Chapter III

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3.1 Introduction

World economy has witnessed major changes in the financial service industry, especially in the recent past. Housing Finance sector is one of the fastest and largest growing sectors in the global economy. Keeping in pace with this growth, the Housing Finance sector in India has also made a considerable development. Indian Housing Finance sector has undergone significant transformations. Tremendous changes have taken place in this sector with regard to technology, operational speed and the approach towards dealing with customers. Customers will prefer to patronize organisation that offers better service, when there exists similarities among organisations in terms of products, price and other factors. The fierce competition exists among the organisations is forcing them to be closer to customers adopting a relationship or retention focus. CRM is gaining importance, in such a scenario. The basic objective of CRM implementation is to attract new customers, and retain the existing customers. This would result in more business and high profits. CRM is a widely implemented strategy that an organisation adopts to manage interaction with current as well as prospective customers. CRM helps in strengthening customer relationship by upgrading quality of customer experience.

This chapter explains Customer Relationship Management, its evolution, concepts, functions and subsystems. It also includes factors affecting CRM, such as Customer focused information technology, Customer focused organisational climate, Relationship marketing, CRM strategy, Knowledge management and their impacts on Customer satisfaction and loyalty.

3.2 Evolution of CRM

The level of attention given to the customer was very low when the Housing Finance sector was monopolized by few Housing Finance Institutions. There occurred a transformation from sellers market to a buyer’s market when Commercial Banks, Housing Finance Companies and other institutions entered the Housing Finance sector. Focus was shifted from transaction to relationships. Housing Finance
Institutions were forced to adopt a strategic approach in dealing with their customers, due to the cut throat competition existing in this sector. In addition to this, raising customer expectations and technological advancements also have made CRM a strategic necessity on the part of Housing Finance Institutions in India.

Origin of the term CRM can be traced back to the 1990’s when the concept of marketing changed from transactional to relational (Dohnal, 2002). The term CRM was first initiated in the IT community and practitioner community in 1990s (Mohammad Ali Shafia, Mohammed Mahdavi Mazdeh, Mahboobeh Vahedi and Mehrdokht Pournader (2011)). Organisations have adopted CRM to manage relationships with their customers as part of efforts to enhance organisational performance, from the beginning of 1990s (Molan Kim, Feong Eun Park, Alan F. Dubinsky and Seoil Chaiy, 2012). An important objective of CRM is to enhance the acquisition and retention of customers, efficiently and effectively. This is possible by selectively building and maintaining mutually satisfying relationships with them.

CRM originates from the concept of customer orientation to enhance the relationship between enterprises and their customers. CRM is technology oriented. But it can bring in results only if it is customer focused, and is supported by corporate culture. Originally CRM was widely considered as a communication process between organisation and its customers. It involves improved and increased communication within an organisation itself as well as between the organisation and its customers. It was evolved from the need for pursuing a customer oriented approach of management. Sheth and Parvatiyar (2000) identified five micro environmental factors for the growth of the relationship orientation in marketing. The factors are rapid technological advancements (especially in information technology); adoption of total quality programmes by companies; growth of the service economy; organisational development process leading to empowerment of individuals and teams; and increase in competitive intensity leading to concern for customer retention.

CRM provided the marketers a novel method to approach the customers and create value through a more effective strategy. It places customer at the heart of the business process, for improving customer satisfaction and maximising profit. Its
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objective is to create, maintain and expand relationship with customers. Organisations take every effort to become ‘customer centric’ across the globe.

3.3 CRM concept

Customer relationship management is a discipline that covers all the elements needed to build successful relationships with customers. CRM includes the following elements.

   i. Information needed to understand the customers better
   ii. Process management needed to deliver efficient and appropriate experiences to customers
   iii. Software tools that allow to use the knowledge
   iv. Training and the change management

People and organisations capable of delivering better experiences, can build stronger relationships with customers. The emergence of the internet and the influx of global customers resulted in declining of human interactions. This made it difficult to build relationships in the traditional way. CRM involves using information, processes, technology and people to enhance relationships with customers.

Though the scope of CRM is very broad, generally it may be limited to activities in the domain of marketing, sales, customer services and product support. R&D program would need information which is generated by CRM functions. CRM focuses on strategic impact rather than operational impact. Its benefits are more of long term in nature. CRM includes all the functions that directly touch the customer throughout his period of association with the organisation.

CRM is a sustainable service approach to customers that help in improving customer perception on quality of services provided. It is a system, based on the organisation’s customers and the capability of the organisation to provide best products and services. The aim of the system is to gain long-term customers and their loyalty by focusing on relationships.
In the literature available, CRM is defined in many ways. A compilation of the definitions of CRM is given below.

Customer Relationship Management is “the establishment, development, maintenance and optimization of long term mutually valuable relationships between customers and the organisations”\(^5\)

Customer Relationship Management (CRM) is a “business strategy for improving profitability by focusing on customer needs and creating an attentive relationship with the customer. It involves a personalised and interactive approach for the entire customer lifecycle”\(^6\)

CRM is concerned with “the creation, development and enhancement of individualized customer relationships with carefully targeted customers and customer groups resulting in maximising their total customer life-time value”\(^7\)

CRM is “enterprise wide mindset, mantra and set of business process and policies that are designed to acquire, retain and service customer. CRM is not a technology, though technology is a CRM enabler”\(^8\)

CRM is defined as “a comprehensive strategy and process that enables an organisation to identify, acquire, retain and nurture profitable customers by building and maintaining long-term relationship with them”\(^9\)

CRM is “the overall process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction”\(^10\)

CRM is defined as “a communication process between customers and an organisation’s service for the purpose of attracting and maintaining the customers who will become true customers of organisation and intends to use services provided by the organisation”\(^11\)

CRM can be defined as the “managerial efforts to manage business interactions with customers by combining business processes and technologies that seek to understand a company’s customers”\(^12\)

CRM is “a comprehensive strategy and process of acquiring, retaining and partnering with selective customers to create superior value for the company with the customer”\(^13\)
CRM is “the utilization of customer related information or knowledge to deliver relevant products or services to customers”\(^{14}\)

CRM can be defined as “an organisational approach that seeks to understand and influence customer behaviour through meaningful communications in order to improve customer acquisition, retention, loyalty and profitability”\(^{15}\)

CRM is defined as “an effective tool to achieve the objectives such as satisfied and loyal customers and increased market share. It is referred to as a customer focused business strategy”\(^{16}\)

CRM is “a front end tool that ensures acquisition, detainment and expansion of long term relationship with potential customers”\(^{17}\)

CRM is “the strategic use of information, processes, technology and people to manage the customer’s relationship with your company (marketing, sales, services, and support) across the whole customer life cycle.”\(^{18}\)

3.4. **CRM components**

CRM has three major components. They are Operational, Analytical and Collaborative.

i. **Operational CRM**

Operational CRM implies supporting the ‘front office’ business process which includes customer contacts (DR.M.Sendhilvelan and K. Karthikeyan, 2010)\(^{19}\). It generally refers to services that allow an organisation to take care of their customers. It provides support for various business processes, which can include sales, marketing and service. This support includes software for sales force automation. This is similar to the Enterprise Resource Planning and involves activities related to customer services such as orders, sale automation and marketing. Operational CRM include contact centers, data aggregation systems and websites. The expertise of CRM gives access to information about customers and gives a clear view of the customer needs. This is among the primary applications of CRM.
ii. Analytical CRM

Analytical CRM performs reception, storage, extraction, interpretation and reporting of customer data for the user. The CRM strategy of the organisation is dependent on data infrastructures that store, analyze and manage customer-related data. Data warehousing; database management system; and data mining are the major parts of data technology in CRM. The most dynamic customer management tool that turns data about customers into useful information is Analytical CRM. It addresses the analysis of customer data for a host of different purposes. The main objective of Analytical CRM is acquisition, modification and retention of the customer’s list. It is used to design and execute targeted marketing campaigns that optimise marketing effectiveness. Analytical CRM leads to better and more productive customer relations.

iii. Collaborative CRM

It covers direct interaction with customers including feedback and issue reporting. Thus it is a highly effective method of communication. Interactions take place through web pages, e-mail and automated voice responses. Collaborative CRM helps to improve services offered. It addresses such issues as sales, technical support and marketing. It allows a business to share any information collected from interactions with customers. Thus it is a dynamic tool. The major objective of Collaborative CRM is to maximise profitability, revenue and satisfaction. The crux of Collaborative CRM is combining software installation with customer oriented strategies. It shares useful information with in different departments of the business. The information obtained helps to improve the quality of customer service.

3.5 CRM and Information Technology

IT enabled communication services are components of critical importance for financial service organisations. Technology is considered to be an effective tool in managing relationship with customers in Housing Finance Industry. The advances in IT has helped in bringing the concepts of one to one relationship, customer value analysis and mass customisation to reality. This transformed the traditional approach to CRM. This resulted in the application of tools like customer information systems, automation of customer support processes and call centers (Ghodeswar, 2001)\(^{20}\).
In the present business context Information technology and Communication services are used as a tool for organisational communication, knowledge management and strategies (Laudon & Laudon, 2002). The advances in IT equip firms in enhancing the capability to respond to the needs of individual customers and thus to attract and retain customers (Butler, 2000). Appropriate use of IT helped firms to undertake a number of customer centric activities. IT helped in changing work practices and establishing new methods for linking the organisation with its customers.

Internet provides a new channel for customer interactions, which is popularly known as e-CRM. The strategic use of information, process, people and technology to manage the customer’s relationship with the organisation through web is called e-CRM. Internet has contributed significantly in bringing changes to customer expectations for access, control, speed and globalisation. Internet has brought a key change in CRM implementation through automation, which made changes in the way people are involved in customer interactions online. Customer loyalty is the end product of e-CRM.

The sub elements of customer focused Information Technology are given below.

i. Computerized decision support system

An emerging trend in the current business scenario is managing customer interactions through IT and IT based communication services. Networking between the branches of divisional, regional, zonal and head offices of Banks/HFCs provide access to customer data base from the executive desk. Integration of front-office applications with back-office requirements is made possible through this. This results in having MIS for branch managers and executives at different controlling offices including head office for accurate, speedy and cost-effective customer services. Data warehousing and data mining techniques are used to develop customer data, to check their profile, retention and loyalty patterns. They provide inputs for retaining customers and developing products and services for the future (R.K.Mittal and Rajeev Kumra, 2001).
ii. **User friendly website**

The use of technology to implement CRM and enhance customer relationships is not a new practice, in the financial service sector. An organisation can provide more tailored offerings to its customers. In the context of e-business, the concept of CRM takes the shape of e-CRM, which deals with managing customer interactions over web. A customer may get better information from the website than what they get from the employees of Housing Finance Institutions. The control of transactions is shifted from the employees of HFIs to customers through the use of internet as a service delivery channel (Mittal, 2000)\(^{24}\). The current online customers demand instant access to the organisations with which they do business (Trepper, 2002)\(^{25}\). They expect each person they contact to have full knowledge of their account. Interactive CRM (ICRM) is made possible through work based e-commerce activities. In ICRM, customer queries can immediately be resolved online in real time. This results in faster resolution of customer doubts and online experiential difficulties. This ultimately would enhance customer satisfaction and loyalty.

iii. **IT enabled communication services**

Now the relevance of buyers-sellers meetings and face to face interactions are getting reduced to a great extent. This is because of the transactions which take place online. IT helps organisations in attracting large number of customers by way of achieving an edge over competitors. IT enabled communication services such as E-mails, SMSs and Instant messages are less costly than any other means of communication and is suitable for making lasting relationship with customers. These forms of communications will result in increased customer retention, customer satisfaction and loyalty. New technologies have enabled the Financial Service Institutions to clearly identify and distinguish every customer and to serve accordingly. The technology helps to have effective communication and provide better services at reduced cost (Sin et al., 2005)\(^{26}\). IT helps Financial Institutions to develop and maintain interactive one to one relationship with customers. This in turn will enable them to gain greater insights into customer needs, behavior and expectations.
3.6 CRM and Organisational Climate

Organisational climate reflects shared beliefs and values in an organisation in terms of its systems, practices and leadership style (McMurray, A, 2003). The success of CRM depends greatly on organisational climate. According to Ja-Shen Chen, (2009) organisational climate is the ‘feeling in the air’ that one gets from walking around an organisation. It is the organisational climate that would give shape for organisation’s focus on customers.

But it is unfortunate that organisational climate of many organisations do not support CRM. A high degree of organisational independence is generally promoted in entrepreneurial style organisations. The product centered climate normally takes into consideration the customer needs and make decisions based on their own performances. In certain situations organisational climate may create hurdles for building customer centered programs like CRM. Changing the whole climate/culture of an organisation is beyond the scope of a CRM program. But CRM can attempt to change some behaviors through training and education and providing rewards. Top management has to play an important role in the development of customer focused organisational culture.

In the thesis titled “A project on Housing Finance: How SBI can establish leadership” K.L. Srinivasan (2000) suggested that the most important variable in the marketing of housing loan schemes by banks are simplification of the documentation process, careful and friendly approach systems and procedures, good customer service and non insistence in collateral securities. The sub elements of organisational climate are discussed below.

i. Customer friendly employees

It is necessary for each organisation to have people, who manage business process and make connections within the organisation and make relations with customers (Maha Mohammed, 2007). Employees are the building blocks of customer relationships in every business organisation (Brown, S.A, 2000). The kind of organisational image, the employees would make in customers is a significant factor in establishing a long term successful relationship with customers (Doyle, P, 2000). The customer interacts with the organisation through its
employees. The attitude and behavior of employees will influence the kind of perception that the customer makes about the organisation. Hence employee’s attitude should help in the attraction and retention of customers. It has been reported that lack of support from employees resulted in the failure of 70% of CRM implementations.

ii. Customer Orientation

Customer services provided by the organisation are equally important to create customer friendly attitude of employees. Researchers argue that level of service fairness have a positive effect on perceived outcomes (Seiders, K and Berry L., L, 1998). Customers seek fair services and consistent treatment. Unfair treatment is a crucial factor leading to customer complaints (Ambrose, M, Hess. R, L and Ganesan, 2007). There are empirical evidences for the fact that satisfaction on delivered services will affect the customer’s decision to continue a relationship (Fornell, C, 1992). Customer focused services is an important factor affecting the customer satisfaction and customer loyalty.

iii. Customised products and services

HFIIs can practice CRM by enabling customers to get customized products and services. That would be of greater benefit to them. By identifying the preferences and expectations of customers, the Housing Finance Institutions can design products depending on the exact requirements of their customers. To ensure proper CRM through customisation, the organisation should be able to generate a single customer view when the customer interacts with the Housing Finance Institution. Customisation should be done on the basis of meeting the individual customer’s unique requirements.

iv. Simplicity of doing business

Simplicity of doing business is vital in determining customer satisfaction in Housing Finance Institutions. Simple procedures in doing business with the organisation will determine customer satisfaction. R.R.Krishna and V.S.Krishna Mouthy (1999) in their article titled “Trend and policy Issues of Housing finance in India”, mentioned that simplified procedures and speedy sanction of housing loans will give a boost to the construction of houses. When customers are satisfied,
the tendency to switch the organisation and the negative word of mouth publicity will reduce greatly.

3.7 CRM and Relationship Marketing

Relationship marketing is emerging as a concept, integrating customer service and quality with a market orientation. The importance of buyer and seller in the marketing process is emphasized in it. Relationships determine the future value of the organisation. The core concept of Relationship marketing is to build long-term relationships with customers.

The objective of Relationship marketing is to help customers to achieve higher level of satisfaction. This involves providing more personalized service and providing service quality that exceeds customer expectations. Relationship marketing theory highlights the importance of personal interactions. The concept of Relationship marketing emerged within the field of service marketing and industrial marketing (Jacson, 1985). Relationship marketing is viewed as a strategy to attract, maintain and enhance customer relationship (Berry 1983). Gronroos (1994) states that: Relationship marketing is to identify, establish, maintain and enhance relationships with customers and other stakeholders, at a profit, so that the objectives of all parties involved are met. This is done by a mutual exchange and fulfillment of promises. The basic objective of Relationship marketing strategy is to achieve competitive advantage and, thereby, superior financial performance.

For the survival of service organisations, it is important to adapt customer centric strategies aimed at maintaining and enhancing relationship with existing customers. An organisation with high degree of service orientation will be committed to delivering excellent service (Amanda Beatson, 2008). Higher service quality will help not only to retain existing customers over long time and to attract new customers.

Nelson Oly Ndubisi and Chan Kok Wah (2005) in their study proposed five dimensions of perceived relationship quality. They are competence, communication, commitment, conflict handling and trust. Organisations with high level of commitment to service and those that are competent, trustworthy, communicating efficiently and handling conflicts appropriately will have a better quality relationship.
with customers. The study by Hennig-Thurau et al. (2002)\textsuperscript{42} proved that trust, commitment and satisfaction have a direct or indirect influence on loyalty of clients. This was confirmed by the study conducted by Palmatier et al., (2007)\textsuperscript{43}. They opined that loyalty is largely affected by the key components of relationship marketing.

The sub elements of Relationship marketing are given below.

i. **Trust**

   Trust is considered as an important variable of relationship marketing in many studies. Moorman et al. (1993)\textsuperscript{44} defined trust as willingness to rely on an exchange partner in whom one has confidence. Customer satisfaction is affected by customer perception of trust. Schurr and Ozanne (1985)\textsuperscript{45} defined trust as the belief that a partner’s word or promise is reliable and a party will fulfill his/her obligations in the relationship.

ii. **Competence**

   Competence is defined as the buyer’s perception of the organisation’s technological and commercial competence (Anderson and Weitz, 1989)\textsuperscript{46}. It is believed that people seek fair services and consistent treatment from their organisation. For this, developing competence is important. Customers are more satisfied if they receive a service similar to what other customers receive. Competitive advantage of one’s own organisation over other creates customer satisfaction and loyalty.

iii. **Commitment to customers**

   Commitment to customers is a useful construct for measuring customer loyalty as well as for predicting purchase frequency in a future period of time. (Gundlach et al., 1995; Morgan and Hunt, 1994)\textsuperscript{47}. It is an enduring desire to maintain a valued relationship (Moorman et.al, 1992)\textsuperscript{48}. A higher level of obligation will help to make a relationship successful which is mutually beneficial and satisfying. Commitment to customers is considered as an important variable of Relationship marketing.
iv. **Customer interaction**

Interaction between customer and the organisation is the focal point of relationship marketing. Managing customer interactions will decide longevity of relationship and customer loyalty. There are certain factors which are important in managing customer interactions. They are channels for customer interaction, consistent marketing campaigns, consistent customer communication, providing timely and trustworthy information, building emotional bonding with customers and providing consistent information about new services.

v. **Conflict handling**

Handling conflicts has a crucial role in managing relationships in a Financial Service Organisation. It refers to the ability of an organisation to minimize negative consequences of manifest and potential conflicts (Dwyer et al., 1987). Encouraging the customers to express their complaints will give the organisation an opportunity to understand the problem of the customer and to timely resolve it. This will enhance the level of customer satisfaction. If a customer is unhappy, but doesn’t complaint, then the organisation will have the risk of losing that customer (Mozad Zineldin, 2006). For success, it is necessary for an organisation to have a formal complaint management system, and pro-active efforts to avoid conflicts. If problem rises there should be sincere efforts to openly discuss and solve them.

3.8 **CRM Strategy**

A successful CRM strategy aims at understanding the needs of the customer and integrating them with the organisation’s strategy, people, technology and business process. A main component of any CRM strategy is the facilitation of two-way interaction between individual customers and the organisation. This will enable the organisation to adjust its strategy, including product design, customer service and channel preferences. The primary focus of CRM strategy is the capacity building for an organisation to create and retain profitable customers (Ngai, 2005). Most strategies evolve around three aspects. They are customer profitability, customer acquisition and customer retention. (Peck, Payne, Christopher & Clark, 2004).
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The success of a CRM strategy can be seen in the specific goals that are set for the strategy. Some of the goals that can be set include retaining existing customers, improving customer lifetime value, improving customer satisfaction, customer share and customer loyalty (Luck & Lancaster, 2003:214).

i. Customer acquisition/expansion strategy

Though lot of time and money are spent on attracting new customers. But a few resources are focused on retaining customers. The cost of attracting a new customer is estimated to be five times the cost of keeping a current customer happy and thus retaining with the organisation. (Kotler, 1997). The cost of attracting a new customer is often higher than the customer’s lifetime value with the organisation. Thus it is clear that an emphasis on customer acquisition without focusing on the resulting relationship with the customer may result in creating loss to the organisation.

ii. Customer retention strategy

Retention involves ensuring that the customer remains loyal to the organisation. Thus both parties are able to receive substantial benefits. (Zeithaml, Bitner & Gremler, 2006:185). Organisations can increase their rate of profitability in the range of 20% to 125%, if they boost their retention rate by five per cent (Peck et al., 2004:47). Customers who receive excellent service remain loyal and provide free advertising by talking about the organisation’s products and services (Reichheld & Sasser, 1990:107). An organisation with a primary focus on customer retention should have information about the customer retention rate and the aspects that affect possible customer defection and migration (Peck et al., 2004:49).

iii. Value creation strategy

Value creation is the primary aim of any business entity. Creating value for customers helps sell more products and services. A suitable value creating strategy can strengthen value proposition of the organisation. This will make it difficult for other organisations to imitate this value proposition and make long term competitive advantage for the organisation in this way. A value creation strategy should be able to answer questions such as: how CRM can create value for the customers and the organisation, how can these values be transferred to customers and how the
organisation can convert these values to long term competitive advantage (Reza Allahyari Soeini, 2012).

3.9 CRM and Knowledge Management

Customer information is a critical component for building loyalty due to the fact that it is impossible to build strong relationships without knowing the needs and expectations of customers. Customer information is an essential input required for building relationships.

Customer information will help to identify the most valuable customers. CRM is concerned about identifying and rewarding the valuable customers. This will prompt them to remain loyal and increase their value to the organisation.

Knowledge management can be defined as the ability of creation, demonstration, distribution, dissemination, and retention of knowledge in an organisation (Decastro, 2009). CRM involves management of knowledge about customers for a better understanding of them and their needs. Hence availability of updated customer knowledge is a pre-requisite for a successful system of Customer Relationship Management (Garrido, 2011).

Knowledge management deals with the creation, transfer and application of knowledge. Knowledge is generated from experience or empirical study of customer data. The key aspect of knowledge management include knowledge generation, knowledge dissemination and sharing and knowledge responsiveness (Leo, 2005).

Following are the elements of knowledge management in the context of Customer Relationship Management.

i. Customer preferences and expectations

CRM will provide customer knowledge, which will enable a firm to improve its customer satisfaction. The effect of CRM applications on customer satisfaction is achieved through customer knowledge. The success of an enterprise is determined by its ability to enhance relationships with its customers by fulfilling their present needs and anticipating their prospective needs and expectations (Chiu and Lin, 2004). Appropriate resources, efficient technology systems and effective knowledge management will enhance the ability of a firm to understand customers.
ii. Customer information management

Knowledge management is an important influential factor in CRM. It is applied as mediation between inside factors of organisation and the success of customer relationship management. Jayachandran, Hewett, and Kaufman (2004) observed that customer information management processes enhance the speed and effectiveness of a firm’s customer response. A good knowledge of customer behavior enables firms to manage and target customers on the basis of evolving service experiences. This will increase the perceived value of the firm’s offering and decrease the chance of customers switching to competitors.

iii. Dissemination of customer information

The importance of customer knowledge as a mediator for customer satisfaction suggests that in addition to implementing CRM, managers should also ensure that customer knowledge is disseminated across customer touch points. This is required to enhance the level of customer satisfaction. According to Bharadwaj (2000) gathering customer knowledge from customer encounters and disseminating this knowledge to employees will be useful for cross selling and forecasting product demand. Managers should introduce systems to capture the gains in customer knowledge following the implementation of CRM applications. The reason is that gains in customer knowledge are indications of gains in customer satisfaction.

3.10 CRM and Customer Satisfaction

Customer satisfaction is a critical goal of all business activities. Kotler (2003) defined the customer satisfaction as the degree of actual performance of an organisation that satisfies customer needs. It is the net result of total customer experience from an organisation. The total customer experience is what a customer feels as a result of all the interactions he has had with the organisation combined with other experiences and information he has gained from the external market place. Customer experiences are the result of many things done by the organisation, combined with other influences that come from parties external to the organisation.

Organisations can grow only if they can create a place in the heart of the customers. For this, they should keep customer satisfaction as the focal point of their philosophy. The philosophy of producing and selling products as per the needs of
the customers will help to create a place in the customers heart. This will have a long lasting impact on them which would make them satisfied and loyal to the organisations. The confirmation/disconfirmation theory (Churchill and Surprenant, 1982) explains that satisfaction is achieved when expectations are fulfilled. Customers used to compare their experience against expectations. If this comparison confirms their expectations, they will be satisfied otherwise dissatisfaction will be the result. A satisfied customer tends to avoid negative word of mouth and try to remain in a relationship with the company. Thus customer satisfaction has a direct effect on the chance for customer continuing with the organisation.

Customer satisfaction is a measure of how well a customer’s expectations are met by a given transaction. Customer knowledge, service delivery and customer interaction are the pre requisite to create customer satisfaction. A thorough understanding of customer needs and expectations, effective control of inputs and successful operation of the service-provision processes should be the highest priorities for an organisation to create customer satisfaction.

3.11 CRM and Customer Loyalty

Developing and maintaining long term relationship with customers is the major concepts underlying CRM. Loyalty is emotional and not rational. Loyalty occurs when an individual has a vested interest in maintaining a close relationship. Generally this is a consequence of a series of positive experiences that have occurred over a period of time. These experiences can be tangible or intangible. Product quality, ease of use, prompt and effective services are the examples of tangible experiences. Respectful communications, trustworthy company image etc. are the examples of intangible experiences.

Uncles (2003) defined customer loyalty as a commitment to continue to do business with a company, on an ongoing basis. Oliver (1999) formulated a comprehensive definition of customer loyalty. He defined loyalty as “a deeply held commitment to patronize a preferred product/service consistently in the future”.

Loyalty is built on relationships developed through the customer’s experiences while interacting with the organisation. Loyalty indicates the probability
that a current customer will buy from the organisation repeatedly, rather than from a competitor. Positive experiences build strong loyalty.

According to Kotler and Keller (2009)\textsuperscript{70} loyal customers are indeed valuable for a company and generally competitors find it difficult to snatch them. They have to be viewed as company marketers. They affect customer purchasing pattern and hence they contribute significantly to achieve company profit. Customer satisfaction is the main contributor to customer loyalty. There is a common belief that customer satisfaction and the loyalty are one and the same. But all satisfied customers are not necessarily loyal. Dissatisfied customers are likely to tell other people about their negative experiences. Satisfaction alone is not enough to guarantee loyalty. Satisfaction and loyalty are independent factors. Satisfaction is a necessary but not sufficient condition for customer loyalty. Customer satisfaction may lead to higher customer retention. Intention of a customer to buy repeatedly, increased purchase and recommendation of an organisation to others are reflected in enhanced customer loyalty.

An organisation can create loyal customers by rewarding their customers. Providing special recognition at the point of customer contact will be useful for creating satisfied customers. Loyalty is achieved by providing consistent, positive experiences over a period of time. Karbowiak (2002)\textsuperscript{71} states that customer satisfaction facilitates building and cultivating customer loyalty that results in the ability of an organisation to retain its customers and increase the value of these customers via cross-sell and up sell. The more satisfied the customers, the more loyal they are and more durable the relationship will be.

3.12 Conclusion

In this chapter, a detailed discussion is made about evolution of CRM, concept and components of CRM. The relationship of CRM with Information technology, Organisational climate, Relationship marketing, Knowledge management, Customer satisfaction and Customer loyalty are also explained.
References


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