

CUSTOMER RELATIONSHIP MANAGEMENT: MAHA MANTRA OF SUCCESS

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ABSTRACT

In the current era of hyper competition, organisations are struggling for their survival. Apart from realising the significance of cutting cost and increasing internal efficiencies, they are forced to contemplate on how to strengthen their core competencies for existence in the market. Parameters of competitive advantages may be different for different organisations but ultimately it is crystal clear that 'client contentment' by having 'close connection' with them for the sake of getting updates about what new they expect from goods and services and making an immediate attempt to provide them is paramount and it is, in fact 'Maha Mantra' for success. That is why 'Customer Satisfaction is our Motto' is the punch line of so many business giants as they know that this is the best way to cherish their dream of increasing profitability. Put is differently, customer expectations are changing almost on daily basis. Newly empowered and awarded customer knows about different goods and service providers. Any casual approach to handle their complains and regular request provides them a chance to change the provider. Customer's philosophy of change brings challenge for the companies and forces them to prepare the strategies for maintaining and improving relationship with them and help them to stay long. Customer Relationship Management is an information industry term for methodologies, software, and usually internet capabilities that help an enterprise to manage relationships with customers in an organized and efficient manner. In many cases, an enterprise builds a database about its customers. This database describes relationship in sufficient detail so that management, salespeople and customer service representatives can access information and match customer needs with product and services they offer.

KEYWORDS

Competencies, Paramount, Mantra, Motto, Punch line.

INTRODUCTION

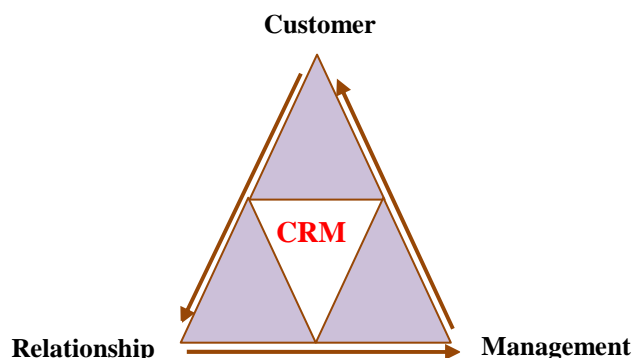
Customer Retention' through 'Customer Relationship' is now an established and accepted fact. Customer expectations are increasing on the one hand and their preferences and needs are changing on the other. They want certain questions to be answered quickly and correctly else they can knock at the door of other provider. Need of the hour is to have proper communication and interaction with them for what they want from the company and providing them the same. As long as the client has the possibility of changing his provider, it becomes harder to keep him loyal. A loyal customer is an asset for any of the business. Too many businesses neglect this loyal customer base in pursuit of new customers. However, since the cost to attract new customer is significantly more than to maintain relationship with existing ones, so efforts toward building customer loyalty certainly payoff. It is therefore, important for the company to own a system that could shorten the response time to customer request and complain for strengthening their relationship with them and offering support and quality for its service. Apparently, this situation represents the concept of Customer Relationship Management. The paper seeks to analyse the following issues on customer relationship management

1. Conceptual framework.
2. Impetus for CRM.
3. Future of CRM.
4. CRM solution models.
5. Benefits of CRM.
6. Conclusion and suggestions.

CONCEPTUAL FRAMEWORK

The most important thing in sales and marketing is to attract and retain most profitable business customers. In order to accomplish this feat, organisations need to devise and implement a customer strategy that builds, fosters, nurtures and extends relationships with customers. Such relationship management activities have been touted as central to a firm's success. Indeed, they have spawned a number of related technologies that have changed the way salespeople build and maintain customer relationships (Anderson, 1996). Customer Relationship Management is a strategic business approach that is concerned with creating improved shareholder value through the development of appropriate relationship with key customer and customer segment (Payne & Flow, 2005). The overall goals are to find, attract, and win new clients, nurture and retain those the company already has, entice former clients back into the fold, and reduce the costs of marketing and client service (Gartner, 2009). CRM is primarily a strategic business process issue rather than technology which consists of three components: 1. Customer 2. Relationship 3. Management. (Gray & Byun, 2001)

FIGURE 1: COMPONENTS OF CRM





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CUSTOMER: Customers are the source of the company's profit and of course the base for future growth. However, constantly change in their buying behaviour may sometimes compel them to switch to other service provider. In this situation need arises not only to retain existing number of customers but also multiply it.

RELATIONSHIP: Long term profitability can be assured by creating and maintaining continuous interaction with customers. Regular interface with them provides an opportunity to the organisations to collect tremendous information about their behaviour, need & preferences etc.

MANAGEMENT: Functions of management does not confined to effective utilization of available resources only. It also involves continuous change in strategies, culture and processes. The customer information collected is transformed into corporate knowledge that leads to activities that take advantage of the information and of market opportunities.

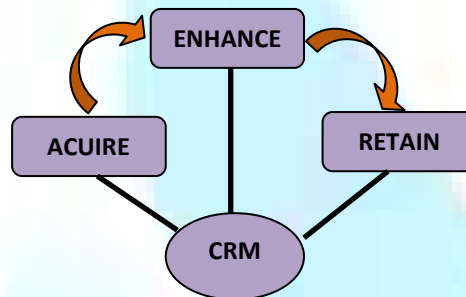
CRM is generally intended to strengthen relationship with key customers, while improving the total customer experience over time (Neal Kokemuller, 2011). The concentration on building beneficial relations with customers is not a new approach in the field of business. The increasing competition and decreasing customer loyalty have shaped the need for implementing new tools to help companies to succeed the competition and win customers' loyalty by providing more customized products and services (Mohammad Almotairi, 2009). All business processes need to be incorporated into a CRM solution. If there is a business process that is not related in some way to a customer sale then its very existence demands an explanation. At a slightly less pervasive level, perhaps it is better to say that a CRM solution needs to extend its reach to all of the customer touch points so that the business understands everything that a customer does and is able to provide a consistent and personalised response (Bellman, B. Research, 2000). Three phases in which CRM support the relationship between a business and its customers are to:

ACQUIRE: CRM can help a business to acquire new customers through contact management, campaign management, relationship management, direct selling and fulfilment.

ENHANCE: Web-enabled CRM combined with customer service tools offers customers service from a team of sales and service specialists, which offers the convenience of one-stop shopping.

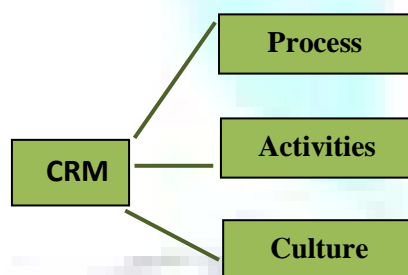
RETAIN: CRM software and databases enable a business to identify and reward its loyal customers and further develop its targeted marketing and relationship marketing activities (J A. O'Brien & Marakas, 2009).

FIGURE 2: PHASES IN CRM



Traditional marketing strategies used to focus on the four Ps (price, product, promotion and place) to increase market share. The main concern was to increase the volume of transactions between seller and buyer (Wyner, 1999). Volume of transactions is considered a good measure of the performance of marketing strategies and tactics (Paul Gray, 2003)

FIGURE 3: CRM STRATEGY



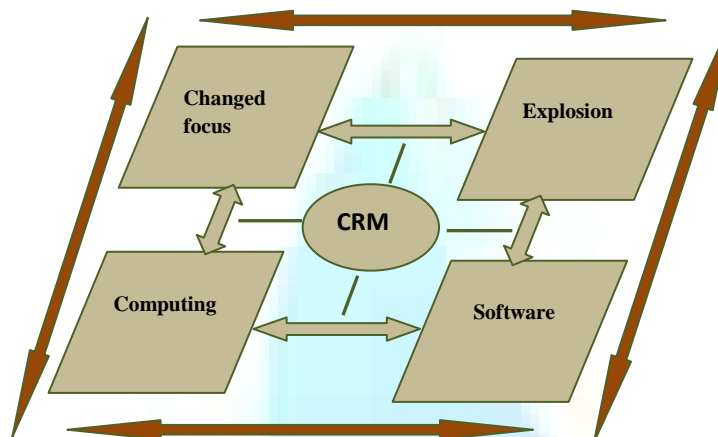
Focus of CRM as business strategy is to increase profitability and performance by strengthening the relationship with the customers. Customer relationship management is a business philosophy describing a strategy which places the customer at the heart of an organization's process, activities and culture (Rodgers & Howlett, 2000). To achieve CRM, a company use wide set of tools, technologies, and procedures to promote the relationship with the customer and to increase sales (Sweeney Group, 2000). A CRM strategy directs managers to take advantage of the breadth of available customer relationship technologies in managing customer relations (Arandt Aaron, 2005). CRM required a comprehensive change in the organization and its people. CRM may be regarded as a set of technological and organizational mechanisms intended to buffer market instability through better knowledge of environmental variables, particularly market variables, in order to anticipate customer's needs, rendering production activities more stable and programmable (Rajola, 2003). As market consolidates and supply become more effective in delivering product and service, it become harder to differentiate among rival offering. What differentiate one toothpaste from another? What distinguishes different stock market price information service? At the same time as the quality of product and service improve so customer expectation increase. As long as the customer has the ability to switch supplier relatively painlessly, it becomes harder and harder to keep loyalty (Rodgers & Howlett, 2000). The philosophy of customer relationship management is the recognition of the fact that a long term relationship with customer is an attempt to win their faith and making them loyal toward the company. Loyal customers are the assets of the company as they provide competitive advantage (Russell S. Winer, 2001).

IMPETUS FOR CRM

Over the past decades there has been an explosion of interest in customer relationship by both academics and executives. Thrust for interest in CRM came from different studies conducted time to time by researchers and CRM analysts and of course, from strong push given to this business activity by CRM consultants, CRM services providers and CRM vendors etc. They all had common view that little effort for increase in customer retention rates could bring remarkable increase in profit. For example, Reichheld (1990) and Rigby (2002) in their studies showed that as little as a 5% increase in retention had impacts as high as 95% on the net present value delivered by customers (advertising agencies) with a low of 35% (computer software). Concluding remarks of different studies

conducted by different authors including two mentioned above have paved the way for the enterprises to ponder more and more about how to delight the existing customers so that they could stay connected with them as this is the royal path to cherish their dream of high profitability. An attempt to repeat customers generate over twice as much gross income than new customers. The considerable improvements in technology and innovation in CRM-related products have made it much easier to deliver on the promise of greater profitability from reduced customer "churn." (McKinsey Consultancy). Competition for customers is intense. From a purely economic point of view, firms learned that it is less costly to retain a customer than to find a new one. It is assumed that 20% of a company's customers generate 80% of its profits. In industrial sales, it takes an average of 8 to 10 physical calls in person to sell a new customer, 2 to 3 calls to sell an existing customer. It is 5 to 10 times more expensive to acquire a new customer than obtain repeat business from an existing customer. (Based on Pareto's Principles) the costs to market to existing Web customers is \$6.80 compared to \$34 to acquire a new web customers. A typical dissatisfied customer tells 8 to 10 people about his or her experience. (Paul gray, 2001). Several factors have recently contributed to the rise in the use of CRM in the marketplace (Wagner Kamakura et al).

FIGURE 4: FACTOR CONTRIBUTING TO RISE IN CRM



1. A shift in focus in many organisations, towards increasing the share of requirement amongst their current customers rather than fighting for new customers.
2. An explosion in data acquired about customers, through the integration of internal databases and acquisition of external syndicated data.
3. Computing power is increasing exponentially.
4. Software and tools are being developed to exploit these data and computers, bringing the analytical tools to the decision maker, rather than restricting their access to analysis.

FUTURE OF CRM

Bob Thomson in his vision statement had made certain predictions about future of CRM industry. He mentioned seven trends defining the future of CRM

1. Wherever you live your customers will have more choices for products and services. Companies with lean, responsive and customer-friendly business models will prosper.
2. CRM must, and will, become more of personal commitment by all employees, and not just a corporate philosophy or a technology initiative.
3. If you aim for a competitive advantage and not just a simple return on a (CRM) IT investment, then you'll need to focus on the value and experience your organization delivers to your customers.
4. Every company must compete within an ecosystem of buy-side suppliers and sell-side distributors and partners, which collectively form a Customer Value Network.
5. Overall, CRM software-as-service will take about 25 percent of the CRM industry revenue.
6. Emergence of integrated voice-of-customer and customer experience management applications, aimed at listening to customers and delivering the experience that they value. Increasingly, real-time analytic applications will guide decision-making.
7. The CRM trend started with marketing, so Chief Marketing Officers will clearly be the driving force in framing CRM strategy. This customer strategy can then be executed with tactical marketing and sales campaigns and customer service operations.

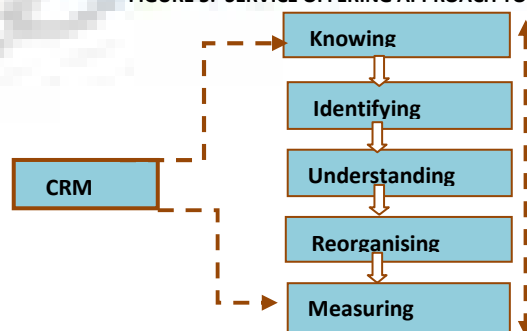
CRM SOLUTION MODELS

CRM carries different meaning to different people. Some people stress the significance of information technology in CRM, some argue that CRM means a customer centric organisation, some believe CRM is a functional (marketing strategy) other emphasize that CRM is primarily a business strategy. So, different situations demand different methods to be implemented in order to get rid from the problem which may arise due to weak CRM practices. Consequently, out of so many CRM solution models suggested by researchers, CRM service providers, CRM consultants, Business analysts etc., following selected models for discussion will set the road map for practitioners and policy makers for fulfilling their aim of more profitability and high return on investment.

MODEL 1: CRM AS SERVICE TOOL

According to Kevin O'Conner, the founder of Booz Allen Consultancy, CRM solution should be based on the knowledge that a customer relationship with an organization is composed of ongoing experience. He propounded that history of customers experience can be foundation stone for any of the organization to frame strategies according to what they demand because this is the best way to retain them. So effective CRM framework demands systematic study of following stages.

FIGURE 5: SERVICE OFFERING APPROACH TO CRM

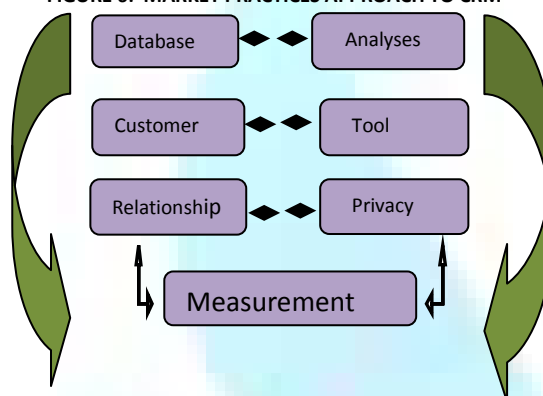


- Knowing your customer.
- Identifying acute customer problem.
- Understanding what customers do as a result of those problems.
- Reorganising how you respond to your customer based on their goals.
- Measuring the impact on continuous improvement on behaviour and cost.

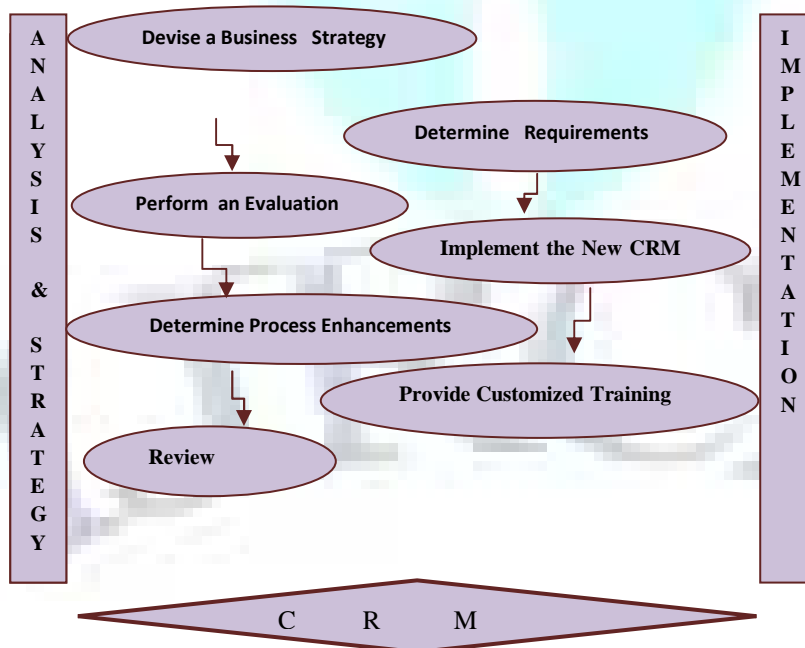
MODEL 2: CRM AS MARKETING TOOL

Russell S. Winer (2001) in his paper has suggested managerially useful, end-to-end view of the CRM process from a marketing perspective. The basic perspective taken by him is that of the customer, not the company. In his view managers need to know about their customers and that information could be used to develop a complete CRM perspective. According to him, A complete CRM solution demands and depends on a set of 7 components:

1. A database of customer activity
2. Analyses of the database.
3. Given the analyses, decisions about which customers to target.
4. Tools for targeting the customers
5. How to build relationships with the targeted customers.
6. Privacy issues.
7. Metrics for measuring the success of the CRM program.

FIGURE 6: MARKET PRACTICES APPROACH TO CRM**MODEL 3: CRM AS TOOL TO SUPPORT WHOLE BUSINESS**

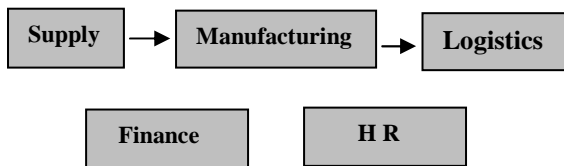
Peter M. Dascalos (SEI Information Technology) is of the view that the success or failure of a CRM solution depends on how clearly your goals and objectives are defined. According to him a complete CRM solution demand careful study of certain steps based on two phases. Phase one emphasises on the need to devise a business strategy and to perform an evaluation, where all groups that plan to use the system (i.e. Sales, Marketing, Service, or Support) need to provide or create an outline of their current business or sales processes and actual solution provided in phase 2.

FIGURE 7: BUSINESS PUSH APPROACH TO CRM**MODEL 4: CRM FROM BUSINESS AND TECHNOLOGY PERSPECTIVE**

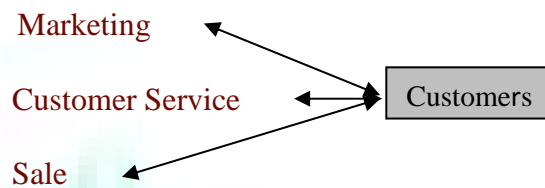
According to Keith Rodgers and Dennis Howlett (TBC Research, 2000), much of the attention in CRM so far, has been focused on the front office function of sale, marketing and customer services. Because early pioneers preferred a piecemeal approach to CRM. Many of today's IT reference sites centres on process automation at a departmental level perhaps through sales-based contact management or campaign management in the marketing function. The fact here is that CRM is an enterprise-wide issue from both business and technology perspective. It requires effective communication and information sharing in every part of

the organisation including supply chain and finance. The key to successful customer management is to build a unified view of each client, drawing together data from a wide variety of sources, making it available in a relevant format to business managers and users.

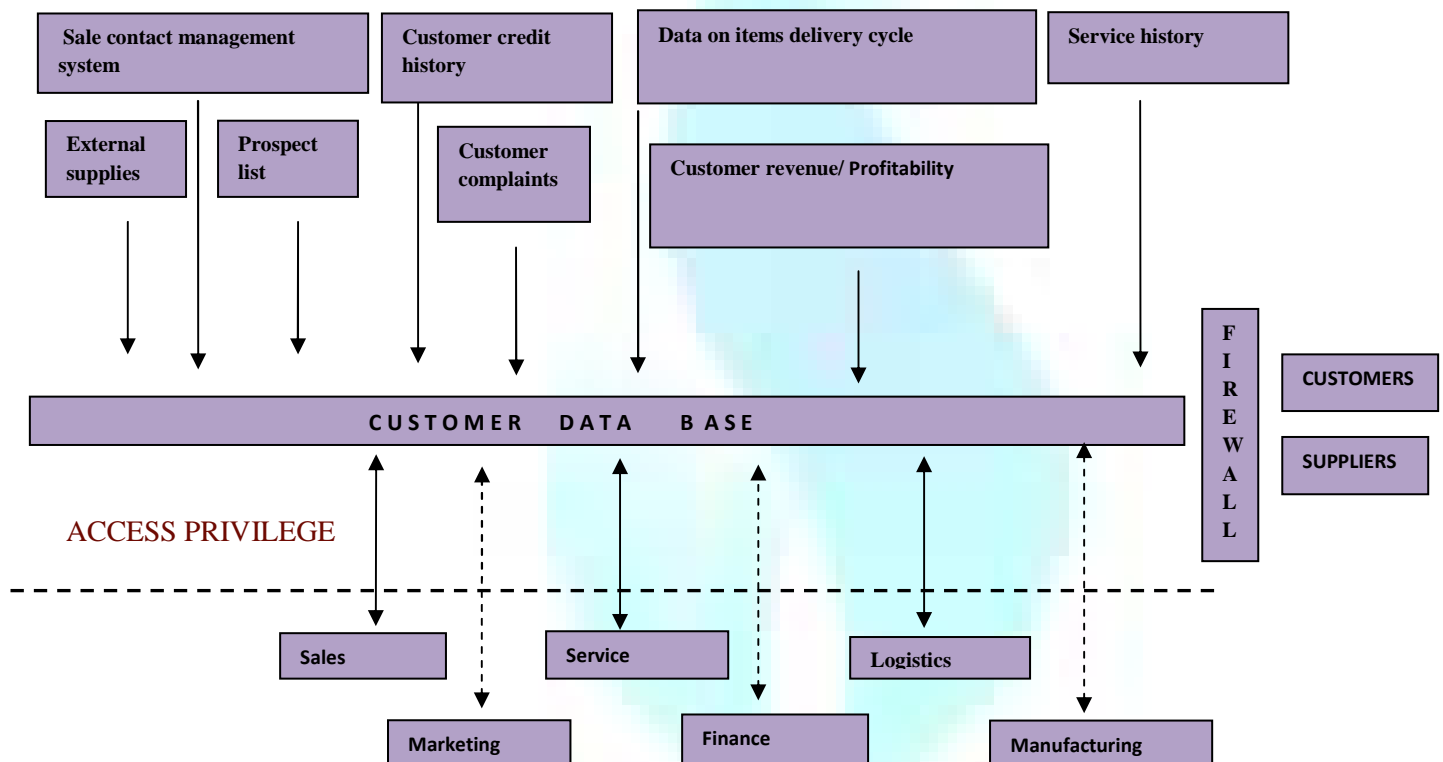
BACK OFFICE



FRONT OFFICE



UNIFIED VIEW OF CUSTOMER



Source: A White Paper by TBC Research in association with Front Range Solutions UK

Characteristics of Modern Structure.	Characteristics of Traditional Structure.
<ul style="list-style-type: none"> Departments linked around same data. Visibility across enterprise. Better customer service. More Effective front- and back-office operations 	<ul style="list-style-type: none"> Silo of information. Different views of customer, even in front Office. Limited communication among departments. No transparency through supply chain.

BENEFITS OF CRM

The popularity of CRM is due to its fundamental and increased focus on customers. Implementation of CRM solution might involve considerable time and effort but there are many benefits of CRM, some of them are;

- CRM gives a complete set of tools that are required to improve overall efficiency of an organization.
- It helps in enhancing the sale through better timing due to anticipated need based on historic trends.
- Implementation of CRM tools helps to increase value from exciting customers and reduced cost associated with supporting and servicing them.
- CRM delivers personalized, informed service that customers expect which makes customers feel 'delighted'. This is because of a system that contains and provides a complete profile of the customer, including all past and present behaviour patterns.
- More repeat business is very much possible through CRM techniques. The repeat business actually comes from the delighted customers, who are turned from doubting clients into loyal advocates.
- By delivering the ultimate customer experience, organizations can cherish their dreams of spreading the boundaries of existing business and entering into new business.
- Strong relations with client offer a degree of protection against actions of competitors.
- CRM helps to make customers loyal and loyal customers are more profitable. Winning new customer is expensive, satisfied customer may buy more happy customers and may bring additional customer etc.

CONCLUSION AND SUGGESTIONS

Today, the strategic importance of CRM has become an essential capability to enable firms respond efficiently to customer needs in a highly competitive and volatile market in any industry (Benjamin A. Kubi et al, 2010). Business institutions are facing strong competition not only from existing players but also new other entrants from other sectors and indicated that CRM holds the promise to achieve corporate objectives in a highly competitive arena. (Karaskostas et al, 2004). A successful CRM therefore requires a combination of managerial commitment, cultural change and a combination of resource and technology to achieve the needed result (Adrian P. & Pennie Flow, 2005). Creating, developing and maintaining relationship with customers is the need of the hour and it is in fact a sharp edge weapon to fight competition and enjoy competitive advantage. In the present era, customer are more knowledgeable than ever before and because the customer are more knowledgeable, companies are required be faster, more agile and more creative than a few years ago (A Chand et al, 2010). Customer data needs to be collected, clean, stored in a format that makes it easily accessible for analysis and then analyzed by statisticians so that meaningful information regarding customer behaviour, friends and attitudes can be extracted. However, according to Paul Gray, overall processes and applications of CRM should be based on the following principles for bringing fruitful results.

Treat Customer Individually: Remember customers and treat them individually. CRM is based on philosophy of personalization. Personalization means the content and services to customer should be designed and based on customer preferences and behaviour. Personalization creates convenience to the customer and increases the cost of changing vendors.

Acquire & Retain Customer Loyalty Through Personal Relationship: Once personalization takes place, a company needs to sustain relationships with the customer. Continuous contacts with the customer especially when designed to meet customer preferences can create customer loyalty.

Select "Good" Customer Instead of "Bad" Customer Based On Lifetime Value: Find and keep the right customers who generate most profits. Through differentiation, a company can allocate its limited resources to obtain better returns. The best customers deserve the most customer care; the worst customers should be dropped. In summary, personalization, loyalty, and lifetime value are the main principles of effective CRM implementation and efficient business results.

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