

Towards Managing Customer Relationship through Emotional Intelligence

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Abstract

According to Tsai and Huang (2002), emotional state of an employee influences customer service, this influences levels of repeat business and customer satisfaction. In the changing marketing environment, especially in service sector, relationship marketing has become an important way of doing business. While providing services, there occurs continuous interaction between customers and the service providers. In fact, the way service employees perform, it builds customer's perception towards the organization and the service providers. Hence, employees need to be equipped with non-cognitive skills along their cognitive skills which are important to understand and relate with customers. Among certain important skills, emotional intelligence is getting serious attention as an essential skill to be successful individually as well as organizationally. In service industry, since most of the job involves social interaction, so employees need emotional intelligence to work effectively in social settings. Study indicates that individual with better EI score are better in their interpersonal relations and can perform service better. Teams whose member have high emotional intelligence perform better than team with low emotional intelligence. Hence, the present paper is a modest attempt to: (i) explain the customer relationship and its significance in the present context; and (ii) discuss the role of emotional intelligence and managing customer relationship through emotional intelligence.

Keywords: Emotional Intelligence, Managing Customer Relationship, Frontline Employees, Service Performance

1.1. Introduction

The concept of marketing is changing rapidly. Services being intangible in nature it involves frequent encounter between employees and customers especially in service sector. In such a situation, the quality of service delivered becomes inseparable from the behavior of the service provider (employee). During service encounter, when customer evaluates service delivered, the behavior of frontline employees plays an important role (Hartline et al, 1996). These employees play the significant role in the delivery of service quality in an organization and making customer delighted. The degree to which customer will satisfy and delight himself or herself, it result into the emergence of loyalty of customers towards store, product/services, increases customer retention and reduces their switching behavior. In certain cases what the customer feels about the behavior of contact employee's results whether or not to they form positive response towards the serving employee and organization. As per Bowen and Ford (2002), overseeing workers in help industry is not the same as overseeing representatives in assembling industry in a few measurements like (I) the course of administration conveyance includes client in assistance creation measure; (ii) administration worker ought to react to every circumstance interestingly; (iii) feelings assumes significant part in assistance settings; and (iv) alongside work execution administration worker need to deal with the assistance conveyance measure. Maybe it is the human and passionate component in the help settings than the assembling settings which makes them not the same as one another. Perhaps it is the human and emotional element in the service settings than the manufacturing settings which makes them different from each other. In

service organizations, employees are in direct contact with customers, especially the frontline employees represent their organization in front of customers.

If service sector employees are not emotionally strong and are frustrated due to any personal or professional reasons, it may be seriously reflected in their job performance and can directly influence customer's perception of organization (Schlesinger and Heskett, 1991). For the service organizations, according to Beatty et al., (1996); and Griffith, (2001), customer's perception towards the service employees remains the perception towards the organization. In general sense, customer's perception of an employee can be determinant of firm's performance (Heskett et al., 1994; Heskett, Sasser, & Schlesinger, 1997, 2003). Therefore, the firms should understand the new economics of services in which the frontline employee and customer play a centre role (Heskett, 1994). In fact a very little efforts are made to know about the influence of frontline employees on the satisfaction and retention of customer and its overall influence in organizational performance, hence the present paper is a modest attempt to: (i) explain the customer relationship and its significance in the era of globalization; and (ii) discuss the role of emotional intelligence and managing customer relationship through emotional intelligence.

1.2. Customer Relationship

The concept of marketing has undergone radical changes from customer acquisition to retention. The marketers are making serious efforts to maintain and retain the existing customers, which perhaps can only be achieved by build a strong relationship with customers in which role of frontline employees is very important and critical one. Relationship marketing has been defined as establishing, maintaining, and enhancing relationship with the customers and other stakeholders in an attempt to improve and sustain organizations customer base and profitability (Gronroos, 1994). The concept of relationship marketing emerged from the fact that transactions in the service industry are relational in nature. For example, in banking industry, Walsh et al. (2004) visualized that relationship marketing are the activities carried out by banks in order to attract, interact with, and retain more profitable or high net-worth customers. Customer relationship management evolved from the concept of customer orientation. It is not only important to serve the customers but also to maintain and retain relationship with customers. According to Kotler and Armstrong (2004), customer relationship management is the overall process of building, maintaining and enhancing profitable customer relationships by delivering superior customer value and satisfaction. Customer relationship has been identified as a tool to increase competitive advantage of organization over its competitors. According to Hawke and Hefferman (2006), relationship management is to obtain, retain and create repeat purchase and referrals. Relationship management mainly consist of establish, nurture, sustain, and enhance client relationship which will lead to maximizations of profit and market share of the organization (Hawke & Hefferman, 2006; Helm, Rolfesand Günter, 2006; Kandampully and Duddy, 1999). Similarly, Payne (2009), pointed out that relationship management as a strategic management of relationship with all significant partners to accomplish long haul investor esteem.

In the present cutthroat climate, relationship showcasing has turned into a significant method of working together, particularly in help area. In service performance, there occur continuous interaction between customers and the service providers. The degree of customer-employee relationship can influence the consumption of services being offered. Developing and maintaining positive relationship with customers is critical for success of service organizations because it increases the potential to retain their customers. According to Lindgreen *et al.* (2000), it is 10 times more expensive to attract new customer as compared to retain it and it cost 16 time more to bring new customer to the level of profitability as the lost one. Adding to it Ndubisi, (2007) opined that organization should put effort to grow and enhance the quality of relationship with customers in order to gain mutual benefits

to both the parties. According to Ndubisi (2003), through mutual symbiotic relationship any organization can sustain growth successfully. The inseparable nature of service makes production and consumption of service between employee and customer leading to inter dependence role between service provider and the customer (Solomon et.al., 1985) in which emotional intelligence of service provider plays crucial role. Jamshidi and Gharibpoor, (2012) investigated the relationship between employees' and managers' emotional intelligence and success of customer relationship management in three aspects of customers, people, and process. Result proved that there is strong relationship between emotional intelligence and CRM success in banks. Khreish, (2009) suggested that in banks, the employee with high level of emotional intelligence have the better ability to construct and maintain a quality long term relationship with their clients. Therefore, the need of the hour is to give adequate importance to emotional intelligence at the time of entry of service provider, their utilization and development, so that the organization can gain competitive advantage in comparison to their competitors.

1.3. Emotional Intelligence

The term emotional intelligence has popularized and commercialized with the writings of Daniel Goleman (1998). According to Goleman (1998), emotional intelligence is one of the important criteria in the selection of employee and also in the selection of executives. Goleman (1996) defined emotional intelligence includes self control, zeal, persistence, and the ability to motivate one-self but later on Goleman (1998) redefined emotional intelligence as the capacity for recognizing our own feelings and those of others, for motivating ourselves, and for managing emotions well in ourselves and in our relationships. Mayer and Salovey (1997) viewed emotional intelligence as a set of abilities to perceive accurately, appraise, and express emotions; the ability to access and/or generate feelings when they facilitate thought; the ability to understand emotions and emotional knowledge; and the ability to regulate emotions to promote emotional and intellectual growth. Mayer and Salovey (1997) highlighted on the differences between two definitions by pointing Goleman definition focuses on motivational characteristics such as zeal and persistence rather than emotions of individual. Notwithstanding some differences in these two definitions, there exist some similarities to measure emotional intelligence, and the general consensus made was emotional intelligence positively influence customer relationship and service performance (Mayer *et al.*, 2004; Goleman, 1998).

Mayer and Salovey (1997) divide emotional intelligence into four branch model based on following skills and abilities perception of emotions, use of emotions to facilitate thought, understanding of emotions and management of emotion while Goleman (1998), divided emotional intelligence based on competencies providing understanding of how emotional intelligence relate to work life having 5 subdivisions: self-awareness, self-regulation, motivation, empathy, and social skills. Mayer *et al.*, 2004; Goleman, (1998) described emotional intelligence positively influence customer relation. According to Heffernan *et al.* (2008), in banking sector the higher the level of emotional intelligence a relationship manager possesses, the higher the profitability of the bank. Kernback and Schutte, (2005); Nwokah and Ahiazu, (2009) concluded that the higher level of emotional intelligence in the service provider, the higher will be the customer satisfaction. Lemmink and Mattsson, (2002) using warmth as the emotional construct studied impact of emotion on customer satisfaction and loyalty and concluded that emotion have dual impact on customer loyalty. Firstly, it increases the intention of customer to stay with the service provider and secondly, it increases the willingness among the customers to pay more for the same service. Andersen and Kumar (2006), opined that emotional intelligence has positive impact on business relationship longevity. He also postulated that emotions plays critical role in initiating, developing and sustaining relationship overtime. If any organization lacks positive personal chemistry with customer or have negative emotions towards customer, it will lead to delayed trust building or termination of relationship. According to Lee et al. (2011), emotion

plays a significant role in relationship between customer's perception of the organizational performance and the outcome variables. Yaghoubi, (2011) examined the linkage between emotional intelligence and relationship marketing concludes that there exist positive association between various components of emotional intelligence and relationship marketing. Research concludes that emotional exhaustion of frontline employees is critical issue in the success of the service industry. The frontline employee in service performance has to always remain courteous and professional to all customers while serving (Mattila and Enz, 2002). So the emotional exhaustion of the employees is serious issue to be taken care of by the management.

1.4 Managing Customer Relationship through Emotional Intelligence

Goleman (1997) quotes the former president Tom Pritzker, of Hyatt Hotels that the lady at front desk who wins over the customers with her smile cannot be quantified, but you can sense the advantage. Indeed, in service performance, customer needs to feel that they are being properly cared, given attention and dully valued by the frontline employees. The ambiguity develops among the customers while interacting with the service providers of the organizations. In certain situation when it becomes difficult for customers to evaluate services, then they look for other facets like interaction or interpersonal ways to assess the service quality (Parasuraman, Zeithaml and Berry, 1985). During that situation whenever the service provider with empathy and sympathy understands on his/her own about what are the possible difficulties which the customers might have, what they want, what support facilities they desire but are unable to express because of ignorance, fear, lack of confidence, and the difference in their background it ultimately gives mileage to either party. Especially the customers like this gesture of the service providers and the organization which ultimately builds brand loyalty, store loyalty and organizational loyalty and what not it develops long lasting relationship with the customer. Here, emotional intelligence of service provider plays a vital role. By providing personal attention, care and expressing concern leads to emergence of healthy relationship with the customer, which could be one of the prominent reasons for customer to return or retain with the organization. According to Reichheld (1996), a company's profit can be doubled if they improve the mechanism to retain customer. Because, it is less expensive to serve long-term customer as the loyal customer have higher willingness to pay a premium price. The image of the service firm stands on the quality of service delivered unlike the manufacturing firm which is based on the quality of the product. There exist no shield between employee's attitude, satisfaction, performance and the customer's perception towards the organization.

Thus, it is the need of the hour for marketers and service providing organizations to give due emphasis on the status emotional intelligence, especially frontline employee, who are involved in establishing and managing the relationship with their customers. It is high time for these organizations to give due emphasis at the entry point and according to Robbins, Judge and Vohra (2011), employees should consider it a factor in hiring employees, especially in jobs that demands a high degree of social interaction. Khokar and Kush, (2009) in their study found superior performance among individuals with respect to efforts expended, speed and quantity of work. While selecting service provider for the organization, there should be use of emotional intelligence test of candidates. The organization should set a minimum standard score for emotional intelligence level in a candidate, without which the person should not be offered a service provider's job within the organization. Besides the test, there should be formal provision in manpower selection policy of the organization to conduct interview with experts of emotional intelligence in selection committee to assess the ability in candidates. If required, especially service sector organizations should develop tailored made test to assess the EI level of candidates while selecting their employees. Moreover, as emotional intelligence in a person

can be developed, so organizations should assess the existing status of their employees with the help of standardized EI scale and accordingly proper training and development programmes should be developed and organized from time to time for those existing employees, so that they can develop their emotional ability to meet changing expectations and requirement of customers for building a strong customer relationship in present dynamic business environment.

There should be provision for assessment Emotional Ability (EA) of employees in performance appraisal programme. If the company uses 360^o performance appraisal methods, and in case an employee has high score in EA, the organization should reward them for this ability so that it will set example for others to make planned effort to develop this attribute in them.

1.5 Conclusions

Thus, it can be concluded that in the age of competition, customers are the ultimate destiny makers of any business and they cannot be ignored in any circumstances. In order to gain competitive advantage, it is essential either to prepare or acquire people with high emotional intelligence so that they can develop and strengthen the customer relationship better in comparison to their competitors. Now every individual employee has to be responsible for the image of their organization in the mind of the customers. Of course it is more challenging when it comes to employee working at the lowest level of organization, who truly represent the organization and are practically required to be aware of needs and requirements of the customers. Today the effectiveness of an organization doesn't completely rely on cognitive competencies alone, but emotional competencies plays equally important role. The management of organizations have to move from traditional criteria for selection of employees on the basis of their cognitive skills to high level of emotional self-awareness and empathy in order to build long-term relationship. These employees should be trained and developed with due emphasis to build their emotional capability and competencies by using appropriate trainers and techniques. The organizations need to evolve mechanism to evaluate the performance of employees in terms of their customer relationship using emotional competencies. There should be recognition and reward in the organization for those employees who will be motivated, committed and involved in more emotionally sensitive manner to build a healthy customer relationship management culture in the organization. As a result, all these efforts will not only improve the financial performance of the organization but also maintain quality long term relationship with customer. The higher the emotional intelligence of employees the better will be the relationship with customers, the higher will be the goodwill and profitability of the organization.

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