The royalty of loyalty: CRM, quality and retention

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Abstract
Purpose – The purpose of the study is to examine and develop a better understanding of triangle relationship between quality, customer relationship management (CRM) and customer loyalty (CL) which might lead to companies' competitiveness (CC).
Design/methodology/approach – A research model (5Qs) was designed to measure satisfaction and loyalty. This model is based on two conditions: the customer database and CRM strategy are well structured; and that management control systems have the capacity to produce required data for the analysis.
Findings – Changing in quality over time within various segments or related to specific products or categories of products/services can be used as an indicator the level of loyalty. By linking infrastructure, interaction and atmosphere indicators to the quality of object and processes, researchers and managers can document which changes in CRM strategy improve the overall satisfaction and loyalty, hence the ultimate outcomes.
Practical implications – Key ways to build a strong competitive position are through customer relationship management (CRM) and product/service quality. A company has to create customer relationships that deliver value beyond the provided by the core products. This involves added tangible and intangible elements to the core products thus creating and enhancing the "product surrounding". One necessary expecting result of the creation of value added is customer loyalty. This is an important function to ensure the fulfilment of given customer requirements and companies profits, survival and competitive positioning.
Originality/value – In this study a new technical-functional 5 qualities model (5Qs) is created and utilized to measure the quality and loyalty. The paper suggests how to incorporate the infrastructure, interaction and atmosphere indicators into the quality of object and processes to identify changes and improvement in CRM strategies.

Keywords Customer loyalty, Customer relations, Relationship marketing, Competitive advantage

Paper type Research paper

Introduction

Competition will undoubtedly continue to be a more significant factor. Finding a place in this heating sun becomes vital to the long-range profitability and ultimate survival of the company. Those companies that are not considering the new atmosphere to build and protect their competitive position will likely become victims of that heating sun.

According to Porter (1980), there are two generic ways of establishing a competitive advantage, the low-cost supplier or by differentiating the offer in a unique and valuable way. Every company has to consider how to enter a market and then build and protect its competitive position. They are forced to find a new basis for competition and they have to improve the quality of their products/services. Customer loyalty is one way to create a competitive advantage.

Evaluation of the relationship between quality, CRM and customer loyalty requires an understanding and examination of the elements of quality relative to the operations strategy (Asser, 1990; Zineldin, 1995, 1996, 2000). Improving the intangible attributes of quality is not necessarily achieved by higher resource spending. It is likely that the quality may still be perceived as poor because intangible aspects of the service package (of product and services) are not being addressed. Many companies have found themselves in this position with many of their customers.

Quality doesn't improve unless you measure it (Asser, 1990). Customer relationship and quality presents special problems in measurement both at the level of the economy and the level of the operation (business). One way to resolve some of the dilemmas over measurement is to make the link more obvious between the customer loyalty, CRM and quality.

The purpose of the study is to examine and develop a better understanding of triangle relationship between quality, customer relationship management and customer loyalty (CL) which might lead to companies competitiveness (CC). This entails making decisions regarding substantive customer relationship management (CRM) attributes that are known to be important to customers and that relate to product or service performance and availability. It provides also some managerial implications.

Relationship and the added value

Today's marketing is not a function; it is a way of doing business. Marketing is not a new ad campaign or aggressive promotion. Today's marketing has to be all-pervasive, part of everyone's job description, from the receptionists to the board of directors. Marketing is also about how to integrate the customer into the design of the product/service and to design a systematic process for interaction that will create substance

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in relationships. In a competitive world, companies have to work hard to have any added value. They have to work with customers and to discover ways to rum the business more efficiently for themselves and more effectively for the customers.

A company has to create customer relationships that deliver value beyond the provided by the core product. This involves added tangible and intangible elements to the core products thus creating and enhancing the "product surround". Customer delivered value can be defined as the total value offered to a customer less the total cost to the customer. Total customer value can include functional value of the product, service value, emotional value, social value, conditional value, and epistemic value, and image. On the other hand, total customer cost can include monetary price, time, shopping efforts, energy and psychological cost value.

To survive in dynamic marketplaces, companies clearly need to establish strategies that can survive the turbulent changes in the market environment. Building added value is the hard work of basic business. Many companies do their best at figuring out how to provide high quality at low cost. But so do competitors. That is the nature of competition. If there are many others who can do what you do, then you don't have much added value. This dynamic erodes your added value. To protect its added value, a company needs to create and enhance long-term customer relationships (Zineldin, 2000; Grönroos, 2000).

A key question is how can the company develop an effective process for establishing and maintaining the added value and relationship with key consumers? The answer is they have to renew or improve their CRM and RM strategies of by producing and delivering high quality core products and supporting services in a more systematic manner. Those companies with the deepest and strongest customer relationships will stand the best opportunity of retaining the customer's transactions. Many companies are selecting a few key market targets and concentrate on trying to serve them better than competitors.

Companies, therefore, should emphasize deeper penetration of the existing customer data base. CRM is an effective way to maintain customer data base which allows a company to best understand customer's needs – particularly their relationship needs – better than the competitors.

Companies must build strong foundations that will not be blown away in the storm. They won't do that by focusing on advertising and promotions. Rather, they need to gain an understanding of the market structure. Then they must develop long-term customer relationships. Those relationships are more important than low prices, flashy promotions, or even advanced technology. The feedback loop is central to these types of relationships. Changes in the market environment can quickly alter prices and technologies, but close relationships with loyal customers can last a lifetime. Close relationships provide a boost to the added value. The added value creates customer loyalty (Zineldin, 2000, 2005).

Relationship marketing (RM) and customer relationship management (CRM)

During the 1990s, many organizations and consumers experienced great movements and actions. Some key environmental factors provided the setting whereby companies changed their attention and orientation toward marketing and the consumer. Companies have recognized the fact that they must change and restructure their way of establishing and maintaining business relationships. For example, many manufacturers discovered, or more accurately, re-discovered that RM and CRM are invaluable with constantly changing technology and increasing global competition (Galbreath and Rogers, 1999; Valentine, 1999, Zineldin, 2000, 2005).

Most managers and marketers would of course agree that establishing long-term business relationships is about development and survival. To clarify the concept CRM, we need to understand the close relationship marketing and customer relationship marketing. Relationship marketing is a concept reflecting a number of differing themes or perspectives. Some definitions of relationship marketing are:

> Relationship marketing is attracting, maintaining and – in multi-service organizations – enhancing customer relationships (Berry *et al.*, 1983).

Or, according to Christopher *et al.* (1991):

> The relationship marketing concept is emerging as a new focal point, integrating customer service and quality with a market orientation.

Relationship management, however, emphasises the organisation of marketing activities around cross-functional processes as opposed to organisational functions or departments. This results in a stronger link between the internal processes and the needs of customers, and results in higher levels of customer satisfaction.

CRM evolved from business concepts and processes such as relationship marketing and the increased emphasis on improved customer retention through the effective management of customer relationships. Both RM and CRM emphasize that customer retention affects company profitability in that it is more efficient to maintain an existing relationship with a customer than create a new one (Payne *et al.*, 1999; Reichheld, 1996; Zineldin, 2005, 2000).

One good example is CRM strategies implemented by the online dating web sites. According to Smith (2005):

> The application of CRM principles requires an understanding of one-stop shopping, customer tracking analytics and marketing, customer-based call centres, and timely field service. Several online dating companies have developed a customized business strategy based on CRM principles that focus on varying aspects of each customer's desires and budget. This CRM-focus allows these firms to customize "the who" and "the how" in a segmented marketing plan, thus developing a more positive and trusting relationship with their clients . . . One of the most important goals of a web site should be to maximize loyalty, and the long-term value of that customer's purchase.

The idea of linking relationship marketing to CRM is fairly strong and has led others such as Newell (2000) and Zineldin (2005) to explore strategic methods for developing, maintaining or improving customer retention. Another view of CRM is that it is technologically and data mining and database oriented (Sandoe *et al.*, 2001). The increasing use of digital technologies by customers, particularly the internet, is changing what is possible and what is expected in terms of customer management (Peppard, 2000; Tamminga and O'Halloran, 2000). We argue that in reality CRM is a complex combination of business and technological factors, and thus strategies should be formulated accordingly.

CRM is a useful tool in terms of identifying the right customer groups and for helping to decide which customers to last and keep. Clemons (2000) estimates there may be a tenfold difference between the most profitable customers and

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the average. While the idea that an organization cannot have a profitable relationship with all customers and the practice of targeting customers with a differentiated product or service is already widespread in many financial services (Zineldin, 1996, 1995), it is less established in many other business sectors such as manufacturing. One method for identifying customer groups is the notion of distinguishing between transaction and relationship customers. While transaction customers are highly volatile and have little loyalty Relationship customers have far more potential for loyalty as they are often prepared to pay a premium price for a range of reliable goods or services (Newell, 2000). Once relationship customers are recruited they are less likely to defect, provided they continue to receive quality service. Both RM and CRM should be used to identify the potential loyal customer groups and seriously consider the response required.

However, CRM strategies are only effective if they deliver positive outcomes and profit for organizations and competitive value and quality for customer. It is no longer good enough just to argue that an organization is customer focused, but it matters what and how it does.

If the CRM strategy is improving the profitability and increasing the quality of the prodserv (Product and service, according to Zineldin (2000)) with more reasonable price than the competitors, then the organization is clearly on the right path and able to have better and stronger market position.

As CRM reaches into many parts of the business, organizations should adopt a holistic approach (Girishankar, 2000; Zineldin, 2000). For the purpose of this study, we will examine only the interlink between quality, CRM and customer loyalty (CL).

A 5Qs model and the customer relationship management

Today a competitive market position and a good reputation of a company can quickly translate into market share and profit, but that distinction is often earned only through a philosophical commitment to service backed by diligent attention to what customers want and need (Zineldin and Bredenlöw, 2001). In an era when intense competition is being greatly facilitated by technology, the need of providing adequate product/service quality will necessitate that companies have to focus attention on issues of improving, measuring and controlling their product/service quality (Sylvestro *et al.*, 1990).

One way to measure quality is through customer complaints (Chapman *et al.*, 1997) and customer survey. Quality measurement is of particular importance to be considered by all mangers and marketers of high contact services including banking industry. The inputs or delivery system in a supplier is a combination of human resources, locations and equipment. An effective customer database allows a company to understand better customer's needs – particularly their relationship needs – better than the competitors. The customer database will also include data about the current and past attitude, state/trend of customers business, market shares, profitability, etc. The data about customer's needs, attitudes and behaviour enables companies to identify today's key customers, develop CRM with tomorrow's customers, and calculate the revenue the customer generates, and estimate own future investment opportunities.

Customer loyalty and the maintenance of the customer relationship, are in fact dependent on how well a product and service measures up to the customer's original expectations of quality. While Grönroos (2000) divided the total quality of a product/service into technical quality and functional quality. Zineldin (2006) expended technical-functional quality models into framework of five quality dimensions (5Qs) which impacting the satisfaction and loyalty of a customer (5Qs):

- Q1. Quality of object – the technical quality (what customer receives). It measures the core prodserv itself.
- Q2. Quality of processes – the functional quality (how the prodserv provider provides the core prodserv (the technical). It can be used to pinpoint problems in service delivery and to suggest specific solutions.
- Q3. Quality of infrastructure. Measures the basic resources which are needed to perform the prodserv services: the quality of the internal competence and skills, experience, know-how, technology, internal relationships, motivation, attitudes, internal resources and activities, and how these activities are managed, co-operated and co-ordinated.
- Q4. Quality of interaction. Q4 measures the quality of information exchange, financial exchange and social exchange, etc.
- Q5. Quality of atmosphere – the relationship and interaction process between the customer-company are influenced by the quality of the atmosphere in a specific environment where they operate. The atmosphere indicators should be considered very critical and important because of the belief that lack of frankly and friendly atmosphere explains poor quality and less loyalty.

The 5Qs model is more comprehensive and incorporates essential and multidemonical attributes for CRM which are missing in the other models. Such attributes are the infrastructure, atmosphere and the interaction.

Figure 1 illustrates the 5Qs model and its constructs that was used in the project, where the total quality (TQ) of the health care is function of Q1-Q5. The TQ is a f (Q1 + Q2 + Q3 + Q4 + Q5).

Each single quality dimension of the CRM strategy is impacting the level of satisfaction which in turn impacting the loyalty.

By using A TRM philosophy which includes the 5Qs (Zineldin, 2000) and viewing an organization as a collection of interdependent systems and processes, managers can understand how CRM problems occur and can strengthen the organization as a whole. By linking infrastructure, interaction and atmosphere indicators to the quality of object and processes, however, researchers and managers can document which changes in CRM strategy improve the overall satisfaction and loyalty, hence the ultimate outcomes.

The royalty of loyalty

Customer loyalty

Central to organization's relationship management strategy is the ability of that organization to develop and enhance long-term customer relationships and to satisfy its existing customers. The main focus of such organizations is on customer satisfaction (CSAT) and customer loyalty, i.e. retaining customers and generating repeat orders. Indeed,

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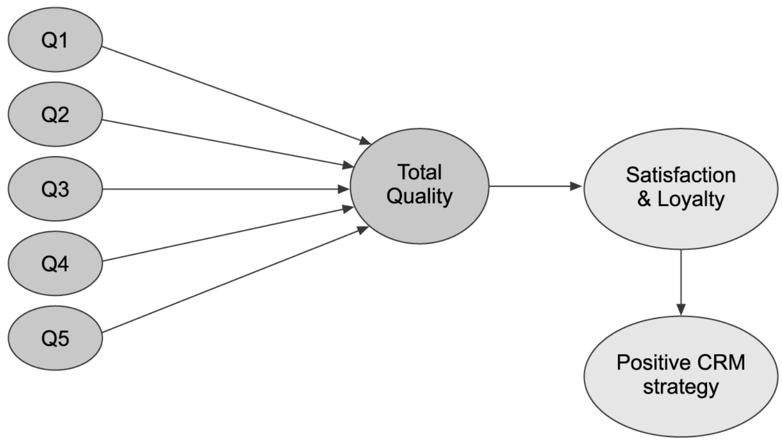
Figure 1 Zineldin's 5Qs: a multidimensional model of quality attributes impacting the level of CRM strategy and loyalty level



there is a positive impact of customer loyalty and retention on company profitability. The issue of customer retention must be seen in the context of the existing level of customer loyalty. Retaining existing customers reduces the necessity of attracting new ones (Replacement) and can even reduce offensive marketing cost.

Although there is no universally agreed definition of customer loyalty (Uncles *et al.*, 2003), customer loyalty can be defined as a commitment to continue do business with a company on an on-going basis. According to Uncles *et al.* (2003), loyalty is something that consumers may exhibit to brands, services, stores, product categories (e.g. cigarettes), and activities (e.g. swimming). Loyalty can be also defined as a state of mind, a set of attitudes, beliefs, desires, etc. A company benefits from customer's loyal behavior, but this results from their state of mind. Loyalty is also a relative state of mind. It precludes loyalty to some other suppliers, but not all of them, as a customer could be loyal to more than one competing supplier. Companies, however, should segment their market by level of profitability and identify groups of customers the company wishes to retain and which are likely to provide the most profitable returns. Reichheld (1996), has identified the following three customer groups:

1. Some customers are inherently predictable and loyal, no matter what company they're doing business with. They simply prefer stable, long-term relationships.
2. Some customers are more profitable than others. They spend more money, pay their bills more promptly, and require less service.
3. Some customers will find your products and services more valuable than those of your competitors. No company can be all things to all people. Your particular strengths will simply fit better with certain customers' needs and opportunities.

Managing customer loyalty and retention is a critical factor of CRM. In many organizations; the question "what can we do to increase customer loyalty?" is a recurring theme at board level. Many large organizations have jointed the select band of companies with tried and tested schemes, while many others are experimenting. Consumer exposure to invitations to join this or that club must have reached on all-time high. But loyalty is not about throwing money into marketing programs, producing magazines, setting up clubs or introducing cards, in the vague hope that loyalty is generated.

Focusing marketing strategy on the existing segments of customer base is referred to as defensive marketing strategy. This strategy permits a company to normally produce most of the required revenue and increase market share without investing in new customers. The basic argument is that the cost of obtaining a new customer exceeds the cost of retaining an existing customer. Investing in new customers can be referred to as offensive marketing strategy. Offensive marketing focuses on obtaining new customers and increasing customers' purchase frequency. The traditional four Ps, i.e. advertising, pricing, sales promotion, and personal selling are main tools in the offensive marketing. Offensive marketing strategy strives to attract competitors' dissatisfied customers while defensive marketing strategy is geared to managing the dissatisfaction among a company's own customers. The business world has become much more aware of defensive marketing in recent years.

RM and CRM are concerned with customer retention and how this can be achieved by creating long-term customer loyalty. In other words, companies are seeking to create committed customers, not customers who are "locked in". A customer who is locked in is a "prisoner" and is unlikely to stay with a company if an alternative supplier makes a satisfactory offer.

Promises and commitment are central concepts in RM and CRM (Grönroos, 2000). The promises made by the seller include the obvious ones that are part of any selling contract, such as product quality, delivery and inventory management, attendant services, and others, but for a long-term relationships they must also cover deeper commitments and higher flexibility to the buyer's success. The promises made by the buyer also must be beyond those of the contractual terms of payment. The buyer's promises much include its commitment, retention and loyalty:

> The first step in managing a loyalty-base business system is finding and acquiring the right customers: customers who will provide steady cash flow and a profitable return on the firm's investment for years to come, customers whose loyalty can be won and kept (Reichheld, 1996).

Thus, switching barriers and customer satisfaction may lead to higher customer retention, higher customer loyalty, lower customer switching costs (search costs, learning costs, emotional costs), higher revenue, and higher profitability.

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Also, long-term loyal customers are accustomed to how a company conducts business and so ask fewer questions and cause fewer problems. This reduces the costs of serving them. All of these positive effects of customer loyalty enhance the lifetime value of the customer.

Relationships are, sometimes, automatic. After satisfied customers have purchased from a company once, next time they have a natural incentive to buy from the same company again, rather from the competition. And that gives the company some added value, but it may not be quite enough. That company can do more. It can actively promote stronger relationships with its customers. And even it if it is not love at the first sight, the company can help turn the first date with a customer into a lifelong romance. Loyal customers often believe they get better service because they are loyal. A company can create loyalty by rewarding it. Loyal customers feel they are rewarded for their loyalty. This has two implications:

1. Loyalty approaches should seek to differentiate the relationship and Prodserv package provided to loyal customers.
2. Ways of giving "special recognition" at the point of customer contact should be used. Every company should have a loyal or frequent-customer program.

The technological advances enable most organizations to treat, cost effectively, the customer as an individual. It is now possible and cost effective to design a loyalty program. The following are some examples:

- Some cellular-phone carriers could give their best customers free weekend and evening calls. Or they could give free or sharply discounted voice mail services.
- Some health clubs could give loyal customers a guest pass and encourage them to bring someone else along.
- Cable TV companies have the ability to give their loyal customers premium services that are currently idle. They could offer loyal customer a movie channel they can view for free.
- Many retailers are now able to identify their customers by name, let alone mange a relationship with them. Retailers are now able to print out a customized set of coupons for each customer, not just according to what they have purchased on that particular visit (which is not full relationship marketing), but according to what they have bought in previous visits, or even according to preferences expressed in a questionnaire.
- Retailers are able to offer specific incentives to customers who buy branded product to buy the own label equivalent, which gives the retailers a much higher profit margin.
- Frequent user incentives. Many companies develop frequent user incentive programs to reward individual consumers who engage in repeat purchases. For example, most major airlines offer a frequent flier program through which customers who have flown a specified number of miles are rewarded with free tickets for additional travel. Supermarket loyalty cards are another popular incentive.
- A loyalty card offers discounts or free merchandise to regular customers. Thus frequent user incentives help foster customer loyalty and relationship to a specific company or group of co-operating companies that provides extra incentives for patronage. Car hire companies, hotels and credit card companies have also used frequent user incentives.
- Trading stamps is one older frequent user incentive. Stamps are dispensed in proportion to the amount of a consumer's purchase and can be accumulated and redeemed for goods. Stamps are attractive to consumers as long as they do not drive up the price of goods/services. Retailers use trading stamps to attract customers to specific stores.
- Point-of-sale (P-O-S) materials include such items as outside signs, windows displays, counter pieces, and display racks. P-O-S materials are designed to increase sales and loyalty. IKEA stores offer interactive monitors on which room layouts and color combinations may be tested prior to purchases. These items, which are often supplied by producers, attract attention, inform customers and encourage retailers to carry particular products.
- With money refunds, consumers submit proofs of purchase and are mailed a specific amount of money. Often, manufacturers demand multiple purchases of the product before a consumer can qualify for a refund.
- Companies could offer recognition and rewards, to their longtime employees. They could give them large discounts off the companies' products.

Loyalty will be developed over time if the parameters for the relationship are planned and implemented correctly. To develop effective acquisition (offensive marketing) and retention (defensive marketing) strategies, organizations need a thorough understanding of the needs, behavior, and profiles of different groups of customers. In short, this is a case of strategic segmentation.

Customer retention

A retention orientation approach requires companies to be responsive to customer concerns by keeping open dialogues with them. This approach involves effective programs for receiving and responding to complaints, active solicitation and analysis of customer satisfaction data, and the development of long-term strategic relationship with customers by evolving to meet their changing needs.

The fundamental issue of this customer retention approach is that when dealing with a customer, a company must consider the lifetime value (LTV) of a satisfied customer, rather than the profit to be gained form any individual transaction. However, lifetime value of customer is not a new concept. It is widely used in consumer goods brand management, where the key calculation is how much to spend to prevent consumers form brand switching. The concept's pedigree comes from direct marketing (in particular mail order), where long-term customer behavior is the key to success, and calculating the difference between costs of acquiring customers and the benefits costs of retention is the norm. Lifetime value arises from future purchases, referrals, and avoiding negative word-of-mouth. Calculating the value of a customer is logically simple – the key is information. The required process is as follows:

- Determine the target (segmentation) customers, e.g. 1,000 customers.
- Identify the annual marketing and sales costs of gaining, managing and maintaining those customers.
- Identify the costs of selling additional Prodserv to them.

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- Identify the revenues that have been generated by those 1,000 customers each year (for a period of two, or five years).
- Subtract costs from the profit to produce a stream of net contribution per year (or over the time period).
- Use discounted cash flow techniques (net present value) to calculate the LTV for those customers.
- Divide the total by the number of customers to find out a per customer value.

Let us deal with the following simple example, to clarify the lifetime value concept. Consider a young person buying her/his first car. That customer has not had much time to build financial strength. The car purchased is likely to be small and inexpensive, and the dealer's profit from selling the car is likely to be small. It is tempting to conclude that this customer is not very important. But, some companies realize that this is not the case. Volvo, for example, builds its product line and plants its service department to enhance customer loyalty and repurchase. The young customer may buy an inexpensive Volvo 360. But after several years of increased earning power, that same customer may buy a medium-priced Volvo 740. Eventually that same customer may buy Volvo's luxury car, Volvo V70. The dealer's profit increase over time, as the customer becomes more established financially.

To determine the current potential value of a customer, base solely on future purchases, one must calculate the net present value of the profit stream represented by the future purchases. Let us suppose that the dealer profit on a Volvo 360 is $500 on average, while the profits on a Volvo 740 and V70 are $1,500 and $3,000, respectively. Assume that repurchase occurs every five years, and that the discount rate is 10 percent. The value of the current purchase of the Volvo 360 is $500, the value of the Volvo 740 purchase (Volvo 740) is $931, and the value of the third purchase (Volvo V70) is $1,157. In this case the total value of the customer, based on future purchases, is $500 + $931 + $1,157 = $2,588, which is more than five times the $500 that the customer is apparently worth, based only on current purchases.

Understanding a customer's value in this light could affect how the customer is treated. If the customer feels mistreated, which is often the case in new car purchases, repurchase from that dealer becomes unlikely. Thus, the sales staff clearly must be motivated to enhance satisfaction as well as immediate sales. One way to do this is to compensate the sales force based both on sales figures and satisfaction with the sales transaction.

The evaluation of customer loyalty and its LTV provides answers to the following questions:

- Should a particular type of customer be retained?
- How much should a company pay to retain customers?
- What methods should be used to develop and enhance relationships with those customers?
- What loyalty programs should be applied?
- How much credit should loyal customers be given?
- What is it worth to the company to reactivate lapsed customers?
- Which customers are profitable now, and how profitable are they?
- Should a company recruit or acquire new customers?
- How much should a company pay to recruit new customers?

The critical aspect for a company is to obtain a balance between efforts to hold on to existing customers and setting out to find new ones. Whilst both objectives have always been in place, the fact of the matter is that the balance of a company's activities and costs, has recently been heavily in favor of attracting new customers.

Complaint management and CRM

The complaint management is very important for the value of a customer and for the CRM strategy. It is essential for companies to welcome complaints, and view them as a second chance to satisfy a customer. Unfortunately, there are many companies that still do not understand the value of intelligent complaint management, and many bad business practices exist. A complaint is a really chance to keep a customer from leaving dissatisfied. If a customer is unhappy but doesn't complain, then the company risks losing that customer, along with the customer's future profit stream.

Recovery of a dissatisfied customer is possible, and the benefits of turning around a complaining customer are dramatic. In some circumstances, 95 percent of complainers will return if the complaint is handled satisfactorily. Companies must also consider the impact of word-of-mouth. A happy customer is likely to tell others that she/he is happy and a dissatisfied customer is likely to tell others that the company is not good. Research indicates that a dissatisfied customer tells an average of 9-10 people about the bad experience, and 13 percent will tell approximately 20 people.

Finally, unresolved important problems allows customers to spread bad word-of-mouth and this may hurt the image of a company. Switches due to unresolved complaints, or poor relationship management and marketing by a company, can and should be avoided. Relationship management and marketing that encourages complaints and ensures that complaints are dealt with well is the best defense against this cause of switching.

Strategies for improving customer retention and loyalty

Satisfied customers are not necessarily always loyal customers. Customers can be satisfied, repeating orders, and also likely to buy from the competitors in the future. The relative value of the product and services in respect of the price paid must be taken into account when assessing customer satisfaction (CAST). Thus, instead of using the traditional CAST survey approach, organizations should move towards the application of customer value management (CVM) methodologies and tools. By such application, can a sustained improvement in customer loyalty, and attendant improvement in business results/competitive positioning over time, be achieved.

The aim of a CVM strategy must be the provision of products and services to customers that are perceived by the customer to be of greater value than they could expect to purchase/receive form the competitors in similar markets.

Customer satisfaction and loyalty are some key elements of business success and profitability. The more satisfied the customer, the more loyal the customer and the more durable the relationship. And the longer this lasts, the more profit the company stands to make and the higher the market share. A comprehensive retention strategy composed of quality,

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strategy and tactical programs must be designed and implemented. The following strategies can be applied by companies to improve the customer retention:

- Measuring customer retention rates over time and by line of business and in each of the business areas. This results of the measurement must then be communicated to the employees.
- Analyzing the root causes of defections. Understanding why customers are leaving the company provides that company with the essential information needed to implement a customer retention program. An effective retention program is likely to increase customer satisfaction and thereby improve customer retention and profitability.
- Focusing attention on the most profitable customers and setting clear targets and measuring results as will as identifying switching barriers.
- Focusing attention on internal marketing and particularly front-line employees to ensure that they are offering product and service quality that consistently meets the requirements of the target market (segment or segments).

As a marketing strategy, companies seek ways to develop ongoing relations with loyal customers in order to ensure repeat transaction and/or ongoing Prodserv supplying (retention). The main advantage to the company of a close and long term relationship is that it knows who its current customers/clients are, what are their needs and wants and, usually, what use they make of the Prodserv offered. This strategy attempts to transform the customers into loyal long-term multiple-product clients.

Discussion and managerial implications

To sum it up so far we can say that a customer loyalty (CL) and competitive positioning, among other things, can be achieved through product/service (prodserv) quality, CRM and differentiation. Positioning means at least at an operational level that the PRODSERV package has to be designed in a special way to reach and to suit the prospects the company is trying to please. This design will no doubt affect customer satisfaction, productivity and efficiency.

The relation between quality, CRM and CL can be measured using different indicators. Overall customer value, satisfaction and loyalty can be measured using the 5Qs model. Changing in quality over time within various segments or related to specific products or categories of products/services can be used as an indicator the level of loyalty. Two conditions are that the customer database and CRM strategy are well structured and that management control systems have the capacity to produce required data for the analysis.

High Prodserv quality maintains the existing customers over long time and attracts a new customer and businesses. CRM enables organisations to provide high quality Prodserv with a reasonable cost relative to the competitors. Evidence suggests that higher quality improves margins by helping to create customer loyalty and a competitive edge, thus increasing market share, which in turn leads to higher profitability and scale economies. Quality and CRM provide a company with opportunities to offer the customer something, which is distinctive, and special need to be exploited.

This study shows that the 5Qs instrument has a useful diagnostic role to play in assessing and monitoring CRM strategies and customer loyalty, enabling the company to identify where improvements are needed from the cusomer' perspective.

- The use of the 5Q dimensions provides both a structure for designing a service quality measurement instrument and a framework for prioritizing results and findings.
- The 5Qs results can be used in a variety of ways: understanding current CRM strategy, prodserv quality; comparing performance across different companies; comparing performance across different parts of the service and assessing the impact of improvement initiatives on the customer loyalty.

The study confirms that CRM is a complex and holistic concept requiring appropriate business processes and integrated systems. In addition, the study demonstrates the relevance of the need for effective system integration, leadership, information sourcing, targeting and evaluation within CRM strategies.

The impact of CRM on CL is real and so are the problems for certain organizations in terms of successful implementation. Thus, there is a great need for additional empirical research within CRM to identify the extent of such issues and for additional insights. This particular research is ongoing and will aim to develop and expand on the issues raised by conducting empirical studies.

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