

## **IDENTIFICATION OF CUSTOMERS AS AN ACTIVITY OF MARKETING RELATIONSHIP**

**Aleksandar Šapić**

Faculty of Business and Industrial Management Belgrade, Serbia

E-mail: [sapicaleksandar@yahoo.com](mailto:sapicaleksandar@yahoo.com)

**Abstract:** The relations with individual consumers are considered in this paper through data and information that are an aggregated expression of characteristics of customers in a particular market. In order to win competitors strategically oriented towards customers, it is necessary to individually discover the identity of each customer. The company will then make different decisions on marketing, sale and distribution, so the essence of customer relationship management is reduced to a different treatment of different customers. Identification of customers is a starting point in building quality relationships with customers in the long run. Well-planned and organized identification of customers is the basis in the model of implementation of customer relationship. Unique system of identification as an approach of customer relationship management changes the competitive position of a company by having a complete insight into finances, operative and communication data on customers.

The aim of this paper, in which basis for identification of customers and building of models of customer relationship implementation are given, is to provide an opportunity for companies to meet factors of buying behaviour and thus create behaviour model in particular market situations.

**Key words:** Identification activity: data collection, sources, data selection.

### **1. INTRODUCTION**

Building the relationships with individual consumers requires making decisions and initiating actions at the level of individual customer, using the data on individual customers from the sum of information that consists of aggregated characteristics of customers in a particular market. In order to divide the competitors with superior strategy oriented towards customers, we firstly need to individually learn about the identity of each customer. The enterprise will then make different decisions on marketing, sale, distribution, etc., and undertake different actions, with respecting different customers, even within the same market or niches. The essence of customer relationship management is precisely the treatment of different customers differently.

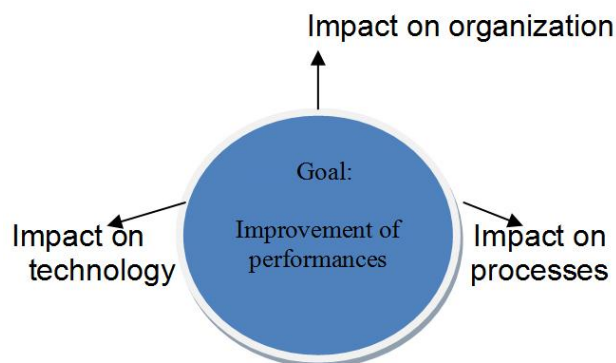
Can we identify and re-recognize millions of our customers? It was unimaginable until recently. Development of information technology and its availability have enabled the enterprises to identify their individual customers. Marketers have always believed that information on individual customers are the most critical, that their identification can be done almost in a myriad ways. Identification information include their characteristics in the aspect of lifestyle or way in which decisions are made, geographic location or positioning in relation to distribution channel. New technologies have provided the possibility of identification even without active participation of customers. The companies take initiative for studying, designing and implementation of a unique identification system that provide better customer relationship management. Unique system of identification as an approach of customer relationship management fundamentally changes the competitive position of a company, when it has full insight into financial, operative and communication data on customers. Although the technology has provided the possibility of identifying „millions“ of individual consumers, it could not be a guide in implementing a system for customer identification. Technological solutions should be determined by strategy oriented towards

customers, conditions and rules of business activities for achievement of strategy, as well as by choosing the staff and business processes necessary for implementation of business requirements. The enterprises need to balance between the offered identification systems, which can provide programmes for the increase of income growth. Planning and selection of information technology is usually the easiest part of implementation of the identification system.

Decisions that are made on customer identification can be ranked according to the importance:

1. Impact on organization,
2. Impact on processes,
3. Impact on investments,
4. Selection of technology.

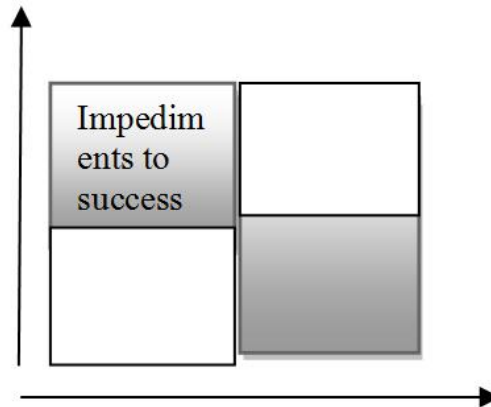
When implementing a particular system for identifying the customers, the enterprises need to balance and take care of a several cost factors. In addition to classical financial costs that are implied, we cannot forget the so-called invisible costs: of organizational challenges, technological choice (such as the complexity of implementation or opportunity costs of investing the funds in solution that is more expensive than some other), and those costs that have an impact on business processes.



**Figure 1. Cost factors**

The impact of a system for identifying the customers on organization should be assessed, predicted and mitigated when it is negative. Not respecting this may be a risk that leads to organizational decisions that can represent a barrier. The most expressed it would reflect in decisions related to technology, investments or operational issues, which the enterprise is faced with in everyday business. The development of a particular system solution of customer identification that supports organizational goals of requirements:

- Identification and rule of observing customer and organizational goals,
- Integration of organizational factors (people, processes, technologies etc.) on the impact and feasibility of a unique system for identifying the customers. Represented in lower matrix „threat to success“, there are all those organizational factors that have a great impact on success and , at the same time, represent a big obstacle to feasibility.



**Figure 2. Matrix of combined organizational factors**

The enterprises should develop target combined models for organizational problems that would be changed in accordance with the planned unique system for identification. When all threats to success are once defined in one organization or enterprise, managers usually have at their disposal six basic possibilities:

- impact (use communication in order to model the changes)
- rewarding (create new ways of stimulating the employees who act positively in relation to the creation of a particular programme for identifying the customers.
- protection (isolating all organizational systems that are significant for the „health“ of entire organization)
- modification (change of particular processes in order to support certain identification programme, when the benefits of the programme are greater than possible costs of its implementation)
- balancing (fill in the gap in organization, where there is an interference, create or move resources with the support from some other part of organization)
- elimination (making decisions on organizational factors that represent an obstacle to successful implementation and development of a unique programme for identifying the customers).

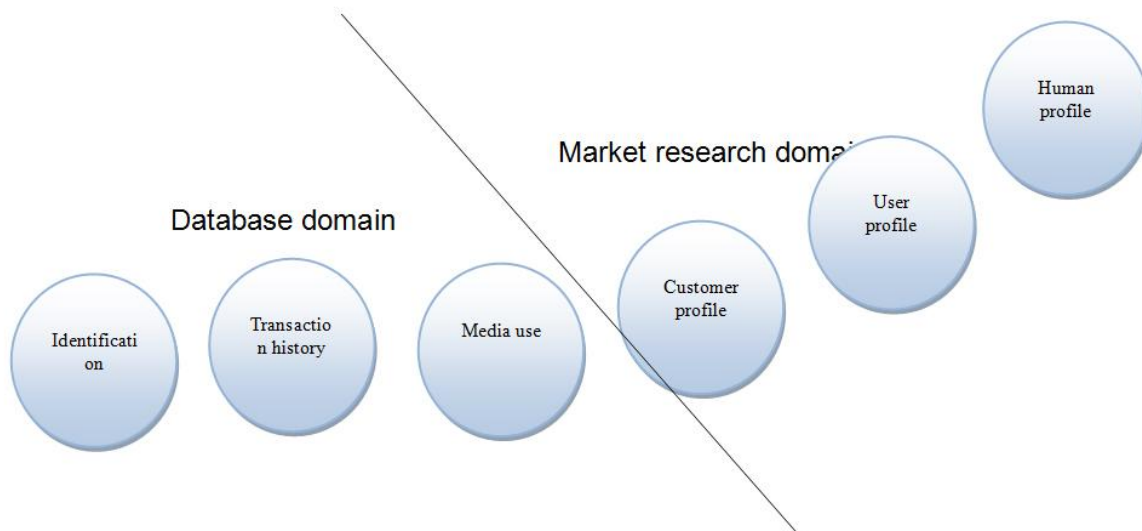
The first step in identifying unique programme for identification is to identify all components of the programme. Basically, this is something that is implied, but companies often forget some of the key components. Common to each company is:

- location of the company, original company name and physical address. Company can be any organization of any type, including: commercial companies, religious groups, Government sector.
- business processes, set of work activities that the organization undertakes on the basis of feedback in order to achieve intended and non-intended goals.
- customers are business entities or persons who use products and services, which they pay to companies.
- person is a human being. Person is a starting point for identification process.
- role is a position that a person should have in business. Role is an activity or function for which a person is responsible on a particular location. One person can have many roles.
- system is a set of computers that the enterprises use in order to help the implementation of business processes.
- user is any person, authorized or non-authorized, who accesses or uses the system.

**Knowledge of customers.** Process of identifying the customers, as a first step in marketing relationship process, is difficult to implement without quality data on customers. Well-familiarity with customers is achieved only by using quality data, incomplete, false and outdated data not only are not helpful in understanding the customers, but they are

also harmful. Data on customers are a resource in which it is necessary to invest a lot and continuously. Value of the data as a resource is expressed only when we begin to use them. Which data do we ultimately need from customer? Which profile we would like to see about our customers? In which way do we want to profile our customers and use those information for the needs of marketing? In giving answers to these questions, data are most frequently used as a basis for thinking. Companies that want to implement marketing relationship and develop intensive relationships with their customers will have in their databases not only the data that create an image of customer as a buyer, but also the customer as user and customer as a person and/or organization. If we focus on data collection on customer as a buyer, the company implements the strategy of leadership of a product. Data on customers shouldn't be based on transactions only, but on complete communication with customers. Data on customers, which the enterprises collect for the purpose of their future identification, can be systematized in the following way:

- data for identification of customer, or potential customer (general data). This group includes the basic data: first and last name, address, city, telephone number and e-mail address.
- determining the segment which the customer belongs to? Possibility of categorization of customers in a particular subgroup is also significant for the reason of providing differentiated offer to different customers.



**Figure 3. Using various information sources in creating a complete customer profile [13]**

- preferred channel of communication: it is extremely important to determine the nature of preference that customer has in the aspect of communication channels as soon as possible. What is his or her opinion regarding a certain communication channel? In which situation, and at which moment do they prefer a certain communication channel. Answers to these questions should largely facilitate the communication with customers.

- earlier transactions and customer value: data related to this category primarily refer to products and services that the customer has bought from a company in the past, as well to the behaviour of purchased products and services. Additional summarizing criterion, which can be used in explaining the history of transactions can be a life value. Value of customers in their lifetime will be discussed further in the paper. Marketers who have specialized in direct marketing believe that behaviour in purchase is one of the best

indicators for future behaviour of customers when buying. - history of communication: recording the communications that have occurred is necessary for the purpose of keeping the dialogue in progress, in order to escape unnecessary repetition. Monitoring and recording certain data on communications can serve as a basis for deepening conversation, so that as much as possible personal data are exchanged.

Events can be very interesting for data collection at individual level. In this context, by events we imply all those moments in life of each individual that lead him to purchase: child birth, marriage, salary increase, change of living and working environment etc. All these events represent a good basis for establishing communication and data collection.

**Identification activities.** Purpose of identifying individual customers is to facilitate the development of relationships with them. In order for enterprises to successfully initiate the identification process, they would have to do the following:

*Defining* – Enterprises should decide which information will be included in the identity of customers. Whether this will be first and last name? Home or mobile phone number? Information on household: number of members, property, etc.? Which of these data will be used depends on the needs and preferences of company.

*Collection* – Organizing the collection of data on customer identity. System for collecting the data on customers should include bar codes from the cards of frequent customers, data from credit cards, different forms, interactions via Internet, identification system based on radio frequency (RFID) and microchips ( E- Zpass and Speedpass).

*Connection* – when identity of customer is once determined, it needs to be related with all transactions and interactions, with different types of competitors, within various departments or subsidiaries of one company. For example, programmes of loyalty that are carried out by a company or some chain of supermarkets usually register the customers who frequently purchase and they relate all those information into one whole. If the customer buys products via Internet and then orders a product by calling call centre, the company oriented towards building of relationship will manage to connect it to the same customer.

*Integration* – identity of customers cannot be related only based on interactions and transactions. Data on particular customer need to be integrated in information system that the enterprise uses in everyday business activities. Data on travellers who often use some air companies need to be entered into the reservations system.

*Recognition* – Customer who has addressed again, but to some other organizational unit, needs to be recognized as the same customer, not as some other. The system should be organized in such a way that the customer who has once visited web site, the other day store and the third day called free line for customers, can be recognized as one customer, not as three different customers.

*Storage* – Data on identity of individual customer need to be saved and stored in one or several databases.

*Update* – All data on customer, including the data on the identity of customer, are something susceptible to changes. In order for those data to be useful to the company, they frequently need to be subjected to confirmation, update, improvement and revision.

*Analysis* – Data on customers must also serve as a key input for analyzing the differences between customers.

*Making available* – Collected data on each customer, which are kept in database of a company, should be made available to employees and managers if it is necessary. In service companies, it is of great significance to provide an access to databases, people in the first sales line. Modern computers provide a number of possibilities in data processing that are mutually beneficial, both for companies and customers.



*Security* – As data on identity of individual customers are competitively sensitive and a matter of privacy of customers, it is necessary to disable each unauthorized use or possible abuse.

**Data collection.** When a decision is made for the enterprise to implement a certain system for customer identification, managers need to wonder which data on customers are necessary, in which way we can reach them and in which way they will be archived. Each of these processes should be thoroughly and precisely planned, defined and executed. Mistakes that can occur in any phase of these processes bring into question the complete process of building marketing relationship.

**Information sources.** Information are a general term that is marked by the facts from which we can derive certain knowledge and understanding. In reality, information can appear in many different forms. There is a big number of information that are available both within the organization and out of it. Information can be expressed numerically or more as deep analysis of the characteristics of a particular subject. Basically, information can be divided in relation to the source: secondary and primary information.

**Secondary data.** Secondary information are the information that have already been collected somewhere, initially for certain purposes, and later they are used for some other different purposes.

Secondary data are used for the following purposes:

- providing basic information. Secondary data can be beneficial for the people involved in the process of data collection, providing basic data on unknown areas.
- defining the problem. This type of data can be useful when defining an organizational problem or providing some research information on particular issues. In that sense, secondary data can help the organization to move further from defining the problem and towards determining the purpose of data collection.
- assistance in designing the information plan. Secondary data can be very helpful to an organization in creating a plan of collecting the information. With the estimation of appropriate secondary data, companies can more easily determine the fields that require detailed (application) research.

Majority of companies, to a smaller or greater extent, dispose with secondary data. "In order for the enterprise to evaluate with how much secondary information it disposes with, it needs to do the following:

1. To record all data on customers that are available in any electronic form. Most frequently, those are the data saved in web server of a company, or in database of call centre. Modelling the marketing relationship implementation process with individual customers

2. To find in archives all data on its customers which are not in electronic form. All the data that are significant for the enterprise should be processed and stored in computer database. User of secondary information is reflected in the following:

- *possibility of a rapid beginning* – Secondary data are basically available. Collection of these data was done before and usually in the form that is easy to use (databases, Internet).
- *collection and analysis* – can be done rapidly. Collection and additional analysis of secondary data can be done in a very short period.
- *low costs* – Since secondary data already exist, collection and analysis require low costs, in comparison to collection of primary data. In addition to above-mentioned advantages that are provided by the use of secondary data, at the same time there are also certain shortcomings that we need to have in mind.

Two basic shortcomings are:

- *Relevance of data* – Relevance of secondary data can frequently be brought into doubt because they are of general character or frequently general character or they are collected as primary data for some other organization. For these reasons, secondary data can frequently be inapplicable for the organization.

- *Reliability* – Since they are collected from some other organization, company cannot be absolutely sure that those data do not contain some inaccuracies. When using these data, it is important to use only those that come from familiar and reliable sources. Significant thing would be to know what data are collected and how we have reached them.

In Table 1, there is an overview of some publications that are periodically done throughout the world, which can be a good source of secondary data to researchers.

Modelling the implementation process of marketing relationship with individual customers.

**Table 1. Some of the sources of secondary data on customers [9]**

No	Publication	Description
1	Global Market Information Database	Global statistics and information on consumers
2	CRONOS	Economic and social trends in EU member countries
3	REGIO	Demographic database
4	Retail Trade International Consumer	Statistics on 250 consumer goods throughout Europe; publisher Euromonitor
5	The Book of European Forecasts	Data and trends on lifestyle throughout Europe; publisher Euromonitor
6	European Lifestyles	Data on customers in EU countries; publisher Mintel
7	British Shopper	Data and statistics on consumer habits in Great Britain; publisher NTC

**Primary data.** Primary data are „new“ data collected for a certain purpose, which can later be used as secondary data. In business, these data are used in order to bridge the gap in knowledge according to some issues that are significant for business. In situations when secondary data do not meet the needs of a company for information, we begin to collect primary data. Advantage of primary data is that they are collected for precisely defined purpose. Validity of this type of data is much greater because the organization controls entire data collection. Shortcomings that could be attributed to this type of data primarily refer to costs. Organization of research, process of collecting the data and analysis of data collected express significant investments and certain period of time. The scope of financial investments and time period depend on the complexity of research.

**Internal and external data.** Needs for information can be satisfied by data that can be found within the company itself. Those are, for example: data on sales, complaints, prices of products, different accounting data etc. Those data are called internal data. Internal data that can be very significant for developing customer identification system are knowledge and experience of company's staff, particularly the staff that is in the first line of communication with customers. Those data and information are categorized into facts, rumours and speculations, and the biggest danger is that rumours and speculations are treated as facts. In order to obtain as valuable information from the employees, they need to be encouraged to regularly collect those information and submit reports on them, saving them in a particular marketing information system. This can be a problem. Majority of employees, especially sales staff, believe that data collection is not a natural part of their everyday job, nor they are always in the position to be able to evaluate the significance of information that they get. In order to overcome this problem, it is necessary to introduce a certain form of stimulation that would improve the information flow. By introducing an

adequate computerized system, we could solve the problem of excessive information inflow, because that system would categorize and filtrate the information that have arrived, keeping only those that are valid. Opposed to these, there are also the data that are in the environment of enterprise. These group of data is called extreme data. In this group, for example, the following are included: official statistics on population, different market information and data on competition.

**Quantitative and qualitative data.** Some information are drawn from the data that are expressed numerically. Those are, for example, data on market share (which are usually expressed in percentages), productivity rate (expressed as a ratio of the output and unit of time), number of appeals and complaints (simple numerical calculation). Information can also come from thorough evaluation of certain data. Orientation of a company towards customers is not only reflected in efforts for attracting new customers, but also in continuous business with them in a long period of time. At some moments, the enterprise will not do some things right and it will have appeals and complaints as consequences. In the beginning, the companies are interested in a number of unsatisfied customers, i.e. number of appeals and complaints that they have had. Additionally, through a more thorough analysis, the enterprise attempts to determine the reasons for appeals and complaints, whether the procedure for appeals and complaints functions well. By combining numerical and described data that are obtained by a thorough analysis, the company attempts to create a real image on what has happened. Data that are expressed numerically we call quantitative data, while qualitative data that are based on fundamental analysis we call qualitative data.

## **CONCLUSION**

A basis for development of long-term and stable partner relationship is good knowledge of all the parties in the relationship. Good knowledge is achieved by organized identification of customers. Purpose of identifying individual customers is to facilitate the development of relationships with them. In order for the enterprise to successfully identify its customers, it should do the following:

- To organize the collection of data on customer identity. System for collecting the data on customers should at least include bar codes from the cards of frequent buyers, data from credit cards, various forms, interactions via Internet or some of the classical methods for data collection.
- To connect the customer with all transactions and interactions, with different types of contacts, within different departments or subsidiaries of one company.
- Data on a particular customer need to be integrated in information system that will be used in everyday business activities.
- Customer who has addressed again, but to some other organizational unit, it needs to recognize as the same one, not as some other, different customer.
- Data on identity of each individual customer need to be saved and stored in one or more electronic databases.
- All data on customers, including the data on identity of customers, who are susceptible to changes, frequently need to be subjected to confirmation, update, improvement and revision.
- Data on customers need to be used as an input for the analysis of differences between customers.



- Data collected on each customer, which are stored in database, should be made available to employees and managers if it is necessary. It is very important to provide access to databases for the people in the first sales line in service companies.
- Data on identity of individual customers need to be protected and unauthorized use or possible abuse must be prevented.

## **REFERENCES:**

- [1] Acuff J., „The Relationship Edge in Business“, John Wiley Et Sons, Hoboken, 2004.
- [2] Anderson J.C. Narus J.A., „Business Market Management: Understanding, Creating and Delivering Value“, 2/E, Prentice Hall, New Jersey, 2004.
- [3] Anton J., Petouhoff N.L., „Customer Relationship Management: The Bottom Line to Optimizing Your ROI (Net Effect Series)“, 2/E Prentice Hall, Harlow, 2002.
- [4] Brierty E.G., Eckles R.W., „Business Marketing“, 3/E, Prentice hall, Harlow, 1998.
- [5] Carbone L., „Clued in: How to Keep Customers Coming Back Again and Again“, Financial Times-Prentice Hall, Harlow, 2004.
- [6] Cook S., „Customer Care Excellence“ 4th Edition, Kogan Page, London, 2002.
- [7] Cravens D.W. Et Piercy N.F. „Strategic Marketing“, 7th Edition, McGraw-Hill/Irwin, Boston 2003.
- [8] Davis S.M., „Perfect Future“, Addison-Wesley, New York, 1987.
- [9] Doole I., Lancaster P., R., „Understanding and Managing Customers“, Prentice Hall, Harlow, 2004.
- [10] Fisk P.R., Growe J.S., Joby J., „Interactive Services Marketing“ 2. edition, Houghton Mifflin Company, Boston, 2004.
- [11] Gummesson E., „Total Relationship Marketing“, Second edition Butterworth Heinemann, London, 2002.
- [12] Don Papers and Martha Rogers, „Growing Revenues with Cross-Selling“, Sales & Marketing Management, (June 1999), 24.
- [13] E. Peelen: „Customer Relationship Management“, Prentice Hall, Harlow, 2005, pp.105.