UNIT 7 CUSTOMER VALUE GENERATION

Structure

7.0 OBJECTIVES

After studying this unit, you will be able to:

- Describe the concept and meaning of customer value generation;
- Interpret how customer value is generated;
- Describe how customer value varies for different customer segments;
- Discuss the importance of customer feedback in managing customer interactions and customer experiences;
- Analyse the process of customer experience management;
- Describe the role of knowledge management in value generation;
- Discuss the competencies that are important for knowledge management and
- Explain how loyal customers pay for the growth of the business.

7.1 INTRODUCTION

In the earlier times at a cloth store, a shopper would enter the store and ask the salesman (CSA- Customer Service Associate) to show the cloth, which was typically stocked at a distance which was not easily accessible by the customer. In this arrangement, there was massive dependence on the salesman. A lot, therefore, depended on the ability of the salesman to patiently serve the customer as the customer checks the softness and asks for another piece. He rechecks it. Compare the softness of the two fabric materials and choose one of them. In another store, the various cloth fabrics are displayed in the store where the customer can go and touch and feel the fabric himself. A shopper walks in and starts choosing the fabric based on softness. He picks one, pays and leaves. The two situations elicit the extent of selling as well as buying efforts required. It is very likely that in the latter case, the shopper is more satisfied and less effort is required from the shopkeeper as well. It is a win-win situation. The merchandising in the second store is based on the shopper's behaviour, whereas in the other store, it is based on the retailer’s stocking pattern. In other words, the second option is based on what the customer values, whereas the first one is based on what is convenient to the shopkeeper.

In light of the example above, it can be said that the businesses must focus on creating value for the customers, if they wish to enjoy the taste of success. The first question arises is what is customer value creation or generation? Customer value generation means making products that are desired by the customers and providing services that customers find consistently useful. This is possible only when the business properly understands the customers’ expectations and encourages product and process innovation. However, it is important to remember that businesses cannot innovate and deliver outstanding service without getting their employees' commitment, energy, and imagination. Value must, therefore, be created for those employees in order to motivate and enable them. Hence, the employees should be adequately trained from time to time.

To attain the purpose of value creation, businesses should focus on the effective delivery of their product and services. For example, McDonald’s is very particular in providing meals of consistent quality and customising the meals according to the taste of the customers throughout the world, in a clean, friendly atmosphere; for instance, in India ,McDonald’s provides meals according to taste of Indian people by offering, Aloo Tikki Burger, Mc veggie paneer burger etc.

Besides, to make it enjoyable for people of all age groups, they offer specific services to different segments of people. When they enter the restaurant, children are given colourful balloons with the picture of a cartoon printed on them. This makes them happy and allures them to come again and again with the elders. Children are given their favourite toys with the “happy meal order”. Other than serving meals, they also render services such as home delivery. Online order, taking orders on the phone, arranging birthday parties and providing “Birthday Party Packages”, etc.

These kinds of services provide the meals and services to the customers and convenience to them. In today's time, something that is the scarcest is time. This birthday party package not only comforts the parents but also gives happiness and cheerfulness to the children.

This unit attempts to explain the process of customer value generation. It also discusses the various customer needs related to different customer segments and their different customer value expectations. Towards the end, the unit tries to bring out the role an appropriate customer feedback mechanism can play in determining the company's performance. The part of suitable customer interaction and creating a relevant customer experience in driving customer value is also highlighted in the unit.

7.2 CONCEPT OF CUSTOMER VALUE GENERATION

Customers are interested in two aspects of any interaction. The first is that the company "gets it right", whether "it" is a service, product or a combination of both. The second is that the companies reply to the customers' needs in a reasonable time frame, where "sensible" is dependent on the customers' expectations. This can be said differently: companies need to be effective and efficient to retain customer loyalty.

A value judgment is created as an intersection point between the product /service, users and their goals and use situation or occasion.

In the case of the example discussed in the introduction section above, the product is the fabric material; the user is the customer who wants to feel the material and then make a decision and use it. The situation could be that she wants to get a formal dress tailored on concise notice as her boss from the head office is visiting them.

There are Three Trigger Points in Customer Value Generation Process:

1) Company/customers (marketing mix/programme);
2) Employees/customers (service providers); and
3) Technology/customers (e-marketing mix).

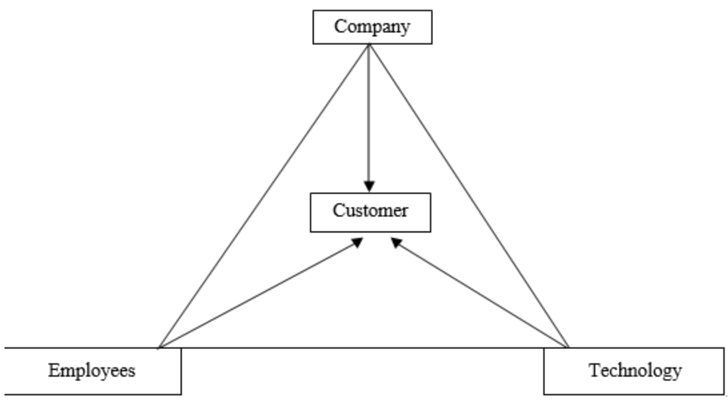

Figure 7.1: Three trigger points in the customer value generation process

Traditionally, external marketing (the marketing mix or program) was the focus for the majority of customer-directed activities. Here, the four Ps—product, price, promotion, and place—take centre stage. In today's services-dominated economy, the value generated by employee-customer interaction and the application of appropriate technology is also important.

Importance/Performance Matrix

Typically, data from satisfaction surveys are used to construct a two-dimensional matrix, where importance is depicted along the x-axis and performance (satisfaction) along the y-axis. Customers are asked to rate each attribute on its performance. Attribute importance is measured using some form of self-stated importance (e.g., rating scales). The means of implementation and importance divide the matrix into four quadrants.

Attributes in Quadrant I in Fig. 7.2 evaluated high satisfaction and importance, representing opportunities for gaining or sustaining competitive advantage. In this area, a firm should" keep up the excellent work." Low satisfaction with highly important attributes demands immediate attention (Quadrant II). To enhance overall satisfaction, a firm should concentrate on these attributes. Ignorance of these attributes poses a severe threat to the firm.

Quadrant III contains attributes both low in satisfaction and importance. It is not necessary to focus additional effort here. These product or service attributes are of" low priority." Details located in Quadrant IV are rated high in satisfaction but low in importance. This implies that resources committed to these attributes would be better employed elsewhere. High performance on unimportant details indicates a "possible overkill.

The steps in Fig 7.2 can be used to develop an importance/performance matrix. In this matrix, attribute importance is mapped on the horizontal axis with a rating of low and high. Rating is usually taken on a 5-point scaleonefive, with one denotes very low or bad and five meaning very good or high. Similarly, attribute satisfaction is indicated on the vertical axis. For both axes, low implies a rating of 1 and 2 and high means a rating of 3 to 5.

The above process can be explained through an importance satisfaction matrix given below: -

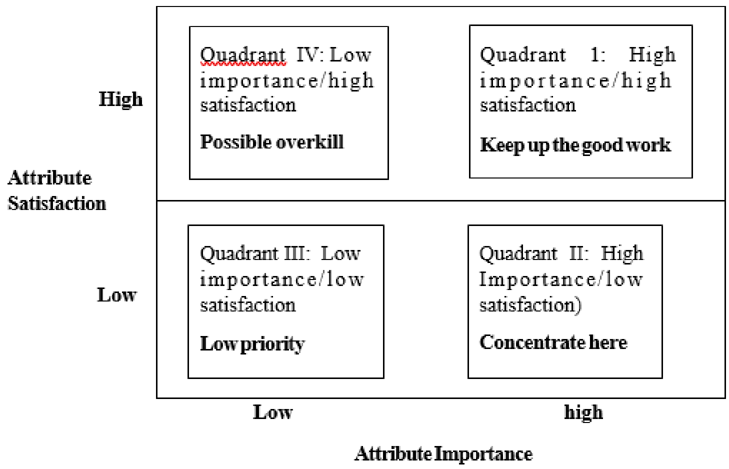

Figure 7.2: Important satisfaction matrix

The above matrix combines information about the importance and satisfaction of customer value attributes. Attribute importance is represented on the horizontal axis from low (left) to high (right). Attribute satisfaction is represented on the vertical axis from high(top) to soft (bottom). The quadrant II (where attribute importance is high and attribute satisfaction is low) indicates the highest leverage area for customer value management.

7.3 KNOWLEDGE MANAGEMENT AND VALUE GENERATION

7.3.1 Customer Knowledge

Customer knowledge can be defined as the products/services information stored in the mind of the customers that influences them to purchase, consume, and dispose of the product. Simply we can say that customer knowledge denotes what all customers know about the product or service. As we have discussed in the previous units, the businesses need to acquire information regarding what customers want and how they perceive the products/ services as well as the company itself. It should be remembered that it is equally important for the businesses to know what information customers already have regarding products/ services and the business because this virtually creates customers' expectations and perception. It is needless to mention understanding what customers know about the products and services pays good returns to the business. Let us take a hypothetical situation: Mr. A and Mr. B are two customers of a business selling computers. Mr. A has been using computers for the last many years and is fully aware of its features and usage. On the other hand, Mr. B has to use a computer for the first time, and he does not have enough information about the features and usage of the computer. It is easy to handle Mr A as he can easily understand the unique or differential characteristics of the product and compare it with the other available computers of different brands. On the contrary, the sales force needs to handle Mr. B with a different set of skills.

A business quickly for that handles customers keeping in mind their knowledge can quickly generate value for customers and business.

7.3.1.1 Importance of Customer Knowledge

Customer knowledge influences customer behaviour strongly; it's the customer knowledge which may lead them to the final decision. To understand customer knowledge is very important because:

i) knowledgeable customers are more capable of evaluating the actual merits of products and services.

ii) Customer knowledge creates customers' expectations and perceptions.

iii) Knowledgeable customers better understand a better understanding of the products/services, which decide whether a particular product will remain in the market or not.

iv) Customer knowledge helps businesses to form proper policies for their products/ services.

Without customer knowledge, no business can compete in the market because customer knowledge decides the marketing strategies to be formulated and adopted for different customer segments.

7.3.1.2 Types of Customer Knowledge

Customer knowledge is an inclusive term, it includes all the information that a customer has in his mind. Customer knowledge comprises the information related to the product, purchase, consumption, persuasion, etc. Based on these, information customer knowledge can be categorised as:

i) **Product Knowledge:** It represents the information about the product category stored in the customers' memory. What customers know about the products category and their brands. Every customer has their idea about the products based on their knowledge. Businesses may succeed and attract more customers if they properly manage the customer's product knowledge.

ii) **Purchase Knowledge:** It includes various types of information possessed by customers about the purchase, i.e., price, store etc. This includes what customers know about product price, whether such products are available cheaply for them at the same time or from where they can buy them.

iii) **Consumption Knowledge:** Consumption or usage knowledge includes information in the customer's memory about how to use a product and what is required to use it? This knowledge is very important because most customers do not buy the product/service because they do not know how to use it. E.g.; most customers avoid the e-banking facility provided by banks simply because they don't have sufficient knowledge about its use. By understanding consumption knowledge, businesses can create more customers and generate value for the growth of the business.

iv) **Persuasion knowledge**: It represents what customers know about ways and tactics which persuade them. E.g.; Nokia is using the tactics to attract customers to buy mobile by using a slogan "Connecting People", whether it persuades customers or not. Persuasion knowledge is essential because it influences how customers respond to persuasion and persuasion attempts.

v) **Self-knowledge:** Self-knowledge represents the customers' understanding of their mental process. Suppose one marketer assumes that customers have their own choice to buy a product and they believe according to their knowledge. If customers actually know what is important to them, then there is no problem . Still, if with this assumption, but if customers lack self-knowledge, it becomes imperative as to what is important to them.

7.3.2 Knowledge Management and Value Generation

If a marketer manages the customer mentioned above knowledge properly, it dramatically helps businesses. By managing customer knowledge quickly, businesses can easily meet the customers' expectations and provide them with the products they want, which ultimately creates, grow and retain customers. Knowledge management is essential for every business because of the following benefits:

i) It allows businesses to easily position their products in customers' minds.

ii) Knowledge management allows businesses to identify the purchase barriers.

iii) It helps fulfill the customers' needs and expectations.

iv) It helps handle the potential threats competitors pose to their existing customer base.

v) It enhances customer recruitment and retention.

Knowledge management can be defined as a range of strategies and practices used in an organisation to identify, create, represent, distribute, and enable the adoption of insights and experiences. Such insights and experiences comprise knowledge in individuals or organisational processes or practices.

The focus of this unit is on customer knowledge. Customer knowledge managers first and foremost focus on expertise from the customer (i.e., knowledge residing in customers), rather than focusing on learning about the customer, as characteristic of customer relationship management. In other words, innovative companies realise that corporate customers are more knowledgeable than one might think, and consequently seek knowledge through direct interaction with customers, in addition to pursuing knowledge about customers from their sales representatives.

Customer Data obtained from various sources needs to be well integrated so that generating information, which in turn leads to knowledge about customer value, can be easily obtained.

The Figure below provides a variety of sources from where customer data can be obtained.

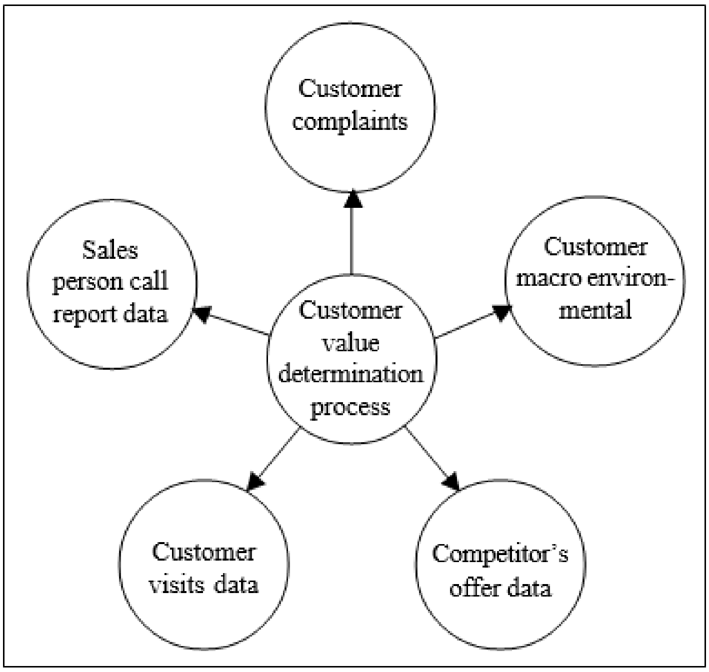

Figure 7.3: Sources of obtaining customer data

Organisations should look for complementary relationships between data, e.g. salesperson call reports can augment research on customer desired value to answer the question "What do target customer value? ". Similarly, macro-environmental data and analysis can help uncover determinants of customer changes desired value in the future.

Consider Amazon.com: The Internet retailer manages customer knowledge successfully history by providing book reviews, the customer's order histories, the order histories of other customers, and customised suggestions based on prior orders. Effectively, Amazon.com, a commercial enterprise, developed into a platform for book enthusiasts for book enthusiasts that are keen to exchange knowledge about their favourite topics (intrinsic motivation). Motivating customers to share their knowledge the Amazon way is a remarkable achievement, particularly if contrasted with the often vain efforts to evangelise employees from egoistic knowledge hoarders to altruistic knowledge sharers by way of rewards systems that are primarily extrinsic.

7.4 CUSTOMER VALUE FOR DIFFERENT CUSTOMERS SEGMENTS

The needs that motivate customers to go shopping and purchase merchandise can be classified as utilitarian or hedonic. When consumers go shopping to accomplish a specific task, such as George buying a calculator for his office, they seek to satisfy functional needs. When consumers go shopping for pleasure, they are seeking to satisfy their hedonic needs- their needs for entertaining, emotional and recreational experiences.

Utilitarian needs are further classified as functional and economic needs. Practical needs are those that motivate the search for products that solve consumption-related problems. Economy needs fundamentally consider the lowest cost options available in the market. Hedonic needs are further described as esteem and experiential needs. Esteem needs are desires for products that fulfil internally generated needs for self-enhancement, role position, group membership or ego-identification. Experiential needs are desires for products that provide sensory pleasure, variety, or cognitive stimulation.

Successful retailers attempt to satisfy both types of needs of their different customer segments. Retailers need to make the shopping experience easy for utilitarian shoppers by providing the desired merchandise so that it can be easily located. Some hedonic needs that retailers can satisfy include stimulation, social experience, learning new trends, status and power, self-reward and adventure (Levy, Witz and Pandit (2010).

As an example, customers visiting Big Bazaar are segments with functional and economic needs, whereas a customer's frequenting Shoppers Stop belongs to segments serving esteem and experiential needs. As discussed in Unit 1.2.1, consumers define value in four different ways:

- Low price
- Whatever a customer wants in a product or service
- The quality a customer gets for the price he pays
- What a customer gets for what he gives

In our example, customer segments visiting Big Bazaar will be motivated by' low price' as the customer value proposition, whereas for customers visiting Shoppers Stop, the motivator will be 'the quality a customer gets for the price he pays' as the prime customer value proposition.

Another beneficial approach for defining a target segment with different customer values, values to group customers seeking similar benefits, referred to as benefit segmentation, e.g., customers who place high importance on fashion and style and low importance on price might form a fashion segment. In contrast, customers who place more importance on price would form a price segment.

Organisations that measure some form of customer value or profitability often consider this financial basis their primary segmentation scheme, and they organise their business decisions around it. Many organisations go further and segment their customers using metrics critical to their industries. For example, retailers often use recency, frequency and monetary spend (RFM) metrics, demographics, and purchase data. A more recent approach towards RFM has been to consider RFA instead of RFM, where A stands for average order, whereas M is Monetary, which is average sale multiplied by frequency. RFA allows for better targeting of offers to customers with multiple purchases.

The additional insight gained from these methods considerably improves decision-making. These segmentation schemes should be an overlay to the customer value scheme. In more sophisticated organisations, these segmentation approaches have been further extended by methods considering customer attitudes and their likely future needs and behaviors. It is only when segmentation analysis combines aloof these customer elements (i.e., attitudes, "soft" behaviours, transactional behaviours, geodemographics and long-term customer financial value) that the actual picture emerges. With this knowledge, you can fully understand how to build and maintain your relationships with customers to maximise shareholder benefit.

Check Your Progress A

1 Define the customer value generation process.

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2 How is customer value created?

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3 How is customer value different for different segments?

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7.5 CUSTOMER FEEDBACK ANALYSIS

Customer feedback is required to understand the extent of understanding the company has about the critical customer value drivers and the extent to which they have been delivered. Maximising the value of customer feedback is explained in the diagram below:

Sample form for customer feedback analysis

Name :

Address :

Age;

Gender;

Kindly rate the following on a scale of 1 to 5, where 1 means very bad and five means very good.

Personnel

Nice presentation	1	2 3 4 5
Caring about the customer	1	2 3 4 5
Friendly	1	2 3 4 5
Knowledgeable	1	2 3 4 5
Appropriate number	1	2 3 4 5
Atmosphere		
Appropriate temperature	1	2 3 4 5
Perfect air cleaning system	1	2 3 4 5
Cleanliness	1	2 3 4 5
Pleasant smell	1	2 3 4 5
Products		
There is a great product variety	1	2 3 4 5
The quality of the products is excellent	1	2 3 4 5
The shelves are always full	1	2 3 4 5
Prices		
Prices are low compared to major competitors	1	2 3 4 5
The price-quality relation is excellent	1	2 3 4 5
Merchandising		
One can easily find the products one needs	1	2 3 4 5
The colors offered are good	1	2 3 4 5
There is no problem with labels	1	2 3 4 5
Instore convenience		
The corridors are spacious	1	2 3 4 5
Trolleys and baskets help me to a great degree in my shopping trip	1	2 3 4 5

For example, the store atmosphere and customer mood can significantly influence consumer spending behaviour. Customers require a store layout that maximises the number of products seen within the context of a customer's need for the product. Customers who experience a form of personal control, whether orienting themselves to the store section they need to go to or finding the products they want, generally feel good about the store. Good feelings lead to more purchases, especially if products are presented within a display that shows the potential usefulness of the product for them.

The feedback form can be administered to a customer at regular intervals and is in the form of a survey. Retailers can use this feedback form to ascertain on how many parameters the rating has been good to above average (rating between 3 to 5) and on which parameters, it has been less than average (rating < 3). This feedback form can then be used to provide a mean rating for all the parameters and improve on the ones considered important by the customer.

1) **Customer Value Score (CVS)**

Another way customer feedback can be analysed is by creating a score called the Customer value score (CVS). CVS is useful in comparing various retail outlets based on carefully chosen attributes.

The customer value score is obtained by multiplying the performance rating with the weightage, i.e.

Where CVS=Customer value score

W = weightage assigned to the attributes

P = Performance rating on each of the attributes

The formula is explained through an example described below:-

Category/Factor	Weightage (W)	Performance (1-5) (P)			Value Score (WxP)		
		A	B	C	A	B	C
Merchandising	60	3	5	4	180	300	240
In-store convenience	10	3	3	4	30	30	40
Atmosphere	10	4	3	2	40	30	20
Personnel	20	4	4.5	5	80	90	100
Total	**100**				**330**	**450**	**400**

Consider three retail stores: A, B and C. Four attributes have been considered, and the feedback of the customers on each of the attributes and for each store is shown on a scale of 1 to 5, where 1 denotes poor and five denotes excellent.

Also, based on past research for Indian retail customers, factor merchandising has been given a weightage of 60, while in-store convenience and atmosphere have been given a weightage of 10 each. Personnel have been given a weight of 20.

Thus three, in the case of retailer A, the rating on factor merchandising is 3, and weightage is 60; hence, the CVS is 60 × 3 =180. From the customer value score, one can easily infer that retailer B has the best score of 450, followed by C at 400 and then A at 330. In other words, as a whole retailer, B has managed the performance of the attributes in the order of importance to the customer in the best possible way. However, individually considering the attributes separately, Retailer B has been the best in factor merchandising.

Retailer C has been the best in in-store convenience and personnel while A is best in the atmosphere.

Businesses need to keep in touch with customer change and reality. Retailers are also using online social media to obtain feedback from their customers. Facebook and Twitter are emerging as online solid strong online mediums for expressing customer experiences. Cafe Coffee Day (CCD) has nearly a million fans on Facebook. It uses them as a megaphone to tell what their customers are thinking, their interests, and what they are talking about. CCD based on, based on Facebook feedback, recently changed its product offer. The chain replaced a dessert and added chocolates to its menu. CCD is quite closely connected to what the customer wants and when. They have optimised the use of online social media in driving this change.

Self-Assessment Activity

Choose any retail store that you may have recently visited. Evaluate its performance on a scale of 1 to 10 while maintaining the identical weightage scores. What is its value score, and how does it compare with Store A above?

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2) **Net Promoter Score**

Another handy metric for understanding and measuring customer feedback is Net Promoter score. The Net Promoter Score is obtained by asking customers a single question on a 0 to 10 rating scale, where ten is "extremely likely" and 0 is "not at all likely": "How likely is it that you would recommend our company to a friend or colleague?" Based on their responses, customers are categorised into one of three groups: Promoters (9–10 rating), Passives (7–8 rating), and Detractors (0–6 rating). The percentage of Detractors is then subtracted from the allocation of Promoters to obtain a Net Promoter score (NPS). NPS can be as low as –100 (everybody is a detractor) or as high as +100 (everybody is a promoter). The NPS is not a percentage, but some people wrongly put a "%" sign after it instead of correctly using "+" or "–" to show the result. A positive NPS (i.e., higher than zero) is felt to be good, and an NPS of +50 is excellent.

With more than 8,000 locations in 145 countries, the Hertz Corporation ranks as the most prominent world's largest public use car rental company. Hertz obtains customer feedback through surveys sent to a random sample of customers via e-mail and in response to an invitation that appears on the back of customer invoices. Response rates are high, partly because the surveys are limited to four questions, including one that pertains to the customer's overall level of satisfaction with Hertz and their likelihood to recommend the company. Customers also have the option to provide brief comments about their experience. "The comments are what you use to drive some difference in the service you're providing and to drive change and innovation," says Dickerson... "You have to use NPS as a tracking mechanism, but you also have to get direct customer feedback to get down to the root cause analysis in fixing a problem," he says.

For Hertz, customer feedback becomes a way of identifying where the company needs to assess its quality management methods in the field and administratively. This, in turn, means that the area managers must pay close attention to customer feedback. This requires them to flag customer comments with e-mail to station managers so that they can take immediate action to resolve any problems that arise. Words are sorted into various categories, including service, bussing, car cleanliness and line wait, and rolled up so management can identify trends and monitor improvement. essential more significant Positive and negative comments are important; the bigger benefit lies in the ability to respond to customer feedback to foster customer loyalty and retention. Customers like to know that their voices are being heard and that action is being taken

7.6 CUSTOMER INTERACTION MANAGEMENT

Customer interaction means how a business deals with its customers during the process of purchasing products/services; it includes all modes and channels which are used before the purchase and after the sale of products/services. Customer interaction is a dominant factor in marketing strategies because it's the interaction with customers which diverts customer's expectations and perceptions towards retention and loyalty of customers.

7.6.1 Meaning

When a business manages its customer interaction with specific tools or systems to achieve business goals, it is known as customer interaction management. It is essential to manage customer interaction with . Itmakesthe utmost care because it creates a comfortable experience for customers, which eventually creates value for the business. Customer interaction management refers to a type of business application system that is responsible for managing interactions with its customers. Generally, a customer interaction application will be deployed in a call centre and used by the executives while they communicate with the organisation's customers. But presently, there is cut-throat competition, and the customer is the king of the market. Every business tries to manage customer interaction to retain customers for fruitful results. Customer interaction management systems handle communication across multiple documents channels such as e-mail, SMS, telephone, scanned documents, etc.

7.6.2 Benefits

By managing customer interaction, a business can gain the following advantages:

I) It allows businesses to handle customer's complaints meaningfully.

II) It helps create allows create practical experiences, which helps generate value.

III) It helps achieve business goals such as reducing cost, increasing sales, including customers, creating value, etc.

IV) It helps businesses to treat the customers as they want to be treated.

V) It helps businesses frame policies and create marketing strategies.

There are a growing number of channels by which a company can interact with its customers to get their feedback. These are categorised broadly categorized into five categories based on the balance of physical or virtual contact. These include:

1) Salesforce, including field account management, service, and personal representation;
2) Outlets, including retail branches, stores, depots, and kiosks;
3) Telephone, including traditional telephone, facsimile, telex, and call centre contact;
4) e-commerce, including e-mail, the Internet, and interactive digital television; and
5) m-commerce includes mobile telephony, short message and text messaging, wireless application protocol, and 3G mobile services.

Some channels are now being combined to maximize commercial exposure and return. In addition to integrating customer feedback from across all customer channels and touchpoints, companies must incorporate feedback from across all of the different lines of business with which any given customer interacts and transacts through a CRM system. Otherwise, it becomes impossible to create a unified view of an individual's experience with the company, let alone determine their lifetime value.

Building customer relationships is a much different activity from merely traditionally servicing customers. The total customer relationship is simply the means, according to this view; optimising customer value is the end, achievable by leveraging all the components of the entire customer relationship.

Customers expect their merchants to recall them from previous interchanges. Therefore, a company must coordinate and manage all customer interactions consistently and seamlessly across all contacts, activities, and communication channels. Most Fortune 100 companies are working to improve their customer interaction experience by leveraging state-of the-art technologies that use knowledge to achieve expanded personal and targeted customer sessions.

Managing integrated channels relies on upholding the same high standards across multiple, different media. Having established a set of standards for each channel that defines an outstanding customer experience for that channel, the organisation can then work to integrate the media.

This, in turn, requires a tremendous amount of information to be managed effectively and presented to the appropriate service employee at the right time. For example, in a call centre, the objective is never to say, "I'll get back to you with that information". The required information should be available to the agent so that the agent can resolve the customer's problem on the first call.

If any retailer cannot adequately respond to the above, they may need to study the state of their customer-facing activities and identify the mission-critical information that supports their application, as shown below: -

1) ***Customer-facing Interaction Point Analysis*** - Confirm customer interaction points and types: sales cycle calls, customer invoicing, service, support, advertising and associate costs and revenue with each. This analysis will identify customer-facing interactions that help by leading to additional sales and upgrades and those that damage, for example, product returns, complaints, and write-offs.

2) ***Customer Information Point Analysis*** - Identify mission-critical information in support of all customer interaction points and types. This includes all structured and unstructured information/documents in explicit and implicit form.

7.7 CUSTOMER EXPERIENCE MANAGEMENT

Customer is defined as "one who frequents any place of sale for the sake of purchasing" and "a person with whom one has dealings". Experience is defined as "the events that have taken place within the knowledge of an individual, a community, humanity at large, either during a particular period or generally. "

Customer experience is the combination of all the experiences with a customer receives during the purchase of products or services from the supplier. Customer experience includes; awareness, interaction, investment, services, use, advocacy, etc. Every customer receives some experience that may be positive or negative when he purchases something.

Thompson and Kolsky say that "an experience is the total of conscious events. As such, a supplier cannot avoid creating an experience every time it interacts with a customer" (2004).

To create a better customer experience, it is essential to understand customers' views, what they want, where they want, and how they want. Without understanding the customer's viewpoints, no organisation can create a a better or sweeter customer experience.

In short, customer experience means a customer journey which makes the customer feel happy, satisfied, and justified, with a sense of being respected, served and cared for, according to their expectation or standard, starting from first contact and through the whole relationship.

Customer Experience Management

Presently prominent increases customer experience plays a significant role in the success of any business because better customer experience not only increases the sales volume of a company but also helps the company to form marketing strategies according to the needs of the customers, which ultimately increases its market share as well as profit. Customer experience management (CEM) aims to move customers from satisfied to loyal and then from dedicated to advocate.

According to Bernd Schmitt, "Customer Experience Management' represents the discipline, methodology and process used to comprehensively manage a customer's cross-channel exposure, interaction and transaction with a company, product, brand or service.

An effective CEM system should involve the customer, integrate the customer's voice into processes and employee activities, and be dynamic. By focusing on customers' experiences and how those experiences affect Behavior, CEM examines both the quality of the company's execution and the efficiency of the result. It aligns customer needs with the company's ability to fulfil those needs, leading to mutually beneficial business relationships and that both parties — company and customer— are motivated to improve.

The result is that there are now more services and products available than ever in the past, yet customer satisfaction is on a downward slide. Customer Experience Management can help reverse that slide by providing efficient business tools that make the interactions between companies and customers more rewarding. This discussion offers a broad-based overview of the various domains (e.g., Brand, Price, Promotion, Supply Chain Management, Location, Advertising, Packaging & labelling, Service Mix and Atmosphere) of the retail customer experience and, in turn, provides a research catalyst for a plethora of essential retailing issues.

7.8 CUSTOMER LOYALTY

Loyal customers are undoubtedly a valuable business asset. Retaining a customer in a business is more cost-effective than attracting new customers. Existing customers know the business, and the business also knows them very well and can provide customised services to them with less effort. Hence, it becomes imperative for companies to achieve customer loyalty. Customer loyalty denotes the behaviour of repeat customers, spreading favourable word of mouth publicity regarding a product or a service. In the process, they bring more customers into the business and help it expand the customer base. It is not very common for a business to get loyal customers without paying for it. The companies have to earn their customers loyalty. These efforts can be described as a process or a programme to delight customers. Customer loyalty can be said to be a summation of feelings and attitudes that persuade the customers to consider the repurchase of a particular product, service or brand or revisit a specific business.

The dominant key to a business's success is having many loyal customers. They do not only extend their loyalty to that particular product or service but also to the whole portfolio of the business products and services.

Now the question is, how can a business earn customer loyalty? Customer loyalty can be made by offering a quality product with a firm guarantee. Besides product quality, there are other ways to achieve customers' faith: free offers, coupons, extended warranties, rebates, etc. All these offers make them happy, and they return to purchase again and persuade others to make purchases, which in turn bring profitability to the business.

In retail stores like Big Bazar, N. Mart, Reliance Fresh, Tata Croma, etc., these efforts are quite commonly seen. Buy-one-get-one-free programs are top-rated. Besides, excellent customer service is another crucial element in gaining customers' loyalty. For instance, leather bags bought from one store, say, Shopper stop in Ansal Plaza Delhi, can be exchanged at any of its stores located in any of its branches in any corner of the globe.

As shown in this picture, one loyal customers brings thousands of customers in the business directly or indirectly. This is a free of cost service rendered by the loyal customers to the business which brings considerable profitability.

Activity Elements \ Media	**In-store**	**Catalogue**	**Cable TV**	**Internet**	**Telephone**
Typical Examples	Shoppers Stop, Pantaloons	Benetton	Tata Sky	Amazon.com, Bazee.com	Country Club Resort Selling
Means of Mediation	Brick and Mortar Environment	Paper and Telephone	TV and Telephone	Computer and Internet	Telephone
Customer Interface	Face to Face	Remote, Print and Voice Response only	Remote, Print and Voice Response only	Remote, Print and Voice Response only	Remote voice only
Product Presentation	Three Dimensional Displays	Photograph and Text	Television Image and demonstration	Compute Images, Photographs	Telephone products

Specific other incentives used by retail stores to earn customer loyalty are as follows:

i) Keeping in touch with customers through emails, SMSs, thank you cards, etc., on a regular basis.

ii) Training the staff to treat customers in a way they long for.

iii) Showing genuine concern towards the likes and dislikes of the customers

iv) Reward customers for choosing their product rather than their competitors' product.

In short, businesses build customer loyalty by treating customers how they want to be treated. For this, marketing plans should include strategies and tactics for customer loyalty and retention. A detailed discussion on customer loyalty and the strategy to earn it is given in Unit 7.

7.9 LET US SUM UP

Businesses must focus on creating value for the customers if they wish to enjoy the taste of success. Customer value generation means making products desired by the customers and providing services that customers find consistently useful. This is possible only when the business properly understands the customers' needs, called expectations, and encourages product and process innovation.

The businesses need to know what information customers already have regarding product/services and also about the company because this virtually creates customers' expectations and perception. Customer interaction is a dominant factor in marketing strategies because it's the interaction with customers which diverts customer's expectations and perceptions towards retention and loyalty of customers. Customer experience plays a prominent increase large role in the success of any business because better customer experience not only increases the sales volume of a company but also helps the company to form marketing strategies according to the needs of the customers, which ultimately increases its market share as well as profit.

Loyal customers are undoubtedly a valuable business asset. Retaining a customer in a business is more cost-effective than attracting new customers. Existing customers know the business, and the business also knows them very well and can provide customised services to them with less effort.

Key Learnings:

1. **Customer Value Generation:**
   - Businesses must create products and services that customers desire.
   - Consistently useful services contribute to customer value.
2. **Understanding Customer Needs:**
   - Businesses must understand customers' expectations to cater to their needs effectively.
   - Encouraging innovation in products and processes is crucial.
3. **Information and Perception:**
   - Businesses need to be aware of the information customers possess about their products/services and the company.
   - This information shapes customers' expectations and perceptions.
4. **Customer Interaction:**
   - Interacting with customers is vital for shaping their expectations and perceptions.
   - Effective interaction can lead to customer retention and loyalty.
5. **Customer Experience:**
   - A significant factor in business success is providing a superior customer experience.
   - Enhanced customer experience can boost sales, inform marketing strategies, increase market share, and improve profits.
6. **Loyal Customers:**
   - Retaining existing customers is more cost-effective than acquiring new ones.

- Existing customers offer the advantage of familiarity, enabling businesses to provide customised services with less effort.
- Loyal customers are an asset to any business.

7.10 KEYWORDS

Value Generation: Making products that the customers desire and providing services that customers find consistently useful

Knowledge Management: It is a range of strategies and practices used in an organisation to identify, create, represent, distribute, and enable the adoption of insights and experiences.

Loyal Customers: Customers who stay with the business and feel good about the business. They bring more customers to the company by mouth publicity.

7.11 TERMINAL QUESTIONS

1) Explain the customer value generation process.
2) How will you segment customers? Apply the concepts from the unit.
3) Explain the role of appropriate customer feedback in the customer value generation process.
4) How can customer knowledge be used to understand customer value?
5) "To manage customer interaction is important for business to stay in the market". Comment.

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