MNM3014 Long Questions from past exam papers

1. Discuss new capabilities that are required for relationship marketing to be implemented successfully

SG: 11	TB: 14	SU: 2	8 marks	From exam: 2010-06, 2011-10

- **Support at executive level**
  - An organisation wishing to implement CRM must have support at executive level, and there needs to be a commitment to CRM, initiated by top management.
  - The whole culture of the organisation must change.
  - The CEO must take the lead and ensure that the message is broadcast throughout the organisation, must understand the real meaning of a relationship before committing the business to CRM and must focus on the value that can be created through relationships with key stakeholders.
  - Most profitable customers to focus on must be identified
  - Management needs to recognise the fact that the relationship with customers needs to be managed.
  - Without commitment by top management CRM cannot succeed
  - Customer-centric approach required
  - Examples: establish annual marketing excellence recognition program, obtain outside help and guidance, shift from department focus to process-outcome focus. See examples on page 15
- **Processes**
  - A process is a structured set of activities that converts one or more inputs into an output.
  - 3 processes that create customer-perceived value:
  - Service quality management, service recovery and complaint management are 3 processes to create customer perceived value
    - Service quality management has been influenced by 2 perspectives:
      - conformance to specification: examples to produce error-free invoices, deliver on time, produce initial response to customer complaints within 24 hours, etc
      - fitness for purpose: examples to allow the customer to select preferred communication channel, to recruit customer contact staff who are responsive and empathic, customise products for customers
    - Service recovery includes the actions taken by a business when there has been a service failure. Customers are not concerned with who is to blame – they just want the situation resolved.
      - Distributive justice: Business can compensate customer for service failure or offer apologies.
      - Procedural justice: when customer has a perception of the process to obtain recovery (could be prompt or delayed)
      - Interactional justice: hen the customer has a perception about the performance of service recovery people, like their empathy, courtesy, effort
    - Complaints management process should enable businesses to capture customer complaints before customers start spreading negative word-of-mouth or take their business elsewhere.
- **People (excellent customer service)**
  - Customer contact role is very important = Information management and relationship management. Accountable for collecting information about customers which enables them to manage the relationship. It might involve winning, growing and maintaining the customer's business, handling customer queries and complaints, representing the customer's interests to the business and ensuring customer satisfaction.
  - Service encounter = interaction between employee and customers. An actual service, either face to face, telephone, e-mail, mail. Very important aspect. Includes interaction between customer and provider's service system, like bank ATM or internet banking.
- **The value of CRM capabilities (technology to gain customer knowledge and insight)**
  - Research shows most profitable businesses develop a very specific set of CRM capabilities. Those that don't invest in building CRM capabilities leave millions of rand in profit on the table. Each business must reinvent itself to produce CRM benefits. World's leading business software suppliers have also reinvented themselves to focus on CRM.
  - The end result of establishing a relationship with profitable customers is customer loyalty and, ultimately, greater profitability.

2. Discuss ways in which learning relationships can be enhanced

SG: 12	TB: 20	SU: 3	2 marks	From exam: 2012-06

- **Learning relationships are built on knowledge.**
  - The more customers interact and influence a company, the better it becomes at providing what the customer wants, and the more difficult it will be for a competitor to entice them away.
  - Obtained customer information used to create database for the customer, which becomes foundation for CRM activities. Technology enables companies to gather and store information about every customer in a sophisticated customer database.
- **Customer interaction enhances relationships.**

- ▪ Interact with a customer to learn how satisfied the customer is, or whether the customer has unspoken complaints (obtaining information about customer needs)
- ▪ Organisation wants to know how to make service experience better for customers so they can begin to lock customer into a learning relationship. Customer becomes loyal.

3. Discuss the possible limitations of implementing relationship marketing

SG: 16	TB: 14	SU: 3	6 marks	From exam: 2010-06, 2011-10

- ● **Not much value to be created**
    - ▪ In some industries there may not be much value to be created mutually between the company and its customers and the customers may not be amenable to such value creation.
    - ▪ Consumers buying soap, for example, may consider this a low-involvement purchase decision and one for which they are quite satisfied to have the supplier in the background. This is at the lower end of the market; at the higher end there is more value, for example as in the case of Dove soap.
- ● **Insufficient lifetime value**
    - ▪ In some situations, although potential mutual value exists, there may be insufficient lifetime value to warrant mutual value creation.
    - ▪ While the lifetime value of the average purchaser of cars may be R300 000, the average lifetime value for the purchase of specific consumer non-durables such as food and beverages may be a fraction of this.
    - ▪ Clearly, Ford can afford to spend more on attracting and retaining appropriately profiled customers than could, say, a processor of cheese if this was the only product promoted. But when combined with a shopping basket full of the consumer products they make, companies such as Lever Brothers can indeed apply principles similar to those of Ford.
- ● **Large investments in product design and development**
    - ▪ For companies that have recently committed major sums to the design and development of products, and for those firms that have also invested heavily in infrastructure or business processes, adopting a relationship marketing approach may result in a portion of their investments being severely depreciated or even wasted.
- ● **No capability for relationship marketing**
    - ▪ Not all companies have the capability to apply relationship marketing principles with more than basic commitment.
    - ▪ Not all companies will have the financial depth, technological capabilities or relationship marketing sophistication to do justice to the principles. And if a company is struggling to survive, it is very important for it to pay attention to the short-term issues it faces or there may be no long term.

4. Explain the essential ingredients in developing a business relationship

SG: 20	TB: 24	SU: 4	6 marks	From exam: 2012-06, 2013-10

- ● **Trust and commitment**
    - ▪ Trust is the general expectation that the word of another can be relied upon, and it also facilities commitment to a relationship. Expression of confidence. Overlap between trust and satisfaction, as they both represent an overall evaluation, feeling or attitude about the other party in a relationship. Satisfaction may be developed through personal experience or opinion and experience of peers. Long term satisfaction reinforces the perceived reliability of the firm and contributes to trust. Trust builds confidence, fosters cooperation and gives the service provider a second chance when inevitable mishaps occur. Major contributor of relationship commitment
    - ▪ Commitment implies that both parties will be loyal and reliable and will show stability in the relationship with one another and a desire to maintain a relationship. It is the belief that the importance of a relationship with another is so significant that it warrants maximum effort to maintain it. A commitment creates a sense of vulnerability, but this risk is reduced with trust. When both commitment and trust are present, they produce outcomes that promote efficiency, productivity and effectiveness. In short, commitment and trust lead directly to cooperative behaviours that are conducive to relationship marketing success.
- ● **Shared goals and mutual benefits**
    - ▪ The existence of shared goals has significant effects on a relationship that could be useful to the sellers of products and services.
    - ▪ People with shared goals help each other, share relevant information and trust the information because it is in the interests of both sides to maximise their joint effectiveness and their joint goal attainment resulting in mutual benefits.
    - ▪ Purpose of building relationships with customers is to retain customers. By retaining customers, loyalty is created. Loyalty results in long-term financial performance.

5. Explain in detail the stages of relationship development and give practical examples relating to how X could use these stages to attract more clients (Explain each phase in the ladder of loyalty)

| SG: 22 | TB: 34 | SU: 4 | 8 marks | From exam: 2009-06, 2011-06, 2013-06 |

- **Prospect**
  - A person whom you believe may be persuaded to do business with you
  - Identify prospects who offer interesting potential and may want to do business with you. Prospects have limited awareness of organisation, but likely to become purchasers until awareness increases. Elevating levels of company or product/service awareness may be important issue for shifting customers from prospects to purchasers.
- **Purchaser**
  - A person who has done business just once with your organisation
  - Potential consumers have begun to explore the extent to which your company is relevant to them (perhaps with trial purchases). Based on first purchase satisfaction they will assess potential to establish a more significant flow of business. Excellent service and follow-up interaction are important in moving these customers to the next level.
- **Client**
  - A person who has done business with you on a repeat basis but may be negative, or at best neutral, towards your organisation, but only supports you passively
  - Company should try turn new purchaser into a client who purchases regularly. Small mistakes or problems can create the dissatisfaction that can erode trust in relationship that is beginning to be forged in this stage. Satisfied customers may become more significant.
- **Supporter**
  - A person who likes your organisation, but only supports you passively
  - Supporter of your organisation and its products, the longer-term buyers whose trust you now have. They are satisfied with their initial experience, have begun to do business with your company. Likely to continue doing business with their current supplier, but are interested enough in your offer that they consider your company an appropriate second source in the even that their main supplier fails to satisfy them in some way.
- **Advocate**
  - A person who actively recommends you to others, i.e. who does your marketing for you
  - Provides powerful word-of-mouth endorsement of an organisation. Your company now has customers who are so committed to your organisation that only a major violation of trust will erode this goodwill. You virtually have their entire attention in this product/service category. Will make business referrals, good complainers inviting you to improve without being negative in their guidance.
- **Partner**
  - A person who has the relationship of a partner with you within an organisation
  - In an organisation-to-organisation context, advocates may ultimately develop into partners who are closely linked in trusting and mutually sharing relationships with their suppliers. The satisfied consumers at this stage include your company as a major supplier of their needs. You now have their trust.

6. Discuss the factors that influence service expectations of customers

| SG: 26 | TB: 46 | SU: 5 | 6 marks | From exam: 2011-06, 2009-10, 2013-06, 2012-06 |

- **Enduring service intensifiers**
  - Personal factors that are stable over time and that increase a customer's sensitivity to how the service would best be provided. The customer's personal service philosophies or personal view of the meaning of service and the way in which service providers should conduct themselves will heighten his/her sensitivities. These customers hold their own views regarding exactly how service should be provided: they want to be treated in the way they believe they should.
- **Personal needs**
  - Customer's own personal needs influence desired service expectations. Some customers are needier than others. Customers have a variety of needs and no two are alike in every way, thus the organisation is particularly challenged in providing a service. Some customers are very particular about where they are seated in a restaurant, while others are happy to sit anywhere.
- **Explicit service promises**
  - Encompass the organisation's advertising, personal selling, contracts and other forums of communication. The more ambiguous the service, the more customers rely on the organisation's advertising when forming expectations. If a hotel stresses modern and clean rooms, customers expect the rooms to be exactly the way they were shown in the advertisement.
- **Implicit service promises**
  - These promises influence desired service and predicted service. As the price increases, customers expect the organisation to deliver higher-quality services. Customers would probably have higher expectations of service at a higher priced hair salon than they would of a cheaper barber shop.
- **Word-of-mouth communications**

- Customers tend to rely more on personal sources of information than on non-personal ones when choosing a service provider. Customers view word-of-mouth information as unbiased information from someone who has been through a service experience. Could be from friends, family or consultants or product review publications such as Getaway magazine.
  - **Past experience**
    - Service evaluations are often based on a comparison of the current service encounters with the same provider, other providers in the industry and other providers in another industry. In a college, for example, students' desired and predicted service expectations of lecturers are likely to be based on past experience on other classes with the same lecturer and on other classes with other lecturers.

7. * Discuss the dimensions that these customers may use in order to assess your service quality

| SG: 27 | TB: 49 | SU: 5 | From exam: 2009-10 |

- **Reliability**
  - Ability to perform the promised service dependably and accurately and focuses on delivering on promises made by the organisation. Customer expect companies to keep promises, because if the organisation does not deliver the core service that customers think they are buying, it will be seen as failing them
- **Responsiveness**
  - Willingness to help customers and provide prompt service. It implies that the needs of the customer are met in a timely manner, and that the organisation is flexible enough to customise a service to the specific customer's needs
- **Assurance**
  - The knowledge and courtesy of employees, and their ability to convey trust and confidence. Important in those services that are perceived as high risk, or where the customer is not sure about how to evaluate outcomes.
- **Empathy**
  - Caring, individualised attention a firm gives its customers. Involves confirming for the customer that his/her unique needs and requirements will be met. Many smaller companies can compete with big companies by convincing the client they understand him better than the cold, formal approach of many larger companies.
- **Tangibles**
  - The appearance of physical facilities (offices, showrooms, consulting rooms), equipment staff and communication material; i.e. anything physical that indicates to customers the quality of the service they will receive. Especially important for new customers.
    - Look at image on page 50 in TB for examples

8. Discuss the possible causes that could lead to customer service failure

| SG: 27 | TB: 52 | SU: 5 | 8 marks | From exam: 2013-10, 2011-10, 2009-10 |

- **The market is not properly segmented**
  - The organisation wants to get its product or service to everyone in the world, but does not properly understand the market's needs.
- **The customer database is incomplete or non-existent**
  - Because of this, improvement in customer service is based on what the managers think is best, instead of what the customers want, i.e. customers' perceptions as disregarded.
- **The organisation is managed from the inside out**
  - The organisation uses a push strategy - it tells customers to use the product - as opposed to a pull strategy, where research is done to work out what customers need and want the product or service is then developed; and, due to the need, customers will actively seek out the product or service.
- **All blame is shifted downward**
  - Front-line employees are blamed for any service failure regardless of a lack of training and/or the failure of organisational systems or processes or structures.
- **Misunderstanding below the line of visibility**
  - Employees who are below the line of visibility struggle to understand the need for customer service; however these employees still have an important role to play in the delivery of exceptional customer service.
- **The focus is on attracting new customers as opposed to the retention of customers**
  - Little effort is made to keep the company's most profitable segment - its existing customers
- **Dehumanised customers**
  - To many employees and managers, a customer does not have a face, which can lead to the customer becoming less human in their minds and therefore less deserving or respect.
- **There is a strong link between customer satisfaction, customer retention and customer loyalty**
  - The extent of the customer's satisfaction with a product or service will determine its success in the market. It is therefore necessary to look at ways of measuring customer satisfaction.

9. Explain the benefits of conducting customer satisfaction surveys

| SG: 30 | TB: 52 | SU: 6 | 5 marks | From exam: 2012-06 |

- **Customer feedback**
    - Such surveys provide a formal means of customer feedback to the organisation, which may identify existing and potential problems
- **Show that the company cares**
    - Satisfaction surveys also covey the message to customers that the organisation cares about their well-being and values customer input concerning its operations.
- **Evaluating employee performance**
    - Satisfaction results are often utilised in evaluating employee performance for merit and compensation reviews and for sales management purposes, such as the development of sales training programmes.
- **Comparison purposes**
    - Survey results help a company to identify its own strengths and weaknesses, and where it stands in comparison to its competitors. When ratings are favourable, many organisations utilise the results in their corporate advertising.
- **Focus on customer needs**
    - Ultimately, the major advantage of customer satisfaction measurement is that it helps to secure an increased focus on customer needs and to stimulate improvement in the work practices and processes used within the company

10. Discuss types of surveys that are used in measuring customer satisfaction

| SG: 30 | TB: 54 | SU: 6 | 8 marks | From exam: 2011-06, 2013-06 |

- **After-sales surveys**
    - After-sales surveys assess customer satisfaction while the service encounter is still fresh in the customer's mind. The information reflects the organisation's recent performance and can also identify areas for improvement, and allow a company to take corrective action if a customer is less than satisfied with his/her purchase decision.
- **Mystery shopping**
    - Mystery shopping is a form of non-customer research that measures individual employee service behaviour, Mystery shoppers are trained personnel who shop unannounced, posing as customers. They evaluate employees on various characteristics such as time to acknowledge the customer, eye contact, and appearance. Results are used as constructive employee feedback and aid the business in coaching, training, evaluating and formally recognising employees.
- **Customer satisfaction index**
    - The CSI is based on regular interviews with many customers. This index makes it possible to track changes in customer satisfaction measures over time and allows comparison between companies. The questionnaire should be accurate and reliable, and contain objective-type questions where the customer rates specific aspects about the organisation such as service and products.
- **SERVQUAL**
    - SERVQUAL is a well-known method to measure service quality. It offers managers a systematic approach to measuring and managing service quality. It emphasizes the importance of understanding customer expectations and of developing internal procedures that align company processes to customer expectations. The model identifies five core components of service quality: reliability, assurance, tangibles, empathy, and responsiveness. Measuring service quality indicates whether a gap exists between the customer's expectations and perceptions, and indicates what type of actions management needs to take to improve the quality of service and overall relationship with the customer.

11. * Explain the meaning of the moment of truth

| SG: 31 | TB: 56 | SU: 6 | 1 mark | From exam: 2009-06 |

- A moment of truth (or service encounter) literally means that this is the time and the place when and where an organisation has the opportunity to demonstrate the quality of its services to the customer. These occur when a customer interacts with the organisation, either face to face or by remote interaction.

12. * Explain the types of service encounters that may be experienced by customers

| SG: 31 | TB: 58 | SU: 6 | 12 marks | From exam: 2009-06 |

- **Remote encounter**
  - When there is no human contact. E.g. use of ATMs or direct mail. Because of technology this type of encounter is very important. Tangible evidence of service and the quality of the process itself become the basis for judging the quality of the service.
- **Telephone or cell phone encounter**
  - Often most frequent type of encounter with end customers. Important criteria include tone of voice, and employee's knowledge and his/her effectiveness in handling customer issues.
- **Direct contact**
  - Face to face. Complex way of trying to establish service quality because both verbal and non-verbal behaviour need to be considered.

13. Discuss 10 steps to remarkable customer service provision

| SG: 32 | TB: 70 | SU: 6 | 15 marks | From exam: 2010-10, 2012-10 |

- **Fix everything two ways**
  - When a customer has a complaint, it cannot be ignored. Efforts should be given to finding a solution to the customer's immediate problem. Once the complaint is resolved, the second way to fix the problem is to try to ensure that the same mistake doesn't happen twice; therefore the root of the problem must be identified and solved throughout the business.
- **Think laterally to avoid customer offence**
  - Sometimes the problem can be quite easily solved by the customer him-/herself, especially in the case where a customer has phoned into a help desk. If the problem is solved without the customer having to return the product, it will save the customer time and effort, which he/she will greatly appreciate. However, if the problem is simple to solve, the customer might take offence at your suggestions ("Is the appliance plugged in?"). Try to think laterally to solve the problem without offending the customer. Suggest blowing the dust off the plug (in order to see if it's plugged in) without insulting his/her intelligence.
- **Make customers into fans**
  - People make mistakes - it is almost impossible to provide perfect service all the time. Complete recovery from service failure can sometimes leave a much bigger impact on customer satisfaction and positive WOM than good service the first time round. Customers expect service to go well and it goes unnoticed. Customers don't expect their complaints to be resolved and will be pleasantly surprised if they are.
- **Service employees must seem eager to solve problems**
  - Customers should not have to search for a salesperson; salespeople need to be available to the client, and must be seen to be keen to solve the problem.
- **Take the blame**
  - Service employees may blame the customer, which is bad if the fault does not lie with the customer. Most customers want someone to take responsibility for the inconvenience caused by the service failure. Irate customers are often a result of service failure followed by blame shifting or further service failure. When a service employee takes the blame (even when it is not directly his/her fault) it has an emotionally calming effect on customers.
- **Memorise useful phrases**
  - Some phrases to help the service employee calm the customer after a service failure: "I'm sorry", "It's my fault", "Can I offer you the following to make up for your loss?", "Please tell me everything that happened so that I can ensure it never happens again". Managers need to have the same attitude towards their customers that they expect their employees to have. Managers often think they are above the customer, which can create a problem of attitude. The managers (and employees) need to serve the customer.
- **Practice puppetry**
  - Service employees need to realise that a customer's anger is not necessarily directed at them personally. Often the customer does not come into contact with the employee who caused the service failure, but sees the company as a whole and will take frustrations out on nearest representative. Service employee could visualise self as a puppet master in a puppet show - he/she needs to try discover what would be the best thing for the puppet to say in order to appease or please the customer, resulting in the employee not being part of the argument and can learn not to take the customer's behaviour personally.
- **Go the extra mile**
  - Exceptional service employees do that little something extra. May just be a small gesture, but can mean the difference between good and exceptional service - leading to very positive WOM. Good service employees value a customer's time, realising it isn't only money, but also keeping customer away from places they would rather be (home with family). Example: phoning other stores to find a product that is out of stock.

- **Honour ceremonial expectations**
  - Certain companies offer loyalty cards to offer the customer special services. They services promised should be delivered, because even if the other service offered by the company is exceptional, if the service provider fails to offer what is promised, the customer may still be disappointed.
- **Greed will get you nowhere**
  - Company needs to put processes into place to help the service employee (even if it costs the company money) - responsibility shouldn't be only service employees. E.g. "no questions asked" return policy helps the employee provide something of value to the customer - customer loses the feeling of helplessness. Customer might be less irate and could lead to positive WOM. What the company loses from returns it will gain from referrals.
- **Provide a performance guarantee**
  - A guarantee removes the risk from purchasing a new product or a product that was bought before, but failed. Guarantee can differentiate a company from its competitors when you have a new product, when you have received negative publicity, when the product is complex or technical, when the product is not sold face to face, after a service failure, and when the risk of loss is high.
- **Give customer service people a career path**
  - Providing customer service people with a career path, the benefits will be two-fold. Firstly, the company will attract the best candidate for the job; secondly company will benefit from lower staff turnover. The career path needs to have value. E.g. after 2 years in customer service, the employees could be offered to further their studies and promise them management positions after certain targets are met. These must be realistic - empty promises will not help.
- **Make sure something's in it for the employees**
  - Good service employees understand that building long term relationships with customers will benefit them - if the customer comes back, employee will likely be there again and deal with client. If customer was treated fairly and received good service it will be easy to deal with the customer again. If the client was treated badly, they might not return and if he/she does return it will be much more difficult to deal with them.

14. Explain in detail the main components of internal marketing

SG: 38	TB: 88	SU: 7	10 marks	From exam: 2010-06, 2010-10, 2012-10

- **Employee motivation and satisfaction**
  - Here the focus is on the employees of the organisation and their skills, as well as their motivation to provide the expected level of service. If the motivation of employees is not adequate, it will affect the level of service offered, which in turn will impact on the satisfaction experienced by customers.
- **Customer orientation and customer service**
  - Here the focus of the organisation is on the customer rather than sales. This results in employees being customer aware in the activities that they carry out. Customer satisfaction is the key to maintaining customers and their support.
- **Interfunctional co-ordination and integration**
  - The importance of co-operation among all the functions is identified. No function can operate in isolation, and the success of the entire programme requires that every function needs the other to operate efficiently.
- **Marketing-like approach to the components above**
  - Techniques that can be used to inform employees about the actions and decisions of the organisation regarding marketing activities. E.g. the use of marketing communication and other promotion activities.
- **Implementation of specific corporate or functional strategies**
  - Employees are key in any strategy implementation. Any CRM strategy needs communication and co-operation within company to aid in its implementation. Internal marketing can thus be used to assist in strategy implementation while also improving interfunctional co-operation within the organisation.

15. * Discuss the categories of the roles that employees can play in reaching the organisation's customer service goals (types of internal customer groups)

SG: 37	TB: 97	SU: 7	4 marks	From exam: 2009-10

- **Contractors**
  - Often have numerous and regular interactions with an organisation's clients and are closely involved with everyday marketing actions. E.g. account executives or client relationship managers of a staffing agency. Must be well trained and motivated to deliver a quality service in a responsive way on a daily basis. Central role of customer satisfaction.
- **Modifiers**
  - Employees that have frequent contact with an organisations clients but are not traditionally involved in marketing to organisation's offering. They do not play an active part of the conventional marketing mix and their contact with clients is frequently not in person. E.g. collection clerks.

- **Influencers**
  - ▪ No direct contact with the external client, they do have a large amount of knowledge concerning the capabilities and resources of the organisation. They are involved in implementing the organisation's marketing strategy in an indirect fashion. They include marketing, IT and HR professionals as well as management.
- **Isolateds**
  - ▪ Support personal who do not have direct contact with clients and are not involved in the creation or implementation of marketing strategies. The efficiency and effectiveness of their support activities affect the performance of other functions which directly deliver on clients' needs. E.g. data processors and administrative employees.

16. * Explain the key benefits of one-to-one marketing when implemented effectively to achieve excellent customer service

SG: 48	TB: 107	SU: 9	5 marks	From exam: 2009-10

- **The ability to track defections by customers**
  - ▪ If a customer does not purchase the product for a specific reason, there is no way the organisation can keep track of such defections (customer not buying product anymore). It is only through 1:1 marketing that the organisation can track defections and attempt to find reasons for defections.
- **The ability to know customers more deeply and satisfy their needs more adequately**
  - ▪ Information concerning the customer can be collected and used to develop products and services that satisfy the needs of the customer better.

17. Discuss the steps to be followed in the one-to-one marketing process

SG: 48	TB: 107	SU: 9	14 marks	From exam: 2009-10, 2010-10, 2012-10

- **Step 1: Identify individual customers and establish how they can be reached**
  - ▪ It must be possible for the organisation to identify its customers, especially the valuable and most profitable ones and have a good deal of information about them. Having their ages, income and other demographic criteria is not enough. Database management needs to be used in order to collect detailed information. Would include record of customers' purchasing behaviour as well as their preference over a period of time. It may require the co-operation of customers to make this information available as required by the learning relationship. E.g. a gym that wants to now how often their clients make use of the facilities.
- **Step 2: Differentiate between customers by their needs and values**
  - ▪ The differentiation will indicate the most suitable and appropriate strategies that can be used to reach various customers in different ways with the organisation's product. The strategies selected will be derived from the information that has been collected about customers' habits and preferences. E.g. a gym could establish customers use the gym to loose weight or increase their fitness level or meet friends, etc. Different strategies can be developed to attract these different groups and maintain them as clients based on their needs.
- **Step 3: Interact with customers to establish a dialogue**
  - ▪ Creating customer dialog is vital part of building customer relationships - without it no relationship can develop or flourish. Customers do not perceive media and letters in the mail as a way of creating dialogue (the organisation might). Customer have been communicating through toll free numbers and writing letters, but this is also not dialogue. Club cards and loyalty schemes can be useful in creating dialogue, but are mostly used to sell products.
  - ▪ To create dialogue, customers and the organisation must be prepared to exchange views about much more than just customers' purchasing activities, i.e. disposable income levels, family members' roles and behaviours in purchasing decision-making, changed product and service preferences. The organisation should provide details of possible strategies they consider to satisfy specific and changed customer needs. They could receive valuable input and feedback from customers regarding their marketing mixes and possible successes. Requires high degree participation and commitment from both parties.
  - ▪ Could make use of technology to increase dialogue, such as websites, social media, voice mails, emails with electronic questionnaires and SMSes.
- **Step 4: Customise the organisation's products**
  - ▪ The organisation has to ensure it has a product that can meet the customer's needs - as part of mass customisation process the organisation has developed. May include customisation of product or service. Without this process, the information gathered is of no use and is not adequately exploited. E.g. if a clothing retailer gathers information about which of its stores a customer most frequently visits, but make no attempt to differentiate its offerings at different stores according to specific customer needs, then the information gathered was of no use.
- **Step 5: Make the relationship a continuous learning relationship**
  - ▪ This step focuses on the long term relationship between the organisation and its customers. Relationships aren't static and require inputs from both parties if they are to be regarded as mutually

beneficial. Having created a 1:1 organisation with a 1:1 view of each customer, it is necessary for the organisation to ensure that the products offered are customised to meet the needs of its various types of customers. As customer preference change, the organisation needs to update customer information and accordingly adapt to products and services offered. E.g. clothing retailer needs to adapt its offerings to its customer group that progressed from teenagers to adults. Therefore the organisation needs to adapt its products, and the way in which they offer them, as its customers' needs change.

18. * Discuss the difference between one-to-one marketing and mass marketing

SG: ?	TB: ?	SU: 9	5 marks	From exam: 2009-10

- ?

19. Explain the preconditions that should be met before implementing mass customisation

SG: 49	TB: 112	SU: 9	14 marks	From exam: 2009-06, 2013-10, 2011-10

- **Individual needs and preferences**
    - Customer needs are different, even though they appear the same. If there is no significant difference between the needs of people, customisation is not needed.
    - As people's need differ, so they will require a product that differs, albeit slightly, to satisfy their different needs. This requires a great deal of research on the part of the organisation to ensure that the nature of the differences in the needs has been determined and that these needs can be profitably satisfied. Customising soaps is not a worthwhile task, but it is reasonable when purchasing a motor vehicle. Therefore, mass customisation in industries such as motor vehicle manufacturing and furniture design and production might be useful and profitable.
- **Assembling unique offerings**
    - It must be possible for the organisation to develop a unique product offering, for this to be offered to the customer. However, if the organisation is unable to manufacture such a product, it cannot be offered in the marketplace. Another option is that the customer can assemble the unique product, if this cannot be done by the organisation, example IKEA who lets customers assemble furniture once they have selected the components that they would like.
- **Customer appreciation**
    - Customisation has to satisfy the needs of customers, and they will show their appreciation in the support they give to the organisation. The aspects that are customised by the organisation are those that are regarded as important by customers. For example the fabric and design of seas in a vehicle - the customisation of which will provide added need satisfaction, but something as the colour of the fabric in the boot may not be appreciated.
- **Adaptable technology and processes**
    - The organisation has to have the machinery and equipment that can allow for customisation, e.g. which will allow the customer to order a specific fabric or seat design and incorporate it into the manufacturing process of the motor vehicle. This technology does not only refer to the ability to manufacture the product, but also to collect information about customers, interpret the information that has been collected and so offer meaningful customisation options that will provide need satisfaction to customers and increased profits to the organisation.
- **Support of intermediaries and suppliers**
    - If an organisation is to implement a customisation programme, it will also require the support of the suppliers of raw materials and intermediaries in the distribution channel. Customisation requires changes in the ordering system, which requires greater adaptability and flexibility from suppliers. Intermediaries in the distribution channel have to be prepared to make the customisation options available to the customer and this may require additional technology and training of retail staff.

20. * Explain the approaches to consider when deciding on the extent to which to customise when implementing mass customisation

SG: 49	TB: 114	SU: 9	10 marks	From exam: 2009-06

- standard product, standard service and customised communication
    - Organisation is personalising the communication and some organisations attempt to customise in this way. The impact of personalisation is limited in that it does not affect the entire operation of the organisation.
- standard product, customised service and customised communication
    - Organisation has the ability to adapt the aspects of the service offered as well as the communication, but the core product remains the same. E.g. room service is offered and by e-mailing the clients details of specials if the client is interested.
- customised product, customised service and customised communication
    - Places a great challenge on the organisation, as it has to be able to deliver the options that it offers to its customer. This implies that the organisation's inter-functional co-ordination and co-operation

have to be at a high level. E.g. with motor vehicles the customer can choose components (product), finance options (service) and communication is aimed at him specifically (communication).

21. * Explain the areas to evaluate before choosing a mass customisation strategy in order to determine which mass customisation option is applicable

| SG: ? | TB: ? | SU: 9 | 10 marks | From exam: 2009-06 |

- ?

22. Identify and explain 6 essential conditions that influence the development of a relationship between organisations in Business-to-Business markets

| SG: 54 | TB: 125 | SU: 10 | 8 marks | From exam: 2011-06, 2013-06 |

- **Asymmetry**
  - This refers to the situation where one organisation can exert power over the other organisation. This would encourage the 'dominated' organisation to develop alternative links that will reduce the power being exercised by the more powerful organisation. This would enable the organisation to alter the balance of power.
- **Stability**
  - Relationships can be developed to decrease the instability experienced within the external environment. Organisations enter into long-term contracts in order to ensure a stable environment with respect to prices and delivery agreements.
- **Legitimacy**
  - Being associated or having a relationship with a large, well-known organisation may improve the reputation of the smaller organisation. It can also reduce the checks that need to be carried out on such a small company, such as credit checks. This can increase the desirability of the relationship.
- **Necessity**
  - Organisations are required to use certain services such as those of auditors and accountants. Organisations tend to use the same accountants and auditors for extended periods of time, thereby developing a relationship with them.
- **Reciprocity**
  - This refers to the relationship that develops where one organisation buys the goods of the other, and vice versa. This enables both organisations to pursue common goals, so that both organisations benefit. This in turn contributes to the development of a relationship.
- **Efficiency**
  - This is an internal contingency and refers to the way in which business is carried out in an organisation. There are three aspects that affect the efficiency within an organisation
    o Types of costs associated with transactions
    o The level of transaction costs
    o The dimensions of transactions

23. Discuss the key steps in the RACE formula

| SG: 59 | TB: 145 | SU: 11 | 8 marks | From exam: 2010-06 |

In building relationships with investors, it has been suggested that the organization should make use of the RACE formula.
- **Research**
  - When wanting to build relationships with the investor, it is necessary to carry out research as to what types of investors have put money into the organization, what their needs and perspectives are, and what types of information they would like to have.
- **Analysis (and action)**
  - Once the organization knows what types of investors have put money into it, it is necessary to examine closely their needs and their responses. These will be incorporated into the organization's communications with investors.
- **Communication**
  - This refers to the messages that are sent to the investors, as well as the integration of the messages with the activities of the organization. The organization has to communicate with its shareholders using media that reach them. This would include the internet, as well as the financial media.
- **Evaluation**
  - Here the communication is evaluated to determine whether a specific medium actually reaches the target audience, while also determining the quality of the communication with the market. The relationship quality and the behaviours of the investors that result from the communication can also be evaluated.

24. Explain the stages that are important to an organisation when developing a mutually rewarding relationship with its stakeholder

SG: 60	TB: 147	SU: 11	6 marks	From exam: 2010-06, 2013-10

- **Stage 1: Stakeholder engagement**
  - This refers to making contact with the stakeholder and opening the communication channels with the specific stakeholder. This engagement will allow both parties to share ideas and opinions while exchanging views.
- **Stage 2: Stakeholder satisfaction**
  - Satisfaction comes about when the needs of the parties are met, and stakeholder satisfaction implies that the stakeholders feel that their needs are being met by the organization.
- **Stage 3: Stakeholder retention**
  - Retention is the organization's ability to "keep" its stakeholders as important contributors to the functioning of the organization and the management of its various activities.

25. Discuss ways in which technology has contributed to building relationships with customers

SG: 64	TB: -	SU: 12	20 marks	From exam: 2013-06, 2011-06

- **Enhancing customer care and service**
  - The internet can be particularly cost effective in shifting cost structures from human operators for enquiries where the customer needs basic, standard-format or repetitive information.
- **Identifying best customers**
  - With technology, the specific customers the company wishes to do business with can be identified and further evaluated for their amenability and suitability for a long-term relationship.
- **Establishing what product/service to provide**
  - Technology helps to establish the types of products or services that should be provided to customers, and whether the business should produce the products or services or whether production should be outsourced.
- **Enhancing capabilities**
  - Technology implementations themselves comprise the heart of the company's capabilities, by providing for example, computing, data warehousing content – say a website or interactive voice response (IVR) – front end to the customer and communications linkages within the business and with customers.
- **Managing costs and value of relationships**
  - Technology can help the company manage the costs of securing, serving and retaining customers by allowing marketers to understand, in real time, the revenues and costs associated with each customer. Technology can also intercede and help to manage the costs and value of the relationship, drawing upon previously developed "business rules".
- **Performing a control function**
  - Technology performs a control function to ensure that value is created for customers and for the company, and that bills are sent and payment received on time. Technology assists by providing a tactical and strategic control function.
- **Customising products**
  - Technology can help customers to work together with their suppliers so that there is a joint effort to continuously create and improve value. Technology allows the customer to become integrated into the processes of a business so that customization is reasonable.
- **Customising communication interaction**
  - If technology is used appropriately, customers may be served as individuals. A data-driven approach enables companies to assess each customer's needs and their potential profitability and to tailor sales offers and service.

26. Discuss 3 factors that determine CRM success

SG: 75	TB: 158	SU: 13	8 marks	From exam: 2010-10, 2012-10

- **Customer-centricity**
  - A customer-centric business shares a set of beliefs about putting the customer first. It collects, disseminates and uses customer and competitive information to provide better value to customers. A customer-centric business constantly adapts to the customers' requirements and competitive decisions. There is evidence that customer-centricity correlates strongly with business performance.
- **Operational CRM**
  - Operational CRM focuses on the automation of the customer-facing parts of the business. There is a variety of software applications which enable the marketing, selling and service functions to be automated. The most important applications within operational CRM are marketing automation (applying technology to marketing processes), sales-force automation (which was the original form of CRM), and service automation (allows business to automate their service operations through either a call centre, contact centre, the web, or face-to-face.) The success of CRM is heavily dependent on the alignment and integration of all related business processes.

- **Information Resources**
    - ▪ There are 2 information resources, namely: Customer information and knowledge (Information on the organization's existing customers will form the core of customer data); and CRM technology (The success of any CRM initiative depends largely on ensuring that the most appropriate facilitator with regard to CRM technology has been selected to assist the organization in utilizing CRM successfully).

27. Explain how the various phases in the CRM planning process can be implemented in order to improve its relationships with customers (Discuss any of the phases in the CRM planning process)

SG: 75	TB: 163	SU: 13	14-25 marks	From exam: 2010-06, 2011-10, 2009-06

- **Pre-planning phase**
    - ▪ The pre-planning stage enables the business to analyse the expenditure of time and effort and to decide on the various key components before the actual CRM planning process begins.
- **Coordinating the CRM initiative**
    - ▪ It is advisable to appoint a project manager, preferably a senior staff manager, to lead the process of planning and implementing CRM.
- **Customer assessment**
    - ▪ In this phase the organization researches customer views of the organization and its products or services and determines customer profitability. It should also be established whether in fact customers want a deepened relationship with the organization.
- **Developing CRM strategies**
    - ▪ Based on customers profitability, which includes the cost to serve the customer and lifetime value (plus many other factors), the customers are plotted on a matrix in various categories, namely "butterflies", "true friends", "strangers" and "barnacles". Different strategies are normally applied to improve loyalty among these 4 categories.
- **Competitive benchmarking**
    - ▪ In this phase the organization investigates the actions and practices of the best competitors with regard to their relationships with their customers.
- **Internal assessment**
    - ▪ The business needs to determine the kind of relationships that would be best for it and whether CRM is appropriate. It must establish a CRM culture, obtain support form top management and capable staff, and tailor its processes.
- **Selecting a CRM technology**
    - ▪ At this stage the organization determines which CRM technology would be appropriate for its particular needs. Technology is merely the facilitator of CRM and staff will thus have to be trained to use it correctly.
- **Training people**
    - ▪ If people do not want CRM to work, it will not. People's skills, knowledge and attitudes required for successful CRM performance may need review and upgrading. The knowledge and skills required include how to segment customers, design experiments, and interpret experimental data using statistical techniques.
- **Implementation**
    - ▪ After the goals and objectives for the CRM strategy have been developed, it is necessary to devise the process for implementing this strategy.
- **Measuring CRM results**
    - ▪ A balanced scorecard could be used to measure the results of action taken.

28. Discuss the factors that must be evaluated when conducting an internal assessment for a CRM programme to be initiated and provide examples

SG: 75	TB: 171	SU: 13	10 marks	From exam: 2013-10, 2012-06

A business should determine the kind of relationships that would be best for it and whether CRM is appropriate.

- **Is CRM appropriate?**
    - ▪ Integral to the internal assessment process is an understanding of the core business in which the organization is engaged. A business must ask itself whether or not it should focus on the needs of the individual customers. In certain types of business, it may be more profitable to focus on mass production and mass service.
- **Business culture**
    - ▪ In order to implement CRM successfully, a crucial requirement is that the culture of the business must emphasize self-respect, respect for others, and a commitment to mutual and active listening. This initiative needs to come from the top executive management.
- **Executive management support**
    - ▪ CRM initiative needs to be supported by top or executive management. If top or executive management is incapable of forming relationships, then no meaningful relationships will be formed.

- **Capacity of the business**
    Another aspect that needs to be assessed is the capacity of the business to undertake CRM. For example: whether employees possess the necessary skills and knowledge; the other resources of the organization, such as technologies, systems and processes, and their adaptability; whether or not the business can afford to change its technologies and processes.

29. Give a definition of the corporate culture and discuss types of corporate culture that can be identified

SG: 81	TB: 181	SU: 14	11 marks	From exam: 2013-10, 2012-06

- **Definition**
    - Corporate culture is a key determinant of the long term success of CRM strategy implementation. Corporate culture refers to the common characteristics that exist within the organization that express the traditions, values, customs and practices that characterize the people who work there.
- **Power culture**
    - Usually found in smaller organisations, this kind of culture is defined by a central person, a power source. This person (or group of people) has the power, hence the organisation tends to be political in nature and employees tend to display a tendency to power, politics, and risk taking.
- **Person culture**
    - Here, the individual determined the culture, and the culture of the organization is subordinate to the individual. Control mechanisms, such as budgets, will only be successful if there is consensus regarding their use.
- **Role culture**
    - As a bureaucracy, there is great emphasis placed on the role played by each person within the organization. The power source is the position that the individual holds.
- **Job culture**
    - This is linked to the implementation of a specific project, where the team is required to complete a specific task by co-operating with the other people who are concerned.

30. * Explain the tools that can be used to implement an internal marketing strategy

SG: ?	TB: ?	SU: ?	5 marks	From exam: 2009-10

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31. Discuss the prerequisites for the implementation of CRM strategy

SG: 80	TB: 176	SU: 14	6 marks	From exam: 2010-10, 2012-10, 2011-10

A number of prerequisites exist that an organization needs to have in place before attempting to implement a CRM strategy, without these prerequisites, implementation is more difficult.

- **A shared vision**
    - It is not enough to have a corporate vision; it is necessary to share the vision with those that will be required to implement the vision. This vision cannot be imposed on the organisation's staff, as this breeds resentment among them. The CEO needs to get the co-operation of the staff so as to create a sense of ownership and commitment to the vision. The vision needs to be made as an integral part of the way the organization does business. It is the knowledge all the staff members have and need to be reminded of in order for it to affect their behaviour, and for a CRM strategy to be implemented.
- **Decentralisation of authority and management**
    - This has to do with the place of decision making within the organization. When authority is decentralized, decisions are made at the lowest level in the organization, by the people who actually interact with customers. When these members of staff are made responsible for decision making, they are able to show initiative in dealing with customers, so that relationships with customers are improved.
- **The support of top management**
    - It is the task of the members of top, or executive, management to direct the activities of the organization. Without their support in all its forms, the CRM strategy will not be a success. Their support includes all allocation of resources, the development of objectives, the management of reward systems, and the development of organizational structures that support strategy. Their support can result in overall support at lower levels for the strategy, while also assisting in reducing the degree of resistance to change within the organization.