

# CUSTOMER RELATIONSHIP MANAGEMENT

N.H. Mullick

*Professor  
Centre for Management Studies  
Jamia Millia Islamia  
New Delhi*

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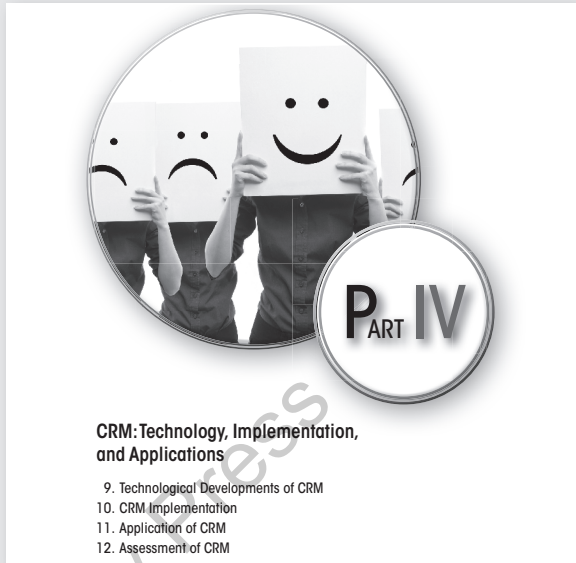
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*To my parents, wife, and children  
whose love, encouragement, and support have always motivated me  
to do the best at all times*

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# Features of

Section on **CRM: Technology, Implementation, and Applications** gives an overview of the technological developments including CRM software such as Oracle, SugarCRM and their integration with ERP.



**Exhibit 9.5 LG Air Conditioners**

In the today's cut-throat competition, it is service that can set the brand apart. This orientation has been widely accepted by most of the companies, and they are taking it very seriously. In the case of air conditioners, whether the window or the split, installation of the air conditioner at the customers' premises is done either for free or on a charge free warranty service, where th

preventive maintenance to the customer. This is a hidden cost in the product price. Thus, LG takes the responsibility in either sending a SMS alert or giving a call regularly to their customer through their service representative for regular preventive maintenance. This after-sale care by LG convinces

**Exhibits** included in the text support, reinforce, and enhance learning of the concepts discussed.

**Exhibit 11.9 PageNet**

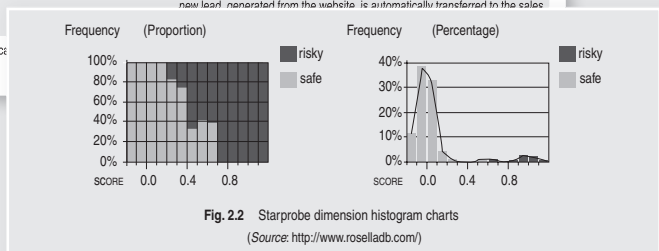
PageNet, a wireless provider, raised its monthly rates for their unprofitable subscribers. This strategy was followed with an intent to drive these subscribers away and dissociate themselves from their network. This was done after understanding customer expectations through historical data based on their purchases made and revenues contributed. Since PageNet wanted to maximize their profit, the only way

was to either enlarge its consumer base or concentrate only on the profit-making consumers. Therefore, they decided to leave the unprofitable subscribers, who were burdensome for them, by increasing the cost and concentrating on profitable customers to improve profit, customer loyalty, and service quality. This strategy gave them a clear chance for enhancing their quality of service.

**Figures and Tables** illustrate the essence of managing and maintaining relationships with customers.

**Table 2.1** Integration of CRM in an organization

Function	Description
Alerts	Alerts are given to the company sales representatives through the marketing automation system of the company when a lead visits the web page of the company.
Assigning of leads to sales people	Rules are created in the marketing automation system by the company when a new lead generated from the website is automatically transferred to the sales



# the Book

## EXERCISES

### Multiple Choice Questions

Choose the correct option.

1. CRM applications manage not only its customers  
(a) sales prospects  
(b) market prospects  
(c) challenges in market  
(d) None of these

### Concept Review Questions

1. What are the benefits of CRM applications? Explain the same with the help of examples.
2. What is the utility of CRM as a technology? Explain the same based on specific examples.
3. In a pharma industry, its tactical connectivity differentiated from other industries.
4. What is business intelligence? Explain its utility in customer segments which present value (NPV) of the customer.

### Critical Thinking Questions

1. Explain the usage of CRM with reference to a telecom industry?
2. What do you mean by horizontal alliance? Explain its utility in CRM with the help of an example.
3. Explain the application of CRM in the insurance sector with an industry example.
4. Explain the application of CRM in retail sector and explain its advantage with the help of an example.
5. Describe some of the key CRM software applications and their utility.

**Chapter-end Exercises** contain objective questions, concept review questions, critical thinking questions, and project assignments which could be used by faculty to test the student's understanding of the concepts.

**Summary and Key Terms** are provided at the end of every chapter to serve as a quick review of important topics discussed.

## SUMMARY

A database can be categorized on the basis of information, marketing activities, and technology. Data warehouse is an information management solution, which enables informational and analytical processing of data without the barriers of geography in organizations.

Database is a software program that helps in managing and reporting data mining. It helps the organization to

can also include data received from various other sources. The integrated system of the data warehouse requires creation of a storage area for processed and integrated data across different sources. It, therefore, has to be designed in such a way that the data is stored securely and is easily retrievable by users for busi-

## KEY TERMS

**AIO concept** Attitudes, interests, and opinions of customers  
**ATL** Above the line advertising or mass media used to promote brands  
**Cross-selling** A strategy that allows the company to offer a wide range of services and products to its customers  
**Upselling** A strategy that involves building value into the product  
**Data warehouse** A central repository of integrated data from one or more sources  
**DBA** Database administrator  
**DBMS** Database management system—it is a software pro-

widely used by data mining techniques, have relatively low volume transactions but the queries are complex. This is aggregated further with historical data stored in multi-dimensional schemas  
**OLTP** Online transaction processing—these databases are consolidated and carry out very fast query processing, while maintaining data integrity in multi-access environments. It is characterized by a large number of short line transactions such as 'INSERT', 'UPDATE', and 'DELETE', and is measured by its transaction numbers per second. In this, there is both detailed data and current data, stored in the transactional databases

## OPENING CASE

Dhanuka Agritech Limited manufactures a wide range of agrochemicals such as herbicides, insecticides, fungicides, miticides, and plant growth regulators reaching to more than 10 million farmers through its 7,000 distributors. It needed a solution to invigorate its supply chain and consolidate the data to create effective reports for all its branches, factories, and the distribution

network  
implementation  
to financial  
save

## CASE STUDY

### Credit Card Industry

The credit card industry has seen much change in the past decade and has also grown tremendously in Singapore as in other markets of the world. Today, even though the expanse of the country is small, it is the financial hub of the region, there are a number of card companies which are taking up various initiatives and are very proactive in offering various loyalty/reward programmes to its

designed after a lot of research and relevant and effective because it is a proactive approach. This program received in Singapore as it total itself from other reward programs a lot of competitive advantage in the focused approach to reward its customers dividends because of its first move

**Chapter Opening and Chapter End Case Studies** will facilitate student's understanding of the application of Customer Relationship Management.

# Preface

Customer Relationship Management (CRM) can be defined as the strategy and policies used by organizations to analyse and manage their customer interactions to improve their relationships and thereby expand their business. With technological advancements and evolution of business scenario, today ‘customer is the king’. In such an environment, CRM definitely is of utmost significance in every organization.

CRM, as a tool, not only helps in understanding the customers’ preferences and designing suitable strategies to delight them but also aids them in creating and maintaining better relationships and developing strong bonds. The personal and emotional linkages developed with CRM aids organizations in identifying and satisfying their actual needs through better strategy implementation.

Today, a number of CRM software solutions are being used by corporations which have further enhanced the efficiency of organizations. In fact, organizations are looking towards better implementation of CRM to justify their investments and control their costs.

All concepts considered essential have been explained in a coherent way in this book. It has been made possible by including numerous cases and examples to make understanding of the CRM process easier and provide the readers with the required knowledge for taking meaningful decisions in future.

## About the Book

This textbook has been designed to meet the requirements of management students as well as global managers. It brings out the concepts of CRM in a very simple way and supports them with examples, illustrations, diagrams, and situations which make for an interesting read and also help conceptualize the topic in a better way.

This book will be useful to the students of CRM as it provides them with a wealth of information to understand the subject. They can fine-tune their focus based on the CRM technology used by companies and also its usage as a tool for enhancing the effectiveness and utility of various marketing initiatives.

## Pedagogical Features

**Comprehensive and in-depth coverage** The book has been written keeping in mind the requirements of CRM as a subject with an exhaustive coverage.

**Integration with related disciplines** The style adopted in this book integrates various related disciplines for better understanding.

**A mixed blend of theory and practice** In this book emphasis has been laid on highlighting the theoretical aspects of CRM as a subject and then embedding the same with the practices prevalent in the organization. It has been done by understanding the gaps between the desired results and actual outcome in the adoption of CRM.

**A critical and thought-provoking style** The style of the text in this book is invigorating, critical, and thought-provoking. It will help the reader to understand the nuances of the subject and help them in decision-making roles in their organization.

**Related examples and illustrations** Each chapter in the book has various examples related to the discussed theory to understand its utility in different market situations.

**Simple language for better understanding** Utmost care has been taken to write the book in a simple language so that the readers can understand the subject and its application better. The chapters also have concept review questions, critical thinking exercises, assignments, etc. to make them more user friendly.

**A managerial focus with an emphasis on application** The focus of the book is to give a better perspective to the management students who intend to take decision-making roles in the future. This will help them in developing an improved understanding of the subject and its applications.

## Online Resources

The following online resources have also been developed to complement the textbook.

**For Faculty** PowerPoint Slides, Instructors' Manual, 10 extra case studies with discussion questions, and chapter-wise objective type questions

**For Students** Flashcards, snapshots of five software discussed in the book along with explanations

## Coverage and Structure

The textbook has been divided into four parts consisting of 12 chapters—Customer Relationship Management: Concepts and Processes, Analytical CRM, CRM operations, and CRM: Technology, Implementation, and Applications. A brief description of each chapter is as follows:

### Part I Customer Relationship Management: Concepts and Processes

*Chapter 1* explains the evolution of relationship marketing and its adoption across organizations to achieve competitive advantage over other organizations.

*Chapter 2* highlights the integration of people, processes, and technology in organizations as it is an important tool for success.

*Chapter 3* explores the lifecycle of products and customer lifetime value. It highlights the acquisition of customers by organizations and the aspects which need to be taken care of for acquiring new customers and building their loyalty.

*Chapter 4* discusses the objectives of the CRM process in marketing as well as service organizations and their transition from product focus to customer focus.

### Part II Analytical CRM

*Chapter 5* highlights management of database for retrieving the required information and enhancing its effectiveness in taking meaningful decisions.

*Chapter 6* emphasizes the data mining process with a detailed analysis of processes and techniques adopted by organizations today.

### **Part III CRM Operations**

*Chapter 7* discusses the need for service orientation in CRM programs and strategies used in adoption of various technologies to enhance loyalty and revenues.

*Chapter 8* explains the importance of its channels in managing customer leads and enhancing its effectiveness and market share.

### **Part IV CRM Technology: Implementation and Applications**

*Chapter 9* highlights the latest technological developments in CRM and its advantage with regards to the efficiency of an organization.

*Chapter 10* highlights the need and suggests framework for implementing CRM. Key aspects to be considered for a better and successful CRM implementation have also been discussed. The chapter also elaborates on the operational issues involved in choosing the right CRM vendor and its integration with ERP.

*Chapter 11* discusses the application of CRM in the services sector (airlines, health care, banking, and insurance) as well as consumer and business markets. It also helps to understand the role of CRM in horizontal alliances.

*Chapter 12* explains the investments in CRM and the causes of failure of CRM strategies across organizations.

### **Acknowledgements**

Writing a quality book, especially on this subject, was a tough task as it required a lot of perseverance and commitment to fulfil various expectations. It involved many sacrifices as I had to forgo social occasions and family gatherings along with my wife, Reshma, and my children, Anas and Zehra, thus making this 'our' book rather than 'my' book.

I sincerely thank all my students, friends, and colleagues with whom I discussed the contents of the book along with their constructive criticisms, comments, opinions, and suggestions. It helped me in fine-tuning my ideas and expressions on the subject and also gave me better insights. I am also grateful to all the copyright holders who granted me the permission to use their works. I am grateful to my Hon'ble Vice Chancellor Dr G.N. Qazi who inspired me to write a quality book during the interactions I had with him. I also extend my deep sense of gratitude to Prof. Mohammad Miyan, Dean, Faculty of Management and Prof. Moinuddin, Dean, Faculty of Engineering & Technology, for motivating me at all times.

I owe the highest sense of appreciation to the editorial and production teams of Oxford University Press and all the people who worked behind the scenes to complete this project.

I look forward to receiving valuable comments and suggestions from all the readers for improving the book further. You can send them to [drnhmullick@gmail.com](mailto:drnhmullick@gmail.com).

**N.H. Mullick**



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## Online Resources

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### For Faculty


- PowerPoint Slides
- Instructor's Manual
- Multiple Choice Questions
- Case Studies

### For Students

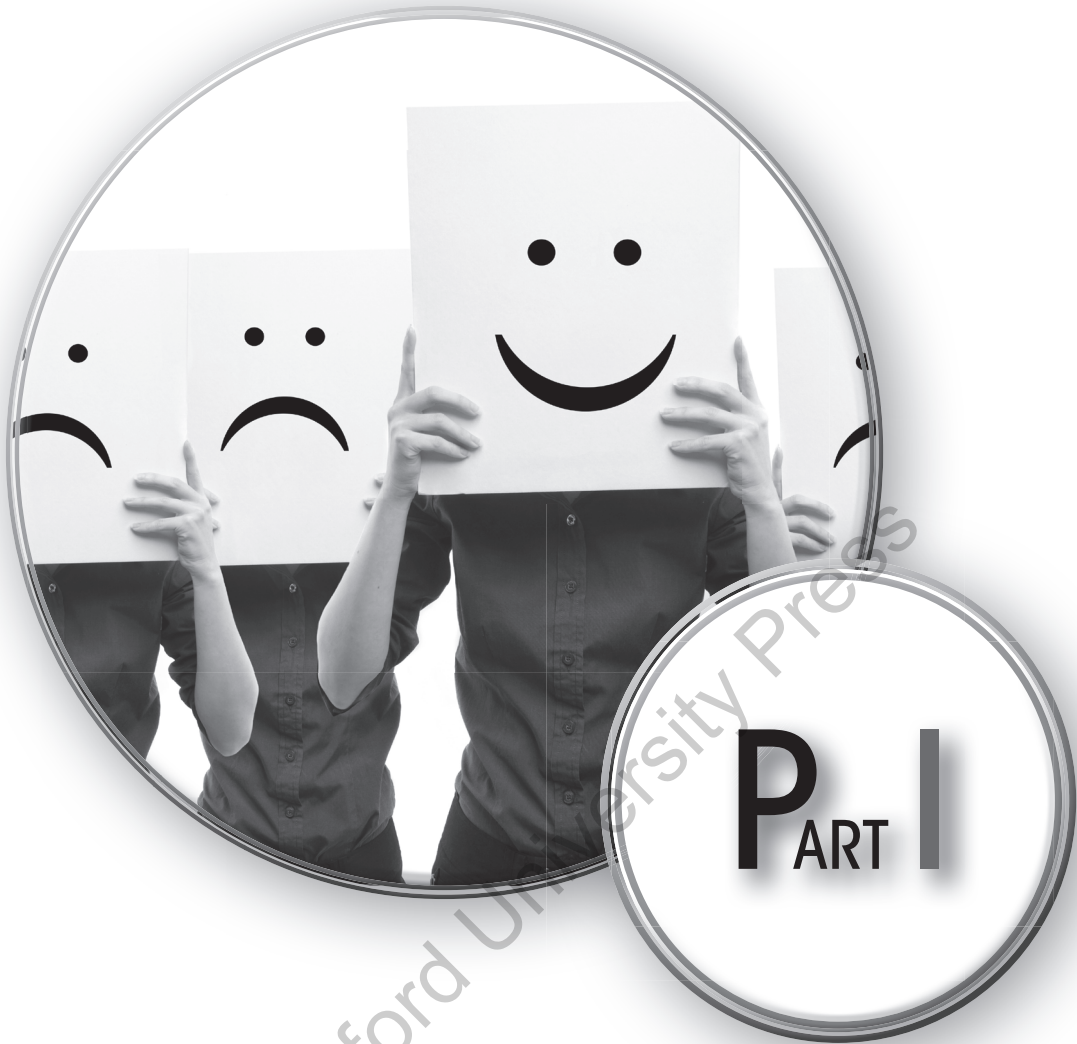
- Flashcards
- Application of CRM-Software

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## **Customer Relationship Management: Concepts and Processes**

1. An Introduction to CRM
2. CRM Integration in Organization
3. Customer Loyalty and Retention
4. CRM Process

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# C HAPTER 1

## An Introduction to CRM

### LEARNING OBJECTIVES

After reading this chapter, you will be able to

- understand the importance of relationship management and CRM
- consider the need for CRM
- understand CRM models
- know the significance of CRM as a business strategy
- devise a roadmap to develop CRM

### OPENING CASE

Sporty Shoes\* International Ltd is an American global brand and a subsidiary of Class Games Group. It is a pioneer in the sporting goods industry and is one of the leading worldwide designer, marketer and distributor of sports, fitness and casual footwear, apparel and equipment manufacturer, headquartered in Canton, Massachusetts, USA. Sporty Shoes operates under the multiple divisions of the Sporty Shoes brand, Sporty Shoes-CCM Hockey, Shoeport, and the Sports Licensed Division. It manufactures world class fitness gear and apparel for fitness, running, CrossFit, training, yoga, dance, walking, studio, Spartan race, basketball, and hockey. With its growing operations, it is facing a big challenge to establish meaningful, as well as engaging relationships with its various athletes, instructors, and other competitors in and around the fitness training ecosystem. They therefore looked for promoting this mission further and aligning itself with the greater Sporty Shoes mission for expanding and deepening its relationships with various programs going on in its community. This will further enhance the awareness of Sporty Shoes as a brand which may enhance the brand adoption by its consumers. After doing lot of comparisons in the markets they went on to adopt Sugar Professional, an on demand CRM product promoted by Sugar CRM. After its adoption, it helped the relationship managers in tracking their accounts, contacts, and athletes ranging from fitness centers and instructors to various celebrity competitors. It collected all the details of relevant events, contacts from social media. As a result of this improved relationship marketing with its celebrity partners and by using its internal data they could gather information on their shoe and clothing sizes, preferences, and favorite colours. They also tried their best to make sure that the data collected by them was accurate, accessible, and always available across the organization. All these initiatives were just the beginning of the Sporty Shoes' CRM journey. Through this, they looked forward to its engagement with its customers through social media by

providing its relationship managers a contextual view of its athlete social media posts in the form of pictures, videos, and blogs. This allowed them to determine how Sporty Shoes products were being used and promoted by them. It improved the continuity of its communications efforts with the integration of its e-mail with its SAP module. This was useful in facilitating its product shipment too. It also helped them to access CRM mobile which was quite flexible because of its full functionality on iOS and Android devices. The organization was able to meet its objectives and solve its problem of understanding its customers and also connecting with the athletes and celebrities. It became a marketing initiative for the company and strengthened the brand further.

\*The name of the company has been disguised.

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## INTRODUCTION

In the modern customer-driven economy, customer is the king and a company has to provide products and services better than its competitors. If the company is aware of this objective, it will grow successfully. Customer relationship management (CRM) helps companies to find new customers, achieve objectives, and retain them. The traditional activities of sales, marketing, and customer services are integrated into the system which manages the entire lifecycle of a customer. The sales team of the organization has easy access to the customer profile, which helps in understanding the needs and purchase patterns of the customers.

Customer relationship management (CRM) is a customer-focused business strategy which includes people, processes, and technology, apart from marketing, sales, and service. This term in itself has become very significant as it requires better use of processes and methodologies, supported by different software and the Internet, to manage its customer relationships. In the present scenario, organizations look forward to implement CRM strategies focusing on integrated information systems and contact centres allowing customers to communicate through foolproof channels.

In this chapter, we will talk about the significance of relationship in marketing and how companies around the world are realizing the importance of relationship in retaining their markets. Hence, building market is an important aspect but sustenance is a tougher task. This illustrates their competence in understanding their customers and envisioning their needs and expectations better than their competitors. CRM helps the organization in adopting better technologies through various data mining techniques which dig data from the historical records. CRM helps to predict events and plan for a better future. We will also talk about evolution of CRM and its effectiveness as a tool in developing business strategy. The different types of CRMs are analytical, operational, and collaborative, which help the organization in integrating its processes and improving efficiency and cost-effectiveness in the competitive environment. This chapter also mentions the different types of CRM models and future of CRM implications and how organizations are succeeding in spite of problems in recent times. All factors that contribute to success or failure of CRM are highlighted with industry examples to give a better practical view. This helps them to understand the abilities and problems faced by the organization and stimulate out-of-the-box thinking, as all solutions lie within the problem. A manager's job is to first recognize the market players, consumers and design to streamline the processes to achieve results through collaboration with employees and have an insight of consumer and stakeholders for a balanced situation. Team work brings unmatched results, and CRM helps to utilize technology to improve efficiency and reduce cost.

## EVOLUTION OF RELATIONSHIP MARKETING

Relationship marketing as a concept was coined by Leonard Berry in 1983. Berry claimed that relationship marketing involves inviting, maintaining, and improving customer relationships. With the changing times, companies started engaging in more meaningful dialogues with their individual customers for sustained relationship compared to their competitors and created new technologies to benefit both the organization and the customer. Such management is known as customer relationship management, and it has become a tool for companies to differentiate their products and services. This led to the creation of brand loyal customers in the long run and proved beneficial for companies' growth.

Most customers switch brands because of indifferent attitude when they seek service in distress after the purchase. The companies improve their sales efficiency by providing all information but shy away from giving the assured after-sales service promptly as it involves cost. Let's consider an example to understand this situation. A person wants a new phone connection and calls a telecom company, ABC. When the person makes a call, the sales executive reaches the customer at the earliest and explains the types of services and payment mode, and so on. But if the customer is not satisfied with the offered services and needs more explanation for his concerns, the sales executive has no responsibility to attend to the potential customer beyond the information provided in the database. The call gets transferred to a service personnel, who may not be efficient enough to attend to the needs of the caller. Thus a situation is created where the person feels disgruntled with the poor services of the company. This situation arises as the companies take a lot of interest in finding a new customer without providing much effort in services, and customer attitude changes with time and market situation. Customers expect the company to deal with them differently and also be provided with better quality of services. The company must understand customers' expectation and fulfil them by devising a relationship management programme on a regular basis to improve loyalty. Expert analysis confirm that the cost of acquiring a new customer is five times more compared to retaining old customers, and if a company retains five per cent of its customers, they can increase their revenues by around 50 per cent.

Companies have become customer-centric and thus understand their customers and engage them. Evolution of relationship marketing has resulted in the growth of CRM solutions which improves customer orientation and sensitivity across the organization. Relationship management comprises of various departments like marketing, sales, distribution, after-sales service, quality, and finance which in turn are involved with their external customers to help increase customer engagement. This is done through various packages of CRM which implement standardized process of customer management in both small and large organizations across geographies and markets. Various services and schemes are locally available for customized requirements and help companies to gain customer loyalty and interest (Exhibit 1.1).

### Exhibit 1.1 Dentist

Information stored by dentists is very important to their business. Appointments received by the dentists are key to their business, and excellence here lies in creation of a foolproof database. The dentist tries to collect and updates latest infor-

mation of his patients in a database on a regular basis. This information helps to send communication through an e-mail or SMS or both to their customers. Appointments are fixed accordingly and reminders sent in advance to the customers. These

(Contd)

**Exhibit 1.1** (Contd)

appointments can be personalized to benefit both the parties as value added service improving efficiency and promptness, minimizing delays and missed appointments apart from maintaining relations with improved satisfaction level of customers.

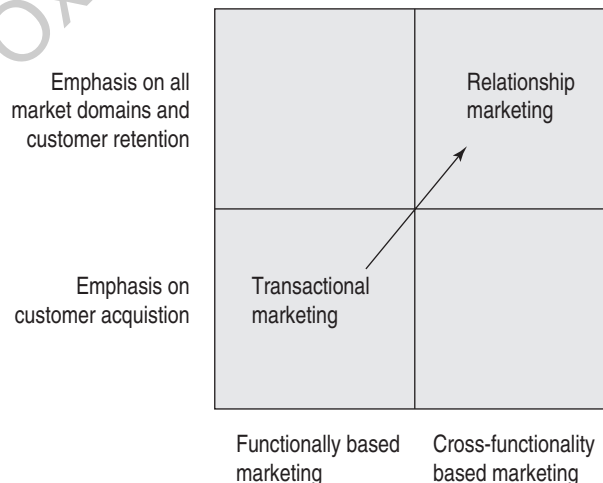
Thus, the CRM helps the dentist in taking care of the database of their old as well as new customers. It also takes care further of their addresses, telephone numbers as well as their case history which is updated further after every visit of the patient. This gives the customers a personalized touch and even provides them value added services because of their

efficiency and promptness. They try their level best to minimize the delays and maintain good relations with them which results in a good word of mouth publicity for them as their care and enhanced services always are a win win situation for all. All these are properly done by adopting CRM initiatives by the dentist and through adoption of better processes as well as the careful approach and behavior of their people. All these are added factors in the enhancement of services and adding the delight factor for their esteemed customers who are cared for better than their competitors.

**Relationship as a Marketing Tool**

In the early 1950s, strategies revolved around the framework of ‘marketing mix’, and transactional approach was used to develop strategies optimizing costs and sales with respect to the 4Ps—product, price, place, and promotion. But in the twenty-first century, the trend changed as most of the market is either saturated or has lesser growth. Competition is growing with the increased availability of products and brands of different features and design. The customers are exposed to different forms of media and are spoiled for choices, and this has resulted in changing market demand, exerting pressure on the corporate profitability and shift from functional to cross-functional marketing based on which multiple ‘market domains’ and ‘stakeholder groups’ have emerged. Relationship marketing has two purpose: one, optimizing relationships with its customers and two, utilizing various tools and techniques like market planning and market segmentation for better CRM implementation and results (Fig. 1.1).

All this possible only through the transition from transaction based marketing where transactions are based on providing monetary values based on services. But today with the emergence of cut throat competition all organizations have to create a differentiation amongst each other. These differentiations have to based either on price or services. But it is not possible



**Fig. 1.1** Transition to relationship marketing

### Exhibit 1.2 Hairdresser

Information stored by hairdressers are critical for satisfying customers and overall growth of business. Being in a service industry, it becomes necessary for them to take care of the appointments given to their customers. They store their customer information, update them regularly on every visit and try to improve the relationship by extending personalized services. These approaches help them in increasing their business by creating a better rapport with their customers. Communication is sent through an e-mail or SMS or both to their regular customers reminding them of their appointments in advance as a value added service. This boosts the promptness of their service and minimizes customer delays.

Here, we also see that they are in fact near to their cus-

tomers. They keep a close touch with them through their personalized approach. They keep their personal records, their mobile and telephone numbers as well as the type of services they undertake with them apart from their likes and dislikes. All the information is fed in the database and their timings and appointments are confirmed through SMS or e-mail. The hairdresser then coordinates further with a reminder, so that his clients get the right service at the right time. Their satisfaction is very important and they try their best to enhance the delight them. It enhances their loyalty and as a result they tell this to their friends and relatives who might also visit the hairdresser. All this happens through better relations with which they aspire to retain their old customers further and acquiring new customers with a better word of mouth publicity.

for all companies to take a low price approach because this can be taken off by small and new companies who may at all times have low fixed cost. With time, however, cost gets enhanced so more and more companies today takes a value approach by providing better services to go further up in the value chain. Differentiation in services can only happen if company a is able to assimilate technology with the processes and then train its people further to provide their customer the best services in a prompt and efficient manner. Apart from the transactions done by the company where it gets money, the company also provides value added services to its customers and this changes the transactional marketing into relationship marketing. In this the organization focus mainly on attracting, developing, and retaining its markets. This results in them maintaining better relations with its customers and also provide value to them. All this enhances the customers' loyalty and also enables them to enhance their base and brand value further. Transactional Marketing is only limited to 4 Ps (Product, Price, Place and Promotion) but in Relationship Marketing relationships, interactions and networks are built further. In this process everybody in the organization— including those from marketing, finance, purchase, personnel departments, etc.—work in tandem in cross-functional teams. This brings a lot of changes in its functioning as well as results and through this the organization is able to provide their best and are able to enhance their differentiation in regards to their performance in markets.

**Importance of Relationship in Business** Relationships are important and customer value is built on the basis of customer retention. Companies develop products with the existing investment covering customer acquisition cost, by lowering cost and increasing revenues in the long run. Relationship in business involves less financial outlay and risks giving maximum importance to customer service, which encourages the contact and the customers. This helps the company to understand customer needs and enrich its knowledge to fetch a better product and improve its service delivery. The customer's encounter ends with the completion of transaction but the record of purchase details can be used for reference, but this record may not be as valuable as customer relations. This is because relationship marketing gives them a chance to improve services and customer retention in the long run. Relationship marketing heightens the lifetime value of customers by creating a collaboration and cohesiveness in the organization, giving every person a chance to contribute towards its success. This reduces the overall costs incurred in the productivity process (see Exhibit 1.2 and 1.3).

### Exhibit 1.3 Restaurant

Restaurants store important information relevant to their business. Personal details of customers, such as their address, phone number, days of visit, food type ordered, order value, etc., are key to their business. All this information is very helpful for them in planning their future strategies to improve their clientele and loyalty in the market. Since the success of restaurants and food business depends on the culinary habits of their clientele, restaurants try to access the historical records of clientele from their regular visits or parties organized by them in

the restaurant to understand the type of cuisine liked by them. Their competence lies in efficient storage of these data and regular analysis of it for devising better strategies. Their esteemed clients and regular customers can be informed of the new cuisines available based on their feedback on the food served in the past. From the recorded feedback, they can improve the food quality and service and communicate the same through an e-mail or SMS or both. Specific tables can be booked for private dining or parties as part of personalized value added service.

### Difference Between Transactional and Relationship-based Marketing

Marketing focuses on gaining customers and increasing profit through better strategies. But both relationship marketing and transactional marketing have different viewpoints. The transactional approach focuses mainly on sales and profit while relationship marketing focuses on establishing better relationships with its customers (as shown in Fig. 1.1).

**Transactional Marketing** Transactional marketing is based on a single objective where the organization looks for more sales and profit. It includes all the marketing activities like advertising and promotion devised for increasing sales instantly. Here the company emphasizes not only on single sales but also on achieving larger volume of sales. They go for a high sales pitch on QVC (quality, value, and convenience) as they see that the manufacturers are busy in their production and sales. They do not have time to build relationships. They believe in providing incentives and discounts by providing a favourable pitch for their product to achieve higher sales in a short span of time.

**Relationship Marketing** This has a broader and a long-term goal compared to transactional marketing as described earlier. Here the company focuses on building long-term relationships with its customers to achieve better sales in the long run. It also helps to understand customers and their requirements for a profitable exchange relationship. Relationship marketing helps in providing better customer satisfaction while retaining them and acquiring new customers. To make relationship marketing effective, the company tries to improve its contact with both its current and potential customers through its sales staff and customer service representatives. Relationship marketing strategies include branding, service training of customers, developing community and improving relationship with the media, social media, newsletters, blogs, referral programmes, and frequent buyer incentives in which the company invests to improve long-term sales.

### Role of the Internet

Technology has helped organizations to connect with their customers. In the modern times, face-to-face contacts with customers have become minimal as most of the product and service transactions are done online. The consumers today have all the information on the Internet, and this influences decision-making while making purchases which, in turn makes it important for companies to maintain better relationship with their customers. Though the Internet has reduced face-to-face interaction with the company, more avenues have come up for developing relationships with their current and prospective customers. Before the

advent of the Internet and social media, some manufacturers never had direct relationships with their customers as they were represented in the market through dealers and distributors who were selling the brand value and understood the market better. Now manufacturers are reaching their customers to develop their brand and build relationships through interactive and other educational features added on their websites, blog articles, and posts on Facebook pages.

## Retaining Customers

While retaining customers, the only focus of the company is to increase its profit in the long run. It has been widely seen and proved that it costs more to acquire a new customer than to retain and improve the loyalty of the old customers. Hence, retaining customer reduces the costs while improving brand loyalty and brand equity increases the profits in the long run. It is a common fact that it costs more (around six to seven times more) to acquire a new customer than retain an existing one. This is the reason the company should take utmost care for their customers and look forward to their satisfaction. This is very important as the company cares for its customers before buying its product. The easiest way for the company to grow their business is to retain them. Suppose Company X has 1,000 customers and retains 90% of them every year. Company Y also has 1,000 customers, but retains only 80 per cent every year. Both the companies are adding new customers at an annual rate of 20 per cent. Company X therefore experiences a net 10 per cent growth rate while Company Y is not growing their customer base at all. If we look at it in several years, the retention growth rate generally compounds year over year. At the end of 9 years, Company X doubles its customer count whereas company Y only has 700 customers out of their 1,000 starting point. The returning is very crucial to the business growth of the company because they spend more than the first time customers. We must therefore look forward for the following ways through which we can delight our customers or show their appreciation further and make them loyal. This is because only sending mails of the transaction signifies that the company only cares about selling products to them. But if the company want to maintain long term relations and delight them further they have to do the following:

**Say thank you to the customers** This is very important because it generally works. The customers feel appreciated when they have spent money in buying your product. There are many ways in which the company may thank their customers. It may be through writing at the company/dealer location signifying ‘Thanks so much for your business. Please visit us again soon.’ If it is an online store, then a thank you note may be flashed on the screen when the order of the product is completed, or a separate e-mail signifying ‘Thank you’ may be sent or include a coupon towards their next purchase.

**Get the feedback of the customers** The feedback about the experience of the customer or in regards to the quality of the product shows that how much you are engaged in the business and you are looking further to improve it. The company must therefore send the satisfaction survey directly to their customers and utilize their valuable feedback. This then helps them to improve their business and emphasize more on keeping their customers on top of their mind.

**Communicating consistently** The customers must be contacted regularly either through a newsletter, coupon or an invitation of an event. This is beneficial for the company as their customers want to hear from you about the new products, services, discounts or events happening from time to time.

**Highlight the experience of a customer** Highlighting the experience of one of the customers in the store, by mentioning it in their e-mail newsletter or tweeting mentioning him, engages the customer. Everyone therefore is interested in getting more attention from the company for a particular cause. If any customer is raising funds for a cause or charity, the company can offer him to put up a flyer in the window of the company's store or office, or it can sponsor his cause, tweet about it or mention it in one of the company's blog posts. Sending them wishes on their birthday or anniversary also attracts their attention and shows your customers further as how you care for them.

## CONCEPT OF CRM

The markets in our country have moved from a sellers' market (where demands of products were high, and the sellers did not face any problem in selling their products) to a buyers' market (where the consumers have choices and are free to buy any product they want). This has become a big challenge for companies to sell their products. In order to overcome this, most companies have started taking personal care of their customers by understanding their requirements. Study and research of the market has helped them in designing better products at competitive rates, better channels and strategies to market their products. These changes have helped to gain customers and market through transactional marketing and generating better profits.

But with the changed market and competition, this is not a successful strategy and they have to look for better ways to be in contact with their customers. This led them to relationship marketing where not only selling products but also customer satisfaction is equally important to retain customers. It is essential to build relations by understanding customer needs, fulfilling their requirements, and giving them the right products and services, so that they loyal to the company. Technology is used where customer data is recorded apart from the purchases made, frequency, timing, date, value, and feedback received from them. All these historical records are stored in a data warehouse, and sophisticated software and data mining techniques are used to analyse the data and develop equation and forecasting better sales. All these studies led to better relation with the customers, and improved CRM was implemented to develop customer satisfaction level.

CRM has been explained under both perspectives:

1. In a general perspective, the customers are taken care of by understanding their requirements. This is because CRM is a combination of all the activities which a company aims at, such as growing the consumer base by retaining older customers and adding new ones and understanding all their requirements. It also helps to build relationships with the customers by streamlining its internal business processes on organizational sales, marketing, and service activities. The most important feature of CRM is 'customer-focus' which is built around people, processes, and technology. It helps to understand the customers better by analysing their needs and developing a long-term relationship while improving the profitability of the organization (Exhibit 1.4).

2. Based on the industry perspective, retaining customers is the lifeline of the company and the brand. Thus, the role of CRM here is:

- Helping the marketing department to identify and target the best and most viable customers, by managing their marketing campaigns with specific objectives and generate better leads for their sales and marketing team.
- Helping the organization to streamline the existing processes for improving sales and account management and sharing all the information required by the employees.



### Exhibit 1.4 Car Dealers

Car dealers always store information about their customers buying a new car. They keep updating information and sending brochures and information about new car models, which is recorded in a software CLIM8. After creating interest in the customer, they invite them for a test drive and their

feedback is also recorded. Once the customer finalizes his decision to purchase the car after the test drive, all information is transferred from CLIM8 and copied and rewritten on the multiple forms and contracts. This helps to streamline all the processes of the company on a daily basis.

Zone of affection
Zone of indifference
Zone of defection

- Building personal relationships with customers while identifying the best prospects and providing them with high-quality service to maximize profits.
- Providing required information to all its employees to complete their work with well-designed processes, understanding the needs of the customers, and building relations effectively with the stakeholders, company, customer, and all its partners who are involved in the distribution chain.

**Fig. 1.2** Three levels of customers

CRM helps build relationships with the help of technology, strategic planning, and marketing techniques which increases the productivity and profit margins of the organization. The focus is on the customer who is the core of all business processes and practices and is based on the idea to support sales, marketing, order fulfilment, and services. This is achieved by adopting new technologies by both small and large organizations who know the importance and value of customer retention (Fig. 1.2).

We can divide customers into three types based on satisfaction level:

**Zone of defection** When the satisfaction and loyalty of the customers are at the lowest level.

**Zone of indifference** When the satisfaction and loyalty of the customers are on a medium level, and they are not very sure about themselves.

**Zone of affection** This is the third and highest level of satisfaction and loyalty of customers where the satisfaction level is utmost.

The role of CRM is to improve the satisfaction and loyalty of customers from the primary level 1 to an advanced level 3 resulting in retention of customers.

The focus of companies have shifted from 'mass production' to 'mass customization' as most of the customers give importance to mass customization today. It is easy to copy a product from any of the competing company, but if a new start-up communicates directly with the customers or creates processes like e-business to reduce the order turnaround time, the competitor's consumers are happy to deal with the new company as the process in itself solves many of their problems (Exhibit 1.5).

## EVOLUTION OF CRM

### Pre-industrial Age

Pre-industrial age was largely based on agricultural economy, and the farmers and artisans used to sell their produce and artefacts in the nearby markets. In these markets, consumers

### Exhibit 1.5 KLM Airlines

KLM Airlines have implemented CRM although its business was doing extremely well. The financial situation was also very stable but the management felt that though the airlines cannot enlarge its capacity, it must try to increase the revenues per customer. This is possible only if they try to utilize customers' feedback to improve the quality of their service. This would in turn improve both customer experience and turnover. However, this was not accepted by the management as CRM software was costly and its success was not justified as they were doing good business and the market conditions were in their favour.

With increased competition, every airline started offering a seat, staff, and service for a price. Uniqueness became the key factor for these airlines, and KLM initiated strategies to differentiate based on emotional elements. They changed their position from reliability and comfort to superior personal touch. They planned to implement CRM in three phases: change management, customer database, and campaign management. KLM started with CARE, which signifies customer acquisition, activation, retention, and extension and reorganized KLM objectives by giving everyone a target. They also opted for Epiphany, a CRM suite to maintain central

database and abided by the software company's suggestion to build software layer above the current system ranging from booking, to check-in and complaint handling. Data was imported to fill the virtual customer model so that KLM employees were able to get an insight on the check-in data onscreen and information on past customer behaviour and preferences. This helped them analyse the historical records and take better decisions. Today, the marketing team does not sell flights, but they sell processes, lounges, gates, websites, and seat environments. The database allowed the customers to have a complete view of all the services provided by the airlines, their lounge facilities or on-board facilities on a real-time basis by the end of each year. As a proactive step, various personal data of customers such as their height and weight must be looked into before allotting a suitable seat even before they ask for it. The same care can be taken for customer baggages wherein the customer can be assured of utmost care of their baggage during check in and guarantee that earlier inconveniences will not be repeated. The available information will definitely bring customer satisfaction if a personalized service is provided.

and producers or traders came face to face. Thus, the role of producer and the trader was not differentiated and they functioned both as the 'retailer' or 'manufacturer' of their own products. The producers and the consumers developed close relationships, and based on the feedback received from time to time, these artisans were able to offer customized products for their consumers. A strong bond was created between the traders and consumers as both needed each other for their business and thereby trust was built between them. In the pre-industrial age, trade relationships thrived due to trust where ownership lied with the management of business. During the times of silk trade on silk route, there was healthy relationship between the customers and the suppliers of silk and the Indian weavers and silk craftsmen depended heavily on the supply of Chinese silk essential to produce these garments and artefacts, which was in high demand among the local kings and the nobles. Such relationships reflected the interdependencies of all these marketing players. To enable better trade, most traders co-operated with the weavers and the designers in India and supplied contemporary designs liked by the Chinese. The influence of Chinese designs and Chinese silk of superior quality in the earlier art works of India is an evidence of cultural exchange. Retaining customers through repeat purchases, building trust by facilitating marketing became important concerns for the marketers during the pre-industrial days. Those who were involved in the market trusted each other and relied on each other for continued trust and repeat purchases. Over time, the producers saw their business growing and they established permanent retail shops in the market to sell their products. Thus, the consumers and producers used to directly deal with each other and maintained relationship with each other. This relationship orientation thrived in the pre-industrial days where there

was regular interaction between the producers and consumers and both co-operated with deep trust and confidence in their marketing activities.

**Importance of Relationship** During the pre-industrial age, importance was given to both relationship and trade, and marketing thrived successfully. This continued till the early years of Industrial Revolution and later the emergence of Capitalism. Efforts during this period were made by the marketers to build and maintain relationship with the buyer. All their market development efforts were coordinated between various business and the government helped in developing those market areas where prospects existed by contacting the noble and wealthy persons, high clergy, and the growing urban and wealthy class. The merchants developed fixed shops for retail selling to its regular customers, and they purchased products as per customer preference. Hence, they could control the market which they had built with their own effort and expertise based on the relationship with their regular customers. Marketing during this period was not only personalized but also was relationship oriented and customized where all involved activities mutually benefitted. Since there were limited people who could afford to pay, the products were customized for these individual customers. The design and tailoring of clothes, creation of jewellery, home furnishings and other consumer products were tailor made based on customer requirements. Hence, there was no requirement for marketing or advertising as demands were inbuilt for their products and they had no price or product competition.

## Industrial Age

The next era was industrial age which brought a big change in marketing practices and was aimed at mass consumption. This led to mass production, wherein machines were used to increase for production and sales of products. This, in turn, created both personal and impersonal selling supported by advertising and promotion. Marketing was considered successful when sales happened. So the performance measures were linked with sales and market shares. Some marketers even adopted different practices for persuasive selling methods, including deceptive advertising which had false claims. These claims were made to succeed in the competitive business and winning at any cost became an important factor.

**Development of Marketing** With the emergence of competition in the market and short-term orientations, the marketing practices became dominant with an objective to maximize profits in short term. This brought uncertainties in the market creating lesser trust and co-operation between different stakeholders. This approach brought two new developments in the market:

**Buyer behaviour theory** Here the stakeholders relied more on repetitive purchases to build loyalty of customers to flourish in the market. This created unique identity and a brand image, and effective advertising was initiated to differentiate their products and build brand value in the market. Different marketing techniques emerged and segmentation and targeting of markets became essential for companies while planning. The marketers realized the benefits of focusing on specific groups where the objective was to customize their marketing programmes. This helped them to differentiate themselves from their competitors. Brand marketing grew during this period and relationship with retailers and manufacturers got strengthened as the focus shifted to building market with repeat purchase possibilities which benefitted both the parties and was essential for their survival.

**Development of an administered vertical marketing system** The marketers gained control over the distribution channels and developed effective strategies and means to block their competitors from entering these channels. The vertical marketing systems were in the form of franchising and exclusive distribution rights extended their representation beyond their corporate limits and facilitated themselves to reach the final customers. They co-operated with each other and the expertise was utilized to benefit both the parties.

### Service Economy Age

In the service economy age, service became an important factor for business to succeed. This became a tool for competition, and every consumer was given importance as loyalty was the major factor. In the competitive era, every customer is given importance and service differentiation became the biggest key factor in the market. Relationships played a critical role in creating market advantage as this was seen as the best differentiation factor (www.businessweek.com). Organizations started focusing on service factors by understanding various segments of their customers, improving service quality, and providing better customer satisfaction. This was possible by 'putting their customer in the middle of the business circle', but during early stage of relationship marketing movement, this was not successful as there was no technology support and companies could not boost their value orientation manually. One of the reasons why organizations were not able to achieve their envisaged objective was a short-term approach.

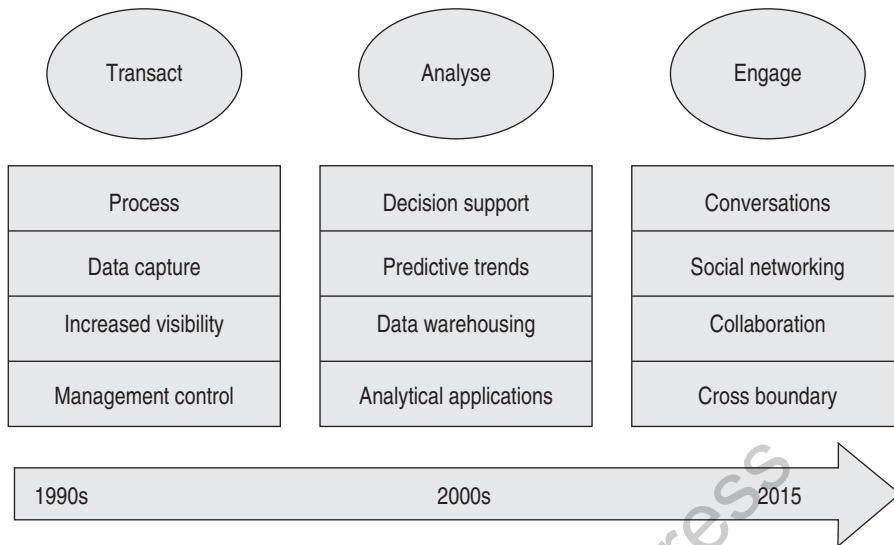
### Knowledge Economy Age

In the 1990s, with the advent of computers, sales and service processes led to evolution of systems like Sales Force Automation which helped the contact managers and the automated call centres became the backbone of customer service and support systems. This further helped them to improve their service quality. Around mid-1990s, CRM started acting as a hub of the sales and service systems and started sharing information and more applications of enterprise marketing automation (EMA) including systems for customer analysis and marketing campaign management. Till the late-1990s, the Internet usage grew and many e-business applications emerged on a daily basis to cater to the online customers. This was named as 'e-CRM' and was easy for companies to evolve as 'multi-channel CRM' to support direct, Internet, and partner channels while allowing the users to choose any mode of communication as per their preference. This resulted in collection of data, sorting and analysing through sophisticated data mining techniques and business analytics to prepare models for improving their forecasting techniques and plan things through a better and efficient approach where call centres and profit centers could be created as per value analysis.

Thus, the evolution of CRM can be categorized into three stages, as explained in Fig. 1.3.

**Transaction** It was prevalent during the 1990s where the processes of the organization were the order of the day. These processes streamlined work and captured and data created in the organization. This improved visibility in the market and lot of management control was exerted to develop the effectiveness of CRM in organization. This was a period where CRM was based more on transactions and historical records, and their approach was focused on better actions.

**Analyse** The next phase in the evolution of CRM came around the year 2000 where organizations tried their best to utilize the historical records and advances in information



**Fig. 1.3** Evolution of CRM

technology (IT) to their advantage. Data analysis was done by storing data through better data warehousing techniques and utilizing analytical applications while creating predictive trends in the demand and supply market.

**Engage** Till 2015, we saw a tremendous change in technology related to CRM and customers were valued and their feedback taken seriously. This approach changed the dynamics of organization, as CRM activities were carried out through various customer contacts at different touchpoints and social networking where likes and dislikes are very much visible. All these CRM initiatives help the organization in creating better strategies, and they look for more collaboration to improve their efficiency and limitations.

**CRM as a Business Strategy** CRM is built on the principles of relationship marketing and it is also known as ‘information-enabled relationship marketing’. In this case, new technologies have been used to understand customer relationships at all touchpoints and all levels to improve relationships and loyalty through effective strategies for augmenting their market and profits (Exhibit 1.6).

### Exhibit 1.6 Florist's Shop

In the local florist's shop in a metro, generally the customers visit to buy flowers for their relatives or friends. Each year, various customers visit a florist and pick their choicest flowers for different occasions. The florist tries to store customer information in order to send his customer an alert a fortnight in advance and confirm if he would like the flowers to be delivered at the specified destination on a particular date or

time. This makes the customer feel important as the florist remembered birthdays of their near and dear ones. This personal approach promote the business of the florist. Various other databases could also be prepared, filtered, and used similarly for different occasions like Valentine's Day, Father's Day, Mother's Day, etc. to put more emphasis on the occasion and increase his business.

## Reasons for the Rise of CRM

The rise of CRM has been attributed to the following reasons:

**Changed focus in companies** The focus of companies has today changed from transactional marketing (which involved transactions between two parties involving profits) to relationship marketing (building relations and retaining them by improving the loyalty factor in them). Transactional marketing involves 4Ps of marketing—product, price, place, and promotion—with which the companies try to build brands based on the needs and demands of customers. They design the products based on customer requirements, fix a price, and promote them to be bought by the dealers. All these are fine-tuned for better transaction between the customer and the company for profits. But with the increased competition in the market, situation changed from seller's market (where the company had monopoly in markets) to buyer's market (where buyers have choices of products). Monopoly of companies crashed down and companies began to maintain better and satisfactory relationship with their customers. This was done by augmenting the effectiveness of CRM and devising plans which are conducive to the loyalty factor.

**Realization in companies about the importance of its customers** Companies now consider customers as a business asset with whom relationships can be developed to improve retention and profitability. It results in growing assets and emphasizes on improving market value. This is possible as it identifies the most profitable customers and builds relationships with them to boost the value of its business assets over time.

**Structuring of organization on a strategic basis from functions to processes** Structuring is done for better internal coordination and collaboration, delivering value to customers and suppliers.

**Recognizing the benefits of information and utilizing it proactively** Companies can recognise benefits of information by anticipating future customer needs and satisfying their current requirements. Moving from 'mass market' to 'mass customization', the customers today have wide choices and they are empowered to choose (or refuse) based on their taste. They easily switch their loyalty to the organization that promises and delivers better than others. The companies use knowledge of consumers and competitors proactively to improve customer satisfaction and reduce customer attrition.

**Utilization of technology in managing and maximizing the information value** Companies can utilize technology, thereby increasing external effectiveness in front-of-fice activities including sales, marketing, customer service, and support. CRM system has two major IT components:

- *Data repository* A data repository enables companies to collect customer information which are used with a set of analytical tools to develop a better understanding of its past, present, and future behaviours.
- *Set of applications* A set of application enable value addition during their interaction with customers across different channels in order to fulfil their needs. Various technological innovations, such as clever screen prompts, advise the customer service representative of a customer's profile and apply appropriate strategies from a call centre for increasing cross-selling and upselling. This is possible by providing proper training to the staff, training them with all the facilities, and motivating to strive for better performance and results. The organization also uses IT to listen

and learn from its customers and create opportunities for increasing their share of the consumer's wallet and market share for a particular segment of customers.

**Development of one-to-one marketing approaches** Relevant marketing approaches can be built by identifying target markets based on age, sex, or lifestyle by providing specific solutions to their needs in both consumer and business market. This is done by fragmenting target markets into smaller segments and being attentive to customer satisfaction by knowing their behaviours better. The companies even reach to individual customers on a one-to-one basis and develop continuing relationships with them through dialogue either directly or to a group of customers with similar needs. The Internet is a helpful tool in doing business directly between companies for manufactured products—termed as B2B, and doing business directly with consumers—termed as B2C. This helps the organization in having a dialogue with their customers and helps them in understanding their likes and dislikes. The CRM system and processes enables to record in its memory all the relevant encounters either in the present or in the past and gives them an insight for future trends. The customer data which are captured are interpreted and analysed and the knowledge gained is disseminated across the organization and benefits derived at all levels. It also depends on the adoption and utilization of CRM by its employees.

**Balancing the value trade-off** The overall value creation process has three components: determining what value the company delivers to its customers, the value which an organization can extract from its customers, and by managing this value exchange maximizing the lifetime value of desirable customers and customer segments. Relationships are built on the creation and delivery of better customer value on a regular basis. Hence, CRM plays an important role in creating an appropriate balance between the value delivered to customers and the value received in return and recognizing as to how this needs to change for different customer segments (Exhibit 1.7).

### Exhibit 1.7 HDFC Bank—Boosting Profit and Customer Satisfaction Through CRM

HDFC Bank is one of the leading private sector banks in India. It has about 25 million customers and 55,000 employees, operating in more than 1,399 cities and towns, with around 2,544 branches and 6,000 ATMs. It is one of the leading providers of loans, liability accounts, and other third-party OTC products. It provides personal banking, investment advisory, and wealth management services to its clients through a network of about 2,544 branches in 1,399 Indian cities/towns. The bank intends to achieve its 'One Bank' vision, boosting its profits and customer satisfaction.

#### Challenges faced by the bank

The challenges faced by the bank are as follows:

- HDFC wanted to have a 360-degree view of its customers, but it was impossible since it had only incomplete information of customers available in different lines of business, due to fragmented processes. Moreover, it was very difficult to analyse that through multiple systems available across the bank as it did not have any CRM software.
- The bank also wanted low visibility and challenges in monitoring due to time-consuming processes in reconciliation and generating of reports, non-availability of the status of fulfilment of customer forms and requests, and monitoring TAT (turnaround time) between submission of document for execution of service (sanction/disbursement of loan).
- Inefficiencies in cross-selling and upselling were detected, since the customer base was large and there were immense data management challenges, information was not ample to help create opportunities as the customer segment was highly demanding and sensitive.

(Contd)

**Exhibit 1.7** (Contd)**Solutions expected by the management**

Based on the above challenges, the management opted for a CRM software which created the following:

- Single 360-degree customer view by integrating all processes with data warehouse and other core banking applications which were scalable and had a fault tolerant technology for hosting more than 25 million customers and 400 million related records in the system.
- Greater productivity by tracking and fulfilling the processes for product-/function-specific workflows. It created online accessibility of customer data for more than 15,000 users and consolidated and streamlined processes across various functions and products.
- By enabling customer service and sales teams with automated cross-selling and upselling opportunities at various customer touchpoints and segmenting customers by understanding their consumer behaviour wisely.

**Benefits of adopting CRMNext by HDFC**

All these changes helped HDFC improve the following:

- *Sales management* After implementing CRM, HDFC improved its performance in a big way. Its lead conversion improved by 208 per cent because of the change in process as well as the right activity and response achieved by its sales people. The cross-selling of its products also increased by 40 per cent as a particular set of customers were persuaded to buy more products. It also enhanced its sales turnaround time to 93 per cent because of the information available. It helped their customers to opt for the right products as the sales people prospected their customers better and their analysis helped them further in

closing them in time without any delay. The documentation was also collected by them from the customers through internet and this helped them to increase their first time documentation to 61 per cent.

- *Service management* HDFC also enhanced its service and customer loyalty because of the CRM implementation. Their customer loyalty increased to 92 per cent. The average complaints which they received from time to time also reduced to 30 per cent and their net promoter score increased to 24 per cent. All these parameters show that the quality of their service increased resulting in more happiness and loyalty for its customers. This also was one of the reason for an enhancement of their business and the brand acceptability.
- *Marketing management* More information collected through the use of CRM also resulted in more information about their customers in all their regions. This information and data collected helped them in doing better campaign management and also enhanced its campaign execution by 23 per cent. The campaign response rates also increased by 108 per cent because of their knowledge of target markets as well as their strengths. There was also a reduction by 234 per cent in the number of average complaints received by them from their customers. This was because more information was made available to their customers at all levels and their queries answered by them as the employees were able to provide them information at all levels. Grievance redressal also was fast at all levels which resulted in more satisfaction of their customers.

(Source: crmnext.com)

**TYPES OF CRM**

CRM can be categorized into three types based on its characteristics (Fig. 1.4). These are explained below:

Operational CRM
Analytical CRM
Collaborative CRM

**Fig. 1.4** Types of CRM

**Operational CRM**

Operational CRM is the customer-facing application concerned with the automation of business processes involving initial customer contact points. This is a major area where expenditure includes sales automation, marketing automation, and customer service automation. The companies develop call centres for effective operations. CRM vendors provide a wide range of operational CRM solutions to fill this vacuum. It facilitates better customer experience and optimization of customer contact activities. Operational CRM also creates value for their enterprise and customers (Fig. 1.5 and Exhibit 1.8).



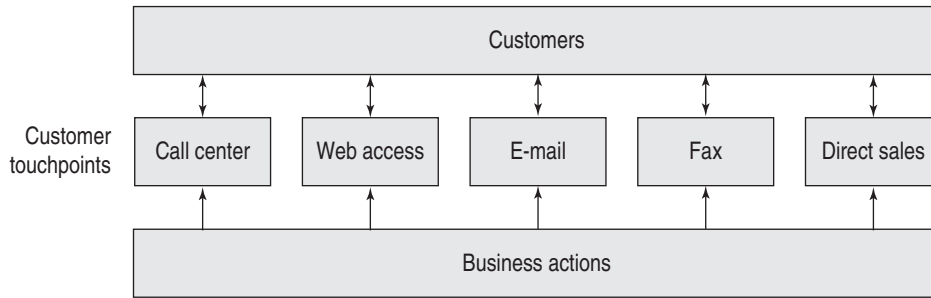


Fig. 1.5 Operational CRM

### Exhibit 1.8 ABS Builders

A builder has an operational CRM installed in its organization. This is basically a front office CRM and it takes care of all the customer contact which takes place while selling flats by the builder. These touchpoints are inbound contacts with the customer through phone, fax, e-mail, web access, direct sales, and their call centres. This streamlines the

communication process of the company by receiving calls and attending it prudently. All these calls are recorded and reverted based on the enquiries received from the customer, handed to the sales team and action taken for better contact, efficiency, and sales of the flats through its sales persons.

### Analytical CRM

Here, all the data collected in the operational side of the business is captured, stored, organized, examined, and interpreted for better value analysis. Integration of analytical CRM with operational CRM becomes a key factor for success in the organization. It enables to target the right customers with suitable offers. Analytical CRM results in personalization and one-to-one marketing through better customer knowledge. It identifies opportunities and helps the organization in implementing an effective strategy to develop competitive advantage. It converts raw data to support business decisions using customer-facing technologies like collaborative filtering, predictive modelling, business rules, and state-based decision-making. This CRM has the capability to identify opportunities and implement an effective strategy for developing its competitive advantage (Fig. 1.6 and Exhibit 1.9).

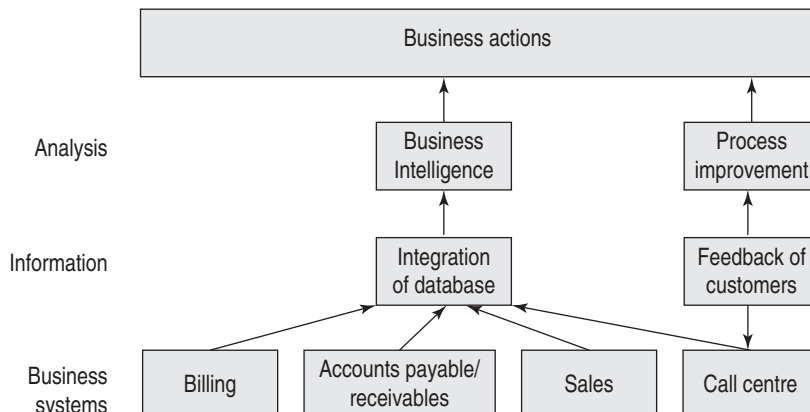


Fig. 1.6 Analytical CRM

### Exhibit 1.9 Standard Chartered Bank

Analytical CRM is also known as 'back office' or 'strategic CRM'. It involves understanding of the customer activities through the front office supported by technology whereby data is generated and analysed for new business processes. Various business intelligence activities are part of the process.

Standard Chartered has successfully deployed analytical CRM for its maximum advantage, which has helped the bank in managing and optimizing the profitability of all the products in their retail portfolio. Hence, the bank finds it easy to meet the targeted campaigns. All its returns have also been enhanced

due to profit modelling. The adopted CRM solution takes care of micro-segmentation. With the assistance of analytics CRM and a test-and-learn culture, the bank is able to predict the probability of customers who will be able to adopt any new products launched in the market. They are even able to know whether a member using his card intends to take a car loan or not. Thus, it has become possible for the bank to develop on focused marketing campaigns based on the expectations of the consumers. This has further helped in reducing costs and has also enhanced customer satisfaction.

### Collaborative CRM

In collaborative model, the company interacts with its departments, divisions, and channels by using its collaborative services and infrastructure. This is possible due to its interactive feature of coordinating between its divisions and departments, customers, and its employees. It is also integrated with the database and the financial modules of the existing ERP system. It provides immense scope for generating sales leads. It takes care of various touchpoints of customers, such as e-mail, phone calls, fax, web portal, and snail mail. It also helps the organization in devising better channel management strategies and also integrates advanced systems at each and every customer touchpoint.

Successful CRM, therefore, emerges after the integration of all these three components, which need to support each other resulting in a better customer experience.

## CRM MODELS

### Evans and Luskin (1994) Model for Effective Relationship Marketing

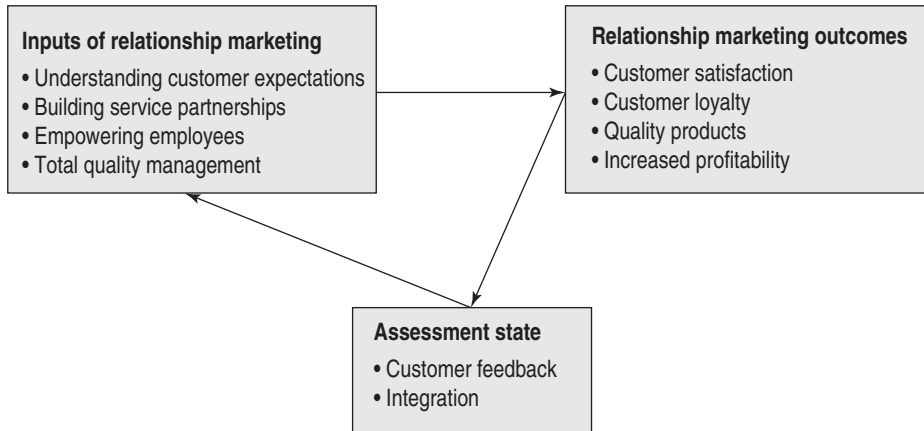
This model proposed by Evans and Luskin (1994) discusses of three aspects: (i) relationship marketing inputs, (ii) relation marketing outcomes, and (iii) assessment state to complete the CRM process (Fig. 1.7).

Relationship marketing inputs help in understanding customers and their expectations. It builds partnerships and empowers employees to take decisions, which further results in better quality delivery. It improves satisfaction of consumers and creates better relations with them, if the quality of product/service is maintained. In the long run, it adds to the profitability of the company. The assessment is done through customer feedback taken by the company at regular intervals.

This completes the cycle in this model, and based on the feedback the company can correct itself, improve itself in the market, and adapt itself to the changing times. This is a very useful model and covers all the aspects of CRM.

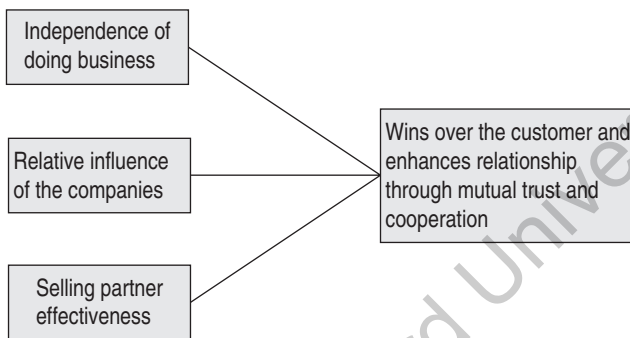
### Brock and Barclay (1999) Model of Selling Partner Relationship Effectiveness

This model was proposed by Brock and Barclay in 1999 (Fig. 1.8). It propounds independence of doing business and the relative influence of the companies, which are the two pillars;



**Fig. 1.7** Evans and Lusk (1994) Model

Source: Adapted from Evans, J. R. and R. L. Lusk (1994), *Relationship Marketing Can Help a Firm Escape Commodity like Status*, *Industrial Marketing Management*, 23, 5, p. 440–1.



**Fig. 1.8** Selling Partner Relationship Effectiveness Model

the third pillar is the selling partner effectiveness, which is responsible for winning over the consumer. This will be possible only if there is a mutual trust and cooperation between the company and the consumer. If there is faith and cooperation between each other, relationship can be established for a longer term.

This is one of the recent models and holds true in the prevalent competitive situation of market.

### Peppers and Rogers or IDIC Model

This model suggests that companies must develop one-to-one relations with their customers, and this is only possible when they show interest in identifying customers, building relations with them, and retaining them on a long-term basis (Fig. 1.9).

**Identify** A company should at first identify their customer and get to know them better, so as to serve them profitably in the long run.

**Differentiate** The customer is differentiated based on two aspects:

- (i) Need, which varies between different customers and can only be assessed if they are understood better.
- (ii) Value by which they are differentiated based on who generates most value at present and who can generate more value in the future.

**Interaction** Companies must emphasize on the interaction with the customer because it helps them to understand the expectation of customer better way and are also able to create relationship with their brand. The interaction of the customer must vary based on their needs and value provided. The direct interaction with the customer makes them believe that the

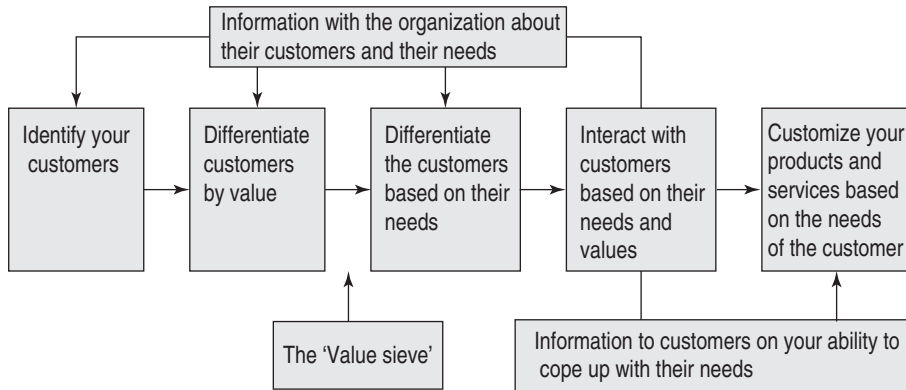


Fig. 1.9 IDIC Model

Source: The IDIC model was first published in 1997 in *The One to One Fieldbook*, by Don Peppers and Martha Rogers, Ph.D. Identify-Differentiate-Interact-Customize © Peppers & Rogers Group.

company is interested in them and they want to serve them better. These efforts by the company reflect in the loyalty factor and long-lasting relations of customers.

**Customize** When the customers are differentiated based on their needs and values, the company can change their offerings and customize their products to meet their needs. The communications are also tailored similarly to meet their expectations.

If there is failure in the third step it means that there is something wrong with the second and the third steps. Thus, it is better to return and go back to the previous steps and study them again. This is possible by searching more and more and rearranging these steps to achieve better results.

## PRINCIPLES OF CRM

CRM in itself functions on various principles, and an organization in order to succeed has to analyse its conditions and the prevailing environment. Success here does not only mean usage of technology or software; everybody in the organization must lend a freehand in making it a success by adopting better strategies. Hence, customers must be taken care of until they are satisfied fully. The work environment must be conducive to yield success in the markets. While selecting different software, its utility, effectiveness, and costs have to be analysed, and the best one finalized. The quantitative goals are also set in the organization and benchmarks set based on the situations and results. The best software is finalized after studying live examples from different industries functioning in similar environments. All these are based on the total cost incurred in the implementation process and the savings of costs foreseen in the future. Thus, for CRM to succeed, an organization must take care of the following:

- CRM is not about only purchasing software, but it is a strategy
- CRM must be conducive to the work environment, present as well as future
- In CRM, quantitative goals have to be set and benchmarked
- Total cost of CRM implementation must be studied carefully
- Selection of the right partner to find the right CRM solution

## TECHNOLOGICAL COMPONENTS OF CRM

The technology components of CRM comprise: (i) CRM engine, (ii) Front office solutions, (iii) EAI, i.e., enterprise application integrations for CRM, and (iv) CRM in the back office.

**CRM Engine** It is the data repository of customers or the data mart or the data warehouse in the organization where all the data of customers are captured and stored. CRM engine comprises basic information of the consumers such as name, address, phone numbers, and date of birth. It also captures information such as the number of times a person accesses a particular website and what he does on the pages accessed within the given time. CRM engine provides personalization and is a single point where all the information of individual customer are recorded. Such a unified customer profile can be created for all the departments of the company which store these data in the CRM engine.

**Front Office Solutions** These are applications which run on top of the customer data warehouse (CDW). It could range from SFA (sales force automation), EMA (enterprise marketing automation), to service and support and customer interaction applications. These front office solutions create analytics, reports, and provide instant access to information.

All these operate in the client server architecture (environment) and provide the employees with necessary information and indicate the next step to be taken. Specific applications provide an element of self-service for the customer.

**Enterprise Application Integrations (EAI) for CRM** These are found between the CRM back office and front office, and also exist between the newly installed CRM system and the old enterprise systems. They provide messaging and data mapping services that allows one system to communicate with the other. They also allow CRM-to-CRM communications. EAI are pieces of codes and connectors serving as bridge. They were previously known as 'middle-ware'.

**CRM in the Back Office** All the analytical tools used in CRM are known as back office of CRM, as all the analytical algorithms work in the background. These tools have a clear visibility within the operational applications and are accessed on a real-time basis. Analytics are being integrated into CRMs because embedded analytics are now a part of multifunctional CRM applications.

## VARIOUS CRM TRENDS AVAILABLE TODAY

Various CRM trends that are available today are as follows:

**Business Analytics** Firms are feeling the need to analyse their customers further to find out their satisfaction. Therefore, the companies encourage their teams to adopt analytics and work closer with their customers to improve their satisfaction and there by enhance the organization's profitability.

**CRM Goes Mobile** The contact with customers at all levels has widened and the interface is getting more complex. Today, with the increase in the number of mobile phones, the contact with the companies and the collection of information through CRM has also gone mobile. This trend is gaining ground fast, and in most companies the interaction has become necessary and information and feedback are received quickly through mobile phones. This has helped customers and companies to access and deliver information instantly at all levels.

***Integrated Approach towards CRM*** CRM is a strategy in business which identifies, acquires, and retains its customers as they are the greatest asset of the company. CRM therefore is a process which helps the company in delivering value to its customers by integrating them more in their marketing and other processes. This is possible by providing various means to manage and coordinate all the company's interactions with its customers through its various touchpoints. Companies, through CRM, maximize the value of all its interactions with its customers, thus improving their performance. The rapid growth in the service sector has provided an enhanced stress on the profitability of companies and they have therefore realized the need of relationship marketing which will provide them an opportunity to build permanent relations with their customers on a long term basis. The concept of cognitive dissonance has also been reintroduced in relationship marketing to analyse and understand the inner facets of consumer behaviour as it is the driving force in influencing the mind of the purchaser (Exhibit 1.10).

CRM makes the company to have a more integrated view towards relationship marketing as it helps the organization in enhancing the cognitive dissonance of its consumers as well as other aspects of its consumer behaviour. All these influences and approaches have changed the viewpoints of companies today, and they now consider marketing, service, and sales not as separate functions, but they prefer to integrate all these functions to enhance their performance. Organizations have a holistic view today and all the CRM vendors understand this approach. They also help the organization in integrating their processes and enhance their performance by providing an integrated CRM solution. Various software companies like SAP have already developed software with this approach and have benefitted through an enhanced performance in its market. This has been made possible through an integrated approach where all the activities of the organization in addition to the strengths of its people, processes, and technology for an enhanced performance. Customer Relationship Management also revisits the early concepts of consumer behavior and then further attempt to establish a logical relationship between its cognitive dissonance and cognitive, affective, and behavioral variables like trust, satisfaction, loyalty, and commitment. It also integrates the concept of relationship marketing further with the traditional concept of CRM and makes an effort to strengthen the existing CRM framework to make it more effective and futuristic.

***CRM and the Internet*** Internet technology is gaining ground and helping CRM in a big way by integrating it further with other systems. As in the case of Client Dynamics software, which comes with an Internet search engine, allows the company to register the details of the customer profile in the system. With the help of the software, the organization takes cues from the information searched by customers in the search engine to devise better strategy.

***Vertical CRM*** Vertical CRM analyse the changing needs of various organizations and synchronize it through customization for fulfilling the needs of the organization. Most of the companies benefit from industry-specific 'verticalization'. For example, real estate professionals require a CRM system not only to track the information about their client but also require additional information on the properties available in the market, their lease/sales components, and their stacking plans. All these give them various information with regards to the 'health' of the property in terms of its tenants and leases provided to them in that particular time.

Companies which require high level of industry specificity therefore look forward to a CRM system which has been designed specifically for a particular industry vertical. This is possible only after understanding the prevailing conditions of that very vertical in the market. The salient feature in this case is that the end user does not bear the cost of its development and the vendor himself does the hard work in understanding the salient features of that specific trade. The

customer therefore in this situation receives the product which fulfils most of his needs with an out of the box thinking and also incorporates the best practices and processes of the industry which are in-built within the system. As the vendor is familiar with the industry, the customers who opt for a vertical solution benefit by getting familiar with it and they also get a chance to work with the experts who also speak their language.

Vertical solutions also have better adoption rates as these are built keeping in mind the best practices of the industry. It also conforms to better processes and provides them familiarity which is not at all possible through a specific generic solution of CRM. Besides the benefits which get accrued through Vertical CRM, we also come across some drawbacks which is because of its limited markets. The vendors also are able to earn less revenue are restricted to invest in one platform and stick to it for a longer time. They are also not able to support their clients in continuous technical innovation, as provided by the generic CRM vendors like Salesforce.com, Oracle, or Microsoft.

**Outsourcing CRM** All the companies are feeling the heat of reducing costs at all levels. Outsourcing, therefore, is the best solution to reduce costs. Sales is one of the activities where companies are opting to outsource, especially in the segment of generating sales force leads as it helps them in reducing sales costs.

**Midmarket Trends** Today, in the midmarket, the newest trend is to run licensed CRM applications, such as Salesforce, Microsoft, etc. Apart from this, the leaders of the market today are opting more for partnerships than acquisitions, such as SalesNet, Netsuite, etc. CRM research also shows that all these players prefer more of flexible and customizable applications.

### Exhibit 1.10 92.7 BIG FM—Need of CRM

92.7 BIG FM is India's largest FM network and a part of Reliance Broadcast Network Ltd, one of the largest media companies in India. It has presence in 45 cities, 1200+ towns, and 50,000+ villages with a weekly reach of more than 4.3 crore Indians around the country. This company has been growing fast in a competitive atmosphere and is trying its best to tap new markets offering its consumers and advertisers a novel experience through radio entertainment. It was, therefore, critical for them to execute strategies across geographies and different teams to meet the competitive advantage and maintain its market leadership.

Various challenges faced by 92.7 BIG FM were as follows:

**Coverage of Customers** It has covered the entire market with an analysis of data across 15 different Indian languages and also monitors around 700 different product categories (TV, print, and radio advertising trends).

**Sales forecast** Ad slot is in itself a perishable inventory, in which the pipeline visibility is critical. Manual reporting and coordination through e-mails and numerous excel sheets also created difficulties. Timely approvals, therefore, became difficult resulting in missed opportunities.

**Management of activities** These include planning and execution of effective sales activities in regard to the number of sales calls made by its employees, customer contacts established, meeting the right people and right customers depending on market requirements and changing demand, etc. Apart from this, the daily activities include monitoring and executing day-to-day operations, customer contact strategy based on its spending, seasonality, and business share and managing its relationship further for better coordination with various agencies and key customers to maximize business.

#### Use of CRMnext by 92.7 BIG FM

To meet the challenges, the organization took the help of CRMnext for the last three years to enhance its coverage among customers, enhance sales with their customers by creating a unified platform across the organization and creating better business intelligence by integrating itself with various industry expenditure reporting systems. The solutions included the following:

**Coverage of customers** CRMnext created a single platform and integrated itself with Adex, Aircheck, trafficking

(Contd)

**Exhibit 1.10** (Contd)

systems-wide orbit, plum, broad view to enhance the efficiency of the system and decision making. The implemented CRM also ensured periodic synchronization with Adex, and Aircheck reports ensuring that all the new advertisers are also integrated in the system.

**Re-engineering of the sales process** All the processes involved in sales were streamlined ensuring clarity of numbers in the targets speculated, achieved, opportunities missed, customers neglected, etc., which were also tracked by the new system. This further created accountability among sales teams where they were self-evaluated through various tools in regard to portfolio management, coverage of their clients, and getting a share of the client business.

**Controlling and monitoring of processes** It also unified various processes across departments for approval of rates, for placements, deals for networks, etc., to enhance visibility. It also reduced the sales cycle time by improving the pricing power among its client companies by establishing strict

turnaround time and escalations based on opportunity value, ad slot inventory, etc.

**Benefits to 92.7 BIG FM by adopting CRMnext**

All these initiatives by the company reflected in an increase of sales (184 per cent) and boosting its operating profits. By adopting CRM, the company also improved its price discovery by defending its price and leveraged its strength of networks. Its conversion rates of clients increased by 40 per cent with an increase in the number of large deals and increase in cross-selling across multiple brands of a single client across media networks. Client loyalty also increased along with repeat business and reduction in the attrition of customers. Customer response through various contact improved along with consistency of information for a valued approach and better response.

(Source: www.crmnext.com)

**SOFTWARE APPLICATIONS IN THE CRM MARKET**

(This is a brief introduction. For details, see Chapter 9: Technological Developments of CRM)

Customer relationship management (CRM) today is an important management tool helping in the success of organizations and is also one of the fastest selling customer strategies of the world.

CRM caters to three types of markets: (i) large enterprises, (ii) mid-market, and (iii) small market.

**Market in Large Business Enterprises** For better CRM implementation, vendor capability is essential. Thus, most of the large companies are in constant lookout for vendors who have done successful implementation in other companies as large as theirs in the same sector to cross-check their expertise in fulfilling the assigned tasks. CRM vendors also look for the right opportunity from big corporations to elevate their return on investment (ROI).

Major players in CRM include:

**Oracle** Oracle is an American global computer technology corporation headquartered in Redwood City, California. It originally is a database major which has also entered in the CRM market with an e-business suite. Oracle is a web-based centralized computing model which used to be connected with non-mobile users. But now, Oracle is rebuilding on a new platform which integrates its various products. Its functionality ranges from e-commerce, front office as well as business intelligence applications. Oracle CRM solutions focus on driving profitable relationships. Its Partner Relationship Management is an additional feature which helps it work in collaboration with distribution channel partners for enhancing its revenues and customer satisfaction. Oracle CRM solutions are in the form of typical business modules such as the following:

- Oracle Marketing
- Oracle Sales



- Oracle Support
- Oracle Partner Relationship Management
- Oracle Advanced Scheduler
- Oracle Interaction Center

Oracle excels in the large business market due to its hosted CRM, data integration, functionality, and customer satisfaction. It has opted for on-premise CRM, which proved to be successful. Due to its high quality, it stays on par with its competitors and remains the best in its sector. It is also a one-stop shop for all the organization business needs as it provides back office and front office e-business applications in a fully compatible package. This therefore attracts customer because of its easy implementation of its end-to-end solution and it covers an entire range of CRM from marketing, sales, interaction management, services, and customer support. It is widely used in industries like aerospace, defence, travel, and transportation.

**SAP** SAP ERP is enterprise resource planning software developed by a German company SAP SE. It incorporates the key business functions of an organization and its latest version (SAP ERP 6.0) was made available in 2006. The most recent Enhancement Package (EHP7) for SAP ERP 6.0 was released in 2013.

SAP ERP consists of several modules, including various utilities for marketing and sales, field service, product design and development, production as well as inventory control, human resources, finance and accounting. Business Processes included in SAP ERP include Operations (Sales & Distribution, Materials Management, Production Planning, Logistics Execution, and Quality Management), Financials (Financial Accounting, Management Accounting, Financial Supply Chain Management) and Human Capital Management (Payroll, e-Recruiting). SAP ERP collects as well as combines data from separate modules and then it provides the company with enterprise resource planning.

The success of SAP depends on its expertise. Satisfied customers have helped in expansion. Word of mouth of those satisfied customers is the greatest friend of the company. Its growth is phenomenal, and at present its share in this sector is 13 per cent (Table 1.1).

**Salesforce.com** Salesforce.com is an American cloud computing company headquartered in San Francisco, California. Most of its revenue comes from a customer relationship management (CRM) product, but Salesforce also capitalizes on its commercial applications of social networking through acquisition. In 2016, it has been considered as one of the most highly valued American cloud computing companies with a market capitalization of \$45 billion. It is the primary

**Table 1.1** Major software players

Large business enterprises	Mid-market enterprises	Small-market enterprises
Oracle	Microsoft	Microsoft
SAP	SAP	Onyx
Salesforce.com	Salesforce.com	Netsuite
Peoplesoft	Peoplesoft	
	Siebel	

enterprise offering within the Salesforce<sup>1</sup> Platform, and provides companies with an interface for case management and task management which consists of a system for automatically routing and escalating important events. The Salesforce customer portal provides its customers the ability to track their own cases. It also includes a social networking plug-in that enables the user to join in the conversation about their company on social networking websites, and provide analytical tools and other services such as e-mail alert, chat, Google search, and access to customers' entitlement and contracts. It specializes in Software as a Service (SaaS).

The acceptance of Salesforce.com is gaining momentum day-by-day with the advent of the Internet, but still it is far behind large competitors like Oracle. It also commands a sizeable share in the CRM market of large companies but still most of its sales come from on-demand CRM which has been accepted well in the market due to its features and applications.

Salesforce.com Customer Relationship Management (CRM) service can be divided into several broad categories, Sales Cloud, Service Cloud, Data Cloud, Marketing Cloud, Community Cloud, Analytics Cloud, App Cloud, etc.

**PeopleSoft** Oracle's PeopleSoft customer relationship management (CRM) delivers 'CRM for You', a set of solutions that have been tailored to fit the specific industry business processes, their customer strategies, and their success criteria.

PeopleSoft CRM is a family of applications in the Oracle's PeopleSoft product suite. It helps the company in

- CRM Analytics
- CRM portal pack
- Marketing solution
- Sales Solution
- Service solution

*Fits the industry as well as its business processes* It deploys solutions which deliver built-in best practices which are specific to the industry, with the most flexible customer data model on the market, and on a highly configurable, tightly integrated platform, ensuring that the solutions which are to be implemented fast. The result is that it consist of less configuration, less customization, and less integration.

*Fits the strategies of customer and imperatives* Planning and execution of differentiated customer strategies and then take intelligent action across all the channels. Gain visibility into the performance of customer and plan precise strategies which enhances value. Set value targets for each and every customer segment and then track the ongoing performance on a real time basis. Define the customer value propositions which are both differentiated and appropriate for its potential value.

*Fits the timeline, budget, and user expectations* Leverage the unparalleled usability and performance to reduce the total cost of ownership and also increase its operational efficiency.

PeopleSoft CRM has set the bar for delivering better customer experience with

- up to 36 per cent improvement in its usability.
- up to 30 per cent improvement in its performance.
- up to 49 per cent faster for it to install.
- as much as 26 per cent less time to implement it further.

PeopleSoft is known better for its functionality and customer satisfaction. Its cost of ownership is low, and it has an ease of integrating all the processes in the organization. Its revenues from the CRM sector are not much as its focus is more on small businesses, but it has established its footing

in this category. It covers the entire cycle of marketing, sales, services, support, and analytic functions of the company. An added advantage occurs when the firm goes for the PeopleSoft ERP package where integration is better.

**Midmarket** Midmarkets are companies that earn revenues anywhere between \$100 million and \$1 billion. This is a market where CRM will be able to give the maximum dividends in terms of growth and productivity. Vendors are, therefore, trying their best to capture this market as this is where the focus is more on creating new trends as the management is aggressive enough to bring results because of its dynamism.

**PeopleSoft** PeopleSoft Enterprise One as a product has been very successful and has been accepted well among the companies in the midmarket. Today, it accounts for the highest number of CRM users and has resulted in the high growth of the company.

**Salesforce.com** In the mid-market, the revenues earned by Salesforce.com is small but it is on a growth path with the advent of the Internet and new market conditions. The salient feature of Salesforce.com is its integrative nature and its ability to be customized.

**Siebel** Oracle's Siebel CRM, is the world's complete CRM solution, which helps the organization achieve its maximum top- and bottom-line growth for delivering great customer experiences across all channels, touchpoints, and devices.

Siebel CRM delivers transactional, analytical, and engagement features to manage all its customer-facing operations. Its solutions are tailored around 20 industries, and it delivers comprehensive on-premise and on-demand CRM solutions which are tailored to the requirements of the industry and which offers role-based customer intelligence and also prebuilt integrations. It plays an important role within the Oracle Customer Experience (CX) portfolio, and delivers customer experience across mobile, in-store, and field service leveraging a wide range of Oracle foundation tools.

The success of the Siebel software lies in the integration of UpShot into its software as it gave a big boost in the efficiency and functioning of mid-market companies. Today, 30 per cent of its overall profits come from mid-market companies, and this is based on the sales of On Demand, Siebel Enterprise Product, and Mid-market suite. It works in partnership with integrators and third party vendors to enhance the existing functionality and has teamed up with IBM to develop a scalable enterprise as well as business intelligence solution which enables organizations to deploy faster business intelligence with better results and at a lower cost. It also help organizations to manage their customers and business performance through its quick actions which are good to the organization and which are cost effective.

**Microsoft** Microsoft Dynamics CRM is the CRM solution by Microsoft. It enables companies to market their products better, and also sell them effectively and enhance the care of their customers. It also provide social insights, business intelligence, and productivity with One Microsoft solutions. The company deliver Microsoft Dynamics CRM on the cloud as well as on-premises, and also with a hybrid combination. The focus of Microsoft is retention of customers, and in today's business this is the need of the hour for organizations. It is acclaimed to be the best CRM provider and has proven results in the companies where it has been installed. Today, it has the highest number of installations and has a fair share in the mid-market.

**SAP** SAP is today emerging as a leader in the CRM market and have around 10 per cent share in the midmarket. It is emerging fast as a leader in the overall CRM market even though the companies using this product are less in numbers. Its usefulness is to gain midmarket shares.

**Small Business Market** Major players are currently trying to cater to smaller businesses. This market sector can be tremendously profitable provided vendors know just how to tap it. The change in the CRM trends has resulted in attracting the market by the leaders in the field who are interested to capture this new market because of its future potential.

**Microsoft** Microsoft's growth is phenomenal, and it is a leader in CRM installations. Although the cost of this software and the server requirements are high, many small business enterprises have been attracted towards it due to its flexibility in integrating with the existing systems of companies.

**Onyx** CRM industry grew up delivering process technology to specific departments, primarily sales and marketing. Due to this, most CRM vendors still have difficulty in delivering the promise of its customer relationship management, which in itself has organizational barriers. Onyx CRM stands out from the crowd because it can truly put the customers at the center of all the company's operations which are managed across the enterprise and the channels.

The customers have expectations of a superior product, service, pricing, distribution, but they also look forward for a better experience. Customer experiences therefore go beyond its pleasant interchanges and interactions. They stand out with distinction, and are drawn from their unique methods of doing their business and the insight they experience from their customers and develop a competitive advantage.

Onyx provides

- a 360-degree view of every customer and prospect in the company
- better targeted marketing campaigns
- in executing its sales better
- in gaining information, insights and automated workflows which support their business objectives
- personalized, differentiated customer experiences which drives its revenue growth.

This CRM software is useful for companies of all sizes which require comprehensive, and intuitive access to its customer information, for their marketing, sales, service, and support. This also includes insurance, financial services, utilities, local government, etc.

In the small business market, Onyx is a big player and its acceptability has been high as it caters mostly to the mid-market, especially the public sector.

**NetSuite** NetSuite CRM delivers powerful CRM capabilities, which includes sales force automation (SFA), marketing automation, customer support and service, ecommerce, and flexible customization, all included in a single cloud CRM solution. NetSuite CRM includes powerful sales performance management, order management as well as partner management similar to the one found in a typical CRM solution. NetSuite CRM can also integrate with the existing ERP software. It also provides a seamless flow of information across the entire customer lifecycle. It also

- streamlines lead-to-cash processes.
- elevates the productivity across the organization with a 360-degree view of the customers.
- improves the company's sales performance through forecasting, upselling as well as commission management.
- manages its global sales and services in organization.

NetSuite's strength lies in its customization abilities and its ease of integration. It has been growing phenomenally in this sector and caters mostly to small companies which are interested in finding solutions to their problems.

There are wide ranges of solutions available in the market for companies, but they must not take CRM only as a fad. They must understand the requirements of their company and do the implementation in a phased manner, explaining the process and requirement to their people. They must also spend money based on the savings envisaged and see the trends of the market and understand the applicability and suitability of the software before opting the same for their company. CRM applicants must select the best package available in the category which can justify the costs in the long run.

## A ROADMAP TO CRM

CRM market is expected to reach \$36.4 billion worldwide by 2017 (Gartner) (*Source: www.forbes.com*). The research done by Forrester Inc. also states several factors which have led an increased spending in companies around the world. All over the world, there is immense competition among companies and they are emphasizing further on their growth. This is being done by attracting new customers and selling more to the existing consumers. Hence, they are investing in the CRM software, which further helps them to boost the productivity of their employees, and also help them in pushing service-oriented architectures (SOAs). This further improves the relationship of their customers with the companies and enhances their experiences at various customer touchpoints. According to a survey done by consulting firm Accenture, the four priorities foreseen by chief executive officers (CEOs) of companies are: (i) acquiring new customers, (ii) increasing customer loyalty and retention, (iii) increasing revenue from existing customers, and (iv) enhancing service capabilities of their company (Table 1.2).

**Table 1.2** Roadmap to CRM

<b>Part I</b>	<b>Customer Relationship Management: Concepts and Processes</b>	<b>This part explains the various concepts and processes of customer relationship management.</b>
Chapter 1	An Introduction to CRM	Describes the evolution of relationship marketing and how it shaped further to be adopted by organizations. Its needs and justification for creating competitive advantage has also been highlighted.
Chapter 2	CRM Integration in Organizations	Highlights the integration of people, processes, and technology as it is an important tool for the success of organizations in today's competitive scenario. The customer-centric approach has also been discussed as it boosts the success of organization in the long run.
Chapter 3	Customer Loyalty and Retention	Explores the lifecycle of products and the customer lifetime value. It also highlights the acquisition of customers by organizations and the aspects which have to be taken care for acquiring new customers and also enhancing the loyalty factor in them.
Chapter 4	CRM Process	Talks of the objectives of CRM process in manufacturing and service organization and its transition from a product focus to customer focus. This further emphasizes the focus of organization in enhancing customer experience further by taking care of its customer touchpoints and utilizing technologies for its advantage.

(Contd)

Table 1.2 (Contd)

<b>Part II</b>	<b>Analytical CRM</b>	<b>This part covers the risks and the rewards for analysing and reacting to new customer needs.</b>
Chapter 5	Database Management	Managing of database for retrieving the required information and enhancing its effectiveness in taking meaningful decisions.
Chapter 6	Data Mining and Analysis	Emphasizing the datamining process with a detailed analysis of its processes and techniques adopted by organization today.
<b>Part III</b>	<b>CRM Operations</b>	<b>Describes the key components of the CRM programme and explains the critical factors and its complexity in regard to its planning and execution for better delivery.</b>
Chapter 7	Customer Loyalty and Retention Management	Discusses the need of service orientation in CRM programmes and strategies, as well as adoption of various technologies to enhance the loyalty and revenues.
Chapter 8	CRM in Marketing Channels	This chapter explains and leverages the importance of its channels in managing customer leads as well enhancing its effectiveness and coverage in markets.
<b>Part IV</b>	<b>CRM: Technology, Implementation, and Applications</b>	<b>Highlights the CRM technology as well as its features for establishing success metrics as well as an implementation roadmap for better adoption and enhancement of its ROI</b>
Chapter 9	Technology Developments of CRM	Highlights the ongoing technological developments in CRM and its advantage in regards to the organization efficiency as well as enhancement of its revenues.
Chapter 10	CRM Implementation	Highlights the need of implementing CRM, the framework for implementing CRM projects, and the key aspects to be considered for a better and successful CRM implementation and its operational hurdles. It also discusses the steps to be taken for choosing the right CRM vendor and its integration with ERP.
Chapter 11	Applications of CRM	Discusses the various CRM applications in service sectors (airlines, health care, banking, and insurance), consumer and business markets. Also understand the role of CRM in horizontal alliances.
Chapter 12	Assessments of CRM	Understand and relate the investments in CRM and have a clear view about its benefits and relate it further with the return on investments through CRM. Understand the failure of CRM and its causes and also understand the prevailing CRM strategies being undertaken by organizations on a cross-functional basis.

## DEFINING CRM CONCEPTS

Some important CRM concepts are discussed in this section.

**CRM as a Tool** CRM is a strategic tool which integrates all the business processes, technology, employees, and the information available in an organization to attract and retain customers. In India, there has been a mixed response for CRM, because it was supposed to transform business, but we see a different picture in the Indian markets. This is because CRM is not dependent on technology only, but it is an integration of people and processes. Involvement of people, their interaction as well as completion of processes becomes a clinching factor for success. In the coming days, we will witness how organizations develop their strategies to benefit themselves from these solutions.

If we witness the operations of various private and public sector banks, insurance, and telecommunication companies across India, it can be observed that they gather lot of information in the process of seeking or adding a new customer. However, the information sought is not utilized or shared appropriately either internally or outside the organization. This has resulted in receiving mails and calls from various telecommunication and financial companies who convince the customers to buy products, which may not be of any utility to them or they may already have purchased such products earlier from them or their competitors.

All the companies operating in the three sectors such as banking, insurance, and telecommunications are very focused on developing retail outlets (self/dealers/franchisees) by spending lot of money. However, the companies may not succeed in achieving their desired plans. This is because they do not have thorough knowledge and understanding of their customers' needs, expectations, behaviour, spending patterns, dissatisfaction, etc. Sometimes smaller companies are able to get hold of market shares from reputed companies because of efficient processes, systems, and better understanding of the markets.

Today, in India, most of the organizations are using CRM, but exploration is needed to find out if these organizations are really benefitting from it. Currently, some organizations like ICICI Lombard, Standard Chartered Bank, etc., have shown high rates of growth by implementing CRM tools. Thus, what is that factor that leads to some to succeed and others to fail, let us explore in the following section.

**CRM—A Step in the Right Direction** To conclude, we can say that an in-depth analysis shows that the real answer lies in better deployment of CRM technology and processes. CRM is not only technology, but also a process which aligns the business around the needs of customers. It facilitates customer interaction and transaction management resulting in efficiency in organizations. Today, CRM technology has matured to combine both business and technology and makes the organization customer-centric. It also helps in bringing together a plethora of information needed by the company—about its customers, its sales, its effectiveness in these markets, and its responsiveness as well as the trends in the markets.

**CRM—A Consumer Study** Organizations can only survive and be profitable in the marketplace if they understand their consumers. Technology at all times will give them the leverage, but the companies will not be able to exploit the market potential or satisfy their customers. CRM, therefore, is more about the business than the technology, and it succeeds easily if the management understands about the markets and consumers. Thus, they will be able to analyse further as what benefit they can derive from CRM to benefit their business.

## NEED OF CRM

CRM, based on its characteristics and advantages, is sought more and more by organizations as it enhances their productivity. Hence, the consumers also feel attached to the company and have full faith and loyalty in the brand. Thus, it helps the company to extend its market reach and brand value. Their records are organized well, and they are able to data-mine records based on their requirements in a short-term and use business analytics, as well as business intelligence to forecast their future endeavours in the market. This strengthens the confidence of the organization to remain ahead in the market, which is becoming competitive day by day.

## SUMMARY

This chapter highlights how customer relationship management (CRM) is an integral part of a company's customer-focused business strategy which includes people, processes, and technology. The three types of CRM are operational, analytical, and collaborative. CRM helps an organization in gaining loyalty and confidence among consumers as personalized services are made possible by it. Buying habits of consumers are understood to gain better competitive approach. Companies are able to stand out in the market due to the better services they offer. The future of CRM and the trends it can set have also been explained in detail. Thus, in the present scenario, organizations must look towards implementing CRM strategies focusing on integrated information systems and a contact centre which allows the customer to have channelized communication with the company. Various CRM models like (1) Evans and Luskin (1994) model for effective relationship marketing, talks about the three aspects: (i) relationship marketing inputs, (ii) relation marketing outcomes, and (iii) assessment state which are required for completing the CRM process. (2) Brock and Barclay (1999) model of selling partner relationship effectiveness talks of the independence of doing business and the relative influence it has on companies. These are considered the two pillars, and the third pillar is the selling partner effectiveness, which is responsible in clinching the consumer. (3) Peppers & Rogers, or IDIC Model, suggests that companies must develop one-to-one relation with their customers. This is only possible when they involve themselves in identifying their customers, building relations with them, and then retaining them further on a long-term basis. All these have also been highlighted further to give an overview of the concepts in which few models have also been based to give a clear view to readers about the framework on which CRM works in organizations. To make CRM a success, an organization must revamp its process and do proper implementation in tandem with the people who are involved in the process. Their confidence must be gained and

complete training provided to make the CRM system a success. The chapter also highlights the reason for adopting and implementing CRM. CRM per se functions on certain principles, and an organization needs to make it a success by taking into account the conditions and the prevailing environment. CRM is not just about usage of technology or the software but involvement of everybody in the organization. While selecting different software, their utility, effectiveness, and costs have to be taken into account and the best one finalized. Every organization sets quantitative goals, and the efficiency of the organization is benchmarked by fulfilment of these goals. The total cost incurred in the implementation process and the costs saved in the long run determine the success of CRM. The technological components of CRM are as follows (i) CRM engine, (ii) Front office solutions, (iii) EAls, i.e., enterprise application integrations, and (iv) CRM in the back office. The various CRM trends prevalent today are (1) Business analytics that enhances the productivity and profitability. (2) CRM goes mobile, which is gaining ground, is fast benefitting customers and companies to access and deliver information on the go. (3) Integrated approach towards CRM because organizations today adopt a holistic approach; thus, CRM vendors must ensure to provide an integrated CRM solution. (5) CRM and the Internet today is gaining ground and it in turn helps CRM in a big way by integrating it further with other systems. (6) Vertical CRM, where the focus of vendors is to analyse these differences and synchronize them with the individual needs of organizations. (6) Outsourcing of CRM, which is essential for organizations to reduce costs. (7) Midmarket trends where the companies require license to run CRM applications, such as Salesforce, Microsoft, etc. Apart from these, the leaders of the market today are also opting more for partnerships than acquisitions such as SalesNet, Netsuite etc. CRM research has also shown that all these players prefer a flexible and customizable CRM.

## KEY TERMS

**Brand loyalty** Faithfulness of customer towards a particular brand

**B2B** Business to Business—when products are sold to companies directly for their own manufacturing requirements

**B2C** Business to Customer—where organizations sell directly to its customers

**Channel** A dealer through which a company sells its product to its customer

**Customer lifetime value** Net profit foreseen from the future relationship with a customer

**Customer satisfaction** Happiness achieved by the customer after buying goods/services

**Customize** Modify to suit a particular task

**Data repository** It enables the organization to collect customer information which are used with a set of analytical tools to develop a better understanding of its past, present, and future behaviours

**Relationship marketing** Marketing activities aimed at developing long-term relationships

**Repository** A central location where data are stored

**Salesforce Automation** A programme that automates business tasks such as sales processing, inventory control, tracking interaction of customers, analysing sales forecasts, and performance



## EXERCISES

### Multiple Choice Questions

Choose the correct option.

- A key CRM technique is to encourage existing customers to recommend friends or colleagues to purchase. This is known as
  - referral
  - upsell
  - reactivation
  - cross-sell
- A key CRM technique is a sub-set of cross-selling, but in \_\_\_\_\_, more expensive products are sold.
  - referral
  - reactivation
  - upsell
  - cross-sell
- Relationship marketing has been strongly influenced by
  - re-engineering
  - cost planning
  - brand loyalty and planning
  - market structure
  - All of these
- To build a growing and profitable relationship with the customers in an organization is called \_\_\_\_\_.
  - customer perceived value
  - customer lifetime value
  - customer relationship management
  - societal marketing
  - database marketing
- For making customer relationship management succeed in organizations, which of the following aspects should a marketing manager add in his plans?
  - Capturing a customer's lifetime value
  - Creating a sense of community surrounding a brand
  - Building overall customer equity
  - Owning customers for life
  - All of the above
- Organizations can only survive and be profitable in the marketplace if they understand
  - their consumers
  - their technology
  - their processes
  - None of these
- CRM is not about only purchasing software but it is a \_\_\_\_\_ to succeed.
  - process
  - technology
  - strategy
  - None of these
- Relationships concentrate attention in companies and build customer value by \_\_\_\_\_ its customers.
  - attaining
  - dissociating
  - retaining
  - None of these
- Organizations can only survive and be profitable in the marketplace if they understand
  - Evans and Luskin Model
  - Brock and Barclay Model
  - Peppers and Rogers
  - None of these
- Brock and Barclay Model talks of
  - three aspects relationship marketing inputs, relation marketing outcomes, and assessment state to complete the CRM process
  - developing one-to-one relations with its customers
  - independence of doing business and the relative influence of the companies
  - None of these

### Concept Review Questions

- Define CRM in the Indian context.
- What is the future of CRM in India?
- What is the truth behind the failure of CRM in most organizations where it is implemented?
- 'Better customer service is the only differentiator for companies in today's market scenario.' Comment on this statement.
- How is relationship important to beat the competition in today's Indian scenario?
- Explain the different models of CRM and also highlight their salient features.
- Explain the evolution of CRM and highlight its importance in today's competitive environment.
- Companies in the competitive environment today want to establish relationship with their customers, but do customers intend to build relationship with these companies? Discuss.

### Critical Thinking Questions

- 'CRM is a potent tool to beat competition.' Elaborate this statement by studying some companies in the product sector and the service sector. Explain the same with the help of examples.
- Most of the companies today outsource their sales and service activity to call centres. Does it enhance the customer satisfaction? Is it a potent tool in the success of companies?

Explain the same after studying the Indian environment by relating it to a few day-to-day examples.

3. 'The business environment today is changing and it is becoming more customer-centric.' Can you explain with reasons and how can the organization benefit in such a situation.
4. 'Companies today are changing their strategies and are going ahead and adopting CRM practices to building relationships with their customers.' Discuss with reasons whether the customers are also interested in building relations such with companies or if it is a one-way practice.
5. What was the reason behind disillusionment with the CRM practices in the late 1990s. Explain the same in detail.
6. Are traditional marketing principles valid in the age of CRM? What are the fundamental differences between transaction-based marketing and relationship-based marketing? Explain.

### Project Assignments

1. Visit a national/international call centre (outbound/inbound) BPO/KPO in your city and understand their CRM activities.

Give a presentation in your class highlighting the category in which they are operating and how they function. Also list its salient features.

2. Study the following industries of India and give a presentation in the class about the CRM activities of various companies in that particular industry:
  - Insurance
  - Banking industry
  - Hospitals
  - Hotels
  - Airlines
  - Automobile (sales & service)
3. Prepare a study of the Indian banking industry and analyse the changes which have taken place in the relationship practices of this industry.
4. Study the CRM activities of Vodafone, a leading mobile service operator of India, and note down the advantages and the benefits the company had seen in the markets because of its superior CRM practices.

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## CASE STUDY

### CRM at an Indian Kirana Store

Today, CRM is considered as a new trend in business but this practice is not new to India. This practice was followed by our old retailers, the kirana stores. Kirana store owners used to maintain good relationship with their customers and took care of their requirements personally. Although the scale of the practice was much small, these merchants knew the preferences, interests, needs, and wants of their customers. They knew about the happenings and events in their families, emergencies, financial issues, etc., as they maintained a personal touch with them. The merchants even used to offer credit to them at times, even had trust in them and accepted cheques if required, arranged home delivery at a nominal cost, etc.

This was all possible as they knew their customers personally and also of their financial abilities as well as their needs. The merchants always rendered a helping hand at the time of emergency and thus gained the trust and loyalty of customers. There was the true bond that existed in the Indian market before the emergence of the organized retail stores. Thus kirana stores were able to sell the right products to the right customers at the right price.

But with the advent of organized retail, these personal bonds started to relax. Organizations today are trying to build artificial relationships where the customer loyalty and trust are only superficial. They are enrolling customers as members, but the customers do not trust the retailers because there is no real relationship between them as they lack human touch. This is one of the reasons why some kirana shops are still thriving by enhancing personal services in the form of home delivery and credit keeping.

Brand retailers must, therefore, do a thorough root cause analysis to find the missing links. In the process of CRM building, the strategy of relationship building with customers can be implemented in their systems to gain customer trust. They can take further cue from the *dabbawalas* of Mumbai, who have proved their excellence in supply chain.

But with the emergence of social media, CRM features might change and in building better customer relationships. This is only possible if the organization leverages itself properly on building trust rather than using the customer as a tool to gain information. Social CRM might be one of the strategic keys for unlocking customer relationship tactics used by the kirana shops. Patience is the key in implementing these programmes as many of these fail unless the retailer recognizes the benefits of Social CRM. It will only succeed if Social CRM is followed consistently, with an objective to enhance customer trust/relation.

#### Discussion Questions

1. What are the reasons for kirana stores to thrive in some places in spite of the advent of organized retail stores?
2. Why is CRM necessary in a retail store? How is it being practised in a kirana store?
3. Suppose you have been appointed as a consultant of a decade old successful kirana store in a market place in Delhi which has a sound customer base. But upcoming organized retail is posing a big threat to them. Suggest various CRM initiatives which can help them in regaining their lost market share.

#### Answers to Multiple Choice Questions

- 1 (a), 2 (c), 3 (b), 4 (c), 5 (e), 6 (a), 7 (c), 8 (c), 9 (a), 10 (c).