



AN OVERVIEW TO CUSTOMER RELATIONSHIP MANAGEMENT

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Abstract

Customer relationship management is become key strategic tool for all companies, especially in the current competitive environment. Customers are the focal point in the development of successful marketing strategy. Customer relationship management is an inevitable tool of marketing that can be considered as Critical Responsibility of Market with in present context. Implementing customer relationship management system is one of the important tools that will help managers and companies to increase the satisfaction and loyalty of customers. In this article, the authors develop an overview for customer relationship management that helps broaden the understanding of customer relationship management. We reviewed previous studies, and identify important benefits which will give more benefits to the company and organisation.

Key Words: *Customer Relationship Management, Benefits and Customer Retention of Customer Relationship Management.*

1. Introduction:

In the mid-twentieth century, mass production techniques and mass marketing changed the competitive landscape by increasing product availability for consumers. Many companies today are racing to re-establish their connections to new as well as existing customers to boost long-term customer loyalty. Some companies are competing effectively and winning this race through the implementation of relationship marketing principles using strategic and technology-based customer relationship management applications. However, Coltman (2006) indicates that in strategy and marketing literature, scholars have long suggested that a customer centred strategy is fundamental to competitive advantage and that customer relationship management programmes are increasingly being used by organisations to support the type of customer understanding and interdepartmental connectedness required to effectively execute a customer strategy. Different authors and researchers have also given different definitions of customer relationship management. Some of them are of the opinion that customer relationship management is a process or methodology belonging to the information industry methodologies or integrated information systems that can help a company to manage its customer relationships in a managed way. An effective customer relationship management system should enable an organization to gain greater insight into customer behaviour and preferences whereas ERP analytics are more likely to focus on supply and demand for key resources and materials. As a business strategy "customer relationship management is a customer-focused business strategy that aims to increase customer satisfaction and customer loyalty by offering a more responsive and customized services to each customer.

Customer relationship management is one of the strategies to manage customer as it focuses on understanding customers as individuals instead of as part of a group. Customer relationship management manages the relationships between a firm and its customers. Customer relationship management and knowledge management are directed towards improving and continuously delivering good services to customers. Customer relationship management is a strategy and technology that is used to build stronger relationships between organisations and their customers. Customer relationship management is a combination of people, processes and technology that seeks to understand a company's customers. It is an integrated approach to managing relationships by focusing on customer retention and relationship development. Customer relationship management has evolved from advances in information technology and organizational changes in customer-centric processes. Companies that successfully implement Customer relationship management will reap the rewards in customer loyalty and long run profitability. A CRM system gives you the tools to manage measure and improve your processes. Customer relationship management is one of the strategies to manage customer as it focuses on understanding customers as individuals instead of as part of a group.

Managing customer relationships is important and valuable to the business. Customer relationship management is a managerial philosophy that seeks to build long term relationships with customers. Customer relationship management can be defined as the development and maintenance of mutually beneficial long-term relationships with strategically significant customers. It is the establishment, development, maintenance and optimisation of long term mutually valuable relationships between consumers and the organisations. 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 organisation's strategy, people, technology and business processes.

2. The Concept of CRM

We believe that Customer Relationship Management is not merely technology applications for marketing, sales and service, but rather, when fully and successfully implemented, a cross-functional, customer-driven, technology-integrated business process management strategy that maximizes relationships and encompasses the entire organization. Customer relationship management initiatives have resulted in increased competitiveness for many companies as witnessed by higher revenues and lower operational costs. Managing customer relationships effectively and efficiently boosts customer satisfaction and retention rates. Companies that enter to compete in a new market weaken the existing and solid ones, due to new ways of doing and conceiving businesses. One of the factors that have driven all these changes is the constant change and evolution of technology. Because of this reality, the CRM concept has evolved in such a way that nowadays it must be viewed as a strategy to maintain a long-term relationship with the customers. Customer relationship management can be defined as a management process of acquiring customers by understanding their requirements; retaining customers by fulfilling requirements more than their expectations; and attracting new customers through customer specific strategic marketing approaches. This requires total commitment from the entire organization. The main driver for Customer Relationship Management is the underlying philosophy that successful customer engagement, and therefore successful business, is based on the ability to build 'meaningful relationships' with customers. Of course, different companies have very different ideas about what a meaningful relationship is. Customer Relationship Management has been defined from different perspectives (Zablah et al., 2004):

1. as a process,
2. as a strategy,
3. as a philosophy,
4. as a capability
5. and /or as a technological tool.

Customer relationship management is about gaining and retaining customers. By leveraging a customer relationship management system, organizations can document and react to a customer's experience based on information collected over time. Examples of the types of information that can be tracked in a CRM system include (but are not limited to) the following:

- A customer's contact information (business and personal)
- Recent customer activity (visits to your website or calls)
- Customer support issues or cases and the status of their resolutions
- Commitments that have been made to the customer
- Status of current customer orders
- Any other personal information about the customer that can strengthen your relationship (social media interactions or in-person relationship-building meetings).

Customer relationship management is a widely implemented strategy for managing a company's interactions with customers, clients and sales prospects. It involves using technology to organize, automate, and synchronize business processes - principally sales activities, but also those for marketing, customer service, and technical support. The overall goals are to find, attract, and win new clients, nurture and retain those the company already has, entice former clients back into the fold, and reduce the costs of marketing and client service.

3. Benefits of CRM

There are some problems regarding the benefits of customer relationship management, as Managers did not know what kind of advantages the customer relationship management system will bring to a company. So management should have at least the basic understanding or knowledge about customer relationship management's benefit. The following lists of customer relationship management benefits are selected and minimized from a wide range of survey from latest customer relationship management studies. (Donaldson and O'Toole 2002) highlight one of the benefits of customer relationship management as its ability to identify individual customer's profitability and the identification of customer needs so as to tailor products to individual customer requirements to help retain customer longer. Through implementing customer relationship management, Companies can remove confusion that exists in the productivity, efficiency and control and every level through appropriate use of customer relationship management.

The following lists of desired customer relationship management benefits were collected and summarized from an extensive survey of recent CRM studies (Keith et al., 2008):

- Improved ability to target profitable customers;
- Integrated offerings across channels;
- Improved sales force efficiency and effectiveness;



- Individualized marketing messages;
- Customized products and services;
- Improved customer service efficiency and effectiveness; and
- Improved pricing.

(Curry and Kolou 2004) quoted some customer relationship management benefits and reasons for adoption of customer relationship management: Customers from the competition will desire to come the organization, Simplify customer focused internal organization will make simpler the infrastructure, decrease the workflow and remove non-productive information process, and Profits will increase from more satisfied customers and more integrated focused company. Since adopting CRM will provide a lot of benefit in firms and their process, it would be helpful to clarify results and benefits of implementing customer relationship management for them. Therefore, they will have a good background about the results and incomes from using customer relationship management applications. Moreover, it is also important to highlight that the objective of the relationship management strategy should be to maximize both the value that customers derive from their relationship with the firm as well as long-term corporate profitability. The point is that the strategy should help the firm build a loyal, profit maximizing customer base. Finally, it is worth mentioning that to construct a relationship management strategy, firms must have a profound understanding of the types of customers that they serve, what they value, and how they differ from each other and from other customers who do not form part of their target market. Such an understanding is critical to the development of an effective relationship management strategy.

A well implemented customer relationship management system can replace manual processes that create significant organisational inefficiencies. A well implemented CRM system helps employees across departments understand their responsibilities to customers throughout the customer lifecycle and when those responsibilities are not met, it is easy to identify what went wrong, where, who fell short and how to make sure it does not happen again.

4. Managing CRM to Mainstream the Benefits

Development of the customer relationship management strategy starts with a situation analysis. This analysis sets out to describe, understand and appraise the company's current customer strategy. Once customer relationship management program is developed and rolled out, the program as well as the individual relationships must be managed and governed. Customer relationship management implementations can place considerable demands on project management skills. For firms to effectively

practice customer relationship management or be able to diagnose the root cause of failed initiatives, a clear understanding of what the phenomenon entails is needed. Zablah et al. (2004) has taken that first step by proposing what is (hope-fully) an adequate, representative conceptualization of customer relationship management and providing a brief description of the process. As a result, it is now possible to outline a basic framework that identifies the key steps towards CRM success.

From a management perspective, it is important to mention that based on the proposed conceptualization, customer relationship management success is defined hereafter as a firm's ability to efficiently build and sustain a profit-maximizing portfolio of customer relationships. Moreover, it is also important to highlight that the objective of the relationship management strategy should be to maximize both the value that customers derive from their relationship with the firm as well as long-term corporate profitability. The goal, however, is not to devise a strategy that enables firms to form close, highly collaborative relationships with all customers. Finally, it is worth mentioning that to construct a relationship management strategy, firms must have a profound understanding of the types of customers that they serve, what they value, and how they differ from each other and from other customers who do not form part of their target market. Such an understanding is critical to the development of an effective relationship management strategy.

5. The concept of customer retention in CRM

Customer retention is the maintenance of continuous trading relationships with customers over the long term. Customer retention is the mirror image of customer defection or churn. High retention is equivalent to low defection. A customer retention strategy aims to keep a high proportion of valuable customers by reducing customer defections (churn), and a customer development strategy aims to increase the value of those retained customers to the company. It is very difficult to build long term relationships with customers if their needs and expectations are not understood and well met. It is a fundamental concept of modern customer management that companies should understand customers, and then acquire and deploy resources to ensure their satisfaction and retention. It is important to remember that customer retention begins with the first contact a customer has with a company and continues throughout the entire lifetime of the relationship. More important, companies are finding that customer profitability tends to increase over the life of a retained customer, so employing

customer retention strategies is a worthwhile use of company resources. Improving customer retention is an important objective for many customer relationship management implementations. Its definition and measurement need to be sensitive to the sales, profitability and value issues discussed previously. It is important to remember that the fundamental purpose of focusing customer relationship management efforts on customer retention is to ensure that the company maintains relationships with value-adding customers.

There is a strong economic argument in favour of customer retention. The argument goes as follows:

1. Increasing purchases as tenure grows: over time, customers come to know their suppliers. Providing the relationship is satisfactory, trust grows while risk and uncertainty are reduced. Also, because suppliers develop deeper customer intimacy over time, they can enjoy better yields from their cross-selling efforts.
2. Lower customer management costs over time: the relationship start-up costs that are incurred when a customer is acquired can be quite high. It may take several years for enough profit to be earned from the relationship to recover those acquisition costs.
3. Customer referrals: customers who willingly commit more of their purchases to a preferred supplier are generally more satisfied than customers who do not. They are therefore more likely to utter positive word-of-mouth and influence the beliefs, feelings and behaviours of others.
4. Premium prices: customers who are satisfied in their relationship may reward their suppliers by paying higher prices. This is because they get their sense of value from more than price alone. Customers in an established relationship are also likely to be less responsive to price appeals offered by competitors.

These conditions mean that retained customers are generally more profitable than newly acquired customers. Drawing from their consulting experience, Dawkins and Reichheld report that a 5 percent increase in customer retention rate leads to an increase in the net present value of customers by between 25 and 95 percent across a wide range of industries, including credit cards, insurance brokerage, automobile services and office building management. In short, customer retention drives up customer lifetime value.

6. Conclusion

Customer relationship management is a business strategy that maximizes profitability, revenue and customer satisfaction by organizing around customer segments, fostering behaviour that satisfies customers and implementing customer centric process. A successful customer relationship management must start from the top-down getting involvement from upper management as well as all key areas of the business will reduce risks and ensure success. Nowadays, managers and owners are gradually convinced about using of customer relationship management in their company to improve the revenue and profit, quality of product and services, customer's retention and satisfaction. By implementing a successful customer relationship management, the benefits are emerging and the companies are more interested in using customer relationship management systems. With the help of CRM, company and organisations able to understand the customer needs and behaviour, thereby allowing and identifying the correct time to market product to the customers. Customer relationship management will also gives an idea about the most profitable customer groups, and by using this information the company will be able to target similar prospective groups, at the right time. According to our review companies and managers can have a better guideline to know which factors are more important for their customers and invest time and attempt on them.

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