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Maximizing Customer Profitability in Retailing Industry (Durable Goods) - Role of Analytical CRM -A Case Analysis

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ABSTRACT

Organizations, in order to be successful, must look in to the needs and wants of their customers. That is the reason why many researchers and academicians have continuously emphasized the importance of Customer Relationship Management (CRM) in the form of increased customer satisfaction and loyalty to improve the customer retention. Most widely accepted classification of Customer Relationship Management (CRM) systems includes operational, analytical, collaborative and e-CRM. While operational, collaborative and e-CRM has received a significant interest among practices and scholars, but analytical CRM has been mostly neglected by them. The major function of analytical CRM is to support strategic customer information provision and customer knowledge acquisition to help achieve the final goal of CRM which is to enhance customer profitability. The major objective of this study is to investigate the role of analytical CRM in maximizing customer profitability in order to accomplish the objective of this study a case study was conducted. The cases comprise of major retailing industry with large market share in retailing sector.

Keywords :

1.0 Introduction:

Nowadays, this kind of products (Durable-white goods) wants to grasping and harvesting the opportunities of the dynamic market potential in and out of their countries. But it is not so easy to sell the products in some other countries- market because of there is strong barriers and threats namely, high competition, cultural differences, and various human psychological dimensions become a great challenging. To overcome these difficulties by any firm like SONY, LG, Philips, (oligopoly market in nature) puts a suitable marketing strategy to survive in long –term (time) and even get moderate profit. In this concern the customer relationship management is a strong strategy pronounced here.

1.1 CUSTOMER RELATIONSHIP MANAGEMENT:

Customer Relationship Management (CRM) describes the technology and methods used by organizations to document, analyze and build strategy aimed at improving the relationship between the firm and its customers. In common parlance, CRM and relationship marketing are used synonymously. Customer Relationship marketing is a business strategy to acquire and retain the most valuable relationships. Customer Relationship Marketing requires a customer centric business philosophy and culture to support effective marketing, sales and service processes. CRM application can enable effective customer relationship marketing provide that an enterprise has right leadership, strategy and culture.

According to Xu et al. (2002) the battle for customers has never been more intense. Deregulations, diversification and globalization have stimulated a dramatic rise in competition- and these unforgiving market place realities have forced companies to switch from a product centric approach to a customer centric approach. Rahman (2006) considers increased price competition, reduced regulation and reducing consumer loyalty as some reasons that has brought customer retention and customer relationship management (CRM), the no.1 business buzzword at the turn of the millennium (Gummession, 2004) in to the marketing lime light.

According to Shahnam(2000) and Karimi et al (2001), a current and widely accepted classification of CRM system identifies three categories.

Operational CRM, Analytical CRM, collaborative CRM systems. Analytical CRM systems manage and evaluate knowledge on customers for a better understanding of each customer and his or her behavior. Data warehousing and data mining solutions are typical analytical systems

2.0 Analytical CRM

According to Green berg (2004), analytical CRM is the capture, storage, extraction, processing, interpretation, and reporting of customer data to a user (IBID). Bose (2002) points out that the analytical function may be fulfilled by separate systems, such as decision support systems and expert systems. These systems are [art of an enterprise –wide integration of technologies working together such as data warehouse, web site, intranet, extranet, phone support systems, accounting, sales, marketing and production.

2.1 Analytical CRM and profitability

CRM focuses on leveraging ad exploiting integrations with the customer to maximize customer satisfaction, ensure return business, and eventually boost customer profitability. Customer profitability is the difference between revenue and costs.(Xu & Walton 2005).Profits are the ultimate aim for every business entity. So what is important is how profitable the CRM implementation is for you in terms of planned versus actual results. How much more in costs have you saved as a result of the implementation should be taken in to account. The rate of profitability can be affected by the variable factors of CRM strategy of brands of Durable white goods. It is emphasized that the cause and effect relationship basis identifies the variation of the model in the environment change of durable goods markets.

3.0 Objectives of the study

1. To know the better understanding of the role of analytical

CRM in maximizing customer profitability in retail durable industry.

2. To find out major reasons and requirements for implementing CRM.
3. To know how analytical CRM be utilized to improve customer profitability in retail industry.

4.0 Literature Review

4.1 CRM

In fact, in a recent industry analyst report, "Trends 2006: Customer Relationship Management", Forrester Research dubbed the future as 'customer process management' (William Band, 2006.). Customer relationship management is a strategic initiative of companies to defend and nurture their market position by providing superior customer value to the most valuable customers. The outcome of this process is customer loyalty and competitive advantage. CRM is a comprehensive strategy and process of acquiring, retaining, and partnering with selective customers to create superior value for the company and the customer (Parvitiyar and Sheth, 2001). Still another view is that CRM is a management approach that enables organizations to identify, attract, and increase retention of profitable customers by managing relationships with them (Hobby, 1999).

In essence, CRM is about retaining customers, maximizing new business opportunities, and sustaining profitability. It is a business philosophy that is successfully implemented by installing and utilizing CRM technology and by developing a customer relationship strategy and executing it. CRM is not a product or service; it is an overall business strategy that enables companies to manage customer relationships effectively. It provides an integrated view of a company's customers to everyone in the organization so that the customer can be serviced effectively.

4.2 Analytical CRM and Retail industry

Bolton (2004) refers to a retail industry CRM system by suggesting that maintain the processing of customer records is well established. However it is implying transactional and has no concept of whether the person is an important and valued customer. An analytical CRM should provide customer profiling and customer segmentation functions with the capability to identify strategically significant customers. Managing strategically significance customers should be the focus of senior management. It is predicted that an effective analytical CRM should be able to continuously identify and track such customers (XU & Walton, 2005)

4.3 Analytical CRM: profiling and segmenting Customers

In addition to identifying strategically significant customers, the analytical CRM system will help profile and segment existing customers. Customers profiling integrates several aspects of customers in to a rational evaluation, such as customer details, historical records and contact details, customer attractiveness, or customer satisfaction.

5.0 Data Analysis:

5.1 Case Analysis:

5.1.1. What are the major reasons and requirements for implementing CRM?

As Rowley (2004) mentions, RM acknowledges that a stable customer base is a core asset, since it is more expensive to capture new customers than to retain existing customers. Business success is achieved through focus on long term relationships with customers. Customer relationships are the core RM (IBID). This was also emphasized by retailing company that the CRM systems help the retailers to collect and analyze the information of the customers and offer them more personalized products and services. There fore, Retailer Company tries to establish long term relationships with them.

5.1.2. How can analytical CRM are applied:

It has been state that analytical CRM systems are also able to focus on campaign management analysis, credit scoring and customer profitability. Sculling et al (2004) contented that analytical CRM is a combination of a data warehouse or data mart integrated with business intelligence analytical systems (Online analytical processing-OLAP).

In addition to identifying strategically significant customers, the analytical CRM system will help profile and segment existing customers. Customers profiling combines multiple aspects of customers in to coherent evaluation, such as customer details, historical records and contact details, customer attractive.

5.1.3. How can analytical CRM are utilized to improve customer profitability in retailing industry

Storebacka (1997) emphasizes the customer defections from this group must be kept to an absolute minimum in order to maintain and or increase the profitability of the customer base (ibid). Retailing industry follows the stated theory by considering the relationship volume and relationship profitability. The marketing and sales departments are very cautions on core customers and allocate more personalized services and resources to the more profitable group and try to sell, cross – sell and up sell more products to those customers.

6.0 Conclusions

The findings of the study suggest that CRM helped retailing industry facilitate profitable relationships and establishing long term relationships. There fore CRM deployment is positively related to the creation and continuance of profitable and long term relationships. The previous research by Gonzalez et al (2004) claims that some customers appreciate having more control over their interactions with their service provides and they further argue that highly profitable customers demand higher levels of personalized service, but may be willing to pay for these services. It has been claimed that 20% of the customers often account for 150 % of its profits (Sheshunoff, 1999). Therefore, retailing industry attempt to maximize their profits by focusing more resources on those valuable customer segments (Siaw & yu, 2004)

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