Chapter 2

CRM practices and their benefits to Customers

In this chapter, an attempt has been made by the researcher to examine the CRM practices in Indian Telecom sector in Section A and the related literature has been reviewed in Section B.

2.1. Introduction

Customer relationship technologies companies use to manage and analyze customer interactions and data throughout the customer lifecycle, with the goal of improving business relationships with customers, assisting in customer retention and driving sales growth. CRM systems\(^{21}\) are designed to compile information on customers across different channels -- or points of contact between the customer and the company -- which could include the company's website, telephone, live chat, direct mail, marketing materials and social media. CRM systems can also give customer-facing staff detailed information on customers' personal information, purchase history, buying preferences and concerns.

\(^{21}\) http://searchcrm.techtarget.com/
Section - A

CRM has been defined by Peppers et al. (1992) as a way of developing the relationships with customers in order to achieve competitive advantage and sustain the growth of the business in the long-term. Essentially, CRM is a way of gathering and processing information in order to understand customers’ needs and behaviours so that customers can be retained within the business through the creation of loyalty and trust (Chambers et al., 2010). Consequently, the focus of CRM seems to be on creating value for the business by retaining existing customers in the long-term (Winer, 2001).

Origins of the term CRM can be traced back to the 90’s of the 20th century when the concept of marketing changed from transactional to relational (Dohnal, 2002, p. 31). Since the beginning, many definitions have appeared with different meaning and sometimes even the meaning of the acronym CRM varied from Customer relationship management to Customer relationship marketing (Buttle, 2009, p. 3). It is hard to verify who the first to define CRM was. Some sources claim that Lehtinen together with colleagues were one of the first to describe and thoroughly research CRM (Lehtinen, 2007, p. 18-19). According to Lehtinen (2007, p. 18) CRM came into being together with development of marketing which gradually became more personal until it transformed into direct customer marketing, also known as

http://www.busandman.com/
one to-one marketing, which aims at individual customers. Therefore, CRM implementation requires companies to change their view of marketing. Transactional (classical) marketing is becoming a thing of the past and the new trend is relational marketing, defined by Dohnal (2002, p. 32) as: “a process of identifying, establishing, maintaining, improving, and if necessary timely termination of economic relations with customers and other concerned subjects for the mutual benefit of all involved parties, which is achieved by mutual fulfilling of obligations and values.”

Customer relationship management is a relatively new field, but its importance is becoming even more evident as time passes. The paradigm shift from focusing on attracting new customers to retaining current ones is at the backbone of CRM (Winer 2001). Reichheld’s studies revealed that small increases in customer retention rates greatly increased profits, proving that long term customers can be more valuable (1996). More revenue on average is generated from repeat-purchase customers when compared to one time buyers (Reichheld 1996). With potential profit maximization in mind, businesses are turning to customer relationship management in order to better understand customers. Traditional marketing and mass advertising are proving to be ineffective in such a commoditized environment. With the number of similar products on the market increasing and competition among

the firms escalating, companies must look toward capturing customers on some factor other than product quality, price, or convenience (Brown 2000). They must focus on building unique, one to one relationships with customers based on individual needs and wants; thus, implementing customer relationship management is critical to the growth and future success of firms\textsuperscript{24}.

2.2. Advantages of CRM\textsuperscript{25}

Certainly a benefit for each company is to achieve better economic results thanks to achieving higher value from every interaction with a customer. Competition is very sharp in current market. Companies must take care of a customer in every area of their specialization by using various communication channels. Customer expects perfect services whether he calls a help line, asks a dealer, browses a web site or personally visits a store. It is necessary to assure him in a feeling that he communicates with the same company whatever form of communication, time or place he chooses.

Advantages of CRM:

• Satisfied customer does not consider leaving;

• Product development can be defined according to current customer needs;

\textsuperscript{24} Ibid
\textsuperscript{25} http://www.opf.slu.cz/aak/2011/04/heczkova.pdf
• A rapid increase in quality of products and services

Customers Back Office
Data Warehouse Operative CRM Collaborative CRM Analytical CRM

86;

• The ability to sell more products • optimization of communication costs • proper selection of marketing tools (communication) • trouble-free run of business processes;

• Greater number of individual contacts with customers • more time for customer;

• Differentiation from competition;

• Real time access to information;

• Fast and reliable predictions;

• Communication between marketing, sales and services;

• Increase in effectiveness of teamwork; and

• Increase in staff motivation

Advantages and benefits are almost endless.

Customer Relationship Management helps businesses keep track of their customers and come up with more efficient ways to market to them. Both small and large businesses have found ways to implement CRM practices in their business operations in an effort to understand their customers in a better way and serve them better and ultimately increase sales and build loyalty.
**Departmental Integration** — One thing that hinders an organization's performance and ability to serve a customer is the visibility of data throughout different departments. If a customer calls and speaks on one matter to someone in the sales department and moments later speaks to the billing department, departmental integration reduces the chance a customer is put on hold while the departments speak to each other. Having a CRM streamlines a customer's process from start to finish.

**Enhanced Customer Service** — CRMs are a great tool for auditing, training and tracking information such as complaint calls. They are useful in identifying a customer’s needs. Customer service representatives will have a larger scale of information to better serve a customer. They can view contracts, prior pricing, shipping information and even personal information about a customer to make it a more personable experience.

**Improved Sales and Marketing Tactics** — With a CRM, an organization's sales team can work more efficiently. They can monitor their pipeline and track the lead-to-sale process, review each other's notes on customers and share product and contract information. A manager will be able to better measure productivity by having access to monitor the time the sales team spends on certain activities. This is a valuable tool because a manager can use this information in performance evaluation of employees. Customer Relationship Management refers to the methodologies and tools that help
businesses manage customer relationships in an organized way. Customer relationship management is a broadly recognized, 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.

2.3. Purpose

The idea of CRM is that it helps businesses use technology and human resources to gain insight into the behavior of customers and the value of those customers. With an effective CRM strategy, a business can increase revenues by:

- providing services and products that are exactly what your customers want
- offering better customer service
- cross selling products more effectively
- helping sales staff close deals faster
- retaining existing customers and discovering new ones
- make call centers more efficient
- simplify marketing and sales processes.
2.4. Key Elements of CRM

CRM can be broken down into a number of different components which many software vendors have developed packages for. For the most part, there are three areas which are core to successful customer relationship management:

- Customer Service
- Sales Force Automation
- Campaign Management.

Customer Service

The customer service function in your company represents the front office functions that interact with your customers. These are the business processes that allow your company to sell products and services to your customers, communicate with your customers with regards marketing and dealing with the after sales service requirements of your customers. Each interaction with the customer is recorded and stored within the CRM software where it can be retrieved by other employees if needed.

Sales Force Automation

Your company’s sales department is constantly looking for sales opportunities with existing and new customers. The sales force automation functionality of CRM software allows the sales teams to record each contact with customers,

http://www.itinfo.am/eng/customer-relationship-management/
the details of the contact and if follow up is required. This can provide a sales force with greater efficiencies as there is little chance for duplication of effort. The ability for employees outside of the sales team to have access to this data ensures that they have the most recent contact information with customers. This is important when customers contact employees outside of the sales team so that customers are given the best level of customer service.

**Campaign Management**

The sales team approach prospective customers in the hope of winning new business. The approach taken by the sales team is often focused in a campaign, where a group of specific customers are targeted based on a set of criteria. These customers will receive targeted marketing materials and often special pricing or terms are offered as an inducement. CRM software is used to record the campaign details, customer responses and analysis performed as part of the campaign.

In today's fast-paced, competitive business environment it's more important than ever to create and maintain long-lasting business relationships.

Today, CRM manages business processes spanning sales, support, and marketing creating effective customer interactions. Given the purpose of CRM, the functionality is straightforward, and the benefits of successful deployments clearly generate value and profitability for any company. Great CRM solutions need to encourage users to interact with the application as well as be in-tune with the business and IT cost-saving needs.
Today, the major business focus is towards endowing value addition to the sales cycle, and customer retention rather than constructing a new customer base which is costlier and also an uncertain chase from business perspective. The basic philosophy behind CRM is that a company's relationship with the customer would be the biggest asset in the long run.

**Chart – 1 Evolution of CRM**

![Chart of CRM Evolution](chart)

2.5. **CRM Building Blocks**

Below are listed the following building blocks for successful CRM practices:

**Vision**

The board must take leadership in creating a CRM vision for the enterprise. The CRM vision should be used as the guide to the creation of a CRM strategy.

---

**Strategy**

The CRM strategy is all about how to build and develop a valuable asset: the customer base. It must set objectives and metrics for attaining that goal. It directs the objectives of other operational strategies and the CRM implementation strategy.

**Customer experience**

The customer experience must be designed in line with the CRM vision and must be constantly refined, based on actively sought customer feedback.

**Organizational collaboration**

Changes to organizational structures, processes, metrics, incentives, skills, and even the enterprise culture must be made to deliver the required external customer experience. Ongoing change management will be key.

**Process**

Successful customer process reengineering should create processes that not only meet customers' expectations and support the customer value proposal, but also provide competitive differentiation and contribute to a designed customer experience.

**Information**

Successful CRM demands the creation of a customer-information blood supply that flows around the organization, as well as tight integration between operational and analytical systems.
Technology

CRM technologies form a fundamental part of any enterprise's application portfolio and architecture. CRM application needs should be considered as the provision of integrated functionality that supports seamless customer-centric processes across all areas of the enterprise and its partners.

Metrics

Enterprises must set measurable CRM objectives and monitor all levels of CRM indicators to turn customers into assets. Without performance management, a CRM implementation will fail.

The above building blocks are part of the strategy framework to help organizations go through the important CRM journey. However, successful implementation and using the CRM solution to benefit the business depends largely on the people (from senior management down) within the organization to truly adopt and embrace it.

2.6. Implementation of a CRM System

The keys to successful CRM implantation are as follows:

- Develop customer-focused strategy first before considering what kind of technology needed.
- Break CRM project down into manageable pieces by setting up pilot programs and short-term milestones. Start with a pilot project that

28 http://www.itinfo.am/eng/customer-relationship-management/
incorporates all the necessary departments but is small enough and flexible enough to allow tinkering along the way.

- Make sure CRM plans include a scalable architecture framework. Think carefully about what is best for the enterprise: a solution that ties together “best of breed” software from several vendors via Web Services or an integrated package of software from one vendor.

- With the liberalization and internationalization in telecommunication, service quality has become an important means of differentiation and path to achieve business success. Such differentiation based on service quality is seen as a key source of competitiveness for many Indian firms and hence have implications for leadership in such organizations. Faced with a growing market and increasing competition, companies in the telecom business are adopting to new technological imperatives in order to outperform their competitors. These companies adapt continuously to the dynamic environment so as to survive competition. The need-of-the-hour is relation-based differentiation. Thus Customer relationship management (CRM) is emerging as a critical strategy, since relationships are coming to the forefront of competitive battlefield. Successful CRM is about competing on the relationship dimension-not as an alternate of having a competitive product or reasonable price- but as a differentiator. It a business strategy to acquire, grow and retain profitable customer relationships, with the goal of creating a sustainable competitive
advantage. CRM aims at narrowing the gap between the company and its customers, thus enabling companies to identify the changing behavior pattern of customers so that proactive strategies can be formulated. With telecom industry nearing maturity, showing saturated growth, efficient CRM substitute is essential, since customer attrition is high due to presence of close substitutes and near-zero switching costs and service providers are trying to attract customers from competitors by giving attractive offers. All this is making the switch-over process happen at the speed of thought. CRM is thus evolving as an important tool not only to sustain the market share, build relationships but also to retain it. While at one end telecom service providers are wooing the customers through tailor-made marketing strategies and roping them in with utmost flamboyance, at the other end, retaining the customers for survival has become a focal point, which service providers are concentrating on.

E-CRM\textsuperscript{29}

As the internet is becoming more and more important in business life, many companies consider it as an opportunity to reduce customer-service costs, tighten customer relationships and most important, further personalize marketing messages and enable mass customization. Together with the creation of Sales Force Automation (SFA), where electronic methods were used to gather data and analyze customer information, the trend of the

\textsuperscript{29} Ibid
upcoming Internet can be seen as the foundation of what we know as eCRM today.

We can define eCRM as activities to manage customer relationships by using the Internet, web browsers or other electronic touch points. The challenge hereby is to offer communication and information on the right topic, in the right amount, and at the right time that fits the customer’s specific needs. Today's customers are a fast-moving, demanding crowd. They are looking for products and services that are proven yet innovative. They want information at their fingertips. With the right CRM solutions in place, we can help organizations to build and nurture lasting one-on-one relationships with customers. Thus, it enhances the business efficiencies and profitability.

2.7. Disadvantages of CRM

From a company perspective, the costs associated with CRM programs and technology can serve as a great disadvantage if the return on investment does not reach the optimal level. Once firms commit to adopting the CRM practice, they must invest in training employees, developing the database software, and targeting marketing efforts at the most profitable customers. Evaluating the CRM process is another disadvantage due to the fact that there is no one factor that can determine if the program is successful or not. There are many contributing factors that cannot be easily numerically measured, and

---

therefore, firms may find it difficult to get the true value of its CRM programs (Winer 2001).

The Indian telecom sector has been met with competitive pressure after deregulation. Many key developments took place in the early 2000. The telecom service providers are expected to struggle with complex issues of new technologies, and value added services through continuous innovations. Though many service industries are affected by the churn phenomenon, the problem is extremely acute in the telecom industry with customers joining and quitting in short periods. According to a survey\textsuperscript{31}, with churn of 2 per cent a month an operator is losing 24 per cent of its customers every year, the fact remains that the telecom industries bottom line is getting affected significantly due to the high churn rate. Customers switch over for various reasons. The ultimate goal of CRM in telecom sector is to provide a comprehensive suite of software applications that enable them to increase revenue, productivity and customer satisfaction by managing, synchronizing and coordinating customer interactions across all touch points including web, customer contact centre's, field organization and distribution channels.

\textsuperscript{31} International Journal of Business and Management Invention ISSN (Online): 2319 – 8028, ISSN (Print): 2319 – 801X www.ijbmi.org Volume 2 Issue 11 November. 2013 I PP.52-58
Section - B

Literature Review

Chadha & Kapoor (2009)\textsuperscript{32} in their study explore the effect of switching cost, service quality and customer satisfaction on customer loyalty of cellular service providers in Indian market and find a positive relationship between the switching cost and customer perceived service quality, customer satisfaction and customer loyalty. It has been revealed that the customer satisfaction is the most significant predictor of the customer loyalty. Switching cost and service quality also affect the customer intention to stay with particular service provider. Thus service providers should maximize service quality and customer satisfaction by concentrating their efforts on improving network quality, pricing and value added services.

Daadlani et al. (2010) discuss the benefits of implementing a CRM system in cellular telecom services and analyze that CRM focuses on automating and improving the business processes associated with managing customer relationships within the areas of sales, marketing, customer care and support. CRM applications not only facilitate the coordination of multiple business functions but also coordinate multiple channels of communication with

customers-face to face, call centre and the web- so that organizations can accommodate their preferred channels of interaction. A rich customer relationship fuels effective acquisition, nurturing and retention of customers. CRM aims to provide organizational effectiveness by reducing sales cycles and selling costs, identifying markets and channels for expansion, and improving customer value, satisfaction, profitability and retention.

Ling and Run (2009)\(^\text{33}\) in their study examine the factors that influence customer satisfaction and customer loyalty in telecommunication services. The findings of the study indicate that factors with significant impact on customer satisfaction are: promotion, cost efficient plans, free services, technology factors, line quality, convenience and handiness, while factors affecting customer loyalty are service quality, subscription status, promotion and inconvenience in switching phone number.

Pathak and Rastogi (2007)\(^\text{34}\) state that churn in Indian telecom is among the highest in growing telecom markets. The future churn is dependent on satisfaction level of the customer with the service provider, attitude, and loyalty of the customer.

Iqbal et al. (2008) affirm that satisfied customers of telecom sector have high extent of usage and intentions to repurchase in future. Greater the level of

\(^\text{33}\) Ibid.,

satisfaction of customers greater will be repurchase chances of customers.

Haridasan & Venkatesh (2011) propose that CRM requires organizational and business level approaches – which are customer centric – to doing business rather than a simple marketing strategy. CRM involves all of the corporate functions (marketing, manufacturing, customer services, field sales, and field service) required to contact customers directly or indirectly.

Christopher Bull (2010) Customer Relationship Management systems continues to evolve, there is still much to learn. This paper offers some relatively rare insights on the use of CRM systems and the strategic impact on the processes of intermediation and disintermediation in order to improve customer service. The author has conducted case study from April 2007 to 2008 using an interpretative approach. The research highlights some design characteristics and philosophical insights regarding CRM system approaches and also offers some useful practical insights on the impact of CRM in changes to the deployment of some intermediaries. Bhisham Ramkelawon (2010) expressed that one of the approaches which are creating the buzz in the banking sector is Customer Relationship Management. Banks are realising that the magical formulae for attaining success in such a competitive environment is to focus on maintaining relationship with customers leading to customer loyalty and retention. In fact customer relationship management

---

involves organising activities around the sole customer which can ensure
differentiation at each point of sales by creating a unique customer experience
to customer. R.K.Uppal and Bishnupriya Mishra (2011) he analyzes the
widening gap between desirability and availability regarding reliability,
accuracy, confidentiality, flexibility, e-channels, high attention to customers,
low service charges and overall satisfaction of customers in three bank groups
i.e. public sector banks, Indian private sector banks and foreign banks and
also recommends some measures to bridge this gap between the D/A of
service quality parameters in the banking sector in the emerging competition.
Banks should reliable to win the confidence of potential customers and to
retain the old ones. The various procedures of banks should be transparent
and accurate e.g. working of bank employees with computers should also be
displayed to customers sitting on front chair and money counting machines
should be available for customers also. Phavaphan Sivarasks and
Donyaprueth Krairit (2011) examines and measures the outcomes of
electronic customer relationship management system implementation in the
with banking industry from customers' perspectives. Though most eCRM
implementations cannot be directly seen or recognised by customers, a
literature review and interviews with experts in banking industry were used to
develop a new construct called customer-based service attributes’ to measure
e-CRM outcomes from customers' perspectives. Deepak Salve and Anil
Adsule (2011) Consumers are the focal point in the development of successful
marketing strategy. Marketing strategies both influence and are influenced by consumers affect and cognition, behavior, and environment. Marketing strategy from customer point of view is a set of stimuli placed to influence them. Banking institutions today face several challenges like global competition for deposits, loans and underwriting fees, increasing customer demands, shrinking profit margins, the need to cope with new technologies. Banks need to be careful when they spend CRM budget on smart, fast and focused initiatives that will satisfy more customers, more of the time. According to Uma Sankar Mishra, Bibhuti B.Mishra and Swagat Praharaj (2011), Indian banking sector faces enormous challenges of attracting and retaining customers. The author revealed that the public banks are ahead of the private banks in attracting and retaining customers because of good personal relationship with the customers. Reasons for opening accounts with a bank by the customers are factors like convenient location, overall reputation, etc. Babin Pokharel (2011) felt that many banks already practice private banking and priority banking but in order to incorporate CRM to the highest, it should be strong player in private market. One of the main aim and ultimate goal of CRM is to retain and acquire must profitable customers, which affect overall the profitability of bank.
The Indian Telecom Industry\textsuperscript{36} with an overall tele-density of 72.09 in April 2011 and the mobile segment tele-density of 69.19, finds it difficult to build sustainable and successful relationships with a large customer base. It is not easy to accomplish and has a direct impact on many core operational processes. It is about the interactions of the entire business with customers. Customer Relationship Management (CRM) is about creating a competitive advantage by being the best at understanding, communicating, delivering service and developing existing customer relationships in addition to creating and keeping new customers.

Customer Relationship Management (CRM) is rapidly becoming an integral part of many organizations. The concept itself is relatively simple. Rather than market to a mass of people or firms, market to each customer individually. In this one-to-one approach, information about a customer (e.g., previous purchases, needs, and wants) is used to frame offers that are more likely to be accepted. This approach is made possible by advances in information technology. CRM thus requires organizational and business level approaches – which are customer centric – to doing business rather than a simple marketing strategy. CRM involves all of the corporate functions (marketing, manufacturing, customer services, field sales, and field service) required to contact customers directly or indirectly. The term “touch points” is

\textsuperscript{36} International Journal of Business Research and Management (IJBRM), Volume (2): Issue (3) : 2011.
used in CRM to refer to the many ways in which customers and firms interact. One of the most important studies conducted in this field is by Reichheld and Sasser (1990), which showed the large impact on profitability of small increases in customer retention rates, which made the marketing community more conscious of the need to manage customer relationships in the long term as well as prior to the first sale. In addition, more studies have shown that the cost of retaining current customers is lower than the cost of acquiring new ones (Blattberg and Deighton 1996, Filiatrault and Lapierre 1997) and that economic benefits of high loyalty are important, and in many industries it is this which determines the differences between companies (Reichheld 1996).

The objective of customer relationship management is to unite and join information technology and business processes in a fashion that enables the firm to acquire new customers, to retain existing customers, and maximize the lifetime value of its customers (Peppard, 2000). According to Newell (2000)\(^{37}\) there are often three distinct types of relationship customers: the top, middle and lower groups. The top group (top 10%) consists of customers with excellent loyalty and high profitability for the organization. CRM is needed to retain and offer them the best possible services in order to avoid them defecting to hungry competitors. Middle group customers (next 40% to 50%) are ones delivering good profits and who show good potential for future

\(^{37}\) *International Journal of Business Research and Management (IJBRM), Volume (2) : Issue (3) : 2011.*
growth and loyalty. These are the customers who are probably giving some of their business to competitors. The idea is to use CRM to target middle group customers effectively as they are the greatest source of potential growth. Lower group relational (bottom 40 to 50 %) customers are those who are only marginally profitable. Some may have potential for growth but the expense and effort involved in targeting such numbers, hinders the effectiveness of servicing existing relational customers in the top and middle groups.

In India, rapid diffusion of telecom, at least in the urban areas, has been progressing, thanks to the hyper-competitive telecom markets with the post-liberalization entry of several Indian and global players. In such a competitive milieu, survival and success of the Indian players will depend on competitiveness.

To conclude, in this chapter an attempt has been made by the researcher to examine the CRM practices and their benefits and also the review of literature. The profile of the Mobile network companies has been discussed in the next chapter.