ABSTRACT

INTRODUCTION

The approaches of doing business and satisfying the customer are changing rapidly. Today, the marketer focuses on the Pareto’s 80:20 rule which say that 80% of the business comes from 20% of the customers. Constant changes in the market, development of service market sphere as well as limitation of traditional marketing conception (it does not analyze how to sustain long-term relationship with customers and other participants of the market) were the premises for the formation of a new marketing paradigm. The growth in the number of published works in recent years is testimony to the renewed interest in the relational marketing paradigm. During the last few years there has been a growing interest in studying the economics of long-lasting customer relationships. Customer Relationship Management has been defined as a comprehensive approach for creating, maintaining and expanding customer relationships. The unique characteristics distinguish SMEs from large businesses and have an impact on Customer Relationship Management (CRM) implementation among SMEs. For most SMEs, customer service and customer relationships are major sources of competitive advantage and CRM improves SMEs’ ability to perform these tasks. CRM is an instrument that SMEs can commonly use to deliver added value to their customers, in order to improve customer satisfaction and obtain a competitive advantage. The main focus is on the management of customer relationship by SMEs. SME characteristics do not allow for the straightforward application of large firm strategy or tactics. A review of literature in that context is done and variables of interest of CRM are studied and their impact seen in the Small and Medium Enterprises.

REVIEW OF LITERATURE

Several scholars studying the customer concepts have enriched the literature with relevant CRM concepts and constructs. The chapter presents an exhaustive literature review in Customer Relationship Management and Small and Medium Enterprises.
Customer Relationship Management (CRM) is formed as a tool to make competitive advantages for various businesses through its benefits. Advantages such as cost decrease, customer satisfaction, loyalty and retention increase that are in fact stimulus to encourage the organizations to invest on CRM era. On the other hand, the provided statistics by research institutes shows that a large percentage of CRM projects could not succeed to gain improvements and promised results. A comprehensive survey of literature review is done which includes a study of various authors and work done by them. It has been recognized that it is more resource intensive to attract new customers than keep existing ones (Light, 2003, Lockard, 1998, Mitchell, 1998, Winer, 2001). Research shows that it is about five times more expensive to recruit a new customer than to retain an existing client (Roberts, 2000, Zeithaml, 2000). Also, there is a strong correlation between customer retention and profitability (Payne, Martin, Clark and Peck, 1999, Pfeifer and Farris, 2004, Reichheld, 1996, Reichheld, Markey and Hopton, 2000). Past decades have seen academics and practitioners focusing extensively on the issue of attracting and retaining customers in order to develop long term relationships (Berry, 1995, Morgan and Hunt, 1994, Sheth, 2002, Sheth and Parvatiyar, 1995) and gain the benefit of customer loyalty (Chen and Popvich, 2003).

Previous researches have addressed the concept of CRM as an important touchpoint in the relationship with the customers. Several variables pertaining to CRM have been identified with the help of the research studies and have been applied to the Small and Medium Enterprises (SME). Small and Medium-sized Enterprises cover a wide spectrum of industries and play an important role in both developed and developing economies. The Indian SMEs have been consistently outperforming large industries on crucial parameters such as growth in production and growth in employment. SME are usually characterized by relatively simple organizational structures. They are typified by a limited range of products and customers, thus, minimizing the requirement for formal procedures developed to gather and process customer and marketing information for decision making.

The companies today must design and implement their own CRM programmes to improve the quality and magnitude of their businesses. Hence, it is important to identify the types of CRM activities that companies can employ and to explore how
these relate to company performance and profitability. Customer relationships play a major role in the competence development of SMEs. They are embracing CRM as a major element of business strategy, because technological applications permit a precise segmentation, profiling and targeting of customers and competitive pressures require a customer centric culture.

The review of literature includes around 200 references. Pioneering works included of Sin et al (2005), Todd Patricia R. et al. (2007), Verhoef (2003), Sheth and Parvatiyar (1995) that provided the much needed impetus in the process of understanding and formulating the determinants of CRM and to their applicability to SME.

RESEARCH OBJECTIVES

The research objectives of the study delineated are

1. To explore the components of the CRM as applied in the Small and Medium Enterprises in India.
2. To study the role of customer focus in SMEs.
3. To study performance parameters of SMEs in context of applied managerial CRM implementation initiatives by
   - CRM Training
   - Managerial Demographics dimensions
4. To explore linkages of the CRM focus with the performance outcome of the SMEs.

RESEARCH METHODOLOGY

The research methodology adopted to conduct the study focus on the research hypotheses, research design and the procedure adopted. Research instrument development, including pilot testing, data collection and data analysis procedures are the main constituents of research methodology.

RESEARCH HYPOTHESES

For achieving the objectives of the study, hypotheses were framed. The rationale for each of these hypotheses stems from the review of extant literature on the subject, from theories and reasoning. The hypotheses considered for the study are listed below:
Ho1 : There is no relationship between CRM Vision and CRM strategy

Ho2 : There is no relationship between CRM Strategy and CRM Focus.

Ho3 : There is no relationship between customer satisfaction and customer loyalty, trust and commitment.

Ho4 : There is no relationship between customer focus and customer loyalty.

Ho5 : There is no relationship between customer focus and customer trust.

Ho6 : There is no relationship between customer focus and customer commitment.

Ho7 : There is no relationship between customer loyalty and performance of SME.

Ho8 : There is no relationship between customer trust and performance of SME.

Ho9 : There is no relationship between customer commitment and performance of SME.

Ho10 : There is no mean difference in CRM indicators by SMEs.

Ho11 : There is no mean difference in CRM indicators by Trained in CRMs.

Ho12 : There is no mean difference of CRM indicators by age groups.

Ho13 : There is no mean difference of CRM indicators by occupational positions.

Ho14 : There is no mean difference of CRM indicators by educational qualifications.

The research broadly follows a descriptive research design.

RESEARCH INSTRUMENT

The research instrument consisted of structured questionnaire and the respondents were required to indicate their responses with the help of the interviewer. The survey instrument, contained items under broad head of 9 variables such as CRM vision, CRM Strategy, Customer Focus, Customer Satisfaction, Customer Value, Customer Loyalty, Customer Trust, and Customer Commitment. Items related to each of the above variables were identified. The items were kept short and simple. Finally, a questionnaire was developed in which each items was presented on a 5-point Likert’s Scale with response categories ranging from strongly agree to strongly disagree.
Likert’s scale uses fixed choice response formats and is designed to measure attitudes and opinions.

Sufficient pilot work was carried out towards the development of a measure. The structured questionnaire was pre-tested on a representative sample of sixty-five to obtain necessary inputs for refining the same. Based on the feedback on pilot study questionnaire were fine-tuned and sequenced of questions was also changed.

The research data was collected with the help of structured questionnaire developed for the study. The elements assessed were, employees working in the various SME. Their designations ranged from Director, General Manager, Deputy General Manager, Assistant manager, Trainee or executive. In order to have a representative sample and reduce bias in the responses, a list of employees working in CRM were considered for the purpose of study. The sampled data on the CRM efforts has been collected from a representative cross-section of respondents who were approached without any prejudice or pre-qualification. A systematic sampling method was used in this study. Personal interview were conducted with the managers of the SME to collect data for the same.

**METHOD OF ANALYSIS**

To the questionnaire addressed to sample, about 450 responses were received. The data collected through the above means was compiled and appropriately tabulated. The analysis of quantitative and qualitative data was done using various statistical techniques. Keeping in mind overall objectives of the study. To validate the hypothesis of the research, data has been analysed analytically to arrive at a positive or negative performance of the organization due to CRM practices. Finally, the findings from the primary as well as secondary sources were utilized keeping in view the research objectives and sub-objectives to arrive at some definitive conclusions.

Exploratory factor analysis was carried out to examine the construct validity of the tool. Principal Component analysis to extract the factors and Varimax method to rotate the factors was carried out. Ten factors emerged confirming 8 dimensions i.e. CRM Vision, CRM Strategy, CRM Focus, Customer Satisfaction, Customer Value, Customer Loyalty, Customer Trust, Customer commitment in the questionnaire. Two factors were considered to be latent factors.
FINDINGS

A $t$-test was used to determine if two sets of data were significantly different from each other, and is most commonly applied when the test statistic would follow a normal distribution if the value of a scaling term in the test statistic were known. When the scaling term is unknown and is replaced by an estimate based on the data, the test statistic (under certain conditions) follows a Student's $t$ distribution. The mean differences for all CRM indicators by varied criterion was studied and results analyzed.

The results depicted a significant mean difference for CRM vision, Customer loyalty, Customer trust, Customer commitment and Overall CRM by employees of SMEs.

One way analysis of variance (ANOVA) was used to compare means of two or more samples (using the F distribution). The relation between ANOVA and $t$ is given by $F = t^2$.

The means for CRM vision, CRM strategy and Customer trust and Customer commitment by four groups of occupational positions were found different and statistically significant. Post-Hoc Multiple comparison procedure was further used to determine which means differ.

Bonferroni multiple comparison test of mean for CRM vision for Trainee/Executive & Director/Owner and Asst. Manager/Manager & Director/Owner were found different and statistically significant. CRM strategy for Asst. Manager/Manager & General Manager was found different and statistically significant. Also customer trust for Trainee/Executive & Asst. Manager/Manager was found different and statistically significant.

CASE STUDY ON PRABHATAM GROUP

CRM initiatives at Prabhatam Group

Prabhatam Advertising is a known company and has been providing 360 degree proactive, creative and strategic solutions to their valuable clients from Government, PSU and Private sectors. It is one of the premier business conglomerate having a
diverse portfolio spanning from Media, Aviation, Retail, Automotive and Real Estate besides being the promoter of Sadhna National.

The study primarily dealt with the understanding of CRM variables in the Advertising sector in general and Prabhatam Group in specific. The case study was conducted throughout 2014 and raises specific issues of one company’s experience of CRM. As late as 20th century businesses relied on personal relationships with their customers to guide their marketing efforts, their product development and their overall thinking. A personal connection between the businesses and customers was something that was necessary for success.

Their Eight different variables of CRM which form an important part of the discussion. These are as follows: CRM Vision, CRM Strategy, CRM Focus, Customer Satisfaction, Customer Loyalty, Customer Value, Customer Trust, Customer Commitment. The variables can be grouped into two based on the mean value calculated for each of them. It was found that the mean value of three variables of CRM Strategy, Customer Trust and Customer satisfaction was found to be high. The mean value of the other variables like CRM Vision, Customer focus, customer value, loyalty and commitment was found to be low.

CRM strategy plays a very important role in the advertising sector followed by customer trust. The customer satisfaction also has a high mean value indicating that customer’s satisfaction is given a high priority in the organization. The variable of CRM Focus, Customer value, customer loyalty and commitment had a lower mean value in case of Advertising sector and more so in Prabhatam group. Value creation and delivery play a very important role for developing strategic CRM. Prabhatam can create value for the customer by management of their 7Ps and as well as innovating and product-service bundling to create additional value for the customer.

Prabhatam also needs to emphasize on the development of customer loyalty and develop the favorable attitude of the customer towards them. They also need to decrease the customer defection and increase customer loyalty to produce greater cash flows and profits. An increase in all the above factors would lead to increase in commitment of customers.
Thus concluding that CRM is the concept of integrating all aspects of a business’s policies and processes to deal with customers, through support of information technology, with the intention of boosting profitability.

Out of the eight variables studied, the three variables; CRM Strategy, Customer Trust and Customer satisfaction play a very important role in the advertising sector and also in boosting the profitability of the same. It can help manage customer interactions more effectively and also create a competitive advantage and thus increase profitability. The other five variables; CRM Vision, Customer focus, customer value, customer loyalty and customer commitment the mean value was found to be less so an emphasis needs to be paid on increasing them as well. Prabhatam needs to devise certain ways and incorporate the above variables in to their functioning as well. This would be able to help them develop their customers into assets. CRM vision is an important to enhance the strategy of the organization. The organization should incorporate CRM and its variables as a business strategy and create competitive advantages for itself. It would further lead to various advantages for the organization of reduced costs, decreased complexity and improving operations.

MAJOR CONTRIBUTIONS OF RESEARCH:

This research makes some contributions to the society at large, gives some managerial contributions and also some economic contributions.

The result of this research has several important implications for managers. The research provides a systematic outline of the different CRM activities that occur in different sectors of the industry and the various components of CRM can be used by managers to enhance the customer interaction. Thus, a company could use the approach to identify key activities that must be implemented to be successful. An evaluation of the activities can provide a means for comparing their level of implementation with that of competitors.

One of the key issues in front of the organizations is that top management’s commitment needs to be there so that CRM can be made efficient in the organization. The CRM needs to flow from the top and top management needs to translate and communicate CRM throughout the organization. This vision would eventually lead to
development of measurable CRM outcome in the organization (Kirkby, 2001). Our research points out to the same.

The organizations need to maintain relationship with the customers in a long-term and trusting manner. This leads to the development of mutual beneficial relationship. The organizations need to understand that implementing CRM in the organization would lead to an increased loyalty of the customers, better customer satisfaction, trust among the customers and ultimately higher profitability for the organizations. A better understanding of the customers leads to gaining a sustainable competitive advantage in the competitive world. The organizations need to understand that CRM is not just about software solution implementation project only. Building relationships with customers is a fundamental business of any enterprise.

This research has several contributions for the economy as well. The organizations are realizing that customers have different economic value for the company and they are subsequently adopting their customer offerings and communications accordingly. CRM refers to a conceptually broad phenomenon of business activity and if the phenomenon of co-operation and collaboration with customers becomes the dominant paradigm of marketing practice and research. CRM has the potential to emerge as the predominant perspective of marketing. Thus, improving the economy at large.

The ultimate purpose of CRM is to increase profit. In the case of CRM it can be achieved by providing better service than your competitors. Good CRM capability would also reduce costs, wastage and complaints. It opens lines of communications with the customers thus giving you a constant market reaction to the products and services, better than any market survey. Good CRM also helps you grow your business, customers stay for a longer time, referrals to new customers increase form increasing number of satisfied customers; customer churn rate reduces; stress and demand on the staff reduces and over-all the organization’s service flows and teams work more efficiently and more happily.

The dimensions of CRM need to be applied to the Small and Medium Enterprises. SME cover a wide spectrum of industries and play an important role in both the developed and developing economies. India is no exception and SMEs occupy a prominent position in planned development of the Indian economy. They are the
driving force behind a large number of innovations and also contribute to the national
growth through employment generation, investments and exports. The sector accounts
for about 45% of the manufacturing output and 40 percent of the total exports of the
country. The Indian SMEs have been consistently outperforming large industries on
crucial parameters such as growth in production and growth in employment. This
sector has registered a growth more than any other sector. SME have to shoulder a big
responsibility to make the campaign of “Make in India” a success. The “Make in
India” campaign can be made possible with the cooperation of small and big
enterprises, corporates, and government bodies. SME sector in India is facing huge
challenges to be able to play their due role in the economy as well to remain
competitive in the era of globalization and liberalization.

The firms need to increase the investment in the CRM and they need to understand
the variables and their applicability in the organizations as well. Incorporating these
could lead to an enhancement in their survival rates, can help them achieve better
competitiveness in the global economy.

**FUTURE SCOPE OF THE STUDY**

The combination of customer relationship management and small and medium
enterprises provides many opportunities for research and the results of this study
opens up a number of avenues for further investigation.

1) The results indicate customer relationship management variables have an
impact on small and medium enterprises and a longitudinal study in case of
misclassified employees in case of respected SME can be carried out and
could be a significant contribution to the academics.

2) This research provided findings relevant in context of the small and medium
sector. Discovering that CRM plays a very important role but the companies
lack awareness on the same. Awareness generation could be addressed in
future research.

3) One aspect studied in the current research was related to the training of the
employees. But it was found that the organizations studied lacked in the aspect
of training of employees in the CRM. Thus the variables related to the training
to make CRM more effective in organizations could be studied in greater
details and some suggestions could be made in the same regard.

4) Although research tries to cover various aspects of CRM and details of the
same are also studied but these provide only a glimpse of the various aspect
studied. These variables could be studied in greater depth as well. Future
studies could be undertaken on one or more of the variables and depth of the
study could be broader.

5) There could be many exogenous variables which could be affecting the
performance of SME and could be studied in further detail.

6) The technology tools play an important part in the customer relationship
management and enhancing the performance of small and medium enterprises.
These technology tools can be studied in the future studies.

LIMITATIONS

The present research focused on only a snapshot in time to test the hypothesis and
provide some general principles. CRM is an evolving process where some of the
identified variables such as customer loyalty or customer satisfaction, would be
expected to change over time and across firms.

Since CRM is a dynamic phenomenon a longitudinal design would provide additional
benefits; tracking the implementation and adoption of CRM variables over time could
further test and refine our insights into the relationship between the various CRM
variables and performance of small and medium enterprises.

Though a number of precautions have been taken to increase the reliability of the
present study, yet the researcher feels that there are certain limitations which may be
given due considerations:

1) Limitations of time and willingness of the respondents dictated that the sample
could not be larger than the present one. Although this fact limits the
generalization of results, it is believed that it represents a necessary and
economical first step in identifying useful concepts and relationships that can
be later tested in more representative sample.
2) The present research utilizes both in-depth interviews and a large sample questionnaire survey to improve understanding of CRM and its association with the performance of small and medium enterprises. As is the case with most empirical research, the present survey research has several limitations associated with the identification of latent constructs, the operationalization of those constructs and the collection of survey data for testing those operationalized constructs.

3) Customer Relationship Management is a broad area of study and could include several variables and indicators. This study focuses on only some aspects of the same; that is only the following variables- CRM vision, CRM strategy, CRM focus, customer satisfaction, customer value, customer loyalty, customer trust and customer commitment are covered in the present study. There could be some other dimensions as well which may out of the preview of the present study. Since CRM is not just limited to the variables included in the study.

4) Company’s now a days operate under a highly dynamic environment. Small and Medium Enterprises operate in a more so ever dynamic environment and the current research is to be seen as an attempt to see the current realities. Some environmental factors may have been left untouched in the present study and can form basis for future studies.

5) The factors identified provide only a glimpse of the relationship factors which could be affecting the small and medium enterprises. There is a strong possibility of many exogenous variables which might be affecting the performance of the companies.

6) Although several precautions have been taken to create CRM scale and this scale was newly created for this study and therefore, there exists opportunity for further measurement refinement.