

Identifies A Firm Is Using Its Resources Efficiently

However, many organizations also face difficulties to measure a return on heavy investment in CRM for instance because of increase in sales. Hence there are a few challenges in measuring the ROI such as competitive advantage and decision-making capability (Vbhandari, 2005).

1.1 Challenges in measuring ROI:

Timeframe

Time period is a major factor when measuring the ROI of a firm. Implementation of the CRM system is not as easy as it seems and very time consuming. Therefore a specific timeframe is needed to avoid any errors in the data gathered and cause losses in the firm. The duration taken might even last for months or years but the benefits sought will bring profitability in the business. That is why most companies take up this timeframe to reduce risk of failure rate.

Decision- making capability

The capability of decision- making is based on a wide range of information gathered about their customers by the organization. By doing so they are able to make better decision and choice but it is much difficult to quantify the decision made. Therefore another of the challenges would be to quantify it before improving in decision- making because of the ROI of the CRM system.

An organization requires a higher cost and time spent in order to gain accurate and specific information. This is done so that it will reduce the risk to gaining the wrong information and duplicated data which might cause the firm to make the wrong decisions.

Hard development ROI are tangible assets whether physically (buildings, inventory, machines) or financially (cash, credit, financial instruments) whereas soft development ROI are intangible elements that are not quantifiable or measurable in specific dollar amounts such as customer loyalty, customer experiences and brand strength (Destination CRM, 2003).

Normally in an organization, soft ROI is harder to quantify rather than hard ROI (Information Management Online, 2004). This is because soft ROI is depending on intangible factors like customer experiences and feedback to analyze the data.

However, although it is difficult to be quantified, both (hard and soft ROI) are equally important in achieving the organization's objectives and increase their impact of decision-making that leads to a better CRM system.

1.2 Framework to measure ROI of the CRM system:

Developing a framework to measure ROI of a CRM system is important in order to have a better understanding on how it works. According to Blumentals D. (2008), the formula to the framework of ROI in CRM system is as below:

Return on investment = Returns (cost savings, incremental revenues / billings / fees) * 100 divided by Investment (total cost of ownership)

1.2.1 Investment

There are two types of cost to calculate the total cost of investment: one- time cost and ongoing cost

One- time cost is the cost of the usual server and client access licenses for modules such as proposal generator. Some important factors that need to be taken into consideration are preparing backup and rollout plans, system customization cost, hardware or infrastructure cost, back-office integration cost and training cost. The SaaS (Software- as- a- Service) application is commonly used in accessing one- time cost as it benefits the organization's investment. This application is able keep track of ongoing sales and also increases the organization's CRM system (Online-CRM, n.d).

Ongoing cost is the cost of software license maintenance that needs to be updated frequently such as bug fixes, crashed software fixes and minor enhancements. Besides that, training (traveling cost for employee training) and telecommunication cost (cost of ownership) should not be forgotten as both as important as well.

1.2.2 Returns

Return of ROI in CRM system is in the form of tangible and intangible assets. There are a few metrics to gain accurate information and maximize benefits such as margin enhancement, revenue enhancement and cost reduction.

Margin enhancement is where firms generate more margins in order to increase the number of customers. Using the CRM system, the firm segment their targeted market and uses the sources to generate the most profit to the firm.

CRM system is to manage the marketing and business development and sales productivity. Revenue enhancement leads to more clients and customers and the increase in total sales by knowing the factors that influence the sales and reduce losses

in sales. Besides that, it can also identify the causes of either losses or increase in customers and take it as a reference to improve their customer retention.

Another benefit would be cost reduction where it serves its purpose to retain and serve customers better. CRM system also helps to reduce customer acquisition cost in order to avoid any unnecessary cost. In accessing individual elements such as sales force productivity and configuration accuracy, it could decrease the cost of sales. For instance, using sales automation system, data are simply entered and kept organized. Therefore it will reduce cost of manpower and time.

QUESTION 2

According to InvestorWords (n.d), churn rate means the number of participants who discontinue their use of a service divided by the average number of total participants during a given period of time. It provides an insight of either the growth or decline of the subscriber including the average length of participation in the service. In telecom industries, the higher the churn rate is, the larger percentage of losses of subscribers each time. In the last six months, Maxis Communication Berhad churn rate has increased from 3.6 to 4.2. This means that Maxis company has lost a large amount of subscribers and leads to decrease in their company's profitability. Hence, their main goal now is to decrease their churn rate in order to avoid losing more subscribers and to do so they need to apply the churn management approaches to adopt customer retention.

Figure 1: Comparison between 4 different telecom networks

Source: Digi

Reasons for high churn rates

By looking at the chart above, it clearly shows the differences between Maxis and other networks and therefore their reason of increase of churn rate is mainly due to competitors. The main competitor for Maxis and other networks as well would be Digi.

What majority subscribers seek is using a network that saves more money. Digi offers 30 second per charging block compared to 60 second per block (Maxis). This means for every 30 second per block, they do not charge users a full minute for calls that last just seconds. Calling and SMS rates to other networks should also be taken under consideration but for Maxis, the rates are much higher compared to other competitors. As for special rates, Digi subscribers just have to use only RM 1 domestic SMS to enjoy privileges for lower rate for both same and other networks throughout the whole day. Besides that, number of friends that can share this advantage are unlimited to every network. That is one of the major difference that Digi offers compared to Maxis, which is mainly focusing only on same network users and limits every subscriber to share only to ten people.

As Digi is basically offering the best deals for subscribers, it is no surprise that Maxis users would eventually switch to their competitors.

Churn management approaches in telecom companies

Proactive Communication

It is important that Maxis adopt the churn management approaches to retain their customers. One of the main approaches is proactive communication, an integrated set of skills that enables an organization to achieve their goals (Minority Career Net, n.d). Firstly, Maxis must reach out to all their customers including those that are planning to subscribe to a different network. Communication with their subscribers is a crucial step to avoid any confusion on information and also to have a better understanding of their customers needs and wants. After gaining the appropriate information, the company should figure out solutions to compete with their competitors and retain customers. For instance, Digi's special rate is one of the cause customers are attracted because it reaches their requirements to save cost when they subscribe for that network. Due to this factor, Maxis should follow the same idea or offer even better deals to retain their customers. They should take note that customers subscribe to their network is because of their value and trust towards the services provided. Thus, it is important that they improve for the better to gain their customers' trust that leads to their satisfaction and loyalty.

2.2.2 Personalization

Secondly would be the personalization approach. Personalization would show the uniqueness of the organization and stands out that customers would be able to notice. One of the methods that Maxis could use is by implementing subscription plans to the latest smart phones such as Blackberry and iPhone. Customers subscribing for this plan are also eligible to purchase these mobile phones at a much cheaper price from the original market price. Customers will feel that this package is worth the deal to subscribe for their plan as it has many benefits such as unlimited talktime and 3G network. This method is mainly to attract more new customers in but they must not forget about their existing customers, as both new and existing customers are equally important to the company. Therefore, existing customers should also be given the chance to subscribe to the plan to retain their customers as well as increase the company's profitability.

2.2.3 Loyalty Programs

Besides that, Maxis should improve their loyalty programs. The usual birthday rewards would be too typical and unattractive to customers. They should come out with different ideas to show their appreciation to their customers and retain them. Maxis users are able to make calls for free but only limited to those of the same network. They should follow Digi's idea to open to parties of all networks. Besides that, they could apply the

point reward system for their customers. Every RM 1 reloaded would be equivalent to one point and points accumulated can then be redeemed with free SMS or talktime. This system is trying to imply that every ringgit spent on reload does not go to a waste. Other than that, Maxis can also collaborate with various different companies that offers customers attractive deals only Maxis users have the privilege. For example, Maxis users will receive a SMS saying they have the privilege to get 10% discount everytime they dine in KFC. Thus what customers have to do is just to show the SMS while making payment and they instantly get 10% off. If Maxis can apply these loyalty programs, definitely the churn rate will decrease and customer retention will increase.

2.2.4 Customer Service

Poor customer service leads to the increase of churn rate. Maxis might be lack of this approach therefore they should increase good customer service to customer retention. The most common thing that customers would complain about is employees' attitude towards them. Customers are always aware of how they are treated by a company and leads to their impression and mindset towards the company. For example, if a customer calls Maxis helpline concerning an enquiry, the employee do not know how to fully entertain the enquiry because of not being knowledgeable enough and also straight away pass the problem to another employee without explaining the matter politely. The customer then will have the impression that Maxis is not the service network he/she seeks for due to the staff's unfamiliarity and attitude in handling the situation. This is why Maxis should improve their customer service by having well trained employees to answer customers' enquiries. They should be trained to be highly knowledgeable so that they are able to answer all types of enquires and also to handle situations when a problems occur. Besides that, employee should also treated in a well polite manner so that they feel valued and appreciated. And not forgetting would be to hear out what customers have to say as in their feedbacks and complaints. This is shows respect to their customers and able to improve better based on customers' comments to fulfill their needs and wants.

QUESTION 3

Methods used by TM to understand customer experience

Telekom Malaysia (TM) is lack the understanding of customer experience and therefore this company have the initiatives to improve this situation by using the survey and mystery shopper method.

3.1.1. Survey method

Survey is one of the basic type of methods that can be used when it comes to understanding customers' experiences. Survey can be done through questionnaires as it is better organized and can be either closed- ended or open- ended. There are some customers that also prefer personal interview surveys to be done such as face- to- face

interaction or through the Internet. Both type of surveys are mainly to achieve one goal, which is to understand their customers better. While customers are interviewed, they also have the opportunity to speak out their feedbacks or comments concerning the company. At the same time, interviewer will be able to observe customers behavior and respond towards this matter and increase their understanding of customers' characteristic as well.

However, TM should not fully rely on this method because customers might not be entirely truthful when answering the survey as some do prefer to express how they feel. Besides that, data gathered might also not be totally accurate due to the possibility of multiple responds. For instance, having survey through the Internet, interviewer cannot see the person who does the survey and it might be the similar person but giving different answers each time. Although it has its disadvantages but it does not mean this method is not encouraged to be carried out. Another effective method would be mystery shopper method.

3.1.2 Mystery shopper method

A company would not be able to understand how a customer feels entirely until someone has experienced it himself. A mystery shopper is a person hired by a market research firm or company to visit retail stores, posing as a casual shopper to gather specific information about the store/ company such as quality of the their sales staff, prices, customer experiences and so on (Business Dictionary n.d.). The mystery shopper acts as a normal customer with a low profit and real identity is unknown to others besides those that hire him. The person's task is observe the surroundings of the interaction between staff and customers and collect information on customers experiences. He then comes out with reports based on what he has monitored and send back the information to the company to make the analysis. I believe this method would be effective to understand customers' experiences as well as observing the relationship between customers and employees.

3.2 How CRM can be used to improve customer experience

3.2.1 Sales Force Automation

Sales Force Automation (SFA) is normally linked to CRM systems and it is a part of company's customer relationship management system that automatically records all the stages in a sales process. TM should apply this system as it includes a contact management system which keep tracks of all contacts that has been made with a customer for the purpose to follow up and maintain good relationship with customers. It also ensures that their sales are not affected and reduce the risk of making customers unsatisfied by understand their experiences. This system could lead to better understanding of customer experiences and increase satisfaction by analyzing with the system used to create a product that matches or exceeds customer expectations. Besides that, TM company productivity will increase when sales staff will use their time

more efficiently by using SFA. This increased productivity can create a competitive advantage in reducing costs, increasing sales revenue, increasing market share and last but not least understanding customer experiences.

3.2.2 Service Automation

Service automation is another method to improve customer experiences. This method helps to manage customer service efficiently resolves customers' enquiries in a personalized but repeatable manner. With CRM system TM would be able to easily implement this method as a result to increase customers' satisfaction. For instance call centers. TM apply this tool where representatives keep in touch with their customers and understanding the problems they encounter and settle it as soon as possible. This allows customers to feel they are important and valued that leads to customer satisfaction. This also enhance a better relationship between employees and customers in adopting the service automation in CRM system.

QUESTION 4

4.1 Strategies of a loyalty programme for AirAsiaBerhad

AirAsiaBerhad is a well-known budget airlines in Malaysia. It is recognized for its lowest fares, quality services and with the unforgettable tagline, "Now Everyone Can Fly" (AirAsia, n.d.). AirAsia applies five fundamental values to achieve everything in exceptional results: safety, value people, customer focused, integrity and excellence in performance.

Loyalty programmes is a programme designed to lower the turnover among users of a product or service by rewarding a customer with incentives or other benefits for remaining a customer. (InvestorWordsn.d). Loyal customers lead to customer retention and builds up the brand value. For AirAsia, loyalty programmes are as important to build up their relationship with customers. Therefore, it is crucial to have strategies behind implementing the loyalty programme.

Below are some loyalty programme strategies for AirAsiaBerhad:

4.1.1 Points per Purchase

The point of purchase that can be applied by AirAsia would be every RM 1 you spent equivalent to 1 point. It is the basic and most common point system as it is easier to calculate the points collected. These points will be accumulated up to a certain amount where customers can redeem it to receive offers and deals from the airline company. For instance, points collected can be redeemed for cheaper air flight tickets, cash coupons and even free tickets. However, point redemption system also has to consider the terms and conditions of the company to avoid any lost in sales. Anyways, this

method allows customers would feel that every amount spent on AirAsia does not go to a waste.

4.1.2 Benefits Offered

When an organization wants customers to be loyal to the company, then they must make their customers realize the benefits that are offered for them. Customer loyalty is not only about fulfilling their needs and wants but also offers that are attractive and interesting for their customers to continue using the services from AirAsia. For instance, purchasing airline ticket online would be much cheaper and convenient and customers are also given the option of being able to select their own seats during a flight. Accommodations can also be made available if requested by their customers when traveling within Malaysia. Besides that, they can make their motto of 'Now Everyone Can Fly' a reality as AirAsia can come out with great promotions of even 0% fare rate airline tickets to selected destinations.

4.1.3 Strategic Partners

Second strategy would be strategic partners method where AirAsia collaborates with other organizations to increase their popularity as well as building up their customers' loyalty. For example, AirAsia can joint venture with hotel companies. It is a good idea because one of the main factors when traveling around would be accommodation. This company should choose their partners wisely by finding those that are capable to attract more customers and finding the strategic locations in the specific place. Some famous hotels that can be taken under consideration are like Hilton, Holiday Inn, Genting and Shangri La.

4.1.4 Card Differentiation

Last but not least, card differentiation. This method is used to offer different loyalty cards based on different customers' needs and wants. It can be categorized into business class users and normal users. Business class users have a premier level of service compared to regular customers. The card used is for nationwide to collect points and special services such as VIP seats in a flight. As for normal users, the card can only be used to collect points and not for any other special privileges. However, the different category of cards comes in different prices as well. Definitely the premium card will be more expensive compared to the normal one but it depends on the usage and how frequent a customer travels that is based on their suitability.

4.2 Benefits of a loyalty programme

For a budgeted airline company like Air Asia, loyalty programmes are strongly encouraged in order to gain customer retention and loyalty as well as increase in company's profitability. One of the benefits sought from the loyalty programme would be standing out from their competitors. From the strategy of benefits offered, it makes

AirAsia special and different from others. Hence customers would want to go for a company that offers better and attractive deals. Privileges that a budgeted airline company can offer could be similar or even better than their competitors or other normal airline companies.

Another benefit found in a loyalty programme for AirAsia is reducing the advertising cost. From the strategic partnership with other companies, there is no need for heavy advertising as indirectly collaboration with well-known hotels already brought up AirAsia's brand image and popularity. Customers would trust and feel secure to continue to stick to AirAsia due to this factor.