

CUSTOMER RELATIONSHIP MANAGEMENT – THE INDIAN PERSPECTIVE

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Abstract: *‘Market is a kingdom and customer is the king’. This is a renowned maxim pursued by the Indian companies in true spirit. With the advancement in modern technology, customers are becoming more and more informed about their need and want. Nowadays social media is educating them and they scout around for best product, brand name, product quality, operation, and service support. Marketing has thus, undergone a paradigm shift and has come up to the point of establishing relationship with customer. Not just retaining the existing customers but even attracting new customers has become a big challenge. This is the main reason why companies have shifted their focus from being product-centric to customer-centric.*

Keywords: CRM, Marketing, Organisation

“A business absolutely devoted to Customer Service Excellence will have only one worry about profits. They will be embarrassingly large.”

-Sir Henry Ford

INTRODUCTION

‘Market is a kingdom and customer is the king’. This is a renowned maxim pursued by the Indian companies in true spirit. With the advancement of modern technology, customers are becoming more and more informed about their need and want. Nowadays social media is educating them and they scout around for best product, brand name, product quality, operation, and service support. Marketing has thus, undergone a paradigm shift and has come up to the point of establishing relationship with customer. Not just retaining the existing customers but even attracting new customers has become a big challenge. This is the main reason why companies have shifted their focus from being product-centric to customer-centric.

OBJECTIVES

CRM has become a wide discussion in today’s competitive market. With the gearing up of CRM activities, factors like product, price, and promotion have taken a backseat. Multinational companies are constantly on the lookout for ways in which they can enhance the customer experience and thereby create a niche for themselves in the highly competitive market. The paper describes the meaning

of CRM concept, its benefits to the companies, myths surrounding the concept of CRM, roadmap to successful CRM and the benefits of building relationship using CRM.

RESEARCH METHODOLOGY

The paper is based on extensive literature review. The information has been sourced from secondary data using various books, magazines, and journals. A range of online databases was searched to get an insight into various aspects of CRM.

CRM - THE CONCEPT

The competitive and uncertain environment has forced organisations to change and modified them in order to survive and grow. The modification efforts have included, among others, the emergence of the “new paradigm” which is commonly referred as Customer Relationship Management (CRM). CRM is a company-wide business strategy designed to reduce costs and increase profitability by solidifying customer loyalty. The Indian market finally looks in perfect sync with the customer and geared up to face all the new challenges of managing the complete customer experience for a long term bonding and returns. The following factors have led to emergence of the concept of CRM:

- Exposure to media and technology, resulting into a knowledgeable audience
- Shortage of time and availability of better options
- Increased income and purchasing power

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- Demand for convenience shopping
- Brand clutter
- Demand for personalised attention and services
- Readiness for experimentation

The value of a product is no longer created in the factories, but at the point of interaction with the customers. CRM has played an ever increasing and important role in the growth of all such organisations that have developed a sense of understanding towards customer service and satisfaction and implementing CRM.

Why CRM?

Statistics show that the average U.S. companies lose approximately 25 percent of their customers every year, at many times not even knowing why. And it costs a lot more to get a new customer than it does to keep the ones you have. According to a Harvard Business Review study:

- A satisfied customer in 10 years will bring 100 more customers to the company.
- It costs 7 times more to attract a new customer than to serve an old one.
- 20% of the company's loyal customers account for 80% of its revenue (Pareto's principal).
- On an average a customer tells 9-10 people about a problem.
- The chances of selling to an existing customer are 1 in 2; the chances of selling to a new customer are 1 in 16.

CRM holds a lot of promise for improving customer loyalty resulting in top and bottom line benefits. According to Bain & Co. research, when companies retain just five percent more of their customers, corporate profits can be boosted to a minimum of 25 percent. Whether it's improving forecasting capabilities, establishing support policies or simply keeping your customers, CRM might just be the answer for an organisation.

Myths about CRM

Any new management and marketing philosophy receives its own share of confusion, misunderstanding and myths. CRM is no exception. Following are the myths of CRM:

1. CRM is all about technology.

CRM is primarily about three things - people, process, and technology. The first two, people and process, are paramount to the profitability equation, and should not give way to technology. Sometimes, the failure to realise projected benefits from implementing CRM software packages may be due to functional or technical capabilities within the package

itself. It is extremely important to focus CRM initiatives on the business issues, the customer relationship model, and the specific customer interactions within that model, before choosing any technology for implementation. The companies should not rely on the technology itself to drive the business, but creating a sustainable strategic roadmap right from the beginning and regularly assessing it to ensure it remains relevant to support the company's growth. There are many technological components to CRM, but thinking about CRM in primarily technological terms is a mistake. The more useful way to think about CRM is as a process that will help bring together lots of pieces of information about customers, sales, marketing effectiveness, responsiveness and market trends.

2. CRM will make you a customer centric company.

Many a times CRM is based on an illusion of customer centricity, however, today's smart customers are quick to see through the illusion, voting with their feet if they feel undervalued or that the brand relationship is based on farce. The idea at the core of CRM is that every time a company and a customer interact, the company learns something about the customer. By capturing, sharing, analysing, and acting upon this information, companies can better manage individual customer profitability. Truly customer centric companies are finding ways to balance between what the customers want and what they can afford to offer, which is the biggest challenge faced by most of these companies.

3. CRM is difficult.

Successful users of CRM focus first on one area of the business. After getting the success there, they roll out the solution in other areas of the business. This makes them understand the finer aspects of CRM, adept where they need to, build functionality if required and change track if necessary. CRM can be as complex or as simple as you make it.

4. Customers are the only important people in the mix.

Customers are important but they are not the only important people in the CRM model. Suppliers, employees, and other partners are equally important and a company needs to build relationship with them as well. Similarly, within a marketing channel, there are all opportunities to join forces with suppliers and partners and bundle complimentary products and services, which can be offered to the customers. The benefit from one stop shopping and the channel members too get increased sales revenue.

5. All data are powerful.

Multiple, inconsistent, and incomplete information will act as an obstacle in managing the relationship with customers. Companies need to ensure that employees have access to the core data to continuously question the data, analyse the

same and see newer opportunities to attract, transact, fulfill and retain high value customers and the most promising prospects.

Thus, for CRM to be truly effective, an organisation must convince its staff that change is good and that CRM will benefit them. Next is to decide what kind of customer information is relevant and how it will be used. Finally, a team of carefully selected executives must choose the right technology to automate what it is that needs to be automated. "CRM isn't just software; it's a business strategy, cross-functional commitment, factors beyond technology, appropriate strategic alignment, attention to organisational and operational issues, and trademarked implementation methodology."

Benefits of CRM

The benefits of customer relationship management are many. It allows organisations not only to retain customers, but enables more effective marketing, creates intelligent opportunities for cross selling and opens up the possibility of rapid introduction of new brands and products. Keeping the customer happy is obviously one way of ensuring that they stay with organisation. However, by maintaining an overall relationship with customer, companies are able to unlock potential of their customer base and maximize contribution to their business.

Fig. 1 shows CRM as a tool to reduce certain costs and enhance the benefits by successful implementation of the CRM philosophy.

Based on successful CRM implementations, the following benefits seem reasonable:

1. **Better customer service:** With the help of CRM, companies can know better the needs and desires of customers and serve them accordingly. This results into a better service delivery.
2. **Increased sales volume:** Increased sales result from spending more time with customers and gathering more and more information about their preferences on products and services.
3. **Cross sell and up sell products more effectively:** Knowledge about the customers needs, wants and ability to pay can help the employees earn more revenue by cross selling and up selling.
4. **Improved customer satisfaction ratings:** Customers will be more satisfied if they find the company to be more responsive to their specific needs.
5. **Decreased marketing administrative costs:** Since the company has specified its target segment customers, it knows their needs better so it is not wasting unnecessary time and money which result into decreased marketing costs.

Thus, CRM helps companies in management of customer relationships, managing sales force effectively, match customers needs with product plans and deliveries with the main aim of satisfying the customers. Finally, it helps in reminding the customers of service requirements, periodic follow-up and alerts, which give them a sense of binding with the company.

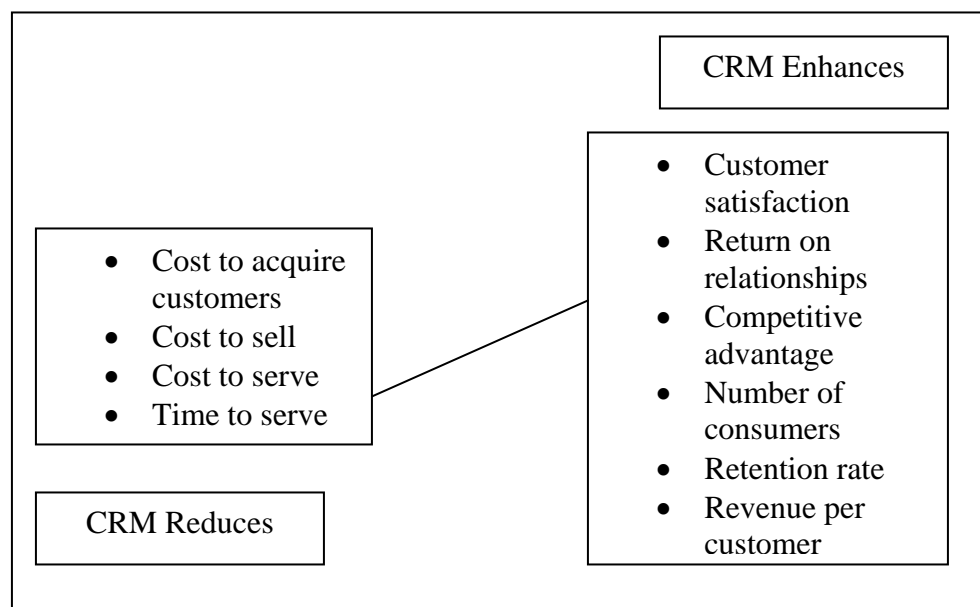


Fig. 1: Benefits of CRM

Road map towards CRM

CRM is a corporate level strategy, focusing on creating and maintaining relationships with customers. The long-term success of an organisation depends mainly on how well it attracts and retains a large customer base. Managing relationships with customers is very important for organisations since improved relationships increase business value. CRM helps in leveraging.

Successful organisations use three steps to build customer relationships:

- Determine mutually satisfying goals between organisation and customers
- Establish and maintain customer rapport
- Produce positive feelings in the organisation and the customers

The organisation and the customers both have sets of conditions to consider when building the relationship, such as wants and needs of both parties. Organisations need to make a profit to survive and grow; customers want good service, a quality product, and an acceptable price. Good CRM can influence both sets of conditions.

Customers normally become delighted when a supplier under-promises and over-delivers. To over-promise and under-deliver is a recipe for customers to become very dissatisfied. There is a Pareto's principle, which is commonly known as the 80:20 rule. Typically in any organisation:

- 20% of customers account for 80% of turnover.
- 20% of customers account for 80% of profits.
- 20% of customers account for 80% of service and supply problems.

It is important to know which customers fit into which category and then manage them accordingly. Highly satisfied

customers who perceive a high value in the company's products and services commonly make excellent advocates for an organisation. So they should be nurtured and given the special treatment. Dissatisfied customers who perceive a low value in company's products and services are potential saboteurs. These customers could have little or no loyalty and may actively 'engage' against the organisation. Therefore organisations should seek to rebuild relationships and trust, and a new basis for a future relationship, or manage the separation with dignity, professionalism and integrity.

Building relationship using CRM

"The purpose of business is to create and keep a customer."
-Peter Drucker

The essential CRM focus of any organisation should be on developing core competencies, and an overall strategy of building customer relationships. In this way, all efforts in the organisation can be aligned to:

- Customers and the culture of exceeding customer expectation
- Understanding and managing the people impact on the culture of the organisation
- Customers being recognised and treated as partners
- Service being seen as a value-adding activity
- Reward and recognition being based on customer focus i.e., 'going an extra mile'
- Evidence of corporate support for service activity

If a company wants to benefit from its long-term loyal customers, it can pass on the financial benefits instead of passing on non-financial benefits to customers.

The transition into professionalism has made the organisations apply a number of strategies for this purpose.

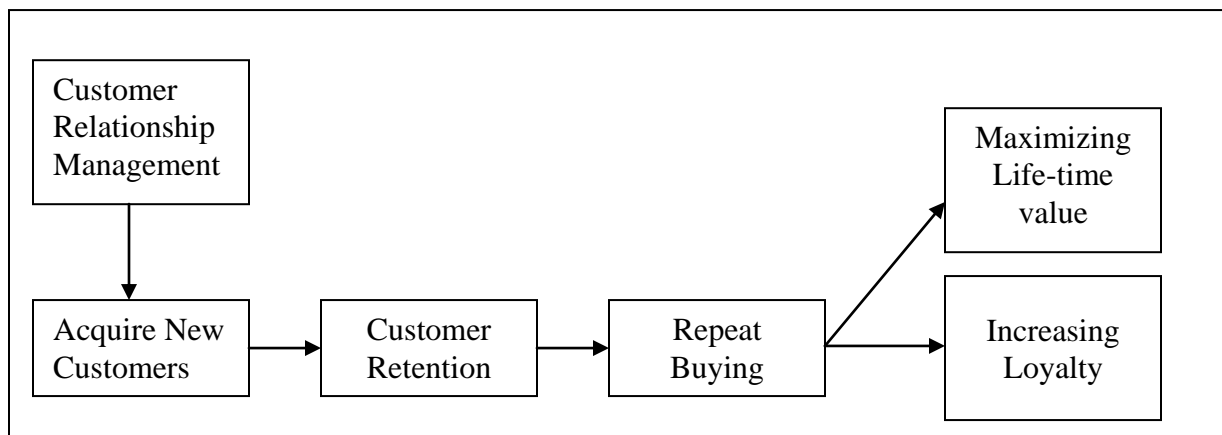


Fig. 2: Basic CRM strategy

Some of these strategies are as follows:

- **Be in touch with the customers:** Whether it is an email newsletter, monthly flier, a reminder card or a greeting card, reach out to the steady customers and communicate with them regularly.
- **Customer service:** Go an extra mile to satisfy the customer needs. Train the staff to do the same. Customers remember being treated well.
- **Employee training:** Train employees in the manner that you want them to interact with customers. Empower employees to make decisions that benefit the customer.
- **Customer incentives:** Give customers a reason to return to your business. It can be in the form of membership discounts or free offerings that will make them feel rewarded for being loyal to the organisation.
- **Empathy:** Put your self in customer's shoes and try to understand and solve his problem. A patience listening can also help in retaining the customers.

However, since the cost to attract new customers is significantly more than to maintain relationship with existing ones, efforts toward building customer loyalty will certainly payoff the company in the long run. But for these programmes to be effective, it is critical that the rewards offered are highly valued by the customers.

CONCLUSION

Though each organisation has its own way of measuring CRM effectiveness, organisations feel there is a definite value-add from CRM in the long term. According to Harvard Business School study, 'Companies that put customers in the center are 6 times more likely to achieve growth goals.' And CRM is a great tool to make that happen. By thinking more insightfully about what the customers are really worth, one can focus the resources on attracting and keeping the right type of customers. This focus, in turn, will improve the productivity of CRM efforts and will enable the company for better innovation and growth.

In present era of customer acquisition, companies have been aggressively pursuing different CRM techniques and strategies for retaining customers. Companies are realising the fact that retaining an old customer is easier than acquiring a new one. Hence, most companies have started to feel the need to reward those customers who have been loyal to them.

The guru of quality, W. Edwards Deming probably said it best:

"...It will not suffice to have customers that are merely satisfied. Satisfied customers switch, for no good reason, just to try something else. Why not? Profit and growth come from customers that can boast about your product or service - the loyal customer. He requires no advertising or other persuasion, and he brings a friend along with him."

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