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CUSTOMER RELATIONSHIP MANAGEMENT-A CONCEPTUAL FRAMEWORK

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ABSTRACT

Customer relationship management is a company-wide business strategy designed to reduce costs and increase profitability by solidifying customer loyalty. CRM builds on the philosophy of relationship marketing that aims to create, develop and enhance relationships with carefully targeted customers, to maximize customer value, corporate profitability and thus shareholder's value. The goal then is to improve the customer's experience of how they interact with the company, which hopefully, will turn into more satisfaction, which may lead to more loyalty, and finally, to increase in profit. CRM is customer-focused business strategy designed to optimize revenue, profitability, customer loyalty and develops marketing strategies to delight the customers. Driven by the challenges of competition, rising customer expectations and shrinking margins, banks have been using technology to reduce cost and enhance efficiency, productivity and customer convergence. This paper is a modest attempt to study the conceptual framework of Customer Relationship Management.

KEYWORDS : Customer Expectation, Customer Life Cycle, Customer Relationship Management.

INTRODUCTION

Over a century ago, in any small store anywhere in the world, before the advent of supermarkets and automobiles, people went to their neighborhood general store to purchase goods. The proprietor and the small staff recognized the customer by name and knew the customer's preferences and wants. The customer, in turn, remained loyal to the store and made repeated purchases. This idyllic customer relationship disappeared as nations grew, the population moved from the farm communities to large urban areas, the consumer became mobile, and supermarkets and departmental stores were established to achieve economies of scale through mass marketing.

Although prices were lower and goods more uniform in quality, the relationship between the customer and the merchant became nameless and faceless. The personal relationship between the two becomes a thing of the past. As a result, customers became fickle, moving to the supplier who provided the desired object at the lowest cost or with the most features. The last several years have seen the rise of Customer Relationship Management (CRM) as an important business approach. The objective of CRM is to return to the world of personal marketing. The concept itself is relatively simple. Rather than maker to a mass of people or firms, market to each customer individually. In this one-to-one approach, information about a customer (e.g. previous purchases, needs and wants) is used to frame offers are more likely to be accepted. This approach is made possible by advances in information technology.

It is crucial to remember that CRM is an abbreviation for Customer Relationship Management, not Customer Relationship Marketing. Management is a broader concept than marketing, because it covers

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marketing management, manufacturing management, human resource management, service management, sales management, and research and development management. Thus, CRM requires organizational and business level approaches-which are customer-centric-for doing business rather than simply a marketing strategy.

CRM involves all of the corporate functions (Marketing, Manufacturing, Customer Service, Field Sales and Field Service) required to contact customers directly or indirectly. The term "touch points" is used in CRM to refers to the many ways in which customers and firms interact (**Chatterjee, 2010**).

Customer's relationship management has its roots in the basic function of marketing which main objective to satisfy the customers with the best possible sources in the market through proper link with the customer. Customer relationship management is a change in a corporate culture from a transfaction focus to customer centric one. It is a comprehensive strategy and process of acquiring, retaining and partnering with selective customers to create superior value for the company and the customer. The successes of the customer relationship management depend on the pillars which are people, process, technology and the huge data base. These are the core elements for the customer relationship management.

THE CONCEPT OF CRM

Customer Relationship Management (CRM) is perhaps the most important concept of modern marketing. Until recently, CRM has been defined narrowly as a customer data management activity. In its broader sense, CRM is the overall process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction. It deals with all aspects of acquiring, keeping and growing customers. The key to building lasting customer relationships is to create superior customer value and satisfaction. Organizations can build customer relationships at many levels, depending on the nature of the target market. To build customer relationships, companies can add structural ties as well as financial and social benefits.

Today's companies are building more direct and lasting relationship with more carefully selected customers. Changing demographics, more sophisticated competitors mean that there are fewer customers to go around. Many organisations are now fighting for shares of flat or fading markets. In addition to being good at customer relationship management, marketers must also be good at partner relationship management, which means working closely with partners in other company departments and outside the company to jointly bring greater value to customers. Thus, the goal of marketing is to build and manage profitable customer relationships.

Successful CRM focuses on the profiling or understanding the needs and desires of the customers and is achieved by placing these needs at the heart of the business by integrating them with the organization's strategy, people, and technology and business processes. CRM requires a synergistic integration of the strategy, people and technology of an organisation. This integration leads to the creation of the service process that seek to develop an ongoing relationship with customers and results in creation of an exchange relationship that is mutually beneficial for both the organization and the customer. CRM must come from the top. It is an all-encompassing strategy, and no one department or Call center or Information Technology manager can drive the cross-functional process changes required. Thus, CRM is a Holistic approach.

Customer relationship management is a change in a corporate culture from a transaction focus to customer centric one. It is a comprehensive strategy and process of acquiring, retaining and partnering with selective customers to create superior value for the company and the customer.

To create and keep a customer means doing a lot of things for him so that he would like to continue the business. Industry cannot stay long time if it does not attract and hold enough customers, no matters how efficiently it operates (**Levitt, 1974**). Thus, satisfaction of the customer needs is a perquisite for existence and survival of the industry.

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Its objectives are to increase profitability, revenue, and customer satisfaction. To achieve CRM, a company-wide set of tools, technologies, and procedures promote the relationship with the customer to increase sales. Thus, CRM is primarily a strategic business and process issue rather than a technical issue.

CRM consists of three discrete components:
- Customers,
- Relationships, and
- Management.

CRM tries to achieve a single integrated view of customers and a customer-centric approach by judiciously blending these three factors.

Figure 1: Components of CRM
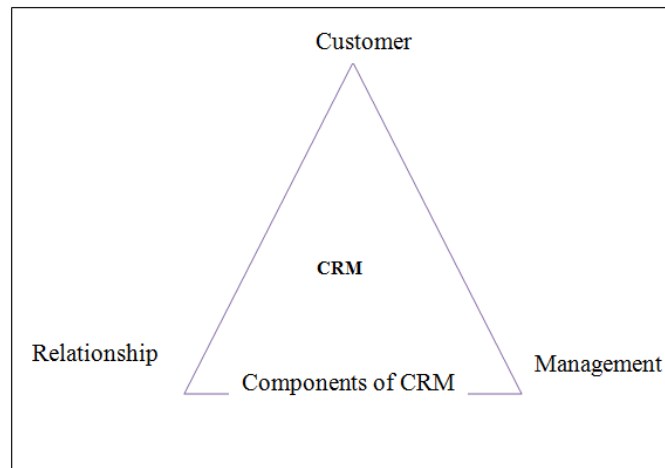
Source: Bhattacharjee, C (2010), Services Marketing, Excel Books, New Delhi, p.513

Customer: The customer is the only source of the company's present profit and future growth. However, a good customer, who provides more profit with less resource, is always scarce because customers are knowledgeable and the competition is fierce. Sometimes it is difficult to distinguish who is the real customer because the buying decision is frequently a collaborative activity among participants of the decision-making process. Information technologies can provide the abilities to distinguish and manage customers. CRM can be thought of as a marketing approach that is based on customer information.

Relationship: The relationship between a company and its customers involves continuous bi-directional communication and interaction. The relationship can be short-term or long-term, continuous or discrete, and repeating or one-time. Relationship can be attitudinal or behavioural. Even though customers have a positive attitude towards the company and its products, their buying behaviour is highly situational. For example, the buying pattern for airline tickets depends on whether a person buys the ticket for their family vacation or a business trip. CRM involves managing this relationship so that it is profitable and mutually beneficial. Customer lifetime value (CLV) is a tools for measuring this relationship.

Management: CRM is not an activity only within a marketing department. Rather is involves continuous corporate change in 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 requires a comprehensive change in the organisation and its people.

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DRIVERS FOR CRM APPLICATION

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. The oft-quoted statistics go something like this:

- Going by Pareto's Principle, it is assumed that 20% of a company's customers generate 80% of its profits.
- In industrial sales, it take an average of 8 to 10 physical calls in person to sell to a new customer; and only 2 to 3 calls to sell to an existing customer.
- It is 5 to 10 times more expensive to acquire a new customer than to obtain repeat business from an existing customer. For example, according to the Boston Consulting Group, the costs to market to an existing Web customer are $ 6.80 compared to $ 34 to acquire a new Web customer.
- A typical dissatisfied customer tells 8 to 10 people about his or her experience.
- A 5% increase in retaining existing customers translates into 25% or more increase in profitability.

In the past, the prime approach to attracting new customers was through media and mail advertising about what the firm had to offer. This advertising approach is scattershot, reaching many people including current customers and people who would never become customers. For example, the typical response rate from a general mailing is about 2%. Thus, for example, mailing a million copies of an advertisement, on an average yields only 20,000 responses.

OBJECTIVES OF CRM

The Customer Relationship Management is a comprehensive strategy and process of acquiring retaining and partnering with selective customers to create superior value for the company and customers. In the marketing literature the term customer relationship management and relationship marketing as used interchangeably. As **Nevin (1995)** points out that the customer relationship management has been used to reflect a variety of themes and perspectives. Some of these themes offer a narrow functional marketing perspective while other offer a perspective that broad and somewhat pragmatic in approach and orientation. A narrow perspective of customer relationship management is database marketing emphasizing and promotional aspect of marketing linked to database efforts **(Bickert, 1992)**. In CRM marketing efficiency is achieved because cooperative and collaborative processes help in reducing transaction cost and overall development cost for the company.

Hence CRM

- Helps an enterprise to enable its marketing departments to identify & target their best customers, manage marketing campaigning with clear goals & objectives and generate quality leads for the sales team.
- Assists the organization to improve sales, accounts & sales management by optimizing information shared by multiple employees and streamlining existing processes (taking order on a mobile)
- Allows the formation of individualized relationships with customers that in turn improves the customer satisfaction and maximize profits. (Identifying the most profitable customers and providing them the highest level of service)
- Provides employees with the information and processes that are necessary to know their customer, understand their needs and effectively build relationship between the companies, its customer base and distribution partners.

The following are the specific objectives of CRM:

1. Enable the company to quickly identify, contact, attract and acquire new customers:
2. Obtain a better understanding of the customers-their wants and needs:
3. Define the appropriate product and service offering and match it to the customers unique needs:

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4. Manage and optimize the company sales cycle:
5. Identify cross selling and up-selling opportunities:
6. Increase retention of existing customers through improved after sales service and support:

Figure 2: The Paradigm shift in Marketing Orientation
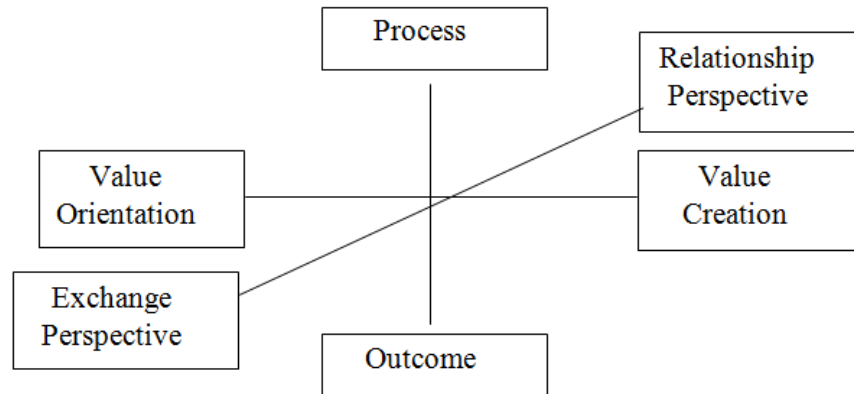
Customer Life Cycle begins with acquisition is nurtured through retention and further enhanced through Innovation. At the heart of any retention strategy is a genuine commitment to consumers is Customer Relationship Management CRM.

CRM refers to all activities associating with both transactional and relational exchanges involved in business activities. It is cohesive efforts to establish, maintain and grow relationship and continuously strengthen the same through interactive, individualized and value-added contacts, leading to mutual exchange and fulfillment of promises over a period of time.

Cut throat competition has made customer as a king. In today's competitive world customers have more information, more choice, more access and as a result, high expectations. In such a situation, the companies that thrieve will the ones that create the most compelling and consistent relationship with their customers. The depth of this relationship will be the foundation for sustained success and competitive advantage[8].

The Principles of CRM:
♦ Value segmentation
♦ Institutional awareness
♦ Participation by workers
♦ Channel alignment with needs and values
♦ Identification and satisfaction in a single go
♦ Employee, the brand carries
♦ Listening and learning posts
♦ Customer experience management

The objective of CRM is to attract, maintain and enhance customer relationship with the existing and potential customers.

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IMPORTANCE OF CRM

The customer is in reality the king, the one who makes the difference between a company's success and failure. The difference between the success and failure lies in the "attitude" towards its customers. Most organizations have an extremely faulty customer centered system. They are not open to customer suggestions and more often than not, they do not provide the customer with a proper avenue to vent his ideas. This often leads to unhappy customer and eventually, their loss.

CRM facilities growth in that it aids the reduction of costs and the increased availability of information to the organization -that can be used according to customer information requirements. The customer centered strategy that provides information on potential customers boosts the marketing function by providing the marketing department with a clear idea of what the customer needs are and enables them to work accordingly. Thus, the benefits of CRM are enormous. The specific advantages derived through CRM are quoted below:

- Better customer service;
- Gaining competitive edge;
- Constant supply of vital customer data;
- Enhancing supply of vital customer data;
- Easy handling of routine tasks;
- Teamwork within the organizations;
- Improves the communication process;
- Makes awareness of customer needs and deal with them in the right manner;
- Ensures discipline in the organization;
- Continuous monitoring of performance.
- Healthcare;
- Financial Services;
- Manufacturing;
- Real Estate;
- Retail;
- Travel & Tourism;
- Banking;
- Automobile;
- Insurance etc.

Customer relationship management, currently a much talked about issue, is not a fad but is very vital for companies in the present highly competitive scenario. However, across the organization, the attitude towards customer service should be inculcated and this should be driven from the top downwards.

CONCLUSION

Customer Relationship Management (CRM) is a combination of policies, processes, and strategies implemented by a company that unify its customer interaction and provides a mechanism for tracking customer information. It entails all aspects of interaction a company has with its customer, whether it is sales or service related. It even uses technology to streamline processes that impact customer loyalty, service delivery and quality management. CRM helps businesses use technology and human resources to gain insight into the behaviour of customers and the value of those customers.

CRM helps in reduced searching and correlating customers and to foresee customer needs effectively and increase business. It contains each and every bit of details of a be used to determine which customer can be profitable and which not. CRM focus and concentrate on each and every customer separately. Details in the CRM system is kept centralized which is available anytime and reduce process time and increase productivity.

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According to CRM theory, the benefits gained from CRM include improving the satisfaction and CRM systems allow organizations to reduce waste in their marketing and communication efforts. It also improves the retention level of customers, improving customer insight and improving revenue growth. It allows them to focus their profit-making strategies on the most profitable segments of customers and eliminate or reduce expenditures on unprofitable segments or customers.

So, finally we may conclude that CRM is a widely-implemented strategy for managing a company's interactions with customers, clients and sales prospects. It involves using technology to organize, automate, and synchronize business processes-principally sales activities, but also those for marketing, customer service, and technical support. 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. Customer relationship management describes a company-wide business strategy including customer-interface departments as well as other departments.

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