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CRM and Services in International Marketing

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OUTLINE OF THE LECTURE

1. CRM – Customer Relationship Management.
2. Services in International Marketing.
3. Negotiations in International Marketing.

1. CRM CUSTOMER RELATIONSHIP MANAGEMENT

- In time Marketing as a discipline evolved to suit customers better. It went through many stages – now its Customer Relationship Management.
- What are the goals of every marketing company? It needs to:
 - Retain existing customers.
 - Understand customers.
 - Listen.
 - Identify key processes.
 - Increase customer satisfaction while improving key processes.
 - Create marketing strategy to retain existing customers and attract new customers.
 - Ability to attract new customers.

TRANSACTIONAL VS. RELATIONSHIP MARKETING

Transactional Marketing	Relationship Marketing
One-time sale	Customer loyalty
Focused on product characteristics	Focused on product value
Short-term	Long-term
Not focused on services to customer	Focused on services to customer
Limited responsibility to customer	High responsibility to customer
Unsatisfactory contact with customer	Intensive contact with customer
Quality is done through production	Quality is done throughout the whole company

ERP SYSTEMS – ENTERPRISE RESOURCE PLANNING 1

- ERP is a system through which company, with the help of a computer, manages and integrates all or most of their business, such as scheduling, inventory, purchasing, sales, marketing, finance, human resources, etc.
- The benefits are:
 - Standardization of processes.
 - Each process is set according to best practices.
 - Substitutability of employees.
 - Elimination of non-standard solutions.
 - Acceleration of processes.
 - Delegation of powers.
 - Extrapolation of personal responsibility.
 - Accurate and immediate data capture.

ERP SYSTEMS – ENTERPRISE RESOURCE PLANNING 2

- Additional benefits are:
 - Automated data processing.
 - Troubleshooting and multiple versions of data.
 - Dismissal of incompetent staff.
 - Instant data for decision making.
 - Accurate basis for estimating future.
 - Immediate information for customers and partners.
- ERP system in a company is basically a Software that helps it run smoothly and enables data gathering for process optimizations.

AUNT EMMA'S SHOP

- Customer Karl parked his car close to the shop and Aunt Emma sees him from the window (identification). Once he enters into the store, Aunt gives him a friendly greeting and knows him by his name (personalization). Aunt knows the structure and requirements of her customer, and knows what Karl usually purchases (history and customer information, shopping cart). Mr. Wagner likes to get drawn into conversation during purchasing and communicates some personal information himself (friendship, empathy). He likes this shop over other grocery stores in particular because he immediately gets what he needs there without a long search (customer "feels at home"). In addition, his can settle his account once a month instead of paying for each purchase (trust).

CRM DEFINITION

- At the center of our thinking is the **customer**, whose **relationship** to the company needs to be **managed**.
- One of the new rules of the game is **loyalty**. Emphasis is placed on the loyalty of the company towards its customers, and vice versa.
- CRM is interaction (one-to-one marketing) with customer.
- CRM is the active management of relationships with individual customers at all points of contact, with a focus on creating a mutually beneficial relationship.

CRM DEVELOPMENT

- One of the first definitions by Kotler specifies customer relationship management as special **software** programmes and analytical techniques that serve for integration and utilization of vast amount of data about individual customers stored in databases. Customer relationship management consists of sophisticated software and analytical tools which sort customer`s information from all sources, conduct deep analysis and use these outcomes for strengthening the relationship with the customer.
- However nowadays is CRM perceived as a company philosophy.

TYPES OF CRM 1

- From the theoretical point of view CRM systems might be divided into three parts: analytical, operative and collaborative.
- The work of **analytical CRM** is customer data analysis, its evaluation, modelling and prediction of customer behaviour. In real life situation the analytical CRM can for example gather all the data about customers inquiring a specific product by using data mining (tool for data gathering), what services they purchased right away and what services they purchased eventually. It can find patterns in their behaviour and propose next steps during up-selling or cross-selling. It can evaluate efficiency of a marketing campaign, propose prices or even develop and propose new products. This way it serves as some sort of help during decision making, e.g. manuals for employees working in services concerned with how to react to certain customer`s behaviour.

TYPES OF CRM 2

- **Operative CRM** mainly supports the actual contact with customers conducted by front office workers and general automation of business processes including sales of products, services and marketing.
- All communication with the customer is tracked and stored in the database and if necessary it is effectively provided to users (workers).
- The advantage of this approach being the possibility to communicate with various employees using various channels but creating the feeling that customer is being taken care of by just one person. It can also minimize the time that the worker has to spend typing the information and administrating (the data is shared). This allows the company to increase the efficiency of their employees work and they are then able to serve more customers.

TYPES OF CRM 3

- **Collaborative CRM** - all departments in a company gather data about their customers. It is not uncommon that these departments compete or are even hostile to each other. That undermines efforts of CRM to share relevant data throughout the whole company (e.g. information from help line can help the marketing department choose a point on which it will focus during the next campaign).
- The goal of collaborative CRM then is maximum sharing of relevant information acquired by all departments with the focus on increasing the quality of services provided to customers. The ultimate outcome of this process should be an increase in customer`s utility and his loyalty.

2. MARKETING OF SERVICES IN IM

- **Goods are** - a physical commodity, tangible, homogenous, production and distribution are separated from their consumption, can be stored, transfer of ownership is possible.
- **Services are** - a process or activity, intangible, heterogeneous, production, distribution and consumption are simultaneous processes, cannot be stored, transfer of ownership is not possible.
- **Examples of service industries:**
 - Health care – hospital, medical practice, dentistry, eye care.
 - Professional services – accounting, legal, architectural.
 - Financial services – banking, investment advising, insurance.
 - Hospitality – restaurant, hotel, bed & breakfast, ski resort, rafting.
 - Travel – air lines, travel agencies, theme park
 - Others – hair styling, pest control, lawn maintenance, counseling services.

SERVICES MARKETING DEFINITION

- Services marketing typically refers to both business to consumer (B2C) and business to business (B2B) services, and includes marketing of services like telecommunications services, financial services, all types of hospitality services, car rental services, air travel, health care services and professional services.
- Services are economic activities offered by one party to another. Often time-based, performances bring about desired results to recipients, objects, or other assets for which purchasers have responsibility. In exchange for money, time, and effort, service customers expect value from access to goods, labor, professional skills, facilities, networks, and systems; but they do not normally take ownership of any of the physical elements involved. (Lovelock & Wirtz, 2011)

ALTERNATE VIEW OF SERVICES

- Services involve a form of rental through which customers can obtain benefits (Lovell & Gummesson, 2004).
- Customers don't want to own everything but they seek the value of a product or service – this is where renting items becomes increasingly hot trend (Uber, AirBnB etc.). Rent = payment made for access to something.
- Examples:
 - Rent space – table in restaurant, storage, seat in aircraft.
 - Rent labor – car repairs, surgery, cleaning.
 - Rent goods – boats, costumes, cars.
 - Access to shared environment – museums, gyms, sport courses.
 - Access to networks – mobile, banking, insurance.

DEFINING CHARACTERISTICS OF SERVICES 1

- **Intangibility:** services do not have a physical existence, cannot be touched, held, tasted or smelled. This is most defining feature of a service and that which primarily differentiates it from a product. Also, it poses a unique challenge to those engaged in marketing a service as they need to attach tangible attributes to an otherwise intangible offering.
- **Heterogeneity/Variability:** each service offering is unique and cannot be exactly repeated even by the same service provider. Each of our employees will offer a bit different service.
- **Perishability:** cannot be stored, saved, returned or resold once they have been used. Once rendered to a customer the service is completely consumed and cannot be delivered to another customer.

MARKETING MIX IN SERVICES – PHYSICAL EVIDENCE

- Customers rely on physical evidence to evaluate the service beforehand.
- The physical environment is the space by which you are surrounded when you consume the service. So for a meal this is the restaurant and for a journey it is the aircraft that you travel inside. The physical environment is made up from its ambient conditions; spatial layout and functionality; and signs, symbols, and artefacts (Zeithaml 2000).
- Exterior - includes the design of the building itself, signage around the building, and parking at the building, how the building is landscaped and the environment that surrounds the building.
- Interior - includes the interior design of the facility, how well it is equipped, internal signage, how well the internal environment is laid out, and aspects such as temperature and air conditioning.

MARKETING MIX IN SERVICES – PEOPLE

- People are the most important element of any service or experience! Because services are produced and consumed at the same time at the same place, the person delivering them is important. The employee can make or break the whole experience – customer loyalty.
- People tend to buy from people they like (attitude, skills, appearance).
- People in Marketing of Services are:
 - Employees
 - Front office.
 - Back office.
 - Customers
 - Co-producer.
 - User.
 - Information spreader – Word of Mouth (viral).

MARKETING MIX IN SERVICES – PROCESSES

- Process is a step by step guide how a certain activity should be delivered. In services it is important because of the homogeneity – if we have good process guidelines our employees can deliver our service every time the same. Example would be a process in a restaurant – greeting, taking order, delivering drinks, delivering food, constant smiles and checking whether everything is OK, payment, greeting bye.
 - Mass process – very simple, low interaction, high standardisation.
 - Customer-tailored process – average level of interaction, high adaptation.
 - Professional process – high interaction, needs high level of supplier specialization.
 - Industrialization of processes – trend of narrowing down the process and make it available through electronic means of distribution.

SERVICES IN INTERNATIONAL MARKETING 1

- As was described on previous slides – services are much more complex than tangible goods. This fact brings many challenges to marketers.
- In International marketing, we have to truly understand our customer to be able to export our services or start offering them in a different country.
- Biggest challenges arise from the socio-cultural environment – the way how people behave, what they value etc. This will mean that our services will have to be adapted, there is very little space for service standardization.

SERVICES IN INTERNATIONAL MARKETING 2

- There are certain services industries that are very hot in IM:
- **Entertainment** – very easy to export due to globalization of culture, but limited by legislation.
- **Transport** – shipping of goods and services.
- **Accomodation** – hotel chains, franchising, rent a place.
- **Professional services** – accounting, law, health-care.
- **Retail** – internationalization and concentration.
- **Financial services** – customers want access everywhere.

3. NEGOTIATIONS

- **Be prepared** – do as complete cultural analysis as possible to avoid cultural mistakes.
- **Slow down** – in many countries emphasis on time implies unfriendliness, arrogance.
- **Develop relationships** and trust before getting down to business.
- **Learn the language** or get interpreter.
- **Respect the culture** – manners are important.

- **Pre-negotiation stage** – try to understand each others needs and offers which is done through informal meeting and arrangements.
- **Face-to-face negotiation stage** – formal meeting, parties evaluate alternatives.
- **Post-negotiation stage** – the contract is drawn up.

DIFFERENCES IN NEGOTIATIONS

- **Sweden** - they don't speak a lot. They are reserved, shy, too formal.
- **Latin America** - friendly, lively, informal. They respect their family. They are joking all the time. They usually like postponing their decisions.
- **Arabic countries** - pleasant, informal, friendly, proud, religious. They hate distrust. They are not in hurry in any case. They require haggling / bargaining.
- **Japan** - the typical feature is kindness, hospitality, smile, politeness, reliability, consistence. They don't argue and protest.
- **Russia** - warm-hearted, patient, in business – strict, inflexible, detailmen, slower negotiation.

STRATEGY OF BUSINESS NEGOTIATION

- **American, Russian** - winning or failure. Negotiation in team.
- **Japanese, west Europe** – Compromise. Negotiation individual.
- **Chinese** - long negotiation.
- **Arabic** - higher price – haggling / bargain.
- **Russian** - categorical negative. Meeting before negotiation.
- **American** - the quality of contract. Without preparation.
- **Sweden, Chinese** - the quality of relationship.
- **Arabian** - verbal agreement (signature – dishonour).

THE END

Thank you for your attention.

