RESEARCH ARTICLE

CUSTOMER RELATIONSHIP MANAGEMENT: A NEW DIMENSION OF MANAGING CUSTOMERS

K. Haritha[1]

Abstract

CRM or Customer Relationship Management is a system that caters to the management of a firm's interactions with past, present, and future customers. Since the beginning of the new millennium, traditional marketing practices have not been effective in yielding good returns. Companies have turned reluctant to spend huge advertising expenditure and marketing research – the potent tool of getting deeper insights of customer has lost its charisma. Due to enigmatic customer behavior, it becomes inevitable for the companies to develop new marketing strategies. CRM has emerged as a new marketing strategy in that tenor. This article deals with importance of CRM and customer modeling. Further it extends the constraints of CRM and how it affects the organizational change.

Author Affiliation: [1]Department of of MBA, Annamacharya Institute of Technology & Sciences, Tirupati.
Corresponding Author: K.Haritha.Department of of MBA, Annamacharya Institute of Technology & Sciences, Tirupati.
Email: k.harithanaidu@gmail.com

1.INTRODUCTION

CRM or Customer Relationship Management is a system that caters to the management of a firm's interactions with past, present, and future customers. The CRM software integrates the entire customer relationship cycle by automating sales, marketing, customer service, and technical support. CRM software is a solution that automates the disparate and discreet aspects of the customer relationship management lifecycle and integrates the range of functions that the organization has to actualize customer relationship management. CRM emerged in the 1970s[1] as a new tool for managing and optimizing sales-force automation within companies.

Since the beginning of the new millennium, traditional marketing practices have not been effective in yielding good returns. Companies have turned reluctant to spend huge advertising expenditure and marketing research – the potent tool of getting deeper insights of customer has lost its charisma. The four P's of marketing – Price, Product, Place and Promotion – are not much useful in developing marketing strategies. Due to enigmatic customer behaviour, it becomes inevitable for the companies to develop new marketing strategies. CRM has emerged as a new marketing strategy in that tenor.Further, the CRM software manages the firm's interactions with their clients throughout the entire lifecycle of customer management starting with cold calling and extending to customer acquisition, and customer retention among other elements. This research article critically analyzes the concept of CRM and CRM software from multiple perspectives. There is a gradual shift in marketing practices from basic marketing to relative marketing and then to relationship marketing. In days of yore, selling a product was comparatively easy. Many companies took their customers for granted and could practice leaky bucket approach of marketing in expanding economies and rapidly growing markets. Owing to changing demographics, fierce competition and over-capacity in many industries, most companies are up against the problem of customer churn, that is, customer defection. It has become imperative for every company to fight for its share in the flat or faded market. They also realized that customer is the king or queen and retaining an existing customer is less expensive than creating a new customer for their products. Jeetendra Jain[2] says, "It costs 5 times less to retain an existing customer than to acquire a new one"

2.Meaning of CRM

Until recently CRM has been recognized as database management activity only. According to Kotler and Armstrong, CRM involves managing detailed information about individual customers and carefully managing touch points in order to maximize customer loyalty. Later, CRM is viewed as the overall process of building and maintaining profitable customer relationship be delivering superior customer value and satisfaction. The challenge, according to Jeffrey Gitamer, is not to produce satisfied customers. Several competitors can do this. The challenge is to produce delighted and loyal customers. The shift in emphasis from transaction marketing – one time deal – to relationship marketing is based on the premise premise that important accounts need to be focused and attended aptly. The aim of CRM is to build long-term, mutually satisfying relations with customers in order to earn and retain business by

delivering high quality products and services at reasonable prices over the time. In other words, instead of trying to maximize profits from each and every transaction. CRM focuses on maximizing profits over the lifetime value of the customer by creating and maintaing relationships. Longstanding, happy customers can be served with less customer service, marketing and sales costs. CRM emerged in the 1970s [1] as a new tool for managing and optimizing sales-force automation within companies.

3.Importance of CRM

Customer Relationship Management strategies have given a new outlook to all the suppliers and customers to keep the business going under an estimable relationship by fulfilling mutual needs of buying and selling. For the retention of customers, companies have strived for pleasing the customers by maintaining databases of all the customers and to speak individually to countless customers.[3] Database marketing-the process of building, maintaining and using other databases (products, suppliers, resellers) for the purpose of contracting, transacting and building relationships – has emerged as a new marketing strategy. Companies in their over-zealous fondness for technology maintained huge databases. For instance, Fingerhut preserved some 1400 pieces of information about each of 30 million households in its massive database. At the end, most of the data had become irrelevant and employees failed to use the data effectively. Moreover, there was a pivotal problem of updating the data from time to time. Of late, companies are realizing that losing more than a single sale.[4] It means losing the entire stream of purchases that the customer would entering his dealership for the first time represents a potential life time value of over $ 3,00,000. With internet explosion and communication revolution, today's customers are smarter and have all the information at their fingerprints. They are more price-conscious, more demanding and approached by a legion of competitors with equal or better offers. It is not enough to be skillful in attracting new customers, but the company must retain them in order to increase their business. At present, companies are designing strategies to retain customers and build long-term relationships with them through CRM. An understanding of relationship marketing would be incomplete without first determining its dimensions or attributes. Several authors highlight the importance of identifying and understanding the dimensions of relationship marketing for the success of relationships.[5]

CRM is a relative newcomer that appeared in the business radar. With the advent of e-commerce, CRM become a typical area of interest. It is a business strategy with technology as its nucleus. The successful implementation of CRM in the organization requires reorientation of a company's culture-the way the company is managed employees are trained and evaluated. The whole business organization should become customer-centric. [6]

4.Pre-Requisites of CRM:

CRM is a relationship process through which a company can cultivate relationships on long term basis with its customer groups/segments in such a way that it would benefit both the customer and the company. The Pre-requisites of CRM programme are,-

Willingness on the part of the company and the customer to stay committed to the relationship, which is based on mutual benefits. Many organizational process changes have to be initiated in both the companies. Hence, top management's support; co-operation and commitment are sine qua non for introducing and implementing CRM.

A non-transactional orientation on the part of the company is required. Contrary to a transaction –one-off interaction-CRM is concerned with formulating and implementing strategies to build long-term relationships with customers. Willingness on the part of the company to invest in an infrastructure that can implement and operationalise CRM. The infrastructure could include web-based hardware/software that can effectively harness the advantages of CRM.

5.Customer Modeling - Meaning and its Different Aspects

Customer modeling is the process of predicting and forecasting behavioral aspects of customers' future perspectives. The process includes identification of marketing and campaigning targets and optimizing predictive analysis. Following are the broadly discussed aspects of customer modeling:

- **Response modeling -** Modeling enhances the organization's knowledge on each individual customer and identify if the customers under specific segment are good and effective for marketing campaigns and promotion. This process includes validation and testing of collected customer response data and information. After analyzing and computing this data, scores or ranks are assigned to customers that represent their willingness to respond to a specific program or promotion. The approach is to divide the customers into modules or sub groups and then assign probability of response to each sub group. Marketing professional and decision making personals then decide the exact number of customers to be included in that particular promotion or program.

- **Predicting customer Behavior** - All the organizations are interested in determining the future value of all their existing customers. Modeling techniques are used to predict life time value of customers and profit impacting customer behavior like probability of product purchase, frequency of product purchase, spending capabilities, loyalty, usage of support and services. These predictive models support various kinds of processes like marketing campaigns, forecasting of financial and developmental aspects, customer budget management and asset management.

- **Return on investment (ROI) optimization** - Modeling emphasizes on optimizing following marketing activities like pricing, channeling and response medium determination. Organization usually gets highest return on investment from their marketing promotions by modeling the price elasticity of customers so that a valid offer can be given to each customer. By this the profit margin of product increases with low cost to the organization.

- **Measuring market impact** - In today's scenario,

organizations have to come up with efficient and attractive marketing programs to communicate with customers and convey their message because customers are exposed to the open market where marketing competition is inevitable. Due to this market stimulation on customers are properly accounted which brings confusions in customers and they become biased. Due to this biased behavior the predictions and analysis could defect from actual implementation. Modeling being multidimensional in nature helps to measure and sustain this impact of marketing on customers' behavior in a controlled and efficient manner.

Modeling and profiling are mostly same but the basic difference between them is the factor of time involved in modeling processes; as the modeling is not a static process. Modeling is quite more sophisticatedly implemented and thus making it powerful technique to predict customer behavior. Modeling process is action oriented and is not at all static throughout the customer life cycle. Profiling on the other hand is static and no action is taken apart from just recording the actual information and doing analysis on that information. Modeling on other hand involves action to be taken over times. Modeling also increases the return on investment and enhances business perspectives by fetching out good profit. Being more powerful and effective technique, marketing professionals prefer customer modeling in place of customer profiling because they have to deal with actual customer data.

6.Constraints of CRM

Many companies have the misconceptions about CRM in regard to assessing customer satisfaction in order to enhance business. There are several misunderstandings in Customer Relationship Management to be checked otherwise these may cost the organization revenue and profits.

1. **Identifying CRM with the software system-** CRM is a business strategy which consists of people and business processes in addition to technological implementations. A successful implementation of CRM is not possible without each one of them. So CRM is not an IT issue only to be simply equated to software. It would be improper to have a successful business purely 'technology-centric' ignoring the importance of people and processes. Software is only an enabling or a facilitating device. The process is implemented and enabled by the software only when it is properly designed and developed by people. Then only it can deliver customer and company value. Therefore the right implementation sequence has to be followed and it must include proper competencies and people's attitudes, the right business strategies and then the right IT implementation.

2. **CRM is a complicated system, difficult to understand-** The meaning of CRM is simple - to fetch customers, retain them and maximize profitability. Because of the fast developing technology there is pressure on IT professionals to cope up with the recent developments. So the 'how' part of implementing CRM may be felt difficult. But the 'why' part of the CRM concept is also not difficult to understand. If we go back to the times when there was no IT implementation, still customer relationships were being managed then by keeping in mind a customer database. Now, in the present times technology is more advanced

and the quality of customer management have been entirely changed. But the core of CRM and the target remain the same - to maximize business profits. Keeping this perspective in mind proper techniques must be employed to access its utility.

3. **CRM is expensive and unaffordable by small enterprises** - It is a myth that IT maintenance cost is unaffordable by small and medium class entrepreneurs. Nowadays Application Service Providers with simple and limited functions have been introduced to provide CRM at affordable prices. Its operation is easy without involving expensive IT professionals. Therefore to target good results emphasis should be on people and procedure strategies and utilize software at the end part only.

4. **Wrong assessment for the Return on Investment in CRM** - In CRM implementation, Return on Investment means the evaluation of returns with the costs incurred. CRM is sometimes regarded as giving a poor ROI? It is the wrong way to think so. In fact the probability of poor ROI is more if CRM is not deployed and the opportunity costs are more. The main causes of poor ROI are ignoring people and procedure strategies, absence of quantified benchmarking to measure the results, lack of vision in strategic acquirement of opportunities etc. These are the points to ponder before implementing a CRM.

5. **Who is responsible for CRM implementation -** The Marketing, Sales, Customer Service, or IT officials?- It is not at all advisable to lay the responsibility on all of them individually. The result will be that none of them will feel his responsibility. The responsible person should be the CEO who is the leader of the enterprise and it is he who formulates and manages the business strategies. Why the other person should be pressurized? In order to have a better success index, the CEO and his immediate deputy should be well educated and trained for a better implementation of CRM.

CRM is not panacea for all marketing maladies. It has its own constraints.

CRM is not for everyone. When the market consists of a myriad of customers and the unit profit margins are not much, for instance selling was washing powders, basic marketing is enough. CRM is an apt strategy when customers are of long – time horizons and profit margins are much. Barbara Band Jackson- the authoress of "Winning and Keeping Industrial Customers: The Dynamics of Customer Relations"-sees transaction marketing as more appropriate with customers who have a short-time horizons and low switching costs, such as buyers of commodities. Relationship marketing pays off handsomely with customers who have long-time horizons and high switching costs, such as office automation system.

CRM assumes that customers play a passive role in relationships. But in the networked world, they have the ability to play an active role in manageing relationships. Now – a-days the marketing is towards collaborative marketing, in which the company collaborates with

customers and makes them an integral part of the company's marketing activities. Shiseido, a market leader for high – end cosmetics in Asia, opened Shiseido Studio in New York, where customers, can enjoy sample spa, treatments and sign up for free classes on skin-care, make-up. Customers are given an option to register customer profile and create a wish list too. Shiseido uses this information in indirect marketing and offers products according to customer specification.

CRM is mainly based on customer databases. The collection of data and shortage of data for CRM comes in handy only. When the data collected is accurate and appropriate, is collected at a reasonable cost, analysed diligently, reported promptly in a lucid manner and kept secret from competitors. Simon London opines, "Data have little value on their own: They are useful only when they have context and relevance."

5.CRM and Organisational Change

CRM is an overall business strategy for the whole organization rather than a sales tool of marketing department with short-term orientation. CRM places customer at the centre of business consciousness along with the product. The aim of CRM is to foster consumer –centric culture across the organization-right from the top brass to the employee at the bottom. The imperatives of CRM with regard to organizational changes are:

Indian Companies have gradually realizing that CRM is immensely beneficial for them. In India context developing websites and consumer product information to the potential customer is not cost effective.

CRM is an overall business strategy; hence people at the helm should not only understand and appreciate the philosophy of CRM but also be committed to its success. They should assess its ramifications from time to time. An ongoing relationship with customers requires internal collaboration among different functions. So, the entire team must unite as one-right from the person greeting customers at the entrance to the person handling office processing. CRM is a major organizational change initiative. As such, not mere support of the top management but commitment and leadership are needed. The initiatives should be firmly rooted with organization goals and have specific success matrices and criteria. Without this foundation, the initiative will be like a sailboat without a rudder.

As customer centric culture is to be adopted in the organization, the functioning of the whole company, the way it is organized and managed, training imparted to the employees, evaluation and reward schemes for the employees – must be reworked. Michael Skapinker quotes "Microsoft told 600 senior executives that their bonus should be based on growth in customer number as well as feedback from customer complaints. Half of the sales force's bonuses would be based on customer satisfaction too. Management should take steps to augment employee's commitment, which has a great impact on customer service.

Launching loyalty programmes is indispensable in CRM for retention of customers. Swetha Jain says, there is no dearth of players across the sectors that are launching loyalty programmes. The players dangling the loyalty cards to customers include retail chains like, Shoopers Stop, Petroleum major Barat Petroleum Corporation Limited (BPCL) and airlines like Jet Air Ways an Indian Airlines.

Banks can gain the competitive advantage from CRM by becoming low cost players in the market, achieving operational efficiency and maintaining customer loyalty. Some companies share their profits with employees. Employees receive a handsome amount under this unique programme. It is important how the conditions of the market place are changing. Goals need to be simple. The top management should have the ability to develop and execute winning strategies based on the data analysis, test the data and its analysis should become worthless.

6.Conclusion:

A better understanding of different dimensions of CRM therefore is a must to potentially enhance the benefits of CRM implementation. The main objective of CRM is building long-term, sustaining relations with customers by delivering superior customer value and satisfaction. Instead of trying to maximize profits from each and every transaction, CRM focuses on maximizing profits over the lifetime value of customers. Undoubtedly, CRM is a potent tool in sustaining and boosting ills as it has own limitations.

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