CHAPTER III
CRM: A THEORETICAL FRAMEWORK

INTRODUCTION:

A lot has been spoken of ‘Relationships’ since times immemorial. The whole history of humankind has often been drastically revised because of relationships. If one aspect of human history has remained static, one can safely say that it is ‘Relationships’. It is all because relationships concern human beings, often called a ‘Social Animal’.

3.1 HISTORY OF CRM:

Relationships in business circles have played an equally important role. It was on personal relationships that business was built and thrived in the past. Even though the touch point personnel were not the true owners, enough care was taken to appoint the one who would adequately represent the owner. Thus there was no need of a special branch on ‘relationships’ in marketing. It was in the twentieth century that business put on a multi-fashioned garb, styled with ‘mass production’, ‘standardization’, ‘specialisation’, ‘socialisation’ and soon the business concerns had forgotten the customer and the need to maintain relationship with him. By the end of the century the relationships were so far taken out of the system that phrases like ‘Customer is the King’ were evolved and became topics of theoretical discussions. Customer continued to be a non-entity for it was the suppliers market and customer looked important only in the marketing books. Businesses seemed to have adopted the precept ‘do unto the customers what you want to do to them’.

It was towards the end of the twentieth century as the trend moved towards ‘globalisation’, ‘privatization’ and ‘liberalisation’ that the Marketing Gurus started thinking of the customer again. A door opened for the customer in the shape of a new management concept ‘relationship marketing’ in the 1980’s. After all a seller or a marketing guru also happens to be a customer somewhere else! Now the age-old precept, ‘in everything do to others what you would have them do to you’ seemed to have taken hold of the market. But business relationships no longer remained simple
as in the yester years. In addition to tackling the relationships in the light of mass production, specialization, global competition, etc., it was found that the customer himself had become an enigma, a hard nut to crack. It was soon found that business relationships were no longer confined to the customers alone but they were found ubiquitous, there were the suppliers, the agents, the competitors themselves and in order to survive, a business had to manage relationships with all these market players.

In the natural phase of its evolution and development, as the concept started gaining momentum, scholarly dissensions arose as to its relevance, areas for its progress and, whether or not it represents a new paradigm. Relationship marketing began to be viewed from different perspectives. The term school of thought is used to describe these perspectives. Here it is to be noted that a school of thought has no formal membership, but is drawn together by recognition of and commitment to a discipline through research, publications, and practice. The schools-of-thought approach is more commonly used in the literature and provides a more consistent basis for comparison. A number of schools of thought arose to study these relationships. Coote identifies three approaches to relationship marketing all of which have different emphasis and scope, i.e., “Nordie” approach, the “North American” approach and the “Anglo Australian” approach, which seek to identify the foundation theories associated with each. These differing relationship marketing perspectives are viewed as U.K., North American, European and Industrial Marketing and Purchasing (IMP) Group approaches, which attempt to summarise all the academic work in order to arrive at a consensus on a definition by delimiting the domain in order to make it a discipline which alone, according to Sheth, can result in a paradigm shift. Further Palmer and Mayer characterize relationship marketing as three principal orientations namely, tactical, strategic and philosophical.

Discipline of Marketing is known to have grown out of economics. Similarly Customer Relationship Management has its roots in Relationship Marketing. In spite of the Ubiquity of the relationships in marketing, it was found that the customer was no doubt the ‘king’ of these relationships. He was found too important to be studied along with other players and thus evolved a specialized branch of relationship marketing ‘Customer Relationship Management’ (CRM) which rightfully took its pivotal position among all other relationship studies. Just as relationship marketing as
a discipline is under debate, so also is CRM. The customer now has grown so
important that even the age-old precept on relationships now stands refined as 'do
unto the customer what he wants you to do unto him.' The markets seem to have
come of age. The main aim of the branch was the same age-old one: create a
customer, maintain him, retain him, deepen relationship with him, widen relationships
through his positive word of mouth regarding the product, etc. But the evolution of
the concepts of multinational global markets, cultural spread, masses, classes, etc. had
complicated these relationships so much that it was found that technology had to be
the kingpin of the whole process. In fact so much focus was given in the early days
for technology in CRM that it was thought that relationships were just at the fingertips
forgetting that it was the players who made use of the technology to give the
customers their due. Thus many fingers were burnt. In the wake of this new century
all seem to have been galvanised to pursue the holistic view of CRM having realized
its salutary need to percolate into every single department and area of an organization
for its success.

A cursory glance of marketing literature of current days would bring out a
volume of literature on relationship marketing in general and CRM in particular; this
for a concept that came into the marketing vernacular as late as the early 1980's when
Berry referred to the concept of Relationship Marketing for the first time. Literature
points out to a number of environmental factors that have contributed to these rapid
developments and limelight of the concept, i.e., trend for firms in advanced
economies to be services oriented, adopt information technologies, be global in
nature, be niche-oriented and information oriented, rise of strategic network
competition as an alternative to traditional and hierarchical competition etc. A point
to note here is that CRM has not remained bound by the realms of marketing and has
spread its branches into a number of diversified disciplines of commerce, arts and
science for it is read and propounded widely by the streams of information
technology, psychology, finance, management systems, etc. In addition, a glimpse of
the objectives and goals of CRM would help to clarify its prominence in the present-
days.
### 3.2 DEFINITION OF CRM:

#### Exhibit 3.1 The Definitions of CRM

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<thead>
<tr>
<th>Author</th>
<th>Definition</th>
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<tr>
<td><strong>Eriksson &amp; Fjeldsad, (2001)</strong></td>
<td>... a series of transactions gradually transforms into a relationship as a result of the social exchange between buyer and seller. A relationship becomes thus much more than a series of transactions containing dimensions of power, cooperation, commitment and trust to name but a few.</td>
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<tr>
<td><strong>Storbacka et al (1999)</strong></td>
<td>CRM, a barrier to exit, through costs like search costs, learning costs, risk factors as being characteristic of a relationship.</td>
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<td><strong>Ernst &amp; Young (1999)</strong></td>
<td>Any strategy for managing customers and customer relationships.</td>
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<td><strong>Gartner Group (2000)</strong></td>
<td>CRM is a management discipline – a philosophy even – that requires businesses to recognize and nurture their relationship with customers. With CRM, an individual customer’s needs and preferences are available to anyone in the business working at the customer interface, regardless of channel. Each customer is treated as an individual in a relationship that feels like one-to-one.</td>
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<td><strong>Scott (2001)</strong></td>
<td>A set of business processes and overall policies designed to capture, retain and provide service to customers.</td>
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<tr>
<td><strong>Injazz and Karen, (2004)</strong></td>
<td>A coherent and complete set of processes and technologies for managing relationships with current and potential customers and associates of the company using marketing, sales and service departments regardless of the channel of communication.</td>
</tr>
<tr>
<td><strong>Gartner Group</strong></td>
<td>CRM ... an enterprisewide business strategy designed to optimize profitability, revenue and customer satisfaction by organizing the enterprise around customer segments, fostering customer-satisfying behaviors and linking processes from customers through suppliers.</td>
</tr>
<tr>
<td><strong>Seibel</strong></td>
<td>Customer Relationship Management (CRM) is a way to identify, acquire, and retain customers, a business’ greatest asset.</td>
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<tr>
<td><strong>Unknown</strong></td>
<td>CRM is a business strategy that permeates your entire company – beginning with the acknowledgement that your customer is the center of your organization. All your management decisions, systems, processes, marketing, advertising, sales approaches, customer retention programs, product or service enhancements, ongoing support, billing, pricing – everything revolves around your customer. Your overall organization’s business processes are designed to enhance your relationships with customers and their customer experience. Furthermore, your organizational systems are built to continually gain insight into your customers so that you can constantly improve your business strategies with more informed decision making. Everything about your company is arranged to retain, foster and extend the life cycle of your most valuable asset – your customers.</td>
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<tr>
<td><strong>CRMGuru</strong></td>
<td>Customer relationship management (CRM) is a business strategy to select and manage the most valuable customer relationships. CRM requires a customer-centric business philosophy and culture to support effective marketing, sales, and service processes. CRM applications can enable effective customer relationship management, provided that an enterprise has the right leadership, strategy, and culture.</td>
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Source: Collected from articles reviewed and the website www.smallbizcrm.com
CRM is a natural development of the concept of Relationship marketing though it takes a wider view on the customer. It emerged as an answer to decreasing customer loyalty in competitive markets, and was enabled by new technologies and aims to add value to the customer as to the organization, by establishing a win-win relationship. Being in its infancy, there are a number of conflicting views expressed in its definition, its understanding and the other related issues. Even the efficacy of the concept of CRM is under attack from various quarters. A lack of unified focus on CRM has made it to be understood differently and conceptualised in the literature as a business – process, strategy, philosophy, capability and technological tool. In the table 3.1 a few definitions are set out after which, an acceptable definition has been arrived at for the purpose of this study.

Literature has many such definitions to offer as CRM means different things to different people as per their need. Gartner research (1986) comments: "Don't worry about the definition of CRM. If you don't come up with your own definition you're wasting your time." An article downloaded from smallbizcrm.com says that there are almost as many CRM definitions as there are CRM vendors and users. To some it means direct emails, for others customization of products that meet individual customer needs, to some personalization of services, to the IT consultants it is an array of complex software and jargons. For the purpose of this study CRM is meant as a dynamic business strategy which intends to:

- Understand an existing customer and his needs and tries to do the same with any newly acquired one.
- Gets into his wallet and assesses his endowments
- Assesses his needs and endowments to suggest to him fitting products/services – those which he has already tasted or otherwise.
- Endears the organization to the customer so much so that the customer feels no need to look elsewhere, added to which he would be its voluntary advocate
- Gears the whole workforce attitudinally to a deeply service oriented culture by empowering each of them physically and emotionally.
- Takes the aid of technology to collect, analyse and provide all the stakeholders with all the information necessary in order to realize all these objectives.
3.3 OBJECTIVES AND GOALS OF CRM:

From the above section on definition, it may be concluded that the basic objectives of CRM are:

1. **Extending/widening customer relationships** by acquiring new and profitable customers by offering products and services of interest to the potential customers by distinguishing profitable customers.

2. **Lengthening relationships** with existing profitable customers keeping in mind that a highly satisfied customer stays loyal longer, buys more new products and upgrades, talks favourably about the company to the prospects, is less sensitive to price, offers ideas for new products and service to the company and costs less to serve than new customers. Fredrick Reichheld and Earl Sasser (1996) indicate that *increase of five percent in customer loyalty can double a firm’s profitability.*

3. **Deepening Customer Relationships** by transforming unimportant customers into highly profitable one’s and also

4. **Keeping customer information consistent** throughout the organisation and make it available across all touch points where company interacts with the customers.

The goals of any CRM strategy may vary depending on the type of organisation. But the common goals can be spelt out as follows:

- Identify clearly quantifiable parameters such as lower cost for distribution and customer services.
- New and higher inventory turnover potentials and greater profit margins

It also includes, hard to quantify criteria, such as:

- Higher organisational flexibility to quickly adjust to market and competitive changes.
- Better use of existing company resources
- Increased customer loyalty
- Integration between customer-oriented business process and internal business processes such as purchasing, production and billing.
### 3.4 CRM ADVOCATES:

Since the advent of CRM in the 1980’s a lot of thinking has gone into the concept. Many studies have been carried out, implementation results evaluated by a number of advocates, practitioners, consultants and researchers in order to suggest an ideal CRM setting for its Implementation. Table 3.2 gives a bird’s eye view of the advocacy on CRM.

#### Exhibit 3.2 The CRM Advocates

<table>
<thead>
<tr>
<th>Author</th>
<th>Advocacy</th>
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<tbody>
<tr>
<td>Kotler et al (2001)</td>
<td>[There is] need for CRM adoption in order to be successful in saturated markets; take charge of customer attrition, understand customer needs, understand their value to the firm, to counter competitive pressures.</td>
</tr>
<tr>
<td>Morgan and Hunt (1999)</td>
<td>Customer is a tight and critical resource in a severe competitive environment and demands a specific marketing management</td>
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<tr>
<td>Anonymous(2003)</td>
<td>Customer relationship management (CRM) is difficult to execute successfully without first establishing a reliable customer retention strategy (CRS), says Jay Kassing, president of sales and marketing at The Centrax Group, Chicago.</td>
</tr>
<tr>
<td>Reynolds, (2002), Tracy and wiersma, (1997)</td>
<td>Achieving customer intimacy is an essential strategy in Electronic Commerce, with CRM being the key means of achieving this goal.</td>
</tr>
<tr>
<td>Seamus McMahon (2007)</td>
<td>If you're a bank executive, your first step should be to change how you're viewing CRM. Instead of targeting all your customers with it, isolate some of your best customers - the ones likely to produce the most revenue.</td>
</tr>
<tr>
<td>Samuel Kilmer, Harland Financial solutions, (2002)</td>
<td>Customer Relationship Management is truly a pervasive change in the way of conducting business for a typical bank or credit union. It takes quite a bit of coordination – enabled by technology – to pull of the strategy successfully</td>
</tr>
<tr>
<td>Russel S. Winer, (2001)</td>
<td>Companies such as Seibel, Epiphany, oracle, Broadvision, Net perceptions, Kana, and others have developed CRM products that do everything from track customer behaviour on the web to predicting their future moves to sending direct e-mail communications</td>
</tr>
<tr>
<td>Coffey J.O, (2001)</td>
<td>Strategy is as important as technology when it comes to attaining CRM bliss.</td>
</tr>
<tr>
<td>Lamparello (2000)</td>
<td>Those banks that develop a customer oriented strategy in e-commerce obtain higher profits</td>
</tr>
<tr>
<td>Julie Abbot (2001)</td>
<td>The three main reasons why companies move to CRM is to increase profits, not to lose business and because technology allows it.</td>
</tr>
<tr>
<td>Gummesson, (1994)</td>
<td>Not all relationships are important to all companies all of the time... some marketing is best handled as transaction marketing.</td>
</tr>
</tbody>
</table>
3.5 CRM CONCEPTS:

CRM poses a reader with a number of easy, yet difficult to understand, concepts. Some of them have been known for long in marketing, some sound familiar but hold a whole lot of new meaning and some are newly researched technological concepts which a reader may not be familiar with. The information gleaned from the literature reviewed on these concepts is presented in two parts i.e., General concepts and technology related concepts.

3.5.1 General Concepts:

1. Customer Loyalty: As can be seen from the definitions, one basic aim of CRM is Customer retention/loyalty. Loyalty is a phrase which denotes a range of customer’s attitudes and behaviours and is manifest in his retention or intention to buy again as also his commitment. Even then there are experts who contend that Customer loyalty and retention are not the same. Customer retention results in harnessing the customer’s wallet on the basis of his life time value to the organization in addition to reducing the cost of acquiring new customers. At the same time his commitment to the organization makes him voluntarily come to buy more often, try new products, be loyal, and most of all, recommend the organization to those around. However the concept of retention involves a certain amount of fuzziness being a theoretical construct which cannot be observed directly. Alternately Churn describes the number or percentage of regular customers who abandon a relationship with a service provider. Experts speak of the concept of firing customers, which is growing in currency, and is considered a valuable idea in CRM. The focus here is on keeping the right customers and firing the unprofitable,
especially the ‘terrorist’ customers who are the one’s who take up the companies resources without yielding commensurate gains and at the same time work to damage the company’s reputation by criticizing its performance.

There are a number of studies conducted which prove that a very small percentage of customer retention can increase the organizations profits by leaps and make huge cost reductions. The studies specific to banking have also proved this and have identified strong direct relationships between customer loyalty and customer profitability in personal retail banking. Some of the statistics have been presented in the table.

Even then, the phenomenon of customer loyalty depends on the type of the organization and the economic environment. Loyalty is forced upon a customer in case of a monopoly and the customer remains with the organization not because he wants to but because he has no other option. But at the earliest manifestation of a competition he is likely to defect to the one who treats him fairly. In such a situation it is doubly difficult for such a customer to revert back to the former organization whose relationship has given him a bitter taste.

The Indian Public Sector banks have truly presented a customer with exactly the same type of experience since the nationalization of banks when the customer found in them the only haven in spite of the malaise in relationship. But since the deregulations in 1990’s the customer has found banks that, he has discovered, can meet his needs in more humane ways. Thus the deregulation has presented the PSBs with a situation whereby promoting customer loyalty among its customers is felt by them intensely. Since CRM’s main focus is customer retention it would do well for the PSBs to adopt CRM to regain customer loyalty.

In the absence of CRM, loyalty can be a function of a relational tactic built for improving service quality through targeted intervention to prevent a churn through loyalty programmes. In modern times customer loyalty has also favoured those providing techno-products, especially so in banking, as such products offer benefits of timeliness and perpetuality of products and services even at much lower service level but have resulted in lower switching costs. Due to lack of direct touch with the
customers, technology has also necessitated the organizations to find new ways and means to know their mind.

2. **Customer Satisfaction/delight:** The meaning of satisfaction varies from 'something that makes up for an injustice' to 'please (someone) by doing or giving them what they want or need.'\(^{32}\) Satisfaction is defined as an ex post evaluation of consumers' initial (trial) experience with the service, and is captured as a positive feeling (satisfaction), indifference, or negative feeling (dissatisfaction)\(^{33}\).

   Expert speak of satisfaction as an outcome of a customer's perceived value gain in a transaction or relationship where the the value of the quality perceived is equated to the price and customer acquisition cost\(^{34, 35}\) relative to his value expectation from a competing vendors\(^{36}\). As defined by Zeithaml, **perceived value** is a consumers’ overall assessment of the utility of a product or service based on perceptions of what is received and what is given\(^{37}\). Satisfaction comprises of three inter-related concepts, i.e., initial expectation, actual delivery of the customer experience, comparison of the delivery with expectations\(^{38}\).

   Satisfaction has historically been identified to evoke strategic outcomes such as service loyalty, customer retention and long-term customer profitability. Many research findings point that satisfied customers are more likely to repeat purchases, resist offers from competitors and generate positive word of mouth\(^{39-44}\) with customer loyalty as its major consequence. A dissatisfied customer is more likely to search for information on alternatives and more likely to yield to competitor overtures than is a satisfied customer\(^{45}\). This proposition, though not totally disregarded by marketers, is challenged by some studies to claim that satisfied customers too may eventually defect (Jones and Sasser Jr., 1995). Though in highly competitive markets the presence of customer satisfaction does not necessarily ensure desirable consequences such as loyalty and retention as they depend also on how well competitors satisfy customers, the absence of satisfied customers is clearly a reason for concern (Kotler, 2003) for any organisation.

   In CRM literature **customer delight**, which signifies very high level of satisfaction or great pleasure, has gained prominence as they are more likely to provide lifts in loyalty. Customer Delight is all about demonstrating and providing a
set of tangible and intangible benefits, a combination of which provides value beyond what the customer had expected to receive\textsuperscript{46}. The aim here is not to equal the customers’ expectation but to exceed it. It is found that most frequent delighters are actually the easiest to execute, i.e., no unpleasant surprises, consistent good service and personal relationships, even ‘a friendly 90 second interaction which could create an emotional connection that is likely to cement relationship’ with a customer or even an effective complaint handling process\textsuperscript{47}.

The Indian PSBs which have burgeoned in the regulated regime have still a lot to add to their customer orientation\textsuperscript{30} and consequently are found greatly wanting in even satisfying their customers. As customer perception plays a major role in satisfying a customer, analysis of variables in the light of customer expectation is found to be more meaningful for this study.

3. Customer Complaints: Human nature often evokes complaints on all aspects of the game especially so in business where people pay for their needs. Serious and costlier problems generally evoke immediate consequences in the form complaints or withdrawal. Complaint rate is likely to be low for less serious problems, but when compounded, are more likely to lead to defection\textsuperscript{47}. Technical Assistance Research Programme Report, discussed by Goodman revealed that as far as in the 1970’s a person who complains is likely to be more loyal than the one who does not. Customers don't complain for four reasons, i.e., a feeling that it won't do any good and that it's not worth the trouble, lack of knowledge of where to complain, fear of retribution from the employee or company. It is important to note that an unvoiced complaint cannot be fixed. Technical Assistance Research Programme which conducted a study in as early as 1970’s has pointed out that consumers with problems who chose not to complain were less loyal than those who did and had their issues resolved.

An important and highly detrimental effect of unresolved complaints or a ‘non-complainer-woe’ is the negative word-of-mouth which in the present age of clicks has manifested itself as a negative word-of-mouse. It has been found that in the US while negative word of mouth is usually at least twice as great as positive word of mouth, four times as many angry customers post negative comments on websites or bulletin boards as those who broadcast positive comments\textsuperscript{47}.  

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For a business organization complaints cannot be avoided though they may be minimized by being proactive. Further, a closer look at the customer transactions may give a clue to those in charge of the possibility of a customer being aggrieved so that steps may be taken to enable him to voice his complaints and resolve them. CRM claims to offer assistance to an organization in this regard. It is found that soliciting and resolving a complaint generally increases loyalty.

4. Service expectations: typically refer to availability of multiple communication mechanisms for accepting consumer complaints e.g., web-based forms, e-mail, telephone, fax and timely resolution of complaints; but may also include assisting consumers in using a product/service effectively, suggesting complementary products or service, and joint problem-solving e.g., product design or improvement (Bhattacherjee 2001).

5. Perceived Value: is the trade-off between received benefit and cost. Based on the means-end chain, value is assumed to be a higher-level abstraction. It is more personal and individualistic, than attributive service satisfaction. Studies regarding the positive effect of service quality on perceived value state that favorable attributive service satisfaction can enhance a consumer’s perception of what is received. In other words, customers who received better services will have more positive perception towards it. These positive perceptions in turn improve the perceived value towards the Service Provider.

3.5.2 CRM Technology related concepts:

1. CRM Systems and Tools: Though the concept of Customer Relationships is an age-old one, it has evolved new dimensions in the present age due to the sheer number of customers any modern organization caters, the separation of ownership from management, great distances between the owner and the customer and differences in cultures, evolution of information technology which can simplify huge mounds of data into simple intelligible facts, etc. All these have necessitated business organizations to adopt appropriate technology to take care of their customer relationships.

   Delivering information is a major role of CRM systems and tools 48. There are varied views on what comprises a CRM technology solution. The broad view taken
by Goodhue et al (2002) includes the applications used in data capture and touch point coordination (operation CRM) and applications used in analyzing, reporting and modeling data (analytical CRM)\textsuperscript{49}. The narrower view of Shoemaker (2001) describes CRM, ERP and KM as co-ordinated but separate technologies restricting the definition of CRM applications to those which facilitate interactions between customers and the firm (operational CRM Techniques)\textsuperscript{50}.

CRM systems can be classified into three sub-categories \textsuperscript{51}: Operational CRM Systems which improve the efficiency of CRM delivery and support processes offering solutions for marketing, sales and service automation; Analytical CRM systems that store and evaluate knowledge about customers through systems like data warehousing and data mining and Collaborative CRM systems which manage and synchronise customer interaction points and communication channels. Most of the CRM software available in the market caters to marketing, sales and customer service automation and only contribute to a company’s front-office automation. This is the basis to run Customer relationship management. But the core of CRM is the clear awareness of customer values. This would enable the companies to classify their customers based on the value that each of them bring to the company and service them accordingly and maintain their loyalty on the basis of their present and future profitability \textsuperscript{52}.

The concepts explained below are catered to by the CRM technological tools used in present day CRM:

2. Customer Segmentation: An important attribute of a CRM strategy is to establish the profitability or otherwise of a customer in order to retain the most profitable ones and to build their full profit potential \textsuperscript{53}. Many studies have been conducted to assess the profit potential of customers and statistics reveal that a very small number of customers are responsible for a major share of business and profit of the organization \textsuperscript{54}. Even then we find advocates, especially in the banking arena, who believe that segmentation based on customer need is more effective for a bank than on customer profitability \textsuperscript{55}. Understanding customer attributes also helps the organization to rightly target them for product promotions. Robert Giltner & Richard Ciolli (2006) question the conventional wisdom in banking which says that the majority of a bank’s customers are unprofitable or at best marginally profitable as they feel that all bank
customers have the potential to meet the required level for profitability when rightly targeted.

The information contained on any single customer in the database forms his “profile”. Such customer profile usually contains demographic information as well as his stored preferences and behavioural data that accumulate from his dealings over the years to which purchase information, if any, may be added. Further the observation function that records and analyzes customer’s reaction adds knowledge to the “customer profile”. This profile forms the basis for categorizing him into appropriate segment. Customer Segmentation is a tool that is used in CRM to segment the customers for their marketing efforts. Segment means ‘each of the parts into which something is divided’ . Thus segmentation refers to the process of identifying homogenous groups of customers with a view to assess them for size and responsiveness, create offering and marketing mixes to satisfy them and, in recent times, to identify those that differ in current and/or future profitability to a firm (Zeithaml 2001).

Segmentation is employed by companies for various purposes, i.e., for target selection, for varying the treatment or timing of treatment of customers, to build predictive models per segment, to find homogenous groups; discriminate on the basis of profitability, differing response rates, creditworthiness, recency, frequency of transactions and other customer transaction behaviour; to know the volume of business and also to know the customer characteristics, lifestyles and socio-demographic values. Selection of variables for segmentation depends on the need felt by the organization or the purpose of targetting.57

The quality of a specific segmentation is generally measured by within-segment homogeneity and between segment heterogeneity . Good segmentations tend to be obtained only through trial and error by varying the segmentation criteria using domain knowledge, simple heuristics, and clustering algorithms. High quality customer data enhances the success of a segmentation strategy. Building a rich customer profile is the basis for a successful CRM strategy.

Once a bank introduces segmentation, it should identify the segments that have the greatest revenue potential. Lower the value of a customer to the organization
less will be the attention given to them. However with segmentation there is a danger that the universal needs across all segments are ignored or not addressed in the right perspective. A salutary warning is sounded by Trubik and Smith from their study of Australasian banks, about being too hasty in driving away all unprofitable customers as they feel that any customer who has a positive balance contributes to the cash reserves in the bank even if they are not entirely profitable.

3. Customer Wallet share: The wealth of an individual is allocated for various needs. Some of his needs take a larger share of his wallet whereas some take small. Generally a customer on a particular rung of a social status allocates a certain wallet share to banking and it does well for a bank to know the general value of the wallet of a particular segment. In addition as the banker collects such information pertaining to the wallet of individual customer and assesses it, which is a function of CRM technology, the bank will know exactly how much is spent by the customer for his banking needs and what portion of it has been entrusted to his bank. This knowledge about the individual customer’s need is likely to help the bank to find ways and means of increasing his own share of the customers wallet.

4. Cross-selling and Up-selling: These are two oft-repeated terms as far as CRM is concerned. Cross-selling refers to encouraging customers to buy across categories of product offers, i.e., products of the organization which he has never bought before and up-selling involves increasing his demand in categories already patronized by the customer. Cross-selling yields both immediate profit as well as a potential to deepen existing relationships, thereby increasing the switching costs associated with purchasing from another vendor.

5. Channel management: A distribution channel has been described as the exchange relationship between the organization and its customers that creates customer value in acquiring and consuming products and services and provides the means for an organization to interact with its customers. Channel Management refers to the efforts of the organization involved in migrating customers across channels in order to lower costs and/or increase demand through channel-specific promotions or features (Kamakura, Mela, et al. 2005). Present-day banks have to grapple with multiple channels, including the internet, ATMs, telephones, mail, e-mail, Short Message Services (SMS), Call/Contact Centres and face-to-face contact, a result of...
developments in technology, the hyper competitive landscape and deregulations in financial services. Service through branches is more expensive than call centres which in turn are more expensive than using the internet. Internet plays an important role as it complements existing channels and enables connection and synchronization of all channels.

The addition of new channels have offered increased coverage and provided the potential for cost reduction. The proliferation of channels and customer contact points poses acute synchronization problems since the customer tends to pick the most convenient and effective channel at every interaction and expect their information to be updated and consistent across all channels. Therefore it would do well for a bank to enforce a strategy which would ensure a customer's smooth transpose from the traditional to a cost effective channel and synchronization of information across channels. The place to start the synchronization would be a clearer understanding of what the target customers want from the channels and work back to assess how the current channels meet those needs. Customer behaviour analysis through a CRM solution may also be utilized in this regard.

6. **Customer capital**: is the value, by means of contribution to current and future revenues, which result from an organization’s relationship with the customers. Customer capital comprises the processes, tools and techniques that support the growth of customer equity and is developed from the relationships with customers and suppliers external to the firm. Establishing a profitable lifetime relationship with customers has been the focus of smart twenty-first century organizations. The pioneering work of including customer capital as an aspect of intangible assets of the firm to be treated as its external structure was by Sveiby. It focused on classifying customers according to their relative contributions to intangible value creation processes of “know-how companies”. The customers are thus divided into three types. The first type improves the learning competencies and ideas of the employees. The second type enhances the external structure through referrals to new customers or establishment of prestige. The third type enhances the internal structure through leveraging research and development projects and projects that support knowledge transfer.
7. **Customer Equity**: Customer equity is the total of the discounted lifetime values of all the firm’s customers. Thus, customer equity could be considered as an important element of customer capital. Customer equity management is a comprehensive approach that focuses the effort of the firm on increasing the lifetime value of individual customers in a way that maximizes customer equity and consists of three key drivers: value equity, brand equity, and relationship equity and best performance can be achieved by assigning proper strategic roles and resources to the three drivers. Value equity is the customer’s objective assessment of the utility of a brand, based on perceptions of what is given up for what is received. Three key levers influence value equity: quality, price, and convenience. Brand equity is the customer’s subjective and intangible assessment of the brand, above and beyond its objectively perceived value. The key levers of brand equity are brand awareness, attitude toward the brand, and corporate ethics. Relationship equity is the tendency of the customer to stick with the brand, above and beyond the customer’s objective and subjective assessments of the brand. The key levers are loyalty programs, special recognition and treatment, affinity programs, community-building programs, and knowledge-building programs. A firm sometimes cannot pursue the three drivers of customer equity simultaneously, thus having to make a trade-off decision. Besides, the importance of specific driver depends on industry, the maturity of the firm, and the customer decision process.

8. **Customer/Consumer Life-time value**: Is a CRM concept which implies that each customer has a value over his or her tenure with a firm. The previous studies define LTV as the present value of all future profits generated from company's customer over the lifetime of transactions after the deduction of the total cost of attracting, selling, and servicing customers, taking into account the time value of money. Estimating the lifetime value of a customer by itself requires sophisticated modeling, as it involves predictions of both revenues and retention probabilities. Several approaches exist to measure customer lifetime value (CLV) and each approach has its own relative merits. However, scant evidence exists regarding the accuracy of CLV predictions. CLV is typically used to identify profitable customers and to develop strategies for the acquisition, development, targeting and retention of customers.
Closely related to Customer lifetime value is Consumer lifetime value, distinguished on the perspective of the decision maker (the firm/ consumer), scope of information and the approaches used to compute the value of a customer. The first is an inward-looking view of the consumer predicated on firms’ internal records for the purpose of determining the value of the customer to the firm and the second encompasses all behaviours of a consumer making inter-temporal choices over categories and time so as to maximize his or her utility and often combine internal and syndicated data and is generally applicable in industries where customer tenures are long, needs change over time and can be linked to life stages, and consumers trade-off future for current utility such as savings and consumption. Consumers with low share of wallet but high consumer lifetime value may be especially attractive to a firm.

9. Personalization: is an easily understood yet incredibly ambiguous term. It has been classified based on different perspectives from which it is viewed. It is expressed as an approach of using artificial intelligence to observe and analyze users’ demographic and behavioral data in order to make recommendations. Designing an overall personalization experience of customers is often more difficult and at the same time more important than personalization technology, which demands dedication of the company on its design rather than on technology.

Huang E. Y & Chia-Yu Lin (2005) offer a general definition of personalization as a strategy used to ‘serve individual customer’s unique needs’. According to Berg et al. (2001) personalization is a strategy designed to address tailoring customer interactions across all customer-facing departments such as sales, marketing, and customer service. Such tailoring strategy entails treating individual customers as market segments of one. Personalisation has been viewed as a logical component of CRM, as part of CRM technology to achieve close relationship as a state that is realized by good CRM practices.

Personalization enables a business to match the right product or service to the right customer, for the right price, at the right time. This gives each customer a unique experience. The depth of experience depends on the extent to which its segmentation strategy is fine tuned. Personalisation strategy is difficult to be replicated by competitors and results in increased sales by improving customer conversion ratio,
enhancement of customer loyalty by improving relationship with customers and an ultimate increase in revenue and profit.\textsuperscript{56}

10. **Customization** is tailoring products/services to customers’ needs based on customers’ requests. Based on the way in which customer information is gathered. King et al. (2001) classifies personalization into three doctrines as explicit, implicit, or a combination of both.\textsuperscript{86} To distinguish personalization and customization, under personalization provider already knows about the customer and anticipates or predicts customer needs based on what is implicitly known to him by observing his behaviour. Customization has an element of active user involvement where a user explicitly influences the result of customization, may be by being explicitly asked to enter his information or may ask for a specific output. On the other hand, personalization does not necessitate active user involvement and, thus, is often done by behind-the-scenes systems. Personalization and customization share the same goal, that is, to tailor products/services to customers’ needs.\textsuperscript{87} Although sometimes customization and personalization are used interchangeably, no one has formally stated that the two terms mean exactly the same.\textsuperscript{56}

11. **Service encounter** happens every time that a consumer interacts with a service.\textsuperscript{88} Each encounter may present the customer with many critical incidents that give him an opportunity to evaluate the quality of service provided. The overall relationship between the customer and provider will be the build up of the customer’s perception over a number of service episodes.\textsuperscript{89}

12. **Marketing under CRM:** One of the component of a CRM system is campaign execution and tracking. These are the processes and systems that allow the user to develop and deliver targeted messages in a test-and-learn environment.\textsuperscript{90} With the building of database on customers and a bid at customization and personalization, attempt to overcome the impersonal nature of mass marketing by using technology to assist businesses in treating each customer individually, would be an automatic outcome.

**One-to-one marketing** programs aims to target a customer individually to promote the organizations products, based on their likes and dislikes which are gleaned from their personal data. This is made possible with customer-level
information and data on their transaction behavior and their likelihood to repurchase and purchase additional products. Today there are software programs that help marketing departments handle this complex feedback procedure.

**Campaign management software** manages and monitors customer communications across multiple touch-points, such as direct mail, telemarketing, customer service, point-of-sale, e-mail, and the Web.

**Ad targeting (offer targeting)** is an attempt to identify which consumers should be made an offer based on their prior behavior. The importance of ad targeting is clearly highlighted in the statement of Shaw who says that the average British household receives over 100 items of direct mail annually with over half of these thrown away unread. It can be seen thus that without ad targeting a company’s efforts at cross-selling and up-selling would be powerful only to annoy more customers, faster and at a great cost.

13. **Sales Force Automation (SFA):** CRM as a productive strategy is intended to increase the productivity of all areas and employees of the organization. While other software take care of the productivity of the organization, the SFA-CRM-software is intended to build a highly productive sales force that has an enormous impact on the company's top and bottom lines. To combat the challenges faced by present-day sales force in the shape of fierce competition, dynamic deals and demanding customers, CRM vendors have come out with dynamic software packages with tools to take care of every aspect of their sales walk. The following are some of the SFA capabilities that ease the routine work as well to enhance the sales competence.

First of all with the huge data stored on customers, the sales force is provided a window to view all the data needed for guiding, approaching, leading, concluding the sale with a customer. For this CRM provides different kinds of sales opportunity and lead development software, which provide such employees the needed information and ideas, even to a traveling salesman through his mobile.

One of the main capabilities of such software is to free the employee of the routine reporting and document preparation through automated report generation, order management, opportunity management, forecasting sales, lead management
which in the past consumed a major portion of the employee’s time. A traveling salesperson is empowered with equal opportunities through offline and other software with information required to cross sell and up sell to customers, ability to track competitor products-strategies-strengths and weaknesses, to track multiple quotas and multiple forecasts, automatic quote generation etc. In addition the sales people as also the company is enabled to track the commission that is earned by each sales representative at any given time. With clear cut features for employee recognition, incentive, retention and reward programmes a SFA software can help the customer, company as well as the sales force to get the best bargain.

14. Data Warehousing: At the base of any CRM effort is the building of an intelligent database on the organization, product, competitor and most importantly customer demographic and psychographic data. The invention of computer, information and internet technology have worked wonders for the marketing science by affording companies to collect, process, analyse, and efficiently use large volumes of data, and to adopt a personalised marketing approach for every customer.

The five important data areas found in any database as referred by Ling and Yen (2001) are: The customer contact information, household information, group information - pertains to his segment, account information - regarding his dealings with the organization, and the analytical information - obtained after analyzing the warehouse for various purposes. Peter C. Verhoef (2002) lists the generally stored customer characteristics in the order of their frequency of occurrence, i.e., the demographics, transactional data, channels accessed, information on firm's marketing efforts and other customer interaction data, socio-demographic and life-style data, satisfaction data etc. being most commonly found. The data on customer purchases from the competitor is found least frequently. However in customer data collection the focus should be on the one which sales staff believe they need, since they are the foremost group interacting with the customer, and empowering them with the right customer information is important.

A database which emphasizes on precision and depth has the best potential for any analysis and the lack of any data results in omission of relevant variables which might lead to incorrect interpretations and poor predictions. Most of the companies data needs are met through direct capture mainly achieved by training front line staff.
to do it. Some needs are met through periodic surveys at periodic intervals especially with a view to update the existing database. Appended data may be obtained in certain cases through purchase, as in case of credit information by a bank, though they tend to be very expensive and may not be readily available. It is found that most of the companies do not rent or buy external data. The most popular externally obtained data is on customer socio-demographics, with individual level data being more costly and less available (Verhoef 2002). Once the process of data capture is in place, appended data loses its significance.

A solid customer database in the internet age additionally contains ‘intensive customer intelligence’, i.e., in addition to historical buying data, the search habits as well as real-time click-stream information, valuable for interactive predictive modeling of customer preferences 98. Capture of such data has resulted in customer data sets to grow from a ‘low dimensional’ format consisting of less than 10 customer variables to ‘high dimensional’ formats to contain tens of thousands of data fields 99.

Database on a basic level are made up of “data field” containing information on individuals demographics and other details. Combined carefully together they constitute an individual record and several of them compose a list. The present digitalized format enables such lists to be transferred, exchanged and compared to other such lists. This has made the databases increasingly complex and large 96 hence successful mining of the database rests on the value of details therein.

15. Data Mining: “Knowledge in people’s heads can be put to use; it is alive. Knowledge on disk is data. Data is by definition dead – an artefact” 100. But the sheer complexity of high-dimensional customer data prevents simple human perception from discerning the meaning hidden therein. Data mining is a new generation of information technology used for discovering hidden knowledge from the large databases that are developed by the companies 90, are useful for extracting marketing knowledge and supporting market decisions 101,102. Thus turning data into knowledge is the goal of data mining.

A number of techniques are used for mining intelligible data depending upon the purpose of use, like the Decision Support systems, Customer feedback analysis, market basket analysis, retail sales analysis, segmentation and predictive modelling
techniques through cross-tabulations, RFM analysis, Linear regression analysis, cluster analysis, factor analysis, discriminant analysis, logit-probit analysis, neural networks, genetic algorithms, collaborative filtering, recommender systems, etc.\textsuperscript{103} Leslie Ament, Customer Intelligence Research, AberdeenGroup, in the research report reveals that key areas for companies to evaluate include customer invoicing, service levels, interactive communications, product selection, product/service development, pricing, delivery mechanism and warranty, service, or contract maintenance. Comprehensive analysis of customer preferences and unique value metrics, combined with prior transaction data, will provide insight necessary for refinement processes intended to optimize future returns on investment\textsuperscript{104}.

3.6 ROLE OF TECHNOLOGY IN CRM:

Technology takes the pivotal position in CRM, not because it is the ‘be-all’ and ‘end-all’ of it, but because business environment requires organizations to use it to manage intelligibly and disseminate at all levels the large amount of data collected on diverse aspects to the players in an organization. CRM implementations include internal systems such as customer databases, systems for interaction with consumers such as home banking, as well as systems directed to business customers such as order processing through Business to Business portals on the Internet, etc. Further, CRM employs the following steps of database and one-to-one marketing, and sales force automation:

- Identify prospects and customers through advertisements that include a response features (i.e. business reply card, toll free no.) and a database is built from these responses. The database is sorted to identify the best prospects that can be contacted in an attempt to convert them into customers.

- Differentiate customers in terms of their requirements and their lifetime value requirements to the company. With this the company may decide:
  - to retain them in order to reduce the cost of defection
  - to turn low profit customers into more profitable ones by increasing the longevity of customer relationship; and/or
  - to enhance the growth potential of each customer through cross-selling, up-selling and increased wallet share.
Interact with individual customers to improve learning about their individual need and to build stronger relationships.

Customise products and services and personalise all communications with each customer.

Incorporate enhanced sales force automation functionality, which is made available (at just the press of a key) to the field staff; making them responsible to maintain it and thus make them more productive.

Sales force automation is also focused on cultivating customer relationships and improving customer satisfaction.

The financial services industry is an early adopter of CRM as its transactions were essentially IT-based. Their need to hold a large and invaluable database of their customers gave a further fillip to its adoption. IT support for CRM systems varies in terms of the complexity, the difficulty in implementation and the range of customer support. The simplest form of CRM implementation can be the “Frequently Asked Questions” page on the company’s Web-site further to move into a call-centre to an e-mail newsletter and a customer application download facility. On the complex level the implementations range from the complicated customizable merchant servers to process integration through EDI to virtual communities.

3.7 TYPES OF CRM:

The application services provided by CRM systems can be divided into three functional areas.

3.7.1 Analytical CRM: Analytical CRM refers to data warehousing, online analytical processing, data mining services that provide analytical planning and optimisation tools for CRM. Its task is to:

- Analyse, evaluate and present all relevant data about customers, their interaction with the company and their behaviour in order to:
  - Assess customer satisfaction and predict future customer behaviour
  - Provide decision support for marketing, sales, distribution and customer services and
  - Optimise operative processes such as marketing and promotion activity.
o It provides many basic marketing performance indicators (i.e., Customer Satisfaction Index, Customer Loyalty Index, Retention Rate, Share of Wallet, Response Rate, Customer Life-time Value, etc.)

o Allocate resources more efficiently to the most desirable customers and

o To re-engineer unprofitable customers.

3.7.2 Collaborative CRM: Supports both long-term and short-term collaborative partnerships between different market players (i.e. customers, producers, dealers, market research agencies, marketing service providers, suppliers, business partners etc.) using internet. This encompasses common collaborative areas with regard to e-marketing, e-selling and e-services (processing of customers complaints and self-service offers) scenarios.

3.7.3 Operational CRM: Involves the areas where direct customer contact occurs. It enables and streamlines communication to and from customers and uses detailed customer data for customer-oriented services through entire customer life cycle. It involves:

 o Automating marketing, sales and service functions through front office suits.

 o Empowering all authorised employees with consistent customer knowledge generated by Analytical CRM in order to optimise their services.

3.8 CRM FAILURES/LIMITATIONS:

Table 3.2 portrays the positive and the negative experiences that have matured the CRM concept to its present state. It can also be seen that the experiences have not been rosy all along to all concerned. Table 3.3 sets out the aspects that cause/d CRM failure as well as the limitations of the system as gleaned from the articles reviewed.
The reasons for the failure of CRM initiatives is often an unsuccessful strategic as well as organizational implementation. In many cases, CRM is regarded as the duty of one department, not as an overall management philosophy. This complicates the dissemination of the CRM philosophy to all employees in the CRM-related processes. All the companies interviewed have no CRM-specific performance measurement framework, or measure all possible benefits of CRM. While the results of CRM processes and customer satisfaction are monitored, the perspectives “customer knowledge” or “customer value” are barely measured. The latter is due to the fact that measuring customer value, especially incorporating the costs of customer relationships, is still a challenge for the companies studied. Measuring customer knowledge does not fall within the focus of the firms, even though it plays an important role in CRM, and problems with data quality hinder all CRM initiatives. Although customer knowledge plays an important part in CRM, and data quality is a challenge for all CRM initiatives, there is hardly any performance measurement in this field. None of the banks studied did a detailed calculation to measure the monetary returns on CRM investment since it is very difficult to determine the cause and effects of CRM activities and the disproportionate cost-value ratio of this calculation. Companies regard the identification of qualitative benefits as sufficient and estimate quantitative results accordingly.

Although customer relationship management has been around for several years it has been noted that the term means different things to different authors. As a result, there is little consistent story of how customer relationship management fits into the greater marketing landscape. This is one reason why many of the dot.com businesses, which have embarked upon customer relationship management, have hit the wall in the last 12 months. The challenge for practitioners, therefore, becomes how best to evaluate the financial performance of such programmes.
The greatest challenge to the theoretical development of customer relationship management has perhaps been the lack of empirical investigations that aim at describing and exploring how to determine the financial impact of customer relationship management programmes.

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<tr>
<th>Author(s)</th>
<th>Statement</th>
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<tr>
<td>Berry C., T. Boone, et al. (2006)</td>
<td>Unfortunately, in many more examples providers reported being blocked in their attempts to make improvements.</td>
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<td>Ballentyne D. (2004)</td>
<td>Rushing into relationships without adequate consideration of how value is to be created and shared is a &quot;lobster pot&quot; marketing approach – one or more parties can get &quot;caught&quot; and then regret their decisions over time.</td>
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<td>Ballentyne D. (2006)</td>
<td>Even with state of the art CRM software, the information needed may still be beyond the reach of &quot;capture&quot;, or perhaps the cost of capture outweighs the benefits. This is an ongoing concern and many CRM software systems are currently well short of payback or breakeven.</td>
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<td>Bemowski, Karen (1996)</td>
<td>In the efforts to create loyalty ...some words and phrases to be avoided: 1. &quot;No.&quot; (The word &quot;no&quot; should be stricken from a company's vocabulary. This doesn't mean, however, always saying &quot;Yes Rather than saying no, employees should be taught to say &quot;Let me see what I can do.&quot; * &quot;Our policy is we can't do it.&quot; Companies must not hide behind policies. Policies cannot procreate; people create policies.) 2. &quot;Greed,&quot; &quot;profit,&quot; &quot;cost,&quot; and &quot;cheaper&quot; 3. &quot;Extra miles,&quot; &quot;coupons,&quot; and &quot;extra points&quot; 4. &quot;Deal&quot; 5. &quot;Problem&quot;. (The Kennedy Space Center discovered that using the right words to communicate with others is very important)</td>
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<td>Sung Ho Ha et al, (2002)</td>
<td>Static CRM lacks in ability: to ascertain how often the rule sets should be recreated using the new data in order to make accurate business decisions; measure the effectiveness and efficiency of targeted marketing campaigns and promotions; find out the growth or decline in the no. of customers at any point of time; plan marketing strategies to be practiced by the retailer according to changing customer buying patterns over a time. Thus in order to solve these problems CRM system must be adaptive in time.</td>
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<td>Reza Torkzadeh (2005)</td>
<td>Despite the important role that information technology plays in CRM, academic IS research has been lacking. There is need to encourage practice of relevance where results of research studies can be used in practical decision-making processes. Barriers to CRM Success as found in the study at Merck-Medco: 1. Concerning Organisation/People: Lack of understanding and enforcement regarding compliance with standard operating procedures, Lack of policy and procedure for tacking responsibilities with regard to accountability and ownership, lack of understanding with proper system usage with regard to call back information content and customer contact process, Lack of</td>
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understanding with internal processes in other functional areas with regard to billing issues, lack of understanding with internal processes in other areas and system usage with regard to dispensing and replacement processes, lack of understanding with proper usage and standards with regard to queuing procedures.

2. Concerning Technology/systems: Lack of system checks with regard to compliance with standard operating procedures; lack of system tracking or monitoring with regard to accountability and ownership; System error, lack of assistance from system with regard to callback information content; lack of system checks with regard to customer contact process; Lack of system integration from other areas with regard to billing issues, lack of assistance from system with regard to dispensing and replacement process, lack of assistance from system, lack of standards with regard to queuing procedures.

Gartner Group reports that about 55% of all CRM projects fail, and Bain & company note that of these failures 20% lead to damage to long-standing relationships. Six reasons for these failures were identified. In addition to missing top-management support and trying to disguise efficiency improvements as CRM, but without really caring about the customer, the most important reasons for failures are unrealistic expectations, missing customer care strategy, and neglecting metrics. Unrealistic expectations are created by aggressive marketing of CRM software, and quite often customers fail to define their needs and therefore buy software whose features are defined by the vendor and not by their own needs. Another reason for failure is that the company has no customer strategy... But even if a customer care strategy is defined, it is important to install a feedback loop to improve the customer support. Another common mistake is not collecting metrics necessary to install this feedback loop, or to use the wrong metrics not aligned with the customer strategy.

Unfortunately, many people don’t understand, especially in major CRM initiatives, what aspects of the technology do what exactly. They expect a lot from the expensive process of integration, without understanding what else is required to make all that integration worth something.
3.9 SUCCESS STRATEGIES FOR CRM IMPLEMENTATION:

As Hubert Baumeister (2000) points out, only very small companies with less than ten employees can know customers personally with regard to the products they buy, their preferences and problems. For larger ones, software support is needed. There have been many claims in favour of CRM by its advocates, especially the technical vendors. The claims purport to: increase customer retention and loyalty, improve customer profitability, create customer value, customize products and services, simplify processes, improve quality of products and services, improve competitive advantage in the market place, improve financial performance, provide ways of organizational learning, decrease uncertainties, provide techniques for one-to-one marketing and the list becomes lengthier as one browses literature on CRM.

But as seen already, a thoughtless CRM implementation policy is more likely to burn fingers than paint pictures. In order to realize the potential benefits that accrue to an organization in achieving the objectives of extending/widening, lengthening, deepening relationships and keeping the customer information consistent across all touch points, CRM literature points to a number of success strategies. Table 3.4 lists out some success strategies, propounded by CRM experts and scholars through their study and practice, for the successful implementation of CRM and related techniques.
To be successful, however, eCRM must be implemented as a holistic, enterprise-wide strategy defined at the highest level and extended to every division, department, and individual. Only then can technology be implemented in a similarly integrated way, to support and facilitate the new way of operating.

... one of the key success factors for CRM programme is to ensure that the top-level Management of the enterprise perceives the project as a strategic initiative.

Performance measurement in CRM could solve the problem of unsuccessful strategic as well as organizational implementation since it supports strategy implementation by defining concrete objectives and measures.

Clear statement and communication of strategic objectives promotes swifter implementation of activities.

Establishing and managing a good Customer Relationships is a strategic endeavour which cannot be successful by a mere software installation without properly redesigned business processes and company culture with CRM software as a tool to implement the customer strategy.

Propose SER V E strategy:
- See the “big picture” and how customer service fits into it.
- Establish an authentic human connection with each customer.
- Render timely, accurate and thorough service
- Value and respond to unique customer needs.
- Extend a hand to repair and strengthen relationships with customers who are upset or angry.

Customers appreciate the approach of the service providers who: see themselves as business owners, feel personally responsible for seeing that every customer has a good experience.
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<tr>
<th>Author(s)</th>
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<tr>
<td>Morgan W. Geddie and Agnes L. DeFranco</td>
<td>A comparison of relationship marketing and Guanxi: its implications for the hospitality industry</td>
<td>Reduce transaction costs to customers: by making available to the contact person with the history of previous interactions of the customer with the company; by eliminating some steps required to process transactions; by increasing the information on customers over time; by saving customers time and mental effort by limiting the offerings presented only to those they are interested in.</td>
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<td>Berry L. (1999)</td>
<td>Discovering the Soul of Service: The Nine Drivers of Sustainable Business Success</td>
<td>Nine Drivers of sustainable service success: 1. Values-driven leadership. 2. Strategic focus. 3. Executorial excellence. 4. Control of destiny. 5. Trust-based relationships. 6. Investment in employee success. 7. Acting small. 8. Brand cultivation. 9. Generosity. The nine drivers of success in service businesses are interrelated and transcend the particulars of any one kind of business. These &quot;drivers&quot; need to be enacted together to sustain any service business over time, and that they impact not only customers but also employees, suppliers and the broader communities in which they are represented. It is through the values represented by these drivers that organizations should seek to discover the &quot;soul&quot; of service.</td>
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<td>Chang, A. and C.-N. Tseng. (2005)</td>
<td>Building customer capital through relationship marketing activities: The case of Taiwanese multilevel marketing companies</td>
<td>Implement proper relationship enhancing activities and improve business processes to deliver the values that customers want.</td>
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<td>Javalgi, R. R. G., C. L. Martin, et al.</td>
<td>Market orientation, strategic flexibility, and</td>
<td>To deliver superior value consistently to customers, it requires that a seller understands a buyer's entire value chain as it evolves over time. Competitive advantage is not just a</td>
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<td>Page</td>
<td>Performance: Implications for Services Providers</td>
<td>Function of how well a company plays by the existing rules of the game. More importantly, it depends on the firm’s ability to change those rules radically.</td>
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<td>Zolkiewski, J. (2004)</td>
<td>COMMENTARY Relationships are not ubiquitous in marketing</td>
<td>Unless there is a real ongoing interaction between the same people can there ever be a relationship? There is need to understand the role of the customer. Passive customers, in a subservient position to the supplier, are unlikely to be involved in real marketing relationships.</td>
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<td>Goodman, J. (2006)</td>
<td>Manage complaints to enhance loyalty</td>
<td>Strategies to encourage complaining by customers in case of a grievance: 1. A clear message on the front of the bill or statement (not in the fine print on the back), inside the front cover of a catalog or in a store that says, “We can only solve problems we know about,” will go a long way toward breaking down the barrier for non-complaint by customers in case of a grievance. This message must appear in front of the customer exactly when and where he or she will most likely encounter the problem. 2. Provide multiple, easy to use channels for complaining. 3. Ask the complainant for suggestions on how to improve processes. Two of the actions that provided the greatest lift to relationship building are proactively providing information and notifying the customer of new opportunities.</td>
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<tr>
<td>Bemowski, Karen, (1996)</td>
<td>Americans' nostalgic affair with loyalty</td>
<td>Words to use in order to promote loyalty: - - &quot;Always there for you&quot;; - &quot;I&quot; and &quot;you.&quot; (When talking with customers, employees should use &quot;I&quot; instead of &quot;we&quot; because it is a relationship between the employee (I) and the customer (you)). - “Relationship” - &quot;Crisis,&quot; &quot;challenge,&quot; and &quot;solution&quot;</td>
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<tr>
<td>Ha, S. H., S. M. Bae, et al. (2002)</td>
<td>Customer’s time-variant purchase behavior and corresponding marketing strategies: an online retailer’s case</td>
<td>The traditional CRM studies are mainly focused on CRM in a specific point of time. The static CRM and derived knowledge of customer behavior could help general marketers to redirect marketing resources for profit gain at the given point in time. However, as time goes on, the static knowledge becomes obsolete. Therefore, application of CRM to EC should be done dynamically in time ... longitudinal CRM could be usefully applied to solve management problems which any online retailer can face.</td>
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| P.K. Kannan | Introduction to the special issue: decision support issues in customer relationship management and interactive | Both CRM and Interactive Marketing aim to increase the profitability of firms from a customer portfolio viewpoint. Consequently, the four Cs become important: customers’ needs and wants, the cost to the customer, convenience and communication. Information acquisition and dissemination are critical aspects that are part of the 4 Cs. In order to
To carry out an effective CRM campaign, it is important to understand customer behavior, to communicate with customers to influence their behavior and to launch novel campaigns aimed at both attraction of the customer and subsequent retention.

Generally, three core works are necessary for the increase of customer value: up-selling, cross-selling, and customer retention (Kim, 2000). Understanding the value of customers and the most profitable customers are essential to retain customers (Hawkes, 2000).

Challenges and opportunities of CRM observed in several organizations:
1. The growth of CRM is driven by the changing demands of the business for quality service, the availability of large amount of data, and the role of information technology.
2. In order to benefit fully from CRM, firms may need to undergo a major change in organizational culture and business practices.
3. Organizational change requires significant commitment and has high potential in terms of opportunities and challenges.
4. Different levels of integration, transformation, and application for CRM depending on the organizational needs and maturity are recommended.

A relationship can only be perceived to exist if the customer considers it to be of value.

Integration of telephone communications, database, local area networks and other information system applications have clearly enhanced the CRM function (Schlesinger & Haskett, 1991; Aksin & Harker, 2001).

Information technology applications can be used to create customer empowerment that will ultimately result in customer satisfaction (Schlesinger & Haskett, 1991).

The ultimate question about the success of an information system application is linked to system use and that in turn is influenced by the interplay between system attributes and the individual and environmental factors.

Therefore, a successful CRM should first focus on the value that the customer required, consider what value the companies can provide to their customers and how these values can be provided to their customers. CRM should first manage customer value by providing customers with their required value, and to gain customers' return value. This

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<tr>
<td>Blois, K. (1996)</td>
<td>Relationship Marketing in organizational markets: When is it appropriate?</td>
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is the win-win situation for a successful CRM. To manage and realize customer value should be the core of any CRM.

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<th>Source</th>
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<tr>
<td>Karakostas, B., D. Kardaras, et al. (2005)</td>
<td>The state of CRM adoption by the financial services in the UK: an empirical investigation</td>
<td>The CRM literature suggests that successful CRM implementation requires an enterprise-wide integration of processes and a change in management focus and business performance metrics.</td>
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<tr>
<td>Han-Yuh Liu (2007)</td>
<td>Development of a Framework for Customer Relationship Management (CRM) in the Banking Industry</td>
<td>It has been shown that the strength of foreign banks is in the extent of their front-office and back-office automation, in their integration, customer segmentation and service (Shive, 2005)*, all of which are activities related to CRM.</td>
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<tr>
<td>Yarong Chen, Ling Li.(2006)</td>
<td>Deriving information from CRM for knowledge management - a note on a commercial bank</td>
<td>The result of the study indicates that the most influential factors that affect corporate customers' satisfaction are customer relationship and service process. Both factors are served as inputs to knowledge management which generates some new ideas for improving customer services. CRM is a component of enterprise information systems.</td>
</tr>
<tr>
<td>Hunt, S. D., D. B. Arnett, et al. (2006)</td>
<td>The explanatory foundations of relationship marketing theory</td>
<td>Research in the area of relationship marketing has identified a minimum of eight types of factors that influence Relationship Management based strategy for success: 1 Relational factors: trust, commitment, co-operation, keeping promises, shared values, communication 2 Resource factors – complementary and idiosyncratic. 3 Competence factors – alliance competences, market relating capabilities, relationship portfolio management. 4 Internal marketing factors – internal market orientation, part-time marketers. 5 Information technology factors – inter-organisational information systems, integrated infrastructure, CRM, databases, data mining. 6 Market offering factors – quality, innovativeness, customization, brand equity. 7 Historical factors – opportunistic behaviour, termination costs, relationship benefits. 8 Public policy factors – property right, contract law, alternative governance mechanisms.</td>
</tr>
</tbody>
</table>

Source: Collected from articles reviewed
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