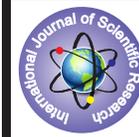


Customer Relationship Management on Customer Satisfaction



Marketing

KEYWORDS : Customer, Strategy, Marketing, Life Cycle.

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ABSTRACT

Customer Relationship Management (CRM), also referred to as Relationship Marketing, is heralded by some marketing academics and practitioners as the new paradigm of marketing. However, despite the intense growth in the adoption of CRM practices by organizations all over the world and the widely accepted conceptual underpinnings of CRM strategy, conflicting opinions and increased pessimism about the effectiveness of CRM strategy abound the marketing literature. To this effect, scholars have called for more rigorous studies to establish the usefulness of CRM as a strategic orientation.

INTRODUCTION

Customer Relationship Management is the establishment, development, maintenance and optimization of long-term mutually valuable relationships between consumers and the organizations. Successful customer relationship management focuses on understanding the needs and desires of the customers and is achieved by placing these needs at the heart of the business by integrating them with the organization's strategy, people, technology and business processes. "The globally competitive market place provides today's customers with choices never before imaginable by previous generations" (Hoots, 2005).

Moreover, the customers in the new marketing approach moved toward the top of the pyramid with new terminologies like "customer is the king" and "customer always right" are intensively used by managers in today's business environment. Hence, "the goal of every enterprise, once it strips away all the activities that keep everybody busy every day, is simply to get, keep and grow customers. Whether a business focuses its efforts on product innovation, operational efficiency and low price or customer's intimacy, that firm must have customers or the enterprise isn't a business". (Peppers & Rogers 2004).

DEFINING CRM

Since Gartner Group, a highly respected information technology research organization, came up with the term 'CRM', the past few years have seen a large amount of study and research done by academic researchers and professionals in IT industry. The following presents a brief look of various CRM definitions, Ronald S. Swift in his book: Accelerating Customer Relationships--- Using CRM and Relational Technologies, has defined CRM as "an enterprise approach to understanding and influencing customer behavior through meaningful communication in order to improve customer acquisition, customer retention, customer loyalty, and customer profitability". He also points out that "CRM is an iterative process that turns customer information into positive customer relations".

"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" (Parvitiyar and Sheth 2001).

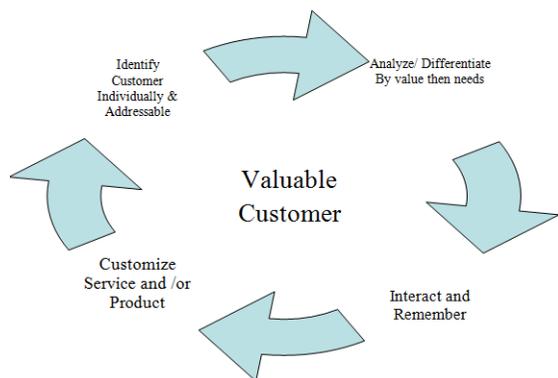
CRM LIFE CYCLE

CRM comprises three phases: acquiring, enhancing, and retaining. Each phase supports increased intimacy and understanding between a company and its customers. These three phases are:

1. Acquiring new customers: the company acquires customers by promoting product and service leadership.
2. Enhancing the profitability of existing customers: the company enhances the relationship by encouraging excellence in cross selling and up selling, thereby deepening and broadening the relationship.
3. Retaining profitable customers for life: Retention focuses on service adaptability-delivering not what the market wants but what customers want. (Kalakota et al 2000, P175).

The main CRM categories reflect how many software companies packages their modular CRM suite. The main categories are also

reflected in the basic steps of CRM (Brender, 2002).



OPERATIONAL CRM

Operational CRM is the customer-facing applications of CRM--the aforementioned sales automation, enterprise marketing automation, and customer service. (Greenberg 2000, P47) Significantly, the operational CRM focuses on automation of horizontally integrated business processes, including customer touch-points, channels, and front-back office integration. (Berson. Et al 2000).

e-CRM

In simplicity, connecting the Internet to CRM has made this term: eCRM. It provides ability to take care of your customer via web, or the customers being able to take care of themselves online. That's the difference between CRM and eCRM, which lies in shift from client/server- based CRM to web-based CRM. Some issues of eCRM are generally related to the Internet, others are related to the creation of Internet applications for CRM. Perhaps the most important one is related to its actual value to e-Business.

The advent of e-CRM is accompanied with current e-Business that makes traditional business from mass production to mass customization. To address the trend that nowadays customers are equipped with information more than ever so as to increase needs of obtaining personalized product and service, CRM performing companies have to accomplish the challenging task of putting 'E' into CRM. It is possible to argue e-CRM is the future style of CRM; vendors who don't optimize their CRM applications for the Web are the vendors who are likely to be out of business soon.

m-CRM

Another new promising variant of CRM is mCRM, which stands for Mobile CRM. As a matter of fact, mCRM can be regarded as a future variant of eCRM since most CRM vendors are providing solutions to link eCRM with wireless tools, such as: mobile phone, PDAs or laptop computers. The aim of mCRM is to enable two-way interactivity between the customer and the enterprise continuously at anywhere-----whether in an office or walking down the street. It also can be seen as a means to make CRM more powerful with utilization of advanced wireless communi-

cation tools.

EAI

According to the 2000 study done by the META Group, a main reason for the CRM project failure and sometimes the cause of problems even when the implementation is successful is the inability to integrate with the legacy system. Therefore, at the operational level, it is important for major CRM applications including call center, web-enabled self-services to use integrated data from other back-office systems like financial and human resources functions, etc. An effective integration solution is Enterprise Application Integration (EAI) that acts as middle-ware bridging CRM system with legacy systems. EAls will provide the messaging services and data mapping services that allow one system to communicate with disparate other systems, regardless of formatting. (Greenberg 2000, P41)

RISE OF RELATIONSHIP MARKETING

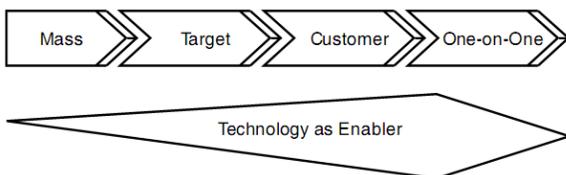
The R in CRM stands for relationship. But what do we really mean by the expression relationship? What is a relationship between a customer and suppliers?. Thinking in terms of a dyadic relationship, that is a relationship between two parties, we can define a relationship as follows:

“A Relationship is composed of a series of episodes between dyadic parties over time”. Each episode in turn is composed of a series of interactions. Episode are time bound (they have a beginning and an end) and nameable. Episodes such making a purchase , enquiring about a product , putting together a quotation, making a sales call, dealing with a complaints and playing a round of golf make up a relationship. Business relationships are made up of task and social episodes. Task episodes are focused on the business side of the relationship, whereas social episodes are not.

NEED OF CRM IN THE BANKING INDUSTRY

A Relationship-based Marketing approach has the following benefits

- ✓ Over time, retail bank customers tend to increase their holding of the other products from across the range of financial products / services available.
- ✓ Long-term customers are more likely to become a referral source.
- ✓ The longer a relationship continues, the better a bank can understand the customer and his/her needs & preferences, and so greater the opportunity to tailor products and services and cross-sell the product / service range.
- ✓ Customers in long-term relationships are more comfortable with the service, the organization, methods and procedures. This helps reduce operating cost and costs arising out of customer error



The Evolution of Marketing (Sharp 2003)

The customers in the twentieth century wants to be an individual and wants to be acknowledged as individual by having his or her likes and preferences known and acted upon. Business in every sector need to build individual relationship with customers based on what the customers wants, not on what the business want. Personalized customer communications and special preferences acknowledge that a special relationship exist between a company and each individual customer; this connects one person to another in a positive way, providing an aura of civility and pleasantness for every business experience. It is powerful motivator to repeat this experience again and again. (Sharp 2003).

CUSTOMER SATISFACTION

Satisfaction is derived from the Latin satis (enough) and facere (to do or make). Thus, satisfying products and services have the

capacity to provide what is being sought to the point of being “enough.” Two related words are satiation, which loosely means enough up to the point of excess, and satiety, which can mean a surfeit or too much of enough, as if to say that too much is necessarily undesirable. These terms illustrate the point that satisfaction implies a filling or fulfillment. (Masrujeh 2009).



Customer satisfaction, loyalty and business performance (Buttle 2004)

CRM INGREDIENTS

Customer relationship management (CRM) is a combination of people, process and technology that seeks to understand a company’s customer. It is an integrated approach to managing relationships by focusing on customer retention and relationship development.

FACTORS THAT AFFECT CRM SUCCESSFUL IMPLEMENTATION

Customer relationship management seems to be problematic in achieving the desired results. In fact, between 35% and 75% of CRM programs have failed (Rigby, Reichheld, & Scheffer, 2002). In addition, CRM program failure went beyond the capability of achieving the economic objectives, and led to the damage of company relationships with customers. Unfortunately, as a number of industry analyst reports make clear, many customer relationship management (CRM) initiatives have also failed to deliver the expected benefits.”

CRM IN THE PUBLIC SECTOR VS CRM IN THE PRIVATE SECTOR

The public and private sector are different in some essential ways:

- Because the government is a monopoly provider of the services, the citizens are often forced to use the services such as registering a change of addresses.
- Unlike the private sector maximization of profit cannot be the object of public sector.
- Different public administrations are not commercial. They should therefore have no competition about sharing experiences and software and interchanging data.
- The citizens, through the government institution, are ultimately the owners of the administrations. The organization has therefore even more reason to be citizen oriented.
- Differential marketing offering a different grade of services to different citizens is likely to be hated in the public sector, and may well raise complaints because it is inherently undemocratic, or violate regulations regarding transparency and fair treatment of citizens. (Saremi 2009)

A successful CRM strategy aims at understanding the needs of the customer and integrating them with the organization’s strategy, people, and technology and business process. Therefore, one of the best ways of launching a CRM initiative is to start with what the organization is doing now and working out what should be done to improve its interface with its customers. While this may sound quite straightforward, for large organizations it can be a mammoth task unless a gradual step-by-step process is adopted.

CRM PURPOSE

CRM has the potential to improve marketing productivity and create mutual values by increasing marketing efficiencies and enhancing marketing effectiveness. By seeking and achieving operational goals such as lower distribution costs, streamlining order processing and inventory, reducing the pressure of

excessive customer acquisition cost, and through customer retention economics, firm could achieve greater marketing efficiency. They can enhance marketing effectiveness by carefully selecting customers for its various programs, individualizing and personalizing their market offerings to anticipate and serve the emerging needs of individual customer ,building customer loyalty and commitment; partnering to enter new markets and develop new products ,and redefining the competitive playing field for their company.

EFFECT OF CUSTOMER RELATIONSHIP MANAGEMENT PRACTICES ON MARKETING PRODUCTIVITY

CRM improves marketing productivity thus ensuring superior value creation. Relationship marketing has the potential to improve marketing productivity by making marketing more effective and efficient (Sheth and Sisodia 1995). Marketing practices become more effective because, on the one hand, the individual customers' needs are better addressed, and on the other, consumer involvement in the development of marketing practices leads to greater consumer commitment to the marketer's programs. the extent CRM strategy is extensively implemented, the higher the firm enhances its capacity to create superior customer value through marketing productivity. Thus, CRM practices will be positively associated with a firm's marketing productivity.

MANAGERIAL AND THEORETICAL IMPLICATIONS

A better understanding of CRM has in the recent past been a key area for marketing practitioners and researchers. Hence, the results of this study have significant managerial and academic contributions. First and foremost, the study gives managers some insights on how to effectively build their CRM strategy and leverage on their organizational factors to enhance the influence of CRM practices on marketing productivity and organizational competitiveness.

CONCLUSION

The banks, both Public and Private, have transformed themselves into profit oriented business organizations besides playing a developmental role in the economy. In an attempt to be more profitable, the banks have become competitive and more customer – oriented. This new orientation has compelled them to take a more pragmatic approach for conducting the business. The CRM is one such tool which helps in meeting the customer's expectations according to their changing needs. While analyzing the CRM Implementation in both the sectors, it was found that the Private Sector Banks have been able to implement the CRM practices more effectively when compared to their Public Sector counterparts.

CRM is not new; it is a modern form of marketing and data analysis that became popular with growth of the internet and a networked world. CRM had a tough start, as anticipation was that the installation of the software and would solve all issues. However, CRM helps the company to identify valuable customers and to seek trends through sophisticated data mining models. Information gathered, can further be used to proceed with one or more of the described value disciplines.

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