



CUSTOMER RELATIONSHIP MANAGEMENT: EMERGING PRACTICE, PROCESS, AND DISCIPLINE

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ABSTRACT

Customer relationship management (CRM) has the potential for achieving success and growth for organizations in the nowadays environment of extensive competition and rapid technological development. CRM enables organizations to know their customers better and to build sustainable relationships with them. However, CRM is considered as buzzword and it is not understood well. The main components of CRM are people, technology, and processes. This paper provides an extensive review of the literature regarding the CRM processes. This review aims to increase the understanding of the different perspectives and the various types and levels of CRM processes. This paper reveals that there are four major perspectives of CRM processes which are customer facing level processes, customer oriented processes, cross functional CRM processes, and CRM macro-level processes. This paper recommends that for ensuring the successful adoption and implementation of any CRM initiative, organization should understand the different levels of CRM process and the integrated activities among the CRM processes at each level. In addition, for organizations to be successful adopters and implementers of CRM programs/systems, they should understand the need for business process reengineering and effective anticipation and management of the change that may accompany any CRM initiative. This paper suggests a pre-implementation plan for CRM programs/systems. Such a plan aims to initiate and communicate a customer-oriented culture within the organization. This step emphasizes on increasing the understanding of CRM concept and communicating and spreading the knowledge of the promising benefits of CRM programs/systems to all parties in the organization. All that will contribute in increasing the success rate of CRM programs/systems implementation.



KEYWORDS: Customer Relationship Management; Relationship Marketing; CRM Process; CRM Definition; CRM Strategy; CRM Programs; CRM Implementation; CRM and Relationship Marketing Discipline.

INTRODUCTION

Changes in customer expectations can be identified throughout the world. Customer relationship management (CRM) strategies have become increasingly important worldwide due to these changes in expectations from customers as well as changes in the nature of markets. Changes have been noted across the world, but opportunities present themselves in South Africa and other

developing countries for CRM strategies. Customer Relationship Management (CRM) is a managerial philosophy that seeks to build long term relationships with customers. CRM can be defined as “the development and maintenance of mutually beneficial long-term relationships with strategically significant customers”. Under certain circumstances it may result in the termination of relationships. It can also be noted that the relationship is developed with strategically significant customers, and hence it is necessary for the organisation to determine the nature of the significance. Traditionally this would be done by determining the value of the customer to the organisation, but other criteria that can be used include whether a customer serves as a benchmark for other customers or whether the customer inspires change in the supplier.

The implementation of CRM is regarded as desirable by organisations due to the benefits that accrue from these strategies among their customers, such as greater loyalty and resulting profits. The focus of a CRM strategy is the acquisition, retention and overall customer profitability of the specific group of customers.

.Acquisition of customers: this refers to the need of organisation to find new customers for their products. This means they are required to develop strategies to attract potential customers to purchase the product. The cost of attracting a new customer is estimated to be five times the cost of keeping a current customer happy (Kotler, 1997).

- **Retention of customers:** organizations also need to focus on existing customers in order to ensure that they continue purchasing and continue supporting the product. Organisations can increase their profitability by between 20% and 125% if they boost their customer retention rate by 5 percent (Peck, Payne, Christopher & Clark, 2004).

- **Profitability:** Customer profitability reflects the financial performance of customers with respect to all the costs associated with a transaction (Gordon, 1998). Profitability in the case of CRM is determined in the light of the lifetime value of the customer to the organisation, taking account the income and expenses associated with each customer and their respective transactions over time (Gordon, 1998).

The most challenging and exciting time to live in is on the cusp of change. And that is where India is today. This huge, multicultural country India is transforming from a socialist economy to a consumption led creative economy. The scope and depth of change that is taking place across the India defies description. This Change provides both a humongous challenge and a gigantic opportunity for marketers and retailers. Retailing is not only an important aspect of the economic structure but very much a part of our lives. Though trading of goods has been in existence since the older days, it is only in the recent past that the buying and selling of goods have become more dominated activity. In fact, today retailing is evolving into a global, high tech business.

What is Customer Relationship Management (CRM)? Before we begin to examine the conceptual foundations of CRM, defining what CRM is would be useful. In the marketing literature the terms customer relationship management and relationship marketing are used interchangeably. As Nevin (1995) points out, these terms have been used to reflect a variety of themes and perspectives. Some of these themes offer a narrow functional marketing perspective while others offer a perspective that is broad and somewhat paradigmatic in approach and orientation. A narrow perspective of customer relationship management is database marketing emphasizing the promotional aspects of marketing linked to database efforts (Bickert, 1992).

Another narrow, yet relevant, viewpoint is to consider CRM only as seeking customer retention by using a variety of after marketing tactics that lead to customer bonding or staying in touch with the customer after a sale is made (Vavra, 1992). A more popular approach with the recent application of information technology is to focus on individual or one-to-one relationships with customers that integrate database knowledge with a longterm customer retention and growth strategy (Peppers & Rogers, 1993). Thus, Shani and Chalasani (1992) have defined relationship marketing as “an integrated effort to identify, maintain, and build up a network with individual consumers and to continuously strengthen the network for the mutual benefit of both sides, through interactive, individualized and

value-added contacts over a long period of time" (p. 44). Jackson (1985) applies the individual account concept in industrial markets to suggest CRM to mean, "Marketing oriented toward strong, lasting relationships with individual accounts". In other business contexts, Doyle and Roth (1992), O'Neal (1989), and Paul (1988) have proposed similar views of customer relationship management.

McKenna (1991) has professed a more strategic view by putting the customer first and shifting the role of marketing from manipulating the customer (telling and selling) to genuine involvement with the customer (communicating and sharing knowledge). Berry (1995), in somewhat broader terms, also has a strategic viewpoint concerned with CRM. He has stressed that attracting new customers should be viewed only as an intermediate step in the marketing process and that developing closer relationship with these customers and turning them into loyal ones should be equally important aspects of marketing. Thus, he proposed that relationship marketing be seen as "attracting, maintaining, and – in multi-service organizations – enhancing customer relationships".

Berry's notion of customer relationship management resembles that of other scholars studying services marketing, such as Gronroos (1990), Gummesson (1987), and Levitt (1983). Although each one of them has espoused the value of interactions in marketing and its consequent impact on customer relationships, Gronroos and Gummesson take a broader perspective and advocate that relationships with customers be the focus and dominant paradigm of marketing. For example, Gronroos (1990) states: "Marketing is to establish, maintain, and enhance relationships with customers and other partners, at a profit, so that the objectives of the parties involved are met. This is achieved by a mutual exchange and fulfillment of promises" (p. 138). The implication of Gronroos' definition is that forming relationships with customers is the "raison de etre" of the firm and marketing should be devoted to building and enhancing such relationships. Similarly, Morgan and Hunt (1994) draw upon the distinction made between transactional exchanges and relational exchanges by Dwyer, Schurr, and Oh (1987) to suggest that relationship marketing "refers to all marketing activities directed toward establishing, developing, and maintaining successful relationships."

The core theme of all CRM and relationship marketing perspectives is its focus on a cooperative and collaborative relationship between the firm and its customers, and/or other marketing actors. Dwyer, Schurr, and Oh (1987) have characterized such cooperative relationships as being interdependent and long-term orientated rather than being concerned with short-term discrete transactions. The long-term orientation is often emphasized because it is believed that marketing actors will not engage in opportunistic behavior if they have a long-term orientation and that such relationships will be anchored in mutual gains and cooperation (Ganesan, 1994).

Another important facet of CRM is "customer selectivity." As several research studies have shown, not all customers are equally profitable for an individual company (Storbacka, 2000). The company therefore must be selective in tailoring its program and marketing efforts by segmenting and selecting appropriate customers for individual marketing programs. In some cases, the "outsourcing of some customers" could be called for so that a company allocates its resources to those customers it can serve the best in order to create mutual value. However, the objective of a company is not really to prune its customer base but to identify the programs and methods that would be the most profitable as it creates value for the firm and the customer. Hence, our definition of CRM is that

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.

As is implicit in the above definition, 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.

CRM PROCESSES

The process can be defined as the way in which things are done within an organization .which defined CRM processes as "the activities performed by the organization concerning the management of the customer relationship and these activities are grouped according to a longitudinal view of the relationship". the objective of CRM process is to form customers' perceptions of an organization and its products through identifying customers, creating customer knowledge, and building customers relationships. CRM processes are categorized into vertical and horizontal processes, front-office and back-office processes, and primary and secondary processes. He articulated that vertical processes refer to the processes that are placed completely within business functions like customer acquisition process while, horizontal processes refer to the cross-functional processes like product development process. Front-office processes refer to the customer facing processes like complaint management process while, back-office processes refer to the hidden and non-facing processes from customers like the procurement process. The primary processes are the processes that have major cost or revenue implications for organizations like the logistics process in courier organization and claims process in insurance organizations while, the secondary processes are the processes that have minor cost or revenue implication for organizations. , on the other hand, have identified three levels of CRM processes; (i) the customer-facing level, (ii) the functional level, and (iii) the companywide level. Moreover, there are different views and perspectives for the CRM processes where the following sections will provide a description of the main themes of these perspectives. A. Customer-facing level CRM processes According CRM process at the customer-facing level can be defined as "a systematic process to manage customer relationship initiation, maintenance, and termination; across all customer contact points to maximize the value of the relationship portfolio". There are three CRM processes at the customer-facing level of CRM including relationship initiation, relationship maintenance, and relationship termination . which provided an explanation for each one of these processes as the following: a) the initiation process refers to the activities that take place before or in the early stages of the relationship, such as identifying potential customers; b) the maintenance process includes the activities that portray normal customer relationships, such as cross-selling, up-selling, or retention programs; and c) the termination process includes both the activities used to find and settle on ending a bad relationship for example, ending the relationship with unprofitable, or low value customer, and the termination management activities. This process could happen at any time of the relationship. The customer-facing level CRM processes includes the building of a single view of the customer across all contact channels and the distribution of customer intelligence to all customer-facing functions. This perspective emphasizes on the importance of coordinating information across time and contact channels to manage the entire customer relationship systematically .

B. Customer-oriented CRM processes Customer process encompasses the customer activities perfor. indicated for the semi-structured and knowledge intensive nature of the customer-oriented CRM processes. In addition, they have differentiated among three kinds of customer-oriented CRM processes; (i) CRM delivery processes, (ii) CRM support processes, and (iii) CRM analysis processes. CRM delivery processes are the processes of direct contact with customer and are considered as part of the customer process including campaign management process, sales management process, service management process, and complaint management process. CRM support processes deal with accomplishing supporting purposes through the market research process and loyalty management process while, CRM analysis processes concentrate on combining and analyzing the collected customer knowledge in other CRM processes, including the processes of customer scoring and lead management, customer profiling and segmentation, and, feedback and knowledge management.

C. Cross-functional CRM processes Five generic cross-functional CRM processes based on a holistic approach including (i) the strategy development process, (ii) the value creation process, (iii) the multichannel integration process, (iv) the information management process, and (v) the

performance assessment process. illustrated how four of these CRM processes are allocated to the CRM forms; strategic, analytical, and operational those mentioned before, and how they interact with each other, suggested four CRM processes including strategic planning, information management, customer value, and performance measurement processes. Firstly, the consideration of the organization's business strategy is to detect how it should be developed and evolve over time, then it could instigate with a review of the organization's vision, and the industry and competitive environment . The organization's customer strategy entails the identification of the existing and potential customer base and recognition of the most appropriate form of customer segmentation. In addition, which indicated for the necessity of the alignment and integration between an organization's business strategy and customer strategy, as they are developed at different functions of the business. On the other hand, the strategic planning process involves the presentation of the way for the development, implementation and evaluation of the CRM process in the organization and encompasses the assuring of that the focus of the organization's strategy is on providing superior customer value. The value creation process, in this process, programs for extracting and delivering value are developed based on the outputs of the strategy development process . The elements of this process are a) the value the customer receives, b) the value the organization receives, and c) maximizing the lifetime value of desired customer segments by the successful management of the this value exchange of the co-creation or coproduction process. The value the customer receives refers to how the customer evaluate the relative importance of the various attributes of products and services of an organization while, the value the organization receives refers to the customer value that result from incorporating the customer in the production of the products and services, and the utilization of enhanced acquisition and retention strategies and effective channel management. the customer value process as an independent process to indicate for turning the organization's understanding toward producing products and delivering services that deliver value, and for incorporating the customer in the design and production of new products or services. The multichannel integration process, in this process, value-adding activities are created with customers based on the outputs from the strategy development process and the value creation process . The focus of this process is on deciding a) what channels to be used (e.g. sales force, outlets, telephony, direct marketing, e-commerce, and m-commerce) , b) ensuring highly positive interaction through the used channels, and c) creating a single unified view of the customer at the interaction through more than one channel. The information management process in which customer data and information is gathered from customer contact points and used to create proper marketing responses . In addition, it involves initiating customer insight that can be used to boost the quality of the customer experience . Its elements are data repository, IT systems, analytical tools, and front office and back office application. In addition, "The information management process provides a means of sharing relevant customer and other information throughout the enterprise and "replicating the mind of the customer." To ensure that technology solutions support CRM, it is important to conduct IT planning from a perspective of providing a seamless customer service rather than planning for functional or product-centered departments and activities. Furthermore, data analysis tools should measure business activities. This kind of analysis provides the basis for the performance assessment process". The performance assessment process in which the assuring of achieving an organization's strategic aims in terms of CRM to a satisfactory standard is covered and the basis for future improvement is established. Its components are shareholder results and performance monitoring, the performance measurement process which includes the performance assessment process and the continuous monitoring of CRM activities over time, in addition to capturing customers' feedback regarding CRM practice in the firm and assuring that both the organization and the customer goals are achieved.

D. CRM Macro-level processes CRM macro-level processes refers to the undertaken activities of an organization to create market intelligence that the organization can leverage to build and sustain a profit-maximizing portfolio of customer relationships through two sub-processes; knowledge management process and interaction management process . The knowledge management process and the interaction management process are highly dependent on the technological and human resources of the organization . Knowledge management process is defined from CRM perspective as the process that

"is concerned with all of the activities directed towards creating and leveraging the market intelligence that firms need to build and maintain a portfolio of customer relationships that maximizes organizational profitability". The knowledge management process can be sub-divided into three processes; data collection, intelligence generation, and intelligence dissemination. Data collection refers to the capture of information related to the market and customers. The intelligence generation refers to the conversion of the captured information into actionable intelligence which needs to be disseminated in the intelligence dissemination process across the organization to all employees who have a direct contact with the customer or working on the marketing activities of the organization. The interaction management process refers to the utilizing of the market intelligence to strengthen customer relationships and interaction productivity between buyer and seller, where this interaction could be an exchange of products and services for money, information exchange, or social exchange. The interaction management process has three dimensions; interaction consistency, interaction relevancy, and interaction appropriateness. They defined the interaction consistency as "the extent to which an interaction varies from and builds upon the preceding stream of buyer-seller interactions". They defined the interaction relevancy as "the degree to which an interaction creates value within the context of a buyer-seller relationship" and defined the interaction appropriateness as "the extent to which an interaction maximizes both customer value and the long-term return on organizational resource investments". There are various perspectives of CRM processes, however, the cross-functional CRM processes perspective is the most comprehensive, detailed, and complementary perspective. The other perspectives can be seen as embedded in the cross-functional perspective. For example, the customer facing level processes are included in the multi-channel integration process. The same thing is true regarding the customer-oriented CRM processes perspective where, the three processes within this perspective; CRM delivery, support, and analysis processes can be found respectively embedded in the multi-channel integration process, the value creation process, and the information management process. Another example, if we look at the customer facing level processes, it provides a very initial and general theme about what happens at managing the customer relationships. The customer facing level processes perspective explains that the process of CRM starts with initiating a relationship with the customer, then trying to maintain and enhance the relationship and finally, once the relationship becomes unprofitable, it can be terminated and the organization can get rid of the customer. On the contrary, the Macro-level CRM processes perspective shows two high level CRM processes at the organizational level. This perspective revolves around creating and capturing customer knowledge and exploiting this knowledge in creating and managing the interaction with customers. Thus, the cross-functional CRM processes perspective is the most pervasive perspective of CRM as it explains not only a list of mere processes but also it explains the nature of each process, the main activities within each process, and how each process interacts with one another. It provides a coherent and iterative notion for the CRM processes. Therefore, it could be the best perspective of CRM processes in terms of providing a deep explanation of each CRM process which enables the better understanding of CRM towards the successful adoption and implementation. After explaining the different perspectives of CRM processes, the following section is dedicated to elaborate the model of CRM process that clarifies all the corporate and marketing requirements of CRM processes.

DISCUSSIONS

Modern trends in the field of customer relationship management bring new ways how to use better the tools to reach high system productivity and improvement of enterprise financial performance (Saniuk-Saniuk, 2010). In constantly changing market environment, enterprises have to use modern methods, techniques and ideas of management. At the same time, they need to learn how to implement these to the practice (Witkowski, 2009). Implementation of CRM in enterprises should bring positive effect mainly by increasing the number of loyal customers, optimizing cost of sales activity and so increasing the competitive advantage. Increase in value of customers should reflect on the increase of overall profitability of enterprises. Regular evaluation of customer relationships undoubtedly contributes to successful CRM functioning. Following the research results, it is possible to say that the

enterprises in Slovakia showed greatest deficiencies in monitoring of their CRM performance. Majority of these enterprises focused on monitoring of financial indexes. On the one hand, these indexes give the real view of achievements or failures in the past, but on the other hand they do not enable to predict the future. Moreover, majority of enterprises regardless of their size could not estimate the satisfaction with actual functioning of CRM strategy. Research further pointed out that 50 % of micro enterprises used electronic file using MS Office in spite of the fact that this system does not enable documents administration, analytic or statistic tools, or automation of reports. Following the research results and the analysis of collected data, it is obvious that customer relationship management in industrial enterprises is well-developed. However, there are some gaps that could be eliminated. Greatest negatives were found during measuring of the CRM performance in all enterprises regardless of their size. Another problem found was the absence of a quality information system in micro enterprises that would definitely make the employees' work and communication with customers easier.

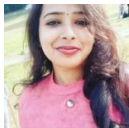
CONCLUSIONS

In today's highly competitive environment, an increasing number of companies have realized the importance of becoming more customer-centric. They invested a large amount of time and resources in a Customer Relationship Management. However, it is increasingly more difficult for companies to know how to retain an existing customer and even harder getting new one. It is six to seven times more expensive and time consuming to gain a new customer than to keep an existing one. Not only the price is no longer critical, customers are changing their expectations and behaviour. They can easily compare the prices and change the plan from whom to buy at a minimal cost. This puts increasing demands on companies in the area of customer care and customer service. One of the ways to retain customer base and to ensure recurring purchases is adjusting to meet customer's needs, ensuring its satisfaction – customer must be at the heart of company interests. Appropriately selected IT solution of CRM can help them. Despite this fact, the majority of companies still don't use correctly all the possibilities which CRM offering or many implemented CRM projects failed to be successful. The problem is that these companies often do not know why they were not successful. Other companies will make the same mistakes if these failures are not recognized. It becomes a matter of fact that the implementation of CRM initiatives and programs have faced with failure over different industries and businesses. In addition, the understanding of CRM and its different aspects like definition, scope, processes, and technology is still limited and shallow. The previous discussion of the fundamental theory of the CRM processes is very important to strengthen the understanding of CRM, before planning for the adoption and implementation of CRM initiative. The understanding of the main components of any CRM initiative is very essential for its success. People, technology, and process are the three main components of CRM

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