Winning Customers Through Service Innovation - CAB WISE

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INTRODUCTION

A key issue which has attracted considerable marketing thinking over the last two decades has been the notion of customer retention. Also, forging long term, cost effective relationships with customers is gaining primacy. The idea of relationship marketing can be seen as a logical extension of the way in which the forces of marketing have changed from the 1980s view that marketing was essentially a business function to the idea that marketing should be an organizational attitude, ethos and culture. One of the most powerful drivers of relationship marketing has been the recognition of the fact that costs of gaining a new customer is often very high. Understandably, the marketing planner needs to ensure that the existing customer base is managed as effectively as possible. The traditional path needs to be shunned. We need to bid goodbye to the philosophy that marketing and selling are a series of transactions and in lieu, think of marketing as being concerned with the management of long term relationships. The box below encapsulates the features of traditional marketing, also known as transaction marketing and relationship marketing, the thrust of the present paper.

Table 1: Transaction Marketing and Relationship Marketing

Transaction Marketing	Relationship Marketing
A Focus On Single Sales.	A Focus On Customer And Building Customer Loyalty.
An Emphasis On Product Features.	An Emphasis Upon Product Benefits That Are Meaningful To The Customer.
Short Timescales.	Long Timescales, Recognizing That Short Term Costs May Be Higher, But So Will Long Term Profits.
Little Emphasis On Customer Retention.	An Emphasis On High Levels Of Service That Are Possibly Tailored To The Individual Customer.
Limited Customer Commitment.	High Customer Commitment.
Moderate Customer Contact.	High Customer Contact, With Each Contact Being Used To Gain Information And Build The Relationship.
Quality Is Essentially The Concern Of Production And No One Else.	Quality Is The Concern Of All, And It Is The Failure To Recognize This That Creates Minor Mistakes Which Lead To Major Problems.

Transaction versus relationship marketing (adapted from Christopher et.al., 1991)

From the above, it is apparent that relationship marketing (or relationship management) communicates the idea that a major goal of a business enterprise is to engage in interactions with customers over the long term. Contemporary marketers realize that once a sale is effected, the organization must stress managing relationships that will bring about additional exchanges. Making a sale should not be seen as the end of the marketing process; it is rather the start of the organization's relationship with the customer which calls for management. The diverse notions about CRM is captured by Frederick Newell in "Why CRM doesn't work" in the following words. "*Some think CRM is a matter of technology. Some still believe it's just a process of segmenting customers. Some think it's a matter of selling efficiency. Many marketers still think CRM is just an advanced stage of database marketing using your customer database to find which customers would be the right ones for a specific product offering. They don't understand that relationship building must start with an understanding of the customer's needs. They talk about 'share of wallet' but fail to realize that you can't get access to the customer's wallet if you don't first have access to the customer's heart and mind.*" (p 4 - 5). According to Goodhue, Wixom and Watson (2002), CRM is any application or initiative designed to help an organization optimize interactions with customers, suppliers, or prospects via one or more touch points for the purpose of acquiring, retaining, or cross-selling customers.

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An important facet of CRM is 'customer selectivity'. Numerous research studies have conclusively shown that not all customers are equally profitable for an individual company.(Storbacka 2000) Moreover, in keeping with Pareto's law, most companies would see that eighty per cent of their sales would be derived from twenty per cent of their customers. Thus, we aver that while all customers should be treated with respect, all of them need not be treated equally. Customers want to do business with organizations that know them, that understand what they want and need, and that continue to fill those wants and needs. CRM is about making sure you have the information you need to do just that. A review of CRM literature readily makes us behold that among other things, CRM is about growing advocates and finding new ways to add value to the customer. Amazon.com is a company that has leveraged high tech to engender the feeling of high touch. Their initiative has served to deepen the relationships with her customers. CRM tools that support Amazon's customer relationship strategy allow Amazon to: Firstly, add value to customer transactions by identifying related items with their "customers who bought this book also bought" feature. Secondly, strengthening relationships by recognizing repeat shoppers and targeting them with gifts and knick knacks.

PERVASIVE CUSTOMER MANAGEMENT APPLICATIONS PROVIDE THREE IMPORTANT BENEFITS TO ORGANIZATIONS

❦**Improved Care Through Individual Treatment:** As customer interactions with organizations are continuously tracked, businesses find that they can answer questions before they are asked. In e-Applications that aggregate communities of users, the community can supply common know how and hands on experience to foster joint problem solving and customer self-service.

❦**Reduced Costs Through Customer Self Service:** A large number of calls placed to customer service representatives are to ask a short and predictable list of questions. User profiles allow enterprises to anticipate customer support needs and prepare answers automatically.

❦**Increased Repeat Buying Through Long-term Customer Relationships:** Significant investments of resources are called for to ensure the proper functioning of customer management applications. In return, for the substantial investment of resources, organizations expect to receive customer loyalty. While today, nearly 60 percent of an organization's business is repeat business, in the days to come, organizations will hope to garner a greater percentage through repeat business as long term dialogue with customers are expected to take place.

RELATIONSHIP MARKETING MYOPIA

Although customer relationship management has an obvious attraction, Piercy (1999) has identified what he terms 'relationship marketing myopia', or the naïve belief that every customer wants to have a relationship with its suppliers. Piercy suggests that customers differ in many important ways in the types of relationships they want to have with different suppliers, and to ignore that reality was an expensive indulgence.

He categorized customers as follows:

❦**Relationship Seekers :** Customers who want a close and long term relationship with suppliers.

❦**Relationship Exploiters:** Customers who will take every free service and offer, but will still move their business elsewhere when they feel like it.

❦**Loyal Buyers:** Those who will give long term loyalty, but who do not want a close relationship.

❦**Arm's Length, Transaction Buyers:** Those who avoid close relationships and move business based on price, technical specification or innovation. Thus, there is a need to recognize that relationship strategies have to be based on the principles of market segmentation and customers' relationship seeking characteristics. To quote Piercy, "*Relationship investment with profitable relationship seekers is good. Relationship investments with exploiters and transactional customers are a waste. The trick is going to be developing different marketing strategies to match different customer relationship needs.*"

PROACTIVE CRM

Practicing CRM calls for a degree of pro-activeness. Disney Corporation does this brilliantly. At their theme parks, they have taken note of the things customers do that cause problems. One example is that a tiny percentage of

customers leave their car running in the parking lot, in their excitement to get in to see Mickey. Even though it is a tiny number of people, Disney knows that they can expect to see this happen. So, their parking lots are patrolled and the staff-switch of the engine, keep the keys safe and even carry spare fuel so that the customer gets home safely. They want nothing to spoil their customers' memory of their trip to Disney. Data gathering, data warehousing and data mining play an important part in CRM. An additional example of proactiveness on the part of business is now provided. Let us assume that data reveals that a particular customer has the habit of calling his bank every other Tuesday at 11 a.m. to check his account balance. The bank can use this pattern of communication to communicate back to the customer. To create a non intrusive interaction with this customer, the bank might call the customer at or around 11 a.m. on Tuesdays to communicate new services or introduce special promotions.

PERILS TO DODGE

A variety of factors preclude the proper implementation of CRM. Patricia Seybold, author of 'Customers.com' and 'The Customer Revolution' has identified some common pitfalls that prevent organizations from deriving the benefits of CRM. Since literature on CRM point to the fact that CRM initiatives very often fail, an awareness of the 'mistakes' that companies make when implementing CRM is instructive. Common pitfalls that endanger CRM initiatives include:

❋ Designing from the inside out.
❋ Neglecting the necessary corporate culture changes.
❋ Focusing on customer acquisition rather than customer retention.
❋ Starting with sales force automation.
❋ Neglecting to streamline decision making information that customers need.
❋ Doing an inadequate job of customer database design.
❋ Postponing the integration of information and business processes across interaction touch points and operational applications.
❋ Avoiding integration of direct and indirect sales and service channels.

MERU: REDEFINING THE 'TAXI' EXPERIENCE

Meru Cabs, operating in four major cities of the country has known and introduced the concept of radio cabs. It has initiated a slew of strategies and invested considerable sums in brand building.

An great number of passengers who avail taxi services today have Meru at the top of their mind. By making the 'taxi' experience more comfortable, safe and reliable in India, Meru has been in a position to obtain rich dividends. In a matter of two years, Meru Cabs has captured the market by storm. However, competition is growing and there is every need for Meru to protect and enhance its market share. In the paper, we outline some strategies to help Meru keep competitors at bay. The company started in a small way in 1998, when Neeraj Gupta started off with a small auto workshop, 'Elite Class' to provide high quality auto maintenance services at affordable prices. The unprecedented success of 'Elite Class' with corporate clients such as Tata Infotech, Blue Dart and Sony, led Gupta to start a passenger transport business under the name 'Travel Link' in 2002. Within a year, the sales increased by a factor of eight. In 2004, Travel Link was rechristened 'V-Link Tours & Travels'. In partnership with private equity firm India Value Fund Advisors, Meru Cabs metered taxi services was launched. The company received an offer letter from Maharashtra government to operate the radio taxis in Mumbai. Initially, the service was limited to Mumbai Metropolitan Region (MMR), but by June 2007, the service started covering the entire city with an increased fleet size. Starting off with mere 46 cabs, the company was successful in registering about 200 cabs within three months of operations. It is common knowledge that the company faced stiff opposition from the conventional black and yellow taxis of Mumbai. The company later made a specific network of business and leisure travelers, thus creating its own brand in the market. Today, it has redefined transport sector backed with 24X7 call centre and with its trained staff of professional drivers (called subscribers by Meru). Gupta even received the Udyog Rattan Award from The Institute of Economic Studies for the high quality of transport services offered by the company.

Presently, Meru operates about 1800 cabs in Mumbai, Hyderabad, Delhi and Bangalore. The company is planning to first consolidate the current operational markets and then introduce similar services in Kolkata, Chandigarh, Chennai and Pune. *Inch by inch, its sure a cinch* is the maxim that the company firmly believes in. The company is not in a tearing hurry to conquer the entire country by storm.

BUILDING THE 'MERU' BRAND

With about 35 per cent of repeat clientele, the company has been recording a staggering growth of 15 per cent in business every month. With the Indian economy on a roll and the demand for taxi services forecasted to grow, the company is aiming to put an additional 4200 cabs in the market in the near term and hopes to be operating about 12,000 cabs by 2011.For building the brand, the company had started various ad campaigns and promotional activities.

THE TAG LINE OF MERU- RELY ON US

❋ **Rely On Us:** Sends out a message of safety and hassle-free ride on board. It released a radio ad campaign of a small boy going all alone in Meru to receive his grandmother from the airport.

❋ **Don't Drink And Drive:** Don't drink and drive promotion to encourage people to call for a Meru instead of drinking and driving. For this promotion, Meru Cabs identified four TGIF (TGI Friday's) pubs and 160 restaurants, where it has placed tent cards and utilized their LCD screens to spread the message. The tent cards carried the message 'If you find this hard to read, it's time to book a Meru cab.'

❋ **Coasters:** In another interesting innovation, colour coding was used on coasters. A customer was given the first drink on a black coaster. The subsequent drinks followed on green, amber and red coasters. The red coaster signified that it's time to call for a cab which comes with the message, 'You do the drinking, we do the driving'.

❋ **Meru's Services Like**: 'Dial-a-Meru','SMS-a-Meru' and 'Meru-on-the-Net' have become very popular to customers and customers can also hail a Meru by the curb-side. All Meru cabs can be tracked from the main control room to determine their geographical location and ensure a quick response and transmit.

EMERGENCY SYSTEM

Emergency security features such as a panic button are installed in the car along with First-Aid kits in case of any accidents or emergency situations.

LOST AND FOUND

Meru also has a 'Lost and Found' tracking system in place so that any item left behind unintentionally in a cab can be traced to the vehicle that the reporting customer has used. Also, it has started a corporate travel programme on a test mode for business clients. The company is constantly looking at various innovative ways to market the product and increase its visibility. Currently, there are various ideas being conceptualized by the marketing department of the company. Hence, we will have to wait and see what will be the next marketing campaign Meru will use to increase the penetration of the concept of radio taxis in India.

SERVICE INNOVATION AT MERU CABS

❋ Meru Cabs launches an alternate payment options for passengers to make the experience more convenient.

❋ Meru Cabs, the first radio cabs company to introduce card payment option in India.

CARD PAYMENT FACILITY AT MERU CABS

Meru Cabs launched their brand new convenient alternative payment facility for their passengers in Bengaluru city and is also planning to introduce the same in other cities. Meru Cabs has tied up with Axis Bank as its merchant to facilitate card transactions in its cabs. Visa and Master Cards debit/credit cards will be accepted for fare payment, thereby making life easier for the Meru passengers. Meru Cabs shall introduce various promotions program to promote payment by cards. Keeping in mind the concept of plastic money, Meru Cabs has launched this feature so as to provide a hassle free service to the passengers.

"We got feedback about the preference for payment through a credit card from consumers. Consumers today prefer the convenience of plastic money over hard cash and often fall short while paying for their fares, making it inconvenient for them as they have to hunt for the nearest ATM machine. By providing credit/debit card facilities in our cab directly, we are confident that our passengers will find it more convenient and hassle-free".

"It is a highly secured application, since the product is almost fully automated. It's inbuilt in the MDT, and the card is swiped in front of the passenger.Bangalore is the first city in India to get card payment service for radio cabs which

hasn't been implemented in any other city in India, Post Bangalore, Meru Cabs shall introduce service in Hyderabad, Mumbai, and Delhi".

"Cities like New York, Boston and Tokyo have the facility of paying by cash or card in the radio cabs. In fact, it is a mandate in these cities for the radio cabs to have a card payment option for the passengers. Their goal is to replicate these revolutionary services in India and offer our passengers a truly comfortable & world-class travel experience."

Meru Cabs has been constantly scaling up its presence in the four cities Mumbai, Delhi, Bangalore and Hyderabad to meet the ever increasing demand of the passengers. Its presence at the airports of the four cities has helped in adding to the international class provided by these airports.

To keep up with the changing times, Meru has been upgrading its technology, which even won them the CNBC Nasscom IT User award for the second year in a row. Recently, the company has implemented an Oracle ERP system, which has been implemented by Accenture.

SOME OF THE OTHER IMPORTANT ISSUES TO LOOK INTO BY MERU CABS

1)Price per kilometer details should be displayed to customers well in advance so that the customer will know about the distance and expected time of arrival.

2)First aid kit should be made available in all cabs.

3)The customer should be covered insurance.

4)Frequent user card.

5)Corporate discounts.

6)Leveraging technology.

7)Training/uniform for drivers.

8)Value added services- TV music.

9)Acting promptly on complaints and other feedback.

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