

PLANNING A STRATEGY FOR KEEPING THE CUSTOMERS

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ABSTRACT: For a company keeping the customers is an essential process which consists in orientation towards existing customers, management process, long term vision and future orientation. Companies give an importance not only in improving their relations with the business partners but also with their clients. The strategy for keeping the customers consists in the whole measures developed by a company with the purpose of positively orientating the behavior of the customers towards her and developing a permanent contact with them. The paper tries to explain the methods used by companies in developing their strategies for keeping the customers.

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Companies do not lay emphasis only on improving the relations with the business partners from the supply chain, but also on establishing a closer and more sustainable connection with the consumers. In the past, the clientele was a disregarded element for many possible reasons: the suppliers were in a small number and the buyers had limited options, the other suppliers provided services of low quality just like the initial provider, the market developed so rapidly that the firms were not concerned with the maximum satisfaction of the customers.

If a company lost 100 clients every week and gained another 100, its activity was considered satisfactory. But this only reflects a good circulation of the consumers' mass, the involved costs being higher if that company had kept those hundred clients without gaining any other client.

Building customer loyalty includes a set of measures used by an enterprise to positively orientate the behavioural intentions of the current and future clients towards a provider and/or its supply, in order to achieve stabilization and a development of the relationship with these customers.

A fundamental distinction between increasing the loyalty of the clients from the solicitor's perspective – the client attaches himself to a provider, and the loyalty from the tenderer's perspective – the client is about to become loyal.

Building customer loyalty has the following features:

- orientation towards the current basic clients – the building of customer loyalty is focused on constructing and conducting business relationships with current clients;
- the management process – building customer loyalty is a management process in which the relationships with the present clients must be analyzed, planned, carried out and systematically controlled;
- long term vision – building customer loyalty doesn't take into account the punctual businesses on short term, it materializes in long term business relationships;
- taking into account the component processes - building customer loyalty serves to the development of business relationships in different directions/fields (coming back again to shop, recommending the supply to other potential clients);

- future orientated – the future value of the clients is considered within the management of customer loyalty

Planning the customer loyalty strategy takes into account the following three aspects:

a) *The reference field of customer loyalty* – the first step is to answer the question “What is object the customer loyalty strategy relates itself to?”. From the enterprise’s perspective three reference fields can be distinguished. Customer loyalty can be about the producer, the product or brand and the distribution middleman.

When elaborating the customer loyalty strategy for a car manufacturer, for example Toyota, two objectives could be targeted. One is to get a high client recurrence rate for the Toyota models, the second objective can be achieved by focusing on one particular brand, for example Lexus. Depending on the main goal of customer loyalty is also necessary to include the car distributors in the customer loyalty strategy developed by the producer, because the distributors are a separate object of the manufacturer’s strategy, next to the product and the brand.

The purpose of this first planning phase is to avoid redundancies and discrepancies between the different customer loyalty measures.

b) *Target groups of customer loyalty* – the enterprise must set its priorities for investments in the current client segments. In order to optimize the allotment of resources for client relations it’s recommended to establish the customers who are strategically important for the enterprise’s main business fields and what the profile of these clients is.

The analysis of the client portfolio is an instrument of strategic planning, which categorizes clients according to the profitability criterion for the enterprise and the separation of the main directions for the customer loyalty strategies.

Depending on the particularities of the firm’s activity and of the sector it belongs to, the company can evaluate its clients’ profitability potential by considering the following assessment criteria:

- available incomes;
- the average time-period of the client relation;
- the sales value pulled in to date by the analyzed client;
- the profitableness of the cross-selling offers;
- the possible function of the client who is an opinion leader;
- the possibilities to collaborate with the client.

If the enterprise is capable to assess the earning potential related to every client and to compute the clients’ value, then a client portfolio can be created without any problem. The structure of a client portfolio includes four categories of clients: “star” clients, “productive” clients, “question mark” clients and “ambiguous” clients.

The “star” clients are the clients who have a high profitability potential and a high value. For this type of clients a strategy focused on building loyalty will be used, followed by the adequate and concentrated approach of the clients through personalized measures. For example, the star clients of a bank are the ones who solve all their banking problems exclusively with one bank and the relationship can be foreseen as being long term.

The “productive” clients are the ones with an associated high value, but with a business relation foreseen as being limited. For these clients are recommended measures that will attach them for as long as possible, but without putting to much effort into this direction. For example, the productive clients for a bank are aged wealthy persons (70 years old), without a family, who have a high profitability potential, but no long term perspectives.

The “ambiguous” clients are the clients who don’t show a predictable potential for future business and remain unprofitable. In this case, we can talk about relations that don’t represent an interest for the company and no differentiated measures to build customer loyalty will be used. For example, this type of client could be represented by the retired person with a low income and without perspectives for a chance in the following years.

The “question mark” clients – it’s necessary to activate the clients with a high business potential and a growing value. The enterprise must keep in mind to include these clients in the star category. For this segment of clients, selective measures to build loyalty are recommended, differentiated on width and intensity. In this category are often included the students who presently have low incomes and a low client value, but important changes of their personal status can be foreseen in the immediate future. In this case the development potential is at stake.

To build a client portfolio is necessary to have access to a client data base which contains demographic and intimate information, such as: the shopping behaviour and the possible complaints, the financial status or payments honouring. Furthermore, it’s necessary to systematically gather information about the developing potential of the client, to garner the information and process it in the strategic analysis.

c) methods to build customer loyalty:

Building customer loyalty on emotional basis – is based on a free decision of the customer. The client feels a high level of satisfaction and knowingly decides to come back again to shop. On this base it becomes necessary for the strategic premises of the measures for building loyalty to be related to the emotional attachment. The other customer loyalty methods will be used only on the side.

The economic conditioned customer loyalty – the client thinks it is a disadvantageous solution from the economic point of view to migrate to a different supplier because of the additional costs this change would require, even if these costs are real or are just a subjective perception. The migration costs are made of the information costs, the costs to initiate a new relationship, the financial, social or psychological risks and the time restrictions. For example, Orange Company has changed the currency for invoices from the American dollar to euro and therefore lost an important number of clients who did not approve of this change.

The contractual binding – the client is tied to the manufacturer, the brand or the distributor through mandatory contractual clauses, such as: leasing or service clauses/contracts, agreements regarding warranty, subscription or minimum quantity. For example, Vodafone thought that a price reduction would have the biggest influence over customer loyalty. The current clients showed they would be willing to sign long term contracts in exchange of a price reduction.

We can also talk about a technical attachment of the clients when there is a certain functional dependency between the basic service/product and the complementary one. For example: buying a television set and a DVD player/recorder by the same brand in order to have one remote-control for both.

In the cases when in order to build customer loyalty are used economic, contractual or technical methods, the free will of the client is more or less limited. If the customer is unsatisfied with the way the business relationship is unfolding, there is a big possibility that after the contract expires, the client’s migration will not be able to be avoided.

The customer loyalty on emotional grounds is based on free will. The client feels a high satisfaction level and consciously chooses to return for shopping. On this base it becomes necessary for the strategic premises of the measures for building loyalty to be related to the emotional attachment. The other customer loyalty methods will be used only on the side.

d) establishing the instruments used to build customer loyalty - the set of marketing mix fields offers supporting points for client’s attachment.

When it comes to product policy the attention can be focused, for example, on improving the manufacturing/providing program. As measures to build customer loyalty we can include the joint development of products, personalized products with a special design and setting high quality standards.

The price policy for customer loyalty can especially influence the costs of the client when migrating to a different provider. By using price policy instruments, a money stimulus can be created, which will determine the client to keep/continue the business relationship.

The steps of the communication policy can be taken with the purpose to establish a continuous dialog with the clients. The forms of interactive communication are an interesting bid from this point of view. The client forums, the complaints' management, service coupons and events' planning are seen as means to communicate with the clients. The classical magazines for clients and direct mail can be included in this category. Electronic orders, the Internet use, catalogue selling and subscriptions are examples of measures belonging to the distribution policy.

e) the intensity and the scheduling of building customer loyalty – it is necessary to determine when and how intensely will the chosen instruments be applied. Decisions will be made regarding the moment, the duration and the running of the processes within the customer loyalty strategy. It will be decided if it's appropriate to implement a concentrated customer loyalty strategy that contains a few selected measures, or if it's more appropriate to take differentiated steps with the involvement of more integrated measures.

Through the strategic planning we must avoid the client's overburdening and the surpassing of the regular sensitivity/reactant threshold.

f) cooperation strategies in customer loyalty – it's necessary to check if it isn't more efficient to cooperate with other enterprises in order to build loyalty. Cooperation is recommended in all the cases when there are predictable synergic effects that will contribute to the integrated customer loyalty.

A well targeted cooperation strategy can crucially contribute to the proper transposition into practice of the customer loyalty strategy, as well as to the long-term success of the enterprise.

Customer loyalty is embedded in a cause-effect chain, which includes the processes used in the first contact with the client until the economic success of the enterprise.

The first phase of the chain includes the customer's first contact with the tenderer by buying a product or requesting a service. After the completion of this first contact, the second phase begins. In this phase the client assesses the situation and the interaction, and assesses the level of satisfaction.

If the rating is positive or if customer expectations have been exceeded, a third phase can be developed: customer fidelity. This corresponds to a behaviour of confidence, a positive guidance, favourable to the enterprise and to the customer acceptance regarding the ability of the tenderer to provide the required product/service. When buying, a loyal customer already shows a low predisposition towards change and intends to choose again the same brand, the same product, the same service or the same enterprise. Switching to customer loyalty is achieved in the fourth phase, when this conviction transforms in repeated buying or cross-buying, and respectively in recommending the product/service/enterprise to other potential clients. The chain ends with the fifth phase, the economic success of the enterprise, based on highlighted conditionings.

The manifestation of the cause-effect relation isn't automatic; it is under the influence of internal or external enterprise shaping factors, with positive or negative effects over the wanted process. Certain factors, which depend on the branch of activity or on the enterprise, could determine a situation where even in the conditions of a strong orientation towards the client and a high satisfaction level, the customer loyalty still isn't achieved.

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