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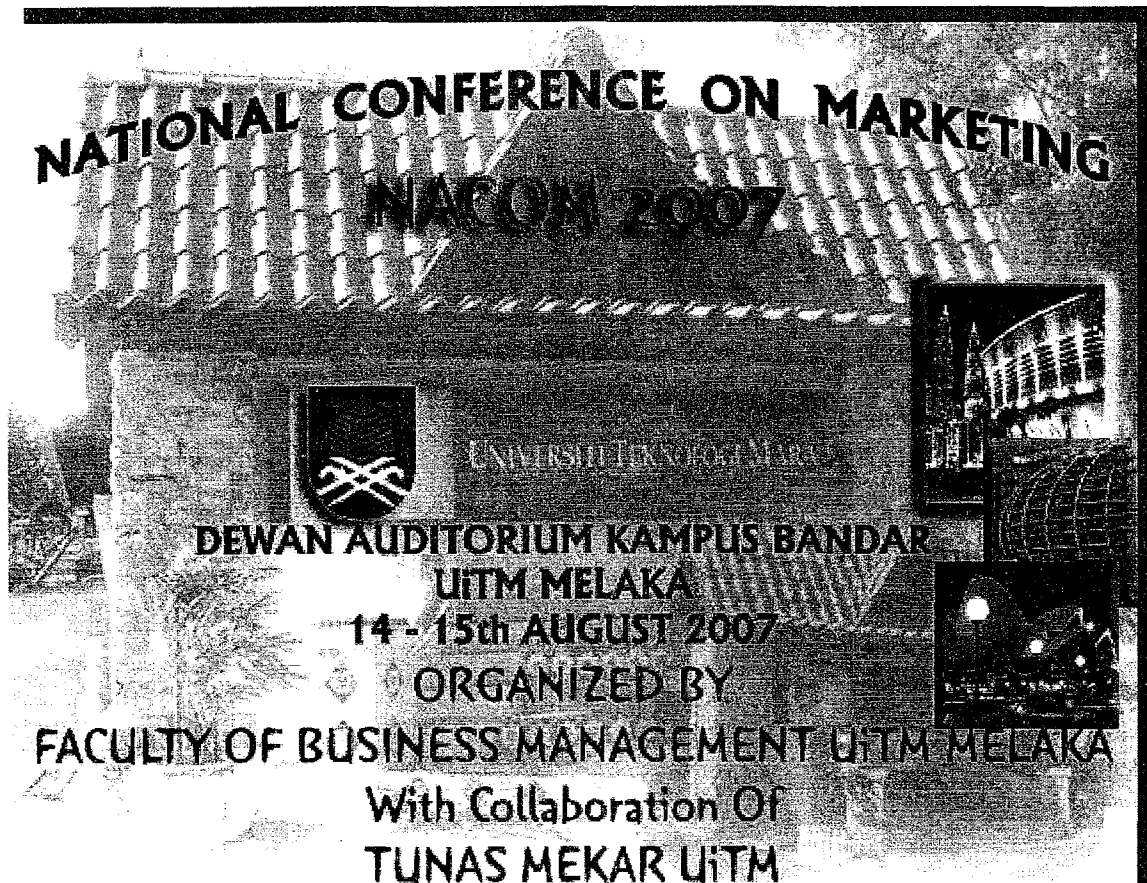
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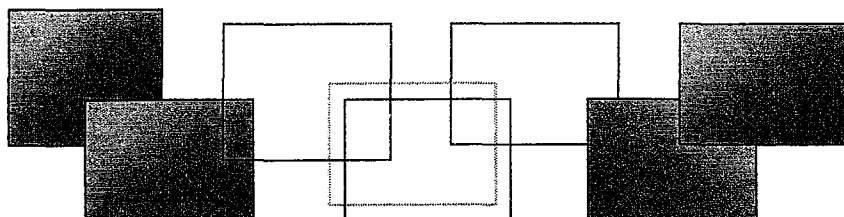
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# **Is Customer Satisfaction Enough? Issues And Challenges In Creating Competitive Advantage Through Excellent Customer Relationship**



***By  
Zainuddin Bin Zakaria***



# **IS CUSTOMER SATISFACTION ENOUGH? ISSUES AND CHALLENGES IN CREATING COMPETITIVE ADVANTAGE THROUGH EXCELLENT CUSTOMER RELATIONSHIP**

Zainuddin Bin Zakaria  
Faculty of Business Administration  
UiTM Terengganu, Dungun Campus  
23000 Dungun  
Terengganu

E-mail: [hzainudd@tganu.uitm.edu.my](mailto:hzainudd@tganu.uitm.edu.my)  
Tel: 09-8403823, 013-9304685

## **ABSTRACT**

The effort to satisfy customers has turned businesses into customer oriented or customer-driven organisation. Companies have generally made every effort to take customer needs into account as far as possible in their operations. This perspective received special attention in the 1980s in the marketing of services. In the 1990s, customer satisfaction was emphasized. In the new millennium, businesses survive global competition by focusing on establishing relationships with their customers (Storbacka & Lehtinen 2001). It is within this premise that this paper aims to discuss the issues and limitations of focusing only on satisfying customers as a foundation for attracting new customers and maintaining the present one. Focusing solely on satisfying the customers is not enough as competition increases and better products or services are offered to customers. In addition cutting price would only serve the business in the short run. Thus, the author would like to suggest that businesses, manufacturers and service providers adopt an approach that would create value for the customer through excellent customer relationship. Once customers create value for themselves, they would likely become loyal customers.

## **INTRODUCTION**

The present concept of providing service is linked to its roots in the master-servant relationship. It reflects a cultural expression that suggests the images of personal attendance. It refers to the deeds one person does for the benefit of another. For example, the butler, the butcher, the tailor, the maid, the cook or the servant all perform one-to-one personalised service according to the specifications of their customers or masters. In these low-status occupations, service carries a historical association of master and subordinate, subordination and obedience (Reis et al, 2003). It is this concept of master and servant that also creates the demand for slaves where they have to serve the master without questions. On the other hand,

there have also been high-status occupations where the individual serves other because it is their calling. Historically, these occupations include teachers, soldiers, warriors, politician or members of the royal court. These service occupations carry historical images such as charity, wisdom, bravery and status.

In the Malay culture for example, the willingness of five friends to serve the Sultan of Malacca, even though one of them, Hang Jebat has to be killed is well known throughout the Malay Archipelago. Hang Tuah, who killed his friend Hang Jebat in carrying out the Sultan's order, is the manifestation of the ultimate service given to his Sultan.

Although some companies have striven to reach customer satisfaction excellence, this objective remains difficult to achieve. The issue is whether it is worth focusing on customer needs and requirements, evaluating and improving products and processes with the customer in mind, training the work force and providing the right kind of leadership to make it happen? The service scenario has also change. Not all customers are the same. Some must be retained, other will never be profitable. Companies are learning that it makes sense to serve customers based on what they are worth. The Internet has opened many options. People can now serve themselves, at their convenience, at a low cost but with no human contact in return. Today, the quest for more efficiency, better decision, and more excitement drives us onward, competing, accumulating, innovating and reengineering (Reis et al, 2003). Does all this effort help the company to create a higher competitive advantage? The issue is whether it is enough to make the customer satisfied and delighted without integrating the human factor and creating relationship in the service delivery.

## **CREATING COMPETITIVE ADVANTAGE THROUGH BETTER RELATIONSHIP**

All businesses need to create competitive advantage in order to differentiate it from others and ensure survival in the long run. Many companies try to create competitive advantages through the development of better products offerings, intense advertising and lower price. Rosenbloom (2004) argues that sustaining competitive advantage is an effort to create competitive edge that cannot be quickly or easily copied by competitors. In a globalise market, creating competitive advantage through product, price and promotional strategies has become more difficult. Using product strategy in creating competitive advantage has not work well due to the rapid technology transfer from one company to another. In addition, global competitions have made it much easier for competitors to imitate and duplicate the product design, features, and quality.

This limitation also surfaces when pricing strategy is used to gain competitive advantage in the global economy. The ability of more and more firms to operate in countries where the investment and labour costs is lower has created fierce price

competition in many product categories and to some extent, the service industry as well. One can observe that in the electrical and electronic industry, the price of goods such as television, DVD players, washing machine, mobile phones, computers, printers and other similar products, there is an all out price war. Mobile phones for example may be priced significantly lower a year after they were first launched in the market.

Creating competitive advantage based on promotional strategies has become a futile effort in creating a sound competitive advantage. The massive bombardment of advertising and other forms of promotion to customers has created enormous confusion which has drastically reduces the impact of promotional messages. Hence, the effects of even the most clever and carefully crafted promotional messages are short-lived as literally thousands of messages create confusion and saturation in target audience's mind. Thus, holding on to a competitive advantage gained through promotion has become all but impossible today in the face of such intense confusion (Rosenbloom 2004).

Rosenbloom (2004) further suggested that the fourth marketing mix, that is known as "Place" or marketing channel, does offer greater potential for gaining a competitive advantage than the others because it is more difficult for competitors to copy. How does a company create a competitive edge through the marketing channel strategy? Rosenbloom (2004) cited the strategy used by Coors Brewing Company in USA. The limitations of product, price and promotion strategies as a sustainable competitive advantage has motivated Coors to focus on enhancing their distribution channel strategy. Coors establish stronger relationships with its independent beer distributors than its strongest competitors. The author is not suggesting that the other three "Ps" in the marketing mix is ineffective in creating competitive advantage. On the contrary, the product, price and promotional strategy are critical to determine the success of any company. However, to create a competitive advantage that will be viable for a long time, competitive strategy that focuses on building a strong relationship between the manufacturer and its channel partners can be an effective choice.

Why is this viable and effective method? As mentioned earlier, the product, price and promotional strategy is relatively easy to duplicate. However competitive advantage through building a strong and long lasting relationship between producer and its channel member is not easily duplicated through better technology, or a brief cost advantage or a clever idea. These are factors that are the cornerstone in creating competitive advantage through Product, Price and Promotional strategy (Rosenbloom, 2004). He went on to suggest that creating competitive advantage is achieved through better relationship among channel members based on confidence, trust and people power. This kind of relationship is also known as "partnership" or "strategic alliance". Thus, superior performance of the producers or service providers and the channel members is likely to result from the synchronised effort

of all parties to deliver superior performance (service) aimed at achieving common goals. In turn, this effort would create customers' loyalty and repeat buying from them. In addition, through better customer relationship, customers may provide feedback on how to improve the company's products or services.

Competitive advantage is a result of relationship strategies that is a superior way to support the value creation of customers. Developing competitive advantage therefore includes the differentiation of relationships, i.e. applying different processes to different relationships. Since all customers are different, relationships evolve differently. Thus, it is unlikely that all relationships or encounters would benefit from being managed in the same way. Most companies, however, manage their relationships using the same process, regardless of whether or not they have grouped their customers according to different criteria (Storbacka & Lehtinen 2001).

The provider's and customer's relationship roles should be clearly and coherently defined in a relationship strategy. To choose a strategy, the provider needs to have a thorough understanding of how the customer creates value in his own processes as well as a clear vision of how provider competence can support customer value creation. The company's vision of its own role should be the starting point in the choice of strategy. On the basis of this vision, the company can then decide on the scope of the relationships it pursues, the range of products it is interested in, and the extent to which it is prepared to adapt its own processes to the customer's.

From the discussion above, one may realise that customer relationship management can be defined in many ways and from different approaches. One definition that may capture the essence of Customer Relationship Management (CRM) is the definition put forth by Sharp (2003). He defines CRM as "A corporate approach to understanding customer behaviour, influencing it through continuous relevant communication and developing long-term relationship to enhance customer loyalty, acquisition, retention and profitability."

From the definition, the ultimate goal of CRM is to attract, retain and enhance the loyalty of customers. In simpler terms, the aim for any CRM program is to encourage customers to make repeated purchases of the products or services.

Managers must also realise that their first challenge is to understand the elements that influence the customer's buying decision. This cannot be achieved without fully recognising who are your customers. Once the customers have been identified, businesses have to create a relevant and long term relationship with these customers.

The problem in many companies is that all relationships are handled according to the same formula. In other words, companies think in terms of serving their average customer. This type of average customer seldom exists. This kind of thinking may

lead to a large share of the customer base being served by a process that is too complicated and that customers are not able to appreciate. On the other hand, truly valuable relationships are managed by a process which is too simple due to a lack of resources. Hence, relationship strategies can be considered as tools for allocating resources. When companies are able to determine the value of their relationships, they can create relationship strategies that allow for a better allocation of resources. (Storbacka & Lehtinen, 2001).

## **RECOGNISING YOUR CUSTOMER**

Consumers in the globalise market is very different from the customers of the past. They are now better informed, better educated and more demanding in the type of products and services that they require. The advancement of the information and internet technology has created more technologically knowledgeable customers. Thus it is not enough for businesses to treat customer based on their past knowledge or data base record. They must be able to identify the changing needs of this new breed of customers. Now everyone wants to be an individual and wants to be acknowledged as an individual by having his or her likes and preferences known and acted upon. It is paramount that businesses try to build individual relationships with customers based on “what customer wants, not what the business wants” (Sharp 2003).

The first step in identifying what customers want is to identify who is your customer. A customer may take many forms. In fact, they can be divided into five major categories as follows:

- a. Consumer  
This is the individual or group of individual who buys products or services at the retail level.
- b. Distributor or Wholesaler.  
Distributors are enterprises that buy products at the wholesale level, usually in bulk and reselling them to retailers.
- c. Retailers  
Retailers are businesses that buy from wholesaler or directly from producers and reselling them to consumers.
- d. Business-to-Business Organisation  
These are Enterprises that buy products (components and raw materials) and process them into their own products.
- e. Internal department. A department that buys products from other departments.

Each of these customers represents a sales opportunity and needs to be treated with an appropriate service level. Different types of customers do require different sales and marketing strategies. Organisations that recognise and use this approach will successfully capture the marketplace in their product or service area.

A meaningful relationship with customers is composed of many bits and pieces of information, incidents and events, transactions and interactions and represents all forms of contact a customer has had with an organisation. However, it is not sufficient to know one's customers just by collecting this information in a large database. It means being capable of reaching across the data and examining and transforming the behavioural facts into insights about the customer, which can then be converted to action (Sharp, 2003).

The ultimate objective of relationship management or marketing is to attract, retain and create loyalty among its present customers. Sharp (2003) also argued that customer relationships create challenges in attracting and retaining customers. The statistics presented here highlighted the importance of this objective to producers, suppliers and service providers:

- a. Most fortune 50 companies lose 50 percent of their customers in five years.
- b. It costs seven to ten times more to acquire a new customer than it does to retain an existing customer.
- c. A 50 percent increase in retention rate can increase profits 25 to 125 percent
- d. Up to 50 percent of existing customer relationships are not profitable
- e. The average company communicates four times per year with its customers and six times per year with its prospects

These statistics further stress the requirement for organisations to adapt, re-engineer, and overhaul their customer relationship philosophies. Marketers from every business sector will have to master the new disciplines of "real-time" customer dialog, interactive data analysis, and relationship management. They will have to encourage the exchange of information by demonstrating customer benefit in their relationship processes and by ensuring that customer relationship practices are followed in a manner applicable to their business sector.

## **BENEFITS OF CUSTOMER RELATIONSHIP MANAGEMENT**

The benefits of an effective Customer Relationship Management (CRM) strategy are varied and numerous. Each sector of the industry benefited from effective CRM differently. It is beyond the scope of this paper to discuss the benefits of all the industries. The author will only focus on the manufacturing industries since the

benefits of CRM in this industry are the most extensive. Some of the benefits are as follows (Sharp 2003):

1.     Analysis of supplier quality  
By tying finished product quality back to the supplier, problems can be corrected at the source. This requires the supplier to have access to the manufacturer's data to improve quality
2.     Analysis of raw material costs  
This will help the manufacturer to determine alternative sourcing strategies. Managers will be able to leverage global prices against local suppliers, thus resulting in substantive cost savings
3.     Products forecasting  
Having a formal system in products forecasting on day-to-day basis can provides information needed to react to unusual shortages, strikes or demands
4.     Product recall  
Excellent data warehouse may help the manufacturer to identify problems on parts and components before they leave the factory and onto consumer homes
5.     Distribution logistics  
Creative placement of inventory, better forecasts, and reduced shipping time can mean significant savings in inventory costs.
6.     Customer satisfaction  
Having correct information on the movement and delivery of products, when and where it is most needed will help deliver products on time. This will help distributors and retailers to satisfy their customer.
7.     Product Development  
Identification of coincidental product usage can identify the need for a brand-line extension. Examining detailed purchase of coffee or tea established the need for a creamer product to accompany the existing coffee or tea.

## **CHALLENGES OF RELATIONSHIP MARKETING IN CONSUMER MARKETS**

An extension of Consumer Relationship Management is Relationship marketing. Relationship marketing was initially conceived as an approach to marketing in inter-organisational and service markets, and was considered unsuitable in other marketing contexts (O'Malley and Tynan, 2000). The critical problem which has inhibited the understanding of relationship marketing relates to the precise identification of a Relationship Marketing (RM) strategy in the consumer markets. Some authors have invariably differentiates relationship marketing with "direct, database, loyalty, retention and transaction marketing". This definition generally

fails to clarify the important issues in relationship marketing. Some examples are as follows. Relationship marketing is concerned with relationship endurance while direct marketing is concerned with achieving immediate sales; relationship marketing has wider variety of techniques at its disposal than has direct marketing. Relationship marketing is a “bottom up” approach while database marketing uses strategy that is a “top down” approach. Relationship marketing also refers to finding products for customers as opposed to the emphasis on finding customers for products in transaction marketing. Finally relationship marketing is distinct from loyalty marketing because learning is a key objective (Christy et al., 1996, p. 185). These differences highlighted that relationship marketing in the consumer market is more than just recognising, retaining and creating loyalty among your customers. Rowe and Barnes (1998) identify what they consider to be the four tangible manifestations of RM in the consumer market:

1. Locking in customers
2. Customer retention
3. Database marketing
4. Close personal relationship

However, the first three elements, locking in customers, customer retention, database marketing and loyalty and retention marketing are tactical issues. These elements seems to be lacking recognition of “mutuality and special status” (Rowe and Barnes, 1998) and unlikely to result in close, personal and long term relationship. In addition to the operational strategies employed by marketers, the propensity to develop “Business Consumer Relationships” (BCRs) is also dependent on the “relationship friendliness” of the product-market and the willingness of customers to participate. Relationships are presumed to develop as a result of regular contact, preferably hands-on or face-to face and are unlikely to emerge in situations where products/services are generic, and where price or accessibility are major issues (Palmer, 1995). Thus it might be expected that only a few “relationship friendly” product-markets actually exist. Other challenges in the consumer markets can be listed as follows:

1. The lack of regular interaction with consumers, not all individual business to consumers are important to merit individual treatment,
2. Reduction of choice is insufficient to motivate consumer to participate in BCRs, loyalty programmes are incline to mirror a sales promotion effort rather than that of relationship marketing given emphasis on tangibles rewards.

3. Exchange in consumer markets is likely to be characteristics by both transactional and relational elements.
4. there is over-emphasises the role of trust, commitment, communication and mutuality in exchange within consumer markets
5. The use of the marriage metaphor in exploring BCRs distorts and inhibits conceptualisation (O' Malley and Tynan, 2000) .

## CONCLUSION

The industrial revolution has sparked the mass production and mass marketing revolution that change the way businesses produce and sell their products. Early in the twentieth century, mass production was the magical solution in lowering production costs and achieving economy of scale. The saving in production is then passed-on to the consumers, thus increasing sales by reaching as many consumers as possible.

However, the purchasing process that allowed the shopkeeper and customer to spend enough quality time to know each other was also fundamentally changed. Customers lost their uniqueness, as they become just another "account number" and sellers lost track of their customers' individual needs. This happens due to the saturated market where it is full of product and service options. At present, many companies are racing to re-establish their connections to the new as well existing customers to boost long-term customer loyalty. Some companies are competing effectively and winning this race through the implementation of relationship marketing principles using strategic and technology-based customer relationship management (CRM) applications.

As Rosenbloom (2004) has suggested, creating a competitive advantage using product, price and promotional strategy is only viable as a short term strategy as product features and attributes may be easily copied and pricing are nullified through lower costs of production in countries where labour and investments costs are lower. In terms of promotional strategy, it has created confusion that minimised the effect of the most creative promotional tools. Thus, Rosenbloom (2004) suggested that sustainable long-term competitive advantage should be created through strong and continuous relationship with the channel members. This is a more viable strategy as it is not easily copied by competitors. The business to business (BCB) market creates the perfect conditions for Relationship Management application. In the BCB scenario there is a potential for closer interaction between manufacturers and other channel members, i.e. wholesalers, distributors and retailers.

Sharp (2003) also proposed that competitive advantage can be created by increasing the customer potential to create value for themselves. Relationship strategies are thus of great importance to the long-term success of a company. Value from the customer's stand point equals to quality divided by price plus other investments (quality/price + other investments). In other words, the customer perceived value is the quality of products or services experienced by customers in comparison to the price or investments that they have to sacrifice in order to obtain the product or services.

The relationship strategy has its own attraction for companies and enterprises because of its many positive values. There are some general features of data warehousing and Consumer Relationship Management (CRM) implementation that apply to any organisation regardless of the business sector they are in. Some of the examples of these features are: benchmarking, customer one-to-one marketing, direct marketing, identifying opportunities, customer profitability and gathering information across functions on the execution as it happens (Sharp, 2003).

Studies need to be done in determining the value of using CRM in the local business to business transaction such as in the franchisor-franchisees relationship. Hence, the author hopes to identify the true benefits of CRM in the Malaysian franchising business. Customer Relationship Management is not merely gathering information and data of customers using sophisticated technology. Chen and Popovich (2003) proposed that excellent technology implementation of CRM must be supported by the essence of CRM which are relationship marketing, customer profitability, lifetime value, retention and satisfaction created through business process management. It is clear that CRM is a management approach that uses Information Technology and data processing capabilities as tools to understand customer behaviour, resulting in a company-wide, cross functional approach in turning the company from a product-centric into customer-centric organisation. A customer-centric will be able to mould and manipulate the product or service offering based on the needs and preference of the customer, achieving customer loyalty and retaining them. Many businesses would agree that retaining customers is more profitable than building new relationship, thus ensuring the long term survival of the franchisor and their franchisees.

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