Unit -1
Overview of Customer Relationship Management

Learning objectives

After reading this unit you will be to:

1. Understand about the concept and historical perspective of Customer Relationship Management.
2. Know about the School of thought and its relative importance.
3. Appreciate the role of Customer Relationship Management.
4. Understand the benefits and disadvantages of CRM.

Structure

1.1 INTRODUCTION

Customer Relationship Management is a business strategy that is based on the philosophy of "customer is king" that is customer is put in the central place. Customer Relationship Management is more than simply an application of technology. It has a strategic means to

develop strong relationships with customers by providing a platform to assess their individual needs and behaviour.

Customer relationship management describes the all aspects of interaction that a company or corporate houses has with a customer, whether it is sales or service-related. CRM systems are also used to manage business contacts, clients, contract wins and sales leads. It is a technological oriented or computerized system for identifying, targeting, acquiring, and retaining the best mix of customers. Customer relationship management helps in profiling prospects, understanding their needs, and in building relationships with them by providing the most suitable products and enhanced customer service.

The CRM enabled companies in India includes Tata Telecom, TVS Electronics, HP India, Tata Infotech, Carrier Refrigeration, Tata Teleservices, Satyam Infoway, Planet M, and Epicenter Technologies among many others. Other service sectors like Banking and Insurance are also deploying CRM solutions.

1.2. HISTORICAL PERSPECTIVE OF CRM

CRM originated in early 1970s when the business units had a manifestation that it would be advisable to become customer emphatic'rather that product emphatic'. Birth of CRM was because of this heedful perceptiveness. The famous writer and management consultant Peter F Drucker wrote; The true business of every company is to make and keep customers.

CRM is based on the principles of relationship marketing. Relationship marketing emphasizes two important issues. First, you can only optimize relationships with customers if you understand and manage relationships with other relevant stakeholders. Most businesses appreciate the critical role their employees play in delivering superior customer value, but other stakeholders may also play an important part. Secondly, the tools and techniques used in marketing to customers, such as marketing planning and market segmentation, can also be used equally as effectively in managing non-customer relationships.

In this era of Liberalization, Privatization and Globalization the corporate sector has become the backbone of Indian economy. In the early 1990s, the concept of relationship marketing was introduced into the services marketing literature. Financial services institutions, airlines and other service providers found it profitable to maintain and reward existing customers rather than run after new customers. It was established that building closer relationships with the customers resulted in better returns to organizations. Today's customer not only demands quality products and services but also looks for value creation in the transaction process itself.

1.3. MEANING OF CRM

Customer Relationship Management (CRM) is a technology-enabled business strategy whereby corporate level-average increased customer knowledge to build profitable relationships, based on optimizing value delivered to and realized from their customers. The three major components of CRM (i) marketing, (ii) sales and (iii) service & support may be seen as the life cycle of a customer relationship. The CRM customer life cycle comprising of three phases: (i) acquisition, (ii) enhancement, and (iii) retention. The CRM services consist of Consulting services, Implementation services, CRM outsourcing services and Training services.

CRM focuses on building long-term and sustainable customer relationships that add value both for the customer and the company. CRM is an enterprise manages customer relationships in an organized way. It is a process of more about customers' needs and behaviours in order to develop stronger relationships with them.

1.4. DEFINITION OF CRM

According to Paul Greenberg, "CRM is a philosophy and a business strategy supported by a system and a technology designed to improve human interactions in a business environment".

"Customer Relationship Management (CRM) is a co-ordinate approach to the selling process allowing the various operational, customer contact and sales promotional functions of an organization to function as a whole."

1.5. CHARACTERISTICS OF CRM

Originally customer relationship management was based on three major principles; shielding the current customers, fostering new customers and enhancing asset value of all the customers.

1. Consumer relationship management is a customer-oriented feature with service response.

2. CRM function can implement sales promotion, analysis, automate tracking of a client's account history for repeated sales or future sales and also coordinate sales, marketing, call centers, and retail outlets in order to realize the sales force automation.

3. By use of technology and skills of value delivering through CRM which make up to date customer data available.

4. CRM helps the company to manage unpredictable growth and demand and implement a good forecasting model to integrate approach of sales history with sales projections of the company.

1.6. IMPORTANCE OF CRM

1. CRM) is increasingly important to firms as they seek to improve their profits through longer-term relationships with customers.
2. CRM system is stored centrally and which readily-accessible program, thereby reducing the time taken to search and correlate data for each customer and increasing the productivity of staff accordingly.
3. Customer relationship management (CRM) to help attract new customers, increase brand loyalty, reduce costs, increase efficiency, and maintain a competitive advantage.
5. CRM offers an historical view of every piece of information about a particular customer, allowing a full understanding of a customer's position to be gained and providing a solid ground for analysis.
6. CRM is also offers a segmentation feature with the ability to make specifications according to a range of different fields like demographic profile or customer type.
7. CRM is clearly records and maps out the progression of the relationship throughout the entire meeting and nurturing process.
8. CRM technologies are very inexpensive and easy to administer and manage which in turn less staff required and fewer resources are applicable.
9. CRM enables a company to efficiently and effectively manage customers and provide them with the services according to need and wants, which leads to an increase in customer satisfaction and in turn an enhanced level of customer loyalty, which carries improving turnover, profit and growth of the company or enterprise?

1.7. COMPONENT OF CRM

These components are:

1. **Marketing:** CRM is founded in marketing which creates relationship marketing. The evolution of CRM from direct sales to mass marketing, target marketing, and then to customer relationship marketing.
2. **Sales force:** The sales function is direct interaction with customers, which makes up CRM. It is important to develop sales strategies at the customer level to build and maintain relationships with customers to achieve revenue goals. With the increasing of technologies emerging for the sales function, that is possible to make the sales process more efficient and automated to increase sales.
3. **Service and support activities:** The High quality customer service and support is the key to improving customer retention rates and maintaining a good relationship with customers. In today's date is highly competitive environment, companies must pay attention to fulfilling the needs of each customer quickly and accurately. Customer

satisfaction is hard to win and easy to lose. If customers are not satisfied, they will simply move on to other companies.

4. **IT support activities:** Information Technologies utilization is required in order to manage large amounts of customer information for improving the customer services quality. IT plays a key role in the development of CRM. They can be used to automate and enable some or all CRM processes. Appropriate CRM strategies can be adopted through the assistance of technology, which can manage the data required to understand customers. Moreover, the use of IT can enable the collection of the necessary data to determine the economics of customer acquisition, retention, and life-time value. Advanced technology involves the use of databases, data warehouses, and data mining to help organizations increase customer retention rates and their own profitability.

1.8. OBJECTIVES OF CRM

CRM is an enabled technology which the company has to analyze the behaviour of customers and their value creation. The main focus is as the name suggests: customer, relationship and the management of relationship effectively.

i)   Under the CRM benefits now a days companies also offered the online service booking facility, pick and drop facility for retaining their loyal customers.

ii) To make call centre's more efficiently. This indicates that satisfaction leads to customer loyalty and retention.

iii) CRM system saves time and cost of the customers, through this system, customers expect prompt service from the service provider. Thus, it provides better customer service and value creation.

iv) CRM governs an organization's philosophy at all levels, including policies and processes, front of house customer service, employee training, marketing, systems and information management. To identify new customers and increase customer revenue. CRM helps companies make sense of customer needs, manage these relationships more intelligently and help predict the future.

1.9. SCHOOLS OF THOUGHT ON CRM

CRM is not a product or service; it is an overall business strategy that enables companies to manage customer relationships effectively. CRM covers methods and technologies used by companies to manage their relationships with clients. The relationship marketing is supported by the growing research interest in different facets of this concept. Researchers in different countries observed this shift in marketer's orientation towards customer relationship and started exploring the phenomenon. The initial approaches to

CRM can be broadly classified as:

1. The Anglo-Australia Approach,

2. The Nordic Approach, and
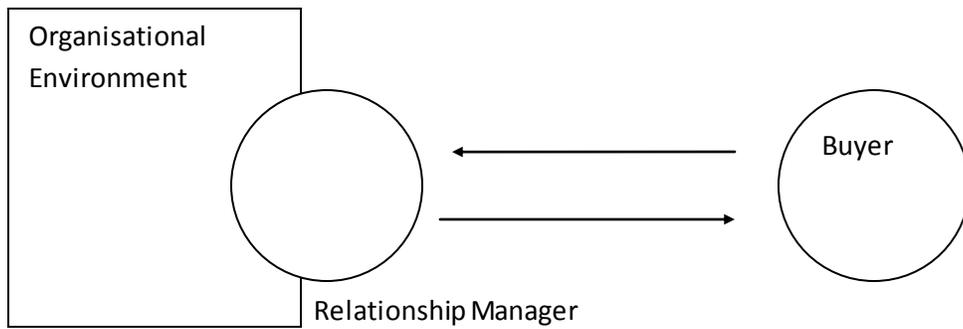
3. The North American Approach.

1. The **Anglo-Australian approach** integrated the contemporary theories of quality management services marketing and customer relationship economics to explain the emergence of relationship marketing.

2. The **Nordic approach** views relationship marketing as the confluence of interactive network theory, services marketing and customer relationship economics. The interactive network theory of industrial marketing views marketing as an interactive process in a context where relationship building is an area of primary concern for marketers.

3. In contrast, the initial focus of the **North American** scholars was on the relationship between the buyer and seller operating within the context of the organizational environment which facilitated the buyer seller relationship.

Quality Management

Services Marketing Concepts   Customer Relationship Economics

Relationship Marketing
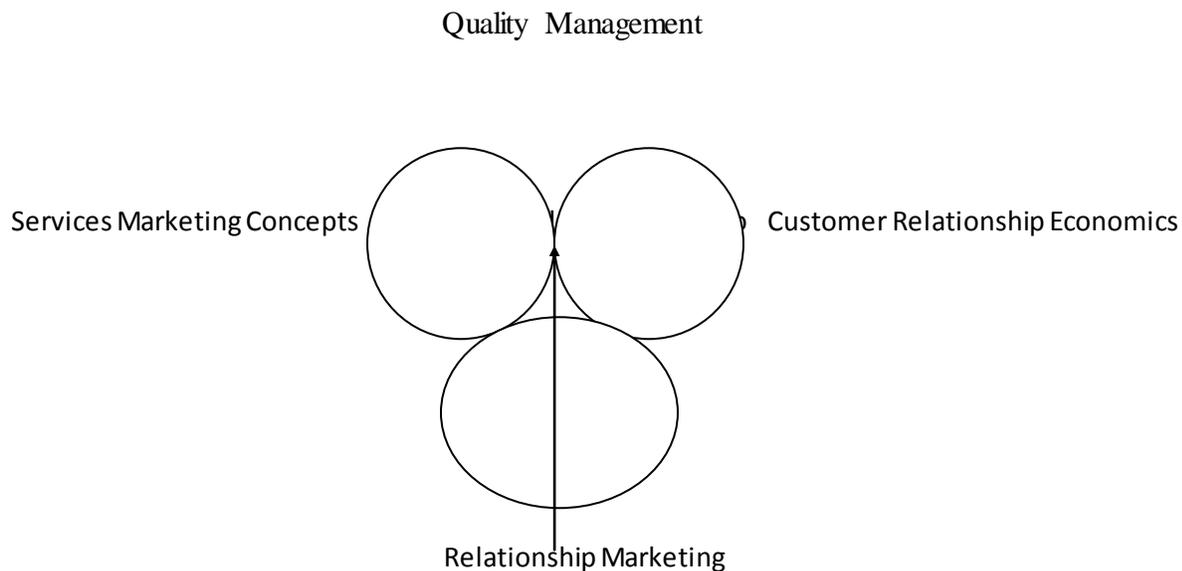
(Anglo-Australian Approach of Relationship Marketing)

Interactive Network

Service marketing

Customer Relationship Economics

Relationship Marketing
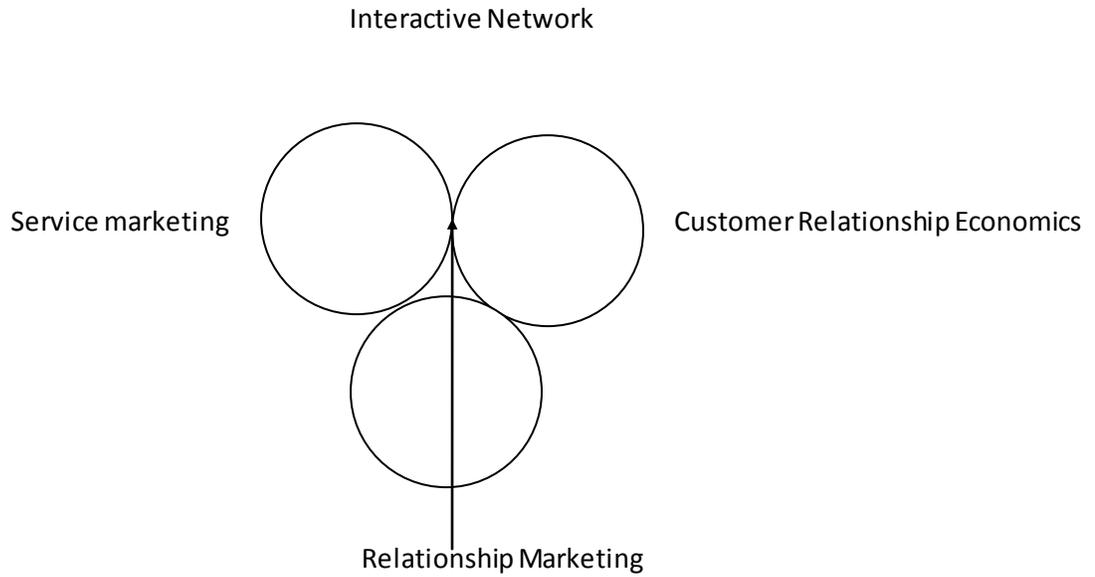
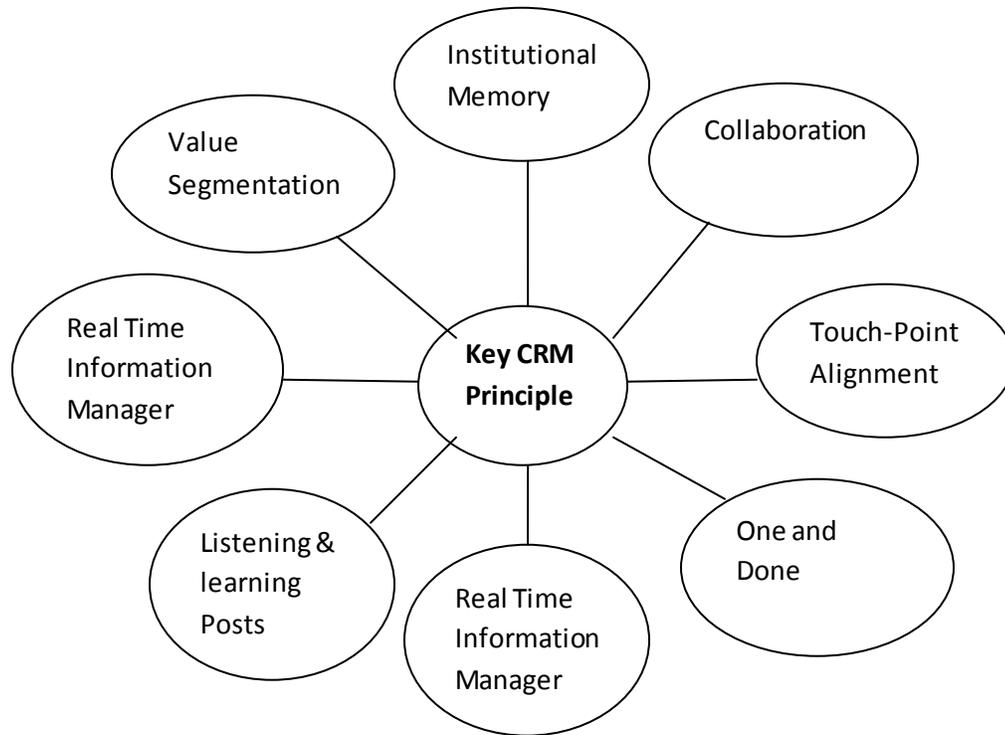**(Nordic Approach of Relationship Marketing)**

Organisational
Environment

Buyer

Relationship Manager

(North American Approach to Relationship Marketing)

Principle of CRM

1.10. THE ARCHITECTURE OF CRM

This can be broken down into three categories, and these are:

(i)   Collaborative,
(ii)   Operational, and
(iii)   Analytical.

The **collaborative aspect** of CRM deals with communication between companies and their clients. The **operational aspect** of the architecture deals with the concept of making certain processes automated. The **analytical aspect** of CRM architecture deals with analyzing customer information and using if for business intelligence purposes. Each one of these elements are critical for the success of a CRM system. India even has a CRM Foundation in New Delhi, founded with the purpose of assessing and improving CRM practices. Founding members include Tata Telecom, Escotel, Modi Xerox, Global Groupware, AC Nielsen, Carrier Aircon, and Motorola India, among others.

The following **Top 10 CRM Systems in India:**
1. Oracle, including its Oracle Siebel, PeopleSoft and Oracle On Demand products
2. SAP CRM
3. Microsoft Dynamics CRM

4. Salesforce.com
5. Sage, including ACT!, SageCRM and SalesLogix
6. Pivotal from CDC Software
7. Talisma
8. Amdocs from Clarify
9. SugarCRM
10. Impel CRM
11. CRM Value Drivers

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│  ┌─────────────────────┐                 │
│  │ Target Profitable   │                 │
│  │ Customers           │                 │
│  └─────────────────────┘        ┌──────────────┐
│  ┌─────────────────────┐        │ Value Equity │
│  │ Integrate Offerings │        └──────────────┘
│  │ across Channels     │
│  └─────────────────────┘
│  ┌─────────────────────┐
│  │ Improves Sales Force│
│  │ Efficiency &        │        ┌──────────────┐      ┌──────────────┐
│  │ Effectiveness       │        │ Brand        │      │ Customer     │
│  └─────────────────────┘        │ Equity       │ ───> │ Equity       │
│  ┌─────────────────────┐        └──────────────┘      └──────────────┘
│  │ Improve Pricing     │
│  └─────────────────────┘
│  ┌─────────────────────┐
│  │ Customize Products  │
│  │ and Services        │        ┌──────────────┐
│  └─────────────────────┘        │ Relationship │
│  ┌─────────────────────┐        │ Equity       │
│  │ Improve Customer    │        └──────────────┘
│  │ Service Efficiency &│
│  │ Effectiveness       │
│  └─────────────────────┘
│  ┌─────────────────────┐
│  │ Individualize       │
│  │ Marketing Messages  │
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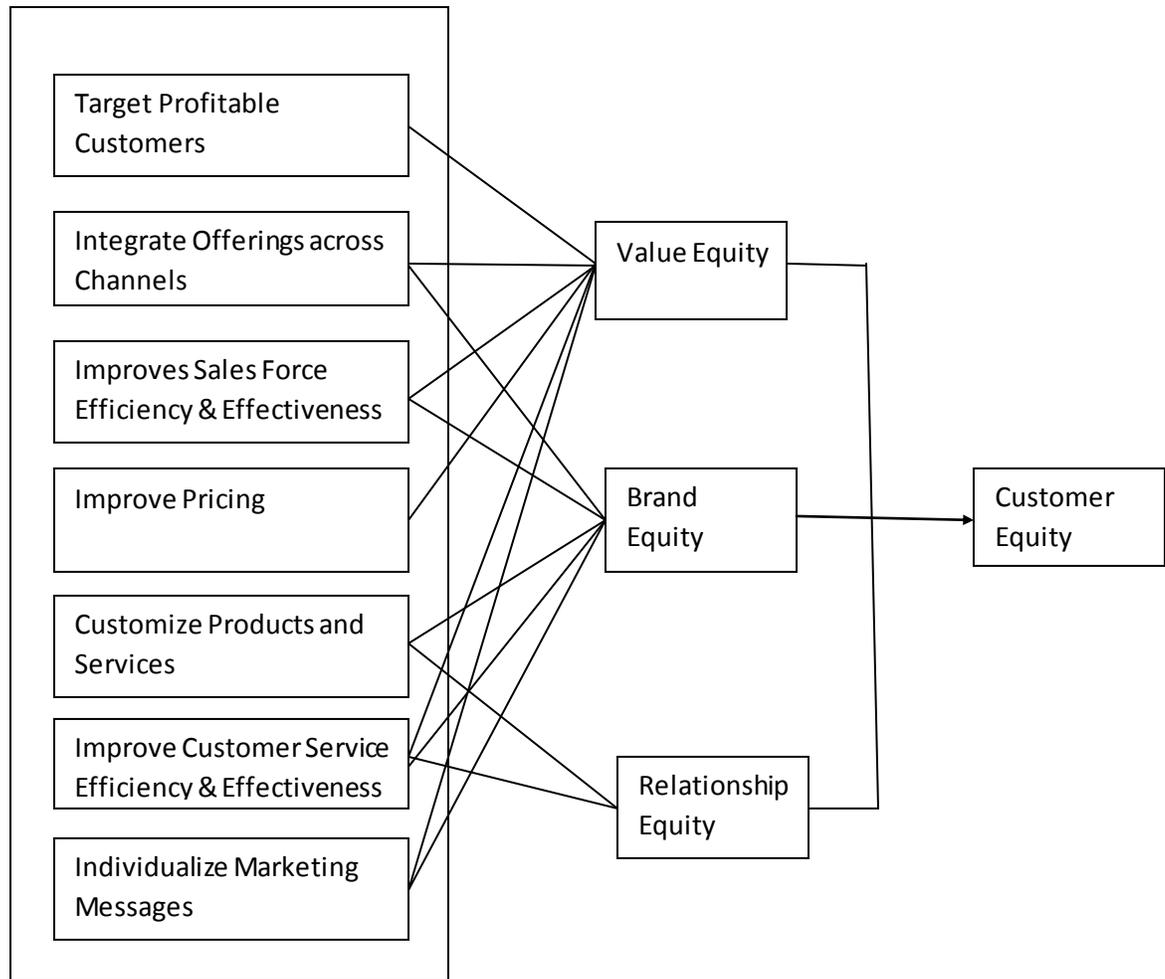
(Conceptual model relating CRM value drivers to customer equity)

1.11. ROLE OF CRM

1. **Finance**
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(i) **Increase revenue**: CRM can be search the current and perspective customers provide the profit and where the business can gain more revenue by cross or up-selling, Which

increasing revenue from the sales and marketing department of the organization. The CRM enabled companies include Modi Xerox, Tata Telecom, TVS Electronics, HP India, Tata InfoTech, Carrier Refrigeration, Tata Teleservices, Mirc electronic, and Epicenter Technologies among many others

(ii) **Lower costs efficiencies and increase efficiencies:** For making better use of existing customer data and sharing it more effectively across the organisation allows for a number of cost savings. The unit cost of each customer contact can be lowered through more efficient use and scheduling of customer agent activities.

(iii) **Gain a single holistic financial view:** CRM also provide accurate, real-time data from across the organisation, the overcoming the issue of spreadsheet manipulation and reducing dependency on individual departments for operational numbers.

2. Operations

(i) **Deliver an improved customer service:** The available information for use across different communication channels enables the customer to contact what they want, when they want with common access to information and facilities most pertinent to their needs.

(ii) **Monitor activity and gain greater control:** The effective CRM is not only improves with customer interaction. It also provides accurate data relating to these operations. This reporting allows developing departments and processes accordingly.

(iii) **Decrease people attrition**: Retaining high caliber talent calls for a challenging and rewarding working environment, where the right information is constantly at hand and motivation is set by clearly defined, realistic goals. CRM can provide these facilities and metritis, helping to reduce churn whilst empowering the workforce to achieve more.

(iv) **Meet regulatory and legal commitments**: There are a number of ways in which CRM can help to comply with regulatory and legal issues. For example, with very few exceptions, the Data Protection Act demands that people have access to electronic information held about them. With the correct CRM solution in place, one can produce customised reports quickly and accurately.

3. Information and Technology (ICT)

(i) **Integrate approach with existing systems:** One can leverage existing investments in tele or web systems by integrating them with new CRM solutions - for example, by implementing a multimedia contact centre.

(ii) **Consolidation:** can present complex implementation issues, but IT can help through the use of tried and tested data migration methodologies, data integration software and consultancy services.

(iii) **Business change and changing environment:** Now a days business faces many challenges when it comes to enhancing the customer experience. The use of CRM deployment can be complex and has huge implications for everyone throughout the organisation.

4. Sales and Marketing and CRM:

CRM applications are a convergence of functional components such as sales, marketing, and customer service, advanced technologies & communication channels. Common applications include: (i) Calendar and scheduling ,(ii) Contact and account management ,(iii)Compensation,(iv) Opportunity and pipeline management ,(v) Sales forecasting ,(vi) Proposal generation and management ,(vii) Pricing (viii) Territory assignment and management and Expense Reporting.

Customer relationship management is an emerging tool that enables marketers to maintain their presence in the dynamic marketing environment. For example Adidas, Bata, Woodland, Reebok, Peter England, V - Mart, Vishal Mega Mart, Cantabile Retail India Pvt. Ltd., Allen Cooper, Signature, Levi's, Flying Machine, Koutons Family Store,

Ginni & Jony, The Loot, Van Heusen, Provogue Studio, Charle Outlaw, Wrangler, Numerouno Store, Vishal Mega Mart, Reliance Fresh, Big Bazar-Largest retailer in India, World of Titan, Tanishq, Next Retail, Sony World, LG etc.

a. **Increase sales with Global customer :** CRM can provide a greater insight into customer activity which allows the generate more revenue opportunities. In the short term case, the immediate gains or profit can be made through more accurate targeting of prospective customers for cross or up-selling. Further, CRM resolves around a greater understanding of the customers' needs, one can develop better sales propositions and confidently enter new and existing markets based on accurate and timely information.

b. **Improve customer experience and loyalty:** The improved customer experience and increases loyalty, which in turn improves the chances of customers spending more on a regular basis. CRM helps in a number of ways. Integrated channels, personalised content and self-service solutions improve the customer experience and build loyalty towards organization..

c. **Increase productivity and efficiency:** CRM helps to make better use of customer data by sharing it more effectively across all the departments of the organisation. This means that everybody can have the right information constantly at hand, enabling them to deal with customer enquiries and proactively manage sales more efficiently.

d. **Improve forecasting and deliver on targets:** CRM can provide with effective customer's emotional intelligence for more proactive management. This helps to identify which customers are the most profitable, spot trends and accordingly one can plan the resources and deliver on targets using accurate and timely data.

1.12. BENEFITS OF CRM

The several benefits of CRM are:

i) Customer Relationship Management is also a concept of identifying customer needs; understanding and influencing customer behaviour through ongoing communications strategies and an effort to acquire, retain and satisfy the customer. Maximizing customer retention and value and hence achieving all round profitability of the company. CRM serves as a measuring tool for almost all departments including marketing, sales and service and brings about departmental co-operation and coordination.

For example such as the banking history of India is now running in a dynamic challenge concerning both customer base and performance. For attaining success in such a competitive environment is to focus on maintaining a healthy relationship with customers. Thus, Globalization of business, cut throat competition, customer's expectation, maintaining loyalty among customers, to gain more profit, customer retention and strategic customer care have evolved the recognition of the importance of CRM and relationship marketing in the banking sector.

ii) CRM implementation helps a company or enterprise has to achieve increased customer revenues. Customer Relationship Management is more than simply managing customers and monitoring their behaviour or attitude. CRM implementation has the propensity to aid marketing and sales processes thereby aiding the sale and marketing department in an organization. Customer Relationship Management is gaining importance as a management tool globally and is ranked second to strategic planning.

For example, Banks have tied up with service providers in telecom and power sectors like MTNL, BSES and cellular service providers for allowing their customers to make bill payments online.

iii) CRM is focused on improved ability to target profitable customers; but, customer satisfaction which leads ultimately to maximum profit. CRM involves applying customer knowledge to improve performance and result oriented in the integration of marketing, sales and services activities.

iv) CRM can be organized along the *customer lifecycle*, including customer *acquisition*, *development* and *retention* strategies. The benefits of customer relationship management are considered for deliver the benefits, organizations must be able to customize their product offering, optimize price, integrate products and services and deliver the service as promised and demanded by the customer base.

v) Customer relationship management are creating and keeping new customers, which is considered to keep the customer happy with full potential of their customer base and maximize the contribution to their businesses.

vi) The benefits of customer relationship management allow companies to reduce the cost of customer acquisition and to reach like a new market entrant, and the potential of customers can be the benefits into three categories: cost saving, revenue enhancement and strategic impact.

1.13. THE PURPOSES OF ADOPTING CRM PROCESSES

i) Develop better communication channels.

ii) Collect customer related data.

iii) Create detailed profiles of individual customers.

iv) Increased customer satisfaction.

v) Access to customer account history, order information and customer information at all touch points.

vi) Identify new selling opportunities.

vii) Increased market share and profit margin.

viii) Increased revenues.

ix) More effective reach and marketing.

x) Improved customer service and support.

xi) Improved response time to customer requests for information.

1.14. DISADVANTAGES OF CRM

The disadvantages of CRM are as follows:

(a) For the Organization's Point of view

I. CRM implementation is difficult and expensive. The CRM solutions (all modules) can be afforded only by very few companies.

II. The Lack of available databases of customers which form a crucial part of CRM Solutions. It has two parts: one, technology and the other CRM practices.

III. Technology changes frequently. Updating of technology presents its own problems. Implementation of CRM practices is still more challenging task.

IV. CRM projects fail in generating adequate return on investment.

V. Implementation of CRM software and its maintenance needs lot of managerial effort.

(b) For Customers Point of view

(i) Privacy is compromised as the firm gathers a lot of personal data, which may be misused by its employees.

(ii) Less profitable customers may be ignored or their interests are neglected by a firm that focuses on high value customers. Hence, some customers may feel alienated or disadvantages against.

1.15. LET'S SUM UP

Customer Relationship Management is all business activities directed towards initiating, establishing, maintaining, and developing successful long-term relational exchanges. Customer relationship management activities include customer service, loyalty program, customisation for customer, personalisation and customer rewards program. CRM with technology has proved to

provide better services and products to customers. CRM helps the company to manage unpredictable growth and demand and implement a good forecasting model to integrate approach of sales history with sales projections of the company.

CRM helps in providing and maintaining valuable information of the customers. For improving and upgrading the business.CRM helps in building trust between customers. CRM provides the chance to reduce operating expenses, improvisation in response time, and increase in the customer satisfaction level. The customer relationship management (CRM) is a well defined series of functions, skills, processes and technologies which together allow organisations to more profitably manage customers as tangible assets. CRM needs a deep understanding of the customer expectations, attitude & behaviour through a well organized & maintained customer database & innovative customer strategies. The goal of CRM is to ensure customer satisfaction & delight at every level of interface with the company. Customer relationship management is commonly used by corporations, and they will focus on maintaining a strong relationship with their clients. CRM serves as a measuring tool for almost all departments including marketing, sales and service and brings about departmental co-operation and coordination.

CRM is focused on improved ability to target profitable customers; but, customer satisfaction which leads ultimately to maximum profit. CRM involves applying customer knowledge to improve performance and result oriented in the integration of marketing, sales and services activities. CRM can be organized along the *customer lifecycle*, including customer *acquisition*, *development* and *retention* strategies. The benefits of customer relationship management are considered for deliver the benefits, organizations must be able to customize their product offering, optimize price, integrate products and services and deliver the service as promised and demanded by the customer base. Customer relationship management are creating and keeping new customers, which is considered to keep the customer happy with full potential of their customer base and maximize the contribution to their businesses. The benefits of customer relationship management allow companies to reduce the cost of customer acquisition and to reach like a new market entrant, and the potential of customers can be the benefits into three categories: cost saving, revenue enhancement and strategic impact.

CASE STUDY OF CRM: BIGBAZZAR

Big Bazaar is a big brand name of retail industry, a part of the Pantaloon Group, which is pioneered by entrepreneur Kishore Biyani, and the head of this hypermarket offering a huge array of goods of good quality for all at affordable prices. Big Bazaar with over 50 outlets in different parts of India is present in both the metro cities as well as in the small towns also. The company has offered various and varied rates of discounts on products as well as discount vouchers available in a variety of amounts, like INR 2000, INR 3000, INR 4000, INR 5000 and INR 10000 on all Big Bazaar products and accessories. The brand image is created that is **"Is se sasta aur accha kahin nahi"** Further, on the Republic Day and independent day have special

offer for Indian community with Big Bazaar's mega sales festival, 'Sabsa Sasta Din'. Big Bazaar has introduced a Wednesday Bazaar concept called "Hafte Ka Sabse Sasta Din". Big bazaar has scheme of 'Monthly Bachat Bazaar' at the starting of every month, its start from date 1 to 8.

The company has also started offering special discounts to customers who join their loyalty card programme. Further, the company has adopted loyalty programme called `The Inner Circle', while Pantaloons offers a `Green Card'. Rewards programmes, Westside have `Club West' and `First Citizen' from Shopper's Stop for the customer. Moreover, Citizen Citibank Card and ICICI Bank had tie-up with Big Bazaar. The ICICI Credit Card EDC terminals were setup in Big Bazaar. Big Bazaar takes good care of their customers and frequently offers different and attractive schemes. This is great salute for the BigBazzar to maintain and implement their Customer Relationship Management smoothly and effectively.

CASE STUDY ON CRM: AIRTEL

Bharti Tele-Ventures is the India's prominent private sector telecom operators. Airtel, is a leading mobile telephony brand. In India. Strategy has also played a major role in improving customer service. Bharti is using the Oracle CRM platform. Airtel also provide AirTel services anywhere and at any time. A customer should get the same quality of service no matter which of our call centers he or she contacts. The CRM strategy at Airtel revolves around two aspects: operational CRM and analytical CRM. The first is all about helping through call centres in the workflow, which is helping them in their day-to-day activities. The second provides staff with the required information on customers; this is used for business development activities. Thus, the Bharti Airtel provides better services to its customers through good CRM. The good CRM also helps to enhance business opportunities; customers stay longer and attach with longer period ; customer churn rates reduce; referrals system to new customers increase from increasing numbers of satisfied customers; demand reduces on fire-fighting staffs and trouble-shooting staff, and overall the organization's service flows and teams work more efficiently and more happily,

1.16. KEY TERMS

- **CRM, or Customer relationship management:** It is a number of strategies and technologies that are used to build stronger relationships between companies and their customers.
- **On-premise CRM:** It is a conventional software – what we're all used to. It involves installing software on your own servers in your computer room and using your own IT staff to manage it. There is no limitation in data storage.

- **Cloud CRM** or **SaaS**: It is hosted by a CRM vendor and stores the company's data online. It provides the software as a service because the client doesn't need to install or maintain anything, they are simply provided with a link to begin using the service.
- **Social CRM** is a strategy that focuses on the interaction, engagement and transaction with customers via social media channels. Social CRM which is nothing but an electronic version of Word-of-Mouth. Any amount of negative feedback from customers can act as a dampener and affect sales, and the brand itself.
- **Cross selling**: is the strategy of selling your customers a wider range of your products and services.
- **Up selling**: means driving more value out of the customer by making sure they make use of your service more often or upgrade to a higher value product. This would be done using the same techniques as for cross selling. Only by understanding more about your customers can you hope to target them with the right product proposition at the right time.

1.17. SELF-ASSESSMENT QUESTIONS

1. What is Customer Relationship Management?
2. What is the purpose of adopting the CRM Processes?

1.18. FURTHER READINGS

1. Alok Kumar Rai : Customer Relationship Management: Concepts and Cases (Second Edition)-PHI Learning
2. Simon Knox, Adrian Payne, Stan Maklan: Customer Relationship Management-Routledge Inc.
3. Bhasin- Customer Relationship Management (Wiley Dreamtech)
4. Dyche- Customer relationship management handbook prentice hall
5. Peelan-Customer relationship management prentice hall
6. Kristin Anderson, Carol Kerr : Customer relationship management, McGraw-Hill Professional
7. Chaturvedi-Customer Relationship Management(Excel Books)
8. Sheth J N, Parvatiyar A. and Shainesh G. : Customer relationship management: , Emerging Concepts, Tools, & Applications, Tata McGraw-Hill Education
9. Lumar- Customer Relationship Management (Wiley India)

1.19. MODEL QUESTIONS

1. Discuss Customer Relationship Management (CRM)? Comprehension with its diagram.

2. How do you see the future shape and form of customer Relationship Management practices of Hospitality industry?

1.20. SELF-ASSESSMENT QUESTIONS AND ANSWERS

1. What is Customer Relationship Management?

Ans:

Customers are King and they are the backbone of any type of business activities, maintaining relationship with them encompasses better result and profit.. CRM is a business strategy for acquiring and maintaining the right customer over the long term within this frame work a number of channels exist for interacting with customer one of these channel is electronic and has been labeled e-commerce or e-business. CRM requires a customer-centric business philosophy and culture to support effective marketing, sales, and service processes.

2. What is the purpose of adopting the CRM Processes?

Ans:

The purpose of adopting CRM Processes as follows:
- a) Develop better communication channels.
- b) Collect customer related data.
- c) Create detailed profiles of individual customers.
- d) Increased customer satisfaction.
- e) Access to customer account history, order information and customer information at all touch points.
- f) Identify new selling opportunities.
- g) Increased market share and profit margin.
- h) Increased revenues.
- i) More effective reach and marketing.
- j) Improved customer service and support.
- k) Improved response time to customer requests for information.

UNIT-2
E-CRM and Corporate Success

Learning objectives

After reading this unit you will be able to:

10. Understand about the concept of Electronic customer Relationship Management (E-CRM).
11. Know the types, functioning and E-CRM technologies used in the organization.
12. Know the factors of E-CRM and Corporate success stories of E-CRM.

Structure

1.1 INTRODUCTION

Customer Relationship Management is a traditional method of managing and enhancing customer relationships. The traditional methods of managing customer relationships have been extended to the web or electronically platform and have become electronic Customer Relationship Management. Electronic Customer Relationship Management (E-CRM) has become the latest paradigm in the world of Customer Relationship Management. The electronic customer relationship management encompasses all the CRM functions with the use of the net environment i.e. intranet, extranet and internet. The Electronic Customer Relationship

Management (E-CRM) is a well defined series functions, skills, processes and technologies which together allow organizations to more profitably manage customers as tangible assets. It is quiet easy after the adoption of the internet and availability of electronic platform channels of communication.

E-CRM, which is the new buzzword in the corporate sector. During recent times many businesses such as financial institutions and banks, insurance companies and other service providers appreciate the significance of Electronic Customer Relationship Management (E-CRM) and it is potential to help them by giving up a way to acquire new customers with retaining existing ones and make the most of their lifetime value. E-CRM is considered as a major corporate strategy for many organizations. Electronic CRM concerns all forms of managing relationships with customers making use of information technology. E-CRM is enterprises using it to integrate internal organization resources and external marketing strategies to understand and fulfill their customers' needs. Comparing with additional CRM, the integrated information for E-CRM intra organizational collaboration can be more efficient to communicate with customer.

1.2 MEANING AND DEFINITION OF E-CRM

The traditional/conventional market approach is based on 4 P's i.e. Product, Price, Place and Promotion strongly grounded in the industrial age, where goods were mass-produced, mass-distributed and mass-communicated using mass media. However, after the development of Information and communication technology era, it has become possible to target customers on a one-to-one and one-to-many basis and satisfy their individual needs and importance.

E-CRM describes the broad range of technologies used to support a company's customer relationship management strategy. E-CRM is a very strong approach for creating, maintaining and expanding customer relationships.

In simple terms, E-CRM provides to companies or corporate houses mean to conduct interactive, personalized and relevant communication with customers across both electronic and traditional channels. It utilizes complete view of the customers to make a decision about messaging, offers, and channel delivery.

1.3 INTERNET ENABLED CRM

E-CRM software is based on technology driven services which helps automate campaigns which includes telemarketing, telesales lead tracking and response, opportunity management, quotes and order configuration, across every sector and industry by which the corporate sector can grow rapidly. The extent of internet enabled customer Relationship Management as follows:

- **E-CRM**: Electronic Customer Relationship Management

- **M-CRM**: Mobile Customer Relationship Management
- **U-CRM**: Ubiquities Customer Relationship Management

1.4 TYPES OF E-CRM

The concept of E-CRM is arises due to development in the field of information and communication technology (ICT) which increases the scope of CRM implementation. E-CRM takes advantages from the Internet and web technology to facilitate the implementation of CRM; it focuses on Internet- or web-based interaction between companies and their customers. E-CRM can be divided into three different types:

Operational E-CRM: Operational E-CRM is also known as front-office management. It enables communications and involves the areas where direct customer contact occurs.

Analytical E-CRM: Analytical E-CRM is also known as back-office or strategic which involves understanding the customer activities that occurred in the front office.

Collaborative E-CRM: Collaborative E-CRM is the communication center of the coordination network that provides the paths to the customer and supplier. It could mean a portal, a partner relationship management application or a customer interaction center.

1.5 ELEMENTS OF E-CRM

There are four elements in E-CRM i.e. (i) selection, (ii) retention, (iii) acquisition, and (iv) Extension.

1. **Customer Selection**: It refers to customer targeting, segmenting and mass customization which offers a customize product which fulfills individual needs and maintain low cost position vie mass market operations has been introduced into business process which creates new developments. First customer have individual lives, and everyone has unique setup needs and desires and second fast growth of information and production technology has made it possible to meet these individual needs to meet a high degree

2. **Customer Acquisition**: It focuses on promotion and other incentives to acquire new customers to serve existing customers to come online. While in online channel the firm should have at least the email address of the customer. Detail customer profiles are included to get this information customers are offered incentives like gifts, certificates or free product samples.

3. **Customer Retention**: It turns one time customers to regular customers and keeps them as long as possible in online environment. It is achieved from two dimensions personalization, while personalization website is done by considering the needs of the customers and it make possible for him to stick particular website. While online communities create network effect with different users both types of users stay on a particular website.

4. **Customer Extension**: It has focus on the maximization of lifetime value of a customer. The companies expand this through existing customer relationship like cross selling of products and services.

1.6 IMPORTANCE OF E-CRM

CRM has been of great importance not only India but also globalised World. Organizations/ corporate houses are now understand the importance of being customer-centric approach, i.e. aligning all the processes, proper planning and methods with the customer requirements. Now companies/ corporate houses are keep the customer happy 24x7 who is becoming more elusive, more demanding and more diverse than ever. E-CRM system enables an organization to provide sales, marketing and service personnel with better, more complete customer information. Now by using of social media like Facebook, Twitter, blogs, forums, external communities enhance the E-CRM perspective. By the use of integrated database to deliver consistent and improved customer responses E-CRM works for the service level improvements. It also helps the organization by creating website to market different products and services. It develops relationship with the customers and facilitates the use of email for business.

The services for the wellbeing of the customers can be summarized as follows:
- Customer care support services during on and off official hours.
- Timely information providing and delivery regarding the interest payments.
- Information about the maturity of time deposit and other allied deposits.
- Facilities of tax payment through debit card and credit card.
- Online payment facilities through E-Banking and Online payment system.
- Issuing credit and debit cum ATM card or any Gift card.
- Creating awareness about online and e-banking platform.

1.7 FUNCTIONING OF E-CRM

In an organization the adoption of E-CRM technology is very much helpful for its accelerating growth process. So, E-CRM functioning is necessary in the organization. Following are the various steps necessary for the compilation of E-CRM technology.

Step- 1: Develop the E-CRM Vision and Mission.

Step- 2: Define a Strategy Plan and Activity.

Step- 3: Develop a Tactical Plan of implementation.

Step- 4: Market Assessment which leads to in Sourced System and Out Sourced System

Step- 5: Train the User

Step- 6: Develop Change Programme

Step- 7: Check Performance of activity.

1.8 E-CRM TECHNOLOGIES USED IN ORGANISATIONS

By adopting some of the latest E-CRM techniques, organizations are offering new products and services to its customers which results in customer satisfaction and acceleration of the growth process. The use of an E-CRM system enables traditional physical customer proximity to be substituted by digital proximity. This can be clarified through E-CRM techniques used in different organizations, especially in banking sector.

1. E-mail Service

E-mail is the present time facility is considered as one of the cheapest and effective means of communication. For example such as banks can maintain the list of its best customers and inform these members through e-mail the various services and schemes offered by the bank.. Banks are adopting this technique to inform their customers regarding the various policies and schemes offered by the bank. Similarly bank can immediately communicate with the customer over email and can get quick reply also if there is any urgent notice. Tax payments in the recent years are also possible through the email. So, E-mail service is considered as the quickest method of communication.

2. Use of ATMs and Tele Banking or Mobile Banking

Due to the heavy use of technologies now-a-days ATM services are facilitates in all most every bank. It helps to make deposits and withdrawal from bank accounts by customers. The expansion in ATMs helps the banks to enlarge their customer services. These services empower the customer with an instant access to routine queries and transaction or check bank balances. Tele banking is the process by which customer can get knowledge regarding their bank balance over phone. Similarly they get message for their transaction i.e., deposit and withdrawal over phone. These facilities help customers to get every benefit over mobile.

3. Internet Banking/ Electronic Banking

The integrating technological and marketing elements, E-CRM covers all aspects of online user experience throughout the transaction cycle: pre-purchase, purchase and post-purchase. The banking services provided through internet is known as internet banking. Electronic Banking term refers to Internet Banking the Internet has a great impact on electronic Banking now it can be done without any time and geographic remoteness. Consumers all over the world can access their account 24 hours a day, seven days a week. It is more convenient to use with easy accessibility. Internet banking is used by various banks to provide information to customers about bank's products and services through their websites. It offers many benefits to the banks like reduction of transaction costs, direct marketing and cross selling, build bank's brand, etc.

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4. Computerized Decision Support System

In today's world, accelerate of technology developments have forced the different sectors like banking, insurance and automobile or any healthcare providers to use the Information Technology in order to improve the quality of services. This system helps the managers and customers in optimizing investment decisions. By this technology which can apply optimization techniques in functional areas.

5. **Customer Smart Cards**

   The Internet has changed the traditional business model of the organization. These cards include all the relevant in formations, details of previous and repeat purchases, to make it convenient for the customers to recall all the tracks of purchase trend. These cards are issued to the key customers. It is also helpful for the customers to keep a record of each and every behavioral and purchase trends.

6. **Computer Networking**

   ICT trends are improving on a daily basis. The development of information communication technology has dramatically changed the way customers interact and seek information. Computer networking facility will integrate the front-office applications with back-office requirements by creating a link between the branches of divisional, regional, zonal and head office of banks. It provides access to customer's data base from the executive desk.

7. **Data Mining**

   Data mining is defined as "the nontrivial extraction of implicit, previously unknown, and potentially useful information from data". It is the science of extracting useful information from large databases. This techniques are helpful to the organizations for acquiring new customers, fraud detection in real time, providing product segmentation for better targeting the customers, analyzing the customers purchase patterns over time, exposure of emerging trends to take proactive approach in a highly competitive market adding a lot more value to existing products and services and launching of new product and service bundles.

1.9 TECHNOLOGY USED IN E-CRM

E-CRM concerned with the creation, development and enhancement of individualized customer relationships with targeted customers very carefully and customer groups resulting in maximizing their total customer life time value. The concept of CRM when seen in the context of e-business or transactions over an electronic medium, it translates into E-CRM, which essentially deals with managing customer interactions over the web. It is basically the electronically managed subset of CRM i.e. managing relationships with customers making use of Information Technology (IT). It is seen to arise from the consolidation of traditional CRM with the e-business applications marketplace and has created a flurry of activity among companies. It enables customers to assist themselves by the help of the company's website. This facility is available anywhere and anytime.

Customer Relationship Management involves organizing activities around the sole customer which can ensure differentiation at each point of sales by creating a unique customer experience to customer. E-CRM deals with managing customer interactions over the web which is possible after the adoption of the internet and availability of electronic channels of communication. Therefore, E-CRM is sometimes referred to as web-enabled or web-based CRM and so it has been defined as a web centric approach to synchronizing customer relationships across communication channels, business functions and audiences. It also emphasizes on the practices being adopted in the organizations in India to enhance their competitiveness through more meaningful interaction with customers. The business types must address the **six Es in E-CRM** to optimize the value of relationship between companies and their customers. They are:

- Electronic
- Enterprise
- Empowerment
- Economics
- Evaluation
- External Information

1.10   ADVANTAGES OF E-CRM

2   Using E-CRM helps an organisation keep track of key customer information such as contacts, communication, accounts, purchases and preferences allowing the organisation to match customer needs with products and services. By analysing the data, an organization can identify its best customers, enrich and customise the way to communicate with customers, manage marketing campaigns, reduce customer response times and serve wider geographical.

3   The concept of CRM, when seen in the context of e-business, it translates into e-CRM, which essentially deals with managing customer interactions over the web. Electronic CRM supports the collection of customer information and the interaction with customers through Internet.

4   Companies those use the E-CRM software were more focused and committed and benefitted towards, customer retention, customer activeness, increased growth of the company, increase policy sales, increase in the insurance market share, E-CRM provides the chance to reduce operating expenses, improvisation in response time, increase in the customer satisfaction level.

5   E-CRM applications are the generic of application systems which handle customer interactions over these new electronic channel of communications.

6   E-CRM essentially focuses on retaining customers, which has many advantages: like Customer stays loyal for a longer time, buys more as the company introduces new services; talks favorably about the insurance company and Pays less attention to competing brands and competitors' advertising; and is less sensitive to price.

1.11 FACTORS OF E-CRM

Pre-Purchase of E-CRM and its Meaning		E-CRM developed with from relationship marketing and the increased importance of improving customer retention through the management of customer relationship.
Web-site Presentation :	Relevance of data, pictures and images on the website.	
Access to information:	Easy for a customer to find details of products.	
Information Quality :	The accuracy of the content	
Loyalty Addition:	Gift vouchers/ free coupons/ bonus points and Loyalty points.	
Searching Features:	To provide multiple search criteria trough search engines.	
At-Purchase of E-CRM and its Meaning		
Payment Option:	Payment platform methods like (COD) cash on delivery, credit cards etc.	
Privacy & security issues:	Protection of customers personal data	
Pricing Policy:	Price and quantity mix	
Promotions :	Refers to promotional offers during different seasons.	
Ordering and speed	Provide desired shopping offers and shipping charges	
Post-Purchase of E-CRM and its Meaning		
Problem solving:	To provide online/offline manuals or call a expert etc.	
Order/Consignment tracking :	Tracking of orders and delivered and then follow-up	
After sale services and Support:	Guarantee and warrantee options available.	

1.12. CORPORATE SUCCESS OF CRM IMPLEMENTATION

CRM IMPLEMENTATION OF LEADING CORPORATE HOUSES

Although many Indian call centers have come up that cater to international market, there are only a few Indian companies that have actively taken up CRM. The CRM enabled companies include Tata Telecom, TVS Electronics, HP India, Tata Infotech, Carrier Refrigeration, Tata Teleservices, Satyam Infoway, Planet M, and Epicenter Technologies among many others. Recently some of the mobile phone companies in India have started to integrate CRM services to increase the consumer satisfaction. For the big mobile operators, customer care is becoming the differentiator.

CRM IMPLEMENTATION OF ICICI BANK

Other sectors like Banking and Insurance services are also deploying CRM solutions. ICICI bank the first Bank to offer E-Banking services in India. ICICI bank has rolled out customer relationship management software SIEBEL. Customer touches the bank from a number of channels, namely call centers, bank branch, ICICI centers, ATMs, Web and SMS. SIEBEL provides a common platform for the end customer across product lines and channels. SIEBEL benefited ICICI Bank in the following ways such as (i) Complaints and Queries management ,(ii) Customer Retention ,(iii) Cross selling and up selling the software ,(iv) Customer contact management

The CRM software applications are not only intended to facilitate the coordination of multiple business functions but also to support to coordinate multiple channels of communication with the customers as face to face, call centers, ATMs, web, telephones, kiosk, bank branch and sales associates etc. so as to enable the bank to carry out the cradle to give the customer management more efficiently. Further, ICICI prudential (insurance) along with several other large banking and insurance companies are adopting CRM solutions. Corporate have realized that efficiently managing existing customer relationships is a low-cost input for cost-effective growth.

CRM IMPLEMENTATION OF HDFC BANK

HDFC Bank has, for the first time in India made the e-shopping experience secure online and real time with the launch of its payment gateway. This will allow any Visa/Master credit card holder anywhere in the world to make payments for global services over the Internet. The bank has tied up with 15 portals and is in talk with several others to offer secure business to customer e-com. transactions. The first secure, on-line and real-time e-com. credit card transaction in the country was done on the Easy.2 shoppe.com shopping mall, enabled by HDFC bank on a Visa card, heralding the launch of the payment gateway. HDFC Bank also offers a direct debit option whereby its customer can pay for the goods or services by a secure password enabled transfer of funds from their account to the merchant account.

CASE STUDY ON RETAIL BANKING:

To substantiate this point, the case of implementation of a customised debt collection initiative at a credit card issuing bank in the United States is presented here. The objective of this CRM initiative was to identify and assign appropriate delinquent customers to a litigation process to accelerate the collection of pending dues from them. It was estimated that this method would significantly improve the debt collection amount of the bank since it had over $5-6 billion of delinquent balances.

According to the bank, all delinquent customers were not suited for coercion into paying their dues. Delinquent customers, who had pending disputes with the bank or had a genuine grievance, were definitely not candidates for litigation. Hence, there was a need to search the history of past interactions of customers with the bank and deselect customers with such records.

After deselecting the cases with a dispute or grievance, a second stage of classification was attempted to segregate appropriate customers for litigation. The logic used was that it would be viable to initiate action only against those delinquent customers who tended to pay up only when litigation proceedings were launched. Past behaviour and profiling information was required to identify this segment.

It was presumed that customers who were unwilling to pay up their dues, but had to the ability to pay, would generally satisfy the criteria for selection for litigation. Hence, it was necessary to determine the financial solvency of delinquent customers in order to identify the appropriate cases for litigation. Available customer information regarding possession of assets or a job that fetches a steady income were found suitable to make this assessment.

Unfortunately, this type of information is not readily available with most banks for a variety of reasons. First, they may not have instituted a procedure to collect this information at the time when customers apply for credit cards. Some banks do have procedures to collect information about the customer's income. However, this information is not updated on a periodic basis since there are no instituted procedures to monitor changes in the financial status of customers over time.

Also, there are instances of data corruption causing a high level of missing information in the databases. As a result of the non-availability of appropriate information, identification of customers to be sent to litigation becomes non-trivial. Less than perfect information about customers imposes constraints on the identification of the right candidates for litigation.

A similar problem was encountered at the bank while attempting to re-engineer the debt collection practices. A decision-tree analysis was employed based on available surrogate information such as past behavioural data of customers in lieu of information on the customer's financial status, which predicted who would be a likely candidate to be sent to arbitration. Instead of definitively identifying financially solvent cases, statistical modelling was used to predict the true financial solvency of delinquent customers with the help of information of their past behaviour. Cases with a high probability of being sound financially were assigned to the litigation process.

It was not viable to assign all delinquent cases to litigation because of the significantly high cost associated with these proceedings. There was a $100 court fee for filing every case. The result of developing sophisticated prediction models was just about average. The bank was able to identify about 40 per cent of the true cases that were appropriate for litigation.

Even with a comprehensive search across multiple databases in the organisation, the bank was unable to improve the identification process using the sophisticated prediction-modelling tool. The silver lining was that given the scale of operation at the bank, even with this moderate success in customer identification process it was able to save over $40 million annually.

This illustration is not an isolated case of low to moderate success in developing successful business strategies based on customer information. Based on the author's experience from the banking sector in the United States, no major bank in the past five years has recorded a high degree of success in formulating customer transaction data-driven business strategy (with the possible exception of Capital One).

While it is conceptually very appealing to devise systems to track consumers and fine-tune future strategies based on an understanding of their past behaviour, many organisations have yet to evolve internal processes that can capture and bank appropriate customer information for future use.

Unfortunately, this remains a major roadblock in the effective implementation of CRM or database-driven strategy initiatives. The stress is on the appropriateness of the data captured and not on the scale. The experience of the banking industry in the United States has exhibited the importance of strategic planning of data acquisition for its effective use in the future. Without such proactive steps, managers will have to reconcile themselves to moderate successes in any database-led strategy development initiative.

1.13 LET US SUM UP

In simple terms, E-CRM provides to companies or corporate houses mean to conduct interactive, personalized and relevant communication with customers across both electronic and traditional channels. It utilizes complete view of the customers to make a decision about messaging, offers, and channel delivery. Companies those use the E-CRM software were more focused and committed and benefitted towards, customer retention, customer activeness, increased growth of the company, increase policy sales, increase in the insurance market share, E-CRM provides the chance to reduce operating expenses, improvisation in response time, increase in the customer satisfaction level.

CRM helps in providing and maintaining valuable information of the customers. For improving and upgrading the business E-CRM as a contemporary fast growing technology solves various corporate problems and helps in the development of these sectors. At the present era there is a knowledge gap exist between the formulation and implementation of E-CRM which can be eliminated by the proper guidance over this concept. Successful implementation of E-CRM is brought numerous competitive advantages like reducing response time, modernism in banking services, get better response to customer activity, preparation of up to date technology and improve integrated customer profitability. The banks must adopt E-CRM and build their brand image in assuring customers about the safety of their money and security of transaction on the internet.

1.14. KEY TERMS
1.15. SELF-ASSESSMENT QUESTIONS

1. Discuss the types of E-CRM with its relative significance.

2. What is Data Mining?

1.16. FURTHER READINGS

1. Sheth J N, Parvatiyar A. and Shainesh G. "Customer relationship management: Emerging Concepts, Tools, & Applications", Tata McGraw-Hill Education.
2. Mukesh Chaturvedi, Abhinav Chaturvedi "Customer Relationship Management An Indian Perspective" Excel publications.
3. G Shainesh, Jagdish N Sheth "Customer Relationship Management: A Strategic Perspective" Macmillan Publishers India.
4. Tapan Panda "Managing Customer Relationships in Service Industries" Excel Books ,2004
5. Shanmugasundaram "Customer Relationship Management: Modern Trends And Perspectives" PHI Publishers India

1.17. MODEL QUESTIONS

1. What are the major E-CRM initiatives in the insurance sector?

1.18. SELF-ASSESSMENT QUESTIONS AND ANSWERS

1. Discuss the types of E-CRM?

Ans: CRM focuses on nurturing customer loyalty, thereby gaining market share, profitability and business growth. Present days consumers expect a high degree of personalization. The emerging real time, interactive channels, e-mail, ATMs and call centre that must be synchronized

with customer's non-electronic activities. The speed of business change, requiring flexibility and rapid adoption due to technologies. E-CRM can be divided into three different types:

a) **Operational E-CRM**: Operational E-CRM is also known as front-office management. It enables communications and involves the areas where direct customer contact occurs.

b) **Analytical E-CRM**: Analytical E-CRM is also known as back-office or strategic which involves understanding the customer activities that occurred in the front office.

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Ans: Data mining is defined as "the nontrivial extraction of implicit, previously unknown, and potentially useful information from data". It is the science of extracting useful information from large databases. This techniques are helpful to the organizations for acquiring new customers, fraud detection in real time, providing product segmentation for better targeting the customers, analyzing the customers purchase patterns over time, exposure of emerging trends to take proactive approach in a highly competitive market adding a lot more value to existing products and services and launching of new product and service bundles.

(Shift in Focus)

Traditional Marketing Focus

Product	Price

Promotion	Place

→ Provider Parity

Customer Consideration and Potential Purchase

Customer Experience Focus

Marketing Interactions	Sales Interactions

Service Interactions	Support Interactions

→ Customer Differential

Customer Satisfaction, Loyalty and Value