Dr Reddy's Laboratories Ltd, is a firm believer of ethical management practices. The company's aim has always been growth through achievement of their aspirations focusing on the values set in Vision Document. True to this tradition, the Supply Planning and Sourcing division of Supply Chain Management also has set its Policy and Objectives, which directly contribute to the achievement of the Corporate Objectives. However, the main focus continues to be the fulfillment of customer requirements, internal as well as external, within the framework of applicable statutory and regulatory requirements.

In order to create a feeling of involvement of all employees in its efforts to achieve its goals and also to demonstrate its own commitment, the Supply Planning and Sourcing division of Supply Chain Management undertakes the following steps;

1. Regularly organizes formal as well as informal discussions among its members to bring in an understanding of the customer and applicable regulatory requirements and the importance of meeting them
2. Defines a Quality Policy appropriate to the activities of the organization
3. For each activity / process, key performance indicators are identified in consultation with the concerned persons and objectives set against each key performance indicator.
4. Resources as may be required from time to time for achieving the same are provided.

5. The progress towards achievement of the same are reviewed periodically.

**Focus on Customer Expectations:**

Though the ultimate end users for the Dr. Reddy's products are retailers, doctors, and patients, as far as distribution is concerned, stockiest for National Distribution and Distributors and country Warehouses under the control of Country managers for International and Generics distribution are considered as customers. For International distribution including Generics, the focus is on the service levels and adherence to schedules.

The focus of planning is now shifted from building stocks at depots and CFAs to maintaining stock levels through replenishment.

Sourcing function selects suppliers based on their capability to supply quality goods and/or services in terms of conformance to specifications, cost and delivery irrespective of whether they are raw and packing materials, consumables, engineering materials, capital goods or services. To ensure consistency in supplies, the performance of the suppliers is also monitored and communicated to the respective suppliers indicating where improvements are needed.

**Quality Policy**

Dr. Reddy's has declared the Purpose, Vision and Values, which serve as guiding principles for all its units. In line with the same, Supply Chain Management has declared its policy.
and objectives. This policy and objectives are reviewed for continuing suitability to its operations and the changing corporate policies and revised when required.

**Planning Objectives**

For each process, key performance indicators are identified for each member and objectives set against each of them. These indicators help in monitoring the performance of each process as well as the member against the requirements and also to improve the same.

**Management System Planning:**

The Management System established and followed. While developing the system, the requirements of the organization as well as all the requirements of ISO 9001:2000 have been taken care of. In future, as and when any changes in the system are to be made, it will be ensured that the relevant requirements of the standard are not violated.
Strategic Issues in Relationship Marketing

Still relationship marketing appears to be an expensive alternative to firms practising mass marketing due to the relatively high initial investments. Firms would adopt relationship marketing only if it has the potential to benefit them. The benefits come through lower costs of retention and increased profits due to lower defection rates (Reicheld and Sesser, 1990). When customers enter into a relationship with a firm, they are willingly foregoing other options and limiting their choice. Some of the personal motivations to do so result from greater efficiency in decision-making, and reduction in information processing, achieving more cognitive consistency in decisions and reduction of perceived risks with future decisions (Sheth and Parvatiyar 1995)

Berry (1983) recommended the following five strategies for practising relationship marketing:

1. Developing a core service around to build a customer relationship.
2. Customizing the relationship to the individual customer
3. Augmenting the core service with extra benefits
4. Pricing services to encourage customer loyalty.
5. Marketing to employees so that they perform well for customers.

Developments in information technology, data warehousing and data miming have made it possible for firms to maintain a one-to-one relationship with their customers. Firms can now manage every single contact with the customer from account management personnel, call centres, interactive voice response
systems, on-line dial-up applications, and websites to build lasting relationships. These interactions can be used to glean information and insights about customer needs and their buying behaviour to design and develop services, which help create value for the customers as well as the firms.

Although customised and off-the-shelf technological solutions are available in the market place, businesses need to do a lot more than just adopt these solutions to implement Customer Relationship Management (CRM) practices. Successful implementation of CRM requires a strategic approach which encompasses developing customer-centric processes, selecting and information technology solutions, employee empowerment, customer information, knowledge-generation capabilities to differentiate them, and the ability, to learn from best practices.

Considering the importance of retaining customers in Banking Industry, Reicheld and Sasser coined the term zero defection. They highlighted that companies can boost profits by almost 100% by retaining just 5% more of their customers. In his book on the loyalty effect, Frederick Freichheld brought out of the following facts relating to customer retention:

- Acquiring new customers can cost five times more than the costs involved in satisfying and retaining current customers. It requires a great deal of effort to induce satisfied customers to switch away from their current suppliers.
- The average company loses 10% of its customers each year.
- A 5% reduction in the customer defection rate can increase profits between 25% and 85%, depending on the industry.
• The customer profit rate tends to increase over the life of the retained customer.

Besides, Berry and Parasuraman have developed a framework which suggests that retention marketing can occur at four different levels. Each of the successive levels of strategy results in ties that bind the customer a little closer to the firm. The four levels of retention strategy are:

1. Level one: Financial bonds.
2. Level two: Social bonds.
3. Level three: Customisation bonds.
4. Level four: Structural bonds.

**Financial bonds:** At this level, customers are offered financial incentives either for greater volume purchases or for continuation of relationship for a longer period of time. The more you use the service, the greater is the discounts and the lower is the price you pay for the services. For example, the airline companies offer frequent flyer programmes where they reward the customers who bring inmost of their business to a particular company. Similar is the case with hotels. Even cellular service operators charge lower rates to the customers who move up from a particular level of bill and use more of the service providers. The risk always associated with this financial model is that the customer has come to the company for this financial gain. To keep him for long, companies need to provide relationship exposure with the customer as well.

**Social bonds:** At this level, the firms intend to develop long-term relationships with customers through social and interpersonal relationships. The customers here are nameless
faces and are identified by name, and the services are customised to fit individual needs. Marketers look for ways to keep in touch with their customers by providing a personal touch and building informal relationships. A relationship is developed even among the customers of the same service provider. For example, the farmers who sell their products only to ITC and not to Reliance or Cargill have got a bonding among themselves. They normally join the company in its endeavour of growth and prosperity. Hence, to strengthen such bonds, companies keep on organising meets of their customers to provide them a platform to develop such a relationship among them. Most of the companies use to organise dealer meets of their primary customers and the dealers, and often take them to places for visits in India and abroad: for example, banks use to organise customer meets and so on.

**Customisation bonds:** These refer to the tailor-made offers for the customers. They require taking the views and opinions of the customers in the offer design. If a customer feels that his opinion has been taken in account, it will certainly lead to building a special relationship with the organisation. Many customers visit a particular restaurant because they believe the chef knows exactly what taste they like.

The customer leaves going to the restaurant when the chef leaves and starts going to the restaurant where the chef goes. Many students are linked with a teacher and goes to the coaching institution where his preferred teacher teaches. When the teacher leaves the coaching institute and goes to another, the students also move to there.
**Structural bonds:** This involves all the above three bonds along with what they introduce. The company establishes a network with the customers and offers everything required in the service delivery process. A doctor, a lawyer, a tax consultant and a business consultant are examples of structural bonds. They tie the customers in the very structure of the organisation and then leverage them. These bonds are created by providing highly customised services to the clients. Specific customer needs are brought into the organisational system to design new ways and to improve the offerings to the clients. A tax consultant first knows about all the income, then plans the taxes and investments, and then offers the most suitable investments to the client. Next year, the client again comes back to the consultant as he is the one who knows most of the information required for the decision. Similar is the case with the doctor.

**Personalisation Strategy**

Once the company realizes that the customer is lost either by stopping transactions or by reducing them, it should try to re-establish the contact. The information technology tools have enabled companies to have the requisite information of the customers. This may help develop an appropriate profile of the customer, pertaining to his purchasing patterns and usage of the service, so that the organisation can design more suitable and customised bundles to offer or redesign the offer suiting to the exclusive requirement of the customer and then approach the customer to reconsider his decision of withdrawing his transactions with the company. In personalisation, the customers are treated as an individual and are made to believe that the offer is designed keeping in mind their exclusive requirements. The personalisation strategy
provides a customer the space to feel empowered and of being cared retaining his exclusive identity. In addition, the actions would prove that the organisation recognises its profitable customer and is ready to walk an extra mile for him.

**Differentiation Strategy**

Differentiation is the ability to provide unique and superior value to the consumer in terms of quality, special features or after-sales service. Customer segmentation is an important step in differentiation. Every segment may be offered different offering which also in conformance with the strategy of personalisation and the customer also feels for the difference. By differentiation strategy, the company in order to attract back the lost customers, segment them differently from the existing customer base and provide additional features and benefits.

Furthermore, we could expand the differentiation strategy and use gastronomy and formula strategy (Horovitz 1990) to address the different customer segments depending on the nature of the industry and the offers they make. Differentiation would act as a base strategy and gastronomy strategy could be used as an effective tool to bring out the differentiation phenomenon. Gastronomy strategy (Horovitz 1990) targets customers who seek highly personalised service, a great deal of interaction and long contact. It should be noted that the customer profiling plays an important role in correctly analysing the attributes which the customer wishes to be addressed with. Since these customers have already defected, the company may also have sufficient leads about the causes of defection.
Customer Delight Approach

When the customer transacts with the company and gets something that is faulty, the correct response is not an excuse, rather it would be an apology followed by a correction and compensation for the loss and mental harassment. When a credit card customer of a bank gets a wrong bill, the bank, instead of arguing with the customer and asking for the proof of transactions, should do the back office clarifications and apologise for the mistake and also may offer waiver of a month’s fees as compensation. This would check the customer from defecting as he has been compensated for the loss he incurred in coming to the bank branch. The company should try to provide a little more, excess to what the customers may have initially expected. The element of surprise is to shock the customer in a pleasant way.

One benefit of the customer delight approach lies in understanding the difference between a satisfied and a loyal customer (Gitmoer 1998). Not only is the customer satisfied, but also he would tend to become loyal under the circumstances. Another benefit could lie in a higher incidence of positive word of mouth and is likely to emanate as a result of this particular approach.

CRM: A Cost-Benefit Analysis

Any managerial initiative, before implementation, needs to be appraised from the perspective of cost and benefit and recommendation for application is made only when the benefits exceed the costs. This cost and benefit analysis has to be done from the perspective of both the stakeholder who makes the business run i.e. the customer and the company.
CRM Benefit

To the Organisation

- Increased revenue through acquisition of new customers, retaining existing customers, and increased wallet share through up-selling, cross-selling, etc.
- Reduced costs- The ability to differentiate between customers on the basis of their long-term profitability helps the organisation plan better cost-effective marketing strategies to derive better returns on marketing investments. Automation of many services and ability to provide them as self-services further reduce the cost.

To the Customer

- The continuity derived from a relationship with the same seller results in a simplified buying process and reduction in customer's perceived risk. This, in turn, increases the feeling of safety and comfort.
- CRM provides more avenues for customers to communicate and explain their needs to the organisation through numerous contact points.
- Customers get increased satisfaction and a feeling of being special and important because of the increased personalisation of services and customisation of goods offered to them.

CRM Cost

To the Organisation

- CRM requires the organisation to make significant investments in IT infrastructure.
- The organisation has to incur the cost of process change arising out of alteration in the habitual pattern of accomplishing tasks. Employees find it far easier to carry on
traditional transaction marketing. The company might need to spend significant amount of efforts to make employees adapt to CRM.

To the Customer

• Possible or inevitable loss of privacy – Many customers do not want a company to collect and store information about them. Online companies must disclose their privacy policies to the customers and give them the right not to have their information stored in a database.

• Opportunity cost associated with ignoring other offers from competitive sources – Once a habit is formed, most customers would refrain from exerting the effort to assess the options and prices offered to them.

Customer Value

Value creation is a strategic process to manage a product, service or a business unit’s growth and competitive share. It is built on a core foundation of market research applying advanced techniques, called customer value analysis (CVA). In the recent years, the notion of value creation and value delivery have become increasingly prominent. At the same time there was a shift from the 4 Ps of marketing (product, price, place, and promotion) to an emphasis on relationship, networks and interaction. Perceived value represents an all-inclusive evaluation by the customer about the utility of the product on the basis of “what is got and what is given”. Value resides in the balance between the functional solution acquired by the customer’s sacrifice in acquiring the solution.
Today's customers are becoming harder to please. They are smarter, more price-conscious, more demanding, less forgiving and are approached by many more competitors with equal or better offers. The challenge is not to produce satisfied customers, which several competitors can do, but to produce delighted and loyal customers. If these customers are retained with the organisation, it becomes really profitable by way of increase in purchasing, reduced operating costs, premiums and through referrals. Customer value is an interesting and emerging concept in the area of marketing. This holds an important position in Customer Relationship Management, as relationship needs to be designed and sustained when one party offers some value to the other. So, understanding customer's value to the company and then
designing the offer to him would be the most appropriate strategy for companies practising CRM.