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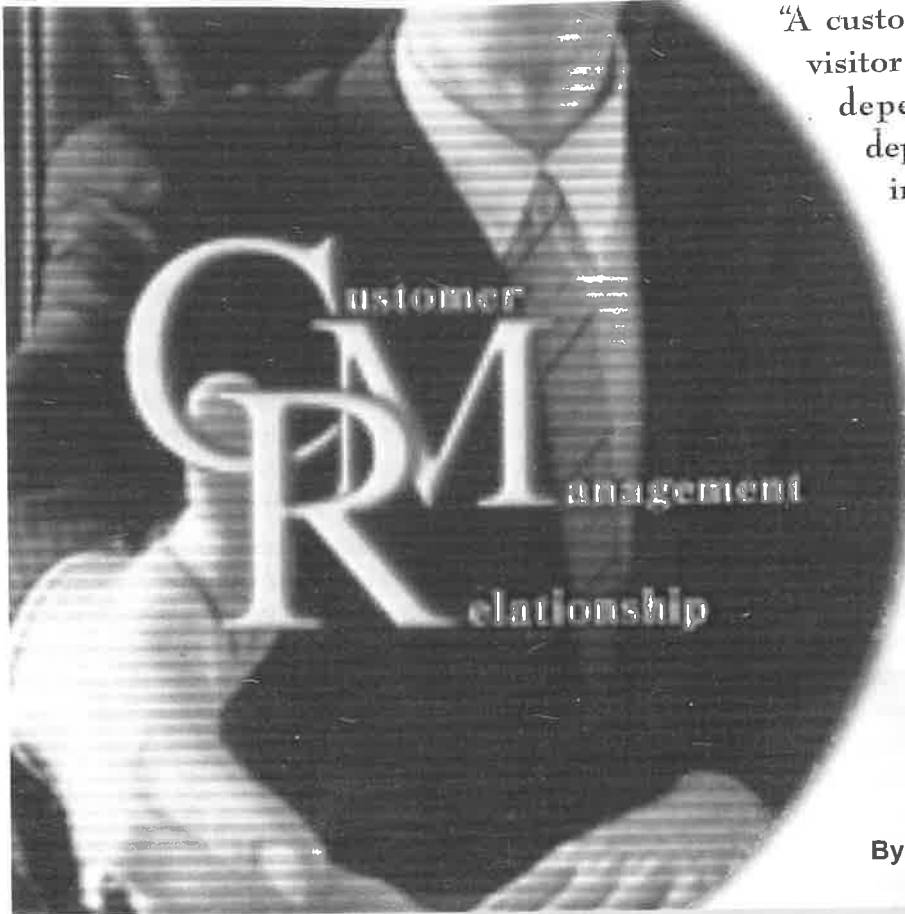
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## ANNOUNCEMENTS



"A customer is the most important visitor on our premises; he is not dependent on us. We are dependent on him. He is not an interruption in our work. He is the purpose of it. He is not an outsider in our business. He is part of it. We are not doing him a favor by serving him. He is doing us a favor by giving us an opportunity to do so"

*Mahatma Gandhi*

By Prof Vinaydeep & Prof Atul Yadav

## CUSTOMER RELATIONSHIP MANAGEMENT

### ABSTRACT

Due to globalization, privatization and localization (LPG) of the world market the companies have been aware that, the customers are the king for their business. In present scenario the customer-facing has become a vital part to be a leader in the global market. Therefore, the customer relationship management (CRM) has become an important organizational strategy. CRM is the business strategy that aims to understand, anticipate, manage and personalize the needs of an organization's current and retain the potential customers through the combines of people, process and technology. By research it has been found that approximate 75% of CRM failed worldwide because of lacking in understanding the organizational change, organization views CRM is the only technical project and bounded in the budget and time as short term commitment. Before going to implement the CRM projects in effective manner this is the responsibility of the companies to identify the factors which affect the success of CRM project. According to Gartner group the CRM market worldwide spending is expected to reach \$76.4 billion in 2005, up from \$23.26 billion achieved in 2000 (Purwar & Mathur). The CRM strategy and implementation is not an easy job for the organization

because there are many authors and researchers have been written the many books for strategy of CRM implementation but they did not able to cover the holistic approach for CRM implementation. This paper discusses the CRM objective, concept, framework and CRM implementation, based on many resources including research paper, CRM literature and some experience.

Keywords: Evaluation of CRM and concept, Data mining, Technology, Service quality themes in CRM, CRM implementation

### Customer Relationship Management a Concept

CRM is the long term relationship between customers and organization through establishment, development, maintenance and optimization of valuable relationship. To understanding the need and desire of the customers and fulfill these need and desire through integrating the people, process and technology. To create the customer value and delight to the customers are involve in the business process. It is all about creating a sustainable competitive advantage by being the best at understanding, communicating, and delivering, and developing existing customer relationships in addition to creating and keeping new customers. There

### Introduction :

Due to competition an organization need to focus on customers because customer-focus is mantra of success for any organization. So to managing and make a long term relationship is the most important part for the organization. And it all can be possible only by the CRM. Every author has his/her own definition. CRM is a comprehensive strategy and process of acquiring, retaining and parenting with selective customers to create superior value of the company and the customer (Parvatiyar, Shainesh & Sheth). According to the Roman Roy the Chairman & MD of Wipro Spectramind CRM has its roots in managing the selling process, especially the touch-points or points of contact with the customers it resulted in sales force automation and customer service & support to try and focus time and effort in meeting specific customer need better. With time, it give birth to the technology solution termed CRM (Das). By Retailer magazine, CRM is a strategy used to learn about customers' need and behavior to develop strong relationship. Pursuing CRM as technological software is bringing mistake. More correct way of pursuing CRM is that it is a process that will help bring together data of information about customer, sales, marketing effectiveness, responsiveness and market trends. People, process, and technology these three are the pillar of the CRM program. According the study of 202 CRM project it has been found that only 30.7% of the organization said that they have achieved improvements in the way they sell to and service customers. The paper will present the basic CRM concept, process, uses of technology, importance of CRM and framework of CRM implementation.

are several important concepts which fulfill the purpose of CRM.

### Customer Life Cycle

The Customer Life Cycle (CLC) has obvious similarities with the Product Life Cycle (PLC). However, CLC focuses upon the creation of and delivery of lifetime value to the customer i.e. looks at the products or services that customers need throughout their lives. It is marketing orientated rather than product orientated, and embodies the marketing concept. Essentially, CLC is a summary of the key stages in a customer's relationship with an organisation. The problem here is that every organisation's product offering is different, which makes it impossible to draw out a single Life Cycle that is the same for every organisation. So the concept of product life cycle is giving way to the concept of customer life cycle focusing on the development of products and services that anticipate the future need of the existing customers and creating additional services that extend existing customer relationships beyond transactions.

- In CRM, customer life cycle is a term used to describe the progression of steps a customer goes through when considering, purchasing, using, and maintaining loyalty to a product or service. Marketing analysts Jim Sterne and Matt Cutler have developed a matrix that breaks the customer life cycle into five distinct steps: reach, acquisition, conversion, retention, and loyalty. This means getting a potential customer's attention, teaching them what you have to offer, turning them into a paying customer, and then keeping them as a loyal customer whose satisfaction with the product or service urges other customers to join the cycle. The customer life cycle is often depicted by an ellipse, representing the fact that customer retention truly is a cycle and the goal of effective CRM is to get the customer to move through the cycle again and again. Source:[http://searchcrm.techtarget.com/sDefinition/0,,sid11\\_gci757452,00.html](http://searchcrm.techtarget.com/sDefinition/0,,sid11_gci757452,00.html)

- Business-to-Business CRM
- Visa, Coca-Cola, Virgin, Sony, Nokia, Wal-Mart, Everybody recognized the value of strong brand. But only few companies are able to manage their brand value according to the competition and market demand. It is becoming increasingly clear, how ever, that CRM is indispensable in creating a successful brand, one that can bring tangible benefits to the company and its stakeholders. To be a successful brand value creation, brand managers first must expand their definition of brand, and move beyond seeing it as merely a sign or logo that identifies a particular product or services. Rather than playing the guessing game about what will grab the customer's imagination, brand managers must use more statistical measurement and analysis to direct their decision. Instead of leaving channel management to the sales force, marketers must actively target the Business-to-Business (B2B) relationships that increasingly influence consumer brand choice. And rather than dismissing the call center as the purview of customer service, brand manager must do a better job of understanding how brand value can be strengthened or destroyed with every customer call.

### Customer Asset: Customer=Business

The customer is a financial asset that companies and organizations should measure, manage and maximize like any other asset. This concept is most important one because investing in customer relationship generates long term relationship with customers. CRM delivers value because it focuses on lengthening the duration of the relationship (Loyalty). CRM makes good business sense because loyal customers buy more product, buy more often, cost less to sell to and support, and often pay a premium. Loyal customers continue to buy out products because they perceive value in the relationship itself. Based on the experience (with our people, products, processes, etc.) that

they have had over time and on the relationship we have been able to establish because of our knowledge of their situation, preference, and needs, these loyal customers continue to buy from us. Of course, even the most loyal customers must be willing to pay enough that there is some profit on each sale. A company can't stay in business just by having loyal customers if they lose money on every transaction (Kincaid).

### Customer Information

The customer's information is an important asset to make customers loyal because it's impossible to build relationship with the customer if you don't know your customers, their needs and the experiences. It is a best asset that must be protected and maintained. Data is just like a raw material that goes into building relationships and should be valued the same way you value the raw material that go into building your products. So the effective data is the most important assets to build the relationships.

### II. Customer Value: (Value = Benefits Received – Benefits Expected)

One key benefit of collecting and saving customer information is that it allow you to measure and identify who is your most profitable and valuable customers. CRM is not about to treating all customers equally because all customers are not alike. CRM is all about to identify the loyal customers and rewarding them, so that they remain loyal and their value to your company increases. CRM is about being able to recognize your most valuable customers and doing everything you can to deliver high value experience and to ensure that they remain (or become) more loyal (Das)

### Process Framework of CRM

is a comprehensive strategy and process of acquiring, retaining, and partnering with selective customers to create superior value for the company and the customers. The purpose of CRM is to improve marketing productivity and enhance mutual value for the parties involved in the relationship. A good CRM solution allow for following, understand customers, differentiate customers, differentiate offerings, and keep existing customers, maximize lifetime value by delighting customers, and increase loyalty by retaining and acquiring customers. For understanding more about how to works CRM see the figure no 2 (Agnihotry).

### Technological tools for CRM

There are three important pillars for the CRM people process and technology. The technology is one of the important to develop and manage the CRM strategy. Due to involved of many customers with companies/business like retailing, hospitality, travel, financial services, consumer products, etc it becomes very difficult to make long term relationship. But information technology and internet are

rapidly changing the face of what is possible in customer contact, care and insight. In such cases storing detailed information about customer preferences, providing customized service, giving reward and sending meaningful messages get very difficult. It is here that technology plays a crucial role in managing large number of relationship – both with customer and employees (Das).

### Data Warehouse

Data warehouse have two stages which is one of the most popular technical tool to manage the CRM program.

### Collection and storage of data

To be a success in CRM, accurate, complete and integrated data collection is the key. All CRM program is depend on the quality and effective customers' data. Therefore it is important to collect the efficient and accurate data. To collect ineffective data is also one part to fail in CRM. So marketers must have to think about their CRM vision and objectives before going to collect the customer data. The collecting data about product, companies etc are easy but to collect the effective customer data is not easy job. There are three types of data, by which a marketer can identify the effective information about customers (Das).

**Descriptive Data:** This type of data does not change quickly because it is descriptive in nature. Descriptive data includes age, gender, birth date, anniversary, address, family details, household income, and individual income etc. Transaction

**Data:** Transaction data is most important part of the customers when they interact with employees. These types of data include purchasing pattern of the customer over a period of time. This information changes with every purchase made by the customers and includes transaction made with the customer

### Predictive Data:

It includes the customers' present and past and future purchasing behavior toward the product and services, likes, dislikes, habits and preferences, future events coming up in their personal life etc. Female customer is the good example, when a girl was 10-15 year old; they have different need and want but after 18 years when she get married the need and want changed. So the change of customers buying behavior is a continues process.

### Data Mining

Data mining helps you understand who your customers are by how they behave. In competitive business environment, it is becoming important technology for business to maintain their competitive advantage. By mining information about customer, market, product, and processes organizations are able to resolve a diverse range of business problems and create new opportunities (Brown & Gulycz). There are many system as tailored system for

marketing campaign management, closed-loop systems which brings together the customer data analysis, customer profiling and campaign analysis. These all help to make relationship with customers, which help companies to provide customized and personalized services (Han & Kamber).

### Objective & model of Data Mining

Data mining is a process to achieve a wide range of goals within different industries. Some of them are, identify profitable customers and their characteristics, predict customer buying behavior, rank customer defection for effective retention programs, focus marketing effects on prospects more likely to purchase, prioritize credit risks, estimate potential customer seriousness, cross-sell and upsell customers based on past product purchases, target direct marketing to those most likely to respond, predict fraud and optimize share of wallet etc. There are six data mining model to understand effective customer and maintain a CRM program. See the figure 3 of data mining model

### Service Quality themes in CRM

Due to competition to maintain only CRM program is not the right path for the companies. They must have to differentiate themselves from their competitors in the way of product, affordable price, services etc. Many companies have their own USP on the basis of differentiate with competitors like Wal-Mart known as low price and best products. One which is most important is the service quality. By service quality a company can differentiate themselves from the competitors like McDonald, Airlines etc. Service has vital role in hotel industry, banking and financial industry, service industry etc. Many banks are introducing value added services as advisory services in respect of investment, fund management, online banking. Web page services for communication with customers is increasing very fast etc.

(Upadhyay). So to deliver the qualitative service is one of the important success mantra for the business. Service is not only to satisfy the customers but also to make a good relationship and to delight the customers. In recent years, front office automation software applied by many companies represents the fastest growing segment of the software industry. These CRM systems help sales and service people to make them more productivity (Pandit, Gremler, Bitner & Zeithaml). The quality service performance program rout map (see Figure 4) outlines the key steps to achieving optimal quality service. Step one to four must be completed sequentially. Step five, six and seven may be completed at the same time, and step eight is required through out the development process (Brown & Gulycz).

### CRM Implementation

Above we have discussed about CRM concept, process model, and roles of service quality of CRM and importance of technology to identify the profitable customers and maintain the CRM program to acquire and retain the profitable customers. Last but not least the CRM implementation which have vital role for business success if implemented carefully. CRM can be implemented on proper infrastructure. Many banks first identified the value of the customer for that they need to introduce customer segmentation and profiling. On this basis banks identified the potential customers (Upadhyay).

CRM implementation is not off-risk and needs a customer-focus organization; it also needs re-engineering the current business process to support the implementation. It has become an IT project for many companies; rather than being driven by marketing department. Different types of authors have different types of views on the CRM implementation. Some focus on operational part of the implementation, others concentrate on the strategic level only. These all don't cover the holistic approaches of CRM project implementation. The framework (Figure 5) will discuss about CRM implementation strategy. The following will discuss the dominant factors, the strategy factors, and the tactical factors for CRM implementation (Purwar & Mathur).

- The dominant CRM factors focus to all implementation stage as developing customer centric strategy, executive sponsorship, organizational change, business justification, and project planning & management. By customer centric strategy you can find the more profitable customers. All customers are not profitable customer. So to make an effective vision for CRM program by leader and executive engagement in implementing CRM is most important to communicate the employee and ask their views on CRM project. Lack of communication gap can be destroying the CRM project. So the communication between customer and company should be transparent. By survey it has been found that 87% CRM programs fail due to lack of adequate change management. So the company should go according to the change of organization and competition environment. The success of CRM without any profit has no mining. So company must have to justify their CRM project with profit that is tangible or intangible and what will it cost on us? Project planning and management have vital role to reduce the risk and cost of the CRM program. The management should diversify the CRM in small-small programs and apply the new technology to modernize the CRM program. There are two factors that have an impact on CRM implementation is strategic factors and tactical factors (see figure 5).

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