.

The lowering of entry barriers, such as the need for a sales force, access to channels and physical assets, and the geographical widening of the market due to the internet have brought about increasing competition and a decrease in brand loyalty. In combination with lower switching costs, easier access to information about products and suppliers and increased choice, brand loyalty is hard to achieve. The increasing ineffectiveness of television advertising is due to the shift of consumer attention to the internet and new media, which controls advertising consumption and causes a decrease in audience size. This has shifted advertising spending online.

The proliferation of media that provide consumers with more control over their advertising consumption (subscription-based digital radio and TV) and the simultaneous decrease of trust in advertising and increase of trust in peers point to the need for communications that the customer will desire to engage with. Stimulating a consumer's engagement with a brand is the only way to increase brand loyalty and, therefore, "the best measure of current and future performance".

Consumer Behaviour

CE behaviour became prominent with the advent of the social phenomenon of online CE. Creating and stimulating customer engagement behaviour has recently become an explicit aim of both profit and non-profit organisations in the belief that engaging target customers to a high degree is conducive to furthering business objectives.

Shevlin's definition of CE is well suited to understanding the process that leads to an engaged customer. In its adaptation by Richard Sedley the key word is 'investment'. "Repeated interactions that strengthen the emotional, psychological or physical investment a customer has in a brand."

A customer's degree of engagement with a company lies in a continuum that represents the strength of his investment in that company. Positive experiences with the company strengthen that investment and move the customer down the line of engagement.

What is important in measuring degrees of involvement is the ability of defining and quantifying the stages on the continuum. One popular suggestion is a four-level model adapted from Kirkpatrick's Levels:

- Click: A reader arrived (current metric).
- Consume: A reader read the content.
- Understood: A reader understood the content and remembers it.
- Applied: A reader applies the content in another venue.

Concerns have, however, been expressed as regards the measurability of stages three and four. Another popular suggestion is Ghuneim's typology of engagement.

Degrees of Engagement	Low	Medium	High	Highest
	Adoption.	Collaborative Filtering.	Content Creation.	Social.
	Bookmarking, Tagging, Adding to the group.	Rating, Voting, Commenting, Endorsing, Favouritising.	Upload (User Generated Content), Blogging, Fan community participation, Create mash-ups, Podcasting, Vlogging.	Adding Friends, Networking, Create Fan Community.

The following consumer typology according to degree of engagement fits also into Ghuneim's continuum: Creators (smallest group), Critics, Collectors, Couch Potatoes (largest group).

Engagement is a holistic characterization of a consumer's behavior, encompassing a host of sub-aspects of behaviour such as loyalty, satisfaction, involvement, Word of Mouth advertising, complaining and more.

- Satisfaction: Satisfaction is simply the foundation, and the minimum requirement, for a continuing relationship with customers. Engagement extends beyond mere satisfaction.
- Loyalty - Retention: Highly engaged consumers are more loyal. Increasing the engagement of target customers increases the rate of customer retention.
- Word of Mouth advertising - advocacy: Highly engaged customers are more likely to engage in free (for the company), credible (for their audience) Word of Mouth advertising. This can drive new customer acquisition and can have viral effects.

- Awareness - Effectiveness of communications: When customers are exposed to communication from a company that they are highly engaged with, they tend to actively elaborate on its central idea. This brings about high degrees of central processing and recall.
- Filtering: Consumers filter, categorize and rate the market from head to tail, creating multiple, overlapping folksonomies through tagging, reviewing, rating and recommending.
- Complaint-behaviour: Highly engaged customers are less likely to complain to other current or potential customers, but will address the company directly instead.
- Marketing intelligence: Highly engaged customers can give valuable recommendations for improving the quality of the offering.

The behavioural outcomes of an engaged consumer are what links CE to profits. From this point of view,

“CE is the best measure of current and future performance; an engaged relationship is probably the only guarantee for a return on your organization’s or your clients’ objectives.” Simply attaining a high level of customer satisfaction does not seem to guarantee the customer’s business. 60% to 80% of customers who defect to a competitor said they were satisfied or very satisfied on the survey just prior to their defection.

The main difference between traditional and customer engagement marketing is marked by these shifts:

- From ‘reach or awareness focused’ marketing communications and their metrics (GRP or pageview) towards more targeted and customised interactions that prompt the consumer to engage with and act on the content from the outset.
- From absolute distinctions and barriers between an organisation and its target customers towards the participation of consumers in product development, customer service and other aspects of the brand experience.
- From one-way, top-down, formal B2C and B2E interaction to continuing, dialogic, decentralised and personalised communications initiated by either party.

Specific marketing practices involve:

- Encouraging collaborative filtering: Google, Amazon, iTunes, Yahoo LAUNCHcast, Netflix, and Rhapsody encourage their consumers to filter, categorise and rate; that is, to market their products. They realise consumers are not only much more adept at creating highly targeted taxonomies (folksonomies) given that they are more adept at delineating the segment they themselves constitute, but, also, that they are willing to do so for free. And to the extent they cannot, they do it for them. If enough people like the band Groove Armada as well as the band The Crystal Method, there may well be a stylistic connection between them, despite the fact that one’s categorised as ‘downtempo’ and the other ‘beats and breaks’. Such strong associations tell Yahoo! to put the two on the same playlist more often, and if the positive ratings continue to come in, that connection is reinforced. Amazon does the same with their ‘customers who bought this item also bought’ recommendations.

- Community development: Helping target customers develop their own communities or create new ones.
- Community participation: Consumers do not filter and rate companies and their offerings within company websites only. Being able, with little effort, cost or technical skills, to create their own online localities, a large percentage of the filtering and rating takes place in non-sponsored, online spaces. Organisations must go and meet their target customers at their favoured online hangouts to not only listen but also participate in the dialogue.
- Help consumers engage with one another: Give them content (viral podcasting, videocasting, games, v-cards etc.) they can use to engage with one another.
- Solicitation of user generated content: Engage them directly or indirectly with your product by giving them the means or incentive to create user generated content.
- Customer self-service: Help them create a customer service FAQ in wiki or blog format. Create a blog where technical support staff and customers can communicate directly.
- Product co-development: Create a blog where product developers and consumers can communicate directly.
- Leading by teaching: Help customers in product selection by first teaching them practically, showing them a video about product use and then help them to select the product.

Metric

All marketing practices, including internet marketing, include measuring the effectiveness of various media along the customer engagement cycle, as consumers travel from awareness to purchase. Often the use of CVP Analysis factors into strategy decisions, including budgets and media placement.

The CE metric is useful for:

- Planning:
    - Identify where CE-marketing efforts should take place; which of the communities that the target customers participate in are the most engaging?
    - Specify the way in which target customers engage, or want to engage, with the company or offering.
- Measuring Effectiveness: Measure how successful CE-marketing efforts have been at engaging target customers.

The importance of CE as a marketing metric is reflected in ARF's statement:

"The industry is moving toward customer engagement with marketing communications as the 21st century metric of marketing efficiency and effectiveness."

ARF envisages CE exclusively as a metric of engagement with communication, but it is not necessary to distinguish between engaging with the communication and with the product since CE behaviour deals with, and is influenced by, involvement with both.

In order to be operational, CE-metrics must be combined with psychodemographics. It is not enough to know that a website has 500 highly engaged members, for instance; it is imperative to know what percentage are members of the company's target market. As a metric for effectiveness, Scott Karp suggests, CE is the solution to the same intractable problems that have long been a struggle for old media: how to prove value.

The CE-metric is synthetic and integrates a number of variables. The World Federation of Advertisers calls it 'consumer-centric holistic measurement'. The following items have all been proposed as components of a CE-metric:

Root Metrics

- Duration of visit,
- Frequency of visit (returning to the site directly – through a URL or bookmark - or indirectly),
- % repeat visits,
- Recency of visit,
- Depth of visit (% of site visited),
- Click-through rate,
- Sales,
- Lifetime value.

Action Metrics

- RSS feed subscriptions,
- Bookmarks, tags and ratings,
- Viewing of high-value or medium-value content (as valued from the organisation's point-of-view). 'Depth' of visit can be combined with this variable,
- Inquiries,
- Providing personal information,
- Downloads,
- Content resyndication,
- Customer reviews,
- Comments: Their quality is another indicator of the degree of engagement,
- Ratio between posts and comments plus trackbacks.

In selecting the components of a CE-metric, the following issues must be resolved:

- Flexible metric vs. Industry standard: According to some, CE "measurement has never been one size fits-all" but should vary according to industry, organisation, business goal etc. On the other hand, corporate clients and even agencies also desire some type of solid index. Internal metrics could, perhaps, be developed in addition to a comparative, industry-wide one.
- Relative weighting: The relative weighting associated with each CE-component in an algorithm. For instance, is subscribing to RSS more important than contributing a comment? If yes how much more important exactly? Relative weighting links up with the issue of flexible vs. standardised metrics: Is the relative weighting going to be solid – as will be required if the CE-metric is to be standardised – or is it going to differ depending on the industry, organisation, business goals etc.?
- Component measurability: Most of the components of a CE-metric face problems of measurement. Duration of visit for example suffers from (a) failing to capture the most engaged users who like to peruse RSS feeds; (b) inaccuracy arising from leaving a tab open during breaks, stopping to converse with co-workers, etc.
- Length of measurement: For how long must the various CE components be measured if CE is to reflect loyalty rather than short-term, faddish engagement?

Quality of Experience

Quality of Experience (QoE) is a measure of the delight or annoyance of a customer's experiences with a service (e.g., web browsing, phone call, TV broadcast). QoE focuses on the entire service experience; it is a holistic concept, similar to the field of User Experience, but with its roots in telecommunication. QoE is an emerging multidisciplinary field based on social psychology, cognitive science, economics, and engineering science, focused on understanding overall human quality requirements.

In 2013, within the context of the COST Action *QUALINET*, QoE has been defined as:

The degree of delight or annoyance of the user of an application or service. It results from the fulfillment of his or her expectations with respect to the utility and/or enjoyment of the application or service in the light of the user's personality and current state.

This definition has been adopted in 2016 by the International Telecommunication Union in Recommendation ITU-T P.10. Before, various definitions of QoE had existed in the domain, with the above-mentioned definition now finding wide acceptance in the community.

QoE has historically emerged from Quality of Service (QoS), which attempts to objectively measure service parameters (such as packet loss rates or average throughput). QoS measurement is most of the time not related to a customer, but to the media or network itself. QoE however is a purely subjective measure from the user's perspective of the overall quality of the service provided, by capturing people's aesthetic and hedonic needs.

QoE looks at a vendor's or purveyor's offering from the standpoint of the customer or end user, and asks, "What mix of goods, services, and support, do you think will provide you with the perception that the total product is providing you with the experience you desired and/or expected?" It then asks, "Is this what the vendor/purveyor has actually provided?" If not, "What changes need to be made to enhance your total experience?" In short, QoE provides an assessment of human expectations, feelings, perceptions, cognition and satisfaction with respect to a particular product, service or application.

QoE is a blueprint of all human subjective and objective quality needs and experiences arising from the interaction of a person with technology and with business entities in a particular context. Although QoE is perceived as subjective, it is an important measure that counts for customers of a service. Being able to measure it in a controlled manner helps operators understand what may be wrong with their services and how to improve them.

QoE Factors

QoE aims at taking into consideration every factor that contributes to a user's perceived quality of a system or service. This includes system, human and contextual factors. The following so-called "influence factors" have been identified and classified:

- Human Influence Factors:
    - Low-level processing (visual and auditory acuity, gender, age, mood).
    - Higher-level processing (cognitive processes, socio-cultural and economic background, expectations, needs and goals, other personality traits).
- System Influence Factors:
    - Content-related.
    - Media-related (encoding, resolution, sample rate).
    - Network-related (bandwidth, delay, jitter).
    - Device-related (screen resolution, display size).
- Context Influence Factors:
    - Physical context (location and space).
    - Temporal context (time of day, frequency of use).
    - Social context (inter-personal relations during experience).
    - Economic context.
    - Task context (multitasking, interruptions, task type).
    - Technical and information context (relationship between systems).

Studies in the field of QoE have typically focused on system factors, primarily due to its origin in the QoS and network engineering domains. Through the use of dedicated test laboratories, the context is often sought to be kept constant.

QoE versus user Experience

QoE is strongly related to but different from the field of User Experience (UX), which also focuses on users' experiences with services. Historically, QoE has emerged from telecommunication research, while UX has its roots in Human–Computer Interaction. Both fields can be considered multi-disciplinary. In contrast to UX, the goal of improving QoE for users was more strongly motivated by economic needs.

Wechsung and De Moor identify the following key differences between the fields:

	QoE	UX
Origins	Telecommunication	Human–Computer Interaction
Driving Force	Technology-centered.	Human-centered
Theoretical Basis	Measurement and instrumentation approaches. Historical lack of theoretical frameworks.	Non-instrumental research. Theoretic background in hedonic psychology.
Measurement and Evaluation	Predominantly quantitative research. Empirical–positivist research.	Predominantly qualitative methods. Interpretative and constructivist research.
Experience and Perceptions	Focus on "quality formation" and perception of quality.	Focus on "experience" concept.

QoE Measurement

As a measure of the end-to-end performance at the service level from the user's perspective, QoE is an important metric for the design of systems and engineering processes. This is particularly relevant for video services because due to their high traffic demands, bad network performance may highly affect the user's experience. So, when designing systems, the expected output, i.e. the expected QoE, is often taken into account also as a system output metric and optimization goal.

To measure this level of QoE, human ratings can be used. The mean opinion score (MOS) is a widely used measure for assessing the quality of media signals. It is a limited form of QoE measurement, relating to a specific media type, in a controlled environment and without explicitly taking into account user expectations. The MOS as an indicator of experienced quality has been used for audio and speech communication, as well as for the assessment of quality of Internet video, television and other multimedia signals, and web browsing. Due to inherent limitations in measuring QoE in a single scalar value, the usefulness of the MOS is often debated.

Subjective quality evaluation processes require a lot of human resources, establishing it as a time-consuming process. Objective evaluation methods can provide quality results faster, but require dedicated machine resources and sophisticated apparatus configurations, and may not be as precise as human measurements. Towards this, objective evaluation methods may be based on and make use of multiple metrics, or are constructed by incorporating human visual system based video presentation QoE metrics, with network and client device condition (device type, resolution, video freeze, quality switching, etc. factors).

QoE metrics are often measured at the end devices and can conceptually be seen as the remaining quality after the distortion introduced during the preparation of the content and the delivery through the network, until it reaches the decoder at the end device. There are several elements in the media preparation and delivery chain, and some of them may introduce distortion. This causes degradation of the content, and several elements in this chain can be considered as “QoE-relevant” for the offered services. The causes of degradation are applicable for any multimedia service, that is, not exclusive to video or speech. Typical degradations occur at the encoding system (compression degradation), transport network, access network (e.g., packet loss or packet delay), home network (e.g. WiFi performance) and end device (e.g. decoding performance).

QoE Management

Several QoE-centric network management and bandwidth management solutions have been proposed, which aim to improve the QoE delivered to the end-users.

When managing a network, QoE fairness may be taken into account in order to keep the users sufficiently satisfied (i.e., high QoE) in a fair manner. From a QoE perspective, network resources and multimedia services should be managed in order to guarantee specific QoE levels instead of classical QoS parameters, which are unable to reflect the actual delivered QoE. A pure QoE-centric management is challenged by the nature of the Internet itself, as the Internet protocols and architecture were not originally designed to support today’s complex and high demanding multimedia services.

As an example for an implementation of QoE management, network nodes can become QoE-aware by estimating the status of the multimedia service as perceived by the end-users. This information can then be used to improve the delivery of the multimedia service over the network and proactively improve the users’ QoE. This can be achieved, for example, via traffic shaping. QoE management gives the service provider and network operator the capability to minimize storage and network resources by allocating only the resources that are sufficient to maintain a specific level of user satisfaction.

As it may involve limiting resources for some users or services in order to increase the overall network performance and QoE, the practice of QoE management requires that net neutrality regulations are considered.

Brand Loyalty

Brand loyalty is defined as positive feelings towards a brand and dedication to purchase the same product or service repeatedly now and in the future from the same brand, regardless of a competitor’s actions or changes in the environment. It can also be demonstrated with other behaviours such as positive word-of-mouth advocacy. Brand loyalty is where an individual buys products from the same manufacturer repeatedly rather than from other suppliers. Businesses whose financial and ethical values, for example ESG responsibilities, rest in large part on their brand loyalty are said to use the loyalty business model.

Brand loyalty, in marketing, consists of a consumer's commitment to repurchase or continue to use the brand. It can be demonstrated by repeated buying of a product, service, or other positive behaviors such as word of mouth advocacy. This concept of a brand displays imagery and symbolism for a product or range of products. Brands can have the power to engage consumers and make them feel emotionally attached. Consumer's beliefs and attitudes make up brand images, and these affect how they will view brands with which they come into contact. Brand experience occurs when consumers shop or search for, and consume products. Holistic experiences such as sense, relation, acting and feeling occur when one comes into contact with brands. The stronger and more relational these senses are to the individual, the more likely repeat purchase behavior will occur. After contact has been made, psychological reasoning will occur, followed by a buy or not-buy decision. This can result in repeat purchase behavior, thus incurring the beginning brand loyalty. Brand loyalty is not limited to repeat purchase behavior, as there is deeper psychological reasoning as to why an individual will continuously re-purchase products from one brand. Brand loyalty can be shortly defined as the "behavioral willingness" to consistently maintain relations with a particular brand. In a survey of nearly 200 senior marketing managers, 68 percent responded that they found the "loyalty" metric very useful.

True brand loyalty occurs when consumers are willing to pay higher prices for a certain brand and go out of their way for the brand, or think highly of it.

Purpose

Brand loyalty is a good measure for managers to use when trying to predict brand performance outcomes. It also highlights the importance of marketing communication when trying to promote a certain product that's not doing as well as other succeeding products. Marketers are able to look at the patterns of brand loyalty and pick out characteristics that make that product thrive.

Examples of brand loyalty promotions:

- My Coke Rewards,
- Pepsi Stuff,
- Marriott Rewards.

Long Term Impact on Business

Brand loyalty in marketing, consists of a consumer's devotion, bond, and commitment to repurchase and continue to use a brands product or service over time, regardless of changes with competitors pricing or changes in the external environment. Brand loyalty reflects a customer's commitment to remain in a relationship for a long period of time with a brand.

A critical factor of building brand loyalty is developing a connection or relationship between the consumer and the brand. When an emotional relationship is created between the consumer and the brand this leads to a strong bond and a competitive advantage for that particular brand. Loyalty consists of both attitudinal and behavioral components. Attitudinal loyalty relates to the customers willingness to purchase product or service from the brand at any reasonable cost. Behavioral loyalty is the re-purchasing. Both behavioral and attitudinal components are important. One example is that a consumer displays behavioral loyalty by buying Coke when there is few alternatives available and attitudinal loyalty when they will not buy an alternative brand when Coke is not available. The attitudinal component is psychological; this leads to the behavioural action of repeat purchase. It is the attitudinal loyalty that drives most loyalty behavior and ensures loyalty over time not just with one purchase. "Brand loyalty is desired by firms because retention of existing customers is less costly than obtaining new ones. Firms profit from having loyal customers".

Benefits

Brand loyalty has shown to profit firms by saving them a lot of money. Benefits associated with loyal consumers include:

- Acceptance of product extensions.
- Defense from competitors cutting of prices.
- Creating barriers to entry for firms looking to enter the market.
- Competitive edge in market.
- Customers willing to pay high prices.
- Existing customers cost much less to serve.
- Potential new customers.

Generally speaking, brand loyalty will increase profit over time as firms do not have to spend as much time and money on maintaining relationships or marketing to existing consumers. Loyal long-term customers spend more money with a firm.

Construction

Brand loyalty is more than simple repurchasing. Customers may repurchase a brand due to situational constraints, a lack of viable alternatives, or out of convenience. Such loyalty is referred to as "spurious loyalty".

A recent study showed that customer loyalty is affected by customer satisfaction, but the association differs based on customer switching costs (procedural, relational, and financial). True brand loyalty exists when customers have a high relative attitude toward the brand which is then exhibited through repurchase behavior. This type of loyalty can be a great asset to the firm: customers are willing to pay higher prices, they may cost less to serve, and can bring new customers to the firm. For example, if Joe has brand loyalty to Company A he will purchase Company A's products even if Company B's are cheaper and/or of a higher quality. From the point of view of many marketers, loyalty to the brand — in terms of consumer usage — is a key factor. However, companies often ensure that they are not spending resources to retain loyal but unprofitable customers.

Usage Rate

Most important is usually the 'rate' of usage, to which the Pareto 80-20 Rule applies. Kotler's 'heavy users' are likely to be disproportionately important to the brand (typically, 20 percent of users accounting for 80 percent of usage — and of suppliers' profit). As a result, suppliers often segment their customers into 'heavy', 'medium' and 'light' users; as far as they can, they target 'heavy users'. However, research shows that heavy users of a brand are not always the most profitable for a company.

Loyalty

A second dimension is whether the customer is committed to the brand. Philip Kotler, again, defines four status of loyalty:

- Hard-core Loyals: Who buy the brand all the time?
- Split Loyals: Loyal to two or three brands.
- Shifting Loyals: Moving from one brand to another.
- Switchers: With no loyalty (possibly 'deal prone', constantly looking for bargains or 'vanity prone', looking for something different). Again, research shows that customer commitment is a more nuanced a fine-grained construct than what was previously thought. Specifically, customer commitment has five dimensions, and some commitment dimensions (forced commitment may even negatively impact customer loyalty).

Psychological Reasoning

Line of people waiting for the iPhone 3G outside of the Apple Store.

Humans are attracted to certain brands due to each individual psychological makeup. Cognitive responses can be matched with brand personalities. Brand personalities are broken down into 5 categories of traits: sincerity, ruggedness, competence, sophistication and excitement. Consumers are usually drawn to brands because the brand will strongly convey one of these traits, and that trait will resonate in the individual consumers mind. These traits are matched to the five psychological factors that the consumers are influenced by. These are the perception, learning, motivation, and beliefs and attitudes. In relation to brand loyalty, the most important factors are beliefs and attitudes. A belief that one might hold can be based on real knowledge, faith or opinion and have the ability to carry an emotional charge. Consumers use these beliefs to form a brand image in their minds, and marketers try to either change or enhance people's beliefs to draw them to their brand. Marketers can advertise messages such as 'no added sugar' and then if this statement resonates in the consumers mind, they will believe that this brands beliefs matches theirs Beliefs that consumers hold against brands can also be false, as word of mouth, false advertising and so forth can create false impressions. Marketers will try to counteract these negative beliefs so the consumer feels like they hold similar beliefs as the brand. Attitudes can be based on brand salience and accessibility. Consumers make constant evaluations on every aspect of their lives and these make up attitudes. Ones attitude is usually difficult to change, so marketers try to fit their brands and products into categorical attitudes. Each time a consumer makes contact with a brand (through advertising and promotion), they reflect on their attitudes to make judgements and decisions about that particular brand. If a person's attitude coincides with what a brand is trying to convey, the consumer will put the brand into a 'liking' category in their mind. The consumer will then be more likely to increase involvement with this brand, and because attitudes are difficult to change, the chances of brand loyalty occurring are increased.

Other advertising techniques such as comparative advertising have shown to increase the brand attitudes one might have. When a brand praises a competitor, rather than using a negative comparison, consumers are shown to have more positive brand attitudes, therefore drawing them to the brand. Brands may advertise themselves in ways that have nothing to do with their product, but using emotional influences that they know the average consumer will engage with. For example, using religion, world peace, love, death, children and many more symbols that humans can feel sentimental about will attract consumers to their brand. Through advertising, marketers are beginning to focus more on implicit emotional messages, rather than the actual content or information about their brand. Consumers take notice of campaigns, and a wave effect can occur, due to the relational sense of the campaign to the common person's emotions. Once an emotional hold has taken force, consumers are more likely to be able to recall the brand than consumers who have been subject to a large amount of content information. Because of this increased level of recall, brand loyalty is more likely to occur, as the brand name is resonating in the consumers mind due to a feeling of emotional attachment. Furthermore, consumers are willing to pay more for a product that has a brand name that resonates with them emotionally.

High vs. Low Involvement Consumers

Buying decisions from consumers can be dependent on their level of involvement with the product or brand. Brand loyalty can stem from whether the consumer is highly or lowly involved with the brand. High involvement consumers interact with brands and products that are important to them, are risky or expensive and products that people who are important to the consumer have strong opinions on. High Involvement consumers will usually progress through complex buying behavior to decide whether they want to purchase a product whose brand greatly differs from others. This involves gaining knowledge of the product, specifications and attributes, and furthermore creating attitudes that lead to the buyer's decision. Similarly, dissonance-reducing buying behavior occurs in the same situation, but instead with brands they see little differences between. This process consists of consumers finding purchase convenience, attractive pricing, and shopping around. High involvement consumers search for more product attributes and engage in more product related activities, such as searching for more information on a product and researching the brands background. This engagement makes consumers aware and knowledgeable of the brands attributes, so therefore they can shape behavioral brand loyalty, as the consumer feels that they know the brand well.

Low involvement consumers take on the habitual buying behavior or variety seeking behavior. These processes occur when a consumer is purchasing fast moving goods and requires a low product involvement level. Habitual behavior occurs when the consumer doesn't see large differences between brands; so therefore don't search for information. Consumers usually purchase on the basis of advertising or promotion creating familiarity. The attitudes formed by being exposed to advertisements and promotions are what can cause brand loyalty to occur. The limited amount of information processing and lack of cognitive work done to assess each brand can mean that these consumers stick with a brand simply because it is less work. Low involvement consumers are using short-cut evaluations so a known brand name that they haven't thought deep enough to find faults in will be an easy buy-decision for them. Habitual buying behavior can result in brand loyalty subconsciously. The consumer isn't actively aware they want to purchase repeatedly from a particular brand, it is just in their habitual nature to do so. Alternatively, low involvement consumers who are using variety seeking behavior see differences between brands and tend to do a lot of switching. To attempt to persuade these consumers into habitual buying behavior, marketers will try to dominate shelf space, cut prices or introduce new products. If a low involvement consumer continues to use variety-seeking behavior, brand loyalty is unlikely to be established.

Factors Influencing Brand Loyalty

It has been suggested that loyalty includes some degree of predisposition toward a brand. Brand loyalty is viewed as multidimensional construct. It is determined by several distinct psychological processes, and it entails multivariate measurements. Customer perceived value, brand trust, customer satisfaction, repeat purchase behavior, and commitment are found to be the key influencing factors of brand loyalty. Commitment and repeated purchase behavior are considered as necessary conditions for brand loyalty followed by perceived value, satisfaction, and brand trust.

Fred Reichheld, one of the most influential writers on brand loyalty, claimed that enhancing customer loyalty could have dramatic effects on profitability. However, new research shows that the association between customer loyalty and financial outcomes such as firm profitability and stock-market outcomes is not as straightforward as was once believed. Many firms overspend on customer loyalty, and then do not reap the intended benefits. Among the benefits from brand loyalty — specifically, longer tenure or staying as a customer for longer — was said to be lower sensitivity to price. This claim had not been empirically tested until recently. Recent research found evidence that longer-term customers were indeed less sensitive to price increases. Byron Sharp showed empirically that behavior affects attitudinal response not the other way round. Longer term customers are less sensitive because it is harder for them to completely stop using the brand.

An organizations ability to attract and retain customers is vital to its success. Customer loyalty requires a strong appetite by the customer for a product. Marketing tools such as integrated marketing communications (IMC) and branding can be used in ways to increase perceived attraction between the consumer and the brand. These tools are used to boost emotional response and attachment to the brand, as well as to influence feelings the customer has for a brand, both are important for congruency and a relationship, this in turn leads to the development of brand loyalty. Relationship development and maintenance can also be achieved through the use of loyalty programs or a celebrity endorser. These can help to increase a bond between a brand and a consumer.

IMC is defined as “integrating a variety of convincing messages across various forms to communicate with and develop relationships with customers”. IMC can be used to convey the brand image, increase awareness, build brand equity, and achieve shared values between the consumer and the brand.

IMC and Brand Loyalty

IMC and branding are both relevant marketing tools for increasing the brand loyalty of consumers. The decisions made around communications and branding should be based on solid and factual market research about the consumers. If the brand or the IMC do not seem to be relevant to the target market, consumers will not pay attention. An example of this is that high customization, creativity and a more direct voice is recommended for messages directed towards generation Y consumers as generation Y wants to be treated differently from the rest of the market and marketers should acknowledge this.

Loyalty programs help to reward and encourage customers, which is a necessary factor for customers to want to repurchase. The consumer should feel a connection with the brand to want repeat purchase and portray other brand loyalty behaviors such as positive word of mouth. “A loyalty program is an integrated system of marketing actions that aims to make member customers more loyal to a brand”. The main goal of a loyalty program is to create or enhance customer loyalty towards a brand whilst being sustained even after a loyalty program is discontinued. Thus, to an extent a loyalty program motivates customers to change their behavior.

The reason for marketers to use such tactics as a loyalty program is to increase likelihood of repeat purchase and retrieve vital information about the spending habits of the consumer. Loyalty programs that enhance the consumer’s opinion about how much the firm can offer them may be essential for building a relationship. Even though these programs can cost a lot of money, they help to create a relationship between the brand and the consumer. An example of a loyalty program is a simple point system. Frequent customers earn points or dollars, which transform into freebies, discounts, rewards or special treatment of some sort, customers work toward a specific number of points to redeem their benefit.

Celebrity endorsers moderate the relationship between the consumer and the brand by personifying the brand to match the perceptions of the consumer themself. Using a celebrity endorser can facilitate a relationship built between consumers and a brand because endorsers can represent similarities between themselves and the consumer, and themselves and the brand. Celebrities are used to make marketing tactics more convincing and marketing communications more effective.

An example is that a celebrity may be influential to a generation Y consumer because that generation views them as likeable, real and beautiful. In order for celebrity endorsers to effectively reach the audience, they must connect and identify with the audience. The use of a popular celebrity endorser could personalize the brand for the consumer and create the relationship between the consumer and the brand. To ensure endorsement is successful the celebrity should match the brand and the consumer. The effect of using a celebrity endorser that consumers look up to and want to emulate can lead to increased congruence between the values of the consumers and the brand, and improve the relationship between the two.

Industrial Markets

In industrial markets, organizations regard the 'heavy users' as 'major accounts' to be handled by senior sales personnel and even managers; whereas the 'light users' may be handled by the general sales force or by a dealer.

Portfolios of Brands

Andrew Ehrenberg, then of the London Business School said that consumers buy 'portfolios of brands'. They switch regularly between brands, often because they simply want a change. Thus, 'brand penetration' or 'brand share' reflects only a statistical chance that the majority of customers will buy that brand next time as part of a portfolio of brands they prefer. It does not guarantee that they will stay loyal.

Influencing the statistical probabilities facing a consumer choosing from a portfolio of preferred brands, which is required in this context, is a very different role for a brand manager; compared with the — much simpler — one traditionally described of recruiting and holding dedicated customers. The concept also emphasizes the need for managing continuity.

Issues

When brands are well established and have a decent flow of consumers, problems may arise such as slips in product quality, safety of products and lack of customer care. These problems can be detrimental to a brand that has become too confident as they can be publicly exposed and reputations can be ruined. On the contrary, many brands continue to get away with scandals, and it does not affect their image in any way. For example, the Coca-Cola brand has been involved in scandals including murders in Colombia, crimes in India and various health dangers; all relating back to the company name . The power that this brand holds is the fact that Coca-Cola is the top in its field and has a hold over competitors. The reputation of such a massive organization is hard to dent with the powerful distribution rights and funds to create some of the best ad campaigns.

Touchpoint

A touchpoint can be defined as any way a consumer can interact with a business, whether it is person-to-person, through a website, an app or any form of communication ("Touchpoint Glossary", n.d.). When consumers come in contact with these touchpoints it gives them the opportunity to compare their prior perceptions of the business and form an opinion.

Touchpoints in marketing communications are the varying ways that a brand interacts and displays information to prospective customers and current customers. Touchpoints allow customers to have experiences every time they "touch' any part of the product, service, brand or organization, across multiple channels and various points in time. Customers' opinions and perceptions are largely influenced by the contact that is made with these touchpoints, which can be positive or negative depending wholly on the individual person. Touchpoints have the ability to influence a consumers buying or intent to purchase, all throughout the five stages of the buyer purchasing decision-making process: Problem recognition, information search, and the evaluation of alternatives, purchase decision, and post-purchase behaviour. Touchpoints can happen in both a Business-to-Business setting and a Business-to-Consumer setting. A touchpoint is a message or way a brand reaches out to their target market providing engagement as it allows the brand to be seen by the prospective customer in a favorable way. The goal effective touch points are that it will create opportunity for the purchaser to choose their brand over another competitor.

Touchpoints are an element in the IMC (integrated marketing communications), which portray the willingness on behalf of the brand communicators to use specific communication motives to reach the appropriate target audience. This is used to engage customers in the pre- and post-purchase experience when they purchase a good or service. Touch points allow prospective customers to become knowledgeable on the brand and the benefits offered and allow them to make a decision to whether they will buy the product or service. An example of a brand using effective touchpoints in their marketing communications is Toyota selling the Yaris car model to the youth segment. The way in which Toyota did this was firstly advertising the Yaris in television programs such as *Prison Break*, whose viewers are typically in the age bracket they were targeting. Toyota hosted an Internet contest where consumers could create their own three-minute television commercials. This method engaged the youth segment as it was interactive and let the prospect consumers experience the brand. Toyota also knew that the youth age group were social and would likely attend social functions; this meant that Yaris cars were featured in many sponsored events. They were also integrated into television comedy programs, which attracted their target segmentation during adverts. Touchpoints in after sales market are Reception, service desk, Service manager, Dialogue inspection, workshops, and Rental car.

Pre-purchase, Purchase and Post-purchase

The consumer decision-making process is highly influenced by brand touch-points. In saying this, touch-points influence the pre-purchase, purchase and post-purchase stages of the decision making process. This is because they are constantly in contact with the consumer by way of consumer experiences with a brand or service, advertising (all forms), contact with employees, social media and many other ways. Each stage of the decision making process is also an opportunity for the brand to influence the consumer's decisions, regardless of whether or not the consumer has made a decision to purchase.

There are many ways in which touch-points can influence the pre-purchase stage of the consumer's decision making process. The pre-purchase stage can be said to be one of the most important stages of the consumer decision making process as it is where the consumer recognizes that they have a need for a product or a service. It is at this point of realization that pre-purchase touch-points are crucial, because of the fact that this is the stage where the consumer actively searches for information about a certain product. Such a search for information can be conducted via advertising, social media, internet search, word-of-mouth and family and friends' experiences etc. It is important that during this stage, in order for consumers to consider purchasing from a brand, that they create relevant touch-points that increase brand appeal. To further reiterate such a statement, in the present day, consumers have access to multiple electronic devices such as smartphones, laptops, tablets and television and are sometimes connected to all such devices simultaneously. As a result, brands may not acquire the desired amount of exposure because of the consumer's tendency to frequently switch from one device to another and from one task to another task. Therefore, brands must create short and engaging advertisements in order to capture the attention of the consumer during the pre-purchase stage of his or her decision making process. Such action will ensure that the consumer will be able to relate to a brand and will instil the belief that the brand has their interests at heart. Although brands or companies cannot precisely manage the touch-points at the pre-purchase stage to work in their favour, they can only do so much as to make sure that they monitor the channels by which consumers search for product/service information to make sure they are readily accessible.

Touchpoints for the ‘purchase’ stage of the decision making process are somewhat more direct, whereby the consumer evaluates the information they searched for in the pre-purchase stage. Evaluation in this sense is when the consumer has selected a set of brands from their information search and compares them to one another. At this point of the consumer’s decision making process, brand touch-points become the difference between a decision to buy and a decision not to buy. Touchpoints during the purchase stage, as mentioned earlier, are more direct. The reason is that touchpoints during the purchase stage can be found in store (or office if looking for a service) as store layout, through the sales team and staff, the point of sale and many other elements. The store layout is a whole touch-point in itself as it includes all types of atmospherics that help influence consumers. Such atmospherics involve using the senses to relate to consumers on a more personal level through the use of store scents, visual appearance, music and the ability to touch products. This can be further explained using the concept of ‘The Consumer’s Culture’ where the psychological core of the consumer determines the effectiveness of brand touch-points and influence. When consumers are exposed to such elements of a brand, it is at that point where they make the decision to buy or even the decision not to buy. To reduce the chance of having the consumer turn away from buying a particular brand, there is a need to ensure that staff is properly trained in product knowledge and also in interpersonal skills. The reason for this is because the staff touchpoints are a physical and human representation of what brands are all about. Therefore, it is important to note that in order for the customer to have a sense of trust in the brand or the company, the staffs needs to build rapport with the customer to retain such trust. This can further be established at the point of sale where the customer purchases a product and feels that the product they have chosen may serve their needs.

Moreover, emphasizing the fact that touchpoints are any point in which the brand communicates with the consumer, the post-purchase stage of the decision making process is where the retention of consumers becomes vital. In saying this, examples of post-purchase touchpoints are, customer satisfaction surveys, product warranties, post-purchase customer service and support, loyalty programs and even billing processes. All such touchpoints enable brands or companies to retain customers and nurture the relationship between consumer and brand. These touchpoints also provide brands with a sense of being able to control the post-purchase element of a consumer’s decision making process in a more effective manner. This is done in the hope that customers can relate to the brand on a positive level. To further highlight the importance of the post-purchase touchpoints, there is a need for brands to be readily available to and accessible by customers in order for them to remain trusting of the brand, rather than being perceived by the customer as a quick opportunity to make a sale with no post-purchase care.

A brand touchpoint, also known as a brand encounter is formed when a consumer is exposed to a brand. This exposure can occur in many different forms such as an advertisement featured on television, radio, in a newspaper or magazine. Other forms of advertising could include a display on a billboard located on the roadside, discussions regarding the product on talkback radio, a product in a window display or a verbal discussion between friends and family, all giving exposure to the brand. All of these touchpoints create a “brand experience” for the consumer.

Touch points are the first association that a customer has with a product or service offered by a company or individual and are the contact points between a customer and said provider of services. The touch point offers a link between the customer and the service, acting as a go between of what the customers wants and what the service provider is offering, providing a central service in the communication between customer and supplier. The touch point is the first interaction that a customer has with a company and that interaction is considered as the starting point of a customer journey. The customer journey/experience is the full involvement that a customer has with a particular brand, starting at the first connection between customer and service, and ending with the purchasing of a product or service and the advocacy of said product or service to others. Touch points provide the basis and foundations for information gathering techniques used by customers.

Within modern marketing, business and service providing there is a focus on the experiences of the customer base during the customer-supplier interaction. The customer journey perspective in marketing highlights the importance of multiple components that interact with each other and the customer, with the visual, audio and social aspects of a marketing strategy being crucial for a successful customer journey. The strong importance placed on the customer experience over pure product has been established due to the increasingly competitive marketplace in which products and services exist. Touchpoints make up an important and effective means of interacting with a customer base and build a notion and image of a brand within the memory of a customer. Successful businesses utilize touchpoints to build an image of what they can offer to customers, straightforward communication between parties and value that comes with the purchase of products or services.

Usage in Everyday Business Communications

Businesses that offer products or services directly to customers use touchpoints in order to improve the relationship with the consumer and create brand recognition within their minds. Companies that offer services such as transport, mobile phone packages, flights, and rental cars are creating awareness of themselves through the intensive or minimal, targeted or broad use of touchpoints which portray certain positive aspects of their company to prospective clients and customers. The choosing of a suitable touch point/s send messages to the customers about what values the company holds in high esteem. This is particularly important in the marketing of products in heavily filled marketplaces such as telecommunications, with companies producing tech-information services to retain customers in a competitive marketplace.

Touchpoints are important in the everyday communication of business ideas, creating brand encounters with potential customers, the satisfactory results of purchase and the retention of previous customers. Pre-purchase experiences of a customer are in relation to their behaviors before the business interaction between consumer and company. These experiences before purchase are crucial in the marketing of a brand or product as potential customers base their decisions on direct marketing decisions such as price and incentives, or are coerced by advertising and marketing campaigns. These touch points are created in order to influence customers before they have even decided on a product to purchase, coercive and invisible methods of design assert systematic authority over potential customers and become systems that create value before purchase has happened. The in store purchase experience is the next point of interest in the customer's interaction with a brand. When a customer has decided to purchase a product the sales agents, packaging of the product and in-store marketing are touch points that are in use to bridge the communication gap between brand and customer. These touch points are in place to specifically to influence the customer in regards to which purchase they make through effective control of layout and in store marketing.

Despite online shopping being in a steady growth period, the fundamentally important aspect of customer interaction on a face to face level is still needed and aided through the use of in-store touch points. These specific demographics, such as millennials and are adept at utilizing different means and technologies in order to acquire products and services that fit their needs. A touchpoint such as an in-store tablet computer highlighting the newest promotions bridges the gap between pre and current shopping experiences and give customers the feeling of being in constant communication with a brand that appeals to them. The stage in the relationship between brand and customer that comes last in the purchase order is the post purchase experience of the customer. The creation of a post purchase marketing strategy continues to rely on touch points to connect brand and retailer with customer. Personalization and review components through the usage of hashtags and loyalty schemes are techniques and instances of touchpoints that continue the shopping experience after the customer has left the store. Through the use of product advocacy, customers are also in contact with brands after the purchase has been completed, lending their consumer expertise to how the product functions and recommending said product to other potential consumers. The success of post purchase touchpoints relies on the advocacy of customers to resell the treatment they received during their in store purchase experience. The most prized customer is one who recommends the brand to others, feeling that their expectations have been met and they achieved what they wanted in store. The reliance on the quality of the product or service itself is a crucial way for brands to build a loyal customer base and this is an important touch point. With the quality of the product being of high importance so too is the continuation of the brand-customer communication relationship through after purchase touches points.

Brand Customer Touchpoint Types

Within the customer journey from pre- to post-purchase there are different stages at which communication between customer and brand occurs through the use of touchpoints. The categories of touchpoints range from brand originated, intrinsic, highly controllable mediums to customer initiated and unexpected modes of communication. These methods of communication through touch points include:

- Company-created touchpoints: A company-created touchpoint is one that is created and controlled by the company or brand. These touchpoints are pre-planned modes of communicating a message through physical channels, such as banner adverts and in store decorations. These methods are used to publicize certain directives to customers. These types of touch points operate in a traditional manner, visibly advertising a message the brand wants to convey.
- Intrinsic touchpoints: These intrinsic touchpoints are in use when a customer is in store or in the act of purchasing a product or service. Touch points such as timely and adept

customer service is in constant use during the purchase period. These touch points are often human oriented, messages being communicated between customer service operator or staff and actual customers. This type of touch point is vital for communicating a brand's message and modus operandi, be it a family store that looks after customers on a personal level or a slick global company that can offer the best prices.

- Unexpected touchpoints: Unexpected touchpoints are out of the control of the brands themselves but can be influenced by good business practices. These touch points are the communication from outside stake-holders, often dissatisfied or satisfied customers. These shareholders communicate between themselves, higher powers within the brand or company and review websites. These communications are touch points which hugely affect the reputation of the brand. The unexpected touch points of a company are out of their hands but also reliant on the decisions made by customers in regards to their pre purchase, in store and post purchase experiences. It's not only customers but employees that also create unexpected touch points, speaking about their treatment within a company, pay rates and other customers with family or friends. This all has unexpected consequences to a brand, either positive or negative, that can affect reputation of their product or service.
- Customer-initiated touchpoints: Much like the unexpected touchpoints, customer-initiated touchpoints are a communication between customers and brand directly, without purchase. Unlike other touchpoints, these customer-initiated touchpoints are created solely by customers relaying the experiences they received from the brand/company directly back to the brand/company. Again, these are particularly difficult to control directly yet can be managed effectively and can portray a positive message to customers through actions such as a help desk or suggestions line. These touch points, created by customers and transferred directly to companies/brands are effective ways of keeping in communication with customers even after they have finished their purchasing, evolving a brand and growing a customer base.

Brand Touchpoint Wheel

The Brand Touchpoint Wheel displays the various ways in which consumers interact with an organisation's brand, creating higher brand education. Brand touch point segments can be split into pre-purchase, purchase experience and post-purchase experience these all help influence the consumer's purchasing decision.

The pre-purchase experience shows the diverse range of interactions the consumer has with the brand and product before they enter the store. This touchpoint interaction is devised to increase brand awareness and increase a consumer's perception and expectation of the brand. These touchpoints should highlight the brand's features and benefits over other competing products increasing the brand's value to the consumers. The pre purchase segment in the brand touch point wheel allows the customer to decide if the product or service will fulfil their needs and wants. The benefits of pre purchase touch points are that they engage prospective customers, as well as retaining current customers. During this segment of the buying process people have access to knowledge of the brand, which allows them to see if they will gain from selecting this product or service over another competing brand. An example of a pre-purchase touchpoint is public relations. Public relations create positivity around the brand, as well as media influence over prospective customers.

Websites and advertising are other pre-purchase touchpoints, which allow customers to engage and learn about products or services.

The purchase experience touchpoints help the consumer shift from considering the brand to actually making a purchase. These interactions include presentation of the store, point of sale, displays and assistance from a sales person. These touchpoints and interactions influence the consumer's purchasing decision and help the consumer feel confident about the product they are purchasing, maximizing the value of the product.

The post-purchase touchpoints are those that appear after the sale has taken place to maximize the experience the consumer has received. This can be achieved through after sales services such as loyalty programs, newsletters and emails to ensure ongoing sales. Consumers who have experienced quality customer service in store are more likely to return for further purchases. These touchpoints increase brand loyalty, providing long term value between the consumers and the company. Brand touch point segments can be split into pre purchase, purchase experience and post purchase experience.

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The purchase experience is the point in the buying process, which converts the prospective customer into actually buying the product or service if they see the benefits are great enough. Packaging, in-store sampling and price-value relationship all affect the purchase experience. The customer must feel they have reaped benefits that are greater than the price they have paid for the product or service. The Brand Touch Point Wheel demonstrates that the sales force is a large contributor in this experience, as this will leave the consumer feeling either satisfied or dissatisfied with the purchase process.

The post purchase experience is the interaction with satisfaction the consumer receives after the sale or service has taken place. This is the stage where the brand and the customer may commence a long-term relationship. And the buyer can choose to become a part of the brand's community by joining a loyalty program or agreeing to receive promotional emails. The use of loyalty programs and emailing systems are techniques that maximize customer experience even after they have left the store. If the customer is satisfied with the purchase of their product or service, they will most likely be a recurring buyer and will recommend the product or service to their peers.

Touchpoints and Consumer Experience

A consumer's brand experience is based on the interactions they incur with the brand. Their experience can be shaped through both direct and indirect experiences contributing to their overall perception of the brand. Touchpoints create value for consumers and the customer-brand relationship as they come into several contact points with the brand over time.

There are three types of brand touchpoints that influence the consumer's brand experience and consideration to purchase. The first is brand owner touchpoints which is any form of brand advertising directly controlled by the company. The second is retail touchpoints which include retail advertising such as promotions and a range of in-store communications which are also directly controlled by the company. The third is the range of third-party touchpoints which includes word of mouth, peer observation and traditional earned media. Some third-party touchpoints can be detrimental to the consumer's perception of the brand specifically word of mouth. The negative experience of one customer can create negativity towards the product and influence prospective purchasers turning them against the brand.

Touchpoint interactions create benefits for consumers through the two-way communication between the customer and brand. This communication strengthens the customer-brand relationship, increasing experiential value, brand satisfaction and trust, providing a memorable brand experience for the consumer.

Touch points are used in order to persuade as well as engage customers to commit to a specific brand over other competing brands. Brand advertising is advertising by the owner of the brand or the retailer, which will give potential customers information that may persuade them into buying goods and services. In-store communications is a touch point, which includes viewing in store posters, and seeing display goods, it is the communication between seller and buyer in the store environment. Third party touch points are elements such as word of mouth, which can be, defined as any conversation held in person or online discussing a specific brand. Peer observation is another third party touch point as it is the effect of other customers in the consumption or retail environment. Traditional media is another such as news coverage and editorial information.

A study at the University of South Australia conducted by the marketing school, explored the effect of different touch points on brand consideration.

The following categories were evaluated;

- Brand advertisements,
- In-Store communications,
- Word of mouth,
- Peer observation,
- Traditional media.

From the study concluded which touchpoints were the most influential on consumers.

The highest ranked touchpoint was in-store communications, an example being the display of products in retail outlets, and the communication of information from seller to buyer delivered by a salesperson. In store communication and display of goods led to unplanned purchases in the retail environment. Multi-sensory communications from store to customer where a customer can visually see products, smell them, and taste them such as supermarket in store cooking demonstrations. This creates an opportunity for unplanned purchases.

The second ranked touch point was brand advertising and then peer observation. Whether the advertising is endorsement by celebrities or people regarded highly in peer groups. Visually seeing another peer wearing or using a specific product or service can entice a prospective buyer into choosing that same good. Word of mouth was ranked next; there was more positivity in peer observation as a touch point in comparison however. Ranked last was traditional media, which could be explained by the shift to guerrilla type marketing styles. This is a new way of engaging public customers in a more inexpensive way, while keeping customers encouraged to buy.

The way in which the brand reaches out to the individual is what leaves them with a customer experience in the hopes that they will remember the brand. Customer experience is important in the communication process from seller to buyer as if the product or service is not promoted and people cannot see what they will receive for the transaction of purchasing the good their willingness to buy will decline.

Company-created Touchpoints

Touchpoints allow marketers to deliver brand messages, increase consumer's knowledge of the brand and strengthen the company's customer-brand relationship, while adding value to the brand or product. When planning marketing touchpoints, marketers focus their attention on creating touchpoints that are most critical in forming and maintaining consumer relationships with the brand. Each company has communication objectives they look to achieve through having effective communication with their consumers through persuasion, influencing the brand voice and personality, creating a positive feeling towards the brand and driving sales.

When a consumer enters a store they intend to convert their pre-existing intentions into purchases. These pre-existing intentions are formed through pre-purchase experience touchpoints. These touchpoints include advertising, promotions, social media, word of mouth among others which allow consumers to interact with the brand before entering the store. However, the store itself also contains in-store communications which have the ability to introduce new brands to the consumer and influence spontaneous purchases. Of the aforementioned touchpoints the company only has direct control over the brand's advertising, however still has an influence on other touchpoints. Maintaining a diverse range of touchpoints is vital in evolving the consumer's attitudes and behaviours towards the brand.

Touchpoint interactions create benefits for the company as they are able to access feedback to monitor customer satisfaction, providing them with customer insights and allowing them to understand and meet the needs of their customers. They also allow the company to deliver a greater number of brand messages, emphasise promises between the brand and the customer and increase customer involvement with the brand. Traditional brand touchpoints have been utilised for many years such as, ad campaigns, media advertising, promotions and events. In present day, non-marketing communication touchpoints seem to have a larger influence on consumers and their relationship with the brand, such as word of mouth and social media.

Customer-initiated Touchpoints

Customer-initiated touchpoints are influenced through consumers and their experience with the company, however are not created by the company. Customer-initiated touchpoints can include product use, products purchased as well as visiting a brand's website. The most influential customer-initiated touchpoint is word of mouth where their experience was shared and may influence other consumer's perceptions towards this brand. Marketing today is more complex than ever as there are so many different ways brands and products can be communicated to consumers.

Paid Touchpoints

Paid touchpoints refer to different forms of advertising that marketers use to deliver their planned messages and communicate to consumers through different paid mediums. Paid touchpoints are traditional forms of media such as television, print, and radio. Using multiple different media platforms to communicate the same message is very effective and reaches a larger target audience.

Television advertising is a visual touch point that companies pay for the audience to see almost anywhere, their home, waiting area, malls, and any other place televisions could be available. This touch point has a very strong effect on the audience that for some it could be equivalent of a salesperson. Television advertisement can be highly captive and adsorbent. It has the advantages of Multi-sensory appeal; sound, music, dialogue, movement, photos, written scripture, product and so on. These high-impact visuals create a perfect brand image in audience's mind.

Television advertisement is excellent paid touch point for mass marketing. It reaches way more audience than newspaper, magazine or radios. These days, companies can choose a target market segment not only for the specific audience demographically but also geographically; specific local areas. This is a huge advantage of Television advertisement. But when it comes to disadvantages for this paid touch pint there is long list too. First of all, it is the most expensive paid touch point a company can choose. It finishes the advertisement budgets of small businesses really quickly. Initial production cast for the commercial is also very high. It includes paying writers, actors, film industry, advertisement agency and soon. Second biggest problem with this paid touch point is that it is very short lived. Indeed, some seconds. Multiple studies also show that most audience can't recall the commercials they see on T.V. This is also because during a commercial break audience are shown heaps of different commercial messages. Regardless of all these disadvantages many big companies, with big budgets, prefer this paid touch point in order to target mass audience.

Another form paid touch-point is print which involves newspaper advertising, magazines, brochures, point of sale, printed material at retail outlets and letterbox drops. Print advertisements can provide detailed information on the product however is in steady decline with the increase in social media.

The magazine is the most specialized paid touch points in print media. It has many advantages compare to other print media, but it could be expensive. Magazines are the paid touch points that offer very high-Quality images, high-gloss, heavy paper, elegant and beautiful photos that really attracts the attention of a reader. High-quality magazine advertisement boosts the favorability by consumers. Furthermore, magazines are really highly selective. Each magazine targets a specific demographic such as sports. By advertising in a sports magazine a company can reach the targeted audience; people who love sports, and can advertise sports related products. In addition to this, magazines are kept for the longest period of time compare to other print media. This is because their expiry dates in expanded by their presence in doctor's clinic, beauty salon and other many waiting area. So, it advertises the brand continuously. Additionally, people pay to get magazines.

This increase the chances for them to go through all the pages increasing the chances for the brand encounter.

One more advantage of magazine advertisement is that it easily can become a multi-platform advertising channel. Like; consumers reading the magazine (Offline), or consumers reading the magazine online. Online would come under using phones, computers, laptops, tablets and so on to read the magazine on their web page. On the contrary, magazine advertisements do have some disadvantages. For example, magazines are not good for mass advertisement at all, because magazines only target specific demographics. Also, there could be many other advertisements on the magazine. This could cause confusion for consumers to choose between the brands. Additionally, whatever magazine a company chooses for advertisement, it would be expensive. Another problem with magazine advertisement is that there is no flexibility with the deadline. Sometimes a company would have to get the campaign ready two to three months before the publications of the magazine. Overall, magazine advertisement could be great for target demographics. Some ways to deals with the disadvantages of magazines advertisements would be to prepare the campaign in well advance so that there would be minimum problems. Secondly, the company should try to make a very creative and attractive campaign in order to break through the clutter and appeal to a reader.

Radio is another paid touch point. Radio advertisement is known as the “theater of minds” as there are no visuals, so listeners have to imagine the brand image on their own. Good commercials on radio encourage listeners to have a unique picture of the brand. If it is used effectively it makes emotional connection with the listeners. This could work in the favor of brand in long term. Another, big advantage of radio advertisement is that it is very cheap compare to other paid touch points. A company can reach potential consumers frequently at low cost. Reaching frequently is very beneficial for emotional connection and thus brand favor-ability. Just like magazine, Radio advertisement also reaches different demographics for targeting specific audience. Different times of a day are for different kind of demographics, depending on what kind of programs are on, at that time. The most effective time for radio advertisement are the peak traffic hours; as people like to listen to radio when they are stuck in traffic. Most companies like to have talk-back sessions about their brand. General people discuss on the radio what they think about a brand and where they encountered that brand. This could be a great way for brand awareness as well as brand loyalty. It is particularly excellent for small local businesses. Radio advertising has quite a lot of disadvantages too. Just like magazine, Radio is not good for mass marketing, as it focuses on segment of market. Another big problem with this is that; if listeners don’t like a particular song and the advertisement was to come in that song; they switch the channel and therefore miss out on advertisement. Furthermore, there is a lot of background noise in radio advertisement; like background music, listeners doing their chores. Regardless, of these disadvantages many small business use radio advertisement as their paid touch point.

There are a number of other aspects of traditional advertising that are also forms of paid touch points. They include brand written promotional clothing, promotional pens, calendars, writing pads and company cars with brand advertising to name a few.

The communication objective for advertising is typically for consumers to learn about the brand and the company and be informed about what can be offered to them. These more traditional forms are slowly declining as everything is online, through the digital platform.

Social Media Use

Social media and the Internet have produced new technology based communication channels, known as digital platforms. Digital platforms have played a major role in the communication abilities between a company and its consumers.

Social media is a fast evolving marketing channel that continues to have a strong influence in our daily lives. It is an effective touchpoint that targets a wide range of people in a cost-effective way. There is a delicate balance when managing the marketing of a brand through social media to maintain its reputation, i.e., protecting it against negativity, and increasing brand awareness through new touchpoints while encouraging profound connections between the brand and the consumer.

As consumers are continually engaging with technology, the expectations of a company or brand have been altered. Some marketers view social media as a way of providing promotional messages and offers to potential consumers. However, social media such as Facebook is envisioned to be a platform connecting friends and colleagues worldwide. Social media is a way for companies to communicate their brand to consumers.

Research shows the most frequently used social media digital touchpoints are Twitter at 96 percent, Facebook at 94 percent and LinkedIn at 83 per cent. All touchpoints on social media have a high level of interaction and communication between the company and the consumer, through the ability to post and respond directly to comments. Ninety-two percent of companies have created a Facebook page, and companies that create multiple posts of both information and promotional material maintain a high interaction with their consumers. Through social media touchpoints the opportunity for a two-way conversation with customers can develop allowing the company to gain customer feedback instantly and monitor customer satisfaction. This two-way interaction is becoming a co-creative process where consumers are encouraged to relay feedback of their preferences and experiences of a brand for the company's consideration and comparison to improve their existing advertising of that brand. However, if a company is not consistently active on social media this can lead to a high level of customer created content. This can result in both positive and negative outcomes as social media is great for networking a product but negative comments can turn consumers against a product or brand.

Consumer Decision-making Process

All touchpoint are tools brands can influence consumers either directly or indirectly throughout the consumer decision making process.

The consumer decision making process can be categorised into three key stages: pre-purchase, purchase and post-purchase. At each of these stages a brand has a number of opportunities to use various strategies with touch points to expose their brand and influence a consumer's behaviour in the decision making process.

Pre-purchase Stage

This is where consumers first come into contact with a brand and can be either conscious or sub conscious.

This is where brands use advertising or marketing and can choose from a variety of different channels to connect with consumers. Traditional channels of media used include: websites, direct mail/samples, email campaigns/rewards, coupons, incentives, deals and promotions.

As the market place becomes increasingly complex and overloaded with various advertising, brands must consider carefully about how they can connect with consumers and how it will be most efficient without getting lost in the hustle of the market place.

Purchase Stage

At this stage the consumer has decided to purchase the product or service but the consumer decision making process is not complete.

Touch points here still have a great influence on the sale and reflects on the brand. Touch points at the purchase stage include: Sales agent or person, store placement, packaging and the point of sale.

- A sales agent has the ability to up sell or provide the consumer with more knowledge of what they are selling.
- Store placement or placement of touch points is key as a brand wants to be seen by consumers before they come into contact with another brand.

The consumer wants to easily locate what they are looking for or they could be exposed to a brand and their product or service that they have not thought about before.

- Packaging: Packaging of a product or the way brand conveys its image should represent a brand and its product or service. Similar to placement, packaging needs to capture consumer attention in a way that will encourage them to purchase that brand over another.

As the market changes and evolves, brands must maintain a balance in the need to maintain familiar with consumers as well as the need to remain relevant due to constant change. When redesigning brands must be clear about whom they want to attract and also remain consistent with the image they wish to portray.

- Loyalty programmes give consumers an incentive to return and purchase more of a brands product if they know they will be rewarded. Physical loyalty cards are being replaced with electronic systems which. This enables rewards for the consumer without them having to go out of there way, creating a customer service experience that is hassle free and beneficial.
- Newsletters: Allow a business to keep in touch with their customers' post purchase and inform them of other products and services they have to offer. This continuation of contact will help create a lifelong relationship between the brand and the consumer.
- Performance of the product/service: The quality of a brands product or service after the purchase reflects the brands image and could determine whether the consumer will return to purchase from that brand again. It is vital as interlinks back to pre-purchase stage, word of mouth, as consumers will share their feedback with others, positive or negative.

Effective use of Touchpoints

Four steps to guide businesses to implement touch points effectively to have a successful effect in the market:

- Identify the most important customers.
- Concentrate investment on the customer touch points that will do the most to raise profitable demand.
- Set realistic goals for implementation.
- Constantly revisit their performance.

In a fast-changing and evolving market, marketers face the challenge of choosing what touch points to invest in and in what media channels. Research has examined various touch points such as, brand advertising, retailer touch points, word-of-mouth, and traditional earned touch points separately.

A more direct focus allows the brand to implement touch points in a better way and gives them a clear focus on what they are trying to achieve and allows them to revisit performance on a regular basis to adapt accordingly.

Sensory Cues

Research into marketing and advertising has found that brands' touchpoints can connect with people consciously or more often sub-consciously. The use of sensory cues is used in advertising to engage consumers on a sub conscious level.

In a complex and over-crowded market place, the consumer decision making process is also becoming more complex. Brands must think in a more innovative way in order to effectively engage and connect with consumers, to remain competitive and stand out from their competitors. A strategy that is becoming more researched and used by marketing teams is the use of sensory cues in advertising and marketing.

There is an increased awareness in the emotional effect of marketing through advertising, branding, product experience and packaging this emotional effect often takes advantage of the non-conscious shopper during the consumer decision making process, manipulating the consumer without them realising.

People use their senses to connect with the world, much like how brands use touch points to connect with consumers. By using sensory characteristics brands are able to connect with consumers in way consumers are unaware of.

Brands have sensory characteristics, e.g., shapes, feels, sounds, colours and smells that they can use to influence consumers' emotions, therefore purchasing behavior. These characteristics allow brands to cue consumers' emotions on a sub-conscious level.

Brands can incorporate this into their brands image and their products. For example:

- Yellow evokes thoughts of happiness, light and excitement.

- Brown: Earthy, nature and could be used effectively to promote organic products.
- White: Pure, clean, associated with products such as washing powder and soap.

Used effectively a consumer then will associate these senses with a brand and feel a sense of familiarity when these senses are ignited.

Seven Key Touchpoints for Customer Experience

Touch points can simply be broken up into seven different elements: atmospheric, technological, communicative, process, employee to customer interactions, customer to customer interactions and, product interactions. Although there are seven elements, the customer can be experiencing more than one at a time, for example: on the phone to the business about the product while browsing the businesses website. This puts the customer experiencing all touch points apart from customer to customer, this shows the importance of ensuring customers experiences with the business are positive throughout every aspect.

Atmospheric Elements

Atmospheric covers all aspects of when a consumer comes into contact with the store physically or digitally, and will activate any of the consumer's senses, such as: sight, sound, touch, and smell. Some atmospheric elements that need to be considered for physical stores are: Store layout and design, Store displays, the overall attractiveness of the store, ambiance and amenities. For websites or mobile phone apps it is important to have an attractive, easy to use layout that will appeal to the businesses target audience.

Technological Elements

Technological touchpoints cover the ease of use of the technology and also the convenience of it, as well as self-service technology. The technological side of businesses are becoming ever increasingly important, to a business are the overall success of it. As well as having up to date technology it is important for the business to use the technology to their advantage when sending out surveys or questionnaires to their target markets, by using tools such as social media and mobile phone apps it keeps the business evolving with the consumers. Technological touch points can be when a consumer is using a self-service checkout within the store, using the businesses mobile phone app/website, or any other interactive displays within the store.

Communicative Elements

Communicative elements focus on a promotional message, informative message and advertisement. These messages are often used as a one-way communication channel from the business to the customer; it can include both promotional and informative information. It can be received in the forms of: email flyers, messages via texts, advertising on the television or radio, physical flyers and telephone calls. You can measure how affective these campaigns are through Integrated Marketing Communications (IMC) which measures the brands market performance as well as the businesses financial performance as a result of communicative elements to see how it has aided the business.

Communicating and building customer awareness and knowledge of a product or service is often centred on brand communication. Brand communication and the way customers connect with a brand are now in fundamentally new and changing ways, often through social media channels that are beyond businesses control. The communication of brands can be defined as the interactions and exposures that customers can have with the brand called touch points. Brand touchpoints include deliberate communications generated by the business but also interactions the customer has with the brand throughout their everyday life.

According to Fripp, G. the brand touchpoints for service-based businesses, who may only distribute their products and services through their staff or a call centre, are their contact staff themselves. For businesses with their own retail/service outlets, the facilities of the store are the brand touchpoint facilitating multiple touchpoints such as, signage, environment, aesthetics, atmosphere and interaction with staff and product. These brand touchpoints able to be generated deliberately by the business. Non-brand communications are brand touch points are often not able to be generated by the business but are created through customer interactions with the brand through social media, blogs, video/TV media and individual customer reviews and communication. Non-brand touch points can also include observations, seeing the brand used by others or prior use of the brand, word-of-mouth, research online and product placement.

Today customers communicate and connect with brands by expanding the pool of options before narrowing it and after purchasing remains engaged with the brand, collaborating in the brands development recognises that what has changed and is constantly changing is when and at what touchpoints they are most open to influence and how they interact with those points. Through research, Edelma, D, C. discovered that today's customers take a more iterative and less reductive purchase journey of four stages: consider, evaluate, buy, and enjoy, advocate, bond. Communication touchpoints within this journey consistently change as the customer's consideration of brands change. As they evaluate their purchase they often reduce their choices, then they evaluate those choices of brand, often expanding their options as they seek input from peers, reviewers, retailers, and competitors. Their own research is more likely to shape their ensuing choices then the marketers push to persuade them. Customers often put off the purchase decision until in store, thus the points of purchase; product placement, packaging, availability, pricing and sales interaction, are ever more powerful touch points. After purchasing the customer often continues to interact with the product, forming deeper connections through new online touchpoints. Often conducting online research after purchasing the customer, if pleased, will advocate the product or service by word-of–mouth, reviews and so may bond, entering an enjoy-advocate-buy loop that skips the consider and evaluate stages.

Referred to as the customer decision journey, business marketers should now work towards targeting these touchpoint stages and create a plan that will make the customer experience coherent and even extend the boundaries of the brand itself. Spenglar, C analysed that around a third of brand experience is based on personal recommendations, word-of-mouth, editorials, online communities and social media. Revealing that brand experience communication methods are most important and that flexibility and thus change, providing space for creative lateral thinking while developing touchpoints and planning new solutions, are more important than sustainability in today's brand and market management.

Process Elements

Process elements look at the process for the customer to get a product and the availability of the product, specifically: waiting time, navigation and service process. Waiting time can be while the customer is in store, waiting in line to check out or even purchase a coffee/wait for it to be made, but it also includes virtual checkouts, delivery, how long you are on hold with on the phone. Navigation and service look at the accessibility and ease for the consumer to get around the store, both virtual and brick and mortar stores. It can also come down to how easy the business has made the process of returning goods, whether they are faulty, wrong size, or if the customer has simply decided they no longer want it.

From when a customer first discovers a product to the time of purchasing it, they will encounter a vast ray of experiences with the product or brand. According to Westernberg, E consumers touch the brand an average of 56 times between inspiration and transaction. While many of these interactive touchpoints still involve walking by the store front, going online to the website, TV ads or radio, more and more social media touchpoints such as networking communities, blogs, Facebook and instagram are an integral part of the purchase journey.

Businesses are now realising they must find ways to differentiate their brands amidst a variety of consumer touchpoints throughout their purchase journey. Westernberg, E states that market leaders are using touchpoints to listen to their customers and are working to develop new services that help them earn ownership of the customer experience. They use social media to listen, to engage, to offer services and to interact through platforms that enhance the brand and customer experience, to keep them coming back. Traditionally businesses have developed their customer experience touchpoints by communicating their brand and services through channels they control; the shop, the phone, events, their website. Now, however there is a shift towards new touchpoints that are completely independent of the business owner; social networking such as Facebook, blogs, mobile apps, Twitter, instagram, location based services and many more.

The customers derive touchpoint value from the capabilities offered, such as a great website making it easier to find product information, making their life easier or helping to facilitate decision-making. For business owners, value comes from information about customer preferences and the ability to use this knowledge to lock in customers. Today, early adopting consumers will immediately try anything if it looks as though it will improve their lives. The incorporation of Apps with GPS locations that can now display popular restaurants nearby and connect details of products and pricing, also offering consumer opinions and comments, enable consumers to select their destination and products based on brand and customer experience. The development of new touchpoint opportunities is hugely accelerated by new technology such as, augmented reality (AR), near field communications, IPTV and sixth sense technology. The challenge for businesses is to keep up to date, engaged, understand, make choices and respond to the touchpoint opportunities evolving.

Richardson, A states that taking the time to look at touchpoints as a collective whole, would help shape a better customer experience and even point to opportunities to invent new types of touchpoints. It may reveal that some touchpoints are overly reliant on third parties who are not upholding their part of the customer experience. When Apple got fed up with retailers not doing a good enough job in communicating the Mac experience, it opened up its own stores, which is now a key reason why Apple is now able to attract a broader customer base. To analyse touch points requires multiple parts of a business to work together to improve the customer experience. Although hard to do and often more reflective of the business organisational chart than they are of an ideal experience, accomplishing a measure of integration will enable a customer experience that has competitive durability and customer enthusiasm and loyalty.

Employee-customer Interaction

The interaction between employees and customers can be said to be another important touchpoint. This is because, during such an interaction, there is a need for employees to create a sense of trust between themselves and the customers. Regardless of whether or not a customer has made a decision to purchase, and depending on the level of the employees' customer service, the interaction between themselves and the employees of a brand can create a more gratifying (or terrible) experience for the customer. Employees of all brands can adopt Robert B. Cialdini's principles of persuasion in order to create a bond between themselves and the customers that may result in the customer's decision to purchase. Cialdini states that there are 6 principles of persuasion when it comes to the consumer's decision making process: Reciprocation, commitment and consistency, social proof, liking, authority and scarcity. The use of such principles is at the discretion of the employee when dealing with customers during the buying process. The interaction between employees and customers as a touchpoint is vital in the sense that employees have the opportunity to get to know their customers and be able to grasp what is important to them as a consumer of their brand. Once such a distinction can be made, the customer will have a sense of belonging to the brand or rather, trust of the brand and as a result, a purchase decision will be made.

Employee customer touchpoints offer employees the opportunity to listen and better understand their customer's needs and wants. Westernberg, E. suggest that through the pathways of interaction through social media, web searches and mobile apps, consumers are leaving fingerprints on many touch points, such as when they seek information or visit a specific destination. This presents the following opportunities for the employee; firstly they will know what the consumer is going to look for and be the first to offer it to him or her. Secondly is the opportunity to increase the importance of the brand by making life better and easier for the consumer. By enabling the customer to interact with the business experience through social networking, they allow their customer to share their ideas, questions and suggestions. Employees ability to create positive customer interactions, hinges on being able to respond quickly and appropriately to the customers experience.

According to N. Friedman there are seven touch points of communication; telephone, e-mail, voice mail, mail, fax, face-to-face and instant messaging. The touchpoints of each of these interactions need to convey a consistent business voice. Communications via telephone is known as a "synchronous" method, meaning you are in "sync" with the person, requiring no waiting. The best part about communicating through telephone is the ability to hear the tone of voice, having the ability to have effective and positive interactions. Email is "asynchronous", meaning you communicative one at a time and do not get an immediate response, this relinquishes the interpretation of tone of voice. Standards around emailing processes need to be established within a business frame-work to avoid miss-communication, they need to be kept up to date, attended to, be well mannered and convey the voice of the business. Voice mail also uses tone of voice and needs to be to the point, ask a question and get an answer. Mail and fax again “asynchronous”, one-way information, are methods that are phasing out, but similar to emails where miss communication needs to be avoided. Face-to-face communication has it all; sight, sound, tone of voice, facial expressions and body language, it is a “asynchronous” touchpoint and yet miss-communications can occur. Instant messaging is a method of communication that is growing in use and appeal but again awareness around its best use, communication delivery and interpretation is vital.

Richardson, A defines the importance of the touchpoints behind employee and customer interaction, as the ability of businesses to speak to customers with the same tone, the same message and even the same words to communicate consistently and effectively. Businesses need to asks and address the questions; are the touch points addressing customer motivation, answering questions, working for your target market, meeting their needs, differentiating from their competitors and helping to retain the customer.

Customer-customer Interaction

In the customer realm, when it comes down to deciding whether to use a service or purchase from a brand, it can be said that the consumer evaluates brand alternatives and ranks them from the most preferred to the least preferred and forms ‘purchase intentions’. However, there are two factors that influence the consumer’s actual decision to purchase. Such factors are the ‘attitudes of others’ and the ‘unexpected situational factors’. With regard to interaction between customers, the factor that is relevant to such a situation is the ‘attitudes of others’. During the pre-purchase stage of a consumer’s decision making process, the consumer searches for information about a certain product from a variety of brands. An effective touchpoint during this search for information is experiences from other consumers of a brand whether it is from family and friends, or even reviews online via internet search or social media. Internet searches, (whether the consumer is conscious of it or not), are indirect interactions between customers that ultimately define and determine a consumer’s purchase decision. However, it is when a customer receives information about a product from someone important to them, that they truly take that information on board. For example, if a consumer recognizes a need for a new car, they seek advice or information from a family member or friend. In doing so, the family member or friend may advise them to buy the cheaper car out of all available options because it is just as efficient as the expensive car. This then lowers the chance of the consumer choosing the more expensive car. This emphasizes the point that a lot of the consumer’s decision making can be based on experiences other consumers have had with certain brands, creating this crucial touchpoint of customer to customer interaction.

Product Interaction

Product interaction is when a consumer comes into contact with a business’s physical product, whether it is directly or indirectly. Product interaction involves: quality of the product(s), assortment of products, direct and indirect interactions with the product. When customers start interacting with a product, it gives them tangible evidence about the good and whether it meets the perceived value, from the pre-purchase stage. If the product does not meet expectations, the business overall could be viewed in a negative way and vice versa. Businesses should also ensure that they have a large assortment of the goods available, in-store or otherwise, this can means have a large range of sizes for clothing, and a large number of each size, or even having an item in differing colours to give the customers options.

In developing a product businesses should do more than identify needed features. It should also design for experiences, after observing how customers interact with the product and service, why they use them and analyse how existing products might be frustrating them. Meyer, C., & Schwager, A. recognise that ideally product development will identify customer behaviours that may run counter to the businesses expectations and discover needs that haven't been identified yet. Although businesses know a lot about their customers buying habits, they know little about the thoughts, emotions and states of mind that customer's interaction with products induce. Kaplan, A. discovers how marketers are using product packaging to connect with customer emotions. He identifies there are seven different ways product packaging can be used to create positive touchpoint experiences. Human touch; used to create deeper relationships with the customer, by connecting with customer's interests and aspirations. Spiritual touch; used to connect with different areas of customer life style, heritage and culture. Physical touch; meaning the actual physical sensation packaging can provide. Personal touch; where customers are able to interact and contribute to their own personalised designs. Ritual touch; where the packaging lends itself to a customer's unique experience and use. Mental touch; the state of mind people bring, influenced by environment, trends and life style. Finally, grounding touch; where customers want to believe in something that is real, so the product needs to be honest and authentic, where it tells a story in a very honest and well-designed way.

Application Area

Return on Investment-oriented management aims to augment and optimize the effect and cost-benefit ratio of internal and external processes. As of 2011 a single communication channel seldom provides high-impact reach to all target-persons. This includes customer relationship management, buying and selling channels, distribution, service, internal and external communication, human resource management, and process-optimisation programmes. Transactions take place across multiple divisions and touch points that span the whole value chain of a company. For example, transactions may be made through classic advertising, intranet, or call centres, or through sales staff at the point of sale. Precise measurements taken at all touch points, accompanied by a systematic management of them, leads to an impact-oriented performance improvement of a brand's management.

Touchpoint Analysis

The benefit of touchpoint analysis is that, while comprehending all relevant media and departments, it filters and measures all the relevant contact points from the target customer's view. Touchpoint management allows companies to optimize all the interactions with the existing and potential customers, the internal communications and process management.

Touchpoints of a Bank

A customer may have numerous touchpoints with a bank, including client service advisors, statements, promotional events, products, financial expert reports, website, intranet, IT-systems, research reports, sponsoring, word of mouth, e-banking, call centres, etc.

Which Touchpoints are Relevant for Success?

With often over a hundred touchpoints identifiable within larger companies, the key question is: Which of these are relevant for the company's success? Analysis and assessment is undertaken on the nature and impact (for example, on brand management) of specific touchpoints. The touchpoints which are relevant for a company's success will vary by multiple factors including industry, product, service, target segment, etc.

From the overall interface landscape, central touchpoints can be identified, analysed and assessed. Such analysis enables companies to evaluate their processes, measures and engagements more holistically: future assets and budgets may be better aligned and applied to deliver a more sustainable contribution to the success of the company.

Touchpoint Categories

Across all industries touchpoints can be divided into paid (classical push media with advertising messages), owned (companies own marketing instruments, sales consultations, website, brochures, etc.) and earned ones (test reports, recommendations by customers, etc.).

Paid, owned and earned touchpoints now flow through multiple channels and the message can be two-way. The proliferation of digital channels has now influenced owned and earned touchpoints to be considered in sync with traditional paid channels. The category of paid touchpoints used to be considered the most frequently used channel of media. But people now expect various multichannel, multi-device experiences and have the ability to choose their channels to interact with a brand. This is achieved through using the same funds more effectively across paid channels, taking into account the interactions with owned and earned channels which drive better business outcomes, particularly sales. Media no longer remains about just paid or traditional touchpoints; it is about manifolds of experiences across paid, owned and earned channels. In current days society earned media is preferred over paid and owned media. That is not to lessen the importance of the other two; paid and owned media channels should be distinguished to create engaging customer experiences. In a recent study, '84 percent of millennials reported that they "didn't like" advertising and trusted their closest friends nearly twice as much as sales messages'. Sponsored content is a form of advertising brands use to strengthen credibility, but the tactic has not been very successful. The introduction of social media advertising has blurred the line between earned and paid approaches of media. A campaign, which used owned assets within its strategy, was Coca-Cola. Featuring smaller 250 ml Coke cans, which came in limited edition range of colours, which could be collected and shared. The campaign had a connected system of touchpoints, which supplied the opportunity to unlock the can to gain a vast world of content, experiences and prizes; leading to twenty seven percent sales increase above forecast.

By using touchpoints, a company can discover the many different opportunities for its brand to be positively maintained or negatively expressed. Each activity goes with the three touchpoint experience categories: pre-purchase, purchase, and post-purchase.

Pre-purchase experience touchpoints defines the many ways potential consumers can connect with a brand before deciding whether or not to do business with a company. Some pre-purchase touchpoints normally used by companies include web sites, word-of-mouth, direct mail, research, sponsorships, public relations and advertising. The design of each of these pre-purchase touchpoint interactions should not only be to mould the perceptions and expectations of the brand but to increase brand awareness and influence its relevance. And at the same time, helping potential consumers understand why this brand is better than competing brands and the value the brand delivers in satisfying their needs and wants. As the pre-purchase experience for potential consumers is examined, the brand should focus on improving the touchpoints that will encourage consumers, in the most effective and efficient way, to put the brand into consideration.

Purchase (or usage) experience touchpoints refers to those that move a customer from only thinking about a company's brand to buying a product or service and commencing a consumer-brand relationship. Purchase touchpoints that companies use include but is not limited to direct field sales, stores and face to face contact with customer representatives. The purpose of these touchpoints of interaction is to increase the value that consumers see in what the brand is offering and to ensure them that have chosen the right brand. During these interactions, it is essential to engender trust into the consumers' minds by proving without a doubt that what a company is offering is far better than those of the opposition.

Post-purchase experience touchpoints are used after the sale of the brand, the product, and or service, and to enhance customer experience with the brand. Post-purchase touchpoints can include loyalty programs, customer satisfaction surveys, warranty and rebate activities, regular maintenance, and reminders about the brand's innovations on its products or services. Even though these touchpoints offer brand-development opportunities, and the chance for businesses to enhance sustainable and profitable growth, they are ignored at most times. Post-purchase experience touchpoints aim to deliver the brand promise, to satisfy or exceed customer performance and usage expectations, and to build brand loyalty and advocacy towards the brand.

There are significant long-term benefits in evaluating a brand's touchpoints. It can help keep the brand's relevance in the minds of its users, while also building a strong and powerful brand. Utilising touchpoints is very important as George explains, in which it fully allows an organization to extensively monitor the crucial consumer to brand interactions.

Brand Encounters

A brand encounter is where the brand and the consumer meet, and the consumer forms an opinion of the business or organisation that has been encountered. Where brand encounters are beneficial is when the business or organisation wants consumers to form a good opinion of them, to create repeat business.

- Explicit brand encounters: An explicit brand encounter is where the company or organisation has planned the encounter and it has a specific purpose, this can be an encounter such as a poster or a billboard. It is where they are trying to send a clear direct message to the potential consumer. With an explicit brand encounter there doesn't tend to be any room for an emotional underlying message to be made about the brand.
- Implicit brand encounters: Implicit brand encounters are indirect ways a company sends a message to the consumer about the brand. These can be ways such as packaging and pricing. Packaging is a way that brands can communicate to their consumers about who they

are and what they stand for. The average human takes around seven seconds to create a first impression of something so packaging of products is an effective way to communicate to your consumer. By having sleek and clean lines and consistent packaging throughout their product range Apple have conveyed the message of classiness to the consumer, and that is before they have even opened the box. The brands that make the most sales have tended to be the brands that have taken the biggest risks with new and edgy ways of packaging their products. The price of a product is also a way the company sends messages to the consumer. Where you set your price relays where in the market you want to be and who you want your consumers to be. Once again with Apple, they have also set their prices high and this implicitly communicates it is for the more discerning shopper, or someone who wants a higher quality good. Store ambience and layout is also a way messages are sent to the consumer. Clean, uncluttered stores with bright white lighting or illumination can show classiness, even if the pricing differs from the initial opinion formed.

- Solicited brand encounters: A solicited brand encounter is specific and you went out and looked for the brand. It can also be described as a planned brand encounter. This can be going online and looking at the company's website, or through a third party such as at a shopping centre. Solicited brand encounters allow for some control from the company but if it is somewhere such as a supermarket companies have to allow for a degree of uncontrollability. A company that has controlled how their brand is seen through third parties is Coca-Cola. By creating and supplying their own fridges they have control of how the consumer interacts with the brand. By doing this it gives little room for error on how their products are stocked and who stocks them. This is also effective for introducing new products because it means third parties cannot move it around, or even not stock it. It allows for the company to have control over how the third party controls the stocking and promotion of new products. Companies advertising and promoting their products at the tills in supermarkets is also a way of soliciting a brand encounter, as they place their products in a position you cannot miss, and usually accompanied by bright colours or other enticing cues to attract the consumer to the product.

- Unsolicited brand encounters: An unsolicited brand encounter is where brands are seen and discussed but without the brands message being conveyed. These can be on platforms such as blogs or social media. These are encounters you didn't go and seek out, but more stumbled across and are unplanned. This type of brand encounter is one companies can struggle with as there is potential for mass media to get the wrong message about a product or service, especially if a key opinion former has a bad experience with a product or service, the bad encounter can reach a large number of people without them directly looking for the opinion. There is very little control available for unsolicited brand encounters, and with platforms such as Facebook and Twitter it means even small people who have little influence on others can say things about a brand, or a campaign and it can go much further than initially anticipated. Viral videos are an example of an unsolicited brand encounter because more often than not these just appear on things such as a Facebook newsfeed. Unlike a solicited brand encounter, these types of encounter are not specific and not direct. Ways that companies can try combat this is by releasing their own material, or replicating original advertisements to once again try get their original message for the brand out to consumers.

Tools

A large number of good tools are available to analyze specific touchpoints. Yet it is still a challenge to compare all the different contact points. New tools – like the Live Experience Tracking (LET) – capture key online and offline touchpoints. In addition to frequently examined contact points such as advertising and sponsoring, it also details store visits, sales force and PR contacts. Moreover, it collects recommendations received and given (word-of-mouth). The result: all touchpoints are in one "currency".

Neuro-tools

The increased use of touch points across a variety of communication channels has resulted in development of neuroscience and behavioural economics, to advance emotional and experiential consumer connections. Emotional customer connections are prompted by sensory characteristics, with the alignment of touch points in order for brands to develop beyond mediocrity. An example is herbal essences (a hair product brand), which focuses on the sensorial experience of smell, associating emotionally with indulgence and sensuality. Experiential consumer connections aim to create a bond or strong brand association with a consumer through a particular experience. Traditionally consumption relates to a goal-orientated activity in which someone purchases a product because it benefits him or her. This shopping orientation has been replaced with a strong desire for experiential benefits, affecting consumption emotionally and cognitively. This then leads to higher satisfaction and shows more positive loyalty intentions.

Neuro-tools are used to help distinguish which touchpoint were used and why. The holistic approach creates a model shift, not only using neuro-tools but also through creating an integrated testing mechanism, which maps out the contribution each touchpoint makes within a campaign and the nature of the touchpoint. Implementation of the approach can be modified to fit into typically difficult areas to evaluate. These include telecoms and financial services, FMCG brands, fragrance, health and beauty as well as leisure and entertainment. This approach is a three step sequence, all relating to the implicit tool. The first step is defining the overarching experience, which aims to pinpoint specific goals, helping to differentiate the brand from its competitors at a non-conscious level. Secondly it benchmarks specific touchpoints through evaluating them against the experiential template, emphasising the contribution of each touchpoint over the entire experience. Lastly it maps and tracks relative contributions through touchpoints on the experiential template.

Touchpoint Interaction Benefits

Both parties of the communication partnership can gain through touchpoint interactions. The brand is able to understand the consumer better, be able to deliver more brand messages, and can improve the involvement with consumers. While the consumers can get experiential value, brand satisfaction, and their needs satisfied.

A company is able to better meet the desires and wants of consumers through the feedback they receive. The feedback is used to guide customer satisfaction and administer consumer insight. This in turn gives consumers an overall better and improved brand experience. Second, the company can benefit from touchpoints as it aids in the investment of marketing communications by increasing message delivery and decreasing negative messages that can invalidate the marketing communications messages. And the customer benefits by assisting in the progress of two-way communication, which helps when something goes wrong, as it can be easily remedied through communication between the entities. Lastly, the company gains leverage in interactive experiences to boost brand awareness, brand associations, anticipated quality of the brand, and brand loyalty. In turn, the consumers benefit from gaining brand insurance. The risk in purchasing a product and using it is reduced or eliminated because of the increase of brand trust.

Overall, by taking advantage of the vast uses and types of touchpoints, the company/brand and the consumer gain benefits as long as the communication is there.

Touchpoint Management

Touchpoint management can be seen as a multi-disciplinary strategic approach, which focuses on the optimisation of the performance in all internal and market oriented management divisions. Normally companies manage their touchpoints in different areas such as marketing, distribution, communication, service, public relations, investor relations or human resources. Due to specialisation, it involves the challenge of developing the contact points in a 360 degree view, which would enable a consistent brand experience over all interfaces and would simultaneously keep all the brand's promises. For an efficient and consistent brand management and the buildup of a distinctive brand experience, it is important to integrate the formal, content and time aspects of the communication activities.

Touchpoint management is becoming a key issue for successful marketing and sales management. Digital media are omnipresent and readily available. Confidence in classical advertising is declining, while customers' real-life experiences and their associated word-of-mouth recommendations are becoming more important. Companies nowadays need to know how to most effectively reach their clients.

Touch point management allows for successful marketing and sales management in businesses as they can seek the strengths and weaknesses within the operations. Examples of this are lost and past customers, as contacting of these people allows information on why they moved to another brand or what did not satisfy them in their purchase experience. Contacting prospect and future customers is another way to seek strengths and weaknesses as they can provide information through surveys and word of mouth on their thinking towards the brand and their thoughts on the competition in the neighboring fields. Current customers can give straightforward information and insight into what they find satisfactory about the product or service and what needs improvement. Businesses can find out why these current customers have remained loyal to the brand and how they can continue to enhance customer satisfaction.

"It is important touch points are not over used and become intrusive on customers as this can show lack in sensitivity and can lead negative customer recall." In managing touch points and marketing programs the focus should be on 'creating and retaining' relationships as well as using a diverse range of touch points in different segments of the buying process. Managing and using touch points for communication in an effective way allows brands to gather feedback and make improvements which will increase their customer base, as well as customers who gain from the added benefit.

Managing a consumers experience with a company has a greater effect on a company's market value than the company's ability to produce and trade. Planning and managing consumer feedback that firms gain from a range of touchpoints can be critical to the success of a brand. This is a very strategic method that businesses use to develop and maintain a relationship with their particular consumers. With features such as in-store touchpoints, a business is able to promote its new brand or product allowing the consumer to engage with the item physically encouraging them to purchase the item or brand.

Brand Touchpoint Management (BTM) is a modern management tool which begins with identifying and evaluating brand touchpoints. This method allows brand managers to set up a system in which they can enhance customer experience which gives a competitive edge within their target market. With the increase in innovative technology, brands now have the ability to communicate through many channels and have to consider which methods to use as effective touchpoints. Brands are constantly building a reputation that separates them from others that produce similar products. By using the touchpoints in the most effective channels they are able to create a relationship with consumers appealing to the entire target market and enhancing the brands reputation.

Touchpoints can be seen in, Marketing, Advertising, Retailing and Sales (MARS), which shows all the variety of channels in which they can be used. All areas are taken into account when managers set up their touchpoint channels with such an integrated approach to create and manage customer experience.

- Marketing: A customer is introduced to a brand through the touchpoint which allows consumers to gain information and become educated about the brands product or service.
- Advertising: Media coverage through television or websites are major touchpoints in this modern era of technology with the innovative social media apps and constant growth of online shopping. Advertising can be seen almost everywhere which gives brand managers the channel to create touchpoints for majority of the demographics in each household.
- Retailing: Retail stores have strategically placed products or advertisements in key positions with the stores layout being a very vital touchpoint. Managing the layout of the store can be a vital point in whether or not items are sold or a service is purchased.
- Sales: Within business to consumer companies sales are the transaction touchpoint where a business and consumer both agree on a terms of trade. Consumers can be retained if this touchpoint is managed well and the experience of the customers' transaction was pleasant. For example, if a customer is satisfied with a service from a Coke-a-cola outlet they may return rather than switch to a Pepsi outlet. This brand rivalry can be beneficial for consumers as it encourages brands to provide the best service or product available.

Data is collected from various touchpoints designed to find customer behaviour and trends within the specific area. This data is examined and researched giving certain advantages to brands when selecting a target market or producing new products. This has become a dominant method for marketing when looking at where and when to advertise for example what time to put certain advertisements on television or where to put various billboard signage. This approach enhances customer experience and gives both feed forward and feedback when looking at a business to consumer relationship.

Due to the fact that there are so many touchpoints in which a business can use, it is very important that they are careful and make ethical decisions when marketing and advertising. Unethical practise can have a negative impact on certain ethnic groups or cultures. Certain touchpoints can have major effects on children as the power of visual learning is very strong at a young age. Children do not have the intellectual ability to receive many adverts in a mature manner, while being conscious to what it really is they are viewing. Therefore, companies are urged not to advertise unethically and in some countries there a certain laws to prevent such advertising.

Managed in an ethical manner, touchpoints can be very user friendly which is positive for civilization and the overall goal of anyone applying touchpoints. The management of touchpoints can be crucial to the success of any business, if all areas are not looked at when designing a plan then errors may occur and problems will arise. The feedback received from touchpoint data collection such as loyalty cards is a perfect example of the effectiveness of a well-planned touchpoint.

These touchpoint methods allow companies, firms, brands and others to maximise output effectively, improving the quality of their performance. Controlling the use of touchpoints can lead to successful business adding to the overall experience of consumers. Alongside social media, touchpoints can persuade many consumers into becoming a fan or customer of a product or service.

Out-of-box Experience

Out-of-box experience (OOBE pronounced oo-bee) is the experience a consumer (or user) has when preparing to first use a new product. In relation to computing, this includes the setup process of installing and/or performing initial configuration of a piece of hardware or software on a computer. This generally follows the point-of-sale or the interaction of an expert user.

The out-of-box experience is typically the first impression a product creates, such as the ease with which a buyer can begin using the product. For hardware products, a positive OOBE can be created with logical easy-to-follow instructions and good quality of manufacturing.

For software, this often means easy installation and “Welcome” or “Initial Configuration” wizard screens that simplify elaborate set-up. Alternatively, the OOBE may be a preprogrammed set of displays that does not afford user input.

The process of installing Microsoft Windows is a common example for OOBE. While the installation is largely automatic, the user must proceed through multiple screens to acknowledge software license terms, specify partition settings for the hard disk, enter the “product key”, select international settings, a time zone, and also configure network settings. After the installation is complete, Microsoft Windows launches the “out-of-box application” that presents a full-screen wizard to assist the user with critical first steps of using Windows, such as creating a user account, registering the software with Microsoft (optional), configuring Internet connectivity, and product activation. Although this Microsoft application is named after OOBE, the real OOBE began when the user first turned on a new computer and was taken through the initial setup.

Negative experiences

For poor out-of-box experiences, the specific term out-of-box failure (OOBF or OBF) has been coined to describe immediate product failures.

EMO Index

EMO Index is a tool which aims to measure the feelings of a customer, a group of customers or stakeholders towards a company, product or service. It serves as an alternative to traditional customer satisfaction research.

EMO Index is an indicator which measures the emotional state of customers and stakeholders and is a registered trademark of EMO Insights International. In 2012 the Company introduced the indicator in the study Emotional Management in the Spanish Retail Banking Market. The study was conducted based on 1,968 interviews with retail banking customers, both male and female, aged 18 and over, residing in Spain. The study used neuroscience techniques to analyse the customers' past and current experiences with the banks and the emotions these experiences generated in order to calculate their impact on the customers' behaviour.

Working of EMO Index

EMO Index is an individual or aggregate indicator which determines the general feelings of each customer, group of customers or stakeholder towards a company, product or service. It is a combination of the Net Emotional State (balance of emotions felt) and the Net Intensity Balance (intensity with which they are felt) and, therefore, can measure values from -100% to +100%.

Since it is calculated at an individual level, it can also classify customers into seven broad, general emotional states which its creators call EMO Clusters:

- Fans (+100 to +80),
- Believers (+80 to +55),
- Followers (+55 to +30),
- Stand By (+30 to +15),
- Lost Souls (+15 to -5),
- Burned Out (-5 to -30),
- Opponents (-100 to -30).

This emotional segmentation model challenges the traditional models used for predicting behaviour based on sociodemographic variables (sex, age, social class, etc.) or classification parameters linked to a specific sector (product purchased, volume of purchases, reasons for purchase, etc).

Its creators argue that the EMO Index is a more reliable indicator than the likelihood to recommend used by other tools such as the Net Promoter Score. Their argument is supported by a second wave of the study on emotions in banking conducted one year later on 500 subjects who had participated in the previous study. The purpose of the second wave was to determine whether they had recommended the bank to their acquaintances and the following results were obtained:

> The classification proposed by Reicheld in his Net Promoter Score (Promoters, Passives and Detractors) is not entirely consistent with regard to what the customers feel or what they say they will do, at least in the Spanish retail banking sector. In particular, it is worth noting that the term "Detractors" includes 62.6% of the customers and, therefore, it does not differentiate between the majorities. Moreover, it does not seem to correspond to the emotional state and the stated behaviour of these customers or, at least not all of them.

Service Guarantee

A service guarantee is a marketing tool service firms have increasingly been using to reduce consumer risk perceptions, signal quality, differentiate a service offering, and to institutionalize and professionalize their internal management of customer complaint and service recovery. By delivering service guarantees, companies entitle customers with one or more forms of compensation, namely easy-to-claim replacement, refund or credit, under the circumstances of service delivery failure. Conditions are often put on these compensations; however, some companies provide them unconditionally.

Benefits

According to Christopher Hart, service guarantees provide the following powerful platforms for promoting and accomplish service quality:

- By delivering service guarantees, firms are forced to focus on customers' want and expectation in every aspect of the service.
- Guarantees establish clear standards which create a common image of what the company stands for in both customers and employees' mind. Managers are motivated to seriously concern service guarantees, because they emphasize the financial expenditure of quality failures.
- With service guarantees, firms are required to build effective systems to generate meaningful customer feedback and develop corresponding courses of action.
- Guarantees require service organizations to understand reasons of failure and motivate them to identify and manage potential fail points.
- Guarantees help customers to reduce risk in making purchase decisions and to reinforce their long-term loyalty.

For customers, service guarantees play an important role in alleviating perceived risks of the purchase. The guarantees also facilitate more ease and more likelihood for customers to complain, since they expect the front-line staff to be ready with resolutions and appropriate compensations. From companies' perspectives, according to the vice President of Hampton Inn, "Designing the guarantee made us understand what made guests satisfied, rather than what we thought made them satisfied."

Design

While no conditions are imposed on some guarantees, others have apparently been drafted by lawyers and cover many restrictions. Christopher Hart states that the following criteria should be met in designing service guarantees:

- Unconditional: Promises of the guarantees must be unconditional and no elements of surprise should be made to customers.
- Comprehensible: The guarantees must be easy to understand and communicate so that customers can have clear awareness of the benefits of the guarantees.
- Meaningful: Firms must make the guarantee important to the customers and provide adequate values to offset service failure.
- Easy to invoke: The guarantee should be less dependent on the customer and more on service provider.
- Easy to collect: Service providers should design an easy and problem-free guarantees collection process for customers.
- Credible: Guarantees must be offered in a believable manner.

Types

Term	Guarantee Scope	Example
Single-attribute specific guarantee	One key attribute of the service is covered by the guarantee.	"Any of three specified popular pizzas is guaranteed to be served within 10 minutes of ordering on working days between 12 A.M. and 2 P.M. If the pizza is late, the customer's next order is free.
Multi-attribute specific guarantee	A few important attributes of the service are covered by the guarantee.	Minneapolis Marriott's guarantee: "Our quality commitment to you is to provide: A friendly, efficient check-in. A clean, comfortable room, where everything works. A friendly, efficient check-out. If we, in your opinion, do not deliver on this commitment, we will give you $20 in cash. No question asked. It is your interpretation."
Full-satisfaction guarantee	All aspects of the service are covered by the guarantee. There are no exceptions.	Lands' End's guarantee: "If you are not completely satisfied with any item you buy from us, at any time during your use of it, return it and we will refund your full purchase price. We mean every word of it. Whatever. Whenever. Always. But to make sure this is perfectly clear; we've decided to simplify it further. Guaranteed. Period."

Combined guarantee	All aspects of the service are covered by the full-satisfaction promise of the guarantee. Explicit minimum performance standards on important attributes are included in the guarantee to reduce uncertainty.	Datapro Information Services guarantees "to deliver the report on time, to high quality standards, and to the contents outlined in this proposal. Should we fail to deliver according to this guarantee, or should you be dissatisfied with any aspect of our work, you can deduct any amount from the final payment which is deemed as fair."

Managerial Implications

According to study by Wirtz, a guarantee can be introduced for many different operations/quality and marketing objectives. A company with poor quality may want to focus primarily on causes of existing quality gaps, whereas a firm with high quality standards but limited market presence and quality reputation may want to focus mainly on transforming potential customers into loyal ones.

Additionally, the impact of an explicit guarantee on purchase intent was strong for the good quality provider, but there was no change in the purchase intent for the outstanding provider. There are two plausible reasons for this. First, purchase intent was already high for the outstanding provider; hence it might have been difficult to boost the ratings much further. Second, the outstanding provider might have already captured the high-end of the market, even when it did not offer an explicit guarantee. Thus, the impact of providing an explicit guarantee would be minimal and it would be difficult for, for example, a highly rated hotel to attract new customers by signaling higher quality.

Considerations in the Introduction of Service Guarantees

Companies should conduct careful analysis about their strengths and weaknesses in the decision of introducing service guarantees. For service providers whose reputations have been strongly established, guarantees may not be necessary since they might be incongruent with their image and might create confusion in the market. On the contrary, firms which are experiencing poor service delivery must improve their quality to the level where customers invoke guarantees on a more regular basis.

In addition, service guarantees are not necessary for companies whose quality is beyond control in the presence of external factors. When realizing that there was a lack of control over its railroad infrastructure, Amtrak decided to drop a service guarantee that included the reimbursement of train fares in the event of unpunctual service.

Service guarantee is also not necessary in a market in which the perceived financial, personal or physiological risk associated with the service is little. Guarantees will then add minor values, yet still take time and money costs to design, implement and manage. In the case where customers perceive little difference between service quality between competing firms, the first firm introducing service guarantees will be able obtain first mover-advantages and differentiate its service from the others. However, if many competitors have already employed service guarantees, introducing a highly differentiated guarantee beyond the industry's common practice is the only way to generate an impact.

Customer Satisfaction

Business always starts and closes with customers and hence the customers must be treated as the King of the market. All the business enhancements, profit, status, image etc. of the organization depends on customers. Hence it is important for all the organizations to meet all the customers' expectations and identify that they are satisfied customer.

Customer satisfaction is the measure of how the needs and responses are collaborated and delivered to excel customer expectation. It can only be attained if the customer has an overall good relationship with the supplier. In today's competitive business marketplace, customer satisfaction is an important performance exponent and basic differentiator of business strategies. Hence, the more is customer satisfaction; more is the business and the bonding with customer.

Customer satisfaction is a part of customer's experience that exposes a supplier's behaviour on customer's expectation. It also depends on how efficiently it is managed and how promptly services are provided. This satisfaction could be related to various business aspects like marketing, product manufacturing, engineering, quality of products and services, responses customer's problems and queries, completion of project, post delivery services, complaint management etc.

Customer satisfaction is the overall essence of the impression about the supplier by the customers. This impression which a customer makes regarding supplier is the sum total of all the process he goes through, right from communicating supplier before doing any marketing to post delivery options and services and managing queries or complaints post-delivery. During this process the customer comes across working environment of various departments and the type of strategies involved in the organization. This helps the customer to make strong opinion about the supplier which finally results in satisfaction or dissatisfaction.

Customer's perception on supplier helps the customer choose among the supplier on basis of money value and how well the delivered products suit all the requirements. The supplier's services never diminishes after the delivery as customer seeks high values post marketing services which could help them use and customize the delivered product more efficiently. If he is satisfied with the post marketing services then there are good chances for supplier to retain the customers to enhance repeated purchases and make good business profits.

It is necessarily required for an organization to interact and communicate with customers on a regular basis to increase customer satisfaction. In these interactions and communications it is required to learn and determine all individual customer needs and respond accordingly. Even if the products are identical in competing markets, satisfaction provides high retention rates. For example, shoppers and retailers are engaged with frequent shopping and credit cards to gain customer satisfaction, many high end retailers also provide membership cards and discount benefits on those cards so that the customer remain loyal to them.

Higher the satisfaction level, higher is the sentimental attachment of customers with the specific brand of product and also with the supplier. This helps in making a strong and healthy customer-supplier bonding. This bonding forces the customer to be tied up with that particular supplier and chances of defection very less. Hence customer satisfaction is very important panorama that every supplier should focus on to establish a renounced position in the global market and enhance business and profit.

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6

Customer Knowledge Management

Customer knowledge is the blend of experience, standards and insight information which is required or absorbed during the transaction between a firm and its customer. It includes various processes like customer knowledge acquisition, storage, dissemination and utilization, etc. All these processes of customer knowledge have been thoroughly discussed in detail.

Customer knowledge is essentially the science of knowing your customers: who they are, what motivates them, what they want, need, love, or hate. Customer knowledge takes a marketer and makes him into a psychologist. It forces you to get to know your customer as more than just a number, understanding their buying patterns and consumer needs. In today's market, you cannot successfully sell to your customers without first acquiring customer knowledge.

Back before the internet, marketers would obtain customer knowledge in person, because nobody was buying products or services over the internet. It was easy to know who was buying your products, because they had to appear in the flesh in order to shop for them, or at least speak to somebody over the phone.

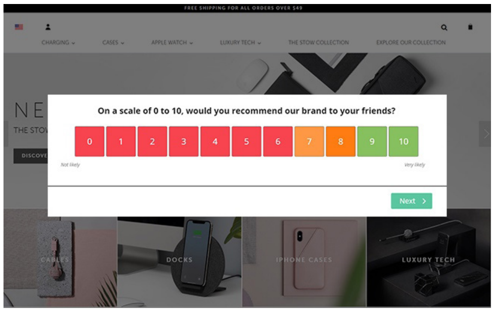
But now, many times companies sell their products almost exclusively online. This means that they don't know who exactly they are selling to unless they make direct efforts to acquire customer knowledge.

Send out Surveys to Enrich your Customer Knowledge

One of the most common and effective ways to acquire customer knowledge is to send out surveys. With this tool, the options are endless: you can structure your survey as a customer satisfaction survey, asking them questions about their experience with your company and what new things they'd like to see.

Within a customer satisfaction survey, you can ask for your customer's age, profession, interests, etc. Using their demographic information combined with their customer satisfaction responses, you can usually piece together a pretty good picture of who they are and their customer journey.

You can put this kind of survey directly on your website, send it in an email after someone makes a purchase, or have it exist as a pop in on your products page. Not all customers or potential customers will fill surveys in, but many will, and the information they give you is always, always useful.



The most important thing about surveys is taking the feedback you get seriously. Not only should you use the customer knowledge you receive to help build buyer personas of who your customers are, but you should respond to any and all customer concerns immediately. Your customers will be far more likely to fill out surveys in the future if they know that by doing so, their voice will be heard.

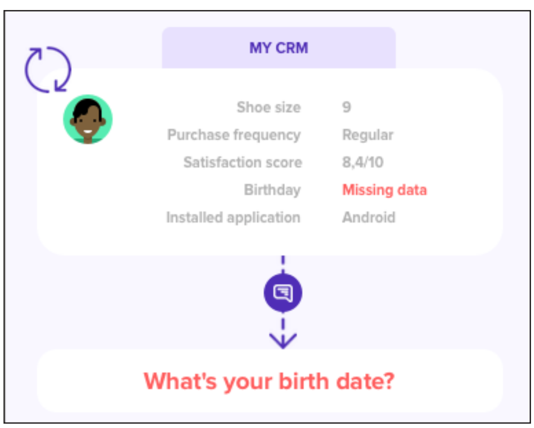
Use an Efficient CRM to Manage Customer Knowledge

Because of the unique challenges that online sales and marketing create, Customer Relations Management software is extremely common today for all size companies. In the past, it was easier to keep track of your customers and their habits because you had a brick and mortar shop for them to visit. Now, customers are much more elusive. It drives many marketers crazy knowing how many potential customers they have out in the interwebs at any given moment, browsing their website or clicking through their newsletter. CRM systems help you to capture these people.

Good CRM's essentially track your buyer's every click. They keep track of each person's interactions with your website and with your employees, inputting it all into a cohesive "buyer journey" that your sales department can look at whenever they need it.

Having this smart technology to help you keep track of the actions of your customers is very helpful at a time when it's important to know what websites your customers are visiting AND what link they used to get there. This kind of customer knowledge is helpful for nurturing campaigns and closing in on deals with new customers, as well as keeping track of your retention rates and churn.

Most of all, every data you collect through surveys must automatically and continuously enrich your CRM. To do so, you have to synchronise your Feedback management platform with your CRM software.



Get a Good CRM Manager and Reach the Perfect Customer Knowledge

A lot of CRM managers obtain customer knowledge by having a strong social media presence. By keeping track of what people are saying about you online, you learn a lot about your customers and can get a feel for who your general demographic is. You can also directly ask for feedback if someone is talking about your company and you think they might be willing to further the conversation.

Another thing CRM managers can do to obtain customer knowledge is create a sales strategy that involves personally connecting with customers. When your sales people are taking interest in your customer's lives', it makes your customers feel good, and helps you to acquire some useful customer knowledge.

One thing is for sure- marketing in today's climate without good customer knowledge is impossible. If you don't know who your customers are, your sales and marketing efforts will be wasted on catering to the wrong people and solving the wrong problems.

Importance of Customer Knowledge

A company must have customer knowledge. Why – simply because by definition this knowledge is about understanding customers in totality – their needs, goals, wants, emotional reasons for buying, and other such aspects. Without this knowledge, it would be impossible for a company to provide top class customer service, ensure customized products and services, and align its business processes and operations such that it is able to forge strong relationships with customers. Customer knowledge is about collecting, collating, and using the data that customer's leave online – data such as browsing history, buying patterns, search behaviour, and other analytical pieces of information with regard to their preferences.

Companies must know as much as possible about their customers, however, the information customers leave is scattered and difficult to use unless companies collect it and make some sense from all of it. In addition, customer knowledge should be visible, shareable, and possible to be analysed by those teams that directly and indirectly serve customers, in order to ensure that the company is able to hear and respond to whatever the customers say and need. Despite understanding the importance of customer knowledge, several companies fail to provide what customers need and are unable to comprehend their preferences. This, according to research, happens because companies often turn complacent, taking their understanding of customers to be absolute based on historical data and their accomplishments with regard to customer needs. The fact is that customers change – their needs alter over time, and their expectations develop depending on the market conditions and their business needs. Hence, what may have been relevant for a customer in the past may be obsolete in their current situation, and unless companies have the most current customer knowledge, the gap the between actual needs of customers and what they provide, will continue to exist and widen. When this gap becomes too large customers often turn away from a company and seek another company with which to engage in business.

Customer knowledge is extremely beneficial for any company. If a company accurately captures customer data, it would be easier to organize and share this data within the company for use in various departments. Obviously, the customer service teams would need access in order to enhance their interactions with customers, the sales and marketing teams would be able to prepare customized content and pitches for customers, the accounts teams would have better control over payments and refunds, and other uses for teams. It would also enable the leadership of the company to understand buying patterns, 'visit' behaviour of customers on the website and social media sites, sudden changes in buying behaviour, reasons for complaints, and other such crucial quantifiable factors.

As customer knowledge becomes deeper, a company would be able to build better and more emotional connections and rapport with their customers. This of course, is an on-going process since needs and expectations of customers change continually, and as long as a company can keep pace, the relationships with customers would sustain. Smart companies understand that they must not limit customer knowledge to their own relationship with the customers. A company must also have information on what customers spend with competitors and their relationship with them. This would enable a company to find ways and formulate strategies to outdo their competitors, such that customers spend more on the company rather than elsewhere. Of course, it would be impractical to expect that a company is able to collect every single piece of information on their customers, but whatever data it may have, should be useful and such that a company is able to make things easier for its customers.

Since businesses exist for and because of customers, the aim of collecting customer knowledge should be develop and sustain robust customer relationships, with an eye on customer loyalty. This knowledge should be the guiding factor for companies to know which offerings to give customers, when to give them, and at what rate. In addition, customer knowledge would enable a company to mould and monitor customer behaviour to advantage, and help the company with designing future products and services, and compete in new markets successfully. Customer knowledge would also help a company to know the reasons for which customers may stay or defect and whether lowered pricing by a competitor could be one of the reasons leading the company's customers away.

Many companies skimp on collecting and analysing customer knowledge simply because it requires a great deal of effort and cost. Hence, some companies tend to collect such knowledge only for larger accounts in the B2B realm, where the value they get would justify the costs they would incur on collecting and analysing huge amounts of customer data. This may not be a sensible approach for most companies – customer knowledge should be aimed at getting an all-round and overall view of all the customers of a company, in order to improve sales, profits, and gain customer loyalty. Customer knowledge must not however, be confused with other systems of customer data management – CRM for example. According to experts, while there may be some factors that overlap, CRM is more structured but has a lesser variety of information to build insights leading to stronger ties with customers.

Experts also add that customer knowledge if collected correctly would include information about individual customers that would tell the company who they are and, what they do, and what their expectations would be from the association with the company. In addition, customer knowledge would enable a company to analyse all the customers as a whole, in order to put together behaviour patterns, needs, and allow the company to customize its offerings based on individual customer requirements. Customer knowledge would therefore, have both qualitative insights – preferences, likes, and dislikes, and quantitative insights – number of orders, total value of the customer's business. With an all-round view of customers, a company would be better equipped at preparing targeted communication and content, enabling an even stronger bond and relationship with each customer.

Customer-focused companies understand how to use customer knowledge. This means that they know how and when to address concerns that customers may have with regard to the safety and privacy of their information. These companies are constantly aware that every customer is a live person and are careful not to treat any customer as data or a number, but with a lot of respect and care. It is advisable for companies to be completely honest and transparent about why they collect customer knowledge, the manner in which it is stored, and how it is used. This is reassuring for customers, knowing that their data is being used to make things easier for them and in their best interest, and that the company would never use the data to manipulate them in any manner. The better a company can do this, the more trust and reliability it would build among customers and in the market, thereby increasing customer loyalty and market share.

Customer Knowledge Management

A strategic initiative employed by companies to acquire intelligence from their customers as it relates to their organization. Companies using CKM will effect organizational and behavioural changes based on knowledge obtained from their customers.

CKM in Theory and Practice

Customer-driven companies need to harness their capabilities to manage the knowledge of those who buy their products. The question is, why do many customer-driven companies not access the knowledge of their customers directly? The problem is that the existing mindset, as evidenced by the literature, provides very little assistance to these companies.

Traditionally, market research was used to shed more light on what the customer knew and thought about the product, and how this differed from what the company had to afford the customer, resulting in enormous CRM databases. More recently, firms thought they had found a new approach to access customer knowledge. Drawing on best practices from service companies, such as the big consulting businesses, most large organizations have instituted knowledge management systems. These systems, however, are based in an indirect understanding of what customers want. KM systems are typically geared towards disseminating what their sales force or intermediary has understood from listening to the customers who bought - or didn't buy - the company's products.

It's ironic: the conceptual predecessor of knowledge management has surpassed its own offspring. Ten years ago, proponents of the resource based view to strategy have proclaimed that a company be best conceptualized as a bundle of unique resources, or competencies, rather than as a bundle of product market positions. More recent contributions to the resource-based view question this one-sided thinking about the locus of competence. It has now been claimed that such competence actually moved beyond corporate boundaries, and that it is therefore worthwhile to also look for competence in the heads of customers, rather than only in the heads of employees.

Similarly, CRM has been traditionally popular as a means to tie customers to the company through various loyalty schemes, but left perhaps the greatest source of value underleveraged: the knowledge residing in customers. While both KM and CRM focused on gaining knowledge about the customer, managing customer knowledge is geared towards gaining knowledge directly from the customer.

Whilst the literature provides little guidance for aspiring knowledge managers, we have found in our research with two dozen companies in e.g. the medical, financial services, measurement, agricultural chemicals, telecommunications, and beverages industries is a wide variety of different approaches to managing customer knowledge. Indeed, the very chasm between the wealth of practical examples of (intuitive) customer knowledge management and the dearth of (explicit) literature and guidance for managers seems remarkable. While we detected a wide variety of different approaches used by companies who manage customer knowledge, what was even more intriguing were the similarities among the individual approaches.

Five Styles of CKM and their Application

Prosumerism

Alvin Toffler first used the expression “prosumer” to denote that the customer could fill the dual roles of producer and consumer. Such co-production is not new, e.g. Bosch develops engine management systems in co-production with Mercedes-Benz, who conceives and assembles the automobile. What is new is the way that knowledge co-production with the customer expresses itself in role patterns and codes of interactivity. For example, Quicken enables the customer to learn more about the available resources in financial services, thus creating options and a predisposition within the customer to rapidly tailor-make an offering in the future, also based on creatively suggesting new ideas and benefits.

The way IKEA, the living environment furniture retailer, presents it to customers is all about co-production, about how benefits and activities have been reallocated between producer and customer. The CKM process in IKEA transforms the customer into a co-value creator, endowing him/her with new competencies and benefaction opportunities. It liberates the customer from the platform of only past, accumulated knowledge by stimulating him with a pattern of open-ended value-creating ideas, thereby effecting co-production and mutual new value evidenced in new IKEA furniture products and services.

Team-based Co-learning

The way that Amazon.com has manifested itself structurally has created a whole new set of team-based value chain (or systemic) learning relationships utilizing the knowledge of its customers. For example, the inter-linkages with the customer base and their interactive joint learning performance have made the company an attractive channel also for many other companies – we may now conceive Amazon.com no longer as a bookstore but a generalized access channel (or “portal”) for a wide range of products and services, many offered by separate but systemic-linked companies. Through the customer-systemic knowledge and colearning interactions Amazon. com’s original identity has been transformed, which in turn implies new value chain systems relationships.

The change process in Xerox Corporation, from being a “copying machine company” to becoming the “document company” is similarly based on organizational learning resulting from customer knowledge management. Customer knowledge was the key to reconfigure the entire system of document management and its infrastructure, spanning resources and processes much broader than its own traditional realm of activities. Whereas the Prosumerism CKM style focuses more on co-production of products and services, team-based co-learning focuses on reconfiguring entire organizations and systems of value.

Mutual Innovation

In the 1970’s, Eric von Hippel found that most product innovations come not from within the company that produces the product but from end-users of the product. For Silicon Graphics, lead customers from the movie industry have become an important source of new ideas and innovation. Silicon Graphics sends its best R&D people to Hollywood to learn firsthand what the most creative users of its products might want in the future. In addition, Silicon Graphics nurtures relationships with lead users from other industries that require massive computation and high-end graphics – such as for drug design and aerospace landing gear. Just asking these users about their future needs is unlikely to result in new products (although it can lead to continuous product improvement); the major breakthroughs come from mutual and closely integrated innovation practices.

Ryder Systems in the trucking industry is another example of utilizing customer knowledge through mutual innovation. In close collaboration with customers it developed complex and extensive logistics solutions to its customers, probing deeply into the operations and even manufacturing and supply chain strategies of customers. Jointly they developed special knowledge of truck driver requirements, thereby reconfiguring truck personnel management activities. Ryder in effect has become, via mutual customer innovation, a logistics systems solutions expert, transcending its identity as a trucking company.

Communities of Creation

Communities of creation as a CKM style is reflected in the putting together of customer groups of expert knowledge that interact not only with the company, but importantly also with each other. Similarly to communities of practice, communities of creation are groups of people who first work together over a longer period of time, second they have interest in a common topic and third, want jointly create and share knowledge. Unlike the traditional communities of practice, however, communities of creation span organizational, rather than functional boundaries to create common knowledge and value. In the traditional computer software development process, Netscape and Microsoft make use of free “beta” versions of its products for use, testing, comments and reporting not only to the company, but also among the user community themselves. They enlist thousands of willing, devoted testers, some just interested in using the free “beta” product and others intent on looking for “bugs” to show off and perhaps even collect a prize. Customers appreciate product newsgroups and “chat rooms”, where they can also learn how the companies are acting on their feedback – resulting in loyalty and even a sense of ownership.

Sony and Panasonic in the consumer electronics market have set up “antenna shops” at locations such as shopping centers and airports, where demanding customers frequent and prototype products are featured. Customers can experiment, test, and converse with each other, and development engineers and product managers are available to talk to and watch customers, getting first-hand knowledge of customer’s reactions and what they would really want. Another example of a community of creation style of CKM is the Weight Watchers. This company brings groups of customers together in order for customers to exchange knowledge and experience, and for weight watchers to obtain insights for CKM. The important point is that this does not happen in itself – it has to be carefully managed even if participation is voluntary and intrinsic as tends to be the case with Weight Watchers.

Joint Intellectual Property

This style of CRM is probably the most intense involvement between customer and corporation – the notion of the corporation being “owned” by its customers. The Swedish companies Skandia Insurance and Kooperativa Förbundet (KF) increasingly think of themselves as businesses owned by customers, i.e. being in business for and because of its customers. Thus, intellectual property does not reside in the company, but is “owned” partly by the customers. This formula enabled KF to make remarkable achievements over a long period of time, becoming a pioneer in customer education and the consumer movement through joint knowledge ownership and its continuous development. Instead of just coproducing products and services together, customers and company co-create future business together. For example, the broker, banking and other retail customers of Skandia combine with the company’s key strategy decision-makers to review the scope of joint business, possible joint new strategic initiatives, and joint knowledge expansion of e.g. emerging markets. Customer success in fact becomes corporate success, and vice versa.

Common Stumbling Blocks

CKM can provide a significant competitive advantage to companies, but it’s possible stumbling blocks have to be appreciated and circumvented. The major stumbling blocks we have identified include:

- Application of CKM with an inappropriate mindset, e.g. as a tool for leveraging knowledge from customers, instead of as a long-term customer value-creation mechanism for sustainable mutual growth and performance. Companies have to value and nurture their customers as knowledge partners, instead of knowledge sources, for CKM to be effective.

- Underestimating customer diversity, and applying only one or two of the CKM styles exclusively to all types of customers. Customers differ, even in the same industry segments, and this variety among customers requires a richness of CKM styles with different approaches and techniques.

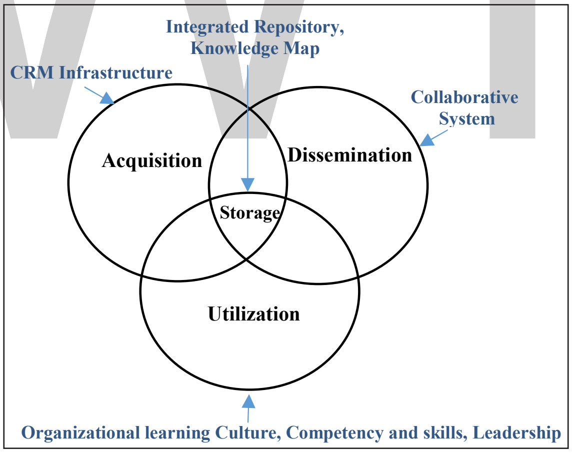
- Inappropriate incentives for customers and organizational entities to leverage CMK to its full potential for both parties. The challenge is both avoiding under-estimation of incentives, as well as over-estimating them. These can work as disincentives if not properly sensed, devised and implemented.

- Inadequacies in organizational infrastructure and processes to handle the leveraging of knowledge from customers. Current theory regarding balanced scorecards in organizations emphasize organizational processes to enable customer satisfaction, and the converse should now also be possible - the ability of organizational processes to accommodate diverse customer knowledge inputs.

- Falling into the possible 'trap' of over-reliance on (existing) customer knowledge (danger of being overly 'customer-led' and not broader 'market-led'), without appropriate sensing of wider environmental impacts and influences.

- Trust and protection issues not adequately emphasized, i.e. mutual understanding, reliance and confidentiality must be agreed upon and consistently implemented. Careful consideration has to be given to degrees of openness in sharing of knowledge, and cultural issues of respect, trust and ways of interacting have to adequately coshaped and optimized.

Customer Knowledge Management Processes



Organizational knowledge can be acquired from both internal and external sources. One of the valuable external sources of knowledge is customer. Customers create and accumulate knowledge about the company through their personal experience with the company, its markets and its products and services. CK is considered as one of the most important resources to achieve competitive advantage, and one of the most dominant types of knowledge management (KM) activity. Gebert, et al. classified CK into three main categories. The first type called "knowledge for customers" refers to knowledge about products, markets and suppliers applied to satisfy customers' knowledge needs. The second type is referred as "knowledge about customers," which is created based on the analysis of historical customers' data and information. The third type which is known as "knowledge from customers," refers to the customers' feedbacks.

Knowledge Management (CKM) is referred as a strategic practice in progressive companies for gaining capability to change their customers from passive recipients of products and services to active knowledge oriented partners Sofianti, et al. CKM is about acquiring, sharing, and enlarging the knowledge residing in customers contributing to both customer and corporate welfare. CKM is described as an ongoing process of generating, disseminating and using customer knowledge within an organization, and between an organization and its customers.

CKM Processes

There are four processes involved in the CKM, with which the knowledge is employed into the organization. The process begins with the phases of acquiring and storing the knowledge into the CKM system, and is followed by the phases of disseminating and using of knowledge among the communities.

Customer Knowledge Acquisition

Knowledge acquisition is the starting process of CKM. Knowledge capture and acquisition is essential for the establishment of organizational memory. CK can be used to support customer services, sales and marketing. The CK acquisition process is the process of obtaining or creating CK: from customers, about customers and for customers. The Customers' knowledge is created based on accumulated experience of the products and services, marketing, sales and support of companies and competitors. CK acquisition should be a dynamic and continuous process that acquires knowledge not only about existing customers, but also defecting customers, new customers, prospective customers and customers that are loyal to competitors.

Customer Knowledge Storage

This is a process where the knowledge will be kept in repositories. This process indexes the knowledge dynamically, and maps the knowledge into specific requirements. Repositories and knowledge map technology is useful for organizing and categorizing knowledge. It is evident that once knowledge is stored and updated periodically, knowledge can be shared smoothly. Thus, knowledge storage facilitates knowledge sharing within organization.

Customer Knowledge Dissemination

Knowledge sharing is a prerequisite for developing new technologies and products. Performance can be enhanced, when people communicate information, best practices, lessons learned, experiences, insights, as well as common and uncommon sense. Accordingly, the ability to share knowledge between units contributes significantly to the project success. The collaboration system can disseminate knowledge in a collaborative environment, depending on whether the communication method is synchronous or asynchronous or combination of both.

Customer Knowledge Utilization

Knowledge utilization is the most crucial aspect of CKM. This is due to the fact that all the advantages of the other phases of acquisition and dissemination are required to be accumulated in this stage resulting in tangible profit for the organization. CK utilization is implied as the capability of the organization to use existing knowledge about and from the customer, with which the customer relationship, product or service innovation and quality will be enhanced. More precisely, Knowledge utilization conjures up as utilizing the knowledge both for learning about customer needs and behaviour, which is called “knowledge enhancing utilization”, and for the development of customer-specific products and services, which is referred as action-oriented utilization. Thus, knowledge-enhancing utilization results in changes in the existing knowledge base and in the understanding of the customers, whereas action oriented utilization leads to more concrete changes in activities. Product development is considered as a knowledge intensive process that requires both knowledge creation and application to produce highly successful new products.

Key Challenges of CKM

Developing a reliable customer knowledge management system could involve certain challenges such as knowledge retrieval, transfer and assessment, as well as establishing trust among different sides of the equation. Knowledge management comprises four distinct processes, namely “knowledge acquisition, knowledge storage, knowledge dissemination and the use or responsiveness to knowledge”. In each process, there are some technological, organizational and human challenges.

Orlikowski proposed a theoretical model to consider impact and interaction between organization, people and technology. In her theory, Orlikowski stated the relation between organization, people and technology. Van den Brink expressed that we shape technology, and then it shapes us through our use of technology in special ways. Thus, the social systems are independent of us, but they are created every day through our thinking and through our actions. Therefore, according to Orlikowski theory, to manage customer knowledge successfully, technological, human and organizational challenges should be taken into account. In order to benefit from CKM, organizations need to have a strategy. In addition to having an appropriate strategy, firms are also required to motivate their customer for sharing knowledge and motivate their employees to absorb and manage knowledge effectively. Appropriate training can enhance organizational culture and provide an organizational learning culture, which can be implied as learning by doing. This culture facilitates the process of learning from customer and applying customer knowledge to achieve product quality and innovation.

Organizational Challenges

Structural Challenges

One of the challenges of CKM in an organization is the structure of the organization that can support CKM. Successful CKM requires transformation of organizations from product– centric to customer centric, from vertical to a network structure, from individualistic to collective work. Attafar, et al. noted that one of the important barriers of CKM is interdepartmental conflicts.

Cross functional cooperation is very important for CKM. So, an organization should develop channels that enable two-way communication with customers and between departments, and they should foster cross-functional knowledge-sharing among employees. In case internal departments operate independently, then collaboration among departments is limited. Consequently, many potential benefits of the CKM are not being utilized. Organizational Interfunctional cooperation needs to manage individual customer relationships. Customer information and knowledge should be available to everyone in an organization dealing with customers, and everyone who uses customer knowledge in decision making. Yet, customer information and knowledge can be available for functions that are not directly dealing with customers; such as finance and accounting.

Cultural Challenges

One of the cultural challenges related to CKM is that organizations are not looking at their clients, but are internally oriented. Companies affected by this challenge typically perceive customer as a source of revenue, rather than considering it as a source of knowledge. In that respect, there are three cultural reactions to implement CKM. The first reaction is called ‘corporate narcissism’ and is characterized by statements such as ‘we know our own business better than our customers do’. This was compounded by well-known business aphorisms such as Sony’s proclaiming that ‘no customer ever asked us to develop the Walkman.’ The second reaction is the exact opposite of corporate narcissism, namely, lack of a critical perspective when it comes to customer knowledge. For example, Harley Davidson’s chair- man and CEO Jeffrey L. Bleustein said at the Fortune Leadership Conference in Chicago on April 2002 that Harley customers asked the company to produce cigarettes with the Harley Davidson Brand, a venture that was soon discontinued, even though market research showed that 80 per cent of the company’s customers are smokers. The third reaction, which might be dubbed ‘corporate shyness’, was colourfully illustrated by a senior manager at Siemens’ headquarters in Munich. This concept addresses the increase in transparency of internal processes and the sharpened scrutiny from the perspective of the customer, and is highlighted by referring to the sentence ‘walking around naked on a crowded Marienplatz at noon’.

With regard to the first two recessions, companies interested in CKM need to appreciate that customer knowledge should be taken with a grain of salt. Customer knowledge constitutes an important ingredient in innovation processes, but it is not a panacea, and certainly does not replace the R&D department. With regard to the third reaction, just as CKM does not mean accepting all customer knowledge at face value, companies need to realize that CKM does not mean disclosing all knowledge of the company to all customers. This calls for appropriate network security processes (‘Chinese Walls’), as well as trust-building processes that enable companies to purposefully encourage the flow of knowledge in certain areas, while controlling or limiting it in others.

Human Challenges

Competency Challenges

CKM competence refers to the ability to integrate customer information and knowledge into an organization’s every day processes and operations. Organizations need to develop competencies in all aspects of CKM, which ranges from understanding who their customers really are and what they want to designing platforms specifically for customers. Skills and competencies for CKM are different from those designed for internal use. Al-Shammari and Global argue that Skills and competencies for CKM must be used in the collection, creation, dissemination, and usage of CK. However, companies do not often take full advantage of the knowledge sources they have, e.g. communities of practice, alumni, retirees, and front line workers.

Peng, et al. noted that lack of the expertise to guide through problem solving is one of the barriers of CKM. Triki and Zouaoui mentioned that organizations need three types of competencies for successful CKM, which include; customer knowledge acquisition skills, customer knowledge sharing skills and finally customer knowledge use skills.

Privacy Concerns

It is believed that much of CKM is based on developing a trusting relationship with each customer. Organizations should take privacy dimension into consideration. Companies must understand not only the legal guidelines around how customer data is protected, but also how customers feel about how a firm uses their information. For example, too much customization is likely to make some customers feel uncomfortable with what a company knows about them.

Importance of privacy concern is highlighted by Mukherji as he believes that why customers would spend the time to provide information to the organization while customers deem solicitation of such information as invasion of privacy. However, organizations need to train their employees such that they can elicit information from customers through meaningful interaction. Socialization is the predominant vehicle for sharing tacit and complex knowledge is premised on depth of relationships between individuals. The challenge would be to develop such relationships with the customers within a time period that is long enough to create meaningful interaction and yet not so long as to make a customer uncomfortable. Organizations also need to act on the information collected and show visible impact of such interactions to the customers in order to motivate the customers to share information multiple times.

Trust Concerns

One of the key challenges in retrieving knowledge from customer is lack of trust. The CKM system needs more social interactions between the project teams and customers. Since trust can enhance social interaction between the customer and development team, lack of social interactions in fact, could be viewed as the main origin of issues. Lin, et al. argues that to improve the effectiveness and efficiency of CKM, trust between customer and company is important. Skotis, et al. argue that lack of trust and lack of motivation are barriers of CKM. In fact, Trust refers to the avoidance of opportunistic behaviours to gain customer knowledge in order to improve the firm`s reputation and image.

Wu, et al. expressed that Knowledge for customer can also be the knowledge sharing among customers. Knowledge sharing can lead to an added value in that it enables customers to know the product/service better with the help of knowledge from other customers. More importantly, the knowledge sharing among customers is perceived as more neutral and trustworthy, and thereby helps to reduce customer's perceived risk.

Developing a trustworthy environment in which project team members can actually share appropriate knowledge to external parties such as customers and vice versa is certainly a challenge.

As studies show, one of the biggest challenges that a project manager might face would be encouraging individuals to share their knowledge, particularly tacit knowledge in favour of an organization's overall success.

Motivation Challenges

Lack of motivation is considered as other important barriers against CKM. This is due to the fact that knowledge management is a human based activity, so individual motivation plays an important role in sharing explicit and tacit knowledge between customers and employees and between employees. Motivation includes the identification of incentives and customer rights. From the company`s point of view, firms must develop the capacities to identify, absorb, share and deploy valuable customer knowledge. Peng, et al. argues that lack of motivation in the service employees is one of the barriers of absorbing customer knowledge. Lorenzo-Romero, et al. mentioned four benefits that motivate individual for customer knowledge creation and sharing. The first benefit called learning benefits are related to the acquisition of knowledge and gaining an understanding of the environment. The second advantage known as social integrative benefits are related to intensifying consumer ties with relevant others. The third benefit referred as personal integrative benefits are associated with strengthening the customers' own status and self-confidence, and finally the fourth benefit called hedonic benefits deal with enhancing aesthetic or pleasurable experiences.

Aho and Uden found that in the software development context, creating possibilities to participate and express personal opinions are key elements in successful development processes. Thus, motivating customers and project team members to share their knowledge is important in order to gain customer knowledge. Therefore, the system should encourage customers to complain, which is intended to provide the company with a better feedback. In fact, Complaint management is an important marketing variable and a key element in relationship marketing and CKM by extension. Accordingly, in applying a CKM system within the firm, the customer data profile needs to be expanded in order to include non-transactional data such as general inquiries, suggestions and complaints.

Technical Challenges

Infrastructure Challenges

CRM systems, collaboration systems, knowledge map technology and social media are fundamental infrastructure for CKM. Lack of these infrastructures is an important challenge for CKM. Technology has the capability to provide access to large amounts of data, and to enable long distance collaboration between business functions and teams. Technology is firmly believed to perform as a facilitator to support and encourage CKM by making CKM more effective and easier. However, the key issue is to choose an appropriate technology capable of developing a close fit between people and organizations. This issue is highlighted by referring to fact that a technology that operates effectively in some organizations may fail in others.

This infrastructure includes three related dimensions. One dimension deals with having explicit online, indexed and mapped knowledge by providing easy access and accurate retrieval for all users. In fact, storing, categorizing and organizing customer knowledge by using the repository and knowledge map technology is essential for effective CKM. It should be stated that in this condition, the emphasis is put on explicit knowledge. Next dimension is related to improving communication, collaboration and coordination between individuals, teams, or groups to share the knowledge. Here, the emphasis is on tacit knowledge, and providing the collaboration system is necessary. The third dimension is about presenting pointers to individuals with a special expertise or documents that describe knowledge. In this dimension, the emphasis is on both tacit and explicit knowledge. Knowledge map technology is useful for mapping and addressing both tacit and explicit knowledge.

In spite of importance of IT systems, it must be stated that they are only tools and not solutions. In fact, individuals are still responsible for sharing information and knowledge. A key aspect of an organization's resources is its intellectual capital and knowledge base. This includes the skills and experience of its employees, its policies, processes and information repositories.

CKM Assessment Concerns

In order to get a better understanding about the current conditions of CKM in an organization, CK audits could be considered as the first essential step. By conducting regular audits, key success and failure aspects of implementing appropriate CKM systems in knowledge-based projects could be identified and monitored. Having such a system within the organization might be achievable as a result of certain efforts. Engaging customers for similar strategies might not be very easy, and certainly will require a fundamentally well-established environment which enables healthy communication and collaboration with customers.

Moreover, assessing CKM efforts is not an easy endeavour and could be measured in few certain special ways. Indicators such as resource growth, knowledge content development, project survival and financial return are the key attributed factors which have been identified as key aspects for such purpose. Yet, a number of aspects are not easy to be measured. Tacit knowledge, for instance could not be measured by quantitative procedures. In case of customers, developing Key Performance Indicators (KPI) has been the most commonly used approach to measure various aspects of customer engagement and collaboration strategies. Therefore, it is fair to identify CKM assessment as one of the key challenges in such environments to be addressed both among the project teams and customers.

Wilde found that the Poor customer data quality and lack of customer orientation strategy are considered as the major challenges in effective CKM. Mukherji mentioned that not all information provided by the customer is valid. Therefore, Organizations need to have powerful analytical and triangulation processes to ensure the validity of the information that they collect from the customers before they can act on such information. Necessity of conducting such analytical oriented assessment is highlighted by referring to point that capturing interactive data from customers would be both difficult and expensive, and Organizations need to be conscious of the returns that they get from such investments. The importance of assessment is emphasized by Talet as he states that Measures need to be established to assess the impacts of the CKM and use of knowledge as well as verifying that the right knowledge is being captured.

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We would like to thank the editorial team for lending their expertise to make the book truly unique. They have played a crucial role in the development of this book. Without their invaluable contributions this book wouldn't have been possible. They have made vital efforts to compile up to date information on the varied aspects of this subject to make this book a valuable addition to the collection of many professionals and students.

This book was conceptualized with the vision of imparting up-to-date and integrated information in this field. To ensure the same, a matchless editorial board was set up. Every individual on the board went through rigorous rounds of assessment to prove their worth. After which they invested a large part of their time researching and compiling the most relevant data for our readers.

The editorial board has been involved in producing this book since its inception. They have spent rigorous hours researching and exploring the diverse topics which have resulted in the successful publishing of this book. They have passed on their knowledge of decades through this book. To expedite this challenging task, the publisher supported the team at every step. A small team of assistant editors was also appointed to further simplify the editing procedure and attain best results for the readers.

Apart from the editorial board, the designing team has also invested a significant amount of their time in understanding the subject and creating the most relevant covers. They scrutinized every image to scout for the most suitable representation of the subject and create an appropriate cover for the book.

The publishing team has been an ardent support to the editorial, designing and production team. Their endless efforts to recruit the best for this project, has resulted in the accomplishment of this book. They are a veteran in the field of academics and their pool of knowledge is as vast as their experience in printing. Their expertise and guidance has proved useful at every step. Their uncompromising quality standards have made this book an exceptional effort. Their encouragement from time to time has been an inspiration for everyone.

The publisher and the editorial board hope that this book will prove to be a valuable piece of knowledge for students, practitioners and scholars across the globe.

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