CUSTOMER RELATIONSHIP MANAGEMENT IN A PHARMACEUTICAL COMPANY

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ABSTRACT

In order to develop a relationship with customers, a company must satisfy customers' needs. This study aimed to determine whether the pharmaceutical company's employees' are actually satisfying their customers' needs, and to determine how the relationship can be improved. The main objectives of the study were to determine how relationship management (RM) can aid the relationship between selected customers and the pharmaceutical company, determine how customer relationship management in the pharmaceutical company can satisfy customer needs, and conduct an empirical investigation on the usage of customer relationship management (CRM) in the pharmaceutical company.

Relationship management is a tool that most companies can use to enhance their relationships with stakeholders. Relationship management enables companies to create value for customers, increase profits and return on equity. Customer relationship management concentrates on building relationships with the company's most important stakeholder – the customer. The study explains the reasons why companies should concentrate on customer relationship management rather than just relationship management.

Customer relationship management has to be an integrated company effort and be implemented throughout the entire company in order to be successful. Customer relationship management enables companies to develop long-term relationships with customers that will lead to increased profits and business performance. Each employee in the company must be aware of the need and importance of CRM. When implementing CRM, all parties need to be involved to ensure acceptance of the CRM programme.

The empirical investigation of the study concentrated on the customer relationship efforts of a pharmaceutical company based in Gauteng. Two sets of questionnaires were handed out to achieve this objective. One set was handed

out to the customers (private, state and academic laboratories in the Gauteng province), while the other set was handed out to the employees of the pharmaceutical company that deal directly with the chosen customer group. The two sets of questionnaires were compared to determine the different views of the employees and customers of the pharmaceutical company and to determine which aspects the pharmaceutical company needs to be improved upon to enhance the relationship with customers.

Once an analysis of the questionnaires was performed, the following summary of important conclusions and recommendations could be made:

The customers of the pharmaceutical company are satisfied with the CRM efforts, but even a small percentage of customers that are dissatisfied can lead to the pharmaceutical company losing customers and decreasing its profitability. The relationship with customers can be improved by:

- Improving the service efficiency provided to customers by improving the contact between customers and sales consultants, after-sales service, and delivery of products. This can all be achieved by improving internal, as well as external communication.
- Twenty six point three percent (26.3%) of customer respondents indicated that the pharmaceutical company does not handle queries quickly. The Internet and company website could be used to increase problem solutions.
- The availability of sales consultants was identified as a problem area. Fifteen point four percent (15.4%) of customer respondents indicated that the availability of sales consultants and frequency of contact was "poor". It was recommended that sales consultants visit customers more frequently.

The recommendations will enable the pharmaceutical company to enhance and manage its relationships with its customers.

OPSOMMING

Die bestuur van klanteverhoudings vervul 'n belangrike rol in die bevrediging van klante se behoeftes. Die doel van hierdie studie is om te bepaal of dié farmaseutiese maatskappy sy klante se behoeftes bevredig, asook hoe verhoudingsbestuur (VB) deur die maatskappy hanteer word. Om voorgenoemde te bepaal, is 'n empiriese ondersoek by geselekteerde klante van die maatskappy gedoen. Die doel van die ondersoek was om te bepaal wat die rol van verhoudingsbestuur in die bevrediging van klante se behoeftes is, hoe verhoudingsbestuur toegepas word en of dit 'n bydrae kan maak in die ondersteuning van verhoudings.

Verhoudingsbestuur is 'n instrument die wat meeste maatskappye kan gebruik om hulle verhoudings met klante en belangegroepe te bevorder. Verhoudingsbestuur stel maatskappye in staat om waarde vir klante te skep, asook om winste en opbrengs op eienaarsbelang te verhoog. Die bestuur van klanteverhoudings (BKV) konsentreer op die bou van verhoudings met die maatskappy se belangrikste belangegroep, naamlik die klant. Die studie verduidelik die redes vir waarom maatskappye op die bestuur van klanteverhoudings moet konsentreer, eerder as verhoudingsbestuur.

Die bestuur van klanteverhoudings moet 'n geintegreede poging van die totale maatskappy wees en moet deur die hele maatskappy geïmplementeer word om suksesvol te wees. Die bestuur van klanteverhoudings maak dit moontlik vir maatskappye om langtermyn verhoudings met klante op te bou, wat tot verhoogde winste en werkverrigting sal lei. Elke personeellid in die maatskappy moet bewus wees van die behoefte en belangrikheid van die bestuur van klanteverhoudings. Wanneer BKV geïmplementeer word, moet elke party betrek word om te verseker dat die BKV program aanvaar word.

Die empiriese ondersoek van die studie het gekonsentreer op die BKVpoging van 'n farmaseutiese maatskappy in die Gauteng provinsie van Suid Afrika. Twee stelle vraelyste is vir hierdie doel uitgedeel. Een stel was vir die klante (privaat-,

staat- en akademiese laboratoriums in die Gautengprovinsie), terwyl die ander stel vir personeellede van die farmaseutiese maatskappy, wat direk met die gekose klantegroep werk, bedoel was. Die twee stelle vraelyste is vergelyk om die verskillende menings van die personeellede en klante van die farmaseutiese maatskappy te bepaal en om vas te stel watter eienskappe die farmaseutiese maatskappy moet verbeter om verhoudings met klante te verhoog.

Na analisering van die vraelyste, kon die volgende opsomming van belangrike gevolgtrekkings en aanbevelings gemaak word:

Die klante van die farmaseutiese maatskappy is tevrede met die BKV poging, maar 'n klein persentasie van ontevrede klante kan veroorsaak dat die farmaseutiese maatskappy klante verloor en verminderde winste realiseer. Die verhouding met klante kan bevorder word deur:

- Die diensdoeltreffendheid wat aan klante verskaf word, te verhoog. Voorgenoemde kan gebeur deur kontak tussen klante en verkooppersoneel, na-verkoopdiens en die aflewering van produkte te verbeter. Interne en eksterne kommunikasie kan vir dié doel verbeter word.
- Bykans 26% van die klante het aangedui dat die farmaseutiese maatskappy nie die navrae gou genoeg beantwoord nie. Die Internet en maatskappy webwerf kan gebruik word om probleemoplossings te bevorder.
- Die beskikbaarheid van verkooppersoneel is as 'n probleemarea geïdentifiseer. Ongeveer 15% van die klante het aangedui dat die beskikbaarheid en gereelde besoeke van verkooppersoneel "swak" was. 'n Aanbeveling was dat die verkooppersoneel die klante meer gereeld moet besoek.

Dié aanbevelings sal die farmaseutiese maatskappy in staat stel om die verhoudings met klante te bestuur en te bevorder.

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LIST OF KEY TERMS

Customer relationship management

Customers

Marketing

Relationship management

Value

1 INTRODUCTION, PROBLEM STATEMENT, AIMS AND METHOD OF INVESTIGATION

1.1 INTRODUCTION

This study deals with customer relationship management in a pharmaceutical company. In order to develop a relationship with customers, a company must satisfy customers' needs. This study aims to determine whether the pharmaceutical company's employees are actually satisfying their customers' needs. It also aims to determine what the pharmaceutical company can do to meet the customers' needs in order to develop a meaningful relationship for both parties.

The need for relationship management and customer relationship management, as well as the reason for and, aims and objectives of the study, and a profile of the sample drawn for the empirical investigation are explained later in this chapter.

1.2 PROBLEM STATEMENT AND SUBSTANTIATION

The basic problem seems to be that businesses do not really understand what customer relationship management (CRM) is, how it must be used, and who the beneficiary of this new focus on the customer is (Brown, 2000:3).

Literature on relationship management (RM) and customer relationship management (CRM) is emerging at an exponential rate in many languages. It is characterised by treating single issues in RM such as consumer loyalty, databases for smarter direct marketing, call centres, customer clubs or CRM software systems. These are all valuable, but they lack a coherent framework and an overriding theory (Gummesson, 2002:11).

The increasing need to manage relationships within an organisation has brought forward various "new generation" marketing approaches that include customer focus, market-driven, outside in, one-to-one marketing, data driven marketing, relationship marketing, integrated marketing, and integrated marketing communications (Duncan & Moriarty, 1998:1). Since all of these "new generation" marketing approaches have developed, the importance of RM has been emphasised in many companies that understand the need for CRM.

Studies have shown that most CRM projects are highly fragmented and lack customer focus. They also indicate that most companies underestimate the value of customer information and fail to employ meaningful measurement techniques (Brown, 2000:3).

The proposed study will focus on the CRM efforts of a pharmaceutical company. It will be essential to define the concepts *RM*, a *customer* and *CRM* before the importance of those elements can be determined.

1.2.1 Defining *relationship management (RM)*

Relationship management is the ongoing process of identifying and creating new value with individual customers or customer segments then sharing the benefits from this over a lifetime of association. It involves the understanding, focusing and management of ongoing collaboration between suppliers and selected customers for mutual value creation and sharing through interdependence and organisational alignment (Gordon, 1998:9).

1.2.2 Defining a *customer*

A customer is an individual or a group in a defined segment that, driven by self-interest, has the choice of buying a product or service, or going somewhere

else (Silverman Goldzimer, 1990:8). A client is someone who has done business with you on a repeat basis (Du Plessis; Jooste & Strydom, 2001:263). In this study, a customer is defined as a segment or company that has the choice of buying a product or building a relationship with a company over a long-term period. Customers have become more knowledgeable about products. Radio, TV, print media, and the Internet enable customers to compare and contrast goods and services. They are also growing bolder about voicing discontentment (Heil; Parket & Stephens, 1999:36). Research findings show that 96% of dissatisfied customers never complain, but 90% never come back (Chenet & Johansen, 1999:35). Customers are starting to know what they expect from a company and a product and they are willing to make sure that they are being heard. When customers feel that businesses do not achieve their expectations, they often become unhappy and upset. For this reason, a company's communication ability is critical to handle these delicate situations (Jude, 2000:39).

1.2.3 Defining *customer relationship management (CRM)*

Customer relationship management is a comprehensive approach that provides seamless integration of every area of business that touches the customer. It is a business strategy that aims to understand, anticipate and manage the needs of an organisation's current and potential customers. It is a journey of strategic, process, organisational and technical change whereby a company seeks to manage its own enterprise around customer behaviours. It entails acquiring and deploying knowledge about one's customers and using this information across the various touch points to balance revenue and profits with maximum customer satisfaction (Shahnam, 2003).

1.2.4 The need for relationship management and customer relationship management

The definitions provided in paragraphs 1.2.1, 1.2.2 and 1.2.3 indicate that RM and CRM work closely together and therefore had to be brought together in the study.

Relationship management is what managers are all talking about. Companies profess to do it in new and better ways each day. Academics extol its merits. The new and increasingly efficient ways that companies have of understanding and responding to customers' needs and preferences seemingly allow them to build more meaningful connections with customers than ever before. These connections promise to benefit the bottom line by reducing costs and increasing revenues. Unfortunately, a close look suggests that relationships between companies and customers are troubled at best. When we talk to people about their lives as customers, we do not hear their praise for their so-called corporate partners. Instead, we hear about the confusing, stressful, insensitive and manipulative marketplace in which they feel trapped and victimised. Companies may delight in learning more about their customers than ever before and in providing features and services to please every possible palate. However, customers delight in neither. Customers cope and they tolerate sales clerks who hound them with questions every time they buy a product (Dobscha; Fournier & Mick, 1998:43).

The customer ultimately, is the reason for the existence of any business (Anton, 1996:134). For this reason, it would be beneficial for any business to focus on relationships with customers. As the above statements indicate, companies are not achieving the results that can be expected or forming the long-term relationships with customers, but CRM will help to do this.

In today's increasingly competitive environment, CRM is critical to corporate success. Delivering high quality service and achieving high customer

satisfaction has been closely linked to profits, cost savings and market share. With this focus on the customer, leading companies today are overhauling their traditional financial-only measurements of corporate performance, and seeking new metrics that include customers' perceptions and expectations (Anton, 1996:2).

If customers' needs can be satisfied by the product or service that a business supplies, the customer will buy from a business that also improves the business' profits. However, there is no one product on the market that will create optimal CRM. Customer relationship management requires an enterprise approach to customer care. It requires a focus on the customer and an ability to learn from each customer interaction (Brown, 2000:4).

When predicting how to improve your services and what the customer's future requirements would be, qualitative methods can be used. To do this, you have to find out exactly what customers think about overall good or bad qualities of services or goods offered by your company (Payne, 1999:137). Never assume anything. Instead, try to find out. If you give customers a chance to talk, and if you are willing to listen, they will tell you exactly what is important to them (Brown & Sewell, 1991:3).

For service quality, work relations is an important issue, because these relations are generally mirrored in employees' relationships with their customers. An employee who is often rude with fellow workers is likely to be rude with customers as well. Good service happens when you have employees who are committed to quality in their own work and are willing to go out of their way to deliver the same level of quality to customers. They do so either because they care for customers as individuals, or because they care for the company and what others think of it (Horovitz & Panak, 1993:2).

Except in a few instances, complete customer satisfaction is the key to securing customer loyalty and generating superior long-term financial performance (Hartley & Starkey, 2000:263).

The need for investing in CRM is essential for any company. Return on investment is important, but return on interest in relationships is more important (Peters, 1992:365).

Ironically, the very things that marketers are doing to build relationships with customers are often the things that destroy those relationships. Why? Perhaps marketers are skimming over the fundamentals of relationship building in their rush to cash in on the potential rewards of creating close connections with customers. Perhaps it is not understood what creating a relationship really means; that is, how customers' trust and intimacy factor into the connections we are trying to forge. Relationship marketing is powerful in theory, but troubled in practice. To prevent its premature death, marketers need to take the time to figure out how and why businesses' best efforts are being undermined, as well as how they can get back on track (Dobscha; Fournier & Mick, 1998:44).

The reason for this study is to investigate CRM and determine its application within the pharmaceutical company.

1.3 RESEARCH AIMS AND OBJECTIVES

1.3.1 Aim

To determine the application of customer relationship management (CRM) within the pharmaceutical company.

1.3.2 Objectives

To achieve the above aim the objectives of the study will be to:

1. Determine how relationship management can aid the relationship between selected customers and the pharmaceutical company.
2. Determine how customer relationship management in the pharmaceutical company can satisfy customer needs.
3. Conduct an empirical investigation into the usage of customer relationship management in the pharmaceutical company.

1.4 METHOD OF INVESTIGATION

1.4.1 An analysis of the literature

Literature from various sources namely, books, periodicals, articles, the Internet and other relevant published data will be researched and analysed and brought into the proposed study.

1.4.2 An empirical investigation

1.4.2.1 Sampling

The research will focus on one pharmaceutical company. The population of the study consists of the employees and customers of the Gauteng branch of the pharmaceutical company. The population is the Gauteng branch because even though the pharmaceutical company sells to the entire Southern Africa, 80% of their business is conducted in Gauteng. The pharmaceutical company supplies pharmaceutical instrumentation products to various customer segments. Within the pharmaceutical company, various departments exist that supply the different customer segments.

The customers of the pharmaceutical company exist of inland laboratories of which three are affiliated to universities, four are private laboratories and two are state laboratories. The pharmaceutical company also supplies several sub segments, which include managed health care segments, end customers, doctors, employer and governmental groups. Within each of the laboratory segments various levels of customers can be identified, namely the owner/shareholder/managing body, heads of departments, scientists, pathologists and laboratory technologists. Each of these levels requires different services. Each of these levels will be researched to obtain information within each stratum.

The population of the study consists of the employees and customers of the pharmaceutical company. Out of this population a sample will be drawn.

Due to time and financial constraints, this study will focus on selected customers. The customer bases selected are the three laboratories affiliated to universities and six inland laboratories (private and state). The laboratory segment was chosen because it represents the largest customer base in volume (80%) of the pharmaceutical company.

Stratified sampling will be used to draw a sample from the population. The reason for taking a stratified sample is to obtain a more efficient sample than would be possible with simple random sampling. Random sampling error will be reduced, because the groups are internally homogeneous but comparatively different. A smaller standard error may result from the stratified sample, because the groups will be adequately represented when strata are combined. Another reason to conduct a stratified sample is to ensure that the sample will accurately reflect the population based on the criterion used for stratification (Zikmund, 1999:287).

1.4.2.2 Data collection techniques

1.4.2.2.1 Questionnaires – Primary research

Two different sets of questionnaires were personally handed out. The customers of the pharmaceutical company in each laboratory segment, namely the owner/shareholder/managing body, heads of departments, scientists, pathologists and laboratory technologists will complete one set of questionnaires. The relevant employees who deal with CRM, as well as employees who deal directly with the laboratory segment in the pharmaceutical company will complete the second set of questionnaires. The groups that are involved within the pharmaceutical company that deal with the laboratories include order entry, product managers, key account managers, business area managers, country managers, accounts, consultants and application specialists. Each employee in each group will complete the second set of questionnaires. (The pharmaceutical company in question has already agreed upon access to managers and customers.)

The reason for the different sets of questionnaires is to:

1. Determine whether CRM programmes are already in place and successful in the eyes of the managers.
2. Determine whether the customer is aware of CRM.
3. Determine if the customer is satisfied with the CRM programme.

Different questionnaires for each consumer segment was chosen due to the fact the different consumer segments require different levels and means of customer service and CRM.

1.4.2.2.2 The use of documentation – Secondary research

Documentation such as magazine articles, newspaper and media reports, as well as information on the Internet and published data by the pharmaceutical company organisation (example: customer satisfaction indices) will be collected and integrated with the data obtained in an attempt to add any other nuances that might reside in these sources. The documentary sources will be compared with data already gathered, and then added as new information to the present study where it can be of use. The data from all the available sources that were utilised during the research process will be integrated and collected to conclude the data collection stage.

1.4.2.2.3 Proposed method of data processing

The questionnaires will be analysed by the Statistical Consultation Services of the Potchefstroom University to ensure accuracy and correct interpretation of the results.

A frequency analysis will be carried out to determine the strength of each identified factor.

Descriptive research involves assessing relationships between two forms of conduct. The determination of relationships between different factors, as well as between factors and other variables will be applied in this study.

The effect size measure the degree to which the phenomenon is present in the population. The greater the value of the effect size, the greater the correlation between the phenomena. The effect size is calculated to reach a conclusion regarding the significance of a relationship. To determine the effect size for means, d will range from d=0.2 to d=0.8, indicating a small to a large effect respectively. To determine the effect size for the relationship in a contingency table w=0.1 to w=0.5, indicating a small to large effect respectively. Data with

$d \geq 0.8$ and $w \geq 0.5$ is considered to be practically significant (Cohen, 1988:109-111; Steyn, 1999).

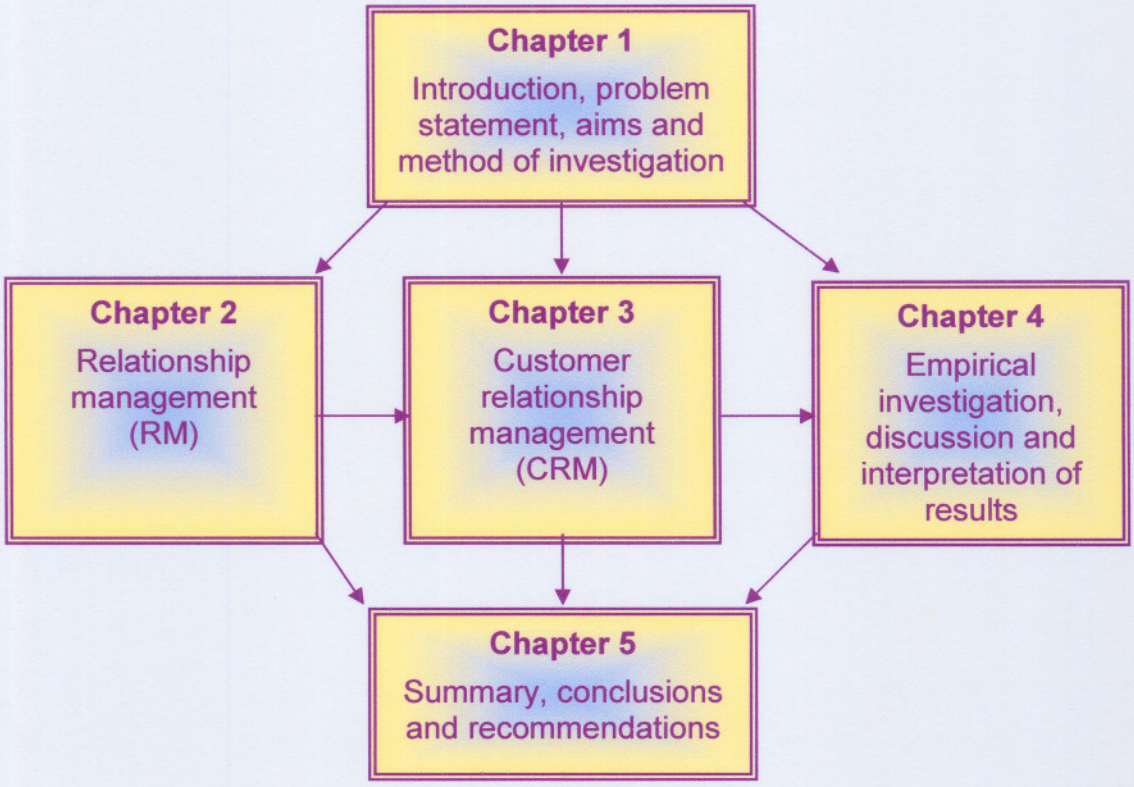
A correlation between managers' and customers' responses will be used to indicate whether a consensus is derived between customers and managers.

1.4.2.2.4 Ethical aspects

The pharmaceutical company does not want to have their name revealed so that competitors will not be able to gather sensitive information about the company. For this reason, in this study reference will only be made to the "pharmaceutical company".

1.5. CHAPTER DIVISION

Figure 1: Chapter division



1.6 CONCLUSION

Relationship management and customer relationship management are integral parts of any business. It is important that businesses that implement RM and CRM realise that it takes a total company effort to make RM and CRM work effectively. The next chapters will explain the need for RM and CRM in more detail. Chapter four describes the findings of the empirical study, while chapter five describes whether CRM is a total company effort in the pharmaceutical company and whether the customers and the managers of the pharmaceutical company are working towards a better relationship that will aid both parties.

2 RELATIONSHIP MANAGEMENT

2.1 INTRODUCTION

Relationship management (RM) is a tool that most companies can use to enhance their relationships with not only customers, but with all stakeholders. Relationship management enables companies to create value for customers, while increasing profits and return on equity (Gummesson, 2002:8).

This chapter explains why companies should include relationship management in traditional transaction marketing. The concepts *marketing, relationship marketing, relationship management* and *value* are defined. Relationship management is described in detail by referring to the characteristics, values, benefits and ways to improve relationship management. The warnings and pitfalls of relationship management, as well as the role of communication in RM and the need for relationship managers are also explained.

2.2 WHY INCLUDE RELATIONSHIP MANAGEMENT IN TRADITIONAL TRANSACTION MARKETING?

Traditional transaction marketing has always been concerned with understanding relationships between buyers and sellers. However, it is only recently that relationship management has received increased attention from academics with a number of conceptual and empirical works extending the understanding of the concept (Saren & Tzokas, 1998:187).

Kotler (2003:152) states that traditional transaction marketing tends to ignore relationships and relationship building between stakeholders (parties involved with the company e.g. government, suppliers, customers, competitors and employees). However, relationships between customers and suppliers form the basis for any type of marketing. Within the current mode of thinking,

traditional transaction marketing is reduced to an impersonal exchange process between customers and suppliers through mass promotions and distributions. The supplier offers products and services via an intermediary and the consumer offers money in return. The supplier may even be totally anonymous to the consumer, who in turn is just a statistic to the supplier. This approach to traditional transaction marketing does not comply with the reality of society (Gummesson, 2002:10).

Relationship management instead, considers distribution from the customer's perspective, who decides where, how and when to buy the combination of products and services that comprise the supplier's total offering. This allows customers to choose where and from whom they will obtain the value they want (Gordon, 1998:15). From the relationship perspective, the focus of relationship management is on value creation rather than value distribution (Grönroos, 2000:25). Companies are starting to move their focus from "bottom-line" to producing value to satisfy the customer's every need (Anton, 1996:2). Relationship management emphasises the creation of long-term relationships and values rather than the immediate transaction (Dickson, 1994:114).

Traditional transaction marketing focuses heavily on gaining new customers through mass marketing. Marketers are allocating resources towards customer loyalty and retention programmes. Terms such as loyalty, frequency, retention and relationship marketing are all used to define the same basic marketing approach (Moloney, 2001), but Gummesson (2001:11) states that relationships and interactions play a certain, but subdued role in traditional transaction marketing management. Although companies are developing loyalty and retention programmes, not enough emphasis is placed on building relationships.

Companies are realising the need for in-depth and integrated customer knowledge in order to build close co-operative and partnering relationships with

customers (Parvatiyar & Sheth, 2001:1). Whether companies are trying to retain their customers, motivate them to increase their purchase activity, or trying to establish relationships, the basic principles of relationship management can be applied all over (Wehner, 2000:1).

The main aim of relationship management is to build long-term relationships with other stakeholders. Fundamentally the argument for building a long-term relationship is that relationships create commitment and trust between a supplier and a customer. Building those relationships are time-consuming and costly. Therefore building a relationship can be seen as an investment that will pay off in future. Investment in a relationship will not cease once it has been established. Given the dynamic nature of modern markets, investment in relationships with stakeholders will inevitably solidify the relationship earlier. Where a relationship exists, usually several departments within the supplier's and the customer's companies interact with each other. There is a need for the supplier to manage these interactions and to ensure that departments within its own company act in ways that are congruent with the interactions between the two companies. This is a continuous and costly process. However, these costs are expected to be lower than the cost of obtaining similar sales revenue through a series of discrete transactions. Establishing a relationship is thus more profitable than maintaining a series of traditional transaction exchanges (Blois, 1996:183).

Relationship management is founded partly on the company's perceptions of its customers. Relationship management comes naturally to the market-led company, which highlights customer needs to all parts of the company. Relationship management is not just part of marketing, but an approach that should pervade through the entire company. This will only occur if relationship management concepts are the foundation of a company's business plans, structures, and processes (Stone & Woodcock, 1996:24).

Relationship management is not just another layer in marketing; it is a new marketing discipline that offers companies new opportunities to achieve breakthroughs and to create new business value for their customers and shareholders. There are many differences between marketing and relationship management. One of these is the notion that marketing targets segments, while relationship management creates value with individual customers (Gordon, 1998:18-19). Relationship management is not just out to capture customers. If offers a wide range of conditions for more efficient management and marketing, as well as opportunities for the company to make money (Gummesson, 2002:8).

Table 2.1 indicates the differences between traditional transaction marketing and the new focus of traditional transaction marketing, namely relationship management.

TABLE 2.1 TRADITIONAL TRANSACTION MARKETING VERSUS RELATIONSHIP MANAGEMENT

Traditional transaction marketing	◄——————►	**Relationship management**
Once-off exchanges, brand management	**Focus**	Ongoing exchanges, customer management
Short-term focus	**Time perspective**	Long-term focus
Mass communications	**Primary communication**	Personal communications
Isolated market research	**Customer feedback mechanism**	Ongoing dialogue
Mass markets or market segments	**Market size**	Markets-of-One
Market share	**Criterion for success**	"Mind share" (i.e. share of customer)

Source: Van Auken (2001:37)

As table 2.1 indicates, RM is concerned with developing a long-term relationship that will lead to ongoing exchanges. Relationship management aims to communicate openly and constantly with stakeholders while identifying each customer's individual needs.

Relationship management calls for new practices within the marketing mix. The shift towards relationship management does not mean that companies abandon traditional transaction marketing altogether. Most companies need to operate with a mixture of transactional and the relationship management approaches (Kotler, 2003:152-154).

For a company to know how to provide stakeholders with value through the implementation of relationship management, it is important that the concept of relationship management is understood.

2.3 MARKETING, RELATIONSHIP MARKETING, RELATIONSHIP MANAGEMENT AND VALUE DEFINED

2.3.1 Marketing defined

The marketing concept asserts that customer satisfaction is the basis for all marketing mix decisions (Lumpkin, Pelton & Strutton, 1997:108). The aim of marketing is to identify customers' needs – and meet those needs so well that the product sells itself (McCarthy & Perrault, 1996:9). According to Grönroos (2000:26) the purpose of marketing is to identify, establish, maintain, enhance and when necessary terminate relationships with customers (and other parties) so that the objectives regarding economic and other variables of all parties are met. This is achieved through a mutual exchange and fulfilment of promises.

Gordon (1998:9) goes one step further to define marketing as the process of identifying and satisfying customers' needs in a competitively superior manner in order to achieve the organisation's objectives.

But, marketing thinking is shifting from trying to maximise the company's profit from each transaction, to maximising the profit from each relationship (Kotler, 2003:39).

Marketing is a process between a company's capabilities and the wants of customers. Marketing is the process of defining markets; quantifying the needs of customer groups (segments) within the defined markets; determining the value propositions to meet those needs; communicating value propositions to all those people in the company responsible for delivering them and getting their buy-in to their role; playing an appropriate part in delivering these value propositions and monitoring the value actually received (McDonald, 2002:4).

2.3.2 Relationship marketing defined

From Kotler's definition of marketing in paragraph 2.3.1, it is noticed that traditional transaction marketing is not enough to satisfy customers' needs, but a relationship should rather be developed between the supplier and customers and other stakeholders.

Relationship marketing has been accused of being overconceptualised and underdeveloped empirically (Saren & Tzokas, 1998:187). The relationship marketing concept delivers exchange value by addressing simultaneously the needs of each link in the marketing channel (Lumpkin, Pelton & Strutton, 1997:108). Relationship marketing marks a significant paradigm shift in marketing, a movement from thinking solely in terms of competition and conflict, toward thinking in terms of interdependence and co-operation. It recognises the importance of various parties – suppliers, employees, distributors, dealers, retailers – co-operating to deliver the best value to the target customers (Kotler, 2003:152).

Although numerous authors now use the term "relationship marketing", few provide a definition of the term (Blois, 1996:181). Some authors use

relationship marketing interchangeably with marketing, relationship selling, database marketing, loyalty marketing, one-to-one marketing and partnering. Relationship marketing is fundamentally different from existing management approaches because it invites the customer into the company throughout the value chain. It does not distinguish the lines between where the customer begins and the firm ends. It organises the company differently, changes the incentive systems and seeks to change virtually every other existing aspect of the company to enable the firm to develop an intense relationship with its customers. Relationship marketing is not what most companies do today, although, some may undertake parts or certain aspects of relationship marketing. Additionally, few companies have gone beyond the informal consideration of relationship marketing to actually implementing relationship marketing in its entirety (Gordon, 1998:18).

According to Morgan (quoted by Terawatanavong, Whitwell & Widing, 2001), relationship marketing involves "all marketing activities directed toward establishing, developing, and maintaining successful relational exchanges". From the above definition relationship marketing is first and foremost a perspective of how the firm can relate to its customers and other parties, which has an impact on how the business is developed and customers are managed (Grönroos, 2000:39).

Relationship marketing is a long-term flexible marketing strategy that helps companies identify, retain and grow their best customers by communicating to them and recognising their needs (Wehner, 2000:1).

Shani and Chalasani (quoted by Parvatiyar & Sheth, 2001:3) have defined relationship marketing as "an integrated effort to identify, maintain, and build a relationship with individual customers and to continuously strengthen the network for the mutual benefit of both sides, through interactive, individualised and value-added contacts over a long period of time".

Stone and Woodcock (1996:11) define relationship marketing as the use of a wide range of marketing, sales, communication and customer care techniques and processes to identify individual customers; create a relationship between the company and the customers that stretches over many transactions; and to manage that relationship to benefit the customers and the company.

Relationship marketing can also be defined as the process of planning, developing and nurturing a relationship climate that will promote dialogue between a firm and its customers which aims to instil an understanding, confidence and respect of each other's capabilities and concerns when enacting their role in the market place and the society (Saren & Tzokas, 1998:195).

It is clear that relationship marketing can defined in various ways. In conclusion relationship marketing can be seen as the integrated effort that companies make to establish a long-term relationship with stakeholders by enhancing communication and adding value in order to satisfy needs.

2.3.3 Relationship management defined

Although authors use the term "relationship marketing" as defined in paragraph 2.3.2, developing relationships with customers requires more than just marketing - these relationships need to be maintained and managed. For this reason, the term "relationship management" will be used in this study.

Relationship management is based on managing customer relationships, as well as relationships with other parties (Grönroos, 2000:32).

The relationship management (RM) concept suggests that companies should focus outwardly on satisfying their stakeholders' needs, rather than their own. The marketing concept begins with well-defined markets. The relationship management concept continues by focusing on and co-ordinating those

marketing mix (price, communication, distribution and product) activities that affect customers' needs, and ends by producing long-term relationships and profits through the creation of customer satisfaction (Lumpkin, Pelton & Strutton, 1997:109).

Table 2.2 provides definitions of the terms relationship marketing and relationship management as discussed in paragraph 2.3.2 and 2.3.3 respectively in order to distinguish between the two terms.

TABLE 2.2 THE DIFFERENCE BETWEEN RELATIONSHIP MARKETING AND RELATIONSHIP MANAGEMENT

	Definition
Relationship marketing	An *integrated effort* to identify, maintain and *build a relationship* with individual customers and to continuously strengthen the network *for the mutual benefit* of both sides, through *interactive, individualised and value-added contacts over a long period of time* (Parvatiyar & Sheth, 2001:3).
Relationship management	The *ongoing process* of identifying and creating *new value* with individual customers or customer segments then *sharing the benefits* from this over a lifetime of association. It involves the *understanding, focusing and* ***management*** *of ongoing relationships* between suppliers and selected customers for *mutual value creation* and sharing through interdependence and organisational alignment (Gordon, 1998:9).

As described in table 2.2 both relationship marketing as well as relationship management create value to satisfy customer's needs and in order to build long-term relationships.

2.3.4 Value defined

Value represents a quantifiable assessment of the costs and benefits derived from the exchange offering (i.e., the product or service) and the exchange process (Lumpkin, Pelton & Strutton, 1997:365).

A company that has a value-centred relationship with its customers knows a great deal about individual customers and communicates with those customers. With this type of relationship, companies work together with their customers to create the needed products and services (McKenzie, 2001:89).

Value creation is the desirable outcome of economic activity and consumption. Customers are not specifically looking for goods, services, knowledge or information. Customers require something of value. Value is commercially offered in the market by suppliers (Gummesson, 2002:8). The search for value (what you get for what you pay) is the primary motivation for the actions of customers, employees, suppliers and others with whom a company interacts. Value is what most customers seek when purchasing goods and services. Value means different things to many people and is a highly subjective, personal matter, but its pursuit has fuelled durable business success (Heskett, Sasser & Schlesinger, 2003:10-11).

The characteristics, benefits, warnings and pitfalls, need for communication in relationship management, as well as the need for relationship managers will be discussed further.

2.4 RELATIONSHIP MANAGEMENT

2.4.1 The characteristics, values and benefits of relationship management

2.4.1.1 The characteristics of relationship management

Relationship management is often presented as the opposite to traditional transaction marketing, the one-time deal. In traditional transaction marketing, the fact that a customer has bought a product does not forecast the probability for a new purchase, not even if several purchases have been made. A customer may repeatedly use the same supplier because of high switching costs, but without feeling committed to the supplier or wanting to enter into a closer relationship (Gummesson, 2002:17).

Relationships are central for business people. Relationship management focuses actions around three preoccupations namely, customers, relationships and management (McKenzie, 2001:79). Relationship management builds on traditional transaction marketing, but has six dimensions that differ materially from the historical definition of marketing. The six dimensions of relationship management state that RM:

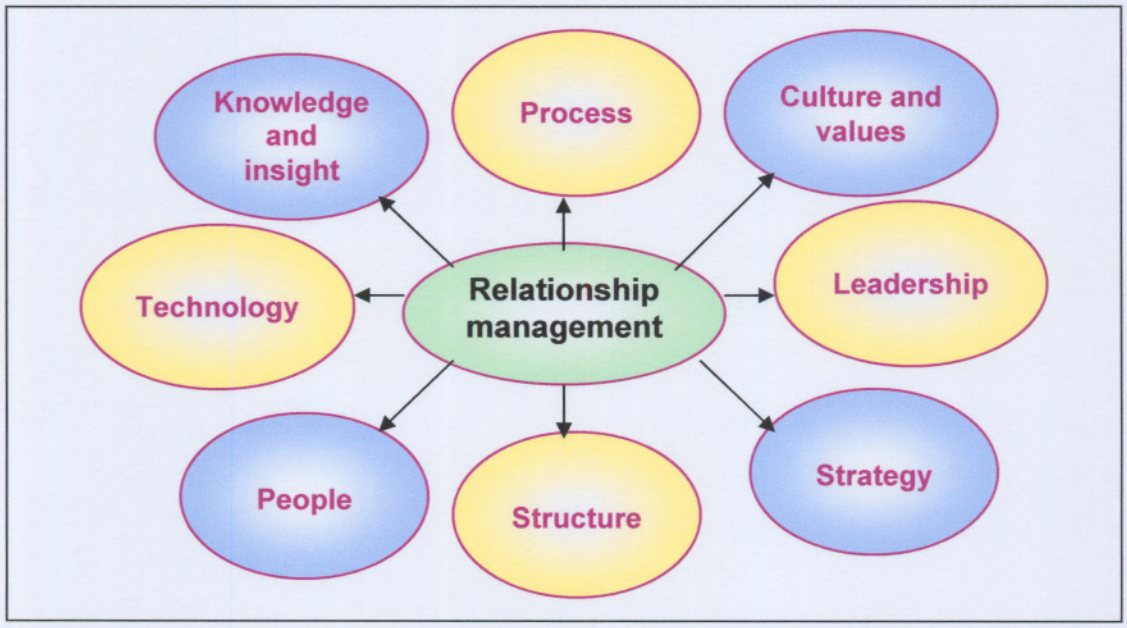
- seeks to create new value for customers and then share the value created between producer and customer.
- recognises the key role individual customers have not only as purchasers, but in defining the value they want. Previously, companies would be expected to identify and provide this value in what the company would consider a "product". With relationship management, the customer helps the company provide the benefit bundle that the customer values. Value is thus created with customers, not for them.
- requires a company, as a consequence of its business strategy and customer focus, to design and align its business processes,

communications, technology and people in support of the value individual customers want.

- is a continuously co-operative effort between buyer and seller. As such, it operates in real time.
- recognises the value of customers over their purchasing lifetimes, rather than as individual customers or organisations that must be resold on each purchasing occasion. In recognising lifetime value, relationship management seeks to bond progressively more with customers.
- seeks to build a chain of relationships within the company to create the value customers want, and to build relationships between the company and its main stakeholders, including suppliers, distribution channel intermediaries and shareholders (Gordon, 1998:9-10).

The six dimensions of RM can only be implemented if the company recognises that relationship management runs throughout the entire company. The company needs to be aware of the eight components of RM within the company. The eight components of relationship management are depicted in figure 2.1.

Figure 2.1 The eight components of relationship management



Source: Gordon (1998:22)

As figure 2.1 indicates, the eight components of RM include that relationship management can only be successful if the entire organisation with its processes, culture and values, leadership (managers), strategies that it develops, organisation structures, employees (people), technology and knowledge and insight of all stakeholders in the organisation is determined and committed to enforce and implement relationship management from the top down, to include the main philosophy of putting customers' needs first.

The core theme of all relationship management perspectives is its focus on a co-operative and collaborative relationship between the company and its customers, and/or other marketing areas as well as other stakeholders (Parvatiyar & Sheth, 2001:4).

Relationship management helps companies to form relationships with all types of stakeholders. Table 2.3 indicates all the different types of stakeholders and relationships that a company deals with.

TABLE 2.3 THE RELATIONAL EXCHANGES IN RELATIONSHIP MANAGEMENT

SUPPLIER PARTNERSHIPS	LATERAL PARTNERSHIPS	INTERNAL PARTNERSHIPS	BUYER PARTNERSHIPS
Goods suppliers	Competitors	Business units	Intermediate customers
Service suppliers	Non-profit companies	Employees	Ultimate customers
	Government	Functional departments	

Source: Buttle (1996:3)

Relationship management is not only about customer-supplier relationships, although they are the focal point for customer relationship management. Even

though companies think of the relationship to their own immediate buyer partnerships, customer-supplier relationships also include intermediaries, end-users and their own suppliers (Gummesson, 2002:246). This study concentrates on the relationship between a company (the supplier) and its customers (buyer partnerships).

In each type of relationship, value must be created in order to develop a long-term relationship with stakeholders.

2.4.1.2 The value chain and value in relationship management

Loyal customers expect a good price, but they require value most of all (Anton, 1996:19). In traditional transaction marketing, value for customers is created by the company. Relationship management means that value for the customer is created throughout the relationship, due to interactions between the customer and the supplier. The focus is not on the products, but on the customers' value-creating processes where value emerges for customers and is perceived by them (Grönroos, 2000:24-25).

The company that bases its structure on relationships understands how value is created. Value-creating processes need to adjust to the customer and the situation (McKenzie, 2001:56-57). The value chain comprises a series of interrelated phenomena organised according to the following assumptions:

- Customer loyalty and commitment are the primary drivers of growth and profitability.
- Customer loyalty and commitment emanate from customer satisfaction compared to competition.
- Customer satisfaction results from the realisation of high levels of value compared to competitors.
- Satisfied, committed, loyal and productive employees create value. The value perceived by customers (both internal and external to the

company), suppliers and other important stakeholders is enhanced mostly by the satisfaction levels of those employees that are in direct contact with stakeholders.

- Employee satisfaction results from several factors, the most important of which are the "fairness" of management; the quality of one's peers in the workplace; the opportunity for personal growth on the job; capability, the latitude within limits to deliver results to customers; levels of customer satisfaction achieved in customer facing jobs; and monetary compensation. It is at the heart of efforts to build the company's capability to deliver both high value and low costs.
- Relationships between elements of the value chain are self-reinforcing. They can work for or against company performance (Heskett, Sasser & Schlesinger, 2003:19).

The value chain can give the impression that core functions such as research and development, manufacturing and marketing must be performed in that very order. Emphasis should be placed on the simultaneous rather than the sequential, as well as on the importance of combining functions with regard to needs rather than to follow a uniform procedure. In the value chain, the customer is an external end-user of a firm's output, but when creating value the customer is part of the process – a co-producer – and not just an end-user (Gummesson, 2002:189). The relationship management company looks to engage the customer interactively in the steps of creating value, looking for innovative ways to unlock new and meaningful benefits for the customer. Then the company will want to share in the value of the benefits newly created for the customer, whether it relates to choice of features of functionality, rapid product and service delivery, timely communications or any other aspect of the benefit bundle (Gordon, 1998:15-16).

A company is unlikely to achieve a sustained record of value-building unless it has over the years adopted and implemented value-building strategies. The company's value-building needs to be sustained for competitive reasons. The

company needs to protect itself so that its intended net inflows are not upset or cut short by the actions of competitors or other parties. The company by contrast may need to be more aggressive in pursuing a succession of winning strategies, in order to become a sustained value-builder in its own right (McKenzie, 2001:173). Even in markets with relatively little competition, providing customers with value may be the only reliable way to achieve sustained customer satisfaction and loyalty (Hartley & Starkey, 2000:264).

Relationship management is based on built-in values. In order for companies to create value for stakeholders, it should first understand the values of relationship management. According to Gummesson (2002:14-16) the fundamental values of RM include the following:

- Marketing management should be broadened into marketing–oriented company management.
- Relationship management is based on long-term collaborations and a win-win approach. The core values of RM are found on collaborations and the creating of mutual value. Relationship management encourages customer retention and discourages customer defection. It firstly encourages retention marketing and attraction marketing, and secondly aims at getting new customers.
- It is aimed at relationship and service values instead of bureaucratic-legal values. Bureaucratic-legal values are characterised by: rigidity, legal jargon, application of dysfunction laws and regulations; a focus on internal routines; more interest in rituals than in results; belief in the supplier as the expert and the customer as ignorant; the customer being a cost and a residual of the system; customer as masses and statistical averages; and the importance of winning the customer in a dispute. Relationship management is a valid concept for public companies, and an understanding of how marketing could be applied to public bodies to the benefit of the customer is growing. It requires different values based on relationships and services to the customer. These values establish

that all customers are individuals and different in certain respects; that the outcome is the only thing that counts; that customers are the source of revenue and should be in focus; and that the supplier's task is to create value for the customer.

Companies believe that keeping existing customers and building a profitable relationship are critical to the future of their businesses in a competitive environment. When valued relationships with customers have been built, those customers will stand by the company during bad times, and also be more likely to refer new customers and thus lowering the cost to the company of customer acquisition (Royffe, 2002:462).

When a company consistently delivers superior value and wins customer loyalty, market share and revenues go up, and the cost of acquiring and servicing customers goes down. Although the additional profits allow the company to invest in new activities that enhance value and increase the appeal to customers, strengthening loyalty generally is not a matter of simply cutting prices or adding product features. The better economics mean the company can pay workers better, which sets off a whole chain of events. Increased pay boosts employee morale and commitment, as employees stay longer their productivity rises and training costs fall, employees' overall job satisfaction, combined with their knowledge and experience, leads to better service to customers, customers are then more inclined to stay loyal to the company, and as the best customers and employees become part of the loyalty-based system, competitors are inevitably left to survive with less desirable customers and less talented employees (Reichheld, 1993:64-65). Adding value to a relationship means that a company must save the customers money, time and hassle and be customised specifically to their needs (Temporal and Trott, 2001:48).

The overall purpose of RM is to improve marketing productivity and to enhance mutual value for the parties involved in the relationship. Improving marketing

productivity and increasing mutual values can be achieved by increasing marketing efficiencies and/or enhancing marketing effectiveness (Parvatiyar & Sheth, 2001:9-10).

2.4.1.3 The benefits of relationship management

Relationship management delivers many benefits to a company, big or small. Slowly but surely, companies will be able to reduce marketing expenses, build referrals and grow the business in step with its customers' needs (Temple, 2003).

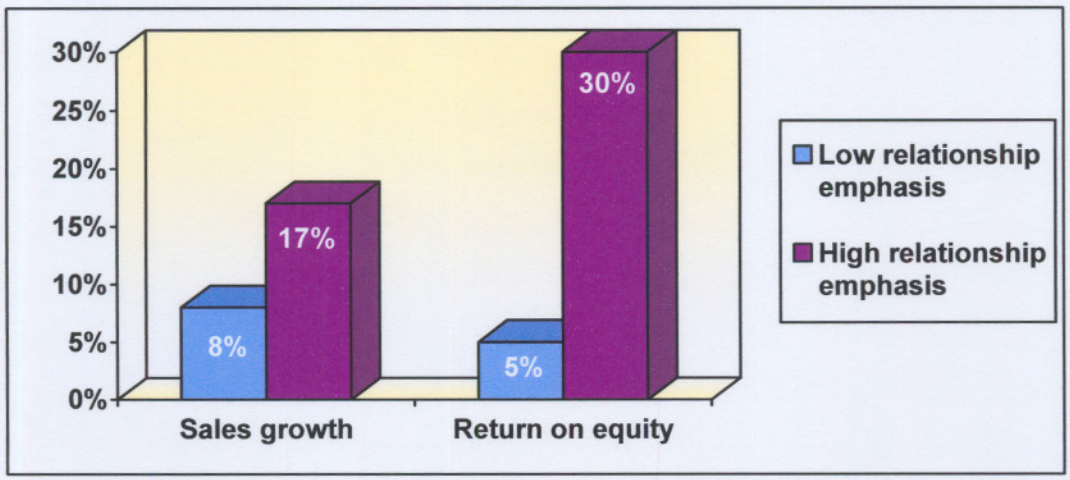
The main benefits of relationship management include that RM:

- focuses on partners and customers rather than on the company's products.
- puts more emphasis on customer retention and growth than on customer acquisition, and on one-time purchases.
- relies on cross-functional teams rather than on departmental-level work, so that the entire company is focused on improving customer relationships.
- relies more on listening and learning than on talking which enables companies to determine actual needs of customers (Kotler, 2003:152).

Relationship management is not only beneficial for company and stakeholder relationships, but it also has various financial benefits for companies.

Figure 2.2 indicates the financial benefits of having a high emphasis on relationships. As indicated in the figure, a company can increase its sales growth by 9 percentage points (112.5%) and its return on equity by 25 percentage points (600%) over a long period of time by having a high company emphasis on relationships.

Figure 2.2 The financial benefits of strong relationships



Source: Temporal & Trott (2001:43)

Increasingly, companies are realising that their most valuable asset is their existing customer base, and among that base not all customers are created equally. Relationship management provides benefits to companies that are trying to market to their best customers. A well-designed and implemented relationship management strategy holds the following benefits to companies (Wehner, 2000:1-2):

- Relationship management results in a better understanding of what customers want across product and service lines
- It drives customer behaviour.
- It enables companies to establish a competitive advantage, allowing companies to differentiate without price discounting.
- It allows marketers to allocate marketing resources to those customers with the greatest potential.
- Relationship management enables marketers to track and measure customers' spending and service behaviours.
- Produce profitable long-term relationships.

- Relationship management allows companies to maximise return on investment in a measurable way, allowing companies to identify profitability among product and service variables.
- It enables companies to generate a multi-year revenue stream.

Relationship management has the benefits to companies that it creates increased customer retention and loyalty in that customers stay longer with the company, buys more and more frequently (increased life-time value). Relationship management also creates higher customer profitability, not just because the customer buys more from the company, but because RM lowers costs of recruiting customers and reduces costs of sales, because existing customers will be more responsive to marketing (Stone & Woodcock, 1996:10).

For a company to take advantage of these benefits, the current relationship management structure must be improved within the company.

2.4.1.4 Ways to improve relationship management

To improve relationships, companies need to have an understanding of customers' needs, attitudes and behaviours towards products and the company. Building relationships takes a great deal of time. A company needs a minimum of two to three years to thoroughly understand its customers, deliver on evolving customer expectations and build relationships with customers. It is important that the company understands that it requires a long-term commitment from all parties involved (Wehner, 2000:4).

Solid relationships are built around trust, understanding, effective communication, and faith – all of which take time to build and even longer to perfect (Temporal & Trott, 2001:26). Relationship management can make the difference between getting the contract and losing the business (Po-Chedley, 2001:15). A relationship should not be retained if it works badly. Relationships should, however, not necessarily be broken just because there is conflict.

Relationships can often be restored and improved or they may be the best option for the parties despite there being conflict. In order to develop long-term relationships, it is necessary that collaboration occurs between supplier and customer. In a long-term relationship all parties must adapt to each other. Adaptation can mean large investment that is customised to the needs of other parties (Gummesson, 2002:18-24).

Another important aspect of relationship governance is the process of planning and determining the degree to which customers need to be involved in the planning process. Involving customers in the planning process would ensure their support in plan implementation and in the achievement of planned goals. However, not all customers are willing to participate in the planning process, nor is it possible to involve all of them in relationship management programmes for the mass market. Yet, the involvement of major customers in the planning process is desirable and sometimes necessary for managing a co-operative and collaborative relationship (Parvatiyar & Sheth, 2001:15).

A company can improve its relationships with customers by:

- seeking direct contacts with customers and other business partners.
- building a database covering necessary information about customers and others; and.
- developing customer-oriented service systems (Grönroos, 2000:27).

For RM to be successful, a supportive culture needs to be built within the company. Internal marketing is necessary to convert employees to the new vision of RM and to promote the development of the new culture and to motivate them to develop and implement relationship management strategies. A company must understand customer expectations; this requires a continuous flow of information into the company (Buttle, 1996:12).

Customers are believed to form relationships with individuals and companies rather than with goods, and despite the increased use of technology in services, customers are still dependent on personal interaction with employees. The success of relationship marketing is to a large extent dependent on the attitudes, commitment and performance of the employees. If they are not committed to their role as part-time marketers and are not motivated to perform in a customer-oriented fashion, the strategy will fail. Success in the external marketplace requires initial success internally in motivating employees and getting their commitment to the pursuit of a relationship management strategy. Front-line employees depend on the services that they receive from employees in other departments. Every employee within a company is an internal customer of someone else, and in this way internal customer relationships form. Internal service quality affects job satisfaction and ultimately customer satisfaction. High internal service quality and internal customer orientation are just as important as external service quality and customer orientation. Therefore, relationship management should not be limited to front-line employees, but should be extended to the whole personnel (Liljander, 2000:2-3).

External customers are influenced by those who deliver internal promises: the employees, channel partners, customer service personnel, packing and delivery personnel. Customers are influenced by all employees who are supposed to deliver fast and friendly service and well-made products that every company promises, but has such difficulty in delivering on a constant basis (Schultz, 2002:8).

The goal of internal marketing is to build trust (Sevier, 2002:27). Internal marketing has been understood as a managerial tool. The basic idea is that the entire company's personnel adopt marketing-oriented thinking and behaviour when meeting customers. The target group in internal marketing is a company's personnel, starting with recruiting of new employees. It is possible to ensure that employees will adopt the philosophy of internal

marketing. The concept "internal customer" includes an important idea of good and workable relationships between employees and employees/managers. The basic activities of internal marketing include internal information, training of personnel, creating community spirit and motivation (Järvi, 2000:2).

In companies, management takes employee support for granted in key programmes – including those as important as customer relationship management. Most managers know that company leaders' enthusiasm rarely moves down to low level employees. Any company that wants the entire company involved in CRM should factor employee support into the implementation equation from the start (Anon, 2002:6).

Implementation is especially critical in mature and highly competitive markets. When several companies are all following basically the same strategy – quickly imitating competitors' ideas – customers are often won or lost based on differences in the quality of implementation (McCarthy & Perrault, 1996:625). Relationship management, when appropriately implemented, results in products being co-operatively designed, developed, tested, piloted, installed and refined. Products are not developed in the historical way, with the company conceiving of product concepts, researching these with customers and then engaging in various research and development initiatives, leading to product roll-out some time later. Rather, relationship management involves real time interaction between the company and its priority customers, as it seeks to move more rapidly to meet customer requirements (Gordon, 1998:13).

For relationship management to be successfully implemented, companies need to be aware of the pitfalls of relationship management.

2.4.2 The warnings and pitfalls and ethical dilemmas of relationship management

Relationship management does not happen from day one, much as a company wants it to. A great deal of work and planning need to go into it. It is essential that the company go through the investment phase at the beginning (Lagace, 2003). Relationship management requires a change in thinking and discipline within the company (Temple, 2003). A failure to establish clear business goals before launching a relationship management effort is the most common reason for problems when implementing relationship management (Ebner, Levitt & McCrory, 2002:50).

The idea of "good" existing customer relationships is central to a relationship management philosophy, as it has been propagated in literature. However, in order to implement the relationship management philosophy, good relationships must also exist between the company and stakeholders other than existing customers. Managers should look more broadly at other types of relationships, such as those between customers, negative relationships between customers and other companies and indirect relationships, all of which can have profound enabling influences. By recognising and carefully addressing those, relationship management can expand the scope of its operations and influence. Promise fulfilment is an essential part of relationship management, yet promise fulfilment may be perceived as a surrogate for the credibility, trustworthiness and commitment of the relationship partners, which are acknowledged as key ingredients of a long-lasting relationship. As such, relationship management academics and professionals in the market place suggest that companies should be careful not to promise what they cannot or may not be able to deliver (Saren & Tzokas, 1998:191).

All parties should be active and take responsibility. Relationship management should not be confused with traditional selling that represents the supplier

perspective and does not put the customer and interaction relationship in focus (Gummesson, 2002:15).

Table 2.4 indicates the factors that can lead to failure in relationship management.

TABLE 2.4 FAILURE FACTORS IN RELATIONSHIP MANAGEMENT	
FAILURE FACTORS	
Poor information base	The information on which the RM plan is based does not reflect realities.
Communication	The RM plan is not communicated properly to the staff who are supposed to be implementing it.
Motivation	Staff involved in implementing the plan were not involved in producing it, so they do not experience accountability or ownership.
Lack of understanding of RM	Managers trying to implement RM have a lack of understanding of the RM concept and need for RM.
Control	There is no proper mechanism for measuring whether the RM plan is being put into practice.
Other priorities	Staff are given too many priorities and cannot give attention to RM.
Lack of acceptance	Staff do not accept the need or the concept of RM.
Short-term emphasis	This produces a focus on short-term profit opportunities and not on real customer needs.
Power conflicts	An unwillingness to give control to or share it with another function or department, despite the fact that RM will produce better results for customers.

Source: Stone & Woodcock (1996:179)

It is the role of the relationship manager or other managers within the company to overcome the failures depicted in table 2.4.

Relationship management also creates a wide range of situations that potentially generate ethical dilemmas. These situations can fall within one of four categories as indicated in table 2.5.

TABLE 2.5 ETHICAL DILEMMAS IN RELATIONSHIP MANAGEMENT	
CATEGORY	
Exclusionary tactics	Exclusionary tactics are intentional strategies aimed at restricting normal channel flows in a distribution channel. Exclusionary tactics may be observed in a variety of market actions. Channel members are sometimes granted exclusive distribution rights for a product or service line. Some consider this to impede the free market system. Others view this as necessary rewards granted to selected channel members in return for their superior performance.
Diverting practices	Diverting practices refer to the unauthorised distribution of products. One way that this is accomplished is through gray marketing. Gray markets can influence pricing policies and may affect distribution policies and changes in buyer behaviour. Perhaps more importantly, gray marketing often generates animosity among parties involved.
Repressive control manoeuvres	Repressive control manoeuvres describe coercive attempts to manipulate another channel member's business practices. One of the most common repressive control manoeuvres is full-line forcing, the practice of offering distribution rights only to those who agree to carry a manufacturer's entire product line.
Anticompetitive channel promotions	Anticompetitive channel promotions involve efforts by one channel member to control the distribution of its products. These include giving discounts to customers just to ensure that the competition cannot move into the distribution channel.

Source: Lumpkin, Pelton & Strutton (1997:185-187)

The tactics described in table 2.5 are seen as unethical, because they don't enhance the relationship between supplier and customer in the distribution channel, but rather just the supplier's attempt to distribute its products through the channel to make it difficult for competitors to move in on customers. These practices don't allow for any value creation in the relationship.

In order to avoid pitfalls and to create value with stakeholders, communication is essential in any relationship.

2.4.3 The role of communication in relationship management

Relationship management (RM) literature often fails to include the communication process as a critical dimension in relationship building, focusing on elements such as trust and commitment instead, which are products of communication. The increasing importance of communication in management is demonstrated by its ability to differentiate new management approaches from traditional ones. Each approach emphasises two-way communication through better listening to customers and interactivity and the idea that communication before, during and after transactions can build or destroy important customer relationships. Relationships, in other words, are impossible without communication (Duncan & Moriarty, 1998:1-3).

The objective of relationship management is to create a relationship climate that sets the stage for the nurturing of individual relationships. Of paramount importance in these relationships, is the encouragement of a dialogue between participants, which goes much further than simple two-way communications. It is through this dialogue that mutual understanding, confidence and respect can be cultivated, and the capabilities and concerns of each party can be fully articulated and taken into account (Saren & Tzokas, 1998:195).

Relationship management favours more individual communication and dialogue with customers, as well as more integrated marketing

communications to deliver the same promise and image to the customer. Through RM and communication, information exchange, joint planning, ordering and payments between supplier and customer can be facilitated (Kotler, 2003:153). To develop a long-term relationship, it is important for employees to first understand the customer's needs and then to adapt selling techniques to those needs. However, the relationship has to be sustained, and it is sustained through attention to service, such as promptly returning calls, making special deliveries quickly and personally, seeking answers to technical questions, and working with the customer to design the next generation of products and services that the customer will wish to purchase (Dickson, 1994:388). This can only be achieved through effective communication.

Communication with stakeholders is a necessary process of relationship management. It helps in relationship development, fosters trust, and provides the information and knowledge needed to undertake the co-operative and collaborative activities of relationship marketing. In many ways it is the most important element of relationship management. By establishing proper communication channels for sharing information with customers, a company can enhance its relationship with them. In addition to communicating with customers, it is also essential to establish intra-company communication, particularly among all concerned individuals and corporate functions that directly play a role in managing the relationship with a specific customer or customer group. Although communication with customer partners helps to foster relationship bonds, conscious efforts to create common bonds will have a more sustaining impact on the relationship (Parvatiyar & Sheth, 2001:14).

The relationship can be enhanced when RM is implemented effectively. Hence, a company should create interaction and communication processes that facilitate a relationship, but it is the customer, not the company, who determines whether or not a relationship has developed (Grönroos, 2000:33).

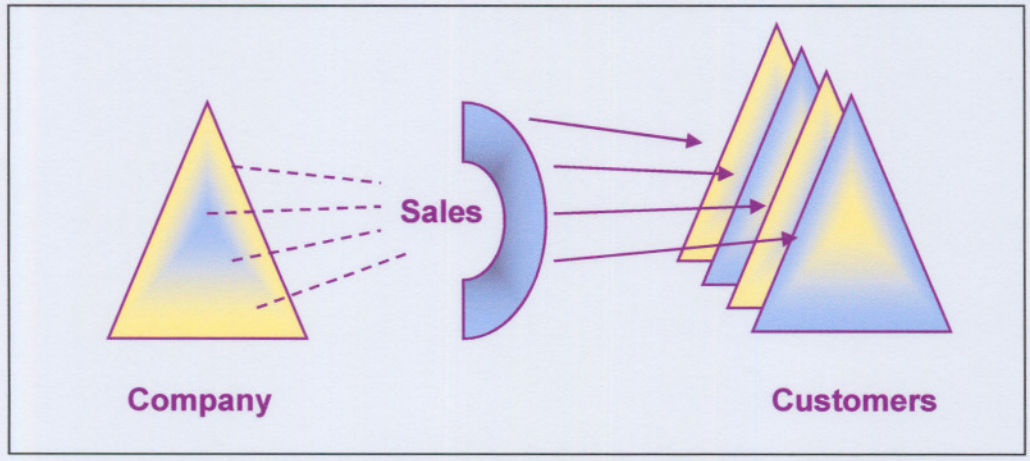
It is impossible to improve on a person-to-person relationship. You can, however, improve the quality of the relationship (Hartley & Starkey, 2000:255). To improve the quality of any relationship (especially with customers), companies can make use of relationship managers.

2.4.4 The relationship manager

The role and need for a relationship manager have increased through time. Figure 2.3 A indicates that with traditional transaction marketing, companies would use the sales functions to distribute products to various customers. Relationship management has evolved the traditional transaction marketing perspective and, as figure 2.3 B indicates, RM uses relationship managers to distribute products to individual customers. The relationship manager ensures that all functions in the business aim to satisfy the individual customer.

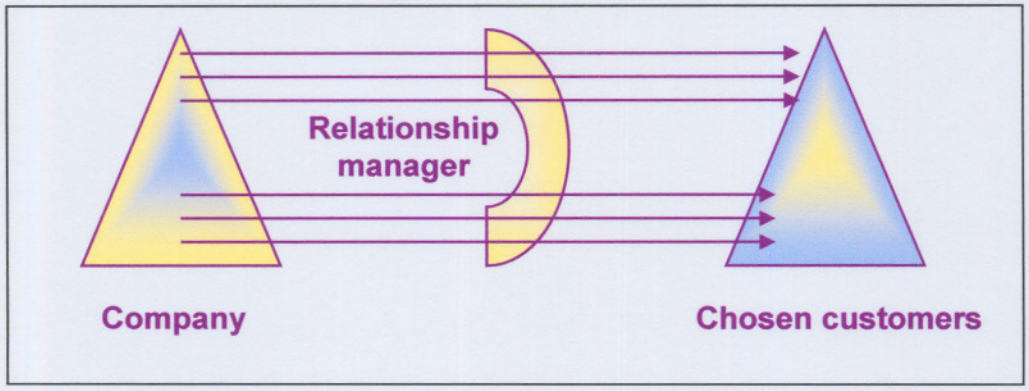
Figure 2.3 Relationship management and the role of the relationship manager

Figure 2.3 A Traditional transaction marketing



Source: Gordon (1998:17)

Figure 2.3 B **With relationship management**



Source: Gordon (1998:17)

The relationship manager will spend a considerable amount of time, sometimes in the foreground, at other times in the background, in researching methods to improve relationships. This will involve liasing with industry specialists and consulting companies, attending seminars covering new ground and collecting a great deal of new reading material that is relevant to the operation for which they may be responsible. The relationship manager will spend more time in planning and developing new ideas for eventual presentation to the customer, either as part of responding to specific requests or, even better, offering new ideas, thus maintaining the highest possible standards of innovation. An important aspect of this planning is to maintain a healthy proactive contribution to the business. The relationship manager will have a very wide range of contacts. Typically, there will be a need to maintain regular liaison with senior management in a variety of business functions, external suppliers at all levels, staff groups such as human resources, procurement, finance and legal. It is not the relationship manager who needs to be satisfied by the level and frequency of contact but, the respective recipients (customers). The relationship manager will constantly be striving to identify needs and thinking in terms of value management – that is – identifying key issues, choosing the best solutions and, without compromising those solutions, organising delivery at lowest cost (Davis & Pharro, 2003:30-32).

Employees play a major role in achieving success (Anton, 1996:4). Several human resources decisions are also important in creating the right company climate for managing RM. It is important to train employees to interact with customers, to work in teams, and manage relationship expectations. It is just as important to create the right motivation through incentives, rewards and compensation systems towards building stronger relationship bonds and customer commitment. Although institutionalising the relationship is desirable for the long-term benefit of the company, personal relationships are nevertheless formed and have an impact on the company's relationships. Proper training and motivation of employees is needed to professionally handle customer relationships (Parvatiyar & Sheth, 2001:15). The relationship manager will need to provide that training and motivation to employees.

The role of managing the relationship with stakeholders includes the responsibility of listening to and with the customer, and integrating communications, technologies, people and processes collaboratively with a customer counterpart. This role falls now to the relationship manager. The relationship manager will be there for the customer and work with him to ensure that both get the value they seek. The relationship manager will also lead an internal process of review and value creation with all those who deal with the customer and the technology and business processes put in place by the firm for this purpose (Gordon, 1998:15-16).

Under the influence of RM, organisation around customers becomes more sensible. Relationship managers are better placed to build long-term relationships with customers, to better understand their expectations and constructing financial, social and structural links to the company (Buttle, 1996:12).

Appointing relationship managers and key account managers can be a solution to successful companies for supporting the transfer to an RM-oriented company approach. Values and strategies of RM, however, must permeate

the whole organisation and become part of the corporate culture and daily operations (Gummesson, 2002:248). The heads of departments (or managers) that are affected by the implementation of relationship management should be involved in the process. From the start, these managers should understand the necessity of reaching an agreement concerning implementation goals. At the same time, it should be emphasised that the success of the process depends on the active involvement of the managers (Brown, 2000:270).

The relationship manager leads the process associated with customer value creation. As such, the manager is not just the customer's advocate inside the company, but the advocate of the process by which value is created for customers (Gordon, 1998:19).

2.5 CONCLUSION

Although traditional transaction marketing methods can be useful in a company, implementing relationship management as a further tool can enable companies to develop relationships with customers and other stakeholders. These relationships can help companies to create value with customers.

Relationship management aims to make customers partners in the company. This means that companies will be able to determine customers' actual needs and provide customers with product offerings that will satisfy their needs.

For RM to be of use and correctly implemented, companies should make relationship management a total company effort and make it part of the companies culture. The basis of RM is communication. Without communicating with customers, employees and suppliers, relationship management will not succeed. To encourage communication between stakeholders, and to ensure correct implementation of RM, companies can make use of relationship managers. Relationship managers enhance

relationship building with stakeholders and implement relationships as part of the corporate culture. Relationship managers will enable companies to build relationships with customers which will increase the value provided to customers and will enable the company to grow.

3 CUSTOMER RELATIONSHIP MANAGEMENT

3.1 INTRODUCTION

Relationship management is one of the most important marketing tools that companies are using to build relationships with stakeholders. Customer relationship management concentrates on building relationships with the company's most important stakeholder – the customer. Customers are the reason why any company is in business, so it is vital for the existence and survival of the company to develop a long-term relationship with its customers. Customer relationship management is not about managing the customer, but rather about managing relationships with customers for mutual benefit of the company and the customer involved (Jude, 2000:67; Lee, 2000:92; Gummesson, 2002:297).

This chapter explains the reasons why companies should concentrate on customer relationship management rather than just relationship management. The concepts *customers, customer relationship management* and *customer service* are described. Since customer relationship management starts within the company, the internal company considerations for customer relationship management are examined. The benefits for the company and the customer, as well as the pitfalls of customer relationship management are described. The implementation of customer relationship management is examined with emphasis placed on the need for databases and customer relationship managers.

3.2 WHY MOVE FROM RELATIONSHIP MANAGEMENT TO CUSTOMER RELATIONSHIP MANAGEMENT?

The foundation of customer relationship management (CRM) is the relationship management (RM) philosophy (Gummesson, 2002:40). Customer relationship management goes one step further and concentrates on the relationship of a company with its most important stakeholder – its customer.

There is a gap between RM philosophy and CRM application. This gap is caused by the lack of implementation skills by management in the company, but also by difficulties in grasping the essentials of customer relationship management. There may be a lack of data, or inability to put data together in a meaningful pattern to facilitate decisions and actions. The difficulties are caused by at least four "random variables" namely, customers, competitors, the general economy and technology change. None of these difficulties can be predicted with accuracy. The gap between RM and CRM is also caused by marketers who have not internalised marketing values (Gummesson, 2002:13-14).

With mass-media advertising on the decline as a tool, marketers are focused on customer relationship management (CRM) as the best way to win, retain and grow business. Today, with more services available, companies can no longer expect results from broad advertising and marketing campaigns aimed at the broad mass of customers. Companies are finding that selected methods and channels must be used to reach their varied and valued customer segments. Some companies are turning to CRM, learning what their customers want and tailoring their marketing accordingly to meet those needs (Brown, 2000:7).

Customer relationship management offers companies a way to implement RM strategies. It is then up to the company to implement RM and CRM and determine what benefits it can hold (Gummesson, 2002:20).

3.3 CUSTOMERS AND CUSTOMER SEGMENTS

A customer is the most important person in any work environment. A customer should not be a number or a statistic to the company, since he/she is the reason for the company's existence (Jude, 2000:64-67).

For any company, it is vital to know who the customers or customer segments are. A company's customer could be the wholesaler, the end user or even both. A company will have to determine how it will construct its customer segment to determine which customers are most profitable to the company. To determine this, a company will have to consider "customer behaviour variables" to structure its customer segment. Factors that could be used include revenue (most used) or number of products or services sold. Whatever variable a company chooses, the customer behaviour variable should be one that the company can influence through marketing, sales, and service activities (Curry & Curry, 2000:93).

Customers do not buy goods or services, they buy the benefits those goods and services provide them with. Customers buy product offerings consisting of goods, services, information and personal attention. Such product offerings render services to them, and it is this customer-perceived service of a product offering that creates value for customers (Grönroos, 2000:3).

Customers are seeking the supplier who can deliver the needed product offering and a reliable relationship. If the sales representative of the supplier can prove that the company understands the customer's needs, and can position the product as a total solution to the need, chances are that they will get the order. Knowing, and relating to, the individual customer is much more important than industry knowledge and demographic data (Po-Chedley, 2001:15).

Customers are involved physically, intellectually and emotionally in their experience of the product offering. Two different customers cannot have the same conceptual experience, because each and every experience happens in connection with the personality of each customer and consequently is subjective. Therefore, to develop unique product offerings, companies face the challenge of involving the customers much more than before in the development of the product offering (Chenet & Johansen, 1999:26-27). Since not every customer experiences a product offering in the same way, companies can segment these customers who have similar experiences to the product offering. The company must be able to provide customers with great customer experiences in order to develop a relationship.

Great customer experience is a source of long-term competitive advantage. Consistently exceeding customers' or segments' physical and emotional expectations create great customer experiences. These experiences are revenue generating and can significantly reduce costs (Ivens & Shaw, 2002:10-11).

All customers are important, but some are more important than others. Customers can be divided into those who are revenue generating and those who are unprofitable. The better customers should be given more benefits, both to retain them longer and to give other customers an incentive to migrate upwards (Kotler, 2003:39).

3.3.1 Defining customers

The traditional description of a customer is that it refers to a person outside of a company who buys the company's service or products (product offering) and reward the company with money in return (Edmondson, 1992:128).

In a traditional transactional approach to marketing the customer is considered a customer when marketing and sales efforts are targeted at him/her (or the

buying company). According to the relationship management perspective the situation is different. With relationship management a company should concentrate on forming an ongoing relationship and not on a once-off transaction exchange (Grönroos, 2000:34). Companies must view the customer as a financial asset that needs to be managed and maximised like any other asset (Kotler, 2003:37).

From the above discussion it can be determined that a customer could be an individual person or a company that buys a product offering that will satisfy his/her needs. A customer, furthermore, is an asset to a company with which a relationship must be formed and managed.

A customer segment is a group of customers that have similar experiences with a product offering, or have similar needs.

Once a company has defined its customers or customer segments, it can use customer relationship management to develop and improve relationships with customers.

3.4 CUSTOMER RELATIONSHIP MANAGEMENT

Customer relationship management (CRM) refers to the values and strategies of relationship management – with emphasis on customer relationships – turned into practical application (Gummesson, 2002:3). Customer relationship management represents a shift in marketing perspective from "making sales of products" to "gaining and retaining customers" (Chen, 2001:114). Some critics see CRM as an expensive way to learn what otherwise might be learned by chatting with customers for five minutes (Kotler, 2003:35).

Customer relationship management represents an opportunity for anyone to build a relationship with customers. With CRM's individual attention and customisation, it impacts highly on issues such as perceived quality,

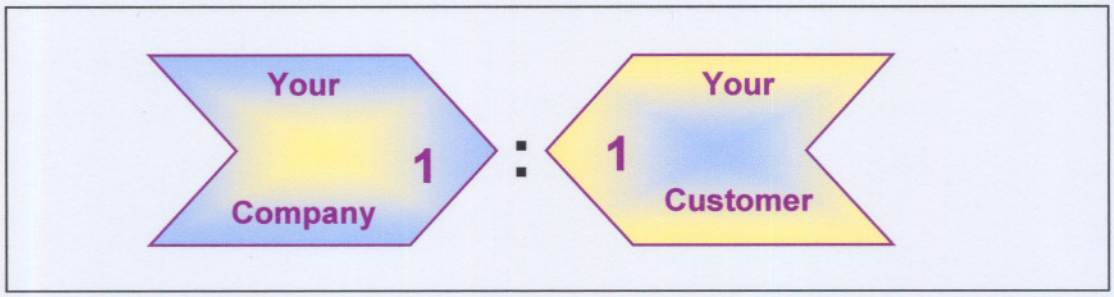
satisfaction and loyalty, perceived personality, leadership and popularity. Additionally, CRM creates differentiation and helps to grow market share, and by so doing builds the financial value of the company. It accelerates both the learning curve about the customer and the development of the company-customer relationship (Temporal & Trott, 2001:5).

People interpret CRM in different ways, but there is a generally accepted theoretical view that it is not merely a marketing exercise; rather, it is a method of co-ordinating a company's culture, internal processes and information technology systems to satisfy its customers' needs (Miner, 2002:18). Customer relationship management is dependent on data warehousing, a process to search, store and integrate data from all available sources, systems and organisational units. It is not so easy to execute the RM ideas and integrate everything, particularly not during a pioneering phase. In the era of mass marketing, new sales were often solicited among old and prospective customers in a mass. Companies place their customer information into a database, yet many companies do not make use of that information to develop meaningful relationships (Gummesson, 2002:40-41).

People usually think of a customer relationship as a continuous activity, an intangible that cannot be measured. Thus, the first challenge in creating a customer-focused culture at a company is defining a customer relationship in a way that it can be measured and therefore managed (Anton, 1996:3).

Customer relationship management is all about building strong relationships. It does so by creating the right blend of company cultures, systems, and processes that allow employees to understand customers as individuals, and potentially to tailor every interaction with a customer to their specific needs. The detailed information employees have about each customer also means that they are going to be best placed to identify sales opportunities from existing customers and therefore to maximise revenues for the company (Temporal & Trott, 2001:25).

Figure 3.1 The point of interaction



Source: Temporal & Trott (2001:119)

As figure 3.1 depicts, CRM is about creating a one-to-one relationship between a company and its customers. It is about treating customers as individuals and satisfying those customers' individual needs.

3.4.1 Defining customer relationship management

Customer relationship management is really too young to be fully formed, yet definitions of CRM are everywhere, and different. Customer relationship management can be described as a continuous performance initiative to increase a company's knowledge of its customers that comprises throughout the company, its processes and systems through which an integrated, multiple-delivery channel strategy can be developed that allows companies to capture new profitable customers and improve service (McDonald, 2002:474).

Customer relationship management is a comprehensive solution approach that provides co-ordination between sales, customer service, marketing, field support and other customer-related functions. It integrates people, processes, information and technology to maximise relationships with a company's customers including e-customers, distribution channel members, internal customers and suppliers (Anon, 2001:25).

Royffe (2002:461) defines CRM as "a managed discipline that requires companies to recognise and nurture their relationships with customers. While

individual customers' needs and preferences are available to anyone in the company working at the customer database, regardless of distribution channel, with CRM each customer is treated as an individual in a relationship that feels one-to-one." Customer relationship management is an attitude, not a system. It is much more about how customer experience centred a company is and how it is focused around the customer (Ivens & Shaw, 2002:98). It aims to develop and manage the relationship with customers, not manage the customers themselves (Lee, 2000:92).

Gummesson (2002:297) defines CRM as a business strategy – an attitude to employees and customers – that is supported by certain processes and systems. The goal is to build long-term relationships by understanding individual customers' needs and preferences – and in this way add value to the company and the customer.

For the purpose of this study CRM is defined as an integrated business approach – implemented by all employees in the company – that builds relationships with customers so as to provide for the individual needs of each customer. Customer relationship management enhances customer relationships by determining the needs of customers and by making use of databases to keep track of customer movements. This approach is beneficial to both the customer and the company. For the customer, CRM creates a relationship with the company in order to develop a long-term partnership with the company. For the company, CRM makes it possible to identify profitable customers and that operating costs can be decreased and profits increased over the long-term.

3.4.2 The need for customer relationship management

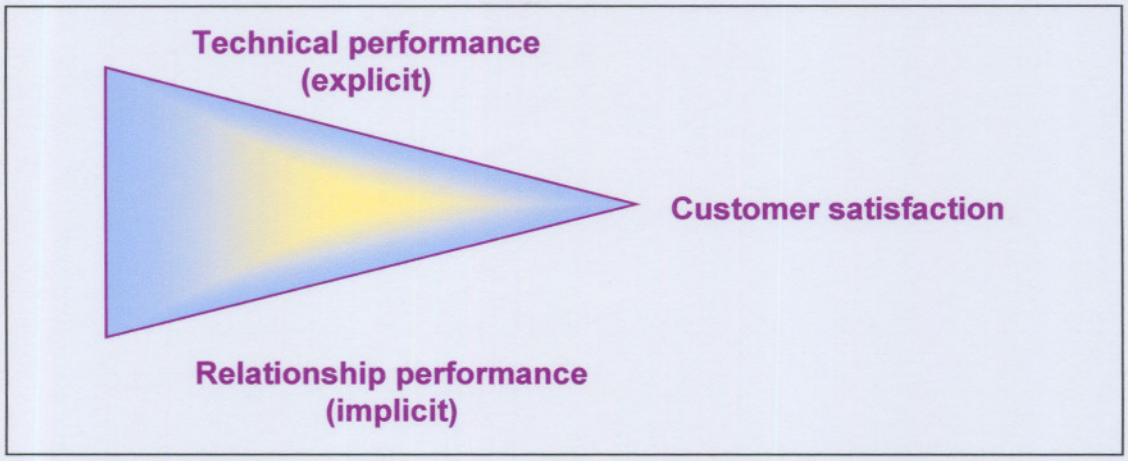
Customer relationship management is an integral part of the long-term business planning process. Customer relationship management is no longer a question of *if*, it's a question of *when* (Nairn, 2002:376). Today's customer is

knowledgeable, demanding and has more options than ever before. With competing companies trying to get to a company's customer, building lasting customer relationships has taken on a renewed importance (Anon, 2001:25). Having high quality customer relationships beats the most expensive market research, because customers will tell what they need (Silverman Goldzimer, 1990:12).

Customer relationship management is too important to be left to the marketing and sales departments. Company-wide participation is essential, because every employee in the company can improve or decrease customer profitability, behaviour and satisfaction (Curry & Curry, 2000:74-75).

The company that implements CRM integrates customer information not only to grow sales and increase the effectiveness of operations, but also to promote the quality of the product offering. Leading-edge companies enlist the customer in their quality assurance efforts, often by asking customers to evaluate the company during a transaction (Brown, 2000:30). Customers feel put at a disadvantage by their loyalty towards companies, and a company's preoccupation with its best customers leaves other revenue-generating customers under-appreciated (Dobscha, Fournier & Mick, 1998:43). A relationship with a customer has not necessarily been established once the marketer has said that it has. Many companies state that they have turned to relationship management and believe that their marketing efforts are relationship-oriented, without making sure that the customers see it in the same way. In reality, if one asks the customers, much of what marketing practitioners call relationship management has very little to do with customer relationship management (Grönroos, 2000:32). Identified consumers have a clear stake in the company's success. From the company's perspective, an effective path to long-term success, beyond consumption of the company's product, lies in recruiting new consumers for the company (Bhattacharya & Sankar, 2003:83).

Figure 3.2 Customer satisfaction



Source: Po-Chedley (2001:12)

Customer management means better business performance (Royffe, 2002:463). Figure 3.2 indicates that a company's technical performance (product quality and knowledge) and relationship performance (communication) will lead to customer satisfaction, which leads to better business performance.

As Lagace (2003) states, research done by Prof Narakesari Narayandas and Prof. V. Kasturi Rangan arrived at some answers on how to design, develop and manage long-term customer relationships. The first question answered was: Does it pay off, from the supplier's viewpoint, to be in a long-term customer relationship? When they compared a company's performance over six years, they discovered that in the beginning of a relationship, suppliers enjoyed no significant difference in sales, inventory holding and control costs, gross margins or return on investment. Two later developments indicated that the supplier's sales have increased over the long-term and that manufacturing costs went down.

By focusing on relationships, networks and interaction, CRM offers a more realistic approach to the marketing management in the new economy (Gummesson, 2002:310).

In business-to-business markets, suppliers and customers have the potential to work together to create new products, processes, value chains or even entire businesses, and then to share in the new business value. This may mean opening themselves up in ways that were previously almost unorthodox, such as by providing suppliers with access to their customers or by sharing apt knowledge (Gordon, 1998:129).

Customer relationship management plays a vital role in a company by improving relationships with customers that will not only benefit the customer and the company, but also enhance company performance in the long-term. For a company to develop this relationship, customer service should be improved.

3.4.3 Customer service

Customer service means different things to different people. To some it may be the department in the company that deals with after-sales enquiries, or the one that handles customer complaints (Hartley & Starkey, 2000:223). Although most companies justify their investment in customer relations departments as the ultimate response to customer service and customer relationships, very often what customers experience is just the opposite: frustration, lack of support and the personal attention (Chenet & Johansen, 1999:29-30). This is where CRM becomes beneficial to companies.

Many senior managers consider customer service little more than complaint resolution, a costly function that seems to emphasise problems. Those companies build the infrastructure for customer service on the company's capabilities rather than its management vision – what it currently is capable of rather than what the customer really needs. A market-intelligent company, on the other hand, recognises that customer service is the face the company presents to its market. Such companies design a framework for customer service that reflects the vision that the company wants to project. The

company designs service so that at each touch point the customer experiences positive and consistent contact. This means that a company's performance must meet customer expectations (Brown, 2000:31).

Customer service is just too important to be left to a "customer relations" department. Everyone in the company should be a customer service representative. Customers judge the service they receive by how well they are treated by anybody and everybody they come into contact with in the company (Brown & Sewell, 1991:31).

Companies want to stand out from the pack by offering customer service that makes it hard for customers to look elsewhere. Since services cannot be inventoried, the mindset for developing a competitive customer service strategy must be different (Anton, 1996:3).

Sales representatives in every industry are aware that competition is intensifying and consumer choice is growing rapidly (Po-Chedley, 2001:15). When defining a company's product offering, it is important to remember that customer satisfaction does not stop when the customer receives the product. The company has an ongoing responsibility that includes training, support, and service long after the sale has been made (Edmondson, 1992:133). In order to deal with increasing competition, sales representatives should be aware that selling the product or product offering is not enough, but they should ensure that after-sales service is delivered to the customer.

Customers tend to focus as intensely on the quality of the service as they do on the quality of the product. When trying to deliver service the first law of service should be taken into account as depicted in figure 3.3.

Figure 3.3 The first law of service



Source: Po-Chedley (2001:9)

If customers' perceptions of what a company (supplier) delivered are lower than their expectations, negative satisfaction results. If, however, customers' perception of the value the company delivered exceeds their expectation, the supplier has created a positive level of satisfaction. The more customers' perceptions are above their expectation, the happier they are and the more willing they will be to develop a relationship (Po-Chedley, 2001:9-10).

Cronin & Taylor (1992:55-56) state that in measuring perceived service quality, the level of comparison is what a consumer *should* expect, whereas in measures of satisfaction, the comparison is what a consumer *would* expect. Interest in the measurement of service quality is thus understandably high and the delivery of higher levels of service quality is the strategy that is being offered as a key to companies' efforts to position themselves more effectively in the marketplace.

The first step in developing effective measures is to understand the cause-and-effect relationships in the system. The primary mission of a relationship-based company is to deliver superior value to customers. Between 65% and 85% of customers who defect, say they were satisfied with their former supplier. Customer satisfaction is not a surrogate for customer retention. While it seems intuitive that increasing customer satisfaction will increase retention and therefore profits, the facts are contrary (Reichheld, 1993:70-71).

It isn't enough to just satisfy customers. Companies always lose some satisfied customers. These customers switch to competitors who can satisfy them more. A company needs to deliver higher levels of satisfaction than its competitors (Kotler, 2003:38). If a customer feels that there is something special and valuable in his contacts with a company, a relationship may develop. Perceived relationships are not enough to make customers loyal, but they are a central part of loyalty, and loyal customers are normally profitable customer (Grönroos, 2000:7).

In situations where it is not possible to serve all of a customer's needs within the company, it is important to form alliances with other companies in the industry (Brogniez & Hall, 2001:41). Companies can give individual customers, or customer segments (where serving the individual uniquely makes no sense to either customer or supplier) the value each wants, by using technology appropriately and throughout the value chain. Often this means taking apart existing business processes and inserting technology into the process. Some companies may need to expand the scope of their products or services, providing customers with more than just what the companies produce. In the process, companies will distribute the products or service of others, or work with companies that have stronger or more relevant customer relationships to distribute their products or services. This represents a marked departure in strategy for those companies that have built their businesses through economies of scale. It may also require that companies reorient their relationship focus, from serving customers to seeking other companies as their primary customers or as their collaborative partners (Gordon, 1998:10-11).

Every interaction with customers represents a "moment of truth." That is, each time a company interacts with customers, customers pay attention to everything the company does and says. In most cases, customers will not comment on what they see or hear. The sum total of all these interactions represents how customers perceive the company. It also represents how they are likely to describe the company to others. At each interaction customers

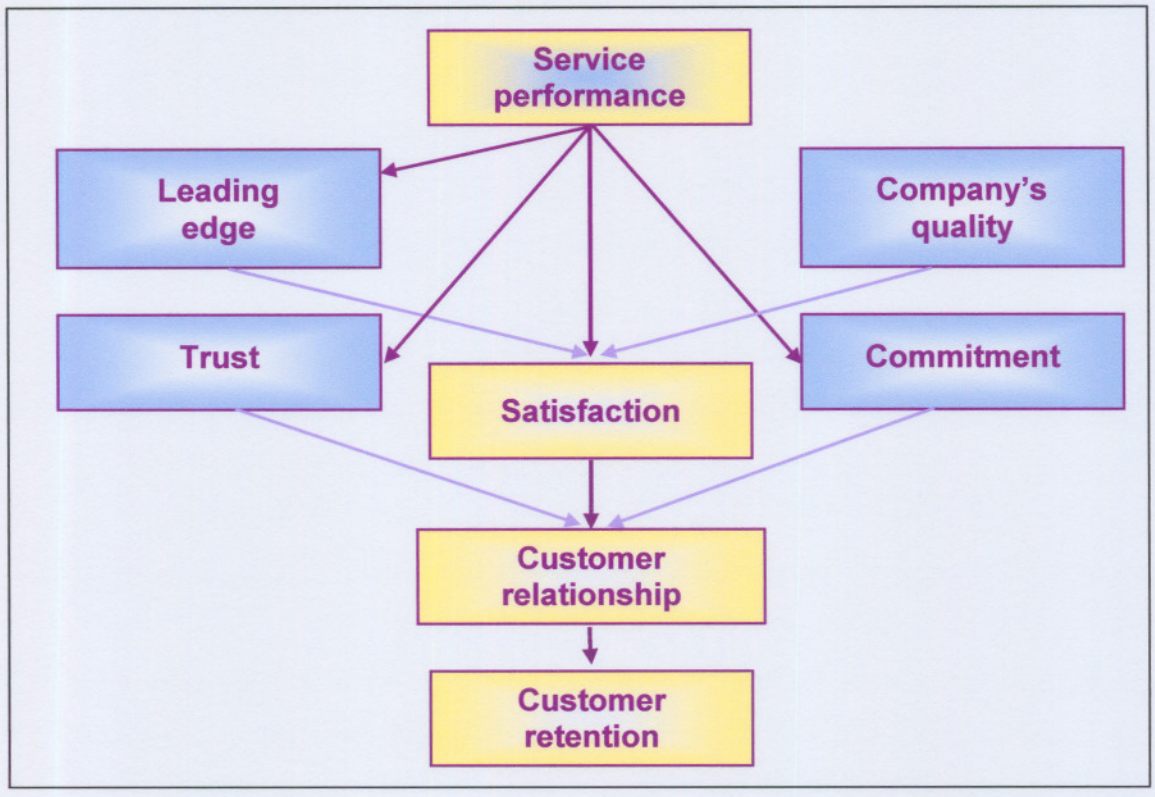
pay attention to professionalism, communication, availability and responsiveness, understanding expectations, product/service knowledge and how a company manages customers' problems (Po-Chedley, 2001:12-13).

Companies should begin with attracting customers who support them in being successful. The only way to attract pure and altruistic customer loyalty and support is by being loyal and supporting to customers. One smart way to deliver value is to make sure that all communications speak directly to customers' specific needs (Brogniez & Hall, 2001:48-49). It is necessary that companies respect their customers and thank them for their feedback (Ivens & Shaw, 2002:170).

Customers should feel that the company is there to help and support them, not just when they make a purchase. Hence, once a relationship has been established, customers are customers on a continuous basis – and they should be treated as such regardless of whether at any given point in time they are making a purchase or not. However, not all customers will be interested in forming relationships with suppliers or service providers (Grönroos, 2000:34).

Figure 3.4 depicts how the company can use service to improve customer relationships and ultimately create customer retention. A company can facilitate this process by nurturing special relationships with customers, investing time in valued customers, following up lost sales and by delivering more than promised (Cheales, 1994:23).

Figure 3.4 Strategic factors influencing the company (Customers' side)



Source: Chenet & Johansen (1999:57)

Once the term *customer service and satisfaction* is understood, the company can reorganise its structure to become customer-oriented. For this to occur, a company's internal situation must be analysed.

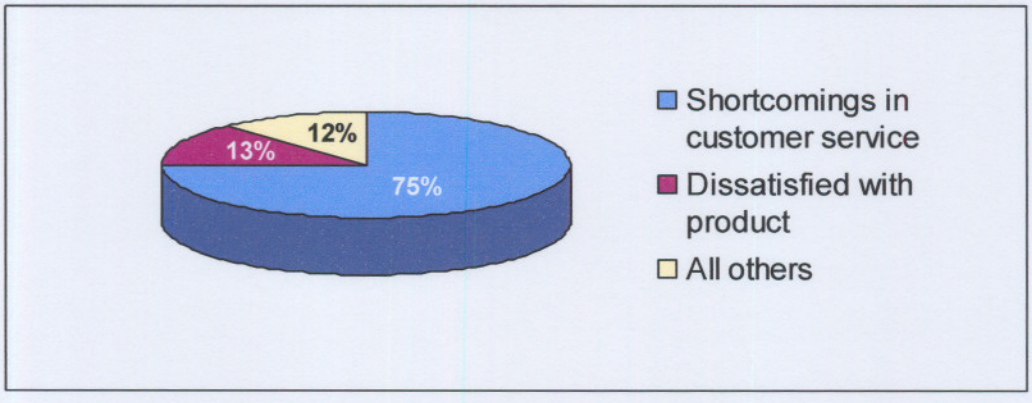
3.4.4 Is customer relationship management different from customer service?

Customer relationship management and customer service are closely related, because CRM is about building relationships by giving customers valued experiences. Traditionally, customer service has always been an important part of relationship building for every company, and especially for service companies. It has offered opportunities to companies to get close to their customers, and to build long-lasting relationships with them. Unfortunately,

many companies have failed to take advantage of these opportunities and have damaged their relationships as a result. Instead of building relationships by giving excellent customer service, companies treat their customers like irritants. Poor customer service may range from not listening to customers, or being unable to deal with queries because they relate to a different area, to being under so much pressure that customers are made to feel unwelcome. Each time customer service fails to delight the customer, it breaks the relationship down further. Even the millions spent by some companies on training their staff in customer service techniques still only manage to encourage general interpersonal skills at the end of the day (Temporal & Trott, 2001:20). Customer relationship management is about building relationships, while customer service is a tool that is used in CRM to build those relationships.

In their role as relationship partners, companies need customers to think of them as allies and friends; but more often than not, they come across as enemies. Companies claim to offer solutions to customers' problems, but in fact, they are creating more problems than they solve (Dobscha, Fournier & Mick, 1998:46). This can result in customers defecting to competitors. As figure 3.5 indicates, 75% of customers defect to competitors because of shortcomings in customer service.

Figure 3.5 Why do customers leave companies?



Source: Anton (1996:7)

Thus, understanding relationship management or marketing based on customer relationship management becomes a necessity for understanding how to manage a company in competition and to keep customers from defecting (Grönroos, 2000:8).

The best way in which management can show its customers that they understand the value of good relationships, is through the company's complaint handling process (Chenet & Johansen, 1999:45). Companies should make this process easy for customers and solve the complaint as quickly as possible.

According to Pareto's rule, 20% of customers represent 80% of revenue, and 10% of customers represent 90% of profits. This clearly indicates that all customers are not equal. Customer relationship management recognises this – different customers represent a different value to a company. But CRM takes it one step further by suggesting that if this is the case, customers should not be treated equally. The purpose of CRM is to identify the best customers and hold on to them by increasing the understanding of their needs as individuals, meeting the expectations they have of a company, and making a difference to their lives. Customer relationship management is also about looking at customers who may not be big spenders now, but who could be if they are encouraged by a really good brand experience (Temporal & Trott, 2001:9-10).

Customer relationship management enables companies to identify customers who would generate the highest revenue and build a relationship with those customers by providing good customer service. Customer service and CRM will only be effective if it runs throughout the entire company and staff understand the need for CRM. This means that companies will have to adapt their internal structure to meet the needs of CRM.

3.4.5 Internal considerations

The relationship with a customer reflects how the company is managed (Silverman Goldzimer, 1990:193). Good customer management is an activity that should infuse through a company from top to bottom, and not just in isolated areas around a company such as the customer relations department (Royffe, 2002:464). Building mutually beneficial relationships with customers requires that everyone in the company work together to achieve customer satisfaction before and after every purchase (McCarthy & Perreault, 1996:37). Everyone in a company has a responsibility to serve and support customers (Po-Chedley, 2001:8). The development of a unique relationship with each customer implies that staff members are trained to create good and flexible relationships, master each customer's experience and the art of improvisation (Chenet & Johansen, 1999:45). Fitting the sales function to buyer behaviour means that the whole company adapts to the way a customer makes his or her buying decision. When every employee in the selling company recognises the importance of the customer, the entire company becomes a sales team (Dickson, 1994:380).

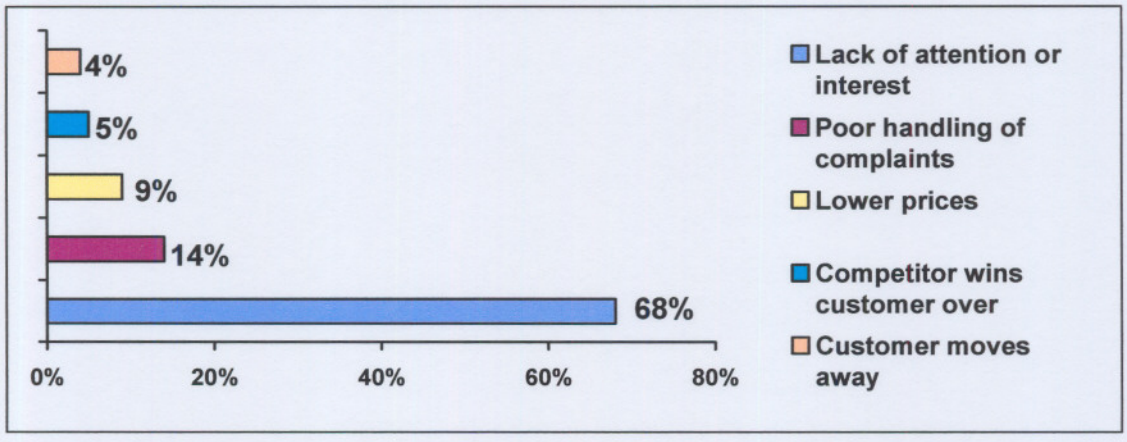
Having the right corporate culture is crucial to achieving good service quality. Corporate culture can be defined as "the set of values, behaviours and ways of communicating which are mutually accepted by all individuals in the company". Since corporate culture concerns service quality, corporate culture could also be defined as being the philosophy of the company, the way in which the individuals communicate with one another and the way in which they work together. Corporate culture is the way people communicate with one another and the type of information that is communicated. For service quality, this is important, because it provides an indication of the importance of the role that the customer plays in the daily life of the company (Horovitz & Panak, 1993:2).

Business is about getting and keeping customers. Therefore, to retain customers companies must have a stronger focus on measuring and managing

the individual customer relationships. In short, all companies are in the service business, which is aimed at satisfying customer needs. This must be measured and tracked. The key is getting closer to customers and making it easier for them to do business with the company (Anton, 1996:2).

If a company wants its customers to be loyal and supportive, then the company must demonstrate those qualities first. Solve a customer's problem and the company has gone far towards deepening its relationship with that customers. All too often, companies realise too late just how much their best customers depend on them, and want them to succeed. In the same way, customers do not want to have to find someone else to meet their needs if the company goes out of business (Brogniez & Hall, 2001:49-51). If a company does not build a relationship with customers or aid customers with their problems, customers will defect to competitors. Figure 3.6 indicates that most customers defect due to a lack of interest in them and poor handling of complaints by company employees.

Figure 3.6 Why companies lose customers

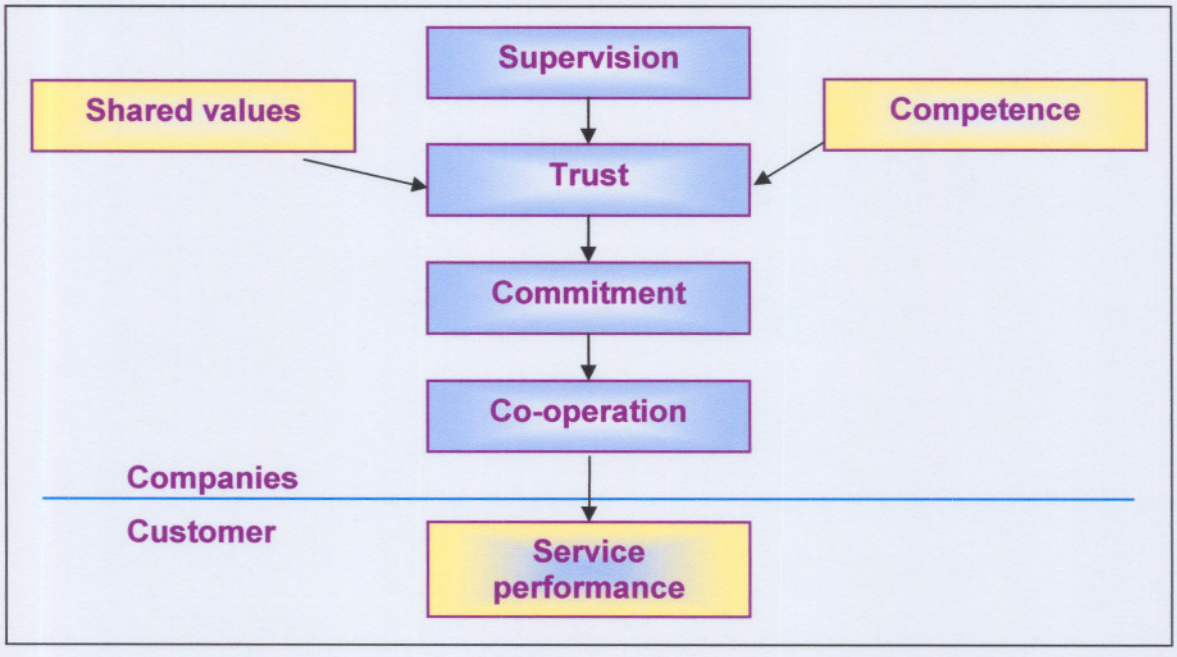


Source: Temporal & Trott (2001:47)

Suppliers should get to know their customers better. They can build more useful CRM systems to make them more sensitive to customer needs and

wants and to assist them in targeting their product offerings better. The parties should find a balance between their roles as customer and supplier, what each should do independently, and what they should do in interaction (Gummesson, 2002:247). Many companies consider how to improve their supply chains, configuring processes to supply products and services within specific time, quality and cost guidelines. It may be more appropriate for companies to consider how the needs and behaviours of customers can drive procurements, production and logistics, among other considerations. For this to work effectively, the company needs to develop and align a chain of relationships to provide for changing demands. The chain comprises stakeholders such as resellers and retailers, employees, suppliers, bankers and investors (Gordon, 1998:12). The company has to provide service to all stakeholders, but especially to customers.

Figure 3.7 Strategic factors influencing the company (company's side)



Source: Chenet & Johansen (1999:60)

Figure 3.7 indicates how a company can improve value and relationships between stakeholders. Internal relationship quality can be defined as the way

(good or bad) in which a company's management and employees manage the relationship. The concept involves both benefits and costs for both parties. The main pillar of internal relationship quality is that the relationship must be based on fairness and equity. The fairer and the more equitable the company exchanges, the stronger and better the relationship between stakeholders become. The strength of the relationship is based on several factors:

- Supervision: The manager supervises employees to ensure that value is created for all stakeholders.
- Trust is the notion of confidence that results from the partners' expertise, reliability and intentions.
- Commitment is the main outcome of trust. Commitment can be described as an identification with the values and goals of the company, a high involvement in work activities and loyalty to the company.
- Co-operation: Trust and commitment lead to group cohesiveness, teamwork, and co-operation, where management and employees work interdependently to achieve the company's goals (Chenet & Johansen, 1999:73).

All of these factors together lead to increased service performance and will result in the development of a long-term relationship with stakeholders.

In order for a company to create value and service for customers, the company should find out exactly what customers expect from the company and its staff and allow staff the power to make decisions (Payne, 1999:56-57).

Providing customers with service and building a relationship with them, holds many benefits for both the company and the customer.

3.4.6 Benefits of customer relationship management

3.4.6.1 Benefits of customer relationship management to the company

For companies, large and small, the most important real asset with measurable long-term value is loyal, one-to-one customer relationships (Anton, 1996:1).

The prime focus of CRM is on the individual, on the segment of one. But focus is also on groups of like-minded people, affinity groups. The group members share a common interest; they want a relationship with the supplier, its products and services, and even with each other (Gummesson, 2002:10).

Customer relationship management programmes encourage customers who are not very profitable to move up into more profitable segments. If a company is starting from a position of little or no knowledge about its customer base, the company needs to pull as many customers into the CRM programme as possible. Once the company has them on board, it can decide which ones to hold onto and develop a relationship with. There is no doubt that by turning a company into one that is centred around the customer, every single customer will ultimately benefit in one way or another. Once a company begins to alter the corporate culture and employees get used to thinking "customer first," it is virtually impossible to go back to the old way (Temporal & Trott, 2001:10).

The benefits that one or more aspects of customer relationship management can deliver include that the company will have increased revenue and profits; have increased customer satisfaction as well as more employee motivation and marketing and sales accountability (Curry & Curry, 2000:76-79).

Customer relationship management increases customer retention and duration, marketing productivity and thus increases profitability, and increases stability and certainty within the company. It can be applied to all types of

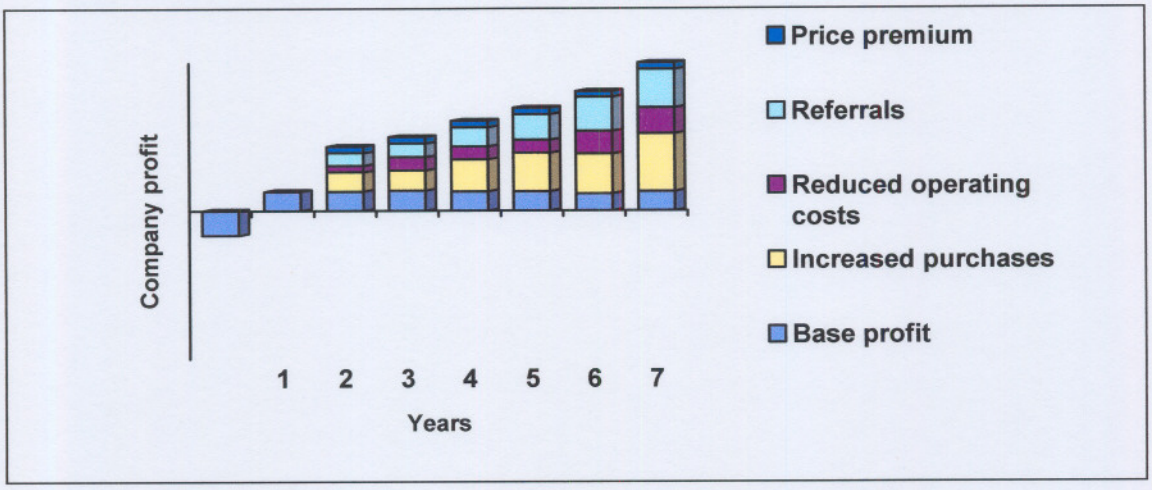
companies and offerings, but the relationship portfolio and the application will always be specific to a given situation (Gummesson, 2002:310).

Customer relationship management also allows companies to attract new customers and to sell more to current customers, and to build a relationship to shield customers from approaches by competitors. By getting closer to customers, companies will see not only significant sales growth, but also and more importantly, substantial growth in returns on brand investment. There is no doubt that a customer who feels valued will be more likely to remain with that supplier and give the company every opportunity to do more business with them. A satisfied customer is normally very willing to provide names of others who they feel will benefit from the supplier's products and services. Typically, these leads tend to have a similar profile to that of the customer introducing them, because people tend to associate with those who have similar lifestyles or are in similar industries. Satisfied customers will become the best unpaid sales force a company has. In the same way that a "happy" customer tends to be more loyal customer, the company is less likely to suffer major staff churn, if staff is feeling fulfilled. Sensible reallocation of the advertising and promotion budget into "below the line" CRM activity will mean that marketing messages reach the customers that the company wants to target, at the time they are most likely to purchase the product offering. This avoids wasting of advertising funds.

By getting closer to customers and opening the communication channels with them, the company will be surprised at the amount of information they will volunteer. Companies will find that they have no need to commission pieces of anonymous research when customers are waiting for suppliers to ask them directly. Customer relationship management also leads to increased profits and value: By increasing the knowledge of customers and their needs, focusing marketing expenditure on customers who are more likely to be responsive, while at the same time reducing the rate at which customers defect to competitors, companies will see significant impacts on their bottom line and

on the value of the relationship. At the same time as the company is achieving high levels of returns on investment in relationships, the fact that the company is consumer-centred sends the right messages to shareholders and other corporate investors (Temporal & Trott, 2001:37-40).

Figure 3.8 The value of customer loyalty



Source: Temporal & Trott (2001:44)

Figure 3.8 indicates that by investing in the value of customer relationships, companies will have increased purchases while reducing operating costs and have more customer referrals.

To succeed in the future, companies need to understand what customers want. Marketing will be finely tuned and managing the relationship with the customer will be paramount. To counter the decline of mass media as a vehicle for effective advertising, communications companies are moving quickly to CRM. According to Brown (2000:8-9) customer relationship management has several advantages over traditional mass-media marketing as it:

- reduces advertising costs.
- makes it easier to target specific customers by focusing of their needs.
- makes it easier to track the effectiveness of a given campaign.

- allows companies to compete for customers based on service, not prices.
- prevents overspending on low-value customers or underspending on high-value ones.
- speeds up the time it takes to develop and market a product.
- improves use of the customer channel, thus making the most of each contact with a customer.

A good CRM system – if well conceived and carefully implemented – can be a valuable tool in translating these customers into shareholder value (Miner, 2002:18).

The successful adoption of a CRM culture can result in the ability to foster and maintain a collaborative, trusting relationship that converts opportunities into sales (Brown, 2000:311).

From the above discussion, it is clear that CRM has the following benefits for companies (McDonald, 2002:477):

- Identify profitable customers.
- Serve profitable customers better.
- Manage less profitable situations better.
- Identify the lifetime value of customers.
- Reduce customer "churn" (defection).
- Find profitable prospects (customers).
- Market the right products.
- Reduce selling and marketing costs.
- Improve effectiveness of marketing communications and direct marketing.
- Improve customer service.
- Focus internet e-commerce to the right customers.
- Focus marketing to the right customers.

- Refine marketing strategy.
- Obtain competitive advantage.

Although CRM holds numerous benefits for companies, customers will also benefit from the focus on relationship building.

3.4.6.2 Benefits of customer relationship management to the customer

Grönroos (2000:36) states that customer relationship management provides customers with

- confidence: reduced anxiety, faith in the company (supplier), feeling of trustworthiness of the service provider;
- social benefits: personal recognition by employees of the supplying company, customer being familiar with employees, the development of friendship with employees; and
- special treatment: extra services, special prices, higher priority than other customers.

Customers will defect less to competing companies because they are attached and valued by the supplying company. Customers will feel that they are able to talk to the company and be able to give feedback that will benefit the company as well as the customer (Temporal & Trott, 2001:37).

Customer relationship managment can be beneficial to both customers and companies, yet CRM has pitfalls that companies should be aware of.

3.4.7 Pitfalls and warnings of customer relationship management

Customer relationship management has not worked out that well in practice. Companies should not invest in CRM until they recognise the importance of

becoming customer-centred companies. Only then will they and their employees know how to use CRM properly (Kotler, 2003:35).

Why are CRM strategies failing? Companies could be going astray on two counts. Firstly, they're spending money and time buying in "off the shelf" CRM strategies or software without working out how customer management is going to be integrated across their specific company. Secondly, they are not focusing on the customers' needs. Companies that employ CRM plans that fail to put the customer at the heart of a business will not reap the benefits of encouraging customer loyalty (Royffe, 2002:463-464).

Many companies, however, have started CRM projects without a customer segmentation strategy or plan for what they might do with a single customer view (Patron, 2002:103).

The most important success factor for a company is a continuous dialogue with its customers. Most companies think that they are listening to their customers and having a dialogue with them, but the truth is that most of the time the dialogue does not occur at a strategic level. Many managers are far too busy drawing up strategic plans to enter into a meaningful (strategic) dialogue with their most important customers (Chenet & Johansen, 1999:66).

Grönroos (2000:383) identified five barriers to achieving results with CRM within a company:

- Company barriers: Negative view of CRM within the company.
- Systems and regulations-related barriers: Information technology systems purchases to implement the CRM systems within a company do not work with the current company structure.
- Management-related barriers: Management does not understand the need for CRM.

- Strategy-related barriers: CRM is not part of the company or marketing strategy.
- Decision-making barriers: Staff does not have decision-making powers to solve customers' problems.

Customer relationship management, even if applied well, is not something that can give impact to a company overnight. Like anything in the world of management, and especially relationship building, hard work has to be invested to get the incredible results that can be achieved. There will be a number of positive impacts on the company when looking at the relationship from the customer's viewpoint, but the real payback to companies will come over a longer period of time. However, that payback will be real, and it will be permanent. It will bring the company higher sustainable profits, increased asset value, and differentiation from competitors. It is important that companies take time to find out more about their customers. It is important that companies know how their customers prefer to communicate with them by talking to them regularly, not abusing the relationship, building their trust and presenting them with relevant, personalised, timely offers that save them time, money, or hassle (Temporal & Trott, 2001:26-27). In order to reap the benefits of customer relationship management, it has to be implemented correctly throughout the company.

3.4.8 Implementation of customer relationship management

Customer relationship management has been defined as a systematic way of applying RM in practice, particularly when it comes to customer relationships. Customer relationship management means active work to develop customer relationships on a large scale with long-term profitability and survival in mind. To manage customer relationships, companies need to identify individual customers and establish how they can be reached; differentiate customers by their values and needs; interact with customers through communication; treat every customer as an individual through personal contact or an automated

process and make the relationship a continuously learning relationship (Gummesson, 2002:39-40).

McKenna (quoted by Chen, 2001:114) describes the key elements of CRM as

- dominating a specific market segment by developing need-satisfying products and services.
- building a relationship with customers in order to develop need-satisfying products and services.
- responding to needs by continuously monitoring and analysing the market environment.
- developing relationships with suppliers in order to maintain a competitive advantage in the market.

Customer relationship management works by creating a continuous communication channel between a company and its customer: This can be telephone-based, face-to-face, by mail, the Internet, or any combination of these. The critical thing is to open communication channels and make it easy for the customer to interact with the company. For CRM to be effectively implemented, it is important that companies get to know the customer by using existing customer data such as knowing how often customers purchase from the supplier, how much they spend as well as when was the last time they bought products (Temporal & Trott, 2001:29-30).

Three main aspects that must be kept in mind by anyone setting out to build and introduce a CRM programme are:

- Develop clear objectives: A company must have very clear objectives for the CRM programme, financial and otherwise, and ensure that everyone understands what the company wants to achieve. Employees

must buy into the CRM idea, and understand what benefits will accrue as a result of the programme.

- Make things easier for the consumer. Companies should not get carried away with the CRM design without thinking about its use in practice.
- Be realistic. Customer relationship management is not an overnight panacea for all financial problems; it is a major commitment for a company – and for the whole company, not just the marketing department. Payback can take anywhere from six months to a year. What needs to be remembered is that a CRM programme is a strategic initiative that will make significant contributions to the company over the long-term and it is a highly lucrative investment.

If companies follow these guidelines and always "think customer," the CRM programme will help to build a relationship that not only customers will enjoy, but one that will also motivate everyone in the company (Temporal & Trott, 2001:76-77).

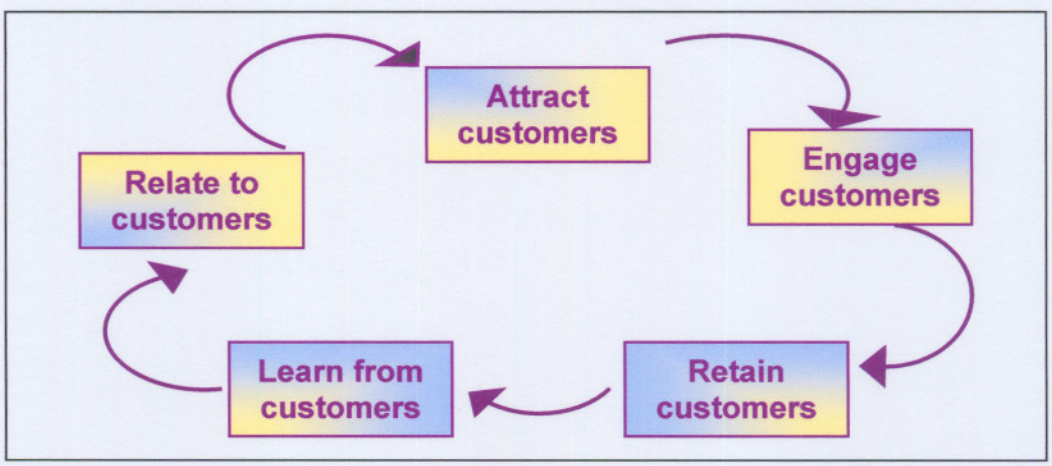
Five elements are required to implement a CRM programme (Brown, 2000:15-17): strategy, segmentation, technology, process and organisation.

- Strategy: Strategy will determine how customers, and ultimately the company, will be structured. Strategy includes the pricing strategy as well as how the product offering will be conveyed to the customer.
- Segmentation: Historically, segmentation focused on a particular product or market, but more recently, companies have used it to consider the value of the customer to their businesses. Today, some companies are adopting a "third generation" outlook for segmentation – categorising and marketing to customers according to customers' needs.
- Technology: The CRM process depends on data. Concentrating on creating a single, operations-focused, integrated logical database is the most important technical consideration.

- Process: The CRM process is the order and method by which the direct marketing activities are executed.
- Organisations: This is the most overlooked component of a CRM implementation. The CRM programme needs to be implemented throughout the entire company and each person needs to understand what part he/she will play in the implementation programme.

In order for a customer relationship management programme to be effectively implemented Peppers and Rogers (quoted by Chen, 2001:114-115) recommend (as indicated in figure 3.9) that companies learn as much about the customer as possible in order to establish a dialogue (communication). The CRM approach should be tailored for each customer by offering a benefit based on the customer needs, while continuing to learn more about the customer through continued interaction with the customer. The relationship with the customer should be extended throughout all parts of the company in order to maintain the trust of the customer.

Figure 3.9 The digital marketing system

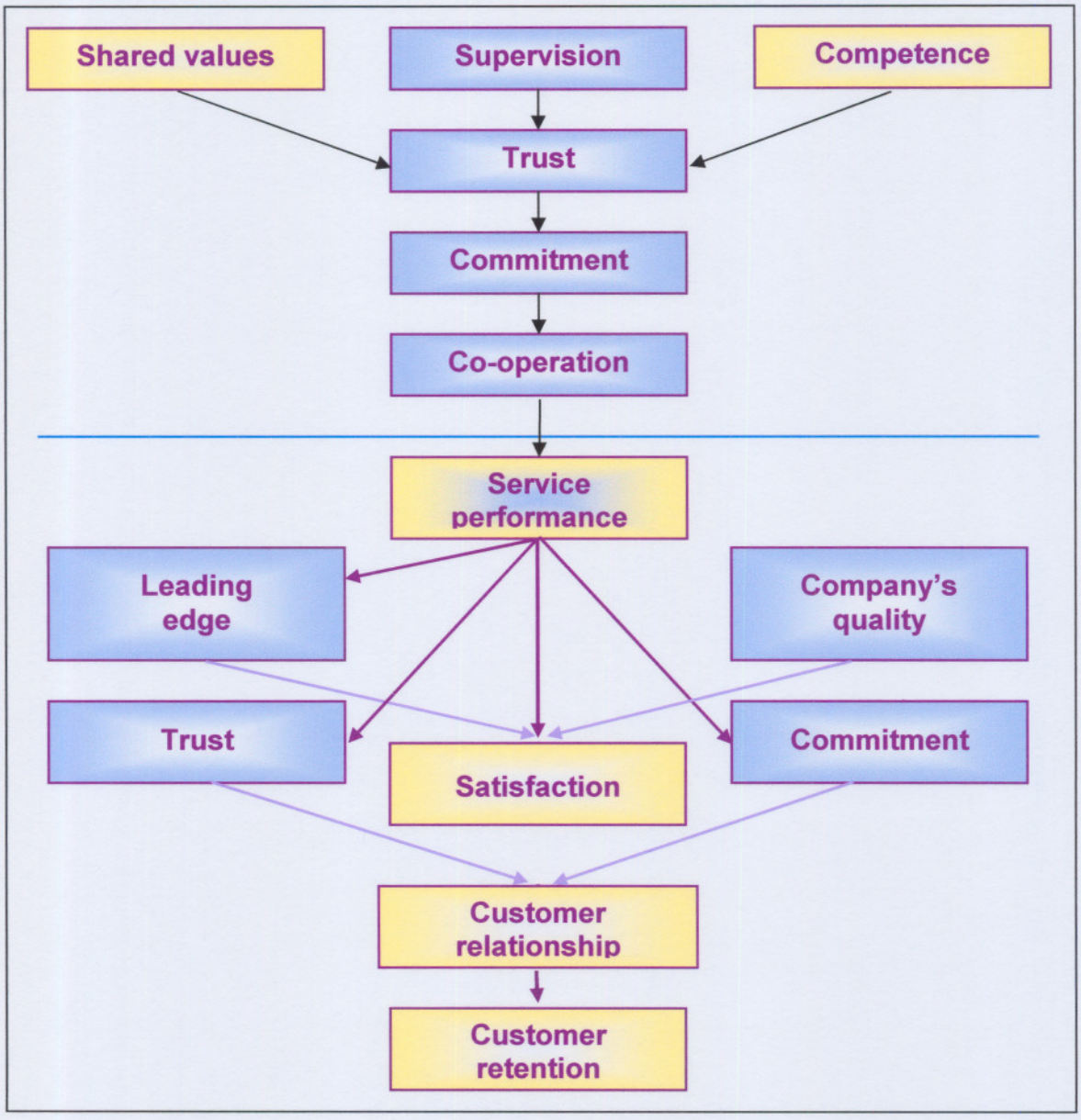


Source: Chen (2001:115)

In order for CRM to be successful, it is important to set the customer-supplier relationship in the context of the company's whole network of relationships, such as the relationships with competitors, governments, media and internal

customers. Information technology, which plays a prominent role in CRM, should also be balanced with human contact. Customer relationship management does not only include the Internet, websites and e-mail - it has a human side too (Gummesson, 2002:40).

Figure 3.10 Strategic position analysis in terms of relationship quality



Source: Chenet & Johansen (1999:61)

In order to implement CRM and build relationships, factors from both the customers' side (figure 3.4) and the companies' side (figure 3.7) need to be

taken into consideration as indicated in figure 3.10. Companies need to develop their internal relationships through supervision, trust, commitment and co-operation in order to provide service to customers. When a company provides customers with service and by building relationships (through CRM) with those customers, companies will start to enjoy the benefits of CRM.

More than half of all customer relationship management (CRM) implementations fail completely to live up to expectations, while a further 20% fail substantially to do so, according to a survey by the Gartner group. Most of these failures could easily have been prevented if more attention had been paid at the start of the campaign. One problem is that CRM is seen as a management tactic that is separate from everyday operations. There are, however, skills that can help to ensure that CRM will succeed (Taylor, 2002).

- Ensure that the company's aims harmonise with the overall business plan.
- Companies should understand that technology aids CRM, but CRM is a management issue, not a technology issue.
- Manage expectations properly. Too often companies fail to define the overall purpose of the CRM initiative before they embark on it.
- Focus on return on investment. Metrics need to be in place so that success can be measured quantitatively as well as qualitatively.
- Build key milestones into the CRM project.
- Avoid a one-size-fits-all solution. Understand the requirements in detail and match the solution to them and not vice versa.
- Pay attention to the need for preliminary change management. If such changes are not made, there is a danger that the initiative will not be accepted by enough people to make it work.

Perhaps the most important diagnostic question is whether the executives who originally decided to implement the CRM system hoped to use it to affect more change than the company could really support. Even with the right alignment

of incentives and training – and it is rare for companies to get both right the first time – radical changes in work processes can take time and effort to gel. If the culture and practices of a company won't support its stated goals, the answer should be intuitive: scale back aspirations and build the company capacity needed to achieve early results (Ebner, Hu, Levitt & McCrory, 2002:51).

For successful customer relationship management implementation, information is required about customers. This can be achieved by making use of databases.

3.4.8.1 Databases

At the heart of CRM is database marketing. The company needs to develop separate databases on customers, employees, products, services, suppliers, distributors, dealers, and retailers (Kotler, 2003:43). According to Groman (quoted by Chen, 2001:114), where virtual marketing involves the use of the Internet to provide new products and services based on information, database marketing uses data collected and held in customer databases to better serve the customer. Computer databases have been used in marketing for many years now, pre-dating commercial use of the Internet. More recently many companies have implemented customer relationship management systems, which track customer orders and which help identify profitable customers.

Customer relationship management, in practice, involves the purchase of hardware and software that will enable a company to capture detailed information about individual customers that can be used for better target marketing. By examining a customer's past purchases, demographics and psychographics, the company will know more about what the customer might be interested in. The company will send specific offers only to those with the highest possible interest and readiness to buy, and will save a great deal of money on mailing or contact costs usually lost in mass marketing. The

company can improve customer acquisition and customer retention by developing relationships (Kotler, 2003:35).

A customer information file for customer relationship management purposes should also include profitability information, so that the long-term profitability of customers in the database can be known. If such long-term profitability information is lacking, the company may easily include segments of unprofitable customers in its customer base. A well-prepared, updated, easily retrievable and easy-to-read customer information file is needed in such cases to make it possible for the employee to pursue a relationship-oriented customer contact. In addition, a good database will be an effective support for cross-sales and new product offerings (Grönroos, 2000:31). By retaining such information, a company becomes better equipped to respond to suggestions, resolve complaints, and stay abreast of customers' changing needs. Many companies make the mistake of treating customers as if they were static entities rather than people whose preferences, lifestyles, and circumstances are constantly evolving and shifting (Gilmore, 2000:69).

Customer-oriented information technology systems can empower an employee to manage successful interactions with customers (Anton, 1996:5). A front-line employee with CRM technology at his or her fingertips can talk to each customer as an individual, and with confidence, knowledge and respect. The technology allows for easier, more natural, and less intimidating relationships. For example, CRM programmes can give ready access to information on the customer's previous contacts and purchases, enabling staff to understand customers' needs and solve their problems. Customer relationship management makes everything easier for the consumer. It is redefining the standards for customer service and relationship management (Temporal & Trott, 2001:22-23).

To implement CRM, customer relationship managers are needed to ensure that the CRM process is an integrated company effort.

3.4.8.2 Customer relationship managers

Some of the biggest companies in the world have had an inwardly focused approach. Job titles such as "product manager," "brand manager" and "chief marketing officer" indicated the point of focus. It has been recognised that customer relationship managers may be more important to long-term profitability than product or brand managers (Temporal & Trott, 2001:13). In order to ensure a clear focus on what the company requires and that the company realises the potential benefits of CRM, companies are now starting to address the issue of benefit management, which leads to the consideration of the role of the customer relationship manager (Davis & Pharro, 2003:7).

Key account managers (KAMs) who are in charge of large business-to-business customers, as well as CRM managers to handle the transition to CRM systems, have grown in numbers. These positions, however, are only the beginning; RM and CRM have to permeate the whole company and its culture to become effective (Gummesson, 2002:8).

Customer relationship managers focus on knowledge from the customer and on knowledge about the customer. Companies realise that corporate customers are more knowledgeable, and companies consequently seek knowledge through direct interaction with customers, in addition to seeking knowledge about customers from their sales representatives (Gibbert, Leibold & Probst, 2002:461).

The main barrier to successful implementation of CRM is that rigid regulations have been set. This means that employees are limited in their ability to solve customer problems (Chenet & Johansen, 1999:45). The people who deal with customers must have the authority to resolve problems (Brown & Sewell, 1991:31).

To build relationships, companies don't need product managers; they need *customer relationship managers*. Customer relationship managers oversee the relationship with the customer. While they are responsible for a portfolio of customers with similar needs, they are also responsible for obtaining all the business possible from *each* customer, one at a time. To do this, customer relationship managers must know their customers' preferences and be able to help them articulate their needs. They serve as gatekeepers within the company for all communication to and from each customer. In addition, companies need *capability managers,* each of whom executes a distinct production or delivery process for fulfilling each customer's requirements. The head of each capability ensures that appropriate capacity exists and that the process can be executed reliably and efficiently. Customer relationship managers must know what capability managers can provide and must take the lead in determining when new capabilities may be required to meet customers' needs. For their part, capability managers must know what customer relationship managers require and be able to figure out how to create it. In contrast to the traditional product manager's role of finding customers for the company's products, the role of the customer relationship manager is finding products for the company's customers. Often, a customer relationship manager will learn of a need for some product or service component that the company does not consider itself competent to produce or deliver. In all cases, however, the customer relationship manager must be held accountable for satisfying the needs of customers and develop those relationships with customers (Gilmore, 2000:70-71).

3.5 CONCLUSION

Customer relationship management is important for companies to develop a long-term relationship with its most important stakeholder – the customer. It is important that companies are able to define their customers and determine what each customer needs and then deliver product offerings and service to meet those needs.

Customer relationship management has to be an integrated company effort and be implemented throughout the entire company and be included in the corporate culture. Customer relationship management has many benefits to both companies and customers. It enables companies to develop long-term relationships with customers that will lead to increased profits and business performance. Customers benefit since they work with companies to develop product offerings. Each person in the company must be aware of the need and importance of CRM in the company. When implementing CRM, all parties need to be involved to ensure acceptance of the CRM programme. Databases and customer relationship managers aid in the implementation of CRM and need to be effectively used to ensure that the company implementing CRM will reap the benefits that CRM provides.

4 EMPIRICAL INVESTIGATION, DISCUSSION AND INTERPRETATION OF RESULTS

4.1 INTRODUCTION

In chapter two and three of this study the theoretical perspectives of relationship management and customer relationship management were discussed. In this chapter the theoretical perspectives will be tested in practice. This chapter discusses the empirical investigation and the interpretation of the results of the questionnaires.

4.2 EMPIRICAL INVESTIGATION

4.2.1 Study population and sampling

As discussed in chapter one, the population of this study consisted of the Gauteng branch of the pharmaceutical company's employees and customers. The chosen population was the Gauteng branch, because even though the pharmaceutical company sells to Southern Africa, eighty percent (80%) of its business is conducted in Gauteng. The customers of the pharmaceutical company include state and private laboratories, end customers, doctors, employer and governmental groups, as well as laboratories affiliated to universities.

The customers chosen for the sample were all individuals in private and state laboratories as well as those affiliated to universities (this group makes up 80% of the entire customer population). The employees of the pharmaceutical company surveyed were only those that deal directly with the customers in the sample.

Table 4.1 indicates the amount of customers that belong to each type of laboratory segment.

TABLE 4.1 MARKET (LABORATORY SEGMENT) TO WHICH EACH CUSTOMER BELONGS	
MARKET	**PERCENTAGE**
Academic / University	27.03
Private laboratory	48.65
State laboratory	24.32

As shown in table 4.1, 48.65% of respondents in the sample belong to private laboratories, 27.03% belong to laboratories affiliated with universities and 24.32% indicated that they belong to state laboratories.

Table 4.2 depicts the position of each customer in their respected laboratories.

TABLE 4.2 CUSTOMERS' POSITION IN THE BUSINESS	
POSITION	**PERCENTAGE**
Owner / shareholder / managing body	10.53
Head of department	18.42
Scientist	23.68
Pathologist	10.53
Laboratory technologist	36.84

Table 4.2 indicates that a spread of customers was interviewed, from owners of the business to laboratory technologists. These are all customers who deal with the pharmaceutical company directly.

Table 4.3 shows the position of the employees interviewed within the pharmaceutical company. Employees were interviewed from all spheres of the pharmaceutical company. The employees surveyed all have direct contact with customer respondents in the laboratory segments.

TABLE 4.3 POSITION OF THE EMPLOYEES IN THE PHARMACEUTICAL COMPANY	
POSITION	**PERCENTAGE**
Business area manager	10
Product manager	10
Consultant / account manager	30
Application specialist	10
Accounts department	10
Order entry department	30

Table 4.4 indicates the percentage of the customers' business that is given to the pharmaceutical company. As table 4.5 depicts, 50% of customers give the pharmaceutical company 50% or more of their business.

TABLE 4.4 PERCENTAGE OF BUSINESS THAT THE CUSTOMERS GIVE TO THE PHARMACEUTICAL COMPANY	
PERCENTAGE OF BUSINESS	**PERCENTAGE**
0% - 10%	23.53
11% - 20%	17.65
21% - 50%	8.82
50% - 80%	26.47
80% plus	23.53

Table 4.5 indicates the period of time that customers have been doing business with the pharmaceutical company. This is important to determine whether any long-term relationships have been developed.

TABLE 4.5 THE PERIOD OF TIME THAT THE CUSTOMERS HAVE BEEN DOING BUSINESS WITH THE PHARMACEUTICAL COMPANY	
TIME PERIOD	**PERCENTAGE**
Less than a year	11.11
1 – 2 years	8.33
3 – 5 years	33.33
Longer than 5 years	47.22

As indicated in table 4.5, a mix of customers were chosen, from those who have been doing business with the pharmaceutical company for less than a year to those who have been buying from the pharmaceutical company for longer than five years. Table 4.4 and 4.5 indicate that customers have formed a long-term relationship with the pharmaceutical company and provide the pharmaceutical company with a great deal of business.

4.2.2 Questionnaires

Two sets of questionnaires were used in this study. One set of questionnaires was handed out to employees of the Gauteng branch of the pharmaceutical company. The other set of questionnaires were handed out to the customers that deal directly with the Gauteng branch of the pharmaceutical company. Although two sets of questionnaires were handed out, questions five to nine of each set contained the same questions. The first four questions in the customers' questionnaire were included to gather information regarding the customer. The first three questions in the employee questionnaire aimed to gather information about the employee, as well as information regarding the current and ideal state of the pharmaceutical company. Questions five to nine the questionnaire attempted to determine whether the pharmaceutical company's staff was able to determine the needs of their customers with regard to the service they provide their customers. Questions ten to twelve in the customers' questionnaire determined what the pharmaceutical company could do to improve the relationship with its customers. Questions ten to

twelve in the employee questionnaire determined what employees believed the pharmaceutical company could do to improve its relationships with customers and whether relationship managers and databases were used in the company.

Questions five to nine of the questionnaire were the same for both the customers and the employees, except that the employees were asked to answer the questionnaire from their customers' viewpoint. This aimed to determine whether the pharmaceutical company was able to determine what the customers' actual needs were. The questionnaires answered by the customers' were used to determine their needs and to compare their answers with the pharmaceutical company's employees' answers and identify any deviations from answers. This would enable the pharmaceutical company to identify weak points that they need to work on.

The numbering of questions in the employees questionnaire (there was not a question 4) did not follow on each other due to the fact that the type of questions on each set of questionnaires was the same number for each set for statistical processing reasons. It was easier to process and compare the two sets of questionnaires if the same questions had the same numbering.

The questionnaires were handed out personally over a period of one week (from Monday, 30 June 2003 to Friday, 4 July 2003) in order to obtain a hundred percent response rate and to ensure that fluctuations in the market and environmental situations for each customer and employee were kept to a minimum. The questionnaires were handed out personally to ensure that each respondent understood the questions, and the researcher was on hand to clarify any misunderstandings.

Table 4.6 indicates the number of customers surveyed in total and the number of employees interviewed in the pharmaceutical company.

TABLE 4.6 THE NUMBER OF QUESTIONNAIRES HANDED OUT		
	Questionnaires handed out	**Questionnaires completed**
Customers	40	40
Employees	10	10
Total	50	50
Response rate (total handed out / total completed)		100%

Since questionnaires were handed out personally, and all appointments were kept, a response rate of 100% was achieved.

Although an employee of the pharmaceutical company made appointments with customers, the employee was not present at the interviews to ensure unbiased answers. After appointments were made with customers, the researcher went to the customers' premises to conduct the research. Each questionnaire was accompanied by a cover letter explaining the aim of the research and to ensure respondents of its confidentiality. (The questionnaires are included in appendix 1 and 2.)

The statistical consultation service of the PU for CHE performed the technical preparation of the questionnaires to ensure that the questionnaires were statistically correct and that they would provide accurate and meaningful statistical results.

4.3 DISCUSSION AND INTERPRETATION OF RESULTS

Once the importance of RM and CRM is understood the empirical investigations results, done by means of questionnaires as discussed in section 4.2.1, can interpreted to determine to which factors the pharmaceutical company must give attention to in order to build long-term relationships with its customers. The aim of the study was to determine whether the employees of

the pharmaceutical company knew and understood their customers' needs. In order to test this, the results of the two sets of questionnaires must be compared and deviations should be determined.

In this study, d-values (determining effect sizes) as well as w-values (used in contingency tables to determine the correlation between factors) were obtained. When using d-values, the following guidelines are given: $d \leq 0.2$ indicates a small effect; $0.5 \leq d \leq 0.8$ indicates a medium effect and $d \geq 0.8$ indicates a large effect and is practically significant. When using w-values, the following guidelines are given: $w \leq 0.1$ indicates a small effect; $0.3 \leq w \leq 0.5$ indicates a medium effect and where $w \geq 0.5$ there is a large effect and can be seen as practically significant.

In order for the pharmaceutical company to know what factors to focus on to build a relationship with customers, it is vital that the employees know what factors are important to customers. Table 4.7 indicates the customers' answers with regard to which factors are important to them. Table 4.8 indicates which factors the employees of the pharmaceutical company believe are important to the customers. Table 4.9 indicates the effect size of the importance of factors to customers.

TABLE 4.7 THE IMPORTANCE OF FACTORS OFFERED TO CUSTOMERS BY THE PHARMACEUTICAL COMPANY *(CUSTOMERS' VIEWPOINT)*				
FACTORS	**no importance**	**moderately important**	**important**	**extremely important**
Overall value received	0.0	2.6	35.9	61.5
Overall service efficiency	0.0	2.6	35.9	61.5
CRM	0.0	2.6	46.1	51.3
Image of supplier	2.6	20.5	46.1	30.8
Breadth of product line	5.1	7.7	46.1	41.1
Product quality	0.0	0.0	20.5	79.5
Ease of product use	0.0	2.6	35.9	61.5
Ease of catalogue use	2.6	10.3	53.8	33.3
Training received	0.0	0.0	15.4	84.6
Attitude of sales consultants	0.0	2.6	35.9	61.5
Technical ability of sales consultants	2.6	0.0	28.2	69.2
Rapid problem solution	0.0	0.0	20.5	79.5
Professionalism	0.0	5.1	23.1	71.8
Availability of sales consultants	0.0	2.6	33.3	64.1
Frequency of contact	0.0	10.5	47.4	42.1
Product knowledge of sales consultants	0.0	2.6	20.5	76.9
Ease of contacting customer service staff	0.0	0.0	31.6	68.4
Understanding customers' needs	0.0	2.6	41.0	56.4
Ease of placing orders	0.0	0.0	37.8	62.2
On-time delivery	0.0	0.0	24.3	75.7
Accuracy of invoicing	2.6	0.0	36.8	60.5
All values are expressed in percentages				

Most factors in table 4.7 are extremely important; except image of supplier, breadth of product line, ease of catalogue use and frequency of contact are important to customers.

TABLE 4.8 THE IMPORTANCE OF FACTORS OFFERED TO CUSTOMERS BY THE PHARMACEUTICAL COMPANY *(EMPLOYEES' VIEWPOINT)*

FACTORS	no importance	moderately important	important	extremely important
Overall value received	0.0	0.0	11.1	88.9
Overall service efficiency	0.0	0.0	11.1	88.9
CRM	0.0	11.1	55.6	33.3
Image of supplier	0.0	22.2	22.2	55.6
Breadth of product line	0.0	44.4	0.0	55.6
Product quality	0.0	0.0	0.0	100
Ease of product use	0.0	0.0	55.6	44.4
Ease of catalogue use	11.1	11.1	22.2	55.6
Training received	0.0	0.0	10.0	90.0
Attitude of sales consultants	0.0	0.0	22.2	77.8
Technical ability of sales consultants	0.0	0.0	0.0	100
Rapid problem solution	0.0	0.0	20.0	80.0
Professionalism	0.0	10.0	10.0	80.0
Availability of sales consultants	0.0	0.0	20.0	80.0
Frequency of contact	0.0	44.4	11.2	44.4
Product knowledge of sales consultants	0.0	0.0	10.0	90.0
Ease of contacting customer service staff	0.0	10.0	20.0	70.0
Understanding customer needs	0.0	10.0	30.0	60.0
Ease of placing orders	0.0	0.0	22.2	77.8
On-time delivery	0.0	0.0	10.0	90.0
Accuracy of invoicing	0.0	10.0	20.0	70.0

All values are expressed in percentages

Employees believe that all factors are extremely important, CRM and ease of product use is considered important. Of employees surveyed 44.4% felt that frequency of contact is extremely important, while another 44.4% felt it is only moderately important. This indicates that there is little consensus about this regard in the pharmaceutical company.

TABLE 4.9 THE EFFECT SIZE FOR THE IMPORTANCE OF THE FACTORS OFFERED TO THE CUSTOMER

Factors	Mean *	Standard deviation	d-value
Overall value received	0.2990	0.5486	0.5450
Overall service efficiency	0.2990	0.5486	0.5450
CRM	0.2650	0.6667	0.3975
Image of supplier	0.2820	0.8660	0.3256
Breadth of product line	0.1197	1.0541	0.1136
Product quality	0.2050	0.4091	0.5011
Ease of product use	0.1453	0.5486	0.2649
Ease of catalogue use	0.0430	1.0929	0.0393
Training received	0.0540	0.3655	0.1477
Attitude of sales consultants	0.1880	0.5486	0.3427
Technical ability of sales consultants	0.3590	0.6277	0.5719
Rapid problem solution	0.0050	0.4216	0.0119
Professionalism	0.0330	0.6749	0.0489
Availability of sales consultants	0.1850	0.5436	0.3403
Frequency of contact	0.3158	1.0000	0.3158
Product knowledge of sales consultants	0.1560	0.4983	0.3131
Ease of contacting customer service staff	0.0842	0.6992	0.1204
Understanding customers' needs	0.0385	0.7071	0.0544
Ease of placing orders	0.1560	0.4917	0.3173
On-time delivery	0.1430	0.4350	0.3287
Accuracy of invoicing	0.0470	0.6992	0.0672

** Where mean = (customers answers – employees answers)*

Most factors in table 4.9 have a small effect and are practically insignificant, except for overall value received, overall service efficiency, product quality and technical ability of sales consultants which had a medium effect. Those factors with a medium effect indicate that the customers' answers and the employees' answers varied. These factors are factors that the pharmaceutical company can improve on and need to take note of.

The next question in the questionnaire (question 6 in both sets of questionnaires) determined how the customers rated the pharmaceutical company in the service that is actually provided to customers. Table 4.10 indicates the customers' answers, table 4.11 indicates the employees' answers and table 4.12 determines the effect size (d-value) of the customers' and employees' answers.

As table 4.10 indicate the overall value received, overall service efficiency, image of supplier, breadth of product line, ease of catalogue use, availability of sales consultants, frequency of contact, ease of contacting customer service staff, understanding of customers' needs were evaluated as being good, which leaves room for the pharmaceutical company to improve. Customer relationship management, product quality, ease of product use, training received, attitude of sales consultants, and technical ability of sales consultants, rapid problem solution, professionalism, product knowledge of sales consultants, on-time delivery and accuracy of invoicing was evaluated as being excellent. Ease of placing orders was rated equally good and excellent by 48.6% of customer respondents.

TABLE 4.10 WHAT THE CUSTOMERS ACTUALLY RECEIVE FROM THE PHARMACEUTICAL COMPANY *(CUSTOMERS' VIEWPOINT)*				
FACTORS	**Very poor**	**Poor**	**Good**	**Excellent**
Overall value received	0.0	2.5	65.0	32.5
Overall service efficiency	0.0	10.3	46.1	43.6
CRM	0.0	5.0	40.0	55.0
Image of supplier	0.0	5.0	50.0	45.0
Breadth of product line	0.0	0.0	66.7	33.3
Product quality	0.0	0.0	42.5	57.5
Ease of product use	0.0	2.6	43.6	53.8
Ease of catalogue use	0.0	8.1	59.5	32.4
Training received	0.0	2.6	38.5	58.9
Attitude of sales consultants	0.0	10.0	35.0	55.0
Technical ability of sales consultants	0.0	0.0	46.1	53.9
Rapid problem solution	0.0	10.3	38.5	51.2
Professionalism	0.0	2.5	40.0	57.5
Availability of sales consultants	0.0	15.4	51.3	33.3
Frequency of contact	2.6	15.4	47.7	33.3
Product knowledge of sales consultants	0.0	0.0	45.0	55.0
Ease of contacting customer service staff	0.0	12.8	48.7	38.5
Understanding customers' needs	0.0	5.0	55.0	40.0
Ease of placing orders	2.8	0.0	48.6	48.6
On-time delivery	0.0	8.1	35.1	56.8
Accuracy of invoicing	2.8	5.5	41.7	50.0
All values are expressed in percentages				

TABLE 4.11 WHAT THE CUSTOMERS ACTUALLY RECEIVE FROM THE PHARMACEUTICAL COMPANY *(EMPLOYEES' VIEWPOINT)*				
FACTORS	**Very poor**	**Poor**	**Good**	**Excellent**
Overall value received	0.0	20.0	70.0	10.0
Overall service efficiency	0.0	44.4	55.6	0.0
CRM	0.0	20.0	60.0	20.0
Image of supplier	0.0	20.0	50.0	30.0
Breadth of product line	0.0	0.0	80.0	20.0
Product quality	0.0	0.0	20.0	80.0
Ease of product use	0.0	0.0	70.0	30.0
Ease of catalogue use	11.1	33.3	44.5	11.1
Training received	0.0	0.0	44.4	55.6
Attitude of sales consultants	0.0	11.1	44.4	44.4
Technical ability of sales consultants	0.0	0..0	22.2	77.8
Rapid problem solution	0.0	40.0	10.0	50.0
Professionalism	10.0	20.0	60.0	10.0
Availability of sales consultants	0.0	44.4	44.4	11.2
Frequency of contact	2.6	44.4	55.6	0.0
Product knowledge of sales consultants	0.0	10.0	30.0	60.0
Ease of contacting customer service staff	30.0	40.0	20.0	10.0
Understanding customers' needs	10.0	20.0	50.0	20.0
Ease of placing orders	11.1	66.7	0.0	22.2
On-time delivery	10.0	70.0	10.0	10.0
Accuracy of invoicing	30.0	50.0	10.0	10.0
All values are expressed in percentages				

Employees believe that product quality, training received, technical ability of sales consultants, rapid problem solution, and product knowledge of sales consultants are excellent. Factors that employees of the pharmaceutical

company regard as good include overall value received, overall service efficiency, CRM, image of supplier, breadth of product line, ease of product use, ease of catalogue use, professionalism, availability of sales consultants, frequency of contact and understanding customers' needs. Factors that employees believed customers would perceive as poor include ease of contacting customer service staff, ease of placing orders, on-time delivery and accuracy of invoicing. All these poor factors indicate that employees believe that these are the weaknesses in the pharmaceutical company. Of the employees surveyed, 44.4% felt that the attitude of sales consultants were equally good and excellent.

As table 4.12 indicates, factors with a small effect size include overall value received, image of supplier, breadth of product line, product quality, ease of product use, training received, attitude of sales consultants, technical ability of sales consultants, rapid problem solution and product knowledge of sales consultants. Factors with a medium effect size include CRM, ease of catalogue use, availability of sales consultants, frequency of contact and understanding customers' needs. Factors with a large effect size, and those factors that can be seen as practically significant include overall service efficiency, professionalism, ease of contacting customer service staff, ease of placing orders, on-time delivery and accuracy of invoicing. The factors with a large effect size are those where the answers of the employees and customers differed and need to be improved on by the pharmaceutical company.

TABLE 4.12 EFFECT SIZE: THE EFFECT OF WHAT CUSTOMERS ACTUALLY RECEIVE FROM THE PHARMACEUTICAL COMPANY			
Factors	**Mean ***	**Standard deviation**	**d-value**
Overall value received	0.4000	0.5676	0.7047
Overall service efficiency	0.7778	0.6623	1.1744
CRM	0.5000	0.6667	0.7500
Image of supplier	0.3000	0.7379	0.4066
Breadth of product line	0.1333	0.4776	0.2791
Product quality	0.2250	0.5006	0.4495
Ease of product use	0.2128	0.5559	0.3828
Ease of catalogue use	0.6877	0.8819	0.7798
Training received	0.0085	0.5523	0.0154
Attitude of sales consultants	0.1167	0.7071	0.1650
Technical ability of sales consultants	0.2390	0.5050	0.4733
Rapid problem solution	03103	0.9944	0.3120
Professionalism	0.8500	0.8233	1.0324
Availability of sales consultants	0.5128	0.7071	0.7252
Frequency of contact	0.5726	0.7671	0.7464
Product knowledge of sales consultants	0.0500	0.7071	0.0707
Ease of contacting customer service staff	1.1564	0.9944	1.1629
Understanding customers' needs	0.5500	0.9189	0.5985
Ease of placing orders	1.0991	1.0000	1.0991
On-time delivery	1.2865	0.7888	1.6310
Accuracy of invoicing	1.3889	0.9428	1.4732
** Where mean = (customers answers – employees answers)*			

Table 4.13 indicates the customers' response to whether they are satisfied or dissatisfied with the way in which the pharmaceutical company handles the following factors.

TABLE 4.13 HOW THE CUSTOMERS BELIEVES THE PHARMACEUTICAL COMPANY HANDLES THE FOLLOWING FACTORS *(CUSTOMERS' VIEWPOINT)*		
FACTORS	**Satisfied**	**Dissatisfied**
Overall value received	89.5	10.5
Overall service efficiency	86.8	13.2
CRM	94.7	5.3
Breadth of product line	97.4	2.6
Product quality	100.0	0.0
Ease of product use	97.4	2.6
Training received	94.7	5.3
Attitude of sales consultants	86.8	13.2
Technical ability of sales consultants	94.7	5.3
Rapid problem solution	86.8	13.2
Availability of sales consultants	78.9	21.1
Frequency of contact	76.3	23.7
Product knowledge of sales consultants	100.0	0.0
Ease of contacting service staff	81.6	18.4
Understanding customers' needs	89.5	10.5
Ease of placing orders	91.7	8.3
Delivery of products	91.7	8.3
Accuracy of invoicing	88.9	11.1
All values are expressed in percentages		

According to customers, they are 100% satisfied with the product quality and product knowledge of sales consultants. Although most customers are satisfied with all factors, 21.1% are dissatisfied with the availability of sales consultants, 23.7% are dissatisfied with the frequency of contact of sales consultants and 18.4% are dissatisfied with the ease of contacting customer service staff. These areas can be seen as future problem areas if they are not monitored and improved upon. Table 4.14 indicates the employees' viewpoint

of whether they believe customers will be satisfied or dissatisfied with the service offered to customers.

TABLE 4.14 HOW THE EMPLOYEES BELIEVE THE CUSTOMERS FEEL REGARDING THE HANDLING OF FACTORS IN THE PHARMACEUTICAL COMPANY		
FACTORS	**Satisfied**	**Dissatisfied**
Overall value received	60.0	40.0
Overall service efficiency	40.0	60.0
CRM	80.0	20.0
Breadth of product line	80.0	20.0
Product quality	90.0	10.0
Ease of product use	90.0	10.0
Training received	100.0	0.0
Attitude of sales consultants	80.0	20.0
Technical ability of sales consultants	80.0	20.0
Rapid problem solution	70.0	30.0
Availability of sales consultants	60.0	40.0
Frequency of contact	40.0	60.0
Product knowledge of sales consultants	100.0	0.0
Ease of contacting service staff	40.0	60.0
Understanding customers' needs	80.0	20.0
Ease of placing orders	40.0	60.0
Delivery of products	40.0	60.0
Accuracy of invoicing	20.0	80.0
All values are expressed in percentages		

According to the employees of the pharmaceutical company, they believe customers would be dissatisfied with the overall service efficiency, frequency of contact, ease of contacting service staff, ease of placing orders, delivery of products and accuracy of invoicing. All employees felt that customers would be satisfied with the training received and the product knowledge of sales

consultants. Table 4.15 shows a contingency table indicating the correlation between the customers' and employees' answers regarding whether customers are satisfied or dissatisfied with the service offered to them by the pharmaceutical company.

TABLE 4.15 CONTINGENCY: THE CORRELATION BETWEEN CUSTOMERS' AND EMPLOYEES' ANSWERS REGARDING WHETHER THE CUSTOMERS ARE SATISFIED OR DISSATISFIED WITH THE PHARMACEUTICAL COMPANY REGARDING CERTAIN FACTORS

Scale	Satisfied		Dissatisfied		W-value
Factors	Pc	Pe	Pc	Pe	
Overall value received	89.47	60.00	10.53	40.00	0.321
Overall service efficiency	86.84	40.00	13.16	60.00	0.452
CRM	94.74	80.00	5.26	20.00	0.216
Breadth of product line	97.37	80.00	2.63	20.00	0.291
Product quality	100.0	90.00	0.00	10.00	0.284
Ease of product use	97.37	90.00	2.63	10.00	0.149
Training received	94.74	100.0	5.26	0.00	(0.107)
Attitude of sales consultants	86.84	80.00	13.16	20.00	0.078
Technical ability of sales consultants	94.74	80.00	5.26	20.00	0.216
Rapid problem solution	86.84	70.00	13.16	30.00	0.183
Availability of sales consultants	78.95	60.00	21.05	40.00	0.177
Frequency of contact	76.32	40.00	23.68	60.00	0.318
Product knowledge of sales consultants	100.0	0.00	100.0	0.00	0.0
Ease of contacting service staff	81.58	40.00	18.42	60.00	0.380
Understanding customers' needs	89.47	80.00	10.53	20.00	0.116
Ease of placing orders	91.67	40.00	8.33	60.00	0.537
Delivery of products	91.67	40.00	8.33	60.00	0.537
Accuracy of invoicing	88.89	20.00	11.11	80.00	0.647

Where: ***Pc*** *indicates the percentage of customers*
Pe *indicates the percentage of employees*

As table 4.15 indicates, most factors have a small effect, except for overall value received, overall service efficiency, frequency of contact and ease of contacting customer service staff, which have a medium effect and ease of placing orders, delivery of product and accuracy of invoicing which have a large effect and are practically significant. Those factors that have a large effect size indicate that there is a small correlation between customers' and employees' answers.

Table 4.16 indicates how the customer respondents believe the pharmaceutical company behaves with regard to the following:

TABLE 4.16 HOW CUSTOMERS BELIEVE THE PHARMACEUTICAL COMPANY WOULD BEHAVE WITH REGARD TO CERTAIN FACTORS *(CUSTOMERS' VIEWPOINT)*

Factors	Yes	No
Treats customers as long-term business partners	86.8	13.2
Builds on the relationship with every interaction	78.9	21.1
Handles queries quickly	73.7	26.3
Listens to customers' suggestions	84.2	15.8
Is the customers' supplier of choice	76.3	23.7

Customer respondents believe that the pharmaceutical company treats customers as long-term partners (86.8%), builds on the relationship with every interaction (73.7%), handles queries quickly (73.7%), listens to customers' suggestions (84.2%) and is their supplier of choice (76.3%). Although more than 70% of customer respondents answered positively to these factors, there is still room for improvement by the pharmaceutical company, especially with regard to building on the relationship with every interaction, handling queries quickly and being the customers' supplier of choice. Table 4.17 indicates the pharmaceutical company employees' response to table 4.16.

TABLE 4.17 HOW THE EMPLOYEES BELIEVE THE CUSTOMERS WOULD RESPOND TO HOW THE PHARMACEUTICAL COMPANY REACTS WITH REGARD TO THE CERTAIN FACTORS		
Factors	**Yes**	**No**
Treats customers as long-term business partners	80.0	20.0
Builds on the relationship with every interaction	80.0	20.0
Handles queries quickly	60.0	40.0
Listens to customers' suggestions	70.0	30.0
Is the customers' supplier of choice	80.0	20.0
All values are expressed in percentages		

Employees' of the pharmaceutical company responded positively to each factor in table 4.17, although 40% of employees felt that customers believe that the pharmaceutical company does not handle queries quickly, and 30% of employees responded that the employees of the pharmaceutical company do not listen to customers' suggestions.

Table 4.18 indicates a contingency determining the correlation between table 4.16 and table 4.17.

TABLE 4.18 CONTINGENCY: THE CORRELATION BETWEEN CUSTOMERS' AND EMPLOYEES' ANSWERS REGARDING WHETHER THE CUSTOMERS BELIEVE THAT THE PHARMACEUTICAL COMPANY PERFORMS CERTAIN FACTORS					
Scale	**Yes**		**No**		**W-value**
Factors	**Pc**	**Pe**	**Pc**	**Pe**	
Treats customers as long-term business partners	86.84	80.00	13.16	20.00	0.078
Builds on the relationship with every interaction	78.95	80.00	21.05	20.00	(0.010)
Handles queries quickly	73.68	60.00	26.32	40.00	0.122
Listens to customers' suggestions	84.21	70.00	15.79	30.00	0.147
Is the customers' supplier of choice	76.32	80.00	23.68	20.00	(0.035)
Where: ***Pc*** *indicates the percentage of customers* ***Pe*** *indicates the percentage of employees*					

All factors in table 4.18 have a small effect ($w \leq 0.1$) and are practically insignificant.

TABLE 4.19 CONTINGENCY: THE CORRELATION BETWEEN CUSTOMERS' AND EMPLOYEES' ANSWERS REGARDING CERTAIN FACTORS ABOUT THE CUSTOMERS					
Scale	**Yes**		**No**		**W-value**
Factors	**Pc**	**Pe**	**Pc**	**Pe**	
Would recommend the pharmaceutical company as a supplier to others	90.00	90.00	10.00	10.00	0.000
Want to be involved with the development of new products	97.50	100.0	2.50	0.00	(0.071)
Feel satisfied with the service provided by the pharmaceutical company	85.00	80.00	15.00	20.00	0.054
See an improvement in the way the pharmaceutical company handles queries and comments	77.50	60.00	22.50	40.00	0.159
Where: ***Pc*** *indicates the percentage of customers* ***Pe*** *indicates the percentage of employees*					

As table 4.19 indicates, all factors have a small effect size, which indicates that the customers' answers and the employees' answers have a large correlation. The factors are seen as practically insignificant.

All tables from table 4.20 to table 4.23 indicate the situation within the pharmaceutical company. All tables only indicate the pharmaceutical company's employees' answers.

Table 4.20 indicates the current situation within the pharmaceutical company, while table 4.21 indicates the ideal situation within the company.

TABLE 4.20 WHETHER EMPLOYEES AT THE PHARMACEUTICAL COMPANY AGREE OR DISAGREE WITH FACTORS IN THE CURRENT SITUATION				
STATEMENTS	**Strongly disagree**	**Disagree**	**Agree**	**Strongly agree**
The pharmaceutical company works at measuring and improving the satisfaction of every customer	0	40	50	10
The customer is the focus in every area of the pharmaceutical company	11	11	56	22
All values are expressed in percentages				

Fifty percent employee respondents agree that currently the pharmaceutical company works at measuring and improving the satisfaction of every customer and 56% of employees believe that the customer is the focus of every area of the pharmaceutical company.

TABLE 4.21 WHETHER EMPLOYEES AT THE PHARMACEUTICAL COMPANY AGREE OR DISAGREE WITH FACTORS IN THE IDEAL SITUATION				
STATEMENTS	**Strongly disagree**	**Disagree**	**Agree**	**Strongly Agree**
The pharmaceutical company works at measuring and improving the satisfaction of every customer	0	11	11	78
The customer is the focus in every area of the pharmaceutical company	11	0	22	67
All values are expressed in percentages				

In the ideal situation all employee respondents strongly agree with the statements.

Table 4.22 indicates the effect size between the current and ideal state in the pharmaceutical company as shown in table 4.20 and 4.21.

TABLE 4.22 EFFECT SIZE: THE EFFECT OF THE DIFFERENCE BETWEEN THE CURRENT STATE AND THE IDEAL STATE WITHIN THE PHARMACEUTICAL COMPANY

Factors	Mean *	Standard deviation	d-value
The pharmaceutical company works at measuring and improving the satisfaction of every customer	1.000	0.866	1.155
The customer is the focus in every area of the pharmaceutical company	1.000	1.069	0.935

** Where mean = (ideal state – current state)*

In both cases there is a large effect (d=0.8), which indicates that there is a large difference between the current state and ideal state within the pharmaceutical company. This means that the pharmaceutical company must work on these factors and ensure that the ideal state is reached.

In chapter 2 and 3, reference was made to the importance of using relationship managers and databases to improve customer relationship management within a company and its customers. Table 4.23 indicates whether these tools are used within the pharmaceutical company.

TABLE 4.23 WHETHER THE PHARMACEUTICAL COMPANY MAKES USE OF RELATIONSHIP MANAGERS OR DATABASES		
FACTORS	**Yes**	**No**
Does the company use relationship managers?	25.0	75.0
Does the company make use of databases to gather information regarding customer behaviour?	44.4	55.6
All values are expressed in percentages		

As indicated in table 4.23, there is no consensus with the employees within the pharmaceutical company as to whether these tools are used. Of employee respondents 75% and 55.6% respectively stated that the pharmaceutical company does not use relationship managers or databases. This is a concern to the company and these tools should be implemented.

Question 10 in the customers' questionnaire and question 12 in the employees' questionnaire was an open question that aimed to determine what the pharmaceutical company could do to improve the relationship with its customers. Customer respondents made the following recommendations:

- Improve the service efficiency from the first contact with customers (especially with regard to the ordering process).
- Improve the communication with customers, listen to customers' suggestions and provide customers with feedback regarding queries and new products.
- Improve the time it takes to respond to customers' calls and queries.
- Have more interaction with customers (increase the amount of contact i.e. visit customers at least once a week).
- Provide training to customers with regard to product use.
- Create more workshops or discussions regarding trends and developments in the market.
- Be visible in the academic area by sponsoring local courses.

- Expand the range of products to suit customer needs.
- Develop better price deals especially with regard to exchange rate uncertainties.
- Treat each customer as important.

Employee respondents' answers on how to improve the relationship:

- Improve communication within the company as well as with customers. Employees felt it is important that each department (from sales to ordering to invoicing) should be informed regarding changes in each department.
- Inform customers regarding stock problems.
- Inform customers, through use of product managers or relationship managers, about catalogue changes, price increases, discontinued products or product replacements.
- Decrease the mistakes occurring with accuracy of invoicing and order delivery.
- Improve databases so that sales consultants can have easy access to customer information.
- Perform customer audits and make the information available in electronic format such as sales reports.
- Perform follow-ups after sales to determine customer satisfaction or problems with the product.
- Increase the customer support services.
- Implement true key account managers (and relationship managers).
- Do not hide problems, but rather deal with them and determine causes of problems.
- Treat each customer as important.

By comparing the customers' and the employees' answers, it can be noted that both groups of respondents concluded that communication is lacking, that

there are problems concerning accuracy of invoicing and delivery and that the pharmaceutical company does not seem to treat each customer as important. Question 11 of the customers' questionnaire aimed to determine what customer respondents particularly like about the pharmaceutical company. This is important to know, so that attempts can be made to ensure that these factors are continued in the development of relationships with customers. Answers of the customer respondents' included:

- Customers like the quality of the products.
- The sales representatives are well-trained, have the technical knowledge regarding their product.
- The pharmaceutical company is willing to sponsor scientists to attend conferences.
- The training received is of a high quality.
- The sales representatives support customers with problem-solving.
- The pharmaceutical company keeps customers informed through publications.
- Quick delivery of products.

It is vital that the pharmaceutical company can determine what customers dislike about the service or product they provide. Question 12 of the customers' questionnaire specifically asked customer respondents to list what they dislike about the pharmaceutical company. Answers included:

- Although most of the customers were satisfied with the ordering and delivery process (as indicated in table 4.10), 2.8% of customer respondents felt that the ease of placing orders is very poor, while 8.1% of customer respondents indicated that on-time delivery is poor. Even though these are small percentages, these factors need attention because the can lead to problems. Many orders are not received on time and invoicing is often incorrect.

- Customers felt that the sales representatives are often unavailable (15.4% indicated that this area was poor). The customer/service team seems to be fragmented and customers do not always know whom to contact with problems or queries.
- The pharmaceutical company does not keep to deadlines and do not follow-up on sales and do not offer after-sales service.
- Customers also feel that there is a lack of communication.
- The high prices of products also seem to be problematic to customers.
- Small customers feel that the pharmaceutical company does not attend to their needs.
- One respondent felt that the pharmaceutical company lacks in the area of social responsibility projects.

For the pharmaceutical company to improve its relationship with its customers, it is important to take note of these factors and improve on them.

4.4 CONCLUSION

In this chapter, the method of research and the most important findings of the questionnaires were discussed. All of these findings need to be taken note of and improved upon by the pharmaceutical company in order to develop a long-term relationship with customers. The next chapter focuses on making recommendations for the pharmaceutical company to ensure that meaningful relationships can be developed and maintained with customers.

5 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 SUMMARY AND OVERVIEW OF THE STUDY

In this study emphasis was placed on relationship management and customer relationship management. The study concentrated on the customer relationship efforts of a pharmaceutical company based in Gauteng. The main aim of the study was to determine the application of customer relationship management within the pharmaceutical company. To establish this aim, it was necessary to study relationship management and customer relationship management in detail.

Chapter one described the problem statement and substantiated the reasons and the need for the study and customer relationship management. The objectives were formulated to describe how the aim of the study would be reached. A method of investigation was detailed and the population and sample of the study was chosen. The reason for the two sets of questionnaires was explained, as well as the method used for obtaining results.

In order to achieve the first objective - to determine how relationship management can aid the relationship between selected customers and the pharmaceutical company - as stated in chapter one, an analysis of relationship management was conducted in chapter two. The chapter started by describing why relationship management should be included as an important management tool in traditional transaction marketing.

As Kotler (2003:152) states, traditional transaction marketing tends to ignore relationships and relationship building between stakeholders. For this reason RM is seen as a tool used in marketing to develop those relationships with

stakeholders. Relationship management seeks to create value for and with customers while having the entire company focusing its efforts on relationship management and relationship building. Relationship management recognises the value of customers over their purchasing lifetime and not just on the one-time deal as in traditional transaction marketing (Gordon, 1998:9-10).

The core theme of all relationship management perspectives is its focus on a co-operative and collaborative relationship between the company and its customers, other marketing areas, as well as other stakeholders (Parvatiyar & Sheth, 2001:4). Relationship management is not only about customer-supplier relationships. Even though companies think of the relationships as their own immediate buyer partnerships, customer-supplier relationships also include intermediaries, end-users and their own suppliers (Gummesson, 2002:246).

Relationship management benefits stakeholders as well as the company itself. It focuses on building partners in relationships, rather than just selling products, enabling companies to improve sales growth as well as return on investment.

An important part of relationship management is to ensure that a total integrated company effort takes place and that relationship management does not occur over-night, but is implemented after effective planning and co-operation throughout the entire company. For this to occur, internal marketing is essential. Relationship management requires effective communication between stakeholders and employees. Communication helps in relationship development, fosters trust and provides the information and knowledge needed to undertake the co-operative and collaborative activities of relationship management (Parvatiyar & Sheth, 2001:14).

A relationship manager is a vital element when implementing relationship management and can ensure that effective communication flows throughout the entire company and that all parties involved are committed to the relationship management process.

Chapter three intended to achieve the second objective of determining how customer relationship management in a pharmaceutical company can satisfy customer needs. While RM concentrates on all stakeholders, customer relationship management concentrates on the most important stakeholder – the customer. Customers are seeking the supplier who can deliver the needed product offering and a reliable relationship (Po-Chedley, 2001:15).

Customer relationship management is too important to be left to the marketing and sales departments. Company-wide participation is essential because every employee in the company can improve or decrease customer profitability, retention, behaviour and satisfaction (Curry & Curry, 2000:74-75). Customer service is an important tool used in CRM to aid companies to build relationships with customers. Customer relationship management enables companies to benefit financially from the relationship, while customers have their needs met.

When implementing CRM, databases are important to gather information about customers and their purchasing behaviour. Databases enable sales staff to know their customers, and thus will aid them when solving customer problems. Customer relationship managers are important when implementing CRM. Customer relationship managers' aid in the communication between the company and its customers, as well as aiding in solving customer queries and problems in order to satisfy needs.

The third objective was to conduct an empirical investigation on the usage of CRM in the pharmaceutical company. Chapter four discussed how the empirical investigation was conducted and why two sets of questionnaires were developed and handed out. By means of figures and tables, the chapter further described the responses of the customers and employees surveyed, and how their answers differed.

From the above discussion it can be concluded that each objective was met and that the aim of determining the application of CRM within the pharmaceutical company was achieved. The study further determined the needs of customers and determined where employees of the pharmaceutical company felt there was room for improvement.

5.2 CONCLUSIONS

5.2.1 Overview of results

The two sets of questionnaires handed out to customers and employees of the pharmaceutical company were compared to determine whether customer relationship management is used in the pharmaceutical company and whether customers are satisfied with the service provided to them by the company. It was also used to determine whether the employees of the company know their customers' needs and know which aspects need improvement. The results of the questionnaires can be concluded as follows:

- A hundred percent response rate was achieved in the study. This was achieved by personally handing out the questionnaires and by making appointments with each customer.
- A variety of customers were interviewed. Respondents in the sample belong to private laboratories (48.65%), laboratories affiliated with universities (27.03%) and state laboratories (24.32%). The customers within each laboratory segment were diverse. Respondents included owners / shareholders / managing bodies of laboratories, heads of departments, scientists, pathologists, as well as laboratory technologists. This indicated that all types of customers dealing with the pharmaceutical company were surveyed.
- The employees interviewed were all employees that deal directly with the customers surveyed. Employees included business area managers, product managers, application specialists, accounts department

personnel (10% each) as well as consultants and employees in the order entry department (30% each).

- A mix of customers were surveyed, from those who have been doing business with the pharmaceutical company for less than a year to those who have been buying from the pharmaceutical company for longer than five years (47.22%), which indicates that long-term relationships have been formed between customers' and the pharmaceutical company.
- When comparing the answers of customers and employees with regard to factors that are important to customers, the overall value received, overall service efficiency, product quality and technical ability of sales consultants had a medium effect, which indicates that the customers' answers and the employees' answers varied. These factors can be improved on and need to be taken note of by the pharmaceutical company.
- When determining how customers rate the actual service provided, the overall value received, overall service efficiency, image of supplier, breadth of product line, ease of catalogue use, availability of sales consultants, frequency of contact, ease of contacting customer service staff and understanding of customer needs were evaluated as being good, which leaves room for the pharmaceutical company to improve.
- Although most customers are satisfied with all services provided by the pharmaceutical company, 21.1% are dissatisfied with the availability of sales consultants, 23.7% are dissatisfied with the frequency of contact of sales consultants and 18.4% are dissatisfied with the ease of contacting customer service staff. These areas can be seen as future problem areas if they are not monitored and improved upon.
- The employees of the pharmaceutical company believe that customers would be dissatisfied with the overall service efficiency, frequency of contact, ease of contacting service staff, ease of placing orders, delivery of products and accuracy of invoicing. This indicates that employees believe there are problems in these areas, which need to be addressed.

- Eighty six point eight percent (86.8%) of customer respondents believe that the pharmaceutical company treats customers as long-term partners, builds on the relationship with every interaction (73.7%), handles queries quickly (73.7%), listens to customers' suggestions (84.2%) and is their supplier of choice (76.3%). Although more than 70% of customer respondents answered positively to these factors, there is room for improvement by the pharmaceutical company.
- There is no consensus with employees of the pharmaceutical company as to whether databases and customer relationship managers are used. This is of concern, because it indicates that employees are not aware of the CRM tools used within the company.
- In most questions asked (except for those discussed above), there was a large correlation between customers' and employees' answers. This indicates that employees of the pharmaceutical company know their customers, understand their needs and know how customers would answer the questions asked in the questionnaires.
- It can be noted from the study is that the employees of the pharmaceutical company believe that they are doing worse than what the customers' indicated.
- The pharmaceutical company is doing well with its CRM and customer service efforts, but the company can still improve.

5.3 RECOMMENDATIONS

As the results indicated, the customers of the pharmaceutical company are satisfied with the CRM efforts, but even a small percentage of customers that are dissatisfied can lead to the pharmaceutical company losing customers and decreasing its profitability. For this reason, notice must be taken of the small percentage of customers who are dissatisfied so that the pharmaceutical company can improve its service to all its customers.

In order for the pharmaceutical company to improve, the following recommendations can be made:

- Concentrate on providing customers with improved value. This will enhance the relationship between the pharmaceutical company and its customers.
- Improve the service efficiency provided to customers by improving the contact between customers and sales consultants; after-sales service; delivery of products. This can all be achieved by improving internal as well as external communication.
- Enhance product quality through increased product testing and by determining the need and use of the product within each type of laboratory segment.
- Improve the ease of product use by determining how each customer uses the product. By having sales consultants and product developers work together with customers to analyse how the customers use the product, ways can be determined to improve the usage of products.
- The pharmaceutical company should develop a product and / or pricing catalogue for customers. This could be placed on the Internet on the pharmaceutical company's website. By placing the catalogue on the Internet (to which each customer has access to) product replacements and changes, as well as pricing changes can be easily amended so that customers can keep track of these changes. It will also be vital that the pharmaceutical company makes customers aware of the changes through effective communication.
- Twenty six point three percent (26.3%) of customer respondents indicated that the pharmaceutical company does not handle queries quickly. The Internet could also be used to increase problem solutions. The website of the pharmaceutical company could have a link where customers can voice problems. An employee of the pharmaceutical company should monitor the problems recorded on the website and find solutions to the problems. It is important that, if this method is used, the

pharmaceutical company should contact the customers with a solution within a certain period of time (ideally 24 hours).

- Two point eight percent (2.8%) of customer respondents indicated that the ease of placing orders and the accuracy of invoicing is "very poor"; while 8.1% of customers indicated that on-time delivery of products is "poor". Once again, the Internet could be used to improve these factors. The pharmaceutical company could place a link on their website that enables customers to track their orders. The order and delivery staff could use the website to inform customers about delivery lags and problems with orders, invoicing and delivery.
- The availability of sales consultants was identified as a problem area. Of customer respondents, 15.4% indicated that the availability of sales consultants and frequency of contact is "poor". It is recommended that sales consultants visit customers more frequently. This could indicate that additional sales consultants should be hired to deal with the large number of customers.
- The pharmaceutical company should provide more training to customers as well as sales consultants, especially when a new product is launched.
- Internal marketing should be improved within the pharmaceutical company. Employees are unaware that CRM tools such as databases and customer relationship managers are used. By improving internal marketing the communication problems within the company could be improved.
- Customer relationship mangers should be appointed to deal with customers. The manager will also be able to ensure that CRM becomes a total integrated effort within the pharmaceutical company and that the customer becomes the focus of the company.
- To make each employees' job easier within the company, customer databases need to be developed to keep track of customers' purchasing behaviour, needs, product preferences and problems or queries.

Each customer and employee was asked to list aspects that he/she believed the pharmaceutical company could implement to improve the relationship between the two parties. Recommendations that can be made from the answers provided include:

- Treat each customer as important. The smaller customers felt that they were not as important to the pharmaceutical company as larger customers, even though the small customers give the pharmaceutical company a large share of their business. Each customer is important and each customer's needs have to be met.
- Customers would like the pharmaceutical company to develop more workshops and discussions regarding new trends in the market and new product developments.
- Customers would like to be involved in the product development process to ensure that products are developed that would suit their needs.
- Improve the customer support services and follow-up sales. It is important that sales staff contact customers after purchasing to determine whether the customer has any problems or queries and whether the customer is satisfied.

The most important recommendation that can be made that includes all the above-mentioned factors concerns communication. Customers need to be informed regarding changes with products, pricing, ordering and delivery. Fifteen point eight percent (15.8%) of customers felt that the pharmaceutical company is not listening to their recommendations and suggestions. Internally, the pharmaceutical company's employees feel that not enough information is communicated to them and they do not know what is happening in other departments.

As described in the study, internal and external communication are vital to the success of any relationship. The pharmaceutical company should start

communicating more effectively and listening to employees and customers alike. Customers will then start to tell the pharmaceutical company in which areas improvement is needed to ensure that the relationship-building process continues as an integrated effort. This can only be achieved through effective customer relationship management.

Although the results of the study were dominantly positive, both the study and its results were important. The pharmaceutical company can learn a great deal from the results discussed, and even though they are doing well and most customers are satisfied with the service provided, there is still room for improvement. If CRM and the other factors discussed are not managed, the customers of the pharmaceutical company will start feeling dissatisfied with the CRM programme and seek other suppliers to satisfy their needs and to build profitable relationships with.

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To Whom It May Concern

25 June 2003

CUSTOMER RELATIONSHIP MANAGEMENT QUESTIONNAIRE

This serves to confirm that Ms Christine De Meyer is completing her MCom degree in Business management at the above university. The attached questionnaire serves as part of her research on customer relationship management.

The questionnaire aims to determine what you as a customer require to develop a meaningful relationship with the pharmaceutical company. The results of the questionnaire will aim to enhance your relationship with your supplier which will benefit both companies in the long-term.

It would be appreciated if you would complete this questionnaire as honestly as possible. The questionnaire will be treated with the utmost confidentiality.

Thank you for your understanding to this matter.

Sincerely

Prof. L.R. Jansen Van Rensburg

Director and study leader

SEMT
SCHOOL OF ENTREPRENEURSHIP MARKETING AND TOURISM MANAGEMENT

Director: Professor LR J van Rensburg

QUESTIONNAIRE – CUSTOMER **Questionnaire no.** | | |

1. **Indicate to which market you belong**

Academic / University	1
Private laboratory	2
State laboratory	3

2. **Indicate your highest position**

Owner / Share holder / Managing body	1
Head of department	2
Scientist	3
Pathologist	4
Laboratory technologist	5

3. **What percentage of your business do you currently give to the pharmaceutical company?**

0% -10%	1
11% - 20%	2
21% - 50%	3
51% - 80%	4
80% plus	5

4. **How long have you been buying from the pharmaceutical company?**

Less than a year	1
1 – 2 years	2
3 – 5 years	3
Longer than 5 years	4

Use the following scale to answer question 5

1	2	3	4
No importance	**Moderately important**	**Important**	**Extremely important**

5. How would you rate the following aspects in terms of the importance to you as a customer

5.1 The overall value you receive	1	2	3	4
5.2 Overall service efficiency you receive	1	2	3	4
5.3 Customer relationship management	1	2	3	4
5.4 Image of your supplier	1	2	3	4
5.5 Breadth of the product line offered	1	2	3	4
5.6 Product quality offered	1	2	3	4
5.7 Ease of product use	1	2	3	4
5.8 Ease of using catalogue	1	2	3	4
5.9 Training received on products	1	2	3	4
5.10 Attitude of specialists	1	2	3	4
5.11 Technical ability of specialists	1	2	3	4
5.12 Rapid problem solution	1	2	3	4
5.13 Professionalism of your supplier	1	2	3	4
5.14 Availability of sales consultants / specialists	1	2	3	4
5.15 Frequency of contact of sales consultants / specialists	1	2	3	4
5.16 Product knowledge of sales consultants / specialists	1	2	3	4
5.17 Ease of contacting customer service staff	1	2	3	4
5.18 Understanding your needs and requirements	1	2	3	4
5.19 Ease of placing orders	1	2	3	4
5.20 On-time delivery of products	1	2	3	4
5.21 Accuracy of invoicing	1	2	3	4

Use the following scale to answer question 6

1	2	3	4
Very poor	**Poor**	**Good**	**Excellent**

6. How would you rate the following aspects in terms of what you actually receive from the pharmaceutical company?

6.1 The overall value you receive	1	2	3	4
6.2 Overall service efficiency you receive	1	2	3	4
6.3 Customer relationship management	1	2	3	4
6.4 Image of your supplier	1	2	3	4
6.5 Breadth of the product line offered	1	2	3	4
6.6 Product quality offered	1	2	3	4
6.7 Ease of product use	1	2	3	4
6.8 Ease of using catalogue	1	2	3	4
6.9 Training received on products	1	2	3	4
6.10 Attitude of specialists	1	2	3	4
6.11 Technical ability of specialists	1	2	3	4
6.12 Rapid problem solution	1	2	3	4
6.13 Professionalism	1	2	3	4
6.14 Availability of sales consultants / specialists	1	2	3	4
6.15 Frequency of contact of sales consultants / specialists	1	2	3	4
6.16 Product knowledge of sales consultants / specialists	1	2	3	4
6.17 Ease of contacting customer service staff	1	2	3	4
6.18 Understanding your needs and requirements	1	2	3	4
6.19 Ease of placing orders	1	2	3	4
6.20 On-time delivery of products	1	2	3	4
6.21 Accuracy of invoicing	1	2	3	4

7. Are you as a consumer satisfied or dissatisfied with the way in which the pharmaceutical company handles the following:

	Satisfied		Dissatisfied	
7.1 The overall value you receive		1		2
7.2 Overall service efficiency you receive		1		2
7.3 Customer relationship management		1		2
7.4 Breadth of the product line offered		1		2
7.5 Product quality offered		1		2
7.6 Ease of product use		1		2
7.7 Training received on products		1		2
7.8 Attitude of specialists		1		2
7.9 Technical ability of specialists		1		2
7.10 Problem solving		1		2
7.11 Availability of sales consultants / specialists		1		2
7.12 Frequency of contact of sales consultants / specialists		1		2
7.13 Product knowledge of sales consultants / specialists		1		2
7.14 Ease of contacting customer service staff		1		2
7.15 Understanding your needs and requirements		1		2
7.16 Ease of placing orders		1		2
7.17 Delivery of products		1		2
7.18 Accuracy of invoicing		1		2

8. Do you feel that the pharmaceutical company ...

	Yes		No	
8.1 Treats you as a long-term business partner		1		2
8.2 Builds on your relationship with every interaction		1		2
8.3 Handles your queries quickly		1		2
8.4 Listens to your suggestions		1		2
8.5 Is your supplier of choice		1		2

9. **Would you as a customer ...**

	Yes		No	
9.1 Recommend the pharmaceutical company as a supplier		1		2
9.2 Want to be an active participant in the relationship process		1		2
9.3 Feel satisfied with the service provided by the pharmaceutical company		1		2
9.4 See an improvement in the way in which the pharmaceutical company handles your queries and comments		1		2

10. **What, in your opinion, can the pharmaceutical company do to make your relationship with them grow and develop into a meaningful relationship?**

11. **What do you particularly like about the pharmaceutical company?**

12. **What do you particularly dislike about the pharmaceutical company?**

Thank you for taking the time to complete this questionnaire.

Your views are much appreciated.

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25 June 2003

CUSTOMER RELATIONSHIP MANAGEMENT QUESTIONNAIRE

This serves to confirm that Ms Christine De Meyer is completing her MCom degree in Business management at the above university. The attached questionnaire serves as part of her research on customer relationship management.

The questionnaire aims to determine what your company can do to develop a meaningful relationship with your customers. The results of the questionnaire will aim to enhance your relationship with your customers which will benefit both companies in the long-term.

It would be appreciated if you would complete this questionnaire as honestly as possible. The questionnaire will be treated with the utmost confidentiality.

Thank you for your understanding to this matter.

Yours sincerely

Prof. L.R. Jansen Van Rensburg

Director and study leader

SEMT
SCHOOL OF ENTREPRENEURSHIP MARKETING AND TOURISM MANAGEMENT

Director: Professor LR J van Rensburg

QUESTIONNAIRE – EMPLOYEES **Questionnaire no.** | | |

1. Indicate your position in your company

Country manager	1
Business area manager	2
Product manager	3
Key account manager	4
Consultants / account manager	5
Application specialist	6
Accounts	7
Order entry	8

Evaluate the following statements by using the following scale

Strongly disagree	Disagree	Agree	Strongly agree
1	2	3	4

	Currently					Ideally			
2.	1	2	3	4	Your company works at measuring and improving the satisfaction of every customer	1	2	3	4
3.	1	2	3	4	The customer is the focus in every area of your business	1	2	3	4

Use the following scale to answer question 5

1	2	3	4
No importance	**Moderately important**	**Important**	**Extremely important**

5. How would you rate the following in terms of their importance to your customers

5.1 The overall value the customer receives	1	2	3	4
5.2 Overall service efficiency the customer receives	1	2	3	4
5.3 Customer relationship management	1	2	3	4
5.4 Image of Your company	1	2	3	4
5.5 Breadth of the product line offered to customers	1	2	3	4
5.6 Product quality offered to customers	1	2	3	4
5.7 Ease of product use for customers	1	2	3	4
5.8 Ease of using catalogue to customers	1	2	3	4
5.9 Product training provided to customers	1	2	3	4
5.10 Attitude of specialists towards customers	1	2	3	4
5.11 Technical ability of specialists	1	2	3	4
5.12 Rapid solutions of customers problems	1	2	3	4
5.13 Professionalism of Your company	1	2	3	4
5.14 Availability of sales consultants / specialists	1	2	3	4
5.15 Frequency of contact of sales consultants/specialists	1	2	3	4
5.16 Product knowledge of sales consultants/specialists	1	2	3	4
5.17 Ease of contacting customer service staff	1	2	3	4
5.18 Understanding customers' needs and requirements	1	2	3	4
5.19 Ease of placing orders	1	2	3	4
5.20 On-time delivery of products	1	2	3	4
5.21 Accuracy of invoicing	1	2	3	4

Use the following scale to answer question 6

1	2	3	4
Very poor	**Poor**	**Good**	**Excellent**

6. How would you rate the following aspects in terms of what your company actually provides to customers?

6.1 The overall value customers receive	1	2	3	4
6.2 Overall service efficiency customers receive	1	2	3	4
6.3 Customer relationship management	1	2	3	4
6.4 Image of Your company	1	2	3	4
6.5 Breadth of the product line offered to customers	1	2	3	4
6.6 Product quality offered to customers	1	2	3	4
6.7 Ease of product use for customers	1	2	3	4
6.8 Ease of using catalogue to customers	1	2	3	4
6.9 Product training provided to customers	1	2	3	4
6.10 Attitude of specialists towards customers	1	2	3	4
6.11 Technical ability of specialists	1	2	3	4
6.12 Rapid solution of customers problems	1	2	3	4
6.13 Professionalism of Your company	1	2	3	4
6.14 Availability of sales consultants/specialists	1	2	3	4
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6.16 Product knowledge of sales consultants/specialists	1	2	3	4
6.17 Ease of contacting customer service staff	1	2	3	4
6.18 Understanding customers' needs and requirements	1	2	3	4
6.19 Ease of placing orders	1	2	3	4
6.20 On-time delivery of products	1	2	3	4
6.21 Accuracy of invoicing	1	2	3	4

7. Do you believe that your customers are satisfied or dissatisfied with the way in which your company handles the following

	Satisfied		Dissatisfied	
7.1 The overall value customers receive		1		2
7.2 Overall service efficiency customers receive		1		2
7.3 Customer relationship management		1		2
7.4 Breadth of the product line offered to customers		1		2
7.5 Product quality offered to customers		1		2
7.6 Ease of product use		1		2
7.7 Product training provided to customers		1		2
7.8 Attitude of specialists towards customers		1		2
7.9 Technical ability of specialists		1		2
7.10 Customer problem solving		1		2
7.11 Availability of sales consultants / specialists		1		2
7.12 Frequency of contact of sales consultants / specialists		1		2
7.13 Product knowledge of sales consultants / specialists		1		2
7.14 Ease of contacting customer service staff		1		2
7.15 Understanding customers; needs and requirements		1		2
7.16 Ease of placing orders		1		2
7.17 Delivery of products		1		2
7.18 Accuracy of invoicing		1		2

8. Do you feel that your company ...

	Yes		No	
8.1 Treats consumers as a long-term business partners		1		2
8.2 Builds on customer relationships with every interaction		1		2
8.3 Handles customer queries quickly		1		2
8.4 Listens to customers suggestions		1		2
8.5 Is a supplier of choice		1		2

9. Do you believe that your customers will ...

	Yes		No	
9.1 Recommend your company as a supplier		1		2
9.2 Want to be involved with the development of new products		1		2
9.3 Feel satisfied with the service provided by your company		1		2
9.4 See an improvement in the way in which your company handles customers queries and comments		1		2

10. Does your company make use of relationship managers?

Yes		1
No		2

11. Does your company make use of a database with information about its customers (i.e. purchasing behaviour, amounts spent by each customer, ...)

Yes		1
No		2

12. **What, in your opinion, can your company do to make your relationship with customers grow and develop into a meaningful relationship?**

Thank you for taking the time to compete this questionnaire.
Your views are much appreciated.