

Summary

Nowadays database possessing is very important in every kind of organisation, operating in any business. Its administration is influencing all aspects of marketing actions and rises their efficiency. For further development of databases decreasing costs of data gathering and processing is crucial. Low costs of electronic management of contacts and dialogue with clients becomes a very powerful marketing tool.

Advantages of customer databases usage within service entrepreneurs are indisputable. Thanks to databases managers can govern customers relations more efficiently, understand clients, manage servicing and sale processes, introduce efficient marketing campaigns and understand market functioning considerably better.

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LOYALTY PROGRAMMES AND THEIR USAGE AND RESTRICTIONS IN CLIENTS' CONTACTS MANAGEMENT WITHIN SERVICE MARKET

Abstract: The paper is a presentation of modern and traditional ways of contacts with clients management within the service market with particular accent put on managing loyalty programmes- their introduction and conducting. It is also cross-sectional overview on the RM techniques, their usage and reasonability in Polish service market. The paper is divided into three parts. First one concerns different aspects of activities within service market. In this part difficulties and idiosyncrasy of this kind of actions are presented. Marketing evolution, that directly determine existence of loyalty issue, is discussed later on. This part also includes many aspects of traditional - transactional, contacts' management. The third part of the paper is a discussion over loyalty programmes. Some examples of the programmes are presented, but managing this kind of relationships is of the main interest in this part.

Idiosyncrasy of activities within service market

Taking actions in the service's market vary from operating on good market significantly. Taking into consideration the fact that in well developed countries services are one of the most important branches of national economy, it is necessary to look closer to the idiosyncrasy and marketing consequences of operating within this sector.

As mentioned previously, sector of service's industry constantly develop and its importance in national economies increase. The process is resulting from many factors. Changes within social aspects of customers' present life are ones frequently indicated as well as demographical factors (growing old societies) and macroeconomic ones (e.g. globalisation).

Importance of service sector increase because of many reasons. Clients tend to earn more (more women work) so the income of households grow and structures of expenses change. At the same time there are more specialists needed because different kinds of procedures, even every - day life ones, become more sophisticated and require professional help (computers, taxes, law, insurance,

etc). These two are reasons indicated as ones influencing development of services sector most often. It is also worth mentioning that in countries like Poland the sector and its size is also evaluating as a result of changes within structure of employment. Services are one of the areas where former industry workers can find possibility of employment and business activity.

When service's market is discussed it is necessary to acknowledge four features characterising services: intangibility, inseparability, variability and perishability. These four directly influence the way of service offering and the shape of the market. They also affect character of the marketing tools -they were one of the reasons that marketing instruments described as 4 P: product, price, promotion and place, became modified and seven elements was included in services' marketing - mix strategy: product-service, price and costs, promotion and education, place, people, processes, attendance¹.

As mentioned before services are intangible. It means that they cannot be touched and estimated before they are offered. Customers can see results of service provision, not the service before its provided. Any service cannot be separated from its provider and customer. That is what economist call - inseparability.

The other feature is variability that is a direct result of previous peculiarities. Because there is so strong connection between a service, its provider and a customer, services can vary, even if they are based on the same operations. Hairdresser can perform the same type of combing in different ways, depending on customer's expectations, the hairdressers qualifications and for example his/her mood. This feature is one of the premises for service standardisation. It is worth mentioning that within the market companies that offer services highly standardised (e.g. Mc Donald's, Ibis Hotels) success. The surety of constant level of provided services and adequacy of prices are main reasons for a customer to purchase service and to maintenance relationship with a provider.

Services' perishability is the feature that is directly influencing the way of service provision. Services cannot be stored because basically they are consumed at the time they are offered (inseparability -mentioned before).

That features directly affect the way of operating within the service market (table 1)

Table 1. Differences between goods and services provision

FEATURE	GOODS	SERVICES
tangibility	tangible	intangible
ownership of the product	transferred to purchaser	Un-owned
reselling	possible	impossible
storage	possible by sellers and buyers	impossible
production - consumption	production come before consumption	production and consumption at the same time
production -sale- consumption	processes are usually located separately	process can occur at the same place
transport	possible	impossible
customers participation in production process	unnneeded	required
contacts between offerents and clients	generally indirect	hardly ever indirect

Source: based on A.Stys „Marketing uslug”, PWE, Warszawa 2003, p. 37

The characteristic mentioned before is important because it gives a view over the process of services provision. These are consequences of services attributes:

- services can and should be adjusted to the needs of particular customers,

¹ E.g. A.Payne „Marketing uslug”, PWE, Warszawa 1996

- services require standardisation to assure quality level,
- operating within the sector of services require adequate HRM,
- there is necessity for premeditated system of distribution and attendance in the sector,
- there is growing competition in the sector of services' providers.

Marketing evolution

Answering the needs of changing market and customers expectations, it was necessary to introduce new ways of products offering. After times of consumption and investment goods marketing (50s and 60s of 20th century), marketing of non-profit organisations (1970s) and service marketing (1980s) the time for relationship marketing, based on individual attitude towards clients and creation and maintenance of relationship with different kinds of products customers, has come. As it can be observed, relationship marketing is more amplified area of scientists and entrepreneurs interest. The author's intention is not presentation of all kinds of aspects within relationship marketing, not possible to be discussed in one conference paper, but presentation of one of the aspects of the relationship marketing within service marketing - contacts with clients. They are of crucial importance to the process of services' provision, because they are one of the tools that allow to create loyalty among clients while loyalty is one of the elements that is a goal of RM techniques.

As mentioned before contacts with the clients are very important for the organisation. Not only single contacts, but also - and above all - repeated contacts - basing on loyalty programs. Both groups are discussed below.

Single contacts with an organisation are the ones that were in the interest of traditional - transactional marketing.

Transactional marketing is the idea that is based on following assumptions:

- There is no need to continue cooperation with clients,
- All marketing actions should be aimed on clients gaining,
- Offers for the clients should be unique - this way products can be sold,
- There are groups of clients - segments, that can all together be addressees of marketing actions,
- There are sets of marketing mix tools prepared for the specific groups of clients.

Within transactional marketing there is a stress put on needs' satisfaction and realisation of the gain. This approach is based on segmentation and possessing information about clients from polls, interviews and panel research. Promotion and different ways of distribution are aimed on a new consumer - prospect conciliation. In result consumers are exposed to many marketing actions and their purchasing decisions are based mostly on promotional benefits (gratisses, discounts, etc.). Employees responsible for customers relations are concentrated on consumers and actions undertaken by them are mostly operative and refer to information about new offers and complaints management. For organisations transactional marketing is connected with high level of innovations and promotion costs.¹

Transactional marketing is the one discussed in literature most often. When Polish market (including services market) is observed, it can be easily spotted that most of providers provide this kind of actions. They sometimes offer loyalty programmes (that will be discussed later on) but creation of relationship marketing is something much more difficult and demanding. It requires different type of thinking within company and integration of many units within organisation.

Modern marketing - relationship marketing is part of this approach - is based on different attitude towards clients.

¹ based on: K.Mazurek-Łopacińska „Zachowania nabywców jako podstawa strategii marketingowej, PWE, Wrocław 1997.J.Otto „Marketing relacji”, C.H.Beck, Warszawa 2001, p. 27-29

Clients are described as associates involved in relationship with organisations. Some authors (e.g. Levitt, Dwyer, Schurr, Oh) compare that relationship to marriage and some, like Levitt, discuss the moment of initiating contact is a time when „marriage begins”. Levitt, Dwyer, Schurr, Oh indicated five stages in the process of relationship creation: awareness, exploration, expansion, commitment and dissolution.¹

Within this approach clients are treated individually, there is no place for massive segmentation. Customers are individualities, their needs are perceived and satisfied separately. Communities are also reckon as clients of organisation and influencing their welfare is one of the ways to satisfy individuals. To better adjust to the needs of customers special data basis are prepared. Market research are supported by qualitative techniques. Marketing actions are based on relationships with clients and programmes aimed on their maintaining. Individual techniques of products' offering is characteristic for this approach. Traditional ways of promotion and distribution are criticised for their influence on clients. Direct channels of distribution are acknowledged as most adequate as well as systems of individual attendance. Consumers are partners co-operating in rising of services' quality. Client can feel as someone important for organisation by creation of relations among a brand, an enterprise, a product and a client. Long term relations allow to introduce „consumer culture” replacing „product culture”. There are also differences in the area of responsibilities of members of consumer affairs department. They are responsible for multidimensional relations of organisation. As mentioned previously within this kind of approach also partners and communities are target groups. Decisions undertaken within this department are of strategic significance. They don't consider only information and complaints, but also maintaining relations with consumer organisations, and others.²

Introduction of relationship marketing benefit in economical, social and marketing dimensions. Through this way of marketing organisational costs of functioning can be decreased. It is more expensive to possess a new client then to maintain inherent one. Moreover thanks to relationship marketing it is possible to replace rivalry in some areas of the market with cooperation. Increasing contentment of employees and business partners, rising loyalty, positive mouth-to-mouth opinions are marketing benefits of this approach.³

Introduction of one or other form of marketing depends on character of market situation and product features (Table 2).

Table 2. Factors promoting and factors against relational strategies

	Factors against relational strategies
high acquisition costs relative to retention costs	marginal difference between acquisition and retention costs
high exit barriers	low exit barriers
high consumers naiveite	smart, cynical consumers
competitive advantage sustainable	competitive advantage unsustainable
buoyant/expanding market	saturated market
high risk&high salience	low risk&low salience
high emotion	low emotion
requirement for trust and commitment	requirement for trust only
satisfaction beneficial to retention	repeat behaviour strategy beneficial

Source: J.Egan "Relationship Marketing: Across the Retail Spectrum", Middlesex Discussion Papers, 1999

¹ F. Buttle F. „Relationship Marketing. Theory and Practice”, Paul Chapman Publitions, Londyn 1996

² based on: K.Mazurek-Lopacińska „Zachowania nabywców jako podstawa strategii marketingowej, PWE, Wrocław 1997, pp.24-25; J.Otto „Marketing relacji”, C.H.Beck, Warszawa 2001, pp. 27-29

³ E.g. Payne, Buttle, Otto, Furtak

Continuing, traditional marketing strategies are required when market changes rapidly. There are many technological, political and legislative occurrences that hinder demand prescience. Transactional strategies are used when there are many providers, agents in the market and large pressure from competition. Relationship marketing instead is more useful in situations of progressive globalisation, customers are more demanding, there is larger relevance of social factors.¹

Loyalty programmes

Loyalty programmes are one of the ways to manage and maintain consumers' contacts and also one of the key elements of relationship marketing. They are usually introduced to make customers keep buying products of the company. They can occur in different forms like: long-standing consumers' cards, newsletters, consumers' clubs, hot lines, etc.

Introduction of loyalty programmes is based on following assumptions:

- Many consumers expect closer relations with purchased brands
- There are loyal clients who buy particular brands/brand all their lives
- Loyal clients are profitable because they buy more and more frequently
- It is possible to make clients more loyal
- Databases are useful tool in RM.²

Loyalty of consumers depend on many motives:

- Constrained loyalty: monopoly for example;
- Knowledge determined loyalty: based on estimation of products' attractiveness or niche needs;
- Psychologically determined loyalty: high level of satisfaction, niche features, habits;
- Culture determined motives: seeking for companies basing on similar value system, loyalty and sacrifice in culture;
- Social motives: need of membership, positive friends' opinion.³

Customers' loyalty is built by special loyalty programmes based on: service quality, internal marketing and direct communication. The most popular programmes are: loyalty cards, company magazines, hotlines, customer clubs, special events⁴.

Research conducted among Polish entrepreneurs indicated that they usually use bonus programmes, client cards, customer clubs and couponing. Organisation use post, hotlines, www service, SMSes, e-mail most frequently to maintain relations with customers. Personal selling is indicated very rarely. At the same time consumers prefer post and phone contact and are not very keen on e-mail and www pages.⁵

Loyalty programmes are a cost for organisation so their preparation require considered and planned actions.

The RM programmes most frequently are divided depending on advantages for the clients they yield. There are six groups of advantages for the clients that can be provided by loyalty programmes, depending on levels of interactions with providers and cost reduction or advantages increase (Table 3).

¹ based on: K.Mazurek-Lopacińska „Zachowania nabywców”, pp.24-25; J.Otto „Marketing ...”, pp. 27-29

² J.Otto „Programy lojalnościowe z perspektywy polskiego przedsiębiorstwa” in: „Marketing-doświadczenia i perspektywy”- M.Daszowska (red.), part 2, , pp.151-152

³ D.Siemieniako, W.Urban „Definiowanie lojalności klientów” in: „Marketing-doświadczenia i perspektywy” M.Daszowska (red.), part2, pp.169-170

⁴ J.Otto „Marketing” C.H.Beck, Warszawa 2001

⁵ research conducted by Roland Strategy Consultants and Contact Point - J.Otto „Programy lojalnościowe ...pp.151-152

Table 3. RM programmes

		affecting		
		economic ties	social ties	structural ties
increased value for the clients through	Increase of advantages	- added services, - higher quality level, - tactics of customers' loyalty possessing	- quality improvement, - personal contact, - dialogue - organisations' image	- modern and system solutions, - mass customisation, - cross-selling
	client's cost reduction	- lower dues and commissions	- better and quicker attendance	- more efficient distribution system

Source: based on R.Furtak "Marketing partnerski na rynku usług" PWE Warszawa 2003, p. 210-213

Loyalty programmes are introduced according to following steps within three groups of actions: preparation, introduction and realisation of the programme. They include following groups of costs:

1. Preparation:

- concept of programme preparation
- market research
- preparation of infrastructure of programme (e.g. cards, catalogues, leaflets, etc.)
- preparation of the information centre responsible for managing data base of attendees, systems of purchase monitoring, credits granting and rewards disposal

2. Introduction

- employees training
- communication with participants
- promotion of the programme
- premiums selection and purchase
- storage and disposal costs of rewards

3. Realisation

- current service costs
- promotion and communication with participants
- optimisation of current offer
- costs of participants attendance
- security systems.¹

Loyalty programmes are quite popular in Poland. There are many organisations introducing bonus programmes, loyalty cards, etc. But after researching programmes introduced in Polish market the following faults can be estimated:

- premiums are not assorted properly (they are not valuable, adjusted to needs and expectations of target groups, not eligible, not sufficient)
- rules are often not clear enough for participants
- too complex rules of participation (e.g. different ways of credits counting)
- problems with rewards collection
- dates of programmed introduction and finishing are not adjusted properly

¹ A.Gardela „Programy lojalnościowe-moda czy realne korzyści?”, Marketing w praktyce 7/2003, p.51

– not efficient promotion - lack of information.¹

Loyalty programmes are one of the techniques used in modern, relationship marketing. They help to establish and sustain relations with organisation's customers. However it is worth mentioning that this kind of actions are not prepared for large groups of clients. They are adjusted to needs and expectations of selected groups of customers - the most valuable ones. The reason for that is following - loyalty programmes are very expensive and their introduction needs to produce solid revenues. Of course it is also necessary to recognise them as long form of term commitment and involvement with customer.

The other thing worth mentioning and consideration is the fact that some organisation and their activities do not require RM introduction and it could be just useless cost for them, what was also discussed in the paper.

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CUSTOMER SUPPORT SERVICE TRADE-OFF MODELS

Abstract: While cost efficiency will always be a target, logisticians must include the objective of customized logistics service to their brief. The logistics challenge, then, is to provide tailored logistics services cost effectively to customers. Somewhere, therefore, there must lie a trade-off between the level of service offered and the total system costs that will result in an optimal profit situation. The article presents the conditions and examples of customer service trade-off models.

Key words: logistics customer service, trade-off model, distribution

Recently the logistics has translated its functions, concentrated on physical flows, connected with the enterprises, into complex management conception orientated on the final consumers' needs². The primary value of logistics is to accommodate customer requirements in a cost-effective manner. Although most senior managers agree that customer service is important, they sometimes find it extremely difficult to explain what it is and what it does. While common expressions of customer service include "easy to do business with" and "responsive to customers", to develop a full understanding of customer service, a more through framework is required.

Philosophically, customer service represents logistics' role in fulfilling the marketing concept. A customer service program must identify and prioritize all activities required to accommodate

¹ research conducted by A.Śledziński in: J.Otto „Programy lojalnościowe...”, p.154

² S. Brzeziński, Rola wybranych elementów logistycznych w dziedzinie wykorzystania gazu ziemnego w polskiej gospodarce narodowej, [w:] Prace Wydziału Zarządzania Politechniki Częstochowskiej, Seminaria i Konferencje nr 6, V Międzynarodowa Konferencja Naukowa Ustroń 2001, Częstochowa 2001, p. 65