GETTING CUSTOMER LOYALTY BY DESIGNING SUCCESSFUL RELATIONSHIP PROGRAMS

In today's highly competitive environment, companies focus on maintaining their strategic positions on the market. Not only must they recognise the forces at play, they also need to understand what decisions will enable them to survive and thrive. Regardless the industry – banking, insurance, telecommunications or other – same question applies: how should companies position themselves in the value chain and against competitors to ensure the creation of sustainable growth?

Moving from a customer acquisition strategy towards a customer retention one might be the key success factor. Customer churn rates are higher than ever, and businesses haven't figured out how to stop the bleeding. Loyalty experts agree it is more cost effective to retain customers than to acquire them. In a landscape of similar products and global competition, cutting down on defection - or churn - and building loyalty can be a significant way to grow business.

Past research showed that by combining the abilities to respond directly to customer requests and to provide the customer with a highly interactive, customized experience, companies have a greater ability today to establish, nurture and sustain long-term relationships than ever before [1], [2].

TOWARDS A MORE EFFECTIVE CUSTOMER RELATIONSHIP MANAGEMENT

Modern customer relationship management practices emerged in the 1980’s and 1990’s when companies became increasingly compelled to focus on client retention issues. This was driven by ever growing demands from customers willing to jump to another ship if the enterprise did not deliver on its promises. In the 1990s, a more personalized marketing emerged to provide a customized offering to a very specific target audience. Enterprises developed complex databases in a bid to gather useful information about their customers. The two core objectives were to create accurate client segments and to provide pertinent data in order to meet client’s need.
The impetus for an increasing interest in the customer relationship management came from Reichheld[3] who demonstrated dramatic increase in profits from small increases in customer retention rates. His studies showed that as little as a 5% increase in retention had impacts as high as 95% on the net present value delivered by customers. Further studies showed that repeat customers generate over twice as much gross income as new customers. The considerable improvements in technology and innovation in the products, related to the customer relationship management, have made much easier to deliver on the promise of greater profitability from reduced customer churn.

In the early 2000s more sophisticated Information and Communication Technologies saw the arrival of new channels such as the Internet and mobile, telephony to handle the customer relationship. It was as a result of this that multi-channel customer relationship management emerged to integrate these new contact ways in a coherent approach.

The key objective then of multi-channel customer relationship management is to optimize the contact opportunities and improve the response to the client demands. Essentially, this means enabling the company to design a successful retention strategy.

While customer contact through direct e-mail or some web-interface is a useful component of customer relationship management, it is more of a technique, than a program itself. Relationships are not built and sustained with direct e-mails themselves, but rather through the types of programs that are available for which e-mail may be a delivery mechanism. Let us take a closer look to the concept of relationship programs.

**Relationship Programs: a Framework for designing the Right Customer Approach**

Extensive research in the field [4] showed that the overall goal of relationship programs is to deliver a higher level of customer satisfaction than competing firms deliver. From this research, marketers today realize that customers match realizations and expectations of product/offer performance, and that it is critical to them to deliver such performance at higher and higher levels as expectations increase due to competition, marketing communications, and changing customer needs.

A comprehensive set of components defining the right customer approach in a relationship program is shown in the Exhibit: 1

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**Exhibit 1: Major Components Defining the Right Customer Approach**

As we see in order to design an effective relationship program, it is essential to adopt the right product mix and push it through the right communication channel at the right time. In order to better determine what relationship program has to be designed for a specific customer, let us take a closer look to the customer life-cycle.
Customer Life-Cycle as a Valuable Insight for Designing the Company’s Relationship Program

In customer relationship management, customer life cycle is a term used to describe the progression of steps a customer goes through when considering, purchasing, using, and maintaining loyalty to a product or service. Marketing analysts Jim Sterne and Matt Cutler have developed a matrix that breaks the customer life cycle into five distinct steps: reach, acquisition, conversion, retention, and loyalty. In other terms, this means getting a potential customer's attention, teaching them what you have to offer, turning them into a paying customer, and then keeping them as a loyal customer whose satisfaction with the product or service urges other customers to join the cycle. The customer life cycle is often depicted by an ellipse, representing the fact that customer retention truly is a cycle and the goal of effective customer relationship management is to get the customer to move through the cycle again and again.

Decision-makers and marketing professionals make use of this concept in order to define important mile-stones in their relationship program definition. The idea is to map customer’s expectations evolution in time and their impact on loyalty. Afterwards, retention offers and loyalty actions should be undertaken by the company – in a pro-active or reactive way – so that to keep customer locked in.

Exhibit 2 illustrates such an approach:

Exhibit 2: Relationship Program definition following the Customer Life-Cycle

The definition of the customer life-cycle, usually quite specific to every enterprise, should focus upon the creation of and delivery of lifetime value to the customer i.e. looks at the products or services that customers need throughout their lives. It is marketing orientated rather than product orientated, and embodies the marketing concept for a more effective customer relationship management.

CONCLUSION

In the present competitive environment, enterprises need to retain existing high-value customers to remain competitive. In an attempt to increase customer loyalty, marketers now use numerous programmatic techniques. Arguably the best-known customer loyalty program in existence is the frequent traveler program. Pioneered by major airlines, frequent traveler/frequent buyer programs now abound. Hotels and rental car companies have them, while major restaurants participate in them. Some credit card companies turn them into "Membership Miles" (for example, American Express) or other kinds of frequent purchase rewards programs. But mistakes are possible and the induced costs can be quite important.

In order to avoid all these mismatches, a framework for designing an effective relationship program has been presented in this article. In the matter of fact, the concept of
customer life-cycle is extremely constructive in building a relationship program upon the creation of and delivery of lifetime value to the customer.

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Ключові слова: стратегічні позиції, лояльність, життєвий цикл, збереження клієнтів

Ключевые слова: стратегические позиции, лояльность, жизненный цикл, сохранение клиентов.

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РЕЗЕРВЫ ТЕХНИЧЕСКОГО ПЕРЕВООРУЖЕНИЯ ЭНЕРГОЕМКИХ ПРЕДПРИЯТИЙ ГОРНО-МЕТАЛЛУРГИЧЕСКОГО КОМПЛЕКСА ДОНБАССА

Катаев О. О. Резервы технического переоснащения энергоемких предприятий горно-металлургического комплекса Донбасса. Виконано аналіз і порівняння техніко-економічних показників планів технічного переоснащення передових акціонерних компаній України з показниками передових підприємств Росії та Євросоюзу. Діючі та нові програми (плани технічного переоснащення) не забезпечують конкурентних переваг в частині матеріало-енергоємності та інвестиційної привабливості. Потрібні нові покоління технологій, сучасні ефективні схеми енерготехнологічного комбінування та кооперації виробничих і комунальних побутових потреб містоутворюючих підприємств.

Катаев А. А. Резервы технического перевооружения энергоемких предприятий горно-металлургического комплекса Донбасса. Выполнен анализ и сравнение технико-экономических показателей планов технического переоснащения передовых акционерных компаний Украины с показателями передовых предприятий России и Евросоюза. Действующие и новые программы (плани технического переоснащения) не обеспечивают конкурентных преимуществ в части материало-энергоемкости и инвестиционной привлекательности. Нужны новые поколения технологий, современные эффективные схемы энерготехнологического комбинирования и кооперации производственных и коммунальных бытовых нужд градообразующих предприятий.

Kataev AA Reserves technical upgrading of energy-intensive mining and metallurgical complex of Donbass. The analysis and comparison of technical and economic performance plans technical reequipment of advanced joint-panies Ukraine with indicators of advanced enterprises in Russia and EU. Existing and new programs (technical reequipment