CHAPTER-1
INTRODUCTION

1.1 THE PROLOGUE

As a result of globalization of businesses and the evolving recognition of the importance of customer retention, market economies and customer relationship economics there has been a change in mainstream marketing (Gronroos, 1997). Kevin and Yen (2003) explains that, over the past few years there has been a shift in relationship literature from focusing on the benefits of long-term relationship for companies to the benefits that accrue to customers. Because of this it is becoming evident that, companies fundamentally have changed the way in which marketing is done i.e. a fundamental shift from managing a market to managing a specific customer (Bose, 2002). Establishing relationship with a customer is to attract the customer and to build the relationship with the customer so that the economic goals of the relationship are maintained (Gronroos, 1997).

Kotler (2000) maintained that, it has been the practice by firms to devote greater attention and marketing effort to attracting new customers rather than retaining existing ones. This is the base for relationship marketing (RM) which came as an answer to the transactional or traditional marketing approach. Transaction marketing used to emphasize the concepts of the 4Ps of marketing product, price, place and promotion focused only on attracting businesses, but not so much in retention (Gummesson, 1999). Chen and Popovich (2003) stated that, it has been well acknowledged and recognised that retaining firm’s existing customers is more profitable than attracting new ones. As a result, relationship marketing was developed on the basis that customers vary in their needs, preferences, buying behaviour and price sensitivity. Bose (2002) added that, firms in no distant future will be driven more and more by individual customer preferences.

Customer Relationship Management (CRM) is a term for methodologies, technologies and e-commerce capabilities used by companies to manage customer relationships. The traditional database marketing captures customer information including demographic and psychographic data that helps the marketer to develop suitable target marketing strategy, to forecast demand, to determine type and quality of service required by customers and to build strategy for market entry, diversification and expansion. This macro marketing view has led to look at database for building strategic links for the benefit of the organization and customer in the face of rising costs and competition. In 1960s, Levitt suggested that, the
purpose of every business is to create and keep customers. He also suggested that, corporations should view the entire business process as a system consisting of closely held integrated effort to discover, create, arouse and satisfy customer needs.

Customer Relationship Management is now actively considered by organizations across the globe as an integration of database marketing with technology enabled strategy. A new Datamonitor report, “Economic Outlook: Customer Relationship Management” finds that, in 2006, the global CRM software market was worth just under $3.6 billion in license revenue alone and is expected to reach $6.6 billion by 2012 — a compound annual growth rate of 10.5 percent. The basic proposition of a CRM strategy is based on the age old idea of knowing, understanding and serving the customer for developing a sustainable competitive advantage. But building a sustainable and successful relationship with a large customer base is not the easiest thing to do and carries a direct impact on many core operational processes.

It is not a tactical decision of software implementation but interaction of the entire business with customers through an integrated interface. The modern information technology allows larger organizations to individualize their products and services as per the varying needs of the customers.

Customer Relationship Management is the establishment, development, maintenance and optimization of long term mutually valuable relationships between consumers and the organizations. Successful customer relationship management focuses on understanding the needs and desires of the customers and is achieved by placing these needs at the heart of the business by integrating them with the organization’s strategy, people, technology and business processes (Fox and Stead, 2001).

A perfect CRM strategy is the creation of mutual value for all the parties involved in the business process. It is about creating a sustainable competitive advantage by being the best at understanding, communicating, and delivering and developing existing customer relationships in addition to creating and keeping new customers. So the concept of product life cycle is giving way to the concept of customer life cycle focusing on the development of products and services that anticipate the future need of the existing customers and creating additional services that extend existing customer relationships beyond transactions. The customer life cycle paradigm looks at lengthening the life span of the customer with the
organization rather than the endurance of a particular product or brand. A good customer relationship management program addresses to the changing need of the customers by developing products and services that continuously seek to satisfy the lifestyle and need patterns of individual customers. Organizations tend to acquire a structure around customer segments and not on the basis of product lines to deliver customer satisfaction.

CRM builds on the philosophy of relationship marketing that aims to create, develop and enhance relationships with carefully targeted customers to maximize customer value, corporate profitability and thus shareholders value (Frow and Payne, 2004). The goal then is to improve the customer's experience of how they interact with the company, which hopefully will turn into more satisfaction, which might lead to more loyalty and finally to increase in profit (Chou et al., 2002). Kotorov (2003), while referring to the roots of CRM mentioned that, in the past many speculated whether CRM would turn out to be just another buzzword, one more term to add to the managerial dictionary that would soon fade away. Bull (2003) adds to this thought stating that, it is no longer good enough just to say that you are customer focused, but it matters what you do. Customer relationship management is of vital importance to organizations and it requires customer-centric business approach to support effective marketing, sales and service processes (Carolyn et al., 2003).

Customer relationship management can be beneficial to both the firm and the customer. From the firm's point of view, providing services to a client on a long-term basis cuts down customer acquisition costs drastically. It has been found that, loyal customers not only generate more revenue for more years, but also frequently cost less than acquiring new customers. The firm is also assured of certain minimum amount of business which helps it plan and coordinate resource allocation more effectively. Moreover, the chance of getting positive referrals and new customer leads also increases. Thus, building customer loyalty can be a very effective way of building a sustainable competitive advantage. From the customer's point of view, a certain level of quality of service is assured. The time and cost to search for a quality service provider is also drastically reduced. There is a greater efficiency in decision making, reduction in information processing, more consistency in decision making and reduction of perceived risks with future decisions. In addition, as the relationship matures, the relationship partners also understands the business needs and constraints better and provides expedited and better quality service.
In order to implement a CRM strategy, a key dimension is the question of customer service and the way in which it is perceived by the recipient of the service. Customer service can be defined as a task other than pro-active selling that involves interactions with the customers in person, by telecommunication or by mail. It is designed, performed and communicated with two goals in mind: operational efficiency and customer satisfaction (Lovelock, 1991). The quality of customer service is determined and evaluated by the customer and this affects the desirability of a relationship with the organisation. Customer service creates the moments of truth with the customer and these service encounters need to be managed by the organisation (Payne et al., 2001). Service encounters and CRM are thus associated.

The service sector is considered as one of the most challenging and competitive landscape and like all businesses services firms face some degree of competition. The ability to view all customer interactions and information is essential to provide the high quality of services that today’s customers demand and service firms that want to be successful in the knowledge economy must implement a comprehensive CRM integrated solution that involves all departments working as a team and sharing information to provide a single view of the customer (Yusuf, 2003).

In 1990s, CRM started attracting attention of academicians as well as practitioners from marketing and Information Technology (IT). The academic interest in CRM paralleled the explosive growth and adoption of relationship orientation and implementation of CRM solutions across different businesses. Worldwide, service firms have been the pioneers in adopting the practices of CRM. In India too, the service firms took some of the early initiatives in CRM. The CRM as a strategic management tool has been successfully implemented in various service firms like IT, hospitality, telecom and financial services.

1.2 CUSTOMER RELATIONSHIP MANAGEMENT IN SERVICE INDUSTRIES

Globalization and deregulation combined with advances in information technology have radically changed the managerial context of service industries. Though the origin of customer relationship management was initially in the industrial context, the service industry is also focused on maintaining and enhancing customer relationships. Services are produced and delivered by the same institutions. Success of a service provider is dependent on long term
relationships that develop between the provider and customer of the service. A greater emotional bond and trust between the service provider and service user develops a need of maintaining and enhancing relationship.

Berry (1983) defines customer relationship management as attracting, maintaining and enhancing customer relationships in multi service organizations. Berry and Persuraman (1991) propose that, customer relationship management concerns attracting, developing and retaining customer relationships. Berry stressed that, the attraction of new customers should be viewed only as intermediate step in the marketing process. Solidifying the relationship, transforming different customers into loyal ones and serving customers as clients should also be considered as marketing. He outlined five strategy elements for practicing customer relationship management: (i) developing a core service around which to build a customer relationship, (ii) customizing the relationship to the individual customer, (iii) augmenting the core service with extra benefits, (iv) pricing services to encourage customer loyalty and (v) marketing to employees so that, they in turn will perform well for customers.

It is a consensus that the relationship between the firm and its customers is critical to their firm’s survival and success. The management of customer relationships is critical in services marketing.

Lovesick (1983) points out that, many services by their very nature require ongoing membership (e.g. insurance, banking etc). Even when membership is not required, customers may seek ongoing relationships with service providers to reduce perceived risk in evaluating service characterized by intangibility and credence properties. Customers are more likely to form relationships with individuals and with the organizations they represent than with goods (Berry, 1995). Services are performances where the employees play a major role in shaping the service experience (Bitner, 1995). The service setting is especially conducive to customers forming relationships with individual service providers.

1.2.1 Relational benefits to Services Industries

Inseparability is widely cited as one of the distinctive features of services. The fact that, services typically are produced and consumed simultaneously means it is common for customers to have a direct input to service provision. For service businesses, strong customer relationships are important because of their inherently interpersonal focus and relative lack of objective measures for
evaluating service quality (Czepiel, 1990). Loyal customers can lead to increased revenue (Reichheld 1996; Schlesinger and Heskett, 1991), result in predictable sales and profit streams (Aaker, 1992), are more likely to purchase additional goods and services (Clark and Payne, 2000; Reichheld, 1996), typically lead to low customer turnover (Reichheld and Sassar, 1990) and often generate new business for a firm via word-of-mouth recommendation (Reichheld, 1996; Reichheld and Sassar, 1990; Schlesinger and Heskett, 1991; Zeithaml, Berry and Persuraman, 1996). In addition, a loyal customer base can lead to decreased costs (Reichheld, 1993). Loyal and satisfied customers are likely to cost less to service (Reichheld, 1996), sales, marketing and setup costs can be amortized over a longer customer lifetime (Clark and Payne, 2000).

Customers who have developed a relationship with a service business expert expect to receive satisfactory delivery of core service. There exist different types of relational benefits through effective customer relationship management. Customers derive social benefits from long-term relationships with service firms (Czepiel, 1990). In addition to the benefits received from core service, a kind of friendship often occurs between customer and service providers. A second set of relational benefits reported by respondents can be described as psychological benefits. Customers realize that, there is often a comfort or feeling of security in having developed a relationship with a provider.

This feeling of reduced anxiety, trust and confidence in the provider appear to develop over time and only after a relationship has been established between customer and the service providing organization. The economic benefits relate to discounts or price breaks for those customers who have developed a relationship with an organization. In addition to monetary benefits, a non-monetary benefit is also identified many a times by the customer. The economic benefits customers may receive for engaging in relational exchanges, both monetary and in the form of time saving are consistent with what scholars have argued is the primary motivation for developing relationships with businesses (Peterson, 1995). For their regular customers many service providers may tailor their service to meet particular needs. In some cases, this may be perceived by customers as preferential or special treatment.
1.3 SCENARIO OF INFORMATION TECHNOLOGY INDUSTRY IN INDIA AND KARNATAKA

Information Technology has grown in importance worldwide in the last decade as technology applications have multiplied exponentially across all sectors. As a result, expenditure on IT in 52 major countries has grown accounting for 2.6% of the GDP in 2008, up from 2.2% five years ago. Although the forecasted growth of IT spending is muted since the advent of the global recession and is pegged at 3.3% a year between now and the end of 2013, this rate of growth is more than three times the expected rate of growth of GDP. Software services and products are expected to grow by 4.8% per annum till 2013, while IT services are estimated to grow at 3.4%. The total number of companies in the IT sector are expected to rise from 1.2 million in 2008 to 1.3 million in 2013, making this sector one of the fastest growing in the world.

1.3.1 IT Industry in India

The industry scenario in India saw a rapid increase in the various sectors. But the striking factor was observed in the Information Technology (IT) Industry sector. In fact no other Indian industry has performed so well against the global market. This is mainly due to the success of India's software industry and contribution of people of Indian origin in IT revolution in the United States. The fact that IT sector in the country has increased at a very high rate of 35% per year for the last 10 years reinforces the view that, India is world class in IT. The IT sector has helped the Indian Industry to develop in leaps and bounds. According to sources, annual revenue projections for Indian IT Industry in 2008 are US $ 87 billion and market openings are emerging across four broad sectors, IT services, software products, IT enabled services and e-businesses thus creating a number of opportunities for Indian companies. All of these segments have opportunities in foreign as well as in domestic markets. The key findings of the NASSCOM - McKinsey report on India’s IT industry are -

- IT services will contribute over 7.5 percent of the overall GDP.
- IT Exports will account for 35 percent of the total exports with potential for 2.2 million jobs in IT by 2008.
- IT industry will attract Foreign Direct Investment (FDI) of U.S. $ 4-5 billion.
- Market capitalization of IT shares will be around U.S. $ 225 billion.
Indian IT Industry is a knowledge industry that will help to take the Indian economy to a new horizon and further change the 'Scenario of Indian IT Industry' fueling India's economic growth.

The importance of IT industry in the Indian economy can be gauged from the fact that, its contribution to the national gross domestic product (GDP) has increased by seven fold in a span of just one decade from 0.6% in 1994-95 to 4.3% in 2004-05. Although industry figures are not directly comparable with GDP as they are based on revenues rather than value added, they provide an indicator of growing importance of the IT sector in the country. Assuming that, the Indian economy and IT sector will replicate the past six years performance during the next six years and value added in IT sector is two third of its sales revenue, the contribution of IT sector to GDP will be around 8.5% during the year 2010-11, quite similar to that in the United States (US) today. The IT sector revenue is expected to increase from Rs. 1276 billion in 2004-05 to Rs. 6435 billion in 2010-11.

Table 1.1 : India's GDP and IT Sector

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP at current prices (in Rs. billion)</th>
<th>IT sector revenue (in Rs. billion)</th>
<th>IT sector revenue to GDP ratio (in %)</th>
<th>IT sector revenue (in US $ billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994-95</td>
<td>10128</td>
<td>63</td>
<td>0.62</td>
<td>2.0</td>
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<tr>
<td>1995-96</td>
<td>11880</td>
<td>99</td>
<td>0.83</td>
<td>2.9</td>
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<tr>
<td>1996-97</td>
<td>13682</td>
<td>137</td>
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<td>3.8</td>
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<tr>
<td>1997-98</td>
<td>15224</td>
<td>186</td>
<td>1.22</td>
<td>5.0</td>
</tr>
<tr>
<td>1998-99</td>
<td>17409</td>
<td>253</td>
<td>1.45</td>
<td>6.0</td>
</tr>
<tr>
<td>1999-00</td>
<td>19296</td>
<td>362</td>
<td>1.88</td>
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<tr>
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<td>21043</td>
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<td>12.1</td>
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<tr>
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<td>22929</td>
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<td>2002-03</td>
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<tr>
<td>2003-04</td>
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<td>978</td>
<td>3.63</td>
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</tr>
<tr>
<td>2004-05</td>
<td>29380</td>
<td>1276</td>
<td>4.34</td>
<td>28.2</td>
</tr>
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</table>

Source: http://mospi.nic.in and http://www.nasscom.org
1.3.1.1 IT and Economic Development

The IT has potential to raise the long-term growth prospects through increased productivity in almost every sector of the economy. The resurgence of the American economy since 1995 is a classic example of the same. According to Greenspan (2000), the IT has produced a fundamental change in the US economy leading to a permanent improvement in growth prospects. Similarly, Jorgenson (2001) argues that, the development and deployment of the IT is the foundation of the American growth resurgence. The relentless decline in the prices of semiconductors and thus IT equipments has steadily enhanced the role of IT investment as a source of American economic growth. Furthermore, IT can play an important role in economic development in a broader sense, beyond just economic growth. Obviously, this depends on comparative advantage in providing IT products and services, global demand for these products and services, development of a robust domestic market, positive spillovers to rest of the domestic economy and impact on governance.

IT, in some sense, is a general-purpose technology (The idea of general purpose technology was introduced by Bresnahan and Trajtenberg (1995)). It can influence the national economy in a number of ways. It can create employment opportunities, reduce illiteracy, provide universal health service and deliver good governance. IT can not only help the emerging sector such as ITES, biotechnology, pharmaceutical research, nanotechnology, etc., but also it is crucial for the development of strategically important sectors such as defense and intelligence, space research and development, weather forecasting and transportation.

The information technology can play a major role in overall economic development of the country. India has a comparative advantage in the global IT sector at least in terms of cost. With large pool of workers having software and language skills, it is in a position to move toward producing higher value-added goods and services. In fact, it has just started to move towards higher value added goods and services. IT service companies have included new service lines such as package software implementation, system integration, R&D engineering and remote network management. Whereas ITES-BPO companies have started offering more complex services such as financial research and analytics, actuarial modeling and corporate and business research. The availability of large number of workers with a combination of engineering and managerial skills will definitely be helpful to move towards higher value-added goods and services.
Despite having comparative advantage at least in certain segment of the IT sector, India's share in the global market is just 2%. This should be viewed as a great opportunity for the Indian IT industry. Although the domestic IT market is just marginally more than half of the export, it has started growing at a rate of 20% per year or so during the recent years. Improvement in telecom infrastructure, increase in PC and internet connectivity and decrease in prices of hardware and internet connection have provided great opportunities for firms to strengthen domestic IT market. The use of PC, an important access device for IT and internet needs to be encouraged further for larger economic benefits. This can easily be used to provide distance education, telemedicine and variety of other information. This can also enhance access and delivery of government services to various stakeholders and citizens. Internal record keeping, flow of information and tracking decision and performance can be improved with the use of IT. The use of IT in governance can directly benefit the people, particularly the poor ones (since economically well off people in any case can get the information). Above all, IT has the potential to improve transparency and accountability and thus the efficiency of government delivery system. In India, many government organizations have started to adopt IT based systems and solutions to manage payrolls, stock market, rail reservation, tax collection, etc. Various initiatives have been taken by the government to provide e-governance interface to citizens. The central government has recommended that, each ministry should allocate 2-3% of its budget for promotion of IT and move towards electronic governance. It is clear that, IT can be used not only for improvement in competitiveness in the global market but also for overall economic development. There are strong complementarities between IT and rest of the economy. IT can enhance the productivity and efficiency in other industries.

It can improve efficiency in areas such as accounting, procurement, inventory management and production & operations management. Although labor unions usually raise concern with IT adoption due to fear of job loss, evidence suggests that, increases in other kinds of job as a result of IT use more than make up for job loss (Singh, 2002). Moreover, IT implementation may increase the productivity and/or quality more than that is feasible otherwise. The use of IT in rural banking and micro-finance may enhance efficiency in informal sector and can impact broader cross-section of population. Information access to farmers could benefit agriculture sector as well. Farmers can receive weather forecasts, market
price quotes, advice on farming practice, offers to buy and sell livestock, and specific trainings. Even basic education could be enhanced in rural areas by the use of IT.

To uplift the status of socially and economically weaker section of the society, the government needs to make IT accessible to them. Special efforts should be made to promote IT use in rural areas. There is a need to make significant capital investments in rural areas if not for some altruistic reasoning, at least because of a desire to enter a domestic emerging market that has been virtually untapped so far. The industry along with the central and the state governments should now look at taking IT services to villages. One should remember that, without access to the IT the rural people can be caught in a poverty trap caused by the digital divide between the have’s and the have not’s. Efforts should be made to promote the development and availability of low cost PCs and other communication access devices with internet connectivity at the most reasonable prices. There is a need to resolve regulatory issues in communication, and reduction & rationalization of tariff structure on hardware and software to provide seamless communication connectivity to rural areas and promote value-added services and micro enterprises to enhance economic well-being of rural community.

1.3.1.2 Composition of IT market in India

The Indian IT industry comprises of a diverse group of companies associated with Information Technology. These companies range in size from billion dollar companies to small startups with sales less than a million rupees a year. According to NASSCOM estimates, the size of the Indian IT industry was $19.6 billion in 2003-04, up 17% from $15.8 billion in the previous year.

The Indian IT market is divided into four main segments:

- Software and Service Exports;
- Domestic Software and Services;
- Hardware Peripherals and Networking; and
- Training.

Software and service exports accounts for the largest chunk of the Indian IT industry with a share of 62%. Hardware and peripherals, domestic software services and training, accounts for 20%, 17%, and 1% of the market respectively. Figure-1.1 gives the view of Indian IT market segmentation.
1.3.1.3 Size of Indian IT Industry

The size of India's IT industry has grown significantly over the years. The size of this sunshine industry of India grew from 150 million US Dollars to 50 billion US Dollars between 1990-1991 and 2006-2007. The growth of the IT industry has been very high in the last few years. The size of the Information Technology industry of India was 5.7 billion US Dollars in 1999-2000. After the turn of the century the industry experienced exponential growth to reach the 50 billion mark by 2007-2008.

Some of the important aspects of the NASSCOM- McKinsey report related to the size of India's IT industry are -

- There is potential of 2.2 million people being employed in the IT industry of India by the end of 2008.
- Contribution of software and services to the total GDP of India will be more than 7.5%.
- FDI (Foreign Direct Investment) of 4.5 billion US Dollars expected in the IT industry by the end of 2008.
- 35% of total exports from India will be from IT exports.
- 225 billion US Dollar worth of market capitalization from IT shares.
- Software and services are exported to about 95 companies from India. North America accounts for 61% of the software exports from India

The projections about the size of India's IT industry present a very optimistic picture. The industry is expected to grow to double its current size by the year 2012. India's IT industry is expected to grow at an annual average rate of 18% in the next
five years. The industry is also expected to cross the 100 billion US Dollar mark by 2011. One of the major areas of growth for the IT industry of India is by tapping the potential in the domestic market. The IT industry of India is largely dependent on the export market. Penetrating more into the domestic market would create further opportunities of growth for the IT industry.

1.3.1.4 Growth of Indian IT Industry

India's IT industry has recorded phenomenal growth over the last decade. During the period from 1992-2001, the compounded annual growth rate of the Indian IT services industry has been over 50%. The software sector in India has grown at almost double the rate of the US software sector.

The statistics of the India's IT industry substantiates the huge momentum acquired by the IT sector in the recent past. During the financial year 2000-2001, the software industry in India accounted for $8.26 billion. The corresponding figure was $100 million 10 years back.

The growth of India's IT sector has brought about many other positive changes in the Indian economy. The purchasing power of a large section of Indian population has increased dramatically. This has resulted in an increase in the average standard of living of the majority of population of the country. The increase in purchasing power of the common people has propelled the growth rate of the other sectors of the economy as well.

There has been considerable increase in the amount of fund available for venture capitalism and equity financing.

India is now home to a number of IT giants. The operations of IT firms like Wipro, Infosys, Accenture, Capgemini, Tata Consultancy Services and many more in different locations of India have changed the entire scenario of the Indian job market. The ITES sector has also come up to complement the growth of Indian IT sector.

Some of the major reasons for the significant growth of the IT industry of India are –

- Abundant availability of skilled manpower
- Reduced telecommunication and internet costs
- Reduced import duties on software and hardware products
- Cost advantages
- Encouraging government policies
1.3.1.5 Challenges before Indian IT Industry

There are number of challenges that are facing the information technology industry of India. One of the major challenges for the Indian information technology industry was to keep maintaining its excellent performance standards.

The experts are however of the opinion that, there are certain things that need to be done in order to make sure that, India can maintain its status as one of the leading information technology destinations of the world. The first step that needs to be taken is to create an environment for innovation that could be carried for a long time.

The innovation needs to be done in three areas that are connected to the information technology industry of India such as business models, ecosystems and knowledge. The information technology sector of India also has to spread the range of its activities and also look at the opportunities in other countries.

The improvement however, also needs to be qualitative rather than just being quantitative. The skill level of the information technology professionals is one area that needs improvement and presents a considerable amount of challenge before the Indian information technology industry.

The Indian information technology industry also needs to co-ordinate with the academic circles as well as other industries in India for better performance and improved productivity. The experts are of the opinion that, the business process outsourcing service providers in India need to change their operations to a way that is more oriented to the knowledge process outsourcing. One of the most important crises facing the Indian information technology industry concerns the human resources aspect. The problems with outsourcing in countries like the United States of America are posing problems for the Indian information technology industry as well.

In the recent times a bill has been passed in the state of New Jersey that allows only the citizens or legal non-Americans to be given contracts. This legislation has also affected some other states like Missouri, Connecticut, Wisconsin and Maryland. These states are also supposed to be considering these laws and their implementation. This is supposed to have an adverse effect on the outsourcing that is the source upon which the information technology industry of India thrives. The information technology professionals who aim at working in the country are also likely to be hindered by the legislation as a significant amount of these professionals have been going to work in the USA for a long time.
1.3.1.6 Future of Indian IT Industry

The current scenario in the IT industry of India and the tremendous growth registered in recent years has generated much optimism about the future of the Indian Information technology industry. Analysts are upbeat about the huge potential of growth in the Information Technology industry in India.

The major areas of benefit that the future growth in the IT industry can generate for the Indian economy are-

- **Exports** - The IT industry accounts for a major share in the exports from India. This is expected to grow further in coming years. The information technology industry is one of the major sources of foreign currency for India.

- **Employment** - The biggest benefit of the IT industry is the huge employment it generates. For a developing country like India, with a huge population, the high rate of employment in the IT sector is a big advantage. The IT industry is expected to generate employment of 2.2 million by the end of 2008 which is expected to increase significantly in coming years.

- **FDI (Foreign Direct Investment)** - High inflow of FDI in the IT sector is expected to continue in coming years. The inflow of huge volumes of FDI in the IT industry of India has not only boosted the industry but the entire Indian economy in recent years.

The Nasscom-McKinsey report on the ‘IT industry of India’ projects that the Indian IT industry will reach 87 billion US Dollars by the end of 2008. 2.2 million Employment is expected to be created in the IT industry according to this report. The report also projects 50 billion US Dollars of IT exports from India by the end of 2008.

Software exports from India are expected to grow in coming years. New markets for software exports from India have opened up in the Middle East, South and Southeast Asia, Africa and Eastern Europe. The reputation that India has earned as a major destination for IT outsourcing has opened further possibilities. Many developing countries are now using the Indian model for growth in the IT sector.

Another important area of future growth for the IT industry of India is the domestic market. While exports dominate the IT industry at present, there is huge scope of growth in the domestic market which can be tapped in the future.

The US recession has had its share of negative impacts on the Indian IT industry. However, the industry has faced the challenges posed by the global market and is sustaining its rate of growth. The focus for the future is to ensure that the benefits of the IT industry percolate to the grass root levels.
1.3.2 IT Industry in Karnataka

The Karnataka Economy is one of the leading economies among all the states in the country in terms of economic development. Karnataka economy is largely service oriented and income from the sector contributes half the state’s GDP with the agricultural and the industrial sector contributing to nearly 25% each. Among the service oriented sectors, Karnataka leads the Indian biotechnology industry. IT/ITeS is another thriving industry in the state concentrated in and around Bangalore - the silicon valley of India. The Information Technology in Karnataka state has become one of the main pillars of economy. Majority of IT activity in Karnataka is concentrated in Bangalore. Lately, other parts of Karnataka have also seen a growth in IT related activity.

The software exports in Karnataka grew by 36 percent, which is 37 percent of national software exports. The share of software exports in India is 2.6 percent of GDP at factor cost in current price in 2003-04. Whereas the share of software exports of Karnataka is 15 percent of its gross state development product. In 2004-05 the share of software exports of India to GDP increased to 3.3 percent and the state software exports to GSDP increased to 20.87 percent. This shows the increased contribution of IT to the growth of Karnataka.

Majority of IT firms in Karnataka are located their facilities in Bangalore. Bangalore attracts three foreign equity companies every fortnight. Software Engineering Institute Capability Maturity Model (SEI CMM) Level 5 statistics are also very encouraging, it shows that worldwide there are 40 software export companies, out of which 29 companies are located in India and Bangalore itself has 18 companies.

Information Technology Policy in Karnataka State Government gives a thrust to the Information Technology sector and encourages units to setup their operations in the state of Karnataka. Under this policy, several infrastructural facilities are proposed in Mysore, Hubli, Manipal and Mangalore apart from Bangalore to help the development of the IT industry. The facilities include providing training to engineers and others as well as providing employment opportunities.
1.4 BACKGROUND

The goal of relational marketing is the focus on customer loyalty (Asuncion et al., 2004) and CRM is becoming the foundational cornerstone of profitable financial success (Galbreath and Rogers, 1999). Customer satisfaction, understood as the meeting of the customer’s expectation is related to delivering high customer value (Kotler, 2000). Customers who result with successful relationships have far more potential for loyalty as they are often prepared to pay a premium price for a range of reliable goods and services (Newell, 2000). Once these customers are recruited they are less likely to defect, provided they continue to receive quality service. Relationship Marketing emphasizes that customer stickiness (retention) can substantially reduce marketing cost and contributes to firms’ profitability because it is always cheaper to retain a customer than to acquire a new one (Khalifa et al., 2002).

Customer relationship management appeared as a new concept at the climax of the Internet boom (Kotorov, 2003). It changed both the CRM market and customer-related business requirements of all sizes of companies (Chou et al., 2002). During the early 90’s providers of CRM solutions were offering products that accentuated the automating and standardizing of internal processes related to acquiring, servicing and keeping customers. Still, these solutions were very expensive and hard to maintain (Chou et al., 2002). The new CRM system means that, the existing and potential customers are now able to interact and communicate with corporations.

Kotorov (2003) affirms that, many management experts welcomed the concept of customer relationship management and hurried its implementation in spite of the lack of a clear definition, vision and without an understanding of the extent and complexity of organizational restructuring required for a successful CRM implementation. This is also supported by Abbott (2001) when she mentions in her study that, the majority of the companies were not ready to take advantage of the enormous amount of data captured for CRM purposes. The increasing disappointing results of the applications of customer relationship management coincided with the technology melt down. Customer relationship management was not delivering the result that organisations expected. Sudhir (2004) estimates that, CRM projects failing to achieve their objectives range anywhere from 60 percent to 80 percent. But on the other hand, a handful of successful Customer relationship management projects were giving both a proof-of-concept and a guideline for a
successful CRM implementation (Kotorov, 2003). Furthermore, the successful projects created enormous competitive advantage making the implementation of Customer relationship management by rival companies an absolute survival necessity.

The Customer relationship management concept came also with a number of opportunities for applications and consulting. The demand for CRM related services has exceeded available resources. Information technology (IT) departments within the firms are often unable to provide and implement the demand. The gap between corporate needs and the limited available resources will keep impelling the great demand for CRM-oriented implementation and integration services to increase. They also affirm that, the best word to describe CRM market is "profitable" and projected a market growth from $1.2 billion in 1997 to $11.5 billion in 2002.

According to Bellenger et al., (2004), the growing body of literature on CRM is somewhat inconsistent and highly fragmented. This is a result of the fact that, a common conceptualisation of the phenomenon is lacking (Bull, 2003). Bellenger et al., (2004) further noted that, the ambiguity surrounding the nature of CRM has permeated the academic literature and has generated research streams that address CRM from seemingly incongruent perspective.

Many believes that, through CRM firms are able to understand customers from strategic perspective and as a result the CRM ultimately focuses on effectively turning customer information into intelligence to more efficiently manage customer relationships (Galbreath and Rogers, 1999). Another view is that, it is technologically orientated. Sandoe et al., (2001) argue that, advances in database technologies such as data warehousing and data mining are crucial to the functionality and effectiveness of CRM systems. Kotler (1997) assures that, customer relationship management principally revolves around marketing and begins with a deep analysis of consumer behaviour. Bose (2002) states that, CRM is an integration of technologies and business processes used to satisfy the needs of a customer during any given interaction. Chou et al., (2002) also describe it as an information industry term for methodologies, software and usually Internet capabilities that help an enterprise manage customer relationships in an organized way.

This same fragmentation of opinions reflects when it comes to implementing customer relationship management. Creating a CRM solution for most companies is generally a matter of complex integration of hardware, software and applications
and it also requires a careful analysis of business processes. The implementation of CRM impacts on a number of functions within an organisation including sales, IT, operations, marketing and finance. Bradshaw and Brash (2001) asserted that, implementing CRM is certain to involve the use of new technologies. Most companies are enthusiastic about implementing CRM, but the work involved to bring such a system to reality demands an enormous deal of varied knowledge, project management and a meticulous plan (Bose, 2002). Thus, CRM failure rate was estimated to be between 55 percent and 75 percent in 2001 (Kotorov, 2003). Up to this point it has been suggested that, people, process and technology are key concepts to consider for the implementation of CRM (Chen and Popovich, 2003). The study of what they imply and how they are being approached by different companies becomes relevant in order to increment success of CRM implementation in the future.

1.5 RESEARCH PROBLEM

As mentioned, customer relationship marketing (CRM) has become a number one focus as today’s competitive markets were getting more saturated and aggressive. Now the marketing model is changing from the product-centered stage to the customer-centered stage. Customers are demanding a different relationship with suppliers than the traditional sales model (Chou et al., 2002). According to Hamel and Prahalad (1994), the objective is to amaze customers by anticipating and fulfilling their unarticulated needs. Bose (2002) explained that, service firms are regarded as companies that most likely to benefit from CRM implementation due to the fact that they collect and accumulate a lot data on each customer adding that, firms whose customers’ needs and product value are highly differentiated will have the most benefits.

Because of certain marketplace trends such as globalization, magnified competition, increasingly demanding customers, technological advances and similarity of product and service offering, an emphasis is increasingly being placed on relationship marketing as opposed to the more traditional marketing mix approach. With its focus on achieving profitable long term interaction, customer relationship management aims to provide superior value in order to achieve customer satisfaction and retention. Ongoing high quality business relationships have been recognized as a source of competitive advantage. The relationships themselves becoming assets that comprise part of global value delivered to
customers. To assess and control these relationships and to enhance their quality, it is important to manage their contribution to customer retention and satisfaction. As Page and Sharp (1998) note, “Relationship quality lies at the heart of relationship marketing just as service quality for services marketing”. Managing customer relationship effectively and efficiently boosts customer satisfaction and retention rates. Organizations have discovered and research studies have shown that, retaining current customers is much less expensive than attempting to attract new ones. Companies have realized that, to develop successful long term relationship with the customers they should focus on the ‘economically valuable’ customers while keeping away and eliminating the ‘economically invaluable’ ones. Proper CRM practices can potentially impact customer satisfaction and retention rate and can lead to increased customer loyalty.

As customers become more and more sophisticated and products more and more commoditized, service becomes dominant. Customer retention is critical and this requires loyalty which is brought about by great service, trust and to different degrees personalization (Abbott, 2001). A whole new world of demands has risen and business rush into the implementation of the Customer relationship management. This comes an answer to a most competitive environment, availability of new technologies and survival. Therefore, the study of the elements that determine success becomes more relevant. Even though the level of satisfaction with CRM implementation has not shown the best results, companies keep investing enormous amount of money in the hope that, this will bring them a strategic advantage.

The problem of the present research is to study the customer relationship management practices followed by IT firms in Bangalore cluster.

1.6 NEED FOR THE STUDY

The industry scenario in India saw a rapid increase in the various sectors. But the striking factor was observed in the Information Technology (IT) Industry sector. The robust growth of India can be attributed to the meteoritic success of Indian IT industry. In fact no other Indian industry has performed so well against the global market. The industry has been known for its innovative customer service and product custom configuration. Revenues for the industry have grown 10 times over the past decade in India.
Information Technology industry is one of the most successful and profitable industry in India with a GDP of 7.5%. As it continues to grow, it is faced with the challenge of how to maintain its customer relationship, while continuing to meet the demands and requirements of its customers. A long-term relationship with the customer insures their repeat business. It costs more to gain new customer than it does to retain current ones. The goal of an IT company is to provide customers with their technology as well as customer service needs. As it continues to grow, industry is faced with the challenges of maintaining its customer relationships along with meeting demands and requirements of its customers.

The IT Industry is a very competitive industry in India with the dominance of a few large firms like Infosys, Wipro, IBM, Tata Consultancy Services etc. The IT firms typically have a small number of large customers from which a majority of revenues and profits are generated (Pareto’s 80-20 rule). Moreover, acquiring a large customer is a fairly difficult process because of the intense competition and lack of significant differentiation among the major Indian IT firms. Therefore it is extremely important for the firms to retain the customers and grow the business generated from the customers. This may require the firm to take proactive and well-defined steps aimed at building trust and customer loyalty. The objective of the actions is to increase the faith of various decision makers in the customer organization towards the firm in order to obtain more projects and strengthen the relationship.

Customer Relationship Management (CRM) is a business strategy that involves selecting and managing customer relationships in order to optimize the long-term value of a company (Johnson & Weinstein, 2004). The difference between a business and a ‘successful’ business is the development of customer relationships. Levitt (1983) wrote that, a businesses’ purpose was that of creation and maintenance of a customer, additionally that the sale of a product to that customer was merely the consummation of the courtship. Nevertheless, the origins into the development of customer relationships into business and academic thinking has not been reliably pegged to a specific time, however, in the 1980’s scholars such as Len Berry, Ted Levitt, Robert Dwyer et al., were writing and conducting research on relationship marketing/management (Crosby, 2002).

Therefore, a systematic research on “Customer Relationship Management Practices in Information Technology Industry: A Study of Selected Firms in Bangalore Cluster” has been taken up.
1.7 FOCUS OF THE STUDY

The study mainly focuses on understanding the Customer Relationship Management practices in IT Industry. The study includes two stages, in the first stage CRM practices of IT firms are evaluated and in the second stage the key indicators of relationship strength in CRM programs are studied to understand the strength of the relationship.

It is very difficult to evaluate the success of CRM practices employed by a firm. Although the customer retention rate of the firm may be an effective indicator, it may not be an accurate measure as the retained customers may not be profitable customers. Thus, other parameters need to be used along with the customer retention rate to judge the success of CRM practices. Hence the present study evaluates the CRM practices of IT firms based on four levels of relationship marketing and corresponding retention strategies – financial bonds, social bonds, customization bonds and structural bonds. At each successive level, the potential for sustained competitive advantage is increased as each successive level of strategy results in ties that bind the customer a little closure to the firm.

The study also examines two important concepts in marketing relationships – trust and commitment, in the context of Indian IT sector. It emphasizes the role of trust and commitment as key influential elements between the antecedents and outcomes of the relationship.

1.8 OBJECTIVES OF THE STUDY

In carrying out the study, the following objectives have been identified with regard to CRM practices in IT industry:

I. To analyze the customer relationship management practices of selected IT firms in Bangalore cluster;
II. To compare CRM practices adopted in selected types of IT firms;
III. To identify the key indicators of relationship strength in CRM programs;
IV. To create and validate a framework incorporating factors necessary for successful relationships in the IT firms; and
V. To suggest measures for improvements in the existing CRM practices of IT firms.
1.9 HYPOTHESES FOR THE STUDY

A hypothesis is a tentative assumption made in order to draw out and test its empirical consequences. Formulation of a hypothesis may be proven as correct or wrong (i.e. accepted or rejected) and is capable of further refutation. Generally the hypotheses formulated are working hypotheses which are provisionally accepted hypotheses proposed for further research. The hypotheses formulated will enable predictions by reasoning. However, when statistical tools are used as in the present study, we will be discussing about probabilities.

A hypothesis is testable if there is some real possibility of deciding whatever it is true or false of real experience. As can be seen in chapter 4, the hypothesis formulated can be tested later also. As indicated earlier, the hypotheses are working hypothesis which are accepted as basis for further research. Thus they are constructed as a statement and are linked empirical studies like the present one.

When a possible correlation or other types of relation between two variables is studied, we use statistical hypothesis testing. If the likelihood of non-occurrence of the relationship is small, as denoted by significance level then the existence of relationship between two variables are assumed and thereby alternative hypothesis is accepted.

In the background of the objectives of the study, the following hypotheses have been identified:

H1: Primary objective of building customer relations in IT industry is not to win new business;
H2: Tangible and intangible rewards are not offered by IT firms to acquire customers;
H3: There is no financial bondage between IT firms and their customers;
H4: There is no social bondage between IT firms and their customers;
H5: There is no customization bondage between IT firms and their customers;
H6: There is no structural bondage between IT firms and their customers;
H7: Customer retention is not important for IT firms;
H8: There is no trust between relationship partners in IT industry;
H9: There is no commitment between relationship partners in IT industry; and
H10: There is no significant correlation between trust and commitment in strengthening the relationship between partners.

(Note: Apart from the above hypothesis, which have been based on the different sections of the questionnaire, other associated hypotheses have been discussed in chapter 4)
1.10 RESEARCH METHODOLOGY

The present study is empirical in nature. The CRM practices in IT industry are evaluated from the view point of effectiveness and relationship strength. The study was carried out by relying upon the primary and secondary sources of information. The secondary source of information was extensively used to highlight the conceptual background of CRM and empirical findings on various dimensions of CRM. After identifying the need for the study, objectives of the study and hypotheses for the study, the research plan was carried out. The research plan has been presented under four headings:

1.10.1 Sampling Design;
1.10.2 Nature and Sources of Data;
1.10.3 Developing the Questionnaires; and
1.10.4 Use of Statistical Tools.

1.10.1 Sampling Design:

i. Population of the Study: The Indian IT industry comprises of a diverse group of companies associated with Information Technology. These companies range in size from billion dollar companies to small startups with sales less than a million rupees a year. According to NASSCOM, Indian IT market is divided into four main segments – Software and Service Exports, Domestic Software and Services, Training and Hardware Peripherals & Networking. The study covers all four main segments of Indian IT market.

The locale of the study area is Bangalore city, because majority of IT activity in India is concentrated in Bangalore.

ii. Sampling Frame: Zealsmart’s India Top IT Quest - The publication containing the comprehensive list of top Indian IT companies and other IT companies is used as a sampling frame. The publication contains the information about IT companies located throughout India. This has helped the researcher to select the IT companies located in Bangalore.

iii. Sampling Unit: The responses were collected from the middle level and top level employees like Senior Account Managers, Relationship Managers, Project Leaders and Business Development Managers of the companies who have direct interaction with customers.
iv. **Sample size:** The data was collected from 48 IT companies, 12 companies from each of four segments of IT industry i.e 12*4=48. The size of such non probability sample is subjective in nature as the researcher feels that the size is appropriate for the scope of the study. IT firms in Bangalore selected for the study are:

- **Software and service exports**
  1. IBM
  2. Wipro
  3. Enventure
  4. Oracle
  5. TCS
  6. Infosys
  7. CTS
  8. Accenture
  9. iGATE Global Solutions Ltd.
  10. Aditi Technologies Pvt. Ltd.
  11. Infinity Computer Solutions
  12. Symantec

- **Domestic software and services**
  13. Zolipe Software Solutions
  14. Globaledge
  15. Aryan Software Solutions India Ltd.
  16. Bangalore Software Services
  17. CG Smith Software Pvt. Ltd.
  18. Inflow Technologies Pvt. Ltd.
  19. Iween Software Solutions
  20. Cir-Q-Tech Tako Technologies
  21. Spider Logic India Pvt. Ltd.
  22. Cauvery Software Engineering Systems Ltd.
  23. Vsoft Pvt. Ltd.
  24. Starmark Services Pvt. Ltd.

- **Training**
  25. SAP India Pvt. Ltd.
  26. Software Technology Group
  27. Proed Training
  28. Cegnosoft Pvt. Ltd.
  29. NIIT
  30. Aptech Limited
  31. Infitech Global
  32. eLogica Solutions
  33. Xsys Software Technologies
  34. Info School
  35. IDS Systems Pvt. Ltd.
  36. Achuta Software Technologies

- **Hardware peripherals and Networking**
  37. Dell
  38. HP
  39. Acer
  40. Toshiba
  41. HCL
  42. Intel technologies
  33. Zenith Computers Ltd.
  44. Unique Computers
  45. Cerebra Integrated Technologies
  46. Intex Technologies India Ltd.
  47. Purohit Computers
  48. Consolserv Technologies
v. Sampling method: Judgment sampling method is adopted using the personal knowledge of the researcher to identify the items of the population i.e. purposively selected. Along with this, convenience sampling method is adopted keeping in view the convenience and accessibility factors.

1.10.2 Nature and Sources of Data

The data was collected from various sources to evaluate the objectives of the study. The study mainly relied upon both primary and secondary sources of data.

i. Primary sources: The primary data was collected by questionnaire method using structured questionnaires, with Likert’s five-point scale and few questions with dichotomous and multiple choice. Observation method was adopted as certain CRM components are better seen than written or spoken and interviews were conducted with the respondents as responses relating to some CRM components as opinions, anecdotes and experiences are best obtained through in-depth interviews.

ii. Secondary sources: The secondary data include both quantitative and qualitative data and they are used for description as well as for exploration. Secondary data was collected through the secondary sources like Journals, Text books, Periodicals, Newspapers, Websites and Seminar proceedings specifically related to Customer Relationship Management and Indian IT Industry.

1.10.3 Developing the Questionnaires:

Two Questionnaires were designed to ensure that the accurate data required would be collected from respondents to achieve the objectives of the present study. Questionnaire-1 was designed to collect data pertaining to the general CRM practices of an IT firm and Questionnaire-2 was designed to collect the data related to CRM practices of the firm with its three types of customers namely, Large, Medium and Small customers (in terms of their contribution towards the company’s profit). The items in these questionnaires were essentially identified after having reviewed the literature on the problem. The items have face validity, as the concepts to be measured are clearly specified in each question. If the item does not measure or seem to be measuring any recognizable concept other than the one it is supposed to
be measuring, the instrument can be said to have face validity. In this study, the questions have high face validity.

The pre-test steps for questionnaires were followed. Pilot questionnaires were developed. Concepts were discussed and debated and wordings were changed as necessary. The order of some of the statements was also changed. Some questions were eliminated because they appeared to be duplicate or redundant. Consequently, some additional statements were added as required in the study context. In reviewing the statements, some statements were felt to contain more than one concept. So in those cases, the statements were split into separate statements to elicit different responses.

The second phase of the pre-test was the administration of the revised questionnaires to respondents, who were informed that this was a pre-test and specifically asked about the shortcomings in the questionnaires. Feedback given by then was used to revise the original format. This revised format was again scrutinized carefully and revisions are incorporated before the final administration of the final questionnaires.

The major dimensions of Customer Relationship Management, considered for framing the questions are as under:

- Primary objectives of building customer relations
- Customer Acquisitions
- Level of Customer Relationship Management strategies used by IT firms to build relationships and bind customers closer
- Customer Relationship Health Parameters

The responses from the respondents were elicited on Likert’s five-point scale. The Likert’s scale included the levels as given below the ticking of ‘5’ indicated ‘Always/High’; ‘4’ indicated ‘Often/Above Average’; ‘3’ indicated ‘Sometimes/Average’; ‘2’ indicated ‘Rarely/Below Average’ and ‘1’ indicated ‘Never/Least’.

The Likert’s scale weightage for the statements under each of the above dimensions are elucidated in the questionnaires appended at the end of thesis.

1.10.4 Use of Statistical tools:

Statistical tools are essential for analyzing the data which are the converted form of the responses provided against the questions of the questionnaire. As evident from the questionnaire, majority of the questions have Likert scale with few other questions with dichotomous and multiple choice. Following are some of the
statistical tools used in the study. Please also refer to the appendix for the scaling and measurement details.

i. **Anova**

Anova is used when there are more than two groups. Using Anova, one will be able to make inferences about whether samples drawn from populations have the same mean. If one compares the two means, then t-test will give the same results as Anova. One way Anova is used when there is only one category, whose effect is studied and balanced with the other category. This is to test if the samples are alike or not.

The superiority of Anova over t-test is that t-test is only suitable for comparing two treatment means, whereas Anova can be used both for comparing several means as well for complex situations. Anova is also suitable for non-parametric i.e. ranking / ordering data. With t-test one has to conduct the tests several times, leading to complications. Hence, Anova is more suitable in this instance. With Anova test few assumptions are made viz. the distribution is normal distribution; variances of all errors are equal to each other and the expected values of errors equal to each other.

ii. **Chi-Square**

This statistical tool is used to find how well the observed frequencies of results correspond with the expected frequencies. It is used when the observations fall into discrete classes. The results so obtained allow the researcher to decide if the calculated difference is significant or not. As a statistical tool this is used to analyze the nominal data. Chi-Square static is usually calculated to see if the pattern as seen in cross tabulation is substantially relevant.

This is used when we have categorical data. Chi-Square test details about interaction such as dependence / non-dependence, related / not-related etc. than about the difference between groups. This tests whether distribution of categorical variables differ from one another. It compares the tallies or counts of categorical responses between two or more independent groups. Depending upon the data type and category type the contingency table can take the form of 2 X 2, 3 X 3 etc. This test is basically used to determine whether there is a significant difference.
between the expected frequency and the observed frequency in one or more categories.

**iii. Correlation Analysis:** This statistical tool is used for measuring the relationship or interdependence of two or more variables. Correlation analysis measures the degree of association between two sets of quantitative data. Correlations are useful because they can indicate a predictive relationship that can be exploited in practice. There are several correlation coefficients, often denoted \( \rho \) or \( r \), measuring the degree of correlation. The most common of these is the Pearson correlation coefficient, which is sensitive only to a linear relationship between two variables. Other correlation coefficients have been developed to be more robust than the Pearson correlation — that is, more sensitive to nonlinear relationships.

**iv. Cross Tabulation Statistics:** This is widely used in survey researches. Cross tabulation is a process with which a contingency table from the multi-variant frequency distribution of statistical variables is created. This is helpful in better understanding as to how two different survey items inter-relate.

The collating of the data and the determination of statistical values was done through Statistical Package for Social Sciences (SPSS)

### 1.11 LIMITATIONS OF THE STUDY

The study was carried out with following limitations:

i. The findings, research and models developed in the study are restricted in applicability to Indian IT firms. They may not be applicable to other sample population or other service industries.

ii. The collection of the data was restricted to only selected IT firms of Bangalore cluster.

iii. Face validity of survey questions of this nature is based solely in the judgment of the researcher. Hence there is a likelihood of a question being misunderstood or wrongly understood by the respondents.

iv. Selection of only few IT companies from among a big set, naturally brings forth many limitations as far as the generalization of the results of the study is concerned.
v. The inherent prejudices and biases in responses could have acted as limitations on reliability of the responses.

vi. The relationship strength depends both on service provider and the customer. But the study was focused only on the perceptions of the service provider and excludes the perceptions of customers to the organization. This may result in positively skewed responses.

vii. The literatures on CRM practices in IT firms are not exhaustive. This could lead to such limitations as some variables being missed in the framework.

1.12 CHAPTERIZATION SCHEME

The following is the chapterization scheme of the study:

<table>
<thead>
<tr>
<th>Chapter No.</th>
<th>Title of the Chapter</th>
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<td>Introduction</td>
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<td>2</td>
<td>Review of Literature</td>
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<td>3</td>
<td>Customer Relationship Management – A Conceptual Framework</td>
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<tr>
<td>4</td>
<td>Analysis and Interpretation of Data</td>
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<td>5</td>
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<td>Appendix A: Profiles of IT Firms under study</td>
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<td>Appendix B: Questionnaire-1 and Questionnaire-2</td>
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<td></td>
<td>Appendix C : Scaling and Measurement</td>
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Chapter 1: This deals with introduction to the concept of Customer Relationship Management. It also deals with scenario of IT industry in India and Karnataka. The interrelationship between CRM and IT industry is also covered in this chapter.

Chapter 2: This chapter deals with the review of literature from journals, magazines, books etc., concerning different aspects of CRM. It also includes the studies on CRM in various industries.

Chapter 3: This chapter provides the framework indicating the interconnections amongst the internalities and externalities of CRM.
Chapter 4: This chapter deals with detailed analysis of all the parameters considered for the study. The inferences and interpretations are also discussed in detail.

Chapter 5: It includes findings, conclusion and suggestions based on the study and analysis. Findings related to the objectives of the study have been elaborated. It provides suggestions based on the study findings for academicians as well as policy makers. It also provides guide lines for future research and conclusions.

Bibliography: This section deals with the references of articles of the journals and also the websites.

Appendix: This includes profile of the respondent firms, questionnaires and scaling & measurement.