CUSTOMER RELATIONSHIP MANAGEMENT-A VIABLE STRATEGY FOR GLOBAL SUCCESS

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ABSTRACT
As the world economy becomes globalize, competition has intensified and the variations in products have faded. Consequently, businesses have become passionate about customer relationship management (CRM) as it has become a central orienting point in academia and business environment with organizations increasingly focusing on managing customer relationships as a strategic capability to achieve market leadership and profits. Customer Relationship Management is a comprehensive strategy and process of acquiring, retaining, and partnering with selective customers to create superior value for the company and the customer. It involves the integration of marketing, sales, customer service, and the supply-chain functions of the organization to achieve greater efficiencies and effectiveness in delivering customer value.

Customer relationship management (CRM) has attracted the expanded attention of practitioners and scholars. More and more companies are adopting customer-centric strategies, programs, tools, and technology for efficient and effective customer relationship management. They are realizing the need for in-depth and integrated customer knowledge in order to build close cooperative and partnering relationships with their customers. The emergence of new channels and technologies is significantly altering how companies interface with their customers, a development bringing about a greater degree of integration between marketing, sales, and customer service functions in organizations. For practitioners, CRM represents an enterprise approach to developing full-knowledge about customer behaviour and preferences and to developing programs and strategies that encourage customers to continually enhance their business relationship with the company.

Customer Relationship Management (CRM) is a process by which a company maximizes customer information in an effort to increase loyalty and retain customers’ business over their lifetimes.

The primary goals of CRM are to
- Build long term and profitable relationships with chosen customers
- Get closer to those customers at every point of contact
- Maximize your company’s share of the customer’s wallet

The CRM Business cycle includes the following phases:
- Acquire and retain
- Understand and differentiate
- Develop and customize
- Interact and deliver
Major critical factors for effective implementation of CRM are:
- Creating a customer culture
- Adopting customer-based measures
- Introducing effectively
- Segmenting customers
- Developing an end-to-end process.

In CRM, marketing efficiency is achieved because cooperative and collaborative processes help in reducing transaction costs and overall development costs for the company. Two important processes of CRM include proactive customer business development and building partnering relationships with the most important customers. These lead to superior mutual value creation.

Customer relationship management (CRM) has become a top priority for companies in quest of gaining competitive advantage in today’s turbulent economy. However, perplexity reigns about exactly what CRM is, how to best implement it, or even what role it should play in enhancing customer interaction. This paper describes in a nutshell, how CRM-focused enterprises mobilize the entire company to better serve customers, locking in long-term relationships that benefit both buyer and seller.

CRM refers to a conceptually broad phenomenon of business activity, and if the phenomenon of cooperation and collaboration with customers becomes the dominant paradigm of marketing practice and research, CRM has the potential to materialize as the principal perspective of marketing. From the corporate implementation point of view, CRM should not be misunderstood to simply mean a software solution implementation project. Building relationships with customers is a fundamental business of every enterprise, and it requires a holistic strategy and process to make it successful.

**KEY WORDS:** customer relationship management, relationship management, CRM strategy implementation

Over the past few decades, cross-border business has experienced unparalleled growth. This growth is due to advances in communication and information technologies, privatization and deregulation in emerging economies, and emergence of the global consumer. In today’s global economy the successful corporation will be the one that formulates a management structure conducive to timely feedback /information as it regards to the wants and desires of the customers. A comprehensive framework for achieving success is today a fundamental requirement and this is where customer relationship management comes into picture.

As the world economy becomes globalized, competition has intensified and the differences in products have faded. As the era of globalization continues to manifest through the emergence of global companies, the importance of customer relationship management (CRM) in these companies has become increasingly significant. (CRM) as it has become a central orienting point in academia and business environment with organizations increasingly focusing on managing customer relationships as a strategic capability to achieve market leadership and profits. Global
CRM is the strategic application of the processes and practices of CRM by firms operating in multiple countries or by firms serving customers who span multiple countries, which incorporates relevant differences in business practices, competition, regulatory characteristics, country characteristics, and consumer characteristics to CRM strategies to maximize customer value across the global customer portfolio of the firm.

To understand the application and scope of customer relationship management as a global perspective, it is required to understand the concept, driving principles, goals and application of customer relationship management. Customer Relationship Management is a comprehensive strategy and process of acquiring, retaining, and partnering with selective customers to create superior value for the company and the customer. It involves the integration of marketing, sales, customer service, and the supply-chain functions of the organization to achieve greater efficiencies and effectiveness in delivering customer value.

Customer relationship management (CRM) has attracted the expanded attention of practitioners and scholars. More and more companies are adopting customer-centric strategies, programs, tools, and technology for efficient and effective customer relationship management. They are realizing the need for in-depth and integrated customer knowledge in order to build close cooperative and partnering relationships with their customers. The emergence of new channels and technologies is significantly altering how companies interface with their customers, a development bringing about a greater degree of integration between marketing, sales, and customer service functions in organizations. For practitioners, CRM represents an enterprise approach to developing full-knowledge about customer behaviour and preferences and to developing programs and strategies that encourage customers to continually enhance their business relationship with the company.

Customer Relationship Management (CRM) is a process by which a company maximizes customer information in an effort to increase loyalty and retain customers’ business over their lifetimes. The purpose of CRM is to improve marketing productivity. Marketing productivity is achieved by increasing marketing efficiency and by enhancing marketing effectiveness (Sheth & Sisodia, 1995). In CRM, marketing efficiency is achieved because cooperative and collaborative processes help in reducing transaction costs and overall development costs for the company. Two important processes of CRM include proactive customer business development and building partnering relationships with the most important customers. These lead to superior mutual value creation.

In recent years however, several factors have contributed to the rapid development and evolution of CRM. These include the growing de-intermediation process in many industries due to the advent of sophisticated computer and telecommunication technologies that allow producers to directly interact with end-customers. For example, in many industries such as the airline, banking, insurance, computer software, or household appliances industries and even consumables, the de-intermediation process is fast changing the nature of marketing and consequently making relationship marketing more popular. The recent success of on-line banking, Charles Schwab and Merryll Lynch’s online investment programs, direct selling of
books, automobiles, insurance, etc., on the Internet all attest to the growing consumer interest in maintaining a direct relationship with marketers.

Another force driving the adoption of CRM has been the total quality movement. When companies embraced the Total Quality Management (TQM) philosophy to improve quality and reduce costs, it became necessary to involve suppliers and customers in implementing the program at all levels of the value chain. This created the need for closer working relationships with customers, suppliers, and other members of the marketing infrastructure.

In the current era of hyper-competition, marketers are forced to be more concerned with customer retention and loyalty (Dick & Basu, 1994; Reichheld, 1996). As several studies have indicated, retaining customers perhaps offers a more sustainable competitive advantage than acquiring new ones. What marketers are realizing is that it costs less to retain customers than to compete for new ones (Rosenberg & Czepiel, 1984).

Also, customer expectations have been changing rapidly over the last two decades. Fuelled by new technology and the growing availability of advanced product features and services, customer expectations are changing almost on a daily basis. Consumers are less willing to make compromises or trade-offs in product and service quality. In a world of ever changing customer expectations, building cooperative and collaborative relationships with customers seems to be the most prudent way to keep track of their changing expectations and appropriately influencing them.

Finally, many large internationally oriented companies are today trying to become global by integrating their worldwide operations. To achieve this they are seeking cooperative and collaborative solutions for global operations from their vendors instead of merely engaging in transactional activities with them. Such customers' needs make it imperative for marketers interested in the business of companies that are global to adopt CRM programs. Managing customer relationships around the world calls for external and internal partnering activities, including partnering across a firm’s worldwide organization.

The primary goals of Customer Relationship Management are to:
1. Build long term and profitable relationships with chosen customers: The primary goal of CRM is to convert the potential customers into profitable customers by maintaining a long term relationship with the customer. This means that companies don’t look for a one time purchase by the customer, they are using tactics to involve customer with the product and the company to an extent that leads to repeated future purchases and converts the customer into advertising medium for other potential customers available in the market.

2. Get closer to those customers at every point of contact: Maintaining a long term relationship with the customer is the major function and objective of CRM. In the light of CRM as a strategy, marketing is not about selling a product and making profit out of it, rather it is maintaining a long term relationship with the customer by communicating higher value with the product and services and maintain dialogue with those customers.
3. Maximize company’s share of the customer’s wallet: amount of the customer's total spending that a business captures in the products and services that it offers. Increasing share of wallet can be done by adding new products or services that a firm will offer to existing customers. This can also be done by cross-selling services within the same company. As an example, a bank might recommend to an existing client a different service that they offer, such as referring a wealth management client to an individual elsewhere in the organization who might sell the client insurance or arrange for a mortgage. By cross-selling within the bank they can increase their share of the customer’s wallet.

CRM Business Cycle
CRM business cycle is a framework that shows how CRM functions. As stated earlier the essence of CRM lies in acquisition of new customers, retention of present customers by providing them higher value through products and services.

Acquisition and Retaining
Acquisition is a vital stage in building customer relationship. For purpose of customer acquisition an organization is likely to focus its attention the suspects, enquiries, lapsed customers, former customers, competitor’s customers referrals, and the existing buyers. From these the organizations need to acquire customers and prospective customers and retain valuable customers.

Understand and Differentiate
Organizations cannot have a relationship with customers unless they understand them...what they value, what types of service are important to them, how and when they like to interact and what they want to buy. True understanding is based on a combination of detailed analysis and interaction. Several activities are important:

- Profiling to understand demographics, purchase patterns and channel preference
- Segmentation to identify logical unique groups of customers that tend to look alike and behave in a similar fashion. While the promise of one-one marketing sounds good, we have not seen many organizations that have mastered the art of treating each customer uniquely. Identification of actionable segments is a practical place to start.
- Primary research to capture needs and attitudes.
• Customer valuation to understand profitability, as well as lifetime value or long term potential. Value may also be based on the customer’s ability or inclination to refer other profitable customers. Customers need to see that the company is tailoring service and communications based on what they have learned independently and on what the customers have told them.

Develop and Customize
In the product world of yesterday, companies developed products and services and expected customers to buy them. In a customer – focused world, product and channel development has to follow the customer’s lead. Organizations are increasingly developing products and services, and even new channels based on customer needs and service expectations.

Interact and Deliver
Interaction is also a critical component of a successful CRM initiative. It is important to remember that interaction doesn’t just occur through marketing and sales channels and media; customers interact in many different ways with many different areas of the organization, including distribution and shipping, customer service and online. With access to information and appropriate training, organizations will be prepared to steadily increase the value they deliver to customers.

A CRM Process Framework
Several scholars studying buyer-seller relationships have proposed relationship development process models (Borys & Jemison, 1989; Dwyer, Schurr, & Oh, 1987; Evans & Laskin, 1994; Heide, 1994; Wilson, 1995). Building on that work we develop a four-stage CRM process framework comprised of the following four sub-processes: a customer relationship formation process; a relationship management and governance process; a relational performance evaluation process, and a CRM evolution or enhancement process. Figure below depicts the important components of the process model.

The CRM Formation Process
The formation process of CRM refers to the decisions regarding initiation of relational activities for a firm with respect to a specific group of customers or to an individual customer with whom the company wishes to engage in a cooperative or collaborative relationship. Hence, it is important that a company be able to identify and differentiate individual customers. In the formation process, there are three important decision areas: defining the purpose (or objectives) of engaging in CRM; selecting parties (or customer partners) for appropriate CRM programs; and developing programs (or relational activity schemes) for relationship engagement with the customer.

The CRM Governance Process
Once a CRM program is developed and rolled out, the program as well as the individual relationships must be managed and governed. For mass market customers, the degree to which there is symmetry or asymmetry in the primary responsibility for whether the customer or the program sponsoring company will be managing the relationship varies with the size of the market. However, for programs directed at distributors and business customers the management
of the relationship would require the involvement of both parties. The degree to which these governance responsibilities are shared or managed independently will depend on the perception of the norms of the governance processes among the relational partners given the nature of their CRM program and the purpose of engaging in the relationship. Not all relationships are or should be managed alike. In fact, several studies suggest appropriate governance norms for different hybrid relationships (Borys & Jemison, 1989; Heide, 1994; Sheth & Parvatiyar, 1992). Whether management and governance responsibilities are independently or jointly undertaken by relational partners, several issues must be addressed. These include decisions regarding role specification, communication, common bonds, the planning process, process alignment, employee motivation, and monitoring procedures. Role specification relates to determining the role of the partners in fulfilling the CRM tasks as well as the role of specific individuals or teams in managing the relationships and related activities (Heide, 1994). The greater the scope of the CRM program and the associated tasks and the more complex the composition of the relationship management team, the more critical is the role specification decision for the partnering firms. Role specification also helps in clarifying the nature of the resources and empowerment needed by the individuals or teams charged with the responsibility of managing the relationship with the customers.

**CRM Performance Metrics**

Periodic assessment of results in CRM is needed to evaluate if the programs are meeting expectations and if they are sustainable in the long run. Performance evaluation also helps in taking corrective action in terms of relationship governance or in modifying relationship marketing objectives and program features. Without proper performance metrics to evaluate CRM efforts, it would be hard to make objective decisions regarding continuation, modification, or termination of CRM programs. Developing performance metrics is always a challenging activity as most firms are inclined to use existing marketing measures to evaluate CRM. However, many existing marketing measures, such as market share and total volume of sales may not be appropriate in the context of CRM. Even when more CRM oriented measures are selected, they cannot be applied uniformly across all CRM programs, particularly when the purpose of each program is different. For example, if the purpose of a particular CRM effort is to enhance distribution efficiencies by reducing overall distribution cost, measuring the program’s impact on revenue growth and the customer’s share of the business may not be appropriate. In this case, the program must be evaluated based on its impact on reducing distribution costs and on other metrics that are aligned with those objectives. By harmonizing the objectives and performance measures one would expect to see more goal directed managerial action by those involved in managing the relationship.

**The CRM Evolution Process**

Individual customer relationships and CRM programs are likely to undergo evolution as they mature. Some evolution paths may be pre-planned while others evolve naturally. In any case, several decisions have to be made by the partners involved about the evolution of the CRM programs. These include decisions regarding the continuation, termination, enhancement, and modification of the relationship engagement. Several factors could hasten any of these decisions. Amongst them relationship performance and relationship satisfaction (including relationship process satisfaction) are likely to have the greatest impact on the evolution of the CRM programs.
When performance is satisfactory, partners would be motivated to continue or enhance their CRM program (Shah, 1997; Shamdasani & Sheth, 1995). When performance does not meet expectations, partners may consider terminating or modifying the relationship. However, extraneous factors could also impact on these decisions. For example, when companies are acquired, merged, or divested, many relationships and relationship marketing programs undergo changes. Also, when senior corporate executives and senior leaders in the company move, CRM programs undergo changes. Yet, there are many collaborative relationships that are terminated because they had planned endings. For companies that can chart out their relationship evolution cycle and state the contingencies for making evolutionary decisions, CRM programs can be more systematic.

**Implementing Customer Relationship Management**

For global success companies need to view CRM as a cyclical process which doesn’t treat customer contacts as one of events but as interactions in a long term relationship which develops and deepens overtime.

The first stage is to plan the marketing strategy, determining the customer segments to be targeted and deciding on the campaigns aiming those segments. These campaigns should aim at incorporating some kind of loyalty programme that allows the company to develop long term relationship with customers.

The second stage is to interact with customers and execute the marketing plan so that both the company and its customers get the most out of their interactions. Communications with customers can take place through many different channels and the organisations need to have processes and systems in place to handle interactions through any of these channels singly or in combination.
The next step is to capture the information during the interaction and ensure that customer requirements are fulfilled. CRM applications need to be tightly integrated with organisation’s operational applications such as Enterprise Resource Planning systems so that the service promised during the customer interaction is fulfilled efficiently.

Finally, the information collected during the previous three stages regarding the customer’s needs and expectations is to be leveraged so that the valuable information about the customer is used for creation and delivery of more value to the customers.

**Conclusion**

The domain of customer relationship management extends into many areas of marketing and strategic decisions. Its recent prominence is facilitated by the convergence of several other paradigms of marketing and by corporate initiatives that have developed around the theme of cooperation and the collaboration of organizational units and their stakeholders, including customers. CRM refers to a conceptually broad phenomenon of business activity, and if the phenomenon of cooperation and collaboration with customers becomes the dominant paradigm of marketing practice and research, CRM has the potential to emerge as the predominant perspective of marketing. From the corporate implementation point of view, CRM should not be misunderstood to simply mean a software solution implementation project. Building relationships with customers is a fundamental business of every enterprise, and it requires a holistic strategy and process to make it successful.

Today, the strategic importance of CRM has become an essential capability to enable firms respond efficiently to customer needs in a highly competitive and volatile market in any industry. Karaskostas et al believe that business institutions are facing strong competition not only from existing players but also new other entrants from other sectors and indicated that CRM holds the promise to achieve corporate objectives in a highly competitive arena. A successful CRM therefore requires a combination of managerial commitment, cultural change and a combination of resource and technology to achieve the needed result. As firms embrace CRM as a competitive capability to meet customers need, the concept should not be branded as marketing or managerial fad but rather a capability that holds the key to competitive advantage as research have evidenced the ability of the concept to help organizations to achieve market leadership in any industry.

CRM only becomes a failure when it is conceptualised as technological tool and software solution only. It should rather be viewed as a strategic wherewithal and deployed holistically across the broad spectrum of an organization to assure its success. To help address fundamental failure in CRM concept, organisations must re-carve its understanding of the concept as not only a set of technological attributes but a combination of other factors as shown in the CRM pyramid. As competitive realities dawn on businesses, it therefore becomes imperative for organizations to adopt effective CRM strategies in order not to turn the concept into a failure as Brenan (2006) believes that the increased sophistication required to trade successfully and profitably are dictates that pay regard to the basic marketing truism that in any competitive situation, the organization which really knows its market and customers, their problems and need have the best chance of survival.
References