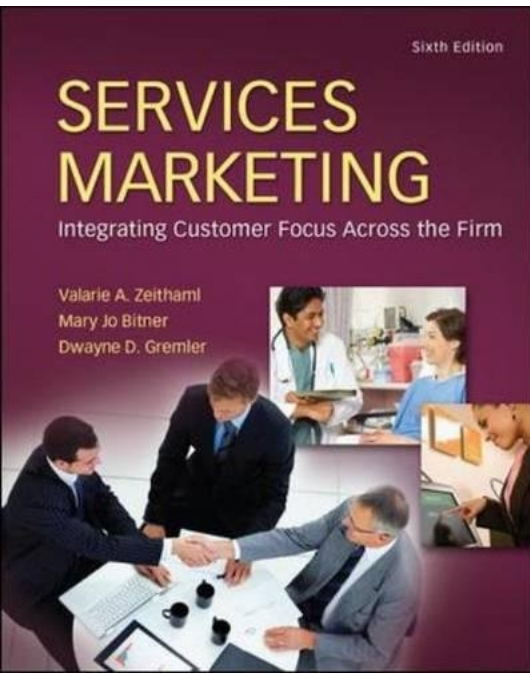


# Services Marketing

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# Building Customers Relationships (Chapter 6)



# Objectives for Chapter 6: Building Customer Relationships

- Explain relationship marketing, its goals, and the benefits of long-term relationships for firms and customers
- Explain why and how to estimate customer lifetime value
- Specify the foundations for successful relationship marketing--quality core services and careful market segmentation
- Provide you with examples of successful customer retention strategies
- Introduce the idea that “the customer isn’t always right”

# Relationship Marketing

- is a philosophy of doing business that focuses on keeping and improving current customers
- does not necessarily emphasize acquiring new customers
- is usually cheaper (for the firm)--to keep a current customer costs less than to attract a new one
- goal = to build and maintain a base of committed customers who are profitable for the organization
- thus, the focus is on the attraction, retention, and enhancement of customer relationships

# Relationship Marketing

- is a philosophy of doing business that focuses on keeping and improving current customers

<http://www.evlad.com>

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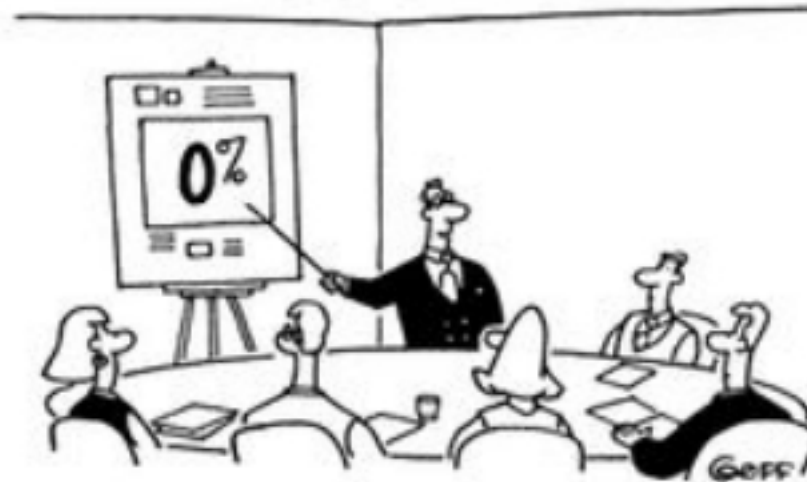


*"...and this remote will help me convince  
you buy our new product!"*

# Relationship Marketing

- does not necessarily emphasize acquiring new customers

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"Our study concludes that this is the percentage of our customers who will buy from us without any effort whatsoever on our part."

# Relationship Marketing

- is usually cheaper (for the firm)--to keep a current customer costs less than to attract a new one



**“Great plan. Could we get some more details?”**

# Relationship Marketing

- goal = to build and maintain a base of committed customers who are profitable for the organization



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# Relationship Marketing

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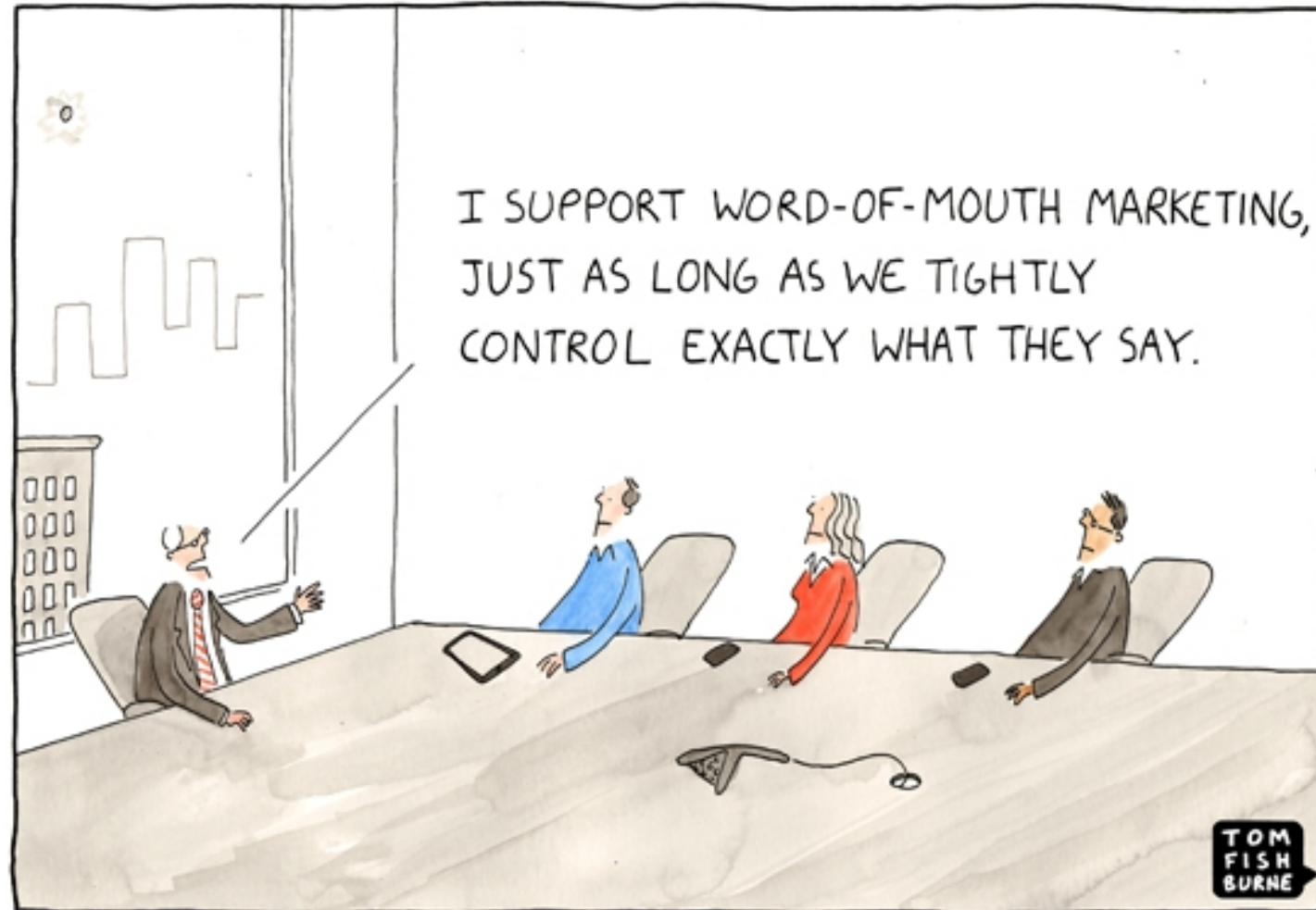
# Lifetime Value of a Customer

- Assumptions
- Income
  - Expected Customer Lifetime
  - Average Revenue (month/year)
  - Other Customers convinced via WOM
  - Employee Loyalty??
- Expenses
  - Costs of Serving Customer Increase??

# Lifetime Value of a Customer



# Lifetime Value of a Customer



TOM  
FISH  
BURNE

# A Loyal Customer is One Who...

- **Shows Behavioral Commitment**
  - buys from only one supplier, even though other options exist
  - increasingly buys more and more from a particular supplier
  - provides constructive feedback/suggestions
- **Exhibits Psychological Commitment**
  - wouldn't consider terminating the relationship--  
psychological commitment
  - has a positive attitude about the supplier
  - says good things about the supplier

# A Loyal Customer is One Who...

*True Customer Loyalty Is More  
than a Loyalty Card*



# Customer Loyalty Exercise

- Think of a service provider you are loyal to.



# Customer Loyalty Exercise

- What do you do (your behaviors, actions, feelings) that indicates you are loyal?



# Customer Loyalty Exercise

- Why are you loyal to this provider?



# Benefits to the Organization of Customer Loyalty

- loyal customers tend to spend more with the organization over time
- on average costs of relationship maintenance are lower than new customer costs
- employee retention is more likely with a stable customer base
- lifetime value of a customer can be very high

# Benefits to the Organization of Customer Loyalty



# Benefits to the Customer

- inherent benefits in getting good value
- economic, social, and continuity benefits
  - contribution to sense of well-being and quality of life and other psychological benefits
  - avoidance of change
  - simplified decision making
  - social support and friendships
  - special deals

# Benefits to the Customer



"Who wants to be satisfied when we can be **AMAZED**. Let's go there."

# “The Customer Isn’t Always Right”

- Not all customers are good relationship customers:
  - wrong segment
  - not profitable in the long term
  - difficult customers

# “The Customer Isn’t Always Right”

- difficult customers

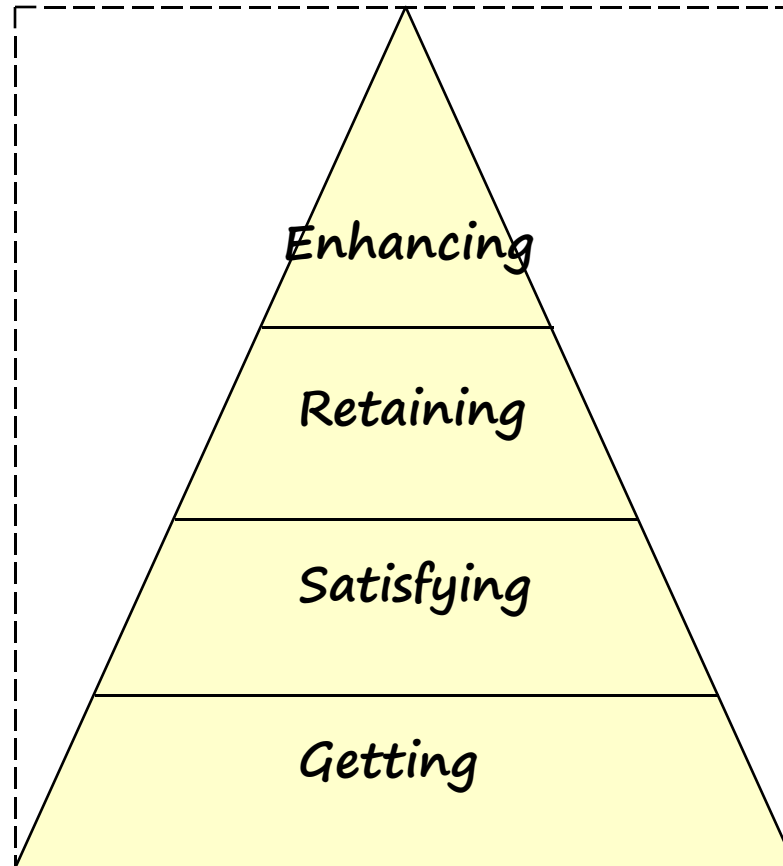


Signs of aggressive behaviour are quite easy to spot  
(Illustration by Anne-Marie Sonneveldt)

# Strategies for Building Relationships

- Foundations:
  - Excellent Quality/Value
  - Careful Segmentation
- Bonding Strategies:
  - Financial Bonds
  - Social & Psychological Bonds
  - Structural Bonds
  - Customization Bonds
- Relationship Strategies Wheel

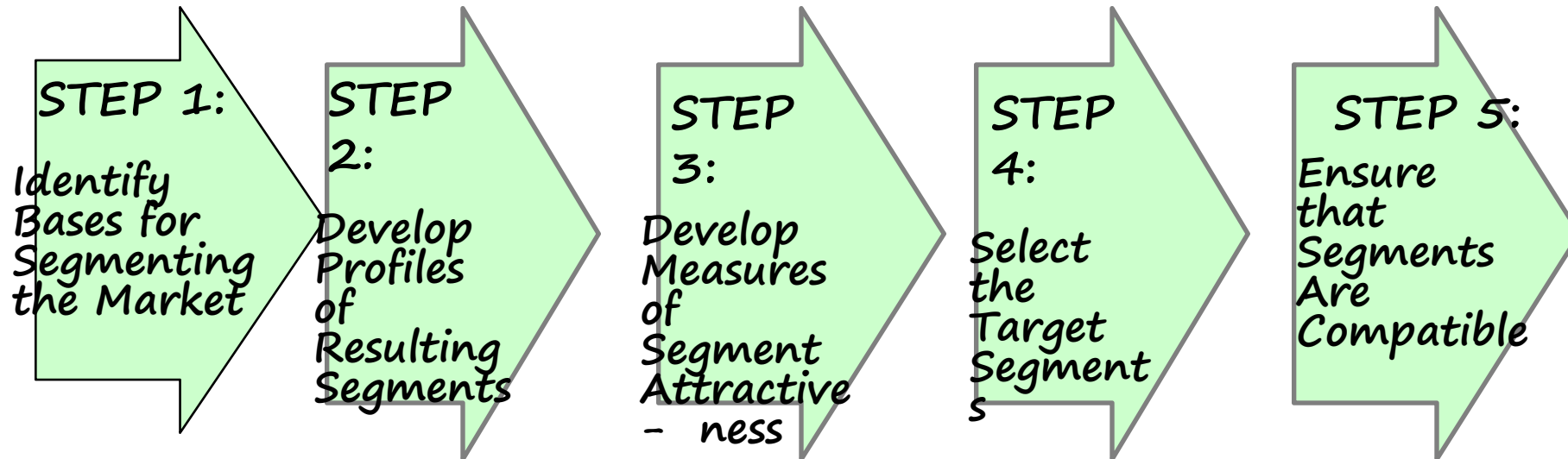
# Customer Goals of Relationship Marketing



# Underlying Logic of Customer Retention Benefits to the Organization



# Steps in Market Segmentation and Targeting for Services



# Levels of Retention Strategies



# References:

- **Textbook:** Zeithaml, Valarie, Mary Jo Bitner, and Dwayne Gremler (2013), **Services Marketing** 6th International Edition, Irwin/McGraw-Hill Publishing. (Other editions will also work, but you are responsible to compare your edition to the 6th - because the syllabus was written for the 6th edition.)
- Printed cases will be provided each week and also will be posted on the Module Intranet page prior to seminars.

**THANK YOU FOR YOUR  
ATTENTION!**



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