

CHAPTER TWO: RELATIONSHIP MARKETING, CUSTOMER RELATIONSHIP MANAGEMENT AND CUSTOMER EXPERIENCE MANAGEMENT

2.1 Introduction

In order to be able to focus on a new concept like customer experience management, is it necessary to concentrate on the more generic and fundamental concepts like marketing and relationship marketing, where these originated and where the focus was initially. The shift from the original 4Ps to the relational approach will also be highlighted and explicated.

The related concept of customer relationship management also needs to be discussed, as there are several different interpretations and implementations of it. When all these terms have been highlighted and discussed, the emphasis will move in this chapter to customer experience management, including the motivation as to why it can be seen as a new and applicable approach, also in the higher education context.

A newly-associated term, integrated customer experience management, will then be constructed and defined to end of this chapter. This term forms the basis of this study and is also embedded in the title of this study.

In this chapter of the literature review the aim will be to investigate all these terms, and to try and reach a conclusion as to the most appropriate and relevant terminology for this study and specifically in the Higher Education Institutional-environment (HEI), and to indicate more specifically what terms should be applied to the North-West University (NWU).

2.2 Marketing

Very few disciplines have escaped the numerous effects and new developments of the modern era, including globalization, new technologies and growth. Marketing is no exception and has seen major changes over the past two decades, according to Blois *et al.* (2000:3).

Harker *et al.* (2006a:220) state that marketing has tended to be seen as a specialist function and not as a general management function. This is a very general approach which is still applied by many organizations and can be considered as outdated and out of line with the latest customer-driven approaches, as will be supported in the next chapters.

According to Kotler *et al.* (2001:785) marketing deals more with customers than any other business function. He also states that the understanding, creation and delivery of customer value and satisfaction are at the heart of modern marketing.

In a much earlier work, Kotler (1983:11) provides a ground-breaking definition for marketing when describing it as the analysing, planning, implementing and controlling of programmes specifically designed to establish a trade relationship with selected markets in order to achieve the goals of the organization. To be able to achieve this, it is necessary to study the target market's actual needs and then design the most suitable services and products that can be delivered in an effective manner, including the right price, communication channels and distribution methods. This should lead to motivated and satisfied customers. Where the initial focus was on profit and market share, a shift has taken place towards creating long-term relationships with key customers, while still making a profit.

According to Egan (2008:291) marketing, in philosophical terms, is a holistic approach by an organization aimed at addressing the needs and wants of the customer and other stakeholders. Earlier, Armstrong & Kotler (2005:6) followed a similar approach when describing marketing as a communal and managerial practice by which individuals and groups acquire what they need and want through the creation and exchange of value with others, while Burrow (2006:9) describes marketing as the creating and maintaining of satisfying exchange relationships. Lagrosen *et al.* (2006:87) confirm that companies first need to find out what the customers need and want and then consider what activities are required to satisfy those needs and wants.

Rich (2000:170) tries to simplify the definition by stating that marketing is not a series of procedures, but a total mindset focused on successful ways of thinking about commerce. He further remarks that, even if marketing would cease to exist, there would still be products and customers. Gummesson (2003:168) sees marketing as the dealings in networks of business relationships, which is another simplified approach that contains elements of truth. There are, however, many aspects of marketing not covered by these simplistic definitions.

According to Palmer (1996:3), all scholars of marketing management up to the 1980's were taught the concept of the "marketing mix", or the "4Ps": **product, price, promotion and place** as the world-wide acceptable model for marketing, applicable to all sectors and industries, but that it was later criticised for being too much focused on the production-environment. Grönroos (1994:347) recalls that this became the recognized theory of marketing and that it overshadowed all previous models and approaches. He motivates why the 4Ps-approach was so successful:

- It seemed easy to handle and organize marketing activities
- It separated marketing from other activities
- The marketing department took responsibility for the marketing function.

Although the basics of this principle still apply, most businesses realize today that it is not enough to win or retain customers. Grönroos (1994:348) agrees that this approach was based on a loose foundation and its usefulness today as extremely doubtful. Egan (2008:28) states that the marketing mix-concept became an obsolete concept as the importance of elusive service characteristics and other customer service considerations became a key distinctive factor between products. Christopher *et al.* (2002:4) concur and state that the traditional marketing mix concept of the 4Ps does not sufficiently encapsulate all the key elements which must be addressed in building and sustaining relationships with markets. They also suggest that a relationship-approach is more appropriate than a transaction-based approach to marketing. Harker *et al.* (2006b:220) also agree and describe the 4Ps as inadequate and having essential defects. It is thus clear that there developed a need for a more applicable and practical approach towards marketing management in the service and production industries.

In an effort to update the 4Ps-concept, Arussy (2005:35) introduced his new up-and-coming 4Ps, which he considers as the basis for each company that wants to establish managerial and essential capabilities: **premium** price; **preference** of company, product or service; **portion** of overall customer budget; and **permanence** of overall relationship longevity. This is an over-simplified approach with very little support in the literature.

Several factors have influenced the development and management of marketing during the past two decades. Zineldin (2000:9) ascribes this to the following:

- The technology knowledge explosion
- The expansion of the commercial computer
- The surfacing of a more educated and astute customer with discretionary spending and purchasing power
- The globalization of business
- The emergence of the modern multinational companies

It is thus clear that there are enough reasons to question the validity of the original marketing approach's validity. Christopher *et al.* (2002:xi) confirm this and claim that the maturity and complexity of markets are part of the reasons why there is a shift towards a relational approach in marketing. Veloutsou (2007:7) corroborates that one of the most

important recent developments related to marketing has been the shift from a transactional to relationship focus.

According to Veloutsou (2007:7) the marketing mix element is relevant to the transactional approach, while the development of personal contacts and people are the key interests in the relationship approach. Gummesson (2002:9) affirms that relationships between customers and suppliers are the ground for all marketing activities. This is one of the reasons why there has been a gradual shift towards a relationship-approach.

The American Marketing Association, as quoted by Harker *et al.* (2006a:231), follows the same approach when it defines marketing as a business functions and a set of procedure to establish, communicate and provide value to its customers and to manage customers relationships in such a way that it is mutually beneficial to all stakeholders.

It is, however, clear that the evolution from a product-based marketing approach towards a longer-lasting and more profitable marketing approach is more business-orientated and has a better chance to be sustained over longer periods. It is also vital to comprehend that the responsibility for most modern marketing initiatives is now a company-wide task and not only dependent on the marketing department. All staff will have to be sensitised and trained to accept and practice customer-focused activities as part of their daily task. It can contribute towards bigger profits and even assist to lower the risk of staff lay-offs.

2.3 Relationship marketing (RM)

From the previous section it is evident that RM has become one of the latest trends in marketing and needs to be investigated further. Terblanche (2003:27) confirms that RM has received a lot of interest and exposure since the early 1990s, but warns that there has not been enough research about the relationship between customers and markets. Care must therefore be taken to treat articles about this relatively new concept with some caution, but still strive to contribute to the establishment of it as a progressive concept in terms of lasting and profitable relationships.

In his well-known classic paper Grönroos (1994:354) states that the return to an RM-approach is the accepted and structured means of managing customer relations, because marketing was previously a speciality where decision making became too scientific. He is thus advocating a more normalized customer-centric approach with less fixed structures and policies. Hamer (2006:16) supports this approach and emphasizes the importance of balancing the needs of the customer and supplier.

2.3.1 The development and origins of relationship marketing

Just as there is no consensus on the preferred definition for RM, scholars disagree about the origination of this concept. Ballantyne (2009:1) refers to the fact that the RM-concept

has been around as long as marketing itself, when referring to the principle of creating and maintaining constructive social and business acquaintances with customers and dealers. Möller *et al.* (2000:31) agree with this approach and state that RM has been examined for much longer than the current literature would have us believe. Gummesson (2003:167) refers to this, but is of the opinion that the focus should rather be on the RM-phenomenon and not on the term.

According to Harker *et al.* (2006a:220) the term *Relationship Marketing* was first used openly by Berry in 1983. This is confirmed by Terblanche (2003:27), but as pointed out above, it is merely an exercise in semantics given the fact of the much older references to the basic concept and principles it supports.

Ballantyne (2009:1) further states that the RM-concept became an independent discipline during the 1990's, inheriting concepts from service marketing, TQM, and a more extensive knowledge of business relations. Terblanche (2003:27) recalls that at that stage it was seen as the solution for all marketing-related problems, a trend that still exists today in some circles.

The beginning of the 21st century was a watershed period for RM according to Harker *et al.* (2006a:230), because a substantial division developed between two groups of scholars: those who advocate the holistic standpoint of different organizational relationships, and the other group who believes that the *customer-supplier dyad* is the only relationship that should be focused on. In Figure 2.1 four different sources are identified that contributed to the establishment of RM

Figure 2.1: The disciplinary roots of relationship marketing



Source: Möller *et al.* (2000:32)

These roots are:

- Business marketing originated from relationships between different stakeholders exchanging numerous resources. These interactive buyer-seller associations saw relations as instruments for retrieving and controlling resources and to create new ones.
- Marketing channels, which saw relationships on an inter-organizational foundation and were based on economic interactions and the use of power and networks. It applied specifically to governance structures
- Database and direct marketing strove to adapt mass communication to improve their effectiveness through better targeting of marketing activities.
- Services marketing focused on personal relations between customers and support staff, concentrating on positive service encounters which can be prolonged to the customer life-cycle.

Rich (2000:170) agrees that the shift in emphasis from transactional orientation to relationship marketing is one of the most significant developments in the practice of marketing. He claims that the need for RM stems from the changing dynamics of the global marketplace and the expanding requirements for competitive success. Ehigie *et al.* (2009:503) state that RM originated on the principle that maintaining effective and lasting relations with customers is vital for the survival and continuation of any business. A very similar approach is proposed by Zineldin (2000:11), who also refers to

transactional and relationship marketing, but argues that the latter (RM) can have three distinct types:

- Database marketing
- Interaction marketing
- Network marketing

When comparing the models of Zineldin (2000:11) and Möller *et al.* (2000:32), it is clear that the services marketing-stream is omitted by Zineldin (2000:11), making Figure 2.1 more appropriate and complete.

It is argued by Harker *et al.* (2006a:220) that many organizations do not accept RM's limitations, but continue to develop and implement RM-strategies with a solid transactional element to it in an effort to create the impression that they have RM plans in place. This interest in RM will not necessarily benefit the customer and lead to longer, mutually-beneficial relationships. In this study these limitations will be discussed, and a more appropriate adaptation proposed, namely integrated customer experience management.

Veloutsou (2007:7) mentions that the concept of RM emerged from services and business-to-business marketing and that the initial way of examining RM implies that there is some form of contact between the organization and the customer. Veloutsou (2007:7) further claims that RM is mainly concerned with the management of the relationship and not with the nature of the relationship itself.

Harker *et al.* (2006a:220) further argue that RM was never invented, but discovered, because all organizations had relationships with different stakeholders in the past. This might be a fruitless argument in semantics, but it seems clear that consensus will not easily be attained on the source and definitions of RM. The future application and development of RM constitute a challenge that will keep many researchers and managers busy for many years to come, and the evolution of the discipline may continue for long.

The gradual change from an initial product-based marketing approach to a customer-focused- and service-driven marketing approach has been illustrated in this chapter thus far, as well as the necessity and benefits of a RM-approach that emphasises lasting and profitable interaction with key customers.

The evolution of the marketing domain over the past few decades is possibly only surpassed by that of the information technology domain, according to Gummesson (2003:168). He is widely regarded as one of the authorities on RM, and states that it would not be correct to ascribe the emergence of RM to the IT-explosion, and the changes and pressures in the global economy. His argument is that RM has always been an approach that most managers understood and tried to apply in some way in the past,

but that a new emergence of the concept and published articles has created more awareness. It should, however, not take away from the basics and where the focus should be: creating lasting and profitable relations with satisfied and loyal customers.

2.3.2 Alternative terminologies to consider

Although there is broad consensus about the major shift in the marketing domain towards relationship-focused marketing, some authors are not yet convinced that RM is the most applicable term to describe this trend. Gummesson (2003:167) is of the opinion that there is some confusion between the term RM and the phenomenon itself, which can explain the wide range of opinions and definitions. He admits that he feels uncomfortable with the term and therefore has tried for years to avoid it.

Duffy (2003:480) complicates matters when he refers to several terms used in the literature to describe the process of keeping customers longer and creating a bigger share of the customers' business:

- Customer relationship design
- Customer relationship management
- Customer relationship optimisation
- Frequency marketing
- One-to-one marketing
- Relationship marketing
- Retention marketing

All these terms are in some way synonyms of RM and confirm key components of the RM-approach, such as *the optimisation of relationships*, *customer retention* and frequent and individualised efforts.

Zineldin (2000:21) argues that "technologicalship marketing" should be considered as an appropriate and suitable substitute for RM. He derives this proposed term from the concept of RM based on information technology. In Table 2.1 the key differences between transaction, relationship and technologicalship marketing are indicated:

Although Zineldin (2000:17) makes a strong case, other authors like Möller *et al.* (2000:29) and Ballantyne *et al.* (2003:161) agree that RM should still be retained as the acceptable term. The approach suggested by Zineldin (2000:17), as well as the proposed term represents part of the development and evolution of RM that should be considered and applied by researchers, academics, marketers and other stakeholders. The application and usage of applicable and appropriate IT products and –services and

technology are therefore part of the natural evolution of RM. The customer's needs will still dictate the level of technological involvement, as certain customers are in rural areas (off-campus students) and has no access to computers, the Internet and other new technologies. Those customers, who often lives in a third world environment, can be just as important for a company, while the services and products available to these rural customers can be vital to them. Furthermore, in the literature there is not any support for this term and it is also not very descriptive, as there is no reference to the core concept of relationships. Therefore the relationship approach and terminology is more applicable, descriptive and appropriate.

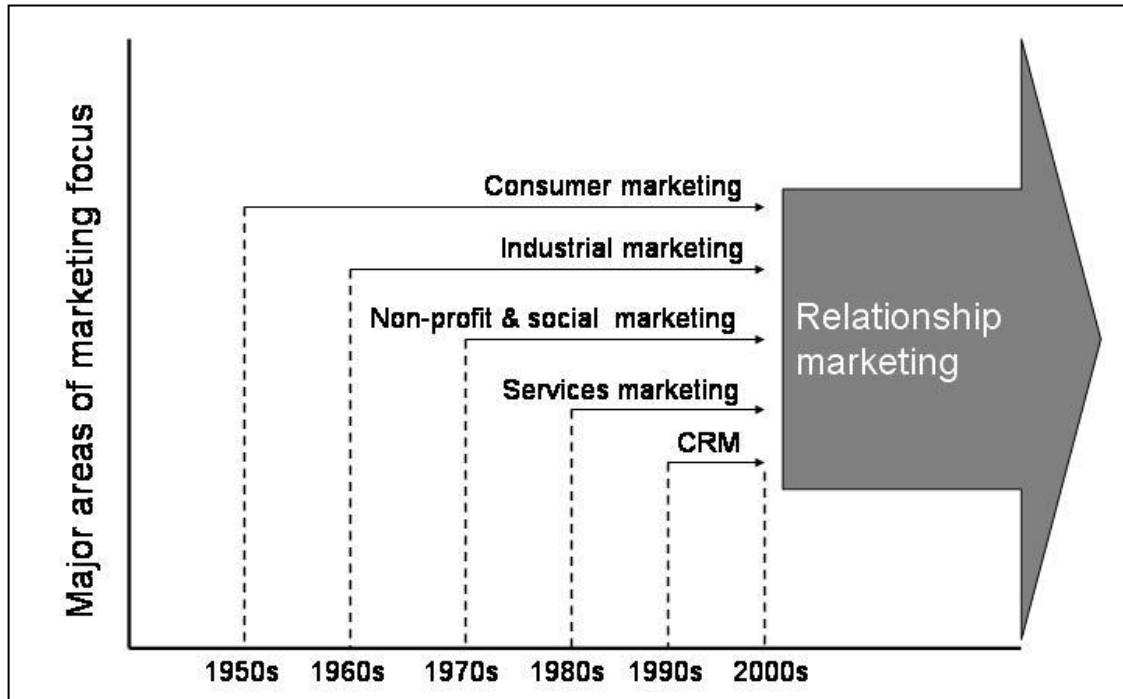
Table 2.1: Some key differences between transaction, relationship and technologicalship marketing.

Category	Traditional marketing assumptions	Relationship marketing assumptions	Technologicalship marketing assumptions
The marketing environment	Marketing rules are very clear, defined and constant	Marketing rules are relatively clear, defined and constant	Marketing rules continually evolve, driven by technology advances
	Corporate push-marketing dominates (the business defines the place and time)	Corporate push-and-pull- marketing dominates (the business defines the place and time)	Customer-pull- marketing dominates (the customer defines the place and time)
	Low information systems-enabling marketing	High information systems-enabling marketing	Highly information systems-enabling marketing, more conscious integration with IT, and marketing groups become important
Marketing success factors	Transactions/sales volume and creating new customers are considered as a success	Keeping the existing customers, retention is considered as a success	Transactions, attracting new customers as well as keeping the existing customers are considered as a success
	Focus on product quality	Focus on customer satisfaction	Focus on customer satisfaction and IT advances
	Lower customer interactivity	Higher customer interactivity	Higher and considerable customer interactivity
Organizational position	Decision focus on product/brand and 4P's	Decision focus on relationships between firms in a network and individuals	Decision focus on product/brand and customers in a target market, as well as how to use IT advances and capabilities to create and enhance relationships
	Market drives product development	Relationship between firms drive product development	Marketing and information systems drive product decisions
Customer perspective	Customers are less knowledgeable and informed	Customers are aware and informed. Their feedback can be immediate to access.	Customers are more aware and informed. Their feedback can be immediate and easier to access
	Customer behaviour and expectations are less predictable	Customer behaviour and expectations are relatively predictable	New customer behaviour, interests and expectations are created and can be better monitored
	Customers are considered as a group or sector	Customers are considered as a group of collaborators	Customers are considered more individually and products are customer-defined (virtual products) and customer specific.

Source: Zineldin (2000:17)

Egan (2008:16) states that RM was probably the major trend in marketing and a very controversial talking point in business management over the past two decades. This change in approach, stretching over the past 60 years, can be illustrated by Figure 2.2:

Figure 2.2: The evolution of relationship marketing



Source: Christopher *et al.* (2002:xiv)

This figure provides a clear time-frame of the shift in emphasis towards a relational approach in marketing over the past sixty years, where a gradual but constant move took place with a clearer end product called RM, although it might still slowly evolve and become even better defined in the future.

Yau *et al.* (2000:1111) state that relationships between customers and businesses have been consistently encouraged as successful business practices worldwide. Baran *et al.* (2008:48) share the same viewpoint and point out that RM focuses on maintaining a continuous relationship with customers and building long-term bonds. The focus of RM is thus on customer relations and not on one-time transactions. This viewpoint can be supported, as the viability and profitability of any business will improve if assured of long-term relationships with customers and not merely once-off walk-in customers.

The subtle changes that occurred with RM-related terms, according to Bejou *et al.* (2005:2), have been mutating in literature, e.g. *customer relationship management*, *database marketing*, *direct marketing* and *customer loyalty*, but they then observe that *customer experience* appears to be a more recent semantic shift. Bejou *et al.* (2005:2) further claim that it provides academic staff with a chance to incorporate the existing

different and uncoordinated philosophies on the loyal relationships that individuals demonstrates towards a brand, and the interpersonal interaction of the RM-approach.

According to Rich (2000:172) one-to-one RM is often expressed as being the same as RM and therefore also an option to consider. They offer the following two approaches:

- Segmentation is information distributed to a limited, well-defined range of target customers;
- Personalization is information distributed and intended to be one-to-one

The focus of this study will, however, be on the two more familiar and frequently-used terms relationship marketing and customer relationship management, but will also confirm another term: customer experience management. It will be broadly motivated and described in the next sections

2.3.3 Definition of relationship marketing

Several authors have attempted to define this new phenomenon in the marketing domain, but it is clear that there is not yet agreement or consistency in defining RM: Egan (2008:16) claims that it is difficult to find an acceptable definition for RM, while Zineldin (2000:10) criticises RM as a term, and argues that its precise meaning is not always clear in the literature. He does concede that the term became a buzzword and provided the basis for a new paradigm where marketing is seen as an interactive activity which involves staff from across an organization and where the emphasis falls on the building and maintenance of relationships over time.

Egan (2008:33) is most probably correct when he concluded that it is not possible to find a single, purist definition for RM, and he feels that researchers and practitioners should accept that the vague notation to *relationship* is bound to generate multiple definitions. There is, however, broad consensus that the marketing domain has changed radically, that the focus is on retaining customers that have been recruited, that there must be systems in place to manage the data involved with the interactions with the customer, and that it is financially beneficial to have longer-lasting relationships with customers.

A very brief definition of RM is provided by Reinartz *et al.* (2003:77), when they describe it as the creation and preservation of lasting relationships between buyers and sellers. There might be more components and aspects to take into consideration in the search of an appropriate and effective definition, as will become clear in this chapter. RM can also be defined as the process of generating, preserving, and improving solid and valuable relationships with customer and other stakeholders, according to Kotler *et al.* (2001:10). This can be considered as a slightly more appropriate attempt than the effort of Reinartz

et al. (2003:77) stated before, as it refers to the importance of *value* as an important construct. *Value* will be discussed as a concept at a later stage.

Because of his strong belief that the focus of RM should be on the phenomenon and not the term, Gummesson (2003:168) prefers to define RM as marketing that was established on exchanges within networks of relationships. This very simplistic definition clearly strives to underline the fact that marketing is still supposed to form the basis of RM, with the obvious focus on the building of relations from that basis.

According to Hennig-Thurau *et al.* (2002:231) the purpose of RM is to identify the key drivers that affect important results for the organization and to create a better understanding of the informal relationship between it and the outcome.

From the above, relationship marketing can be defined as a customer-focused marketing approach with the aim to provide quality services to key customers in an effort to establish lasting and profitable interactions with them.

2.3.4 Conceptual categories of relationship marketing

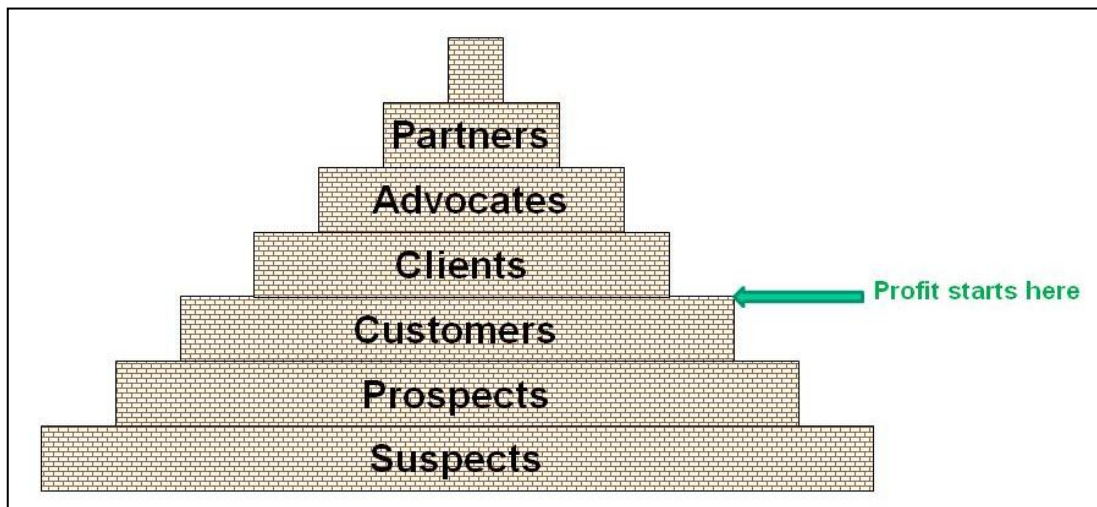
It is important to discern between the different levels, or conceptual categories, of RM. Veloutsou (2007:7) and Terblanche (2003:28) refer to the following seven conceptual categories:

- Creation of the relationship
- Development of the relationship
- Maintenance of the relationship
- Interactive nature of the relationship
- The relationship's long-term nature
- The emotional content of the relationship
- The expected outcome of the relationship

These categories represent the logical and chronological progression of a relationship and indicate the necessity of managing and maintaining all these categories to ensure a lasting relationship. Each relationship will be unique and not have the same representation or intensity in each of these categories (depending on the needs of the customers), but will still show all of these components to a lesser or larger degree.

These stages that progress in an upwards trajectory of importance or relevance, can be compared to the different levels of customer loyalty. Customer loyalty will be dealt with as a separate concept in the next chapter, but Figure 2.3 demonstrates how customers will move upwards through the different stages of loyalty and become profitable advocates and even partners.

Figure 2.3: The loyalty pyramid

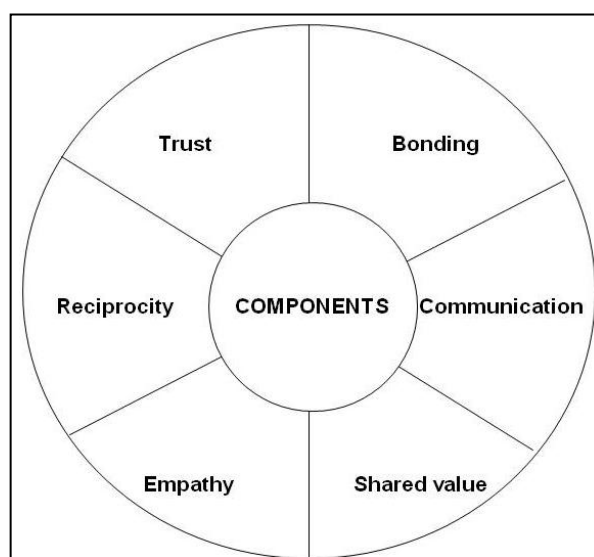


Source: Hill (2006:16)

2.3.5 Relationship marketing orientation (RMO)

In a later section of this literature overview, the focus will fall on the organizational culture and how to manage it. At this stage it is already clear that all organizations will have to adapt their approach towards their customers in order to build and maintain lasting relationships. Sin *et al.* (2005:189) propose that a relationship marketing orientation (RMO) can create a competitive edge for an organization, because it strives to create a long-term buyer-seller relationship, and not merely a traditional short-term transaction-orientated exchange. They identified the need for a systematic and valid measuring of RM, or to determine its effect on business performance. They further argue that it has a positive impact on organizational performance, but admits that there is still much debate over exactly what RMO comprises of. They propose the following six components of such a relationship marketing orientation model in Figure 2.4:

Figure 2.4: The Relationship Marketing Orientation model



Source: Sin *et al.* (2005:185)

These six stages can be discussed and applied in the HEI environment as follows:

2.3.5.1 Trust

Trust is a vital component to ensure a lasting business relationship. According to Sin *et al.* (2005:189) trust incorporates those components of a business relationship that establish the level to which each party feels he can rely on the truthfulness of the promises offered by the other party. Grönroos (1994:355) confirms that the fulfilment of promises forms an integral part of the RM concept.

A later definition of trust is that of Baran *et al.* (2008:124), who state that trust is the belief that the other involved party will act in a dependable, sincere and truthful manner, keeping both parties' best interest in mind at all times. They conclude that trust is a part of one's trustworthiness (reputation for fairness and satisfaction with outcomes) and compassion (caring and sacrifice for one's partner).

In their study, Yau *et al.* (2000:1114) also developed a RMO-model, but with only four components. They also included trust, and defined it as the belief about the other party's intentions within a relationship.

Hennig-Thurau *et al.* (2002:242) found that trust had an impact on both loyalty and word-of-mouth communication. Their finding should also be applicable in the HEI environment.

2.3.5.2 Bonding

Another component that is fundamental to maintain a business relationship is bonding. Sin *et al.* (2005:189) define bonding as the aspects of a commercial relationship that lead

to the involved parties acting in an interrelated way towards a mutually-beneficial goal. Yau *et al.* (2000:1113) included bonding in their RMO-model as well.

2.3.5.3 Communication

Communication is, according to Sin *et al.* (2005:189), the timely formal and informal exchange and sharing of significant information between the two parties. Helfert *et al.* (1999:9) consider good communication between team members as essential for task performance and consider communication intensity as the first indicator of communication quality. They also recommend a decentralized communication pattern, where team members talk directly to each other. This approach ensures shorter and more efficient response time to customers, and reduces the risk of providing the wrong information, because numerous staff members were involved in the process.

Hill (2008:48) warns that companies must keep abreast of the latest communication technologies, but should not focus on it alone. The essence of the message and its impact should still form the basis of the communications effort.

It is also important to ensure that the most appropriate, cost-effective and mutually-available communication channels are agreed upon and then effectively used to ensure that the relationship grows and both parties are satisfied. Payne *et al.* (2006:146) advocate the concept of multi-channel incorporation and propose that the company must establish the best combinations of channels where a positive interface with the customers will exist. Care should be taken to ensure that a *single view* of the customer is obtained, irrespective of the combination/s of channels being used.

The customer should never be overloaded with unnecessary messages, neither should it be inconvenient in terms of the time or way it is delivered. Sufficient communication opportunities should also exist for the customer to provide feedback, lodge complaints or provide compliments. This is invaluable information that can help to improve the service levels and relationship even more if managed and utilized correctly.

2.3.5.4 Shared value

Partners in a business relationship must share the same values. Wilson (2003:175) agrees with this statement and considers value as the foundation of business relations. Although very similar to the *bonding* component, the focus here is more on similar or mutually agreed value systems and includes the values of the customers, shareholders and staff of the organization providing the service. Sin *et al.* (2005:189) describe shared values as the extent to which the two parties shares mutual goals, policies and behaviours. Berry *et al.* (2002:85) link the concepts of CEM and value, when they confirm that companies realize the way to create value for their customers is through positive experiences. They warn that this does not imply the provision of entertainment or being

more creative, but adding real and lasting value to customers. Boulding *et al.* (2005:156) agree and state that the emphasis should not be on the selling of products or services, but on creating value for customers. This value must be mutually beneficial.

Meldahl (2007:42) affirms that the value/price equation can be affected if the customer tries to get his way because of preferences in terms of staff members he prefers to work with. This should be managed in terms of establishing lasting relations and care should be taken to ensure that the relationship remains profitable, but still lasting.

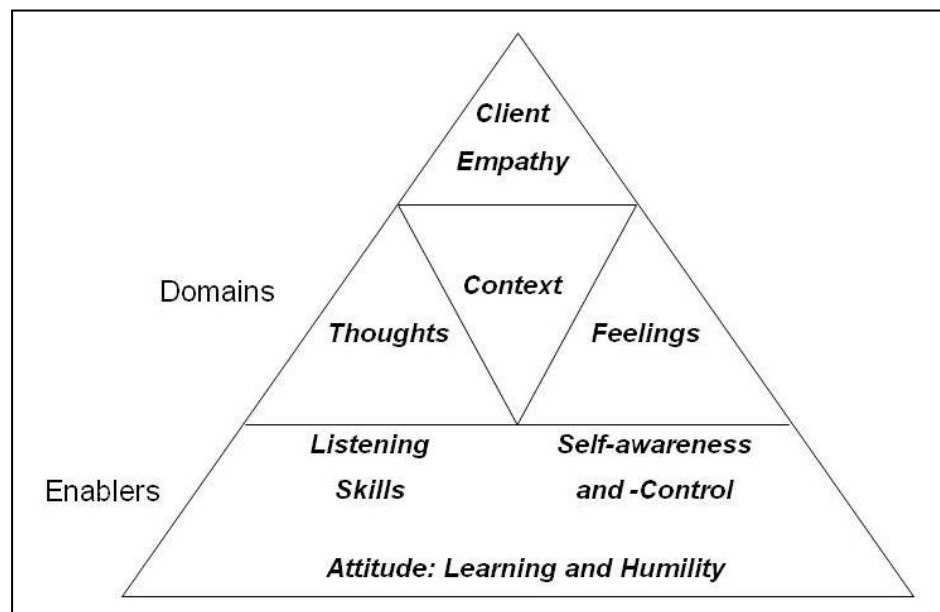
2.3.5.5 Empathy

According to Sheth *et al.* (2002:65) empathy can be defined as the skill to appreciate the nature, viewpoints, inspiration and values of the customers and to utilize it to create constructive, significant, individual and professional relationships with these customers; as well as a suitable and efficient response to other stakeholders.

When the involved parties start to see the situation from each other's point of view, they have reached empathy for each other, as described by Sin *et al.* (2005:189). This component was also part of the Yau *et al.* (2000:1113) RMO-model.

Empathy is a vital component needed for the effective handling of complaints, as illustrated by Figure 2.5. (Complaint handling is discussed in more detail in the next chapter).

Figure 2.5: The elements of empathy



Source: Sheth *et al.* (2002:68)

From this model it is evident that front-line staff will have to demonstrate good self-awareness and –control. They should thus understand and accept that they are merely the channel through whom disgruntled customers are venting their frustrations in the case of a problem and that they should not take any criticism personally, but rather demonstrate empathy and convince the customer that they understand their frustration, thoughts and feelings. They must also exercise good listening skills when the complaint is reported the first time and try to convince the customer that the organization will strive to improve their processes and systems and learn from a negative customer experience.

Rich (2000:172) states that many companies have perceived that the best initial response towards RM is investing in complaint-handling procedures, as they believed it would demonstrate customer commitment and lead to customer loyalty. He also states that satisfaction with complaint handling has a direct impact on trust and commitment and can override the initial negative experience if it is handled to the customer's delight.

If the complaints are managed effectively, the risk of customer decay (or termination of studies due to a negatively-perceived incident in the HEI environment), will be reduced.

2.3.5.6 Reciprocity

Sin *et al.* (2005:189) explain that reciprocity is a RMO-component that causes either party to provide favours or make allowances for each other in return for similar actions later. Yau *et al.* (2000:1113) also included this component in their RMO-model

Maiter *et al.* (2008:305) define it as an unfinished process of substitution with the aim of establishing and preserving fairness between stakeholders, which is a more balanced and acceptable approach when compared to the definition of Sin *et al.* (2005:189). The basis for this argument will be provided on the next page, where the RMO-model is discussed and further reviewed.

2.3.5.7 A review of the RMO-components and their application in the HEI environment

Sin *et al.*'s model was tested in three different countries (for convergent validity, discriminant validity, nomological validity and cross-cultural stability) and found to have substantial association with an organization's business performance, indicated by customer retention, market share, sales growth and return-on-investment.

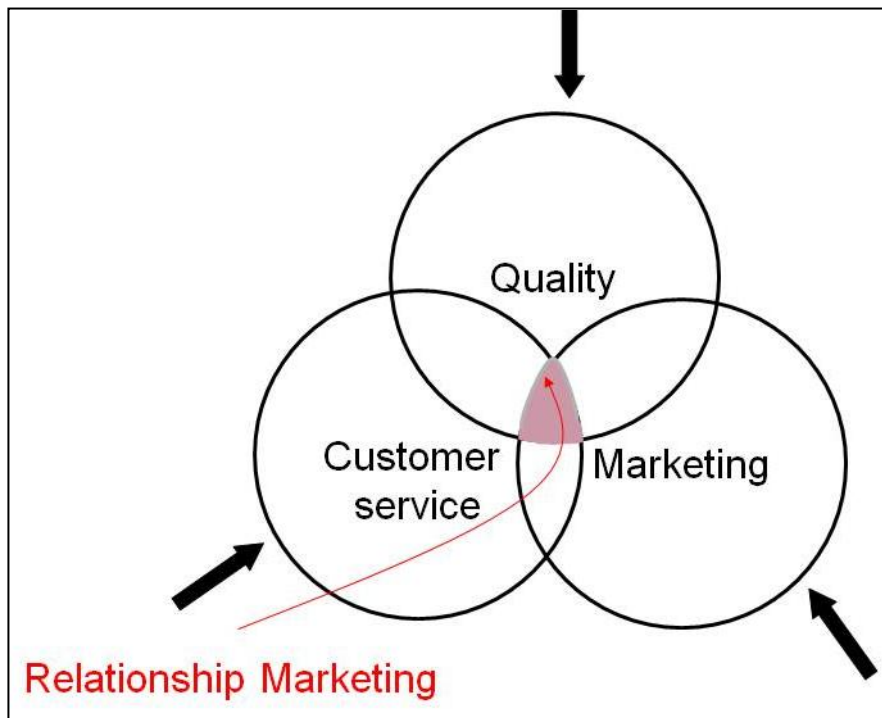
The first five components of the Sin *et al.* (2005:189) model seems appropriate and useful (as well as three RMO-components of Yau *et al.*'s model), but doubt existed about reciprocity as a RMO-component when looking at the definition provided by Sin *et al.* (2005:189), who refer to mutual favours. From the fine line of an ethical perspective, the perception exists that it may open the door to bribery and corruption, which can be problematic in a country like South Africa, given its bad track record in this regard, although Gillespie (2003:9) argues that reciprocity can be applied in the HEI environment and between its different stakeholders (including students, faculties and on administrative level), but also between different institutions. On the other hand, Milbank (2001:485) concedes that reciprocity has both a negative and positive angle in the post-modern era, but that the positive angle is linked to justice and even stability.

Reciprocity therefore does not sound suitable in a HEI environment, because the uniqueness of the relationship between the university and its stakeholders (especially the students) does not allow for an element of mutual favours, as it can endanger the HEIs credibility and independence. Although students should be seen (and treated) as customers, the academic standards and integrity of a University should be above board and no room should be left for any favours or allowances between students and staff that can negatively affect the University's good name and integrity.

It is therefore important to distinguish between the ethical and unethical aspects, even if it is only perception-based and without any substance, before advocating and applying this RMO-model.

A more simplistic, but practical RMO-model that can be supported by this study, is shown in Figure 2.6. It brings together customer service, quality and marketing, to form a RM orientation, and is a more straight-forward model which is easier to interpret and apply, and contains more well-known concepts and principles.

Figure 2.6: The relationship marketing orientation



Source: Christopher *et al.* (2002:9)

2.3.6 Lifetime value of customers

Baran *et al.* (2008:28) state that the customer lifetime value can be defined as the period of time that a company can reasonably expect someone to be a customer. An alternative definition is the net present value of the customer's profitability, as determined throughout the relationship between the customer and the company.

A very important point made by Christopher *et al.* (2002:5), is that RM is distinguished from other frameworks because of its emphasis on extending the lifetime value of customers. This is achieved by strategies focusing on retaining targeted customers, and the acknowledgement that companies need to manage relationships with stakeholders.

Increasing the lifetime value of customers should be a critical aim for companies striving to be profitable, as it proves that the focus on the establishment and maintenance of lasting relationships is successful. It also has a major cost benefit, as will be discussed later. This principle also applies to HEIs in general, and should apply to the NWU in particular, as will be tested in this study.

2.3.7 Relationship marketing application in the HEI environment

RM as a field of discipline is taught at several HEIs, but it is not clear whether the concept is actually practised and applied at those same Universities with respect to how the different groups of customers and stakeholders at those Universities are treated.

Ehigie *et al.* (2009:503) state that RM in the educational environment involves building lasting relationships with graduates. A later section of this study will be devoted to the building of relationships with alumni, which can also be seen as part of a loyalty scheme.

2.3.8 The link between relationship marketing and customer relationship management

Bejou *et al.* (2005:87) claim that both these concepts have been accepted and applied by organizations. This statement might be accurate, but there are very different approaches and applications that need to be investigated further.

On the one hand, Baran *et al.* (2008:48) consider RM as a paradigm shift that has reformed the entire marketing domain and claims it is one of the three roots of CRM. They identified *marketing research* and *business-to-business relationships* as the other roots of CRM. On the other hand, Christopher *et al.* (2002:xiii) regard CRM as a platform on which to enable RM rather than as an end in itself. Somewhere in-between these statements a balance need to be found.

Harker *et al.* (2006a:220) state that CRM was initially created introduced to create the impression of a relational approach, but later showed a more transactional character.

Although CRM has become a popular term, even a buzzword, in both academic and popular terms, it is necessary to further investigate why this is the case.

Payne (2000:2) ascribes the emergence of CRM due to the following trends:

- The shift in business focus from transactional marketing to relationship marketing
- The transition in structuring organizations, on a strategic basis, from functions to processes
- The recognition of the benefits of using information proactively rather than solely reactively
- The greater utilization of technology in managing and maximizing the value of information
- The realization that customers are a business asset and not simply a commercial audience
- The acceptance of the need for trade-off between delivering and extracting customer value.

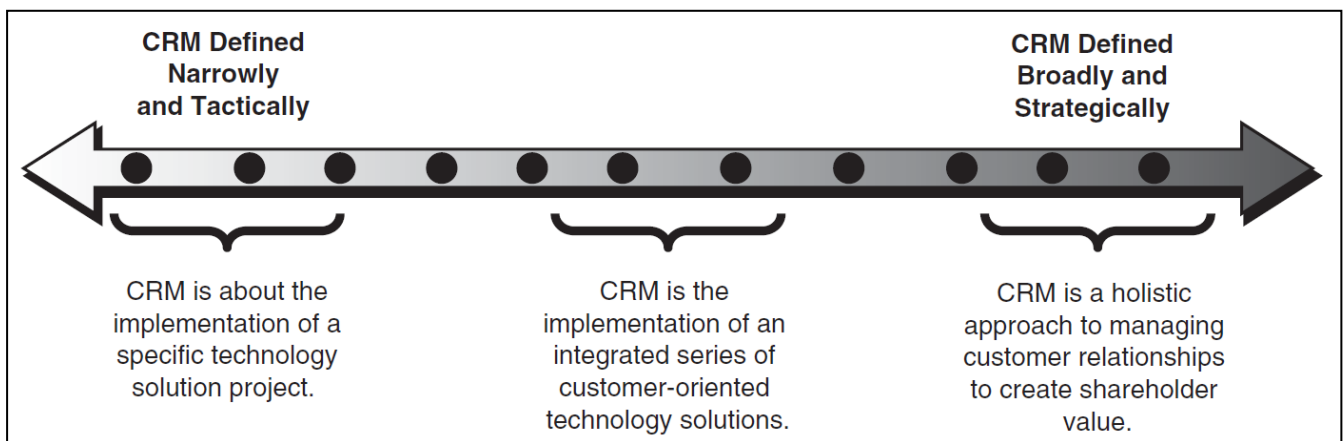
In another paper, Payne *et al.* (2006:138) provide the answer to the question on the link between RM and CRM when stating that CRM is a fairly new management subject, but has its roots firmly in RM.

2.4 Customer Relationship Management

The acronym *CRM* has been used for many different, but related concepts, as pointed out by Baran *et al.* (2008:3). They refer to the terms *Continuous Relationship Marketing*, *Customer Relationship Marketing* and *Customer Relationship Management* to prove their point. In this study, the emphasis will be on Customer Relationship Management, as it is believed to be the most appropriate version of CRM.

A clear picture is provided in Figure 2.7 of how widely the CRM continuum stretches and how that leads to different interpretations, definitions and applications.

Figure 2.7: The CRM continuum

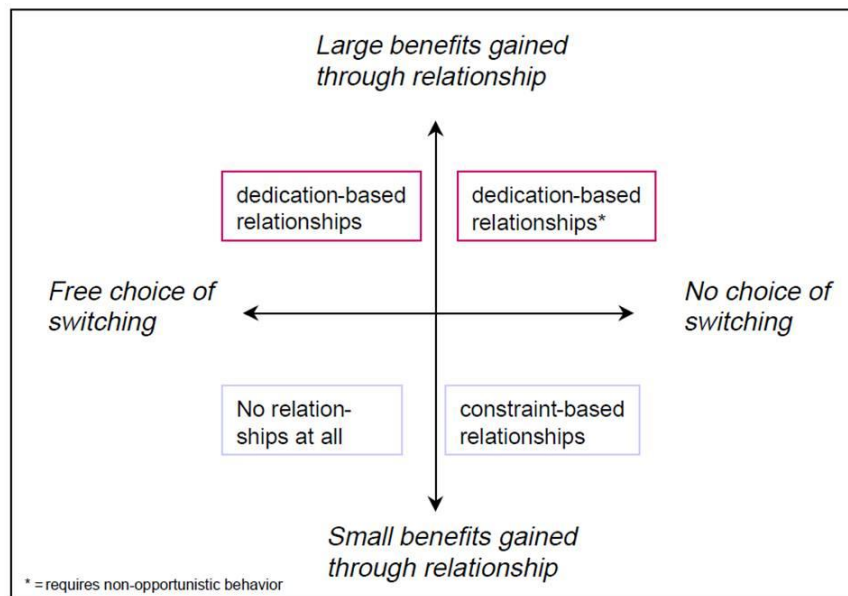


Source: Payne *et al.* (2005:168)

The question could be asked whether the holistic, or broader and strategic approach might be more appropriate in the HEI environment, as it is a continuous process to manage relationships with students and other stakeholders over a lifetime and not merely a short-term project.

Figure 2.8 illustrates the types of relationships that exist between businesses and customers on two axes. It distinguishes between the level of benefit gained through the relationship on the vertical axis and the freedom of choice to switch to another supplier on the horizontal axis. They then propose that a dedication-based relationship will be formed when there are large benefits to be gained as a result of the relationship, irrespective whether there is a choice of switching to another supplier. In the HEI environment this will happen very seldom while students are busy with a specific qualification, but can still occur between undergraduate and post-graduate studies. This model confirms that the establishment of large benefits for the customer is a prerequisite for dedicated relationships to be maintained, as stated by Hennig-Thurau *et al.* (2000:372).

Figure 2.8: A typology of relationships between customers and business firms



Source: Hennig-Thurau et al. (2000:372)

2.4.1 Definition of CRM

As indicated above, there is a wide range of different opinions of CRM. Payne *et al.* (2005:168) warn that the way CRM is viewed not simply a matter of *semantics*, but will affect the way companies apply and use the concept.

This study will give a brief overview of the different CRM definitions, ranging from the narrow/tactical views to the more broad and strategic opinions.

In his definition, Hill (2007:27) claims that CRM is the process of pursuing and organizing all components of an organization's dealings with its customers. This is an over-simplified view which focuses too much on the systems used and not enough on the human factor and duration of the relationship.

Egan (2008:289) defines CRM as a permanent performance programme developed to improve an organization's information of its customers and to sustain access across all the communication channels, as well as the establishment of cost-cutting measures. Gummesson (2002:3) places the emphasis on customer relationships turned into practical applications by using the values and strategies of relationship marketing. Crosby (2002:272) considers it as the long-term establishment of mutually beneficial relationships with customers based on shared trust.

The definition of Baran *et al.* (2008:10) refers to CRM as the business intelligence-generated strategies that should lead to the initiation, enhancement, and maintenance of mutually beneficial customer and partner long-term relationships. To achieve it, these systems will have to focus on the capture, storing, and analysis of information gathered

from all customers and partners touch points and transaction processing systems. This definition is therefore more in line with the co-called harder CRM- approach, as pointed out by Bejou *et al.* (2005:99). Payne *et al.* (2005:168) consider CRM as a strategic approach which strives to improve the value for shareholders by developing suitable relationships with important customers and segments. All these definitions confirm the focus on the creation and management of long-term relations and not merely completing a CRM-project, as proposed by some. Gee *et al.* (2008:367) share this belief and state that CRM focuses on nurturing business relationships with the belief that long-term customer relationships yield better results than an orientation focused on short-term transactions

Boulding *et al.* (2005:157) state that CRM relates to strategy, the management of mutually-beneficial value, the intelligent implementation and application of technology and data, the attainment of customer knowledge and the distribution of it to the correct suitable stakeholders. This should, according to them, lead to appropriate and lasting relationships and the integration of processes all related networks that collaborate to generate value for the customers.

From the above, CRM can therefore be defined as a broad marketing strategy focused on satisfying customers, but also utilising technology to obtain and manage customer data to enhance the business interaction by providing quality and appropriate services and products.

2.4.2 Customer relationship management approaches

Bejou *et al.* (2005:99) distinguish between two CRM-approaches:

- A hard CRM approach focuses on a centralized organizational structure, the establishment of an integrated IT platform and on analytical competencies. Kiska (2002:28) considers CRM as the tracking and recording of previous sales and service transactions in order to identify the procurement history of customers as well as what they paid for the specific products they bought. His viewpoint is thus very limited, but confirms the existence of the IT-driven approach, where IT-companies develop, sell and maintain products to assist companies in collecting and managing useful customer data that will enable them to make the correct management and marketing decisions. CRM should not be seen as a process to reduce costs by automating sales and service processes and by placing more responsibility on the customer for self-service, as Crosby (2002:271) warns. Payne *et al.* (2005:168) agree and point out that CRM should not be considered as an IT-solution to extend a company's customer basis. It should also not be seen as an attempt to induce cross-selling and temporary revenue *lifts*. Although this approach and these tools

are undoubtedly financially helpful and could lead to longer relationships, it lacks the real input from the customer in terms of their real needs and expectations in terms of the experience service encounters.

- A soft CRM approach uses a decentralized, interactive and learning skills-based approach and is based on customer experience management. Payne *et al.* (2006:136) promote a CRM-approach that will successfully enhance the acquisition and retention of customers that is profitable by the establishment, building and maintenance of applicable relationships with these customers on a selective basis. This is worlds apart from the roll-out of a software solution programme and more likely to yield lasting and profitable results, and therefore supported in principle.

2.4.3 Benefits of CRM

When companies design and implement CRM-strategies, it is primary because they believe it will be mutually beneficial for all stakeholders. Baran *et al.* (2008:131) stated the following benefits for the organization:

- Identifying prospects, in other words helping the company to discover possible new customers.
- Acquiring customers after they have been identified and recruited.
- Developing customers emphasises the importance of nurturing the relationship with the customers.
- Cross-selling indicates the effort to convince existing customers to attempt other services or buy additional products from the same provider,
- Up-selling is the motivation process that should lead to customers spending money on more superior, longer-lasting or more expensive products or services, thereby making the relationship even more profitable.
- Managing migration involves the process to allow customers to move to another segment of the same provider in an effort to retain their service and foster the relationship even further.
- Servicing is a vital quality management component that will be discussed at length in the next chapter.
- Retaining customers is a strategic cost-saving benefit, as the recruitment of new customers is a costly exercise.
- Increasing loyalty, as will be discussed later, is a useful tool to ensure longer-lasting relationships and positive word-of-mouth referrals.

- Winning back defectors implies that even if customers are lost, additional efforts will be made to recruit

Baran *et al.* (2008:133) also claim that a CRM programme will enhance productivity across the range of key marketing functions. All these benefits are necessary and an effective CRM-programme can contribute to higher profitability as a result of longer and more advantageous relationships.

A strong correlation between lasting business success and long-term customer relationships was reported by Hill (2007:26). He credits it to the fact that a successful business will focus on every stage of the customer life cycle and gain the maximum benefit from each of them. He also states that it is more costly to obtain a new customer than to retain an existing one, which should motivate staff to provide the maximum level of customer service to existing customers.

According to Helfert *et al.* (1999:554) the success of CRM must be seen relative to the potential of the customer to contribute to sales, new product or services development and access to other new customers.

It is therefore clear that there are numerous benefits for a CRM-focused company, also in the HEI environment.

2.4.4 Customer-managed interactions

Many customers might not be comfortable with a service provider that controls the interaction and choice of communication channels and –frequency between the two parties. Parasuraman (2006:592) provides a possible solution to this problem when referring to a new phenomenon in the CRM-field, namely customer-managed interactions (CMI) and claims it will increasingly complement conventional CRM. In CMI the customers keep total control over information about their past transactions and future needs, and decide when and with which service provider this will be shared. In practice a customer will transmit an electronic record of his past transactions in a specific service category, together with his personal profiles and future needs, and then expect of the “bidding” organizations to submit proposals (including recommendations, the price and service level commitments).

Trask (2008:44) also offers valuable advice when proposing an *outside-in view* to be able to determine the customer’s needs and perspectives more accurately. This viewpoint is shared by Shaw *et al.* (2002:11). Wilson (2003:175) claims that CRM entails that companies are able to attend to the benefits that are important to customers. This statement can only be true if the companies know exactly what their customers’ needs are. This is in line with the CMI-concept.

CMI-transactions are thus initiated by the customer and they expect a specific, individualized response. This differs from the normal CRM-approach and organization-initiated mass-communication channels. In the HE-environment, and specifically in South Africa, it might still take a long time before CMI will become a reality, but universities like the NWU should take note of the concept and be prepared to deal with it.

2.4.5 Ultimate objectives of customer relationship management

According to Payne (2000:11) the ultimate objective of CRM is the delivery of shareholder results through an increase in shareholder value. The following four key drivers of the shareholder results are:

- Building employee value
- Building customer value
- Building shareholder value
- Reducing costs

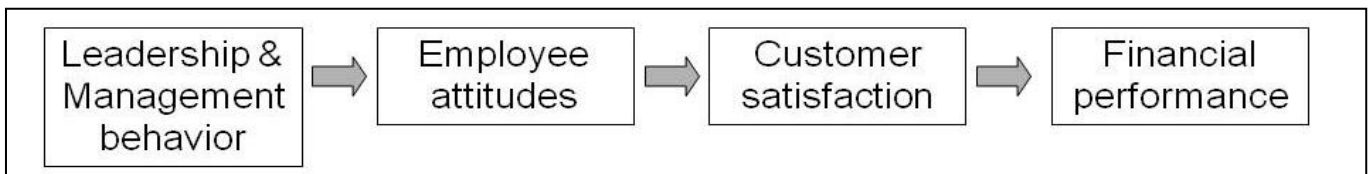
Baran *et al.* (2008:18) also mention the above objective of CRM, but add more objectives, including the identification of potential customers, the establishment of their needs, striving towards an increased use of the services rendered, more referrals and less attrition, winning back customers and turning more customers into advocates.

This study will strive to establish whether the same approach can be effective for the NWU (within the HEI environment). This implies that students will have to be treated as primary customers, that their needs will have to be established and managed, and that their satisfaction-, loyalty-, and advocacy levels will have to be determined. This will all receive attention in future chapters.

2.4.6 The linkage model

Payne (2000:12) refers to recent examinations of the relationship between employees, customers and shareholders and proposes the need to adopt a more informed and integrated approach to exploit the linkage between them. This linkage model (Figure 2.9) illustrates the connection between good leadership and management behaviour, improved employee attitude, consistent customer satisfaction and increased sales, profits and shareholder results.

Figure 2.9: The linkage model



Source: Payne (2000:13)

It is important to note that there is a fixed order of elements in this model, and that one element is a prerequisite and must be satisfied before the next element can be established.

Reinartz *et al.* (2001:1) state that marketers have to adopt a customer management orientation and need to contemplate how their activities impact on their relationship with different customers.

This linkage model clearly illustrates the correct sequence to ensure an effective RM-approach: the commitment and buy-in of senior management is vital and the first step. This should lead to more committed, motivated and empowered staff members, which should deliver a better service to the customers – making them more satisfied and loyal. Their word-of-mouth references should lead to more new customers, increased sales and more profit. Crosby (2002:275) point out that most front office staff members do not realize that they act as *relationship managers*. Most of them are aware of the concepts of being polite and listening to customers, but do not take it that one crucial step further.

Lutz *et al.* (2008:356) state that the engagement of senior management is vital to ensure a successful customer strategy. Crosby (2002:276) agrees and believes that strong leadership skills are necessary to activate, enable and manage staff to be CRM-focused on a daily and continuous basis. They must define and built competencies within the organization to establish this approach and also provide the necessary tools, resources, systems and management processed to make a customer-focused approach a reality. They must also become customer specialists themselves and set the example for their subordinates.

A managerial service mission statement should be drawn up by collaborating with all stakeholders, according to Edelman (2006:9). This should be known to all parties concerned and used as an internal measuring tool - also to measure management's involvement and commitment. He proposes that management appoints a customer *champion* at senior level to be responsible for this process. Hamer (2006:16) states that they must ensure that customers are not overwhelmed with communications, but that

there are also no wasted communication opportunities. This person should be capable and not necessarily the marketing manager, as has been pointed out before.

2.4.7 Strategic framework for customer relationship management

According to Petre *et al.* (2006:190) CRM strategies includes aspects like personalization, one-to-one marketing, reliability, customer-control and efficient customer services. With this strategy the company strives to maximize the customer's satisfaction, retention and loyalty, as it should lead to an increase in profitability.

Crosby (2002:272) states that there needs to be synergy among all the elements within an organization to ensure an effective CRM strategy. This includes operations, finance, human resources, and not only the marketing- and IT-departments' involvement. All of these departments need to strive towards creating lasting relationships with customers. This is a very basic, but vital principle and it is important that the senior management understand and applies it to ensure an effective CRM-strategy.

This synergy principle should also be applied by the NWU to ensure the maximum positive effect of managing relationships with customers. It is also in line with a previous statement that the responsibility for these actions is no longer the sole responsibility of the marketing department.

2.4.8 Relationship barriers

Hennig-Thurau *et al.* (2000:378) identified four possible barriers to the formation and maintenance of lasting relationships:

- It may clash with a customers' desire to stay independent. They may therefore feel that a lasting relationship may restrict their freedom. In the HEI environment this is unlikely to happen, although the nature and duration of studies imply that a longer relationship will be a reality once a student has made his choice to enrol for a programme.
- Closely related to this is the principle of freedom of choice. Well-informed customers or students will apply this principle most likely before making their choice of the most ideal HEI to enrol at and word-of-mouth referrals can play a major role in influencing their choice. They will be very aware of the fact that once a choice has been made, it will be for a number of years, as was discussed above.
- Variety-seeking is another possible barrier to a lasting relationship, but will also be less of a problem in the HEI environment, as long as the variety of programmes and modes of delivery are in line with the customers' needs and personal situation, as stated by Hennig-Thurau *et al.* (2000:378). There are

major differences in the needs and requirements of young matriculants wanting to study full-time and under-qualified, older persons wanting to study further on a part-time basis. The first group will settle on campus irrespective of the distance from their homes and will have access to all communication channels whilst on campus. The latter group will need a learning model that will suit their working hours, access to technology and different communication channels, and have access to a study centre close enough to their home or work. Many off-campus students choice of variety will be limited by the available programmes in their environment and the appropriateness of the learning models.

- Another possible barrier is the need for privacy, as most customers are forced to share personal details with their service provider. In the HEI environment this is even truer, as very intimate details are captured on the University's management information system, including personal contact details and results. As long as the HEI deals with these records in a professional and reliable way, customers should have no problem with sharing their information, as they will understand that it is vital to ensure the awarding and verification of their qualifications when they complete their studies. It is in their interest as well to ensure that others cannot fraudulently obtain qualifications, according to Hennig-Thurau *et al.* (2000:378).

The question could be asked whether the CRM-concept has not too many commercial strings attached to it to be considered as a viable, honest and applicable term to refer to the establishment and management of lasting relations with customers. This could be primarily due to the mono-directional and IT-/software-driven solutions advocated widely.

It is therefore proposed that a more recent, but popular term in the literature be introduced to this study and further discussed to determine whether it can be made applicable to the HEI environment and the NWU.

2.5 Customer experience management

Most companies today are striving to provide a better customer service by implementing some CRM-initiatives, even if it is only the installation of CRM-software. As indicated, it might not be enough to ensure lasting and profitable relationships with customers. Trask (2008:43) warns that companies will have to create and manage a positive and unforgettable experience for their customers based on their real needs and expectations. Wadhwa (2008:8) agrees and cautions that the biggest challenge is to maintain and grow a loyal customer base, because customers are being confronted by a growing number of service providers and therefore becoming less dependent on a specific service provider.

He states that it is clear that many companies have loyal customers because they have managed to provide a total customer experience.

Gerber (2008:6) confirms that there is an increased awareness of the challenges and opportunities companies face to deliver the best possible customer experience. According to Honigman (2007:26) an organization must first establish the needs of a customer in order to attempt to satisfy them. This might sound very obvious and logical, but forms the basis of the customer experience management-approach (CEM). Bailor (2005:15) agrees that customers who receive what they initially wanted will be less frustrated and the risk of mismanaging the customer experience is smaller.

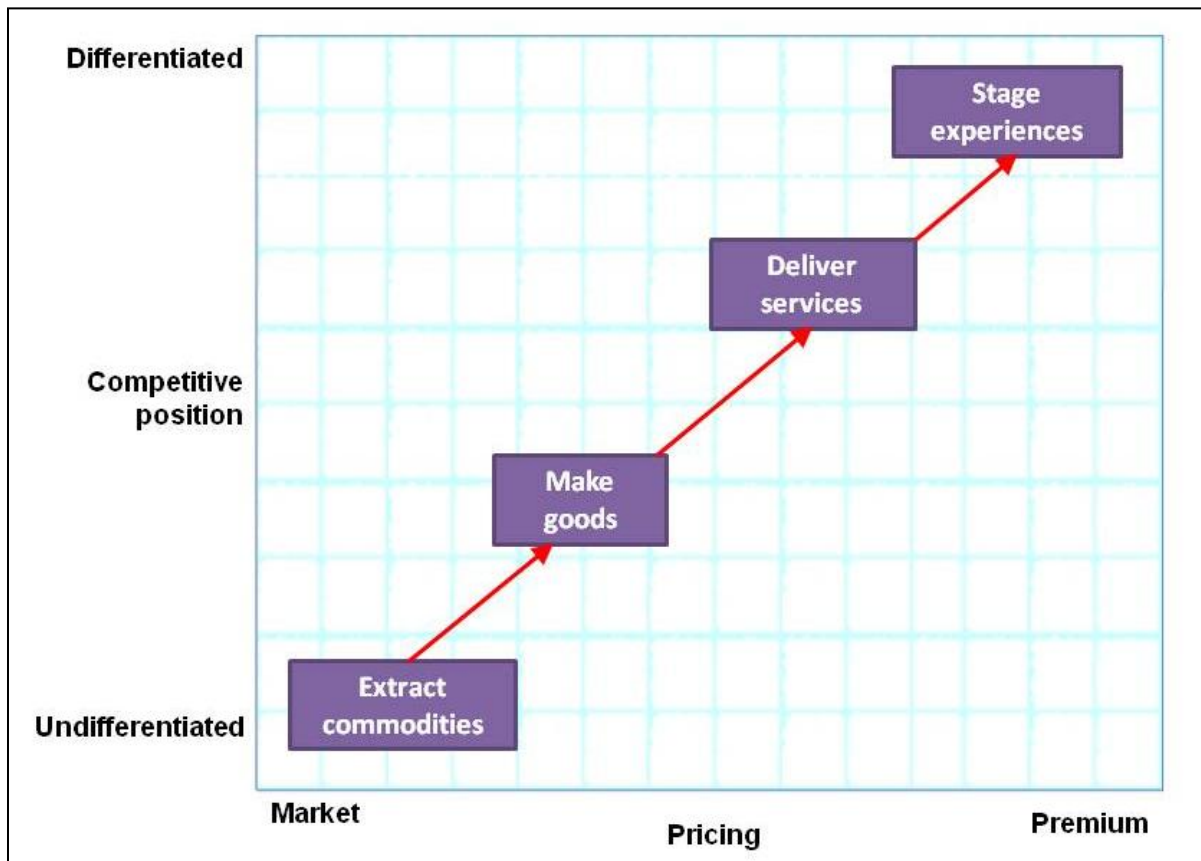
CRM, which also has the aim of creating satisfied and loyal customers, was widely discussed in the previous section. The question could be asked whether it is the most effective approach for companies to create a CRM-strategy without consulting the customers on their real needs and expectations. A good example of this is cellular phone companies who implement computer telephony systems with automated menus, while the most customers prefers to speak to a consultant and are frustrated by trying to navigate through complicated menu's on their phones in an effort to reach a consultant. The CEM-approach is therefore necessary to rectify this problem and to strive towards a better understanding of the real needs and expectations of the customers.

The term *customer experience management* is not as frequently used as RM and CRM, but some authors like Arussy (2005:42) and Rahman (2006:203) prefer it. Frow *et al.* (2007:90) observe that CEM is being used in all sectors on a wider basis. Verhoef *et al.* (2009:31) share the same opinion and observes that the creation of a superior customer experience seems to become one of the central objectives in business.

2.5.1 Definition of customer experience management

The historic work of Pine *et al.* (1998a:98) considers *experience* as a total new dimension along commodities, products, and services, as can be seen from Figure 2.10. They argue that companies can create memorable events for customers by purposely using services as the *stage* and goods as the *props* (by comparing it to a performance on a stage).

Figure 2.10: The progression of economic value



Source: Pine *et al.* (1998b:98)

This model underlines the concept that *customer experience* is not merely part of the services environment, but a newly evolved concept which emphasises that there is more to the interaction with customers than the mere delivery of a service and that a positive customer experience can enhance and extend the relationships even more. This is confirmed by Schmitt (2009:419) who refers to the customer experience as “a profound concept”.

Obviously in some environments there will only be services and no products involved, but the emphasis here is on moving towards a new, unforgettable dimension in the relationship with customers.

Schmitt (1999:99) also refers to the effect of senses, and distinguishes between five types of customer experiences:

- Sense – finding the environment attractive.
- Feel – an attempt to get the customers to feel good about themselves.
- Think – challenging the customer to consider what the next experience with the supplier could be.

- Act – to create a lifestyle that is beneficial to both parties.
- Relate – building brand communities.

Nagasawa (2008:315) refers to the same five senses and states that a customer experience does not refer to individual encounters that took place previously, but to the value of components that emphasizes and pleases the different meanings. He considers it not as a complementary and supplementary value, but as a vital tool to help understand the customer's perspective about the services and products they require, and which senses they use to evaluate the experience surrounding the provision of these services and products. There must be a balance between the functional benefits of the services and products and the customer experience, to allow for the creation of a new customer value, according to him.

At first this might look over-simplified, but it creates an experiential platform with concrete terms, making it easier to specify what the experience should be for the customers. It also underlines the principle that all of the senses as we know it may be utilised to improve the customer experience, or play in role in the choices that customers make about their preferred service or product providers. This may even include a customers' sense of smelling, as is the case with the area around well-known steakhouses, where it can impact a customer's decision on where to eat based on the recognition of the steakhouses' famous smell, because they link it to a previous pleasant service experience, as confirmed by Brakus *et al.* (2009:52).

Arussy (2005:42) considers CEM as a commercial approach that concentrates on the total value intention and experience provided to the customer and warns that it should not be considered as a *nice to have*, because it forms the basis of the value proposition and can eventually influence the length of a relationship.

In an interview with Eben Miller, Tyler (2006:1) describes CEM as the development of reliable and applicable business-, persuasive- or transactional content to customers across all channels and areas, and throughout the customer lifecycle. The reference to different channels is in line with the principle of providing an experience which is in line with the needs and expectations of the customers, as well as the referral to the relevance and consistency of the content of the product or service. In the HEI environment the different channels may refer to face-to-face contact, fax, telephone, postal mail, e-mail, web-interface or even Web 2.0-applications. But the customer will be the one to determine which combinations of channels should be used. This is confirmed by Bailor (2005:15), who states that customers want a more *blended* experience of the different channels available.

Kiska (2002:28) considers CEM as the effective manner in which valuable and established customers can be retained by taking a forward-looking view of what the customers expect from the service providers. The customer is thus given the opportunity to voice his needs and expectations and the company's approach is not determined by its own policies and procedures. Although it does not imply that the company will always be able to meet those needs and expectations, it can form part of the platform the organization uses when making decisions. It can also improve the customer retention rate, as reported by Hill (2007:27).

CEM can also be defined as the management of the *touch zones* of customer interactions that takes place during the customer lifecycle, according to Henry *et al.* (2005:45). This definition shows some promise in the sense that it describes the interaction very well, but it lacks the more comprehensive description of how the extent this relationship or how to improve on the experience. Shaw *et al.* (2002:6) also refer to the interaction between an organization and a customer, as well as the fact that this relationship should induce positive emotions and take place across all elements of contact.

Verhoef *et al.* (2009:92) found that the customer experience stemmed from a series of exchanges between a customer and a product- or service provider, which led to a certain response. This effort to define the customer experience actually refers to the fact that it is a continuous process which demands the constant effort of staff and management on all levels, because the end result must be a positive reaction from the customer. They further note that the customer experience concept is holistic in character and can either have cognitive, affective, emotional, social or physical responses towards the supplier:

Another variation of the CEM-terminology is reported by Mascarenhas *et al.* (2006:399), who referred to a *total* customer experience. They define it as a completely constructive, involving, long-lasting and socially satisfying real and demonstrative customer experience visible on all vital levels of the customer's usage sequence. It is the result of a distinguishable market contribution that leads to a dynamic contact between customers and suppliers. This comprehensive definition appears to be very appropriate and can be supported and applied to many industries. It is discussed in more detail later in this chapter.

2.5.2 Customer experience management strategy

There are several proposed approaches and models in the literature aimed at establishing an effective CEM-strategy, but there is general agreement on where the focus must be. Gerber (2008:6) proposes that a company planning on implementing a CEM-strategy must first identify the real needs of their customers, confirming the competitive advantage of CEM above CRM. He further proposes the defining of measurable goals that will

ensure a positive customer experience, and the usage of feasibility studies to determine the return on investment. Lutz *et al.* (2008:357) suggest that the best way to determine the customers' needs is to draw up a customer experience map, as it will reveal the missing elements between the customers' needs and the company's products or services.

The cost implications to determine the customers' needs to be established according to Frow *et al.* (2007:89) and they warn that the attainment of a superior customer experience must still be done in an affordable manner for the service provider. This might be very difficult to ascertain, as the long-term benefit of positive word-of-mouth actions by satisfied and loyal customer advocates may exceed the short-term costs involved in creating such an experience by far. The fear of costs should never be used as an excuse not to implement a workable CEM-solution. The opposite might even be more costly. Jalkala *et al.* (2007:3352) confirm that there is a possible double effect as a result of successful customer references, as it may lead to additional sales and a decrease in expenses to obtain new customers. It can also improve the efficiency of marketing communications.

Berry *et al.* (2002:85) use the figurative language of a journey to describe the ideal customer experience. They state that the organization must understand the expectations of the customer before the *journey* starts, and continue throughout the *journey* to ensure a pleasant experience – all the way up to the assessment the customer will most likely make when the experience is over. They also claim that the first step in managing the customer experience is recognizing the *clues* it is conveying to the customers. This refers to all pointers that can be sensed or perceived. Companies must take care to ensure that no negative or destructive issues are identified or perceived to be experienced by customers. This is a good illustration of how it is vital to focus on the customer's needs even before the contact, but that the process is also a continuous one.

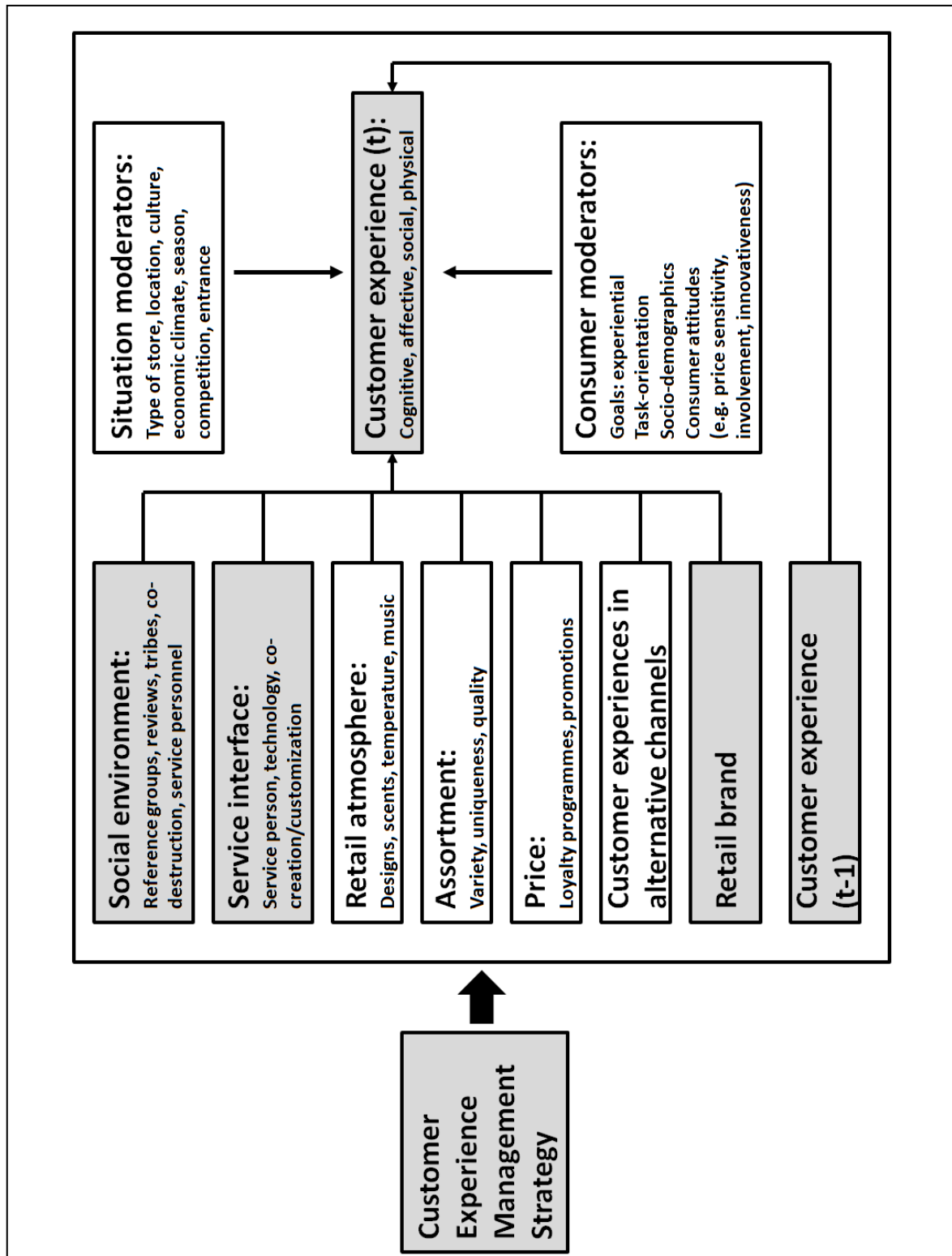
All of the following sources place a high emphasis on the creation of value for the customer to enhance their positive experience and prolong the relationship: According to Trask (2008:43) it is important to ensure that the customers be acquainted with the physical values of the experience created for them. Companies will have to focus on getting the basics related to such an experience right and ensure that the staff is also well-trained and motivated to convey this message. This includes the ability to explain problem situations and to make decisions that will create a positive experience for the customer when there is a service failure without compromising on company policies or incurring major costs. Payne *et al.* (2006:146) emphasize that the development of a value proposition and focus on the lifetime value of the relationship will lead to a superior customer experience across all channels where the customer interacts with the company.

Arussy (2005:50) states that there are four alternative ways of developing the customer experience:

- The organization can add value prior to the purchase, thereby evolving and customizing the experience to meet the customers' needs. To be able to establish this, the expertise and knowledge of the staff becomes the distinguishing factors.
- Value can also be added after the purchase by enriching the product or service with after-sales services. This will also provide a more comprehensive experience to the customer.
- Innovative measures can be taken, which should please the customer to see that somebody else did the thinking on their behalf.
- Discounting can also be considered, but is not easily recommended, as it can be costly over a period.

The conceptual model of customer experience creation of Figure 2.11 illustrates the different components in the company's environment that can play a role to affect the customer's experience.

Figure 2.11: Conceptual model of customer experience creation



Source: Verhoef *et al.* (2009:32)

This includes components of the initial 4P-marketing model described earlier like the product (referred to as the assortment and brand), price and place (referred to as the retail atmosphere), but also other aspects like the social environment, the service staff, their approach and the technology they use (the service interface). Two different moderators

affect the final customer experience, which can have cognitive, affective, social and physical components:

- Situation moderators include the type of store, location (again a reference to the place), culture, economic climate, season and competition.
- Customer moderators include the goals, task-orientation, and attitude of the customer, as well as their socio-demographics.

As indicated before, the problem with many CRM-strategies is the excessive focus on IT-products and absence of the focus on the needs of the customers. Kiska (2002:28) does not advocate the total abolition of the usage of IT products, but claims that a effective CEM-strategy can and should make use of IT products that will help managers to implement a framework that will lead to solid relationships between customers and suppliers by using the advantages presented by technology to improve the communications between the organization and customer. The shift in focus is here on a two-way communication, or 360-degree view of the customer, and not only on past purchase history.

The first step in managing the customer experience according to Berry *et al.* (2002:86) is recognising the *clues* it is conveying to the customers. This refers to all pointers that can be sensed or perceived. Companies must take care to ensure that no negative or destructive issues are identified or perceived to be experienced by customers.

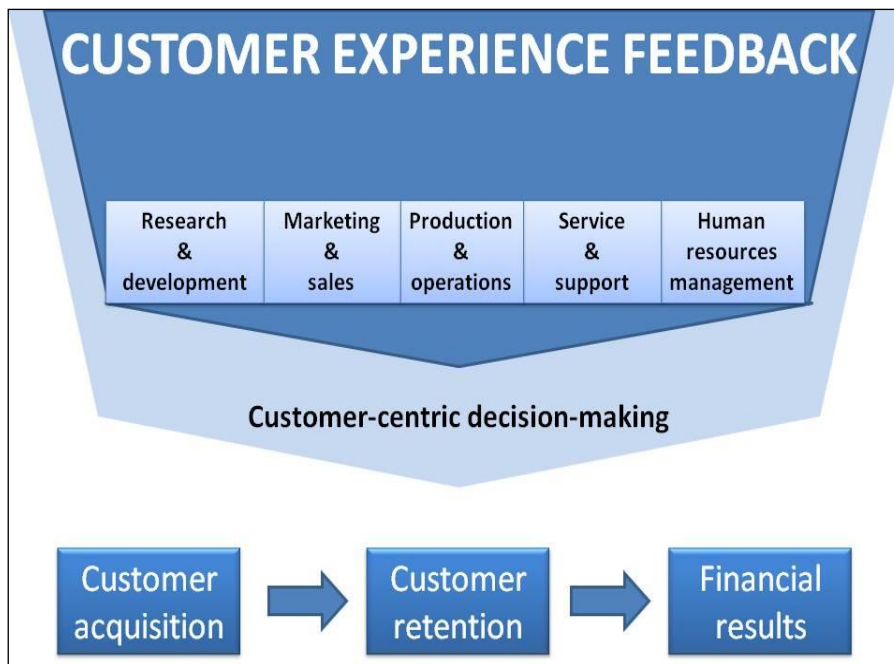
Pine *et al.* (2004:50) warn that organizations must manage the spending of money on advertising campaigns more wisely and also consider investing in creating marketing experiences for their customers. This approach makes a lot of sense and can lead to actual cost savings, as the principle of the positive word-of-mouth referral effect of loyal customer advocates will confirm in this study. Jalkala *et al.* (2007:3354) agree and state that reference value is a vital aspect of customer relations.

Another component to take into consideration is pointed out by Davis (2001:84), who states that a competitive atmosphere will motivate an organization to keep on improving their customers' experience and the value they receive. This is true in any competitive environment, as dissatisfied customers can easily migrate to a competitor – sometimes even without informing their service provider

Kiska's CEM Framework (Figure 2.12) is a useful model, because it is well-balanced and emphasizes the importance of customer feedback and customer-centric decision-making at all levels of the organizational structure (research and development, marketing and sales, production and operations, service and support, as well as human resources management; and also confirms that the financial bottom-line that customer retention

could play a major role to ensure financial viability. This principle is also supported by Hill (2007:27).

Figure 2.12: The customer experience management framework



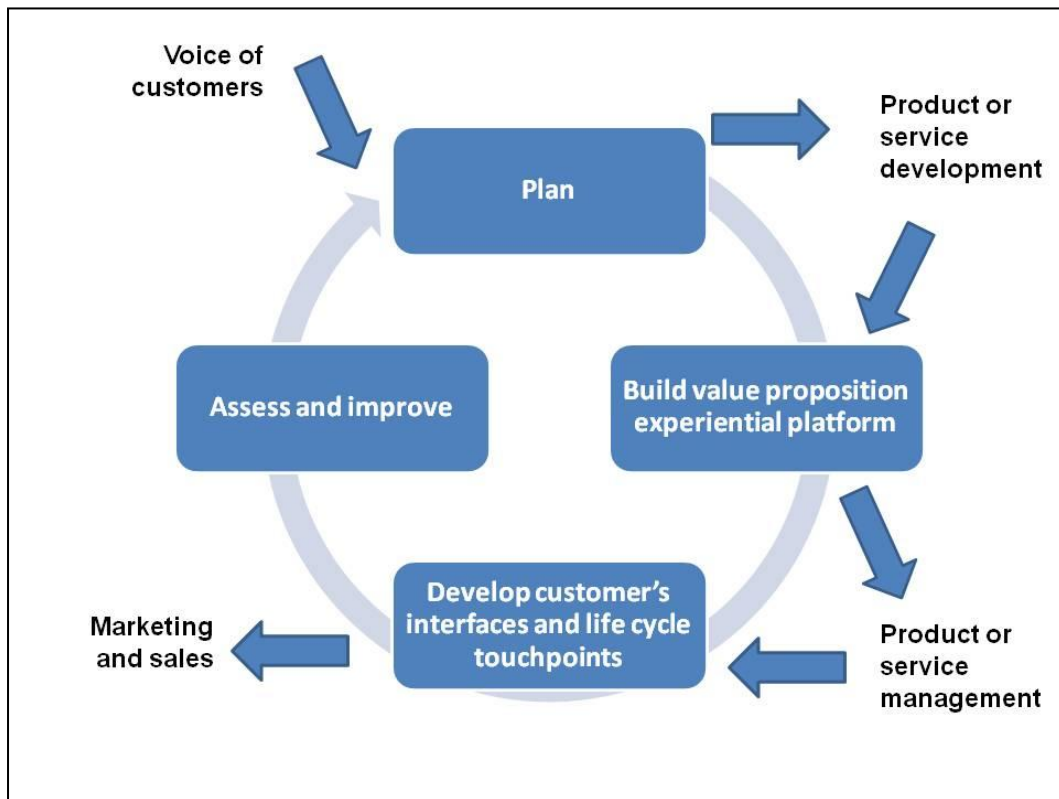
Source: Kiska (2002:30)

Gerber (2008:6) further advises that the proposed CEM-strategy must be in line with the organization's philosophy and policies, but must also enable the organization to consistently manage the customer's experience and balance it with the organization's objectives.

The statement from Frow *et al.* (2007:90) that companies need to deliberate and decide on strategies to construct enhanced customer interactions that can lead to exceptional or flawless customer experience should be applicable and true for all industries, including HEIs.

The *customer experience wheel* (Figure 2.13) illustrates the different steps and relationships with the other business processes.

Figure 2.13: The customer experience wheel



Source: Henry *et al.* (2005:47)

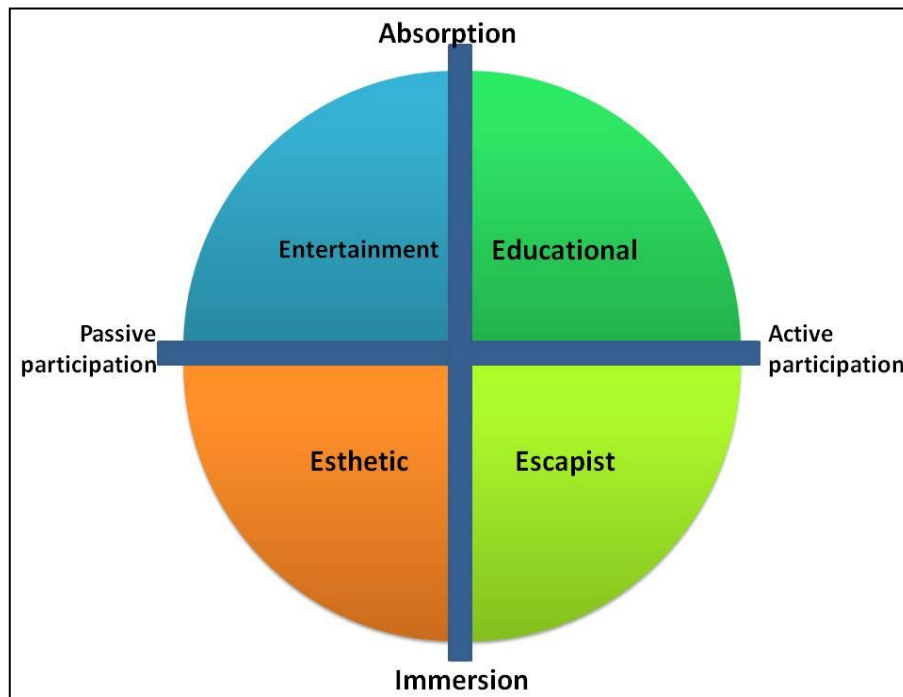
This cycle provides a picture of the continuous process that organizations must manage and which starts by determining the needs of the customers, then do the planning phase (which is the first step in any management process), develop the product or service, ensure that it includes a value proposition and manage the product or service throughout. The development of interfaces for customers is the next strategically critical phase, as it also manages so-called *lifecycle touch points*. This concept strives to ensure that the customer experience interaction with the service provider as pleasant and satisfactory, and this should lead to an extension, or repeat of the life cycle, thereby achieving the original aim of the organization. The actual sales process only takes place at this stage, and the cycle is then completed by improving aspects that needs attention and will help to continue this cycle to the benefit of all parties involved.

Although the mere implementation of CRM-software programmes is not seen as a real contributing factor to enhance the customer experience, Trask (2008:44) points out that there has to be a balance between utilising software, data and new technology and still personalize a customer's experience. Most new software applications have the ability to rapidly open the files of a customer at the desk or on the line, enabling staff to assist those customers quickly. It must, however, never be over-emphasized and always be supportive of the real and personal hands-on experience. Anon. (2008:5) confirms that

the *human factor* is responsible for the characterizing and differentiating of the customer experience and the building of loyalty.

Another strategy is to consider the four realms of an experience, as illustrated in Figure 2.14.

Figure 2.14: The four realms of an experience



Source: Pine *et al.* (1998a:102)

It distinguishes between passive and active participation on the horizontal axis, with absorption and immersion on the vertical axis. Customers must therefore be encouraged to become active participants in the service experience. In the HEI environment this can be achieved by creating a web-interface for self-registrations, eliminating the need to stand in long queues the beginning of the year to register.

The vertical connection, or *environmental relationship*, must strive to connect customers with the experience; to create four different experiences:

- Entertainment is typically what is experienced when attending a show, with no participation possible.
- Educational refers to a situation like in a classroom, where participation is possible, but only absorption and no immersion in the experience.
- Esthetic can be compared to visiting an art gallery, with full engagement, but no active participation.

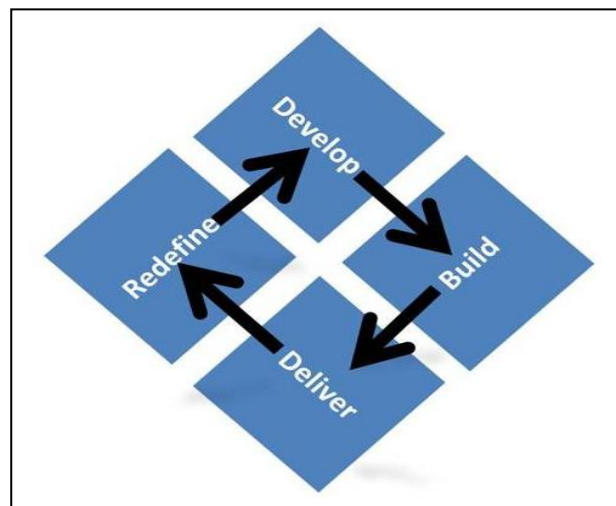
- Escapist is the fourth, ideal experience with full participation and interest involved. This can occur with an in-store event that includes several aspects of the trade atmospherics (or visual environmental attributes).

It is important to keep in mind that companies must still determine first what the real need of the customers are, whether the company is capable to deliver such a service (keeping costs, personnel involvement, systems and other constraints in mind).

2.5.3 The customer experience management process

Arussy (2005:44) proposes a four-step cyclic process (Figure 2.15) to manage the CEM strategic process.

Figure 2.15: The customer experience management process



Source: Arussy (2005:44)

The different phases of the CEM-process are:

- Developing of the customer experiences that lead to lasting relationships and referrals.
- Building the structures and processes in the organization, including staff training.
- Delivering the experience and create feedback opportunities and control measures to ensure that the experience is in line with the pre-determined customer-needs.
- Redefining on a regular base to ensure that the experience and relationship remain dynamic.

This evolving model is supported, because it clearly illustrates that the management of customer experiences is a never-ending and repetitive process where constant renewal

and adaptation are necessary to retain a competitive edge and maintain customer advocacy and lasting relationships. This is a vital concept to support the concept CEM above CRM, which is more mono-directional and not a continuous process, as has been argued before.

2.5.4 Customer needs and expectations

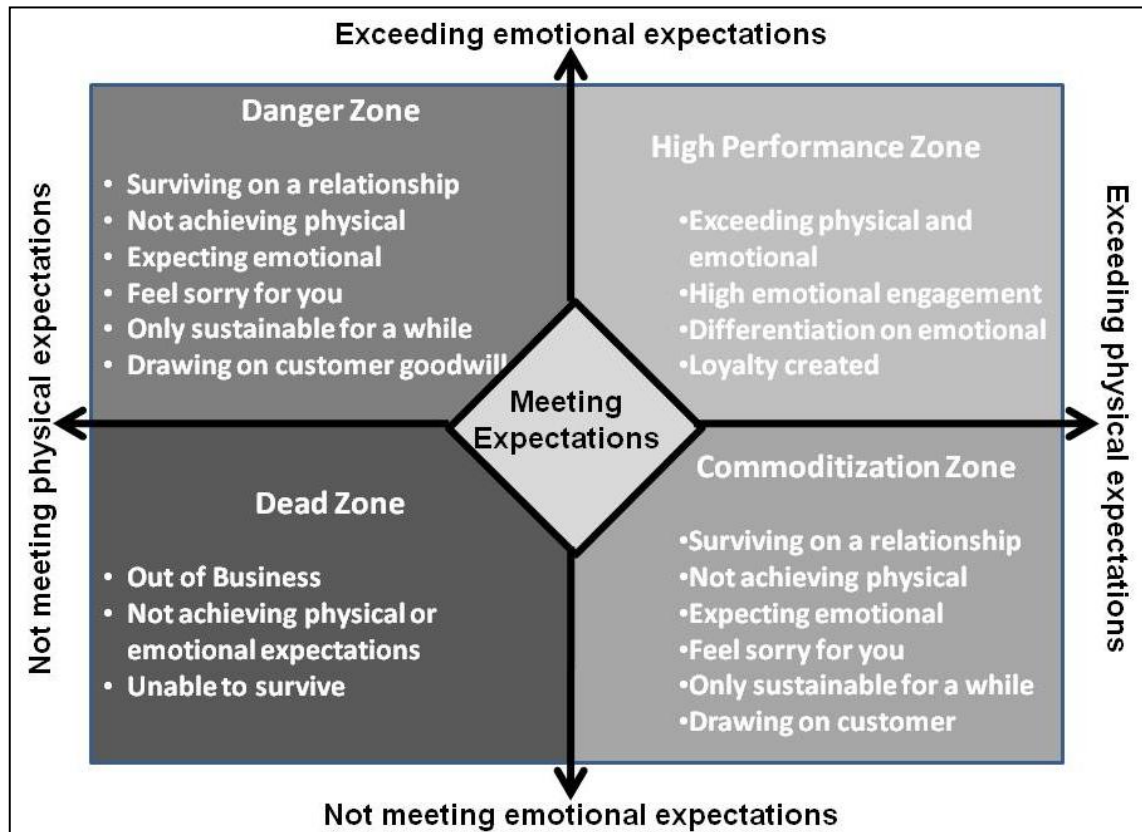
There have been several references to the importance to establish the needs and expectations of the customers before constructing a CEM-strategy. Hill (2008:48) proposes that the following questions should form the basis to accurately determine the customers' needs:

- Why do they use a specific service and how do they use it?
- What features and benefits of the service are meaningful to them?
- What is the biggest source of frustration and barriers for them when using it?
- Which customers needs more attention and why?
- If the service was re-launched, what would look different?
- If the service was suspended, who would miss it the most and why?

These are just examples of questions that should be asked to determine the needs and expectations of the customers. Some of these questions will be rephrased and adapted for use in the HEI environment.

Figure 2.16 illustrates the different levels (or zones) by distinguishing between emotional and physical expectations.

Figure 2.16: The customer expectation zones



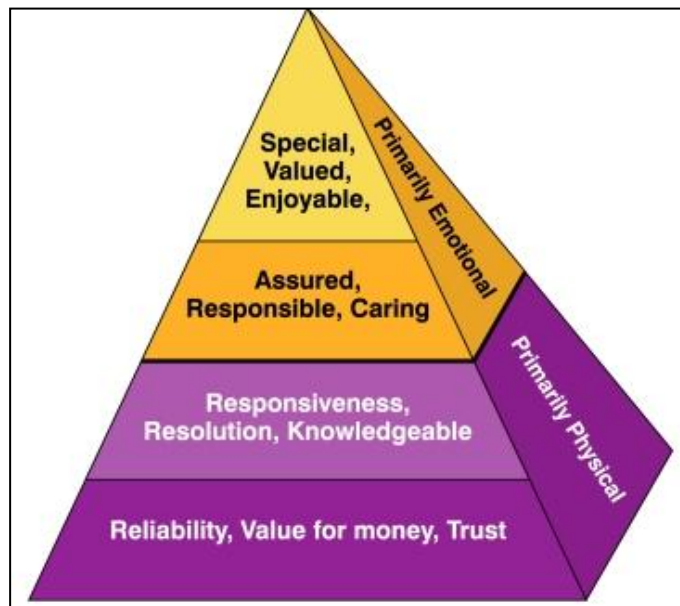
Source: Shaw *et al.* (2002:41)

Where both expectations are low, a *dead zone* exists and the relationship will not endure. If the emotional expectations are met, but not the physical ones, a *danger zone* is entered and it will only be sustainable on a temporary basis. The same will happen in the *commoditization zone*, where the physical needs are met, but not the emotional expectations. In an ideal environment, a *high performance* zone is created and loyalty ensured.

This is an effective way to demonstrate that exceptional customer experiences are not always simplistic and easy to achieve, but that a balance needs to be achieved between different needs and expectations and there is no place for guesswork. Managers in organizations will have to utilize all the tools available to them to ensure that the targets are met.

In another publication, Shaw (2005:64) adapted Maslow's hierarchy of needs to create a Customer Experience Hierarchy of Needs™, which is shown in Figure 2.17. The lowest two levels are very generic for all types of organizations, but specialization is required at the higher levels.

Figure 2.17: The Customer Experience Hierarchy of Needs™



Source: Shaw (2005:64)

This model also contains both the physical and emotional needs of the customers, and value plays a vital role at the lowest and highest levels. It is important to comprehend that each customer's needs are different and that the hierarchy of needs will also differ from person to person. The responsibility to establish that accurately is therefore very important and well-trained staff members are required.

It is important to recognise that at the highest level (which all companies must strive to deliver) the customers want to be treated as special and valuable, and also enjoy each service experience or interaction. This must also be true in the HEI environment for the student and other stakeholders.

2.5.5 Characteristics of customer experience management-focused staff

Gerber (2008:6) confirms that the staff of a customer-focused organization must also have a positive customer experience and that any new CEM-strategies must lead to an improved workload and increase in staff satisfaction levels for them. This viewpoint is supported, because the frontline staff's approach is vital for a successful CEM-strategy. By increasing their own satisfaction and loyalty levels, the management of the organization will reap the benefits of their approach towards their customers. On the negative side, the same applies: Disloyal and dissatisfied staff will not always treat customers correctly, and can start a negative cycle that will be difficult to turn around.

It is important that staff should receive formal customer service training to enable them to co-own and manage the customer's experience, as confirmed by Anon. (2008:5). Trask

(2008:43) emphasizes the importance of interpersonal skills training and the ability to utilize available information that is needed to resolve any problems quickly and effectively.

Arussy (2005:48) states that staff members have own personal needs to fulfil and do more than merely a day-to-day job. He distinguishes in Figure 2.18 among three types of staff members:

Figure 2.18: Employment hierarchy

	mindset	impact on business	turnover	commitment level
Calling people: Calling →	“my impact on the world”	STRONG	very low	higher purpose
Career people: Careers →	“what is in it for me?”	NEUTRAL	average	selfish
Job seekers: Jobs →	“what is my next job?”	NEGATIVE	high	survival

These different types of employees are:

- Job seekers are at the bottom of the employment ladder, because they are only focused on their own survival. Their commitment levels are non-existent and their positive impact also minimal.
- Career people give the impression of being committed and valuable staff, but will jump at any opportunity for a better job elsewhere. Therefore their influence is neutral and does not necessarily lead to results.
- Calling people are totally committed and customer-centric staff who constantly act as change agents and are in demand from the customers, who experience the difference in value received from them.

2.5.6 The value proposition

Payne *et al.* (2005:168) argue that the organization must determine what value they can offer to their customers, what value (not just monetary) they can receive from their customers and then put measures in place to manage this value exchange process. In another paper, Payne *et al.* (2006:145) suggest that the value creation process should focus on a programme that extracts and delivers value. The fact that there is a reference

to a two-way approach is in line with the foundations of a relationship, which can never exist in only one dimension or one direction. This approach is thus supported.

2.5.7 Total customer experience in the HEI environment

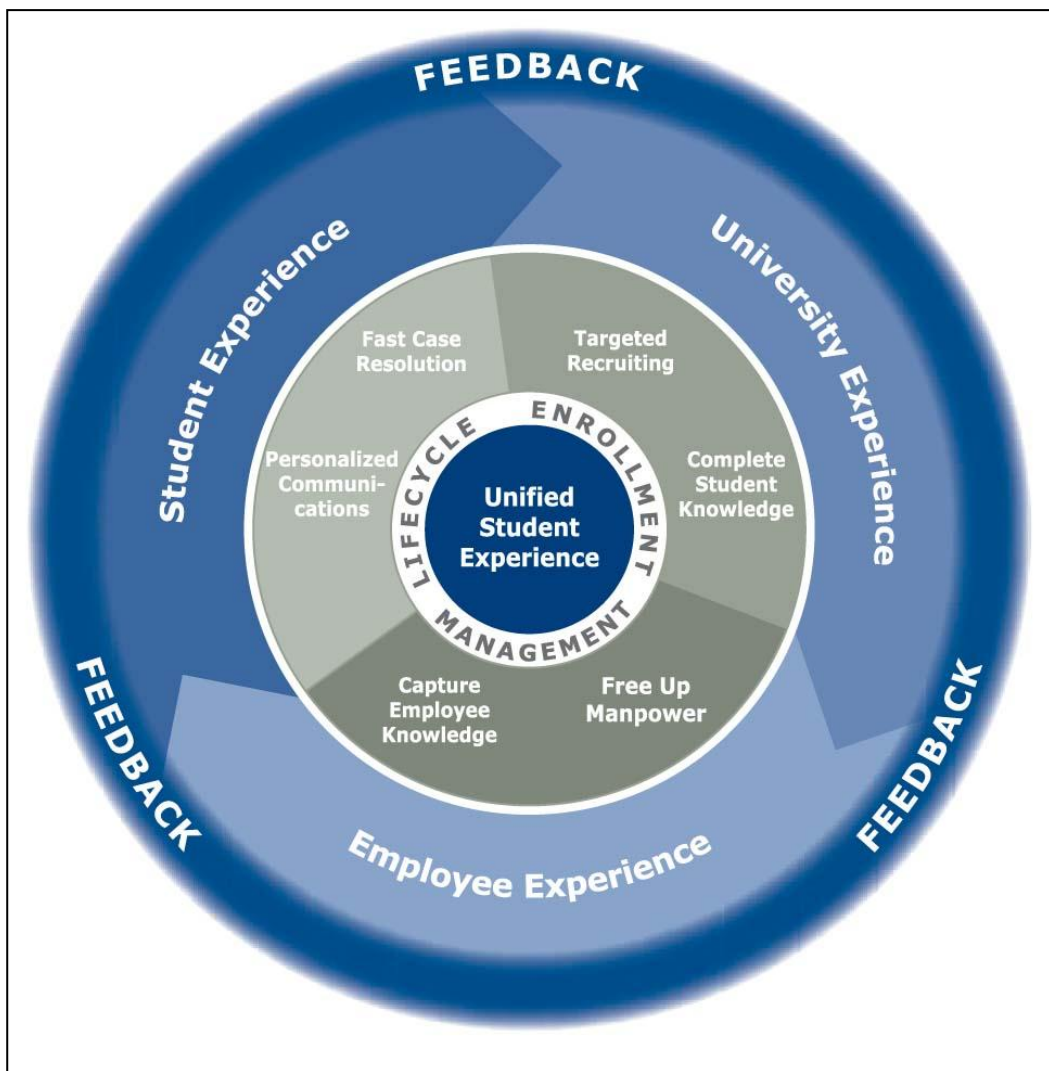
The term *total customer experience* (TCE) is introduced by Petre *et al.* (2006:189) who claim it influences the customers' perceptions of value and service quality, and as a result affects customer loyalty. They also claim that this experience takes place in a multifaceted personal, public and educational framework, which influences the customer's expectation, opinion and loyalty. Mascarenhas *et al.* (2006:397) agree that TCE is a new concept that exceeds customer satisfaction. They suggest that it developed from customers' need to have their value and emotional requirements addressed, because most companies make the mistake to only address customers' physical needs. They identified the following criteria in their research that distinguished companies with higher TCE-levels from their competition as follows:

- They anticipate and meet customer needs better than their peers. To gain a competitive edge, it is vital to accurately determine the customers' needs in advance and plan activities around it.
- They provide a real customer experience. Customers can easily determine when an experience is vague or unstructured, which will immediately lower their satisfaction and loyalty levels.
- They also provide a real emotional experience. It is strategically important to satisfy customers' emotional and physical needs, as indicated before. This stimulates emotions like a sense of belonging, added value, and makes the experience more memorable than a straightforward transaction would have done. Berry *et al.* (2002:85) also refer to the emotional aspects of a successful customer experience and states that it could include the "smells, sounds, sights, tastes and textures" of the service and its environment.
- Their experiences are also clear market offerings, focusing on a simplistic, but beneficial service. That on its own can be enough to convince a customer of the service provider's pure motive and lead to loyalty.
- Their experiences serve as interactions and provide the customers with the opportunity to get hands-on involved in the interaction, thereby creating a sense of co-ownership and connection.
- Their experiences create engaging memories, which serve as strong motivators for repeat purchases and customer advocacy.

Wadhwa (2008:8) sees TCE as not merely the improvement of customer service, but a radical change in the interactions with customers throughout the transaction or series of transactions, including all interactions. This imply added value over multiple channels and transactions.

Although the model proposed by Anon. (2007:4) in Figure 2.19 is a commercial product called RIGHTNOW, it provides a clear and descriptive picture of how the different stakeholders in the HEI environment should interact to ensure a continuous cycle of satisfied and loyal staff and students. This model is supported, because it makes provision for regular feedback from all these stakeholders, in order to make changes where necessary before the experience is negatively affected. It also makes provision for the effective usage of staff members' skills and knowledge, as well as the implementation of more effective processes. The concept of a "unified student experience" at the core of this model is in line with the notion of an "integrated customer experience" as proposed by this study. This concept is also supported by Ainley (2008:615).

Figure 2.19: The RIGHT NOW customer experience model for Universities



Source: Anon. (2007:3)

In this section the term CEM was defined, discussed and expanded to include the concept of Total Customer Experience, and it was argued that these concepts are suitable and applicable in the HEI environment. It is however also necessary to debate the first word in these terms (“customer”), as many scholars might find it strange or even inappropriate to use it in the HEI environment. The next section will address this issue.

2.6 The preferred terminology: Students, clients or partners?

Some authors, like Tanner (2008:6) oversimplify the term used to refer to the second party in a business relationship by merely referring to the term *user*. There are, however, several other related terms which are more applicable, but each one has its own specific applications and meaning and therefore needs to be discussed at length in an effort to identify the most appropriate term for the administrative HEI environment and the NWU in particular.

2.6.1 Students as customers?

The concept of student being seen as customers has been around for more than 20 years, according to George (2007:966), Douglas *et al.* (2008:20) and DeShields *et al.* (2005:129). Clayson *et al.* (2005:1) also confirm this trend, but warn that universities might be risking their integrity and ultimate survival if applying this approach too narrow-mindedly. Sharrock (2000:149) summarizes the dilemma in the HEI environment very well when he states that universities do not traditionally regard higher education as a *product* or *service* that can be sold to students and that students could also not be seen as *products* for the marketplace. They concede that these environments display vast differences. Eagle *et al.* (2007:44) agree with these observations, but they propose that a more *sophisticated* explanation of the concept should be considered. Paswan *et al.* (2009:67) observe that the concept of treating students as customers leads to *extreme emotions*, but agrees that Universities are also business enterprises competing for resources and customers.

Sheth *et al.* (2002:15) argue that there is a clear difference between the terms *customers* and *clients*. They consider *customers* as buyers who obtain a product or service with well-defined characteristics that match their needs and that there are little or no discussion between buyer and seller. *Clients*, according to them, indicate a more consultative component between the two parties and a more personal relationship exists with a high degree of trust.

The concept of *students as customers* was first reported in the mid-1980s as a result of the introduction of TQM, according to Ehigie *et al.* (2009:502). This is confirmed by Sakthivel *et al.* (2005:574). According to them leading academics rejected this concept, because they consider education as a *unique experience* that differs from the ideal customer experience, although the nature of the industry is service-based.

In their study Glaser-Segura *et al.* (2007:123) refer to both *customers*, *clients* and even to *co-producers* in their study, but admit that the discussion about the preferred term stirs up strong debates. They refer to the argument that students are considered as being too young and immature to demand certain customer rights, but also to the counter-argument that they have certain rights as customers.

Pine *et al.* (1998a:102) also refer to students as customers when describing the realms of a customer experience. Obermiller *et al.* (2005:27) quote the argument that students are paying customers who deserves to become satisfied customers, but acknowledges that faculty are more inclined to see and treat them as products, because they think they know what is best for the students.

The purpose of many universities in implementing the *student as customer*-approach is mostly underpinned by good intentions, according to Clayson *et al.* (2005:2), but they identified the following negative consequences:

- Most students are young and immature and should receive firm guidance.
- It can reduce the accountability of students, because they can demand their rights without meeting their obligations.
- Students can consider themselves as judges of the educational process.
- It can lead to the creation of poor relationships with academic staff
- Education should never be seen as a mere commodity.
- If students are unable to obtain a good job after their studies, they can blame the university for that
- The principles of academic freedom of lecturers and the civil rights of students can clash. There will always be unpopular or difficult modules and students should not have a say about it.
- The normal principle of *supply and demand* cannot always apply in the classroom, and students should not have a say about curricula and the allocation of resources.

These possible negative consequences are valid in most cases and form a strong basis to support the notion that students should not be seen and treated as customers in the classroom-environment. Snyder (2007:3) also challenges the concept of the student as customer and argues that it will hinder their development. He agrees that universities must display a deeper care about its students and how they experience service interactions on campus, but the university must also develop the students to become better citizens in the process.

In his study, Lomas (2007:39) elicited the opinions of academic staff and reports that they are concerned about the perception that students might think they can buy their qualifications in the same way other customers buy their products. He pleads for a focus on quality and not the quantity of qualifications delivered. He is also concerned that students might develop a tendency to complain about everything if they are given the opportunity.

On the contrary, Muncy (2008:17) states that universities can treat students in the classroom as customers without allowing them to dictate everything they want. Bejou (2005:44) supports this notion and states that the classroom has become a competitive

marketplace. This approach can become risky and lead to unnecessary arguments if the rules of engagement are not clearly drawn up.

2.6.2 Clients

Sheth *et al.* (2002:15) confirm that clients are highly sophisticated, educated and informed buyers who select professionals from increasingly competitive and mature service industries. Hamer (2006:16) and Meldahl (2007:42) also prefer the term *clients*, while Bodwell (2006:82) motivates his preference for the term by stating that the term *clients* refers to somebody who is being cared for, protected by and led by a specialist. He motivates that the move from the term *customer* to *client* was part of an attitudinal *facelift* in his organization to illustrate a stronger focus on a client-focused approach. There is, however, very little support for this preference in the literature and it is evident that the same approach can be followed, irrespective which one of the two terms are used.

King (2004:10) also prefers the term *client* and describes them as the people responsible for paying her salary, or being under her patronage. She also states that clients will commit to repeat purchases and customers not. In the literature there is also not support for her opinion and the term *advocates* can be considered as a more appropriate term when referring to repeat purchases.

Bodwell (2006:82) promotes a focus towards caring for his clients, setting up client-driven service agreements, implementing sign-out protocols for clients to evaluate every service experience, enforced standard follow-up calls 48 hours after every service experience, and requested satisfied clients to write testimonials, which was used as a marketing tool.

2.6.3 Partners

Baran *et al.* (2008:94) found that many people interpret *customers* to include *partners* as well, but no reference to students being considered as *partners* could be found. The concept of a partnership is not supported in the HE-environment, as it is not appropriate, due to the relative short term of the relationship, as well as opposite type of contributions and roles in the relationship.

2.6.4 The preferred term to be used for students

Prospective students are nowadays better informed about the possible HEI-service providers (universities), willing to consider all possible service providers and not merely follow their parents, family members or friends to a specific University and more aware of their rights- also with regards to the level and standard of the services they receive from administrative and academic staff members. With the promotion of the concept of life-long learning, more educated and qualified people decide to enrol for further, professional qualifications and mostly decide on the concept of of-campus/distance programmes, given

their personal circumstances (which do not allow them to follow full-time, on-campus programmes). In many cases these adult learners has been exposed to a service-orientated working environment and expects nothing less when they enrol for further studies themselves. From this perspective they can therefore be considered as customer or client.

Sharrock (2000:150) proposes several options, depending on the situation. He sees students as:

- Customers – when in the administrative environment,
- Clients – when they need advice about their careers or personal problems,
- Citizens – giving them access to certain rights, e.g. the library collection,
- Subjects – having certain obligations, e.g. registering on time, handing in library books on time,
- Novices – acquiring new habits and values in a profession,
- Investors – intending to gain expertise within a certain market
- Products - referring to the classroom-situation again, Sharrock (2000:150) concludes that students are co-producers of their own education. They do not have the right to demand their qualifications just because they have paid for it.

Obermiller *et al.* (2005:27) agree that the role and relationship of a student within a university is complex and reported that students preferred the customer-orientation above the product-view.

The principle that students in most countries do not pay for their full tuition fees, but are partially subsidized by the Government, is confirmed by Eagle *et al.* (2007:44), who further states that the Government can therefore be considered as a stakeholder. Muncy (2008:16) also refers to Government funding and their rights as a stakeholder. This implies that the argument of the student as a fully-fledged customer is watered down.

They further refer to the general concept that the *customer is always right* and argue that it should not apply in the classroom-environment, as there should be no guarantee that students will receive their qualifications without their commitment and the meeting of strict minimum academic standards. They make use of a very effective parable by comparing students to customers in the weight-reduction industry, who have to realize that the responsibility for achieving their targets or failure is their own. Paswan *et al.* (2009:68) also admit that there are areas in HEIs that fall outside the domain of education where the concept of the student as customer should be considered. Eagle *et al.* (2007:54) report

that they cannot blame the service provider for failure, as the latter party only facilitate the process.

Halbesleben *et al.* (2003:256) prefer the opinion that students should be seen as being *labour contributors*, which implies that they are not automatically entitled to their education and qualifications. The students must therefore utilize the resources available to them and stay accountable for their own education.

This study agrees that students in the classroom-environment cannot be seen as customers in the complete sense of the word, as it is a complex environment and academic credibility should remain a non-negotiable concept. However, because this study is limited to the relationship between students and administrative staff, the term *customer* can be used when referring to students in the administrative service environment. Here the student and his/her parents or sponsors are paying for a clear-cut service, whether it is partially funded by the Government or not. There are also several similarities between the administrative service environment and other service providers where customers also have the right to expect a certain level of service. George (2007:967) shares this approach and also discerns between the administrative environment and classroom

There are also other customers or stakeholders in the HEI environment, as summarized in Table 2.2. As this study only focuses on students as customers, the other stakeholders will not be discussed in detail, but will play a role in the bigger picture.

Table 2.2: Commonly recognized customers of a higher education institution

Group	Customer attributes
Students	Pay for services, receive educational instruction (service), utilise administrative functions, purchase auxiliary services (lodging, food, etc.).
Parents	Select (or assist in selection of) service provider, pay for services, can be primary points of contact during some service interactions.
Research sponsors	Provide funding in exchange for information, service, or activities. Often have contractual arrangements.
State and Federal Governments	Provide funds for university to engage in service. Exercise some influence over service/product design.
Society	Benefit from the services provided, pay (through taxes) for portions of the service.
Future employers of Students	"Purchase" the end product of the services process, sometimes provide funding and advice in service design.
Disciplinary Academic Communities	Benefit from scholarly activity of faculty members.
Accreditation bodies	Exercise control over product/service design.
Staff/faculty members	Control some product/service design, consume some services.

Source: Quinn *et al.* (2009:141)

Most of these stakeholder groups are applicable to the South African HEI scenario, including the National Research Foundation (a research sponsor), the national government (who provides state subsidies to all universities), the broader society, future employers in the public and private sectors, accreditation bodies for the different subject fields - for instance the South African Institute for Chartered Accountants (SAICA) and the Higher Education Quality Committee (HEQC) – which will be discussed later, and internal structures on faculty level where colleagues can help control quality processes.

2.6.5 A new term and its definition: Integrated customer experience management

A less commercial, but more practical and potentially effective approach that has been discussed and introduced is ***integrated customer experience management (ICEM)***. It can be considered as the most suitable and relevant term for this study, because it indicates a broader picture and stronger emphasis on the needs and requirements of the customers and not merely a *one-way* generic, untested customer service program. ICEM implies that the organization has the responsibility to first establish exactly what the customers' needs are, how they would like to have it addressed, and then to find an appropriate, affordable, effective and measurable way to render the service on a continuous basis.

The literature in this chapter was used as the basis for a newly-constructed definition of integrated customer experience management that can be applied to HEIs: ***Integrated***

customer experience management in the higher education environment requires the establishment of a learning culture championed by committed and involved top management and customer-centric, well-trained support staff that will jointly strive to fulfil pre-determined realistic needs of students to develop and implement procedures and policies that will ensure a positive, participative and emotionally pleasant experience for them as customers of the university, and will contribute towards a life-long learning experience, good throughput-rate and produce citizens that can contribute towards the growth and development of the country. This new approach will apply to all staff levels and support departments, students on all campuses, modes of delivery and utilize all communication channels in order to contribute to assist students and other stakeholders to become satisfied and loyal customer advocates that will actively recommend the university by frequent positive word-of-mouth and other visible activities, leading to an increased student enrolment and retention rate, and financial benefit for all.

2.7 Conclusion

In this chapter the development, different definitions and applications of the closely-related terms relationship marketing and customer relationship management were discussed after marketing as a broader concept was introduced. The shift from the 4Ps-approach to a more relational focus was highlighted, and the different elements of the RM orientation were discussed and critically applied to the HEI environment. The different CRM-approaches were also highlighted, and it was proposed that the more interactive, and decentralised approach should be followed, and that the input of customers should be obtained about their preferred methods of interaction. Several barriers to the formation of lasting and beneficial relationships were also highlighted.

The more recent and popular CEM-concept was then emphasized by referring to the latest definitions and approaches in the literature. A CEM-framework was discussed, as well as the cyclic approach of the CEM-*wheel*, which can further enhance the relationship with customers if managed correctly. The identification and fulfilment of customer needs were stressed, as well as the importance of having CEM-focussed staff.

Lastly, the different terms used when referring to students from a customer-perspective were discussed, and it was proposed that the term *customers* are the most appropriate in the administrative HEI environment.

In the next chapter the related constructs of quality and total quality management will be discussed, as well as several service quality measuring instruments in an effort to identify the most appropriate model to use in the HEI environment, and more specifically, at the NWU.