



The Organizational Achieving Customer Lifetime Value through Customer Relationship Management

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ABSTRACT

Customer relationship management (CRM) approach has rapidly gained acceptance as an indicator to acquire, grow, and retain the "right customers" to attain customer lifetime value (CLV). The current challenge that most managers face is to achieve connection between marketing CRM and achieving CLV. Exclusively, the need is to take all the data that have been collected about customers and integrate it in a manner that they are able to satisfy and maintain a long relationship with them. CRM has gained much importance in the organizational point of view as to maintain a long relationship with the customers is itself challenging, as with the arrival of new technological advancements in the market, the competition in the market increases, there is a change in behavior of a customer whether to switch to or not to. Customers who are selected and maintained on the basis of their lifetime value provide higher profits in future periods. The present paper tries to bring out various CRM practices and tools that have boosted the strategy of achieving CLV. Moreover the study tries to find out the diffusion of CLV and how importance CLV has in the sustenance of an organization.

Keywords : Customer Relationship Management (CRM), Customer Lifetime Value (CLV)

INTRODUCTION

In the new economic era only a few organizations are providing their customers high quality products and service experience. They are attaining, interacting, transacting and retaining the customers through multiple channels and providing them eventual satisfaction. All customers do not have the same value; similarly all organizations cannot adopt similar CRM models, as in some cases, the cost of developing a CRM infrastructure may prove to be greater than the returns involved. Receiving the full value of the customer is increasingly dependent on the effectiveness of your relationships not only with customers themselves, but also with suppliers and partners. Successful companies are those that are not only integrated internally, but are also connected externally to the customers. The present era is in the midst of unstable change observing rapidly changing market conditions, explosive equity markets, reformed value chains and new global competitors, and customers themselves are changing. The concept of customer relationship management (CRM) has taken center stage in the business world for sustainable business advantages. Evidently long-term success requires a great Customer Relationship Management strategy. A technology-enabled CRM strategy to meet Customer-focused objectives involves the vast majority of any organization's activity. No doubt about that Customer Relationship Management (CRM) has become a top priority for companies seeking to gain competitive advantage in achieving CLV in the competitive market.

BACKGROUND AND CONCEPT

The concept of attaining CLV through CRM has gained much importance in the current phase of competition and technological change. (Dwyer, 1989) stated that the use of customer lifetime value as a marketing metric tends to place greater emphasis on customer service and long-term customer satisfaction, rather than on maximizing short-term sales. Referring to (Gronroos, 1997) that recognition of distinct determinants of customer value proposition and appraisal of the importance of determinants identified has to be treated as a basis for customer value delivering process, which determines both company reserves distribution and planning of value creation process for different customer groups. While referring to (Woodruff, 1997) the desired value influence, the customer perceptions about the product in its use condition, as their

evaluation of experience is based on the same attributes, their performances and consequences that in order to create and deliver a unique customer value it is insufficient to analyze, what value social or emotional customer gets, it is important to find out what creates value for customer in turn will create for company. Relationship marketing attempts to involve and integrate customers and suppliers and other infrastructural partners into firms' developmental and marketing activities. Such involvements result in close interactive relationship, (shani, et al., 1992).

DISPERSION OF CUSTOMER RELATIONSHIP MANAGEMENT

The collection and storage of information was limited to the sales and service functions. Companies were losing customers abruptly only few remained with in them as there was dissonance in the customer for searching a better company and a better relationship. The increase in awareness and adoption of CRM started in the mid 1990's, there was a need for the corporate to retain the existing customer as it was difficult and costly to acquire a new customer. Initially the CRM approach worked on two activities; 1) sales force automation and 2) customer service and support. But it had its limitations of having a single system without subsets which lacked clarity and consistency. The next approach was CRM with sub-system into one package, having diversity in the relationship approach and more consistency and automation. CRM is now a hot topic for the companies to discuss and more focus and priority is given to it, as it is a relationship based approach involving continuous interaction over time for social construct. CRM passes through many stages like Awareness building-Exploration-Expansion-Commitment-Dissolution. The fundamental to make relationship to companies with the customer is economic. Improving retention rate of customer has a direct impact on achieving customer lifetime value and increase the customer base for companies. CRM implementations are often designed to build closer, more value-laden relationships with customers, it makes sense for managers to be aware of the quality of relationship they have with the customers. Improving retention strategies for customers reduces the marketing costs for company. As customer tenure lengthens, better understanding of customer requirement and expectation can be developed. Over the time, as the relationship

deepens, trust and commitment grows automatically and the customer life cycle with the company increases. The customer life cycle is the total time that the customer is engaged with the company from the customers' experience and view point.

CRM AS A TOOL TO ACHIEVE CUSTOMER LIFE TIME VALUE

From the above discussion one can realize that CRM is a building block to achieve any kind of relationship with the customer and add value to the company in the long run. The customer life time value is not only the monetary value but the utilitarian value, social value, emotional value, conditional value etc. both for the customer and for the company. Delivering better value to the customer will add value to CLV of a company as customer satisfaction is both an end state value and a measurement tool for long run success. Organizations should analyze the value chain to take care of business processes, efficiency of resource utilization and cost control in attaining CLV.

CHALLENGES

Without clearly stated goals most organizations fail in CRM implementation program. Companies continue to use technology based systems without initial assessment of return on investment (ROI), and acceptability by customers. The real barriers also come from employee attitudes, corporate culture, organization structure, lack of strategic planning for CRM system, lack of quantifiable goals and objectives, lack of inter departmental integration and lack of metrics for program performance. In channel proliferation situation where

companies focus on managing their channels are forced to staff each new channel. Clearly this is a costly and inefficient approach. Most of the organizations have the ability to collect information but they don't have the coherent and effective strategy to analyze and process this tremendous amount of data into actionable information. Communication channel, control and coordination in marketing activities, financial allocation, size and structure of market, technology and change are the other challenges which organizations face in implementing and developing CRM. Besides this there are other factors having direct influence on the CRM implementation and development; these are ignorance of the database power and CRM principle, defective human resource planning, lack of expertise in the field, improper channel management, lack of synergy in the organization etc.

MANAGERIAL IMPLICATIONS

In the past, many companies did not care about customers and took their customers for granted. Customers often did not find any proper substitution for current suppliers, or many other supplies were just as poor in a quality and services, or the market was growing so fast that the company did not worry about fully satisfying its customers.

CONCLUSION

Over the years marketing have changed from transaction orientation to relationship building and is now seen as the process of defining, developing and delivering and getting value. CRM is an important tool for accomplishing CLV as profit making source for companies.

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