CRM: A Conceptual Framework and Review of Literature
CHAPTER-2

CRM: A CONCEPTUAL FRAMEWORK AND REVIEW OF LITERATURE

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2.1 CRM: AN INTRODUCTION:

Customer Relationship Management (CRM) is a management approach that seeks to create, develop and enhance relationships with carefully targeted customers to maximize customer value, corporate profitability and in turn, shareholder value. CRM leverages Information Technology (IT) to implement relationship-marketing strategies. Already customers are getting actively involved, either directly or indirectly with production processes. They make suggestions; ask for smaller, brighter, easier-to-use USER products. It would not be long before they become valuable stakeholders.

CRM is not a tool that is specific to any industry type, so there is no one single theoretical definition and description of Customer Relationship Management. It is up to the organization to formulate one for itself in order to achieve the CRM goals that it sets for itself. Companies that have adopted CRM regard every customer as an individual with specific needs and tailor their services accordingly. IT comes into the picture to help manage Customer relationships in an organized way.

On an average, a company has only a 5 to 20 per cent probability of making a successful sale to a new prospect but has a 60 to 70 per cent probability of selling again to active customers. Quite naturally, it would be wiser to invest in encouraging an existing customer to purchase again. Companies that followed up lapsed cases experienced 20 to 40 per cent successful sales. Without a doubt, customer retention is vital to every company's long-term profitability, success, and CRM, through target selling and customer loyalty programs can help to motivate the best customers and to remain loyal as a method of increasing revenues internally.

Rising customer expectations have stiffened the competition among companies to improve their customer support services. Today's customer has access to the latest technological devices that give them instant information that allows them to make instant transactions, buy, sell or transfer money, he/she has access to it all over his palm top, PDA, mobile phone or desktop. Today's customer is knowledgeable, he/she knows what he/she wants and the Internet is a powerful tool in his/her hands.

More than ever, customers today have an important role to play in the product lifecycle. Customers are continually pressing for improved support services in terms of product coverage, business-ease, response-time and price or at least value-for-money.” With a
wide variety of services available at competitive prices and easily accessible at the click of a button, improved customer services are becoming the need of the day. Customers are driving companies to migrate from being purely product-centric to absolutely customer-centric, taking care of all customer requirements even before they are demanded. (Economic Times, learn)¹

2.2 CONCEPT OF CRM:

2.2.1 DEFINING CUSTOMER:
A “customer” is one who actually purchases a product or service from a particular organization or shop. A customer is always defined in terms of a specific product actual or company. However, the term customer is far wider term encompassing not only the buyer or customer but also all its users, i.e. consumers. (IGNOU, Study Material MS-61 pp 6)²

According to Indian Negotiable Instruments Act, 1881 under
United commercial code of United states Section 4- 104 (1)(6): defines “A customer is any person having an account with a bank or for whom a bank has agreed it to collect items and includes a bank carrying an account with another bank”.

2.2.2 REASONS FOR LOSEING CUSTOMERS BY ORGANISATIONS:¹
To develop continuous relationships with customers, there exist a prime need to retain customers by companies for which it has to develop an efficient customer retention plan. Major reasons for loss of customers are as follows:

2.2.1 Quality of product:
In a competitive environment, competitors offer latest products to customers, which would be offering better quality and performance then products available in market. This would attract the customers to make a brand switch over, and reject existing products.

2.2.2 Price of product:
Customers always compare price of the product with the price of the competitor’s price of the product and compare quality, value, and guarantees given by the producer. If customers found it mismatch between the price and the quality of the product he would shift for low priced competitors
2.2.3 Sales Promotion:
Various sales promotion scheme introduced by competitors such as price off, gifts, technological advancement of product, more guarantee period, etc. offered by competitors would also attract to customers to accept new product in place of existing product.

2.2.4 Services Provided:
Customers not only take into consideration brand or price of the product while taking purchase decision but also consider services offered by firm at the time of sales, and during life time periods. Any dissatisfaction regarding service provided by the organization leads to customer to switch competitor's brand.

2.2.5 Personal Reasons:
Some personal reasons of individual customer also leads to rejection of product, such reasons are as product dissatisfied to customer. He may shift to other area where particular product is not available. Customer's role change in life cycle leads to change in brand preference, distress developed with in the process of product delivery or some sentimental reasons attached with the product.

2.3 TEN WAYS TO KEEP CUSTOMERS FOR LIFETIMES:

Every organization's strategies towards developing and maintaining continuous relationship differ from one organization to other depending on certain factors. These include nature of business, nature of product, size of business, volume of sales, total market share, socio-economic status and life style of the customer concerned, competitors strength etc. to keep customers for a life time customers following ways have to keep by organizations:

2.3.1 Persons of the organization:
First steps concentrates on persons working in the organization have the basic role in developing and maintaining continuous long-term relationship with customers. Every persons of the organization realize the fact that their work is toward satisfying customers. A person from higher management to lower level management needs to integrate their activities towards customer satisfaction.
2.3.2 Procedures Of The Organization:

Second step focuses on procedure involved in delivery of customer satisfaction. Procedure is a logical sequence of activities starting from the need identification of potential customers to need fulfillment. Which requires delivery of product as desired by customers. Procedure must be derived from customers' point of view, to provide satisfactions to them.

2.3.3 Product Of The Organization:

Product offered to the customer must constantly and constantly provide value addition. The expectations of the customers are always likely to be on the increase due to various reasons. A customer satisfied with a given product may soon become dissatisfied customer in view of the changes that take place in his/her expectations. Customers' expectation goes much beyond physical attributes of a product.

2.3.4 Providing Satisfactory Service:

Customer service is defined as an organization's ability to supply their customers' wants and needs. Excellent customer service is the ability of an organization to constantly and consistently exceeds their customer's expectations.

For a company to consistently exceed customers' expectations, they have to recognize that every aspect of their business has an impact on customer service, not just those aspects of their business that involves face-to-face customer contact.

There are several reasons why companies are continuously looking to maintain and improve their customer service. The cost of acquiring new customers is higher than the cost of maintaining existing customers one can get additional sales from the installed base.

Customer not only satisfies with the quality of the product but also expect satisfactory services. Organization is expected to render services of three types to custom as follows.

2.3.5 Pre-Sales Services:

During presales services customer develops expectations, the organization must ensure quality and availability of the product in proper time.
1. **During sales services:**

   During sales, organization must provide services regarding inspection of product; treat them with courteous attentiveness, prompt reply, etc.

2. **After sales services:**

   In after sales services organization provides establishment of product with giving technical know-how of product. Speedy replacement, simplified complaint procedure, efficient maintenance, repairs services, and so on. Such services, which are provided immediately and instantly, will bring total customer satisfaction.

2.3.6 **Technology Advancement:** -

   In order to maintain continuous relationship with customers, an organization should be aware of the technology advancement and provide quality service in tune with the customer’s expectations. It should concentrate on total customer satisfaction and respond to the requirement of the customers faster than its competitors respond. The responsive motivated nature of the organization must build confidence in the mind of the customers and that will go a long way in building the continuous relationship with customers.

2.3.7 **Competitor’s strategy:**

   Every organization should have constant attention on the competitors’ performance, their style of operation in market, and their strategy. Potential customers always make comparison and decide their future purchase pattern. Such analysis done by an organization would help in increasing its strengths and reducing its weaknesses. The organizations’ performance must always be a step ahead of its competitor, and it must know that the customer feels the difference. As long as the customer understand and agrees with this comparatively better performance, the continuous relationship will exist in organization.

2.3.8 **Paying Ability Of Customers Should Match With Price:**

   Pricing decision of the products is to be governed not only based on cost related factors. At the time of fixing price of the products, the paying ability of the potential customers must also be considered. There is a need to adjust price with the fluctuations in the paying ability of potential customers. In this process, an organization may have to
sacrifice small portions of the profit at primary stage, but considering long-term continuous relationship and future opportunity of earning, such price adjustment is worth practicing. If customers were lost due to price factor their non-availability of prices, then the organization would have to invest much more in trying to get them back as a regular customer.

2.3.9 Providing Solution Of Dissatisfaction:

Not all dissatisfied customers will complaint for their displeasure. They may simply make brand switch over. This will badly reflect on the prospective customers' attitude. To avoid dissatisfaction of the customer the causes for dissatisfaction have to be identified, and to attend satisfactorily. If a complaint is well attended, then the dissatisfied customer becomes more loyal to the organization and thereby, continuous relationship with customer would exist. Due to some demographic and psychographics factors, requirements of customers are to change. Customers in their early life stage concentrate on maintenance needs and then to life-changing needs, which will be followed by life-enhancing needs. Customer's requirements also change at this stage. The organization must see that there is a sense of matching between the customer requirements and that of the organization requirements.

2.3.10 Establishing Customer Monitoring Cell:

The role of customer monitoring cell is to receive, register, and classify complaint, forward them to the respective departments to initiate, and follow until the complaint is attended, to the satisfaction of the customer concerned. Periodical meeting of members of customer complaint cell and officials of various functional areas are to be arranged, to discuss the volume and nature of complaints received. This would help to develop continuous relationship with customers.

2.4 RELATIONSHIP DEFINED:

The analogy predominately used by marketing academies (e.g. Hunt and Morgan, 1995; Levitt, 1983) is that of a marriage—an exclusive, enduring and deeply personal relationship between two people, which forsakes all others. This might be attractive for the supplier (although it raises ethical question about polygamy!), but may not be so for the buyer who is expected to make a commitment, which incurs the opportunity cost of fidelity.
Some social psychologists make the distinction between personal and social relationship (Radley, 1996) and warn of the dangers of generalizing from studies in one to what might happen in the other. The norms and "rules" of close personal relationship can be different; to illustrate, one can say and do thing in personal relationship, which would be unacceptable in social ones. Social relationship such as those we engage in at work, are often necessary without being desired, with the motives and rewards being closely linked to the needs of the parties involved. Personal relationship may depend to a grater degree on the psychological make-up of the parties involved than do social relationship. This distinction between personal and social relationship questions whether the marriage analogy is an appropriate one for relationship marketing. As Tynan (1997) puts it, "the metaphor fails to deliver on issues concerning the number and nature of the parties involved in the relationship, on the attendant costs and benefits, on the willingness of the parties involved and on the 'ideal' timescale of the relationship. In the context of retailer-consumer relationships, a friendship analogy seems a better model. This does not mean that relationship theory is invalid: just that suppliers need to accept that their customers may wish to include other "friends" in their set, and so to expect exclusivity may not be a reasonable or even desirable objective. Given this situation, the objective for the supplier is not the "marriage partner" concept of a deep personal relationship rather that of the "preferred friend", the one that the consumer would like to invest more time and effort in, but which does not imply total exclusivity. In this, an understanding of the social psychology of relationship should help in guiding firm in their management of relationships.

Thibaut and Kelley's work on comparison levels; and equity theory. Thibaut and Kelly (1959) argued that every relationship is embedded in a network of other relationships, both actual and possible. From their own past experiences and expectation, each party compares their outcomes within the relationship against a minimum level they perceive to be acceptable (the comparison level), and against the outcomes available from alternative relationships or other situations (the alternatives’ comparison level). The perceived balance of rewards and of given relationship against both the comparison level and the alternative comparison level determines a person’s satisfaction with that relationship. As both rewards and costs are subjective and will depend on individual perceptions, different
consumers will perceive the balance between rewards and costs differently. (Isabelle Szmigin, 1998)  

2.5 CUSTOMER RELATIONSHIP DEFINED:

Relationship is as old as mankind. Sociologists, social psychologists, anthropologists, philosophers, and many other people have studied this concept. For the matter, even the traders and businessperson of ancient years relied on relationship for their success.

In the early 1990's the concept of relationship marketing was formally introduced into the field of service marketing. Financial Service Institutions, Airlines and other services providers found it more profitable to retain and reward the existing customers. It was established that building closer relationship with customer resulted in better resulted to companies through the following means:

- Increased use of company services by loyal customer
- Charging of price premiums for customized services.
- Referrals by satisfied customers that brought new customers.

The concept developed for services marketing also found application case of industrial as well as consumer product. This has lead to debate whether the whole of marketing should be rewritten with the new relationship paradigm or should it rest on the traditional 4ps i.e. product, price, place and promotion approach. However a whole lot of questions need to be answered before the relationship paradigm is accepted as foundation on which the entire marketing theory can built.

2.5.1. Types of Relationships:

The nature of a relationship varies from situation to situation. Alan Michell has identified the following types of relationship and their relevance to different business situations.

- Parent-child (loan Marketer)
- Teacher-student (Mass marketer of Internet Software)
- Leader-follower (Fashion Group)
- Comrade-at-arms (Pressure Group)
- Fellow enthusiast (Sports Car)
- Confidante (Financial-Service Adviser)
- Casual friend. (Beer, Crisps)
2.5.2 Stages of Relationships:
Relationships do not form overnight. A typical man-woman relationship goes through stages such as dating, romance, marriage, honeymoon, and so on. Behavioral scientist commonly uses the six-stage model to describe the development of relationships.
A number of studies have looked at the relationship between importer and exporter or a Company and Vendors; however, no significant studies have been carried out to understand the relationship stage in consumer-product situation. Are there some universal models that define different stage in a relationship? Can we develop a comprehensive relationship stage model for business relationship too? Depending on the types of relationship, a stage of relationship differs.
Research needs to be carried out to understand the stage at which cross selling and up selling should be attempted. Some specific stage may bring better results than other may when it comes to seeking referrals from existing customers.

2.5.3 Six-stage model of Relationship:
Various approaches developed so far have only contextual relevance and consequently they may not be helpful in developing a universal theory of relationship, most of the studies conducted in the area of relationship in general and then related it to marketing.
2.5.4 Relationships Between Bankers and Customers

The relationship between banker and a customer can be classified in two categories:

2.5.4.1 General relationship:

There is general relationship between banker and customer outlined as below:

2.5.4.2 Relation of Debtor and Creditor:

When an account is opened by a person with a bank and banker’s acceptance thereof involve a contractual relationship by implication. It is generally debtor and creditor relationship.

Sir John Pagat has also defined it as ‘the relationship between banker and customer is primarily that of debtor and creditor, the respective positions being determined by the existing state of the account”

2.5.4.3 Banker As A Trustee:

A trustee is one who holds property for the benefit of somebody else and the profit arising from such properties belong to the beneficiary.
2.5.4.4. Banker as an Agent:
Now a day's bank provides certain agency services for the convenience of its customers. These are

- Buying and selling securities on his/her behalf
- Collection of cheques, dividends, bills or promissory notes on his/her behalf
- Acting as attorney, executor, correspondent or representative of customer

2.4.4.5. Banker as an Advisor
Bank acts as an advisor of a customer when he/she invests in the securities like share and debentures of joint stock companies.

2.5.5. Special Relationships:
The special rights and obligations of banks and customers are studied under special relationships:

- Obligation to honour cheques:
A banker is under statutory obligation to honour the cheques drawn by a customer so long there is sufficient balance in customer's account.

- Lien of the Bank:
Lien is the right to retain property belonging to another while a debt due from the latter is payable. Bank has lien to retain securities, etc, in case of the general balance due by their owner to the banker.

- Secrecy of the customer's Account:
It is the contractual duty of the bank not to disclose its customer's secrecy of account. If the bank then the bank discloses the secrecy is liable for the damages.

- Bank's right to claim Charges:
There is a relationship between banks and customer. A banker has a implied right to charge a commission, penalties, bank interest and bank charges for the various services rendered by it to a customer.

- Right to set-off Due:
Bank has right to set-off debit balance of some account of a customer against any credit balance in his other accounts. It is a right of combining account.
Table No.2.1: Bank-Customer Relationship:

<table>
<thead>
<tr>
<th>Sr. no.</th>
<th>Phase</th>
<th>Bank</th>
<th>Customer Relationship</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Master</td>
<td>Serf</td>
<td>Full dependence to meet banking needs. Limited choice is selection of services.</td>
</tr>
<tr>
<td>2</td>
<td>Land owner</td>
<td>Peasant</td>
<td>Restriction on choice for saving and investment outside banking.</td>
</tr>
<tr>
<td>3</td>
<td>Company</td>
<td>Industrial worker</td>
<td>Choice limited by income location.</td>
</tr>
<tr>
<td>4</td>
<td>Super market</td>
<td>Purchaser</td>
<td>Multiple choice in mass product services, brand equity and mass marketing</td>
</tr>
<tr>
<td>5</td>
<td>Information Highway</td>
<td>Electronic customer</td>
<td>Anywhere banking, customer satisfaction is the goal of the bank.</td>
</tr>
<tr>
<td>6</td>
<td>Delight provider</td>
<td>Customer delight</td>
<td>Physical and spiritual satisfaction provider to the customer.</td>
</tr>
</tbody>
</table>

Source: IBA Bulletin, August 2005, pp 186

2.6. PSYCHOLOGICAL PERSPECTIVE ON RELATIONSHIP:

There are four theories offered by social psychologists on relationship viz., Attraction theory; social penetration theory; social exchange theory, and equity theory:

2.6.1 Attraction theory:

Revealed that everyone is attracted to others on the basis of four major factors called as

- Attractiveness i.e. physical appearance and personality.
- Proximity.
- Reinforcement and
- Similarity. (Elliot, Aronson 1980)\(^7\),

2.6.2 Social-Penetration Theory:

It describes relationship in terms of breadth and depth. It refers to the number of topics that people talk about or discuss with each other and depth refers to the degree of personal involvement with they pursue the (Steve Altman and Dalmas Taylor, 1973)\(^8\)

2.6.3 Social-Exchange Theory:

This holds that we develop relationship, which yields the greatest profits. We seek relation in which rewards exceed costs and are more likely to dissolve relationship when cost exceeds rewards. (H.H. Kelley and Thibaut)\(^9\)

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2.6.4 Equity Theory:

It suggests that a person perceives a relationship to be equitable if he/she perceives his/her rewards to be proportional to his/her costs in comparison with other party. It also claims that we develop and maintain relationship in which reward are distributed in proportion to cost. When the share of rewards is less that what is demanded by equity, we are likely to experience dissatisfaction and exit the relationship. (R.M. Messick, and K.S.Cook 1983)¹⁰

2.7 SCALE TO MEASURE THE DEPTH OF RELATIONSHIPS:

As to the SERVQUAL instrument development for the measurement the quality of service, an instrument to measure the depth of business relationship can be developed. Theoreticians have brought out different dimension of relationships from disciplines such as Law, Economics, and the Social Science. A new holistic approach adopting an eclectic model needs to be developed. One can provide a particle listing of some of the dimensions of relationships as; Reciprocation; Mutual benefit; Trust; Transparency; Concern; Interdependency; Commitment; Shared values; and Adaptation;

One needs to delve deep in to some of early works on relationship to arrive at the underlying dimensions of any relationship, which in turn can be the depth of any relationship. Relationship commitment is an exchange partner believing that an ongoing relationship with another is so important as to warrant maximum efforts at maintaining it that is the committed party believes the relationship is worth working on to ensure that it endures indefinitely. In a similar view, Moorman (1992)¹¹ stated that “commitment to the relationship is defined as an enduring desire to maintain a valued relationship”. Thus “Value Relationship” implies a belief that relationship commitment exists only when the relationship is considered important. In the service relationship marketing area Berry and parasuraman (1991)¹² maintained that the ‘relationships are built on the foundation of mutual commitment’. From this it follows that parties involved in an exchange process identifies commitment, among changes, partner as key to achieving valuable outcomes for themselves, and they endeavor to develop and maintain this precious attribute in their relationships.
2.8 RELATIONSHIP MARKETING: A CONCEPTUAL FRAMEWORK:

Any dictionary on the term "relationship" and the definition will include such terminology as "a logical affiliation, association, or connection between two entities that benefits both of them." If a relationship is a logical affiliation, association, or connection, then relationship marketing must refer to marketing the relationship. Indeed.

- **Leonard I. Berry** (1983), proposes the following sequence of activities for performing relationship marketing as developing core services to build customer relationship that is, customisation of relationship; augmenting core services with extra benefits, enhancing customer loyalty and fine tuning internal marketing to promote external marketing success.

- **Christopher et al** (1990), considers relationship marketing as a tool to turn current and new customers into regularly purchasing clients and then progressively move them through being strong supporters of the company and its products to finally being active and vocal advocates for the company.

- **Gronroos** (1990) stated that relationship marketing is to establish, maintain enhance and commercialise customer relationship often but not necessarily always long-term relationships, so that the objectives of the parties involved are met. This is done by a mutual exchange and fulfillment of promises.

- **Shani and Chalasani** (1992) offered a similar definition. They defined relationship marketing as an integrated effort to identify, maintain, and build up a network with individual consumers and to continuously strengthen the network for the mutual benefit of both sides, through interactive, individualized and value-added contacts over a long period of time.

Although above two definitions differ somewhat, they both indicate that relationship marketing focuses on the individual customer-seller relationship, that both parties in the relationship benefit, and that the relationship is longitudinal in nature. Further, they both imply that the focus of relationship marketing is on retaining customers.

- **Bickert** (1992) has defined relationship marketing as being synonymous with database marketing. Such a definition, however, leads to an error of omission because
marketing activities that legitimately fall under the purview of relationship marketing are being excluded.

- **According to Morgan and Hunt** (1994), on the other hand, might be guilty of an error of commission. They stated that relationship marketing refers to all marketing activities directed toward establishing, developing, and maintaining successful relational exchanges”

- **James J. Lynch** (1996), viewed relationship marketing its essence in selling by using psychological rather than economic inducement to attract and retain customers. It seeks to personalize and appeals to the hearts, minds, and purses of the mass consumers.

- **According to Ian H. Gordon** (1998) relationship marketing is an ongoing process of identifying and creating new values with individual customers and then sharing the benefits from this, over a lifetime of association. It involves the understanding, focusing and management of ongoing collaboration between suppliers and selected customers for mutual value creation and sharing through interdependence and organizational alignment

For research progress to be made on relationship marketing that is to understand why consumers are willing to enter into relationship with marketing entities? It is probably necessary to develop a mid-range definition that is both more precise and directive. Although a broad definition of relationship marketing may be useful in capturing the attention of strategists, it directing marketing practice and research as well as theory development. Because of “relationship” is an adjective that considered a subset or specific focus of marketing. In particular thought should be given to a definition of relationship marketing that stresses the development, maintenance and even dissolution of relationships between marketing entities, such as firms and customers. Among other things, such a definition will lead to a clear distinction between relationship marketing activities and marketing activities to increase brand loyalty or brand equity.

2.8.1 EVOLUTION OF RELATIONSHIP MARKETING:

In ancient time, concentration was only on consumption. Human activities were confined to consuming whatever was available within their reach. Then the concentration slowly moved to production. Again production was performed initially for consumption only and then for exchange. After some time production, activities were extended to produce thing both for consuming and for sales. In sales era, production was performed
exclusively for sales and the attention was only on products. Whatever was produced became saleable because of limited supply. As the attention shifted to production, selling became a tough job because of increased supply. This made organization to move towards marketing and related activities. It is at this stage the focus was shifted from products to customers. Understanding and fulfilment of customer needs became imperative for successful survival in the market. Customers started gaining more and more attention due to the availability of unlimited brand choice. Thus, the emergence of customer driven organizations, keeping customers as their focal point took place. Intensified competition, has led to retain customers. Now, relationship marketing has emerged as a new approach enabling marketers with brand new tools and techniques to reach, acquire, retain and expand their customer base.

2.8.2 GROWTH AND DEVELOPMENT OF RELATIONSHIP MARKETING:

The enigma of marketing is that it is one of the man’s oldest activities and yet it is regarded as the most recent of the business discipline. Thus, marketing is not a fixing system of concepts and axioms; rather it is one of the most dynamic fields in the management arena. The marketing philosophies have undergone substantial changes since 1980s. Earlier, the emphasis was on the management of key marketing elements of the marketing mix like product, price, promotion, and place. The job of marketer was to describe the features of a product and the deal was closed when goods were sold. The marketers followed the approach of giving 100 per cent attention to the prospective customer, but paid little or no heed to after sales services or complaints.

Since 1980, the marketing landscape has changed. Technological developments have brought about information revolution thereby increasing the level of customer’s knowledge and giving him the aptitude to choose from the wide range of products thus leading to increase in competition. The customer became the focal point and all decisions in the organization started revolving around the benefit of the customer. Now the old lesson of 4ps i.e. product, price, place, and promotion have given way to 4c’s i.e. consumer, cost, convenience and communication. In today’s environment, the focus must be on the consumer, not just promotion.
Accordingly, the marketers need to develop new ways of selling their products to maintain and increase its market share. The relationship marketing became the topic of great interest in 1980s. This approach emphasizes the development and enhancement of relationships over the customer rather than new customer acquisition. The primary goal of relationship marketing is to build and maintain a base of committed customers who are profitable to the organization.

The launch of the frequent-filer programs by American Airlines and other carriers in 1981 identified high-value customers and offered recognition and treatment to them. Since then Hotels, Car Rentals, Credit Card Issuers, Retailers, Telephone Companies, Insurance Companies, etc. based their marketing strategies on customer retention. By using rewards, recognition and special treatment to high value customers these programs sought to “turn customers into members”, who willingly collaborate with the sponsor in the continuing marketing process. These collaborative relationship helped customers becoming “insiders”, and willing to contribute their time, opinions and discretionary purchase volume in their favour.

The new relationship approach realizes that the marketing mixes is important but at the same time the focus shifted on shifting efforts solely from customer acquisition to customer retention. Thus, the focal point of relationship management is disciplined,
holistic approach in identifying the tastes and preferences on individual basis to develop and enhance relationship over the customer life.

2.8.3 Significance of Relationship Marketing:

In Webster's view on going customer relationship is the company's most important asset estimates revealed that it costs six to nine times more to acquire a new customer. The importance of relationship management for many business exchanges, emphasis on relationship exchange has brought about greater communication, coordination and planning between partners (Frazier 1988). Sparkman and Johnston (1986) with in consumer exchanges, marketing strategies such as 'frequent flyer programmers' (Airlines) illustrate the benefit of procuring long-term relationship. In the service, sector relationship building approaches are employed by lawyer, Bankers, insures and physicians as well as non-profit organizations. The relationships are the key to the basis of customer choice and company adaptation.

Significance from the organizations' point of view due to its following benefits:

- It benefits in customer selectivity
- It helps to reduce advertisement cost.
- It generates more and more loyal customer
- It reduces customer recruitment expenses.
- It helps to reduce sales promotion expenses.
- It increases customer partnering in organization.
- It makes easy for business expansion.
- It also increases profitable customers
- It makes easy for introduction of new product in market.

Significance from the customers' point of view due to its following benefit

- It reduces customer stress in organization.
- It increases value for money.
- It takes personalised care.
- It improves service quality.
- It increases customer empowerment.
PTMs. They all influence customer relationship during part of their time. FTMs and PTMs together constitute the marketing function. The important conclusion is that the FTMs can never make it on their own. They cannot be at the right place at the right time with the right customer contact and right knowledge. Acknowledging the role of the FTMs and the PTMs, the compartmentalization of organizations becomes less salient. Unsuccessful implementation of marketing then is caused by the lack of ability of marketing and sales to integrate with other department and functions. Therefore, what piercy calls the weakening of marketing is a revival and strengthening of marketing.

The most promising transiting of marketing that incorporates such thoughts as well as other improvements leading to more realism in marketing is found under the label of relationship marketing. Several authors claim that relationship marketing offers a paradigm shift, a new springboard replacing the conventional marketing management paradigm (Gronroos 1994; Gummesson 1994). By being and advocate for relationship marketing. The ethics and values of relationship marketing are different from the practice of conventional marketing. Although a relationship between a supplier and a customer is commercial, it is a relationship and that requires a long-term view, mutual respect, a win-win strategy, and the acceptance of the customer as a partner and co-producer of value and not just a passive recipient of a supplier’s product. Co-production means that the customer performs part of the implementation. In relationship marketing, the customer recognized first as an individual, second as a member of a community or affinity group, and only thereafter as an anonymous member of a segment or a fraction of a percentage in a large anonymous mass. (Evert Gummesson, 1994) 14

2.8.6 RELATIONSHIP MARKETING IN SERVICES:

Service, by nature, is essentially intangible (Kotler, 1995) 15. They differ from products significantly, since they may not have a physical form leading to an uncertainty in their definition, outcome, and evaluation. The key challenge of the services marketing is to tangibles the services as much as possible, communicate their benefits to customers effectively, and regulate the quality of services (Berry, 1991) 16.

Service organizations are most vulnerable to the charm and the attractiveness of RM. For one thing, the word service is seen as another name for relationship. For
another, the fixed costs are extremely high and one-time while the variable costs are hardly any unlike in products: hence, the service organizations need to have several transactions before they break even in India, a customer must have at least twenty transactions with a credit card in a year before the credit card issuing company would break even the cost of issuing the card. Such examples are not unique to banking; Air Travel Industry is another area where repeat business is most crucial for their operative profits and survival

Firms are slowly realizing that in the future whosoever delivers services and delivers it fast, will bag the customer. To illustrate Modi Xerox, is reported to have benchmarked itself against Wipro’s order-processing system, and Wipro want to study how Modi Xerox handles its services. Firms will do well if they regularly perform the ‘quality of service audit’ (QSA) to track customer satisfaction. Customer service is the first step towards developing lasting customer relationships. In a competitive economy it makes more sure to retain a customer for long, even at less margins, rather than looking for a new customer every time. The concept of relationship marketing, therefore, aims at earning long-terms profits through customer satisfaction. Developing such an attitude can require total restructuring of mindsets, not only of the people in the marketing department, but also in the other functional areas of the organization. Relationship marketing includes vendor development and establishing long-term relationships with the suppliers of inputs. The Japanese Kanban or ‘just-in-time’ system provides a new model of vendor development. In this regards Indian firms would do well to benchmark against Japanese Automobile and Electronic Companies.

2.8.7 INTEGRATION OF MARKETING THEORIES OF RELATIONSHIP MARKETING:

The relationship-marketing concept has essentially received input from three areas of marketing. First, contribution comes from traditional Marketing Management and marketing mix theory including sales management. Although this area represents the paradigm to be abandoned, knowledge elements should be used where they qualify for use, also in a new paradigm. They should never be discarded because of age or origin and never be justified by age or origin. However, they do not qualify as the foundation or benchmark for the new; they are just some among several contributions. The most crucial
contributions came from two sets of theories that have continued to develop since 1970s. One is Service Marketing, and the other is the Network Approach to Industrial Marketing as designed by the (IMP) Industrial Marketing and Purchasing Group. Both these approaches have three variables in common; viz., Relationships, Networks, and Interaction that are keys to a definition of relationship marketing; “Relationship marketing is marketing seen as Relationships, Networks and interaction” (Gummesson 1994)\textsuperscript{17}.

2.8.8 **PRINCIPLES OF RELATIONSHIP MARKETING:**

The main principles governing relationship marketing are different from those governing traditional marketing. The insight companies understand that good products are offered by lots of competitors, but the best sales goes to the company that develops good relationship with its customers. Some of the main principles are viz. to develop good relationship with the customers the marketers have to identify and built a database of current and potential customers with lots of information about their needs and preferences.

(i) To illustrate The Ritz-Carlton Hotel chain uses hi-tech to remember every customer’s habit and no matter which hotel of chain you use the habit will be taken care of.

(ii) To develop and enhance relationship with the customers on a long-term basis, and

(iii) To identify customers who are more valuable and spend more time in developing long-term relationship with them. It is found that loyal, repeat customers have a greater lifetime value for the organization because they purchase more frequently than others do, purchase more higher margin products than other customers do, and promote the companies products among potential custom.

The relationship marketing approach emphasis on both the hard and soft aspect of marketing process, which help to create reliability. The hard aspect relates to product reliability, use of interactive technologies both at the front and at the back ends that is integrating customers with the organizational functions, retail stores and so on. The soft aspect concerns human interactions and, thereby works on dependability issues among salespersons, service personnel, intermediaries, and so on. Soft version of the relationship
marketing is more reminiscent of 'Humanistic Relationship Development', where the hard version of Relationship Marketing reflects a 'Utilitarian Instrumentalism'.

2.9 KEY FACTORS FOR SUCCESSFUL RELATIONSHIP MARKETING:

The key to efficient relationship is to get closer to the customer and deal with him/her on one-to-one basis. The big idea about relationship comes from the customer. He/she tells the marketer in simple words what button to push to motivate him/her. What the researcher has to do is to read the signals correctly and then customize the products and services according to the customers’ requirements. The only way marketing executives can survive is to get greater insight about the needs of customers. The development in IT has made it possible to collect data from individual customers, and to analyse the study pattern of their individual preferences. The implications of IT for marketing are dramatic, as every department right from design to manufacturing has started interacting with the customers. Thus, IT is a fundamental driving force, which is compressing and compounding the roles of relationship marketing and strategy within firm.

Besides information technology, the success of relationship marketing depends upon the employees, who interact with the customers frequently. The employees need to be given proper training from time to time for effective results. Moreover, the CEO’s support is very important, as it reduces the resistance by the staff for adopting this concept. The company’s aim of earning higher profits in today’s market is possible by building profitable, lasting relationships with its customers. This concept helps both the organization and the customers. Its importance to the organization are enhanced employees loyalty, increased sales and profits, lower advertising cost and promotion cost as it ensure free advertising through word of mouth. From the customers' point of view, as the organization knows their preferences, tastes, needs they are in a position to receive more value for their money. Moreover, customers have the sense of well-being and quality of life as they have a long-term marketing relationship with the organization.

2.10 RELATIONSHIP MARKETING APPROACH TO GUANXI:

Guanxi is briefly translated as personal connections/relationships on which an individual can draw to secure resources or advantage when doing business as well as in the course of social life (Davies, 1995), and constitutes an important transaction mode in china.
Although, it refers to the status and intensity of an ongoing relationship between two parties, it has become synonymous with the network of social and business connections necessary to do business in this part of the world. However, its meaning is laden with more powerful implications, some of them deeply rooted in Chinese tradition and culture (Ambler, 1995; Davies et al., 1995).

Jose Tomas Gomez Arias propose a new approach to Guanxi from a relationship marketing perspective. Relationship marketing has emerged during the 1980s as an alternative to exchange as the foundation of the concept of marketing, stressing the importance of managing relationships between buyer and seller in the long-term. It sees marketing as Relationships, Network and Interactions (Gummesson, 1996), provides, and appropriate concept framework for the study of guanxi. Some authors (Bjorkman and Kock, 1995) have suggested that guanxi represent a traditional form of relationship marketing. Although there are some relevant connections, relationship marketing refers to a particular way of doing business that include not only the establishment and management of personal and business relationships, but also how the business is defined from a service perspective, and the management of the service delivery processes (Gronroos, 1996).

Guanxi mainly includes following:

- It includes the notion of continuing reciprocal obligation over an indefinite period, involving the fulfillment of specifications of the agreement, and personal favors and sustaining each other's reputation and social status.
- Favors are banked, to be repaid when the time is right, if ever.
- It goes beyond the relationship between two parties (Bjorkman and Kock, 1995), and is extended to include other parties within the social network of the interacting parties (Kirkbride et al., 1991). To illustrate, if A owes a favor to B, and B owes a favour to C, A can balance his position with a favour to C.
- The network of relationships is built among individuals, not among organizations. If an individual moves to a different organization or department, the connections move with him or her.
- Therefore, it is essentially a social network built on interactions consisting mainly of social exchanges, but information and business exchanges can also take place. As social networks, guanxi networks have two components: the personal network, or
contracts and bonds with specific individuals; and the cultural component in which the individual actors are embedded (Bhorkman and Kock, 1995).

- Status matters. Relationship with a senior will extend to his/her subordinates, but not the reverse. From a network perspective, seniority can be defined as the centrality of the position occupied. A position can be locally central if it has a large number of connections with other positions in its immediate environment, or globally central if it is strategically significant in the overall structure of the network (Mizruchi, 1994; Scott, 1991).

- The social relationship is prior to and a prerequisite for the business relationship (Bjorkman and Kock, 1995).

Guanxi is not unique to China, and is a universal phenomenon (Davies, 1995). It also pervades the business cultures of Japan, Korea, India, Russia and other economies where intimacy with those in authority, be they political, military or bureaucratic, is important (Lehtinen, 1996; Robins, 1996). However, since 1949 in China, in a highly centralized bureaucratic state, the use of personal connections was often the only way to get things done. Even after the recent economic reforms leading to more market openness, access to the Chinese market is condoned by the reliance on trust relationships rather than on the enforcement of contracts, since commercial law is almost non-existent (Ambler, 1995) and often arbitrarily enforced. Thus, guanxi can be described as a result of Chinese culture, institutional weakness, and corruption.

2.11 CONTINUOUS RELATIONSHIP MARKETING (CRM):

Continuous Relationship Marketing (CRM) is a comprehensive strategy and process of acquiring retaining and partnering with selective customers to create superior value for the company and the customer. CRM is a holistic concept that envisages a long-term continuous relationship with a particular cross-section of customers whose contribution to the organisation really matters. It is supported by versatile database software relating to the customer profile that helps in serving the customer more proactively. The CRM extends beyond the set periphery punctuated by legal/commercial framework and embraces a profound humane approach based on deep rooted empathy which makes sure the existence of customer loyalty.
2.12 CRM BY DIFFERENT NAMES:

Following are the CRM related terms:

- CRM: Customer Relationship Marketing
- CRM: Continuous Relationship Marketing
- eCRM: Electronic Customer Relationship Marketing
- ECRM: Enterprise Customer Relationship Marketing
- PRM: Partner Relationship Marketing
- CCRM: Collaborative Customer Relationship Marketing
- SRM: Supplier Relationship Marketing
- mCRM: Mobile Customer Relationship Marketing
- xCRM: 'x' stands for other CRM hybrids to come in future. (K.Ram Mohan Rao 2005)

2.13 ESSENCE AND IMPORTANCE OF CRM:

The essence of CRM is to create customers and retain them. Marketers now emphasize on total customer satisfaction, which indicates that the customer is satisfied and delighted with respect to purchase of a product or using service. CRM is the process of building continuous long-term, trusting WIN-WIN relationships with customers, distributors, dealers, and suppliers (Kotler, 2000). It promises and delivers high quality, efficient services, and fair prices to the clients over time. In the context of today's world, CRM would require building a new perspective away from mass marketing orientation. This perspective would call for dealing with one customer at a time. It would imply selling to a single customer as many products as possible over a long period of time and across different product lines.

The importance of CRM in banks lies in securing high-value relationship in which customers consolidate total bank product usage in one bank, thereby implying all of a customer's business now and in the future with a particular bank. High value relationship banking enables banks to facilitate proactive service process to selected customers, converting them into highly profitable client and retaining their business. (Sharma and Gurjeet Kaur 2003)

CRM is emerging as a core marketing activity for business operating in this fiercely competitive environment. Worldwide statistics revealed that by 2002, 70 per
cent of the companies will revamp their customer processes, 53 per cent will use e-commerce to transform relationships and as many as 49 per cent will organize themselves by customer type. (The super intendancy of customer kinship, Business and strategy, August 2000.)

The above statistics reveals that the future is CRM because when a company manages its customer relationship well; the benefit got by it far exceeds the cost.

It is interesting to note that attracting a new customer is 7 times more costlier than retaining an old one and if a customer is once satisfied he/she will advocate regarding the product and the company and in a span of 10 years he/she will bring to the company 100 new customers. On the other hand, if he/she is dissatisfied with the company product or service, he/she may not only switch to the competitors but also tells others regarding his/her problems, which may restrict the future prospects to move up the ladder of loyalty. Therefore, a customer is like a double-edged sword, which should be handled carefully.
2.14 Aims of CRM:
CRM aims at focusing all the organizational activities towards creating and maintaining a customer. Thus, CRM is a new technique in marketing where the marketer tries to develop long-term collaborative relationship with customers to develop them as lifetime customers. CRM aims to make the customer climbs up the ladder of loyalty.
The company first tries to determine who are the most likely prospects that is the people who have a strong potential interest in the product and the ability to pay for it. The company hopes to convert many of its qualified prospects into first time customers and then to convert those satisfied first time customers into repeat customers. Both first time customer and repeat customers may also continue to buy from competitors as well. Then the company tries to convert these repeat customers into clients that is they are those people who buy only from the company in the relevant product categories. The next challenge for the company is to convert these clients into advocates. Advocates are those clients who praise the company and encourage others to buy from it. The ultimate challenge is to convert these advocates into partners where the customer and the client work actively together to discover ways of getting mutual benefits. Thus, in CRM the key performance figure is not just current market share but share of lifetime value by converting customers into partners.

2.15 Needs of CRM:

CRM is needed in today’s competitive environment due to following reasons:

- A satisfied customer in 10 years will bring 100 more customers to the company.
- Cost of serving new customer is 7 times more than to serve an old one.
- 20 per cent of the company’s loyal customers account for 80 per cent of its revenues. (Pareto’s principle).
Nearly 70 per cent of customers switch brands because they do not like the service or the provider.

Averagely 8 to 10 customers tell to others about their problem.

The chances of selling to an existing satisfied customer are 1:3; where to the new customer are 1:12.

(Dr.R.Krishnaveni and Dr. Divya prabha, 2003)

2.16 SUITABILITY OF CRM:

CRM will be more suitable for-
- Companies having few customers and high profit margins.
- When products or services are complex and involve a high degree of uncertainty on the part of the buyers, the likelihood of customers seeking a relationship is increased.
- CRM can be exercised when the customer would find it costly and risky to switch to another vendor and the seller would find that losing this customer would be a major loss.

2.17 CRM AND B2B:

In the business-to-business environment, investing time and money on the few high value customers rather than on the many low value ones makes it greater sense. Customer value is based on the real cost and profitability of each customer. Applying the 80/20 rules, if all customers were arranged in order of value, 80 per cent of the value would come from only 20 per cent of the customers. Using the metric of Customer Lifetime Value companies can now invest the majority of their time in their best customers.

IBM estimates that only 7 per cent of the information available in corporate databases is used. This leaves 93 per cent of the information untouched! Companies need more efficient tools to comb through their data warehouses and find the information that will give it a competitive edge. CRM tools work on two levels that is operational and analytical.

At the front-office level, it is called Operational CRM where the customer is directly in contact with the company. These interactions are referred to as ‘touch Points'
and may be inbound when the customer accesses the company support center or website, or outbound when a sales representative makes a sales call or e-mails a marketing message.

Analytical CRM also known as back-office or strategic CRM detects patterns from the various customer touch points and provides an analysis of the data to help customer service, sales and marketing departments to personalize communications with their customers.

CRM tools analyse and predict customers’ requirements. They track buyer and seller bids, search for bidders that match the supplier's needs and select bids that satisfy an immediate requirement at the best possible price. Integrated Automated Response Systems send out targeted responses to the right individuals. CRM leverages the power of Internet technologies to achieve all this by automating key areas in the supply chain system to help reduce the frequency of human errors and minimize wastage. Web sites allow live exchange of information or real-time trading of products and services. (Economic Times, learn) 23

2.18. CUSTOMER CARE PROGRAMMES FOR CRD:

Successful organisation aims to develop continuous relationship with potential customers. Following guiding principles would helps to satisfy specific requirements of customers. Satisfaction of customers, not only in product but also in every aspect of purchase, price and consumption is required.

- Every enquiry of customers is important, so respond as early as possible.
- Regularly and constantly, keep communication with valuable customers.
- Always compensate to customers for any loss due to organisation as early as possible.
- Always treat every customer, as they should wish to be treated.
- Offer various pleasant surprises whenever possible.
- Customers must feel that they are your valuable customers and you are attentive for them.
- Realise your customers that they are part of organisation and not outsiders.
- Organization's principles, policies, and rules should never interrupt in providing customer satisfaction.
• Try to avoid quarrelling, irritating, annoying, with your customers on any point of dealing.
• Customers should always ensure value for their money.
• Catch the opportunities to communicate with lost customers and try to shift them as regular customers, by assuring them your best attention that is always on them.
• Motivate customers to take part in organization’s customer related activities.
• Channel of distribution should be such that products reach to the customers speedily and regularly.
• Realize genuinely about your attempt to build and maintain continuous relationship with customers.
• Decide working hours, sales point etc. as per the customers demand.
• Always take customers reaction as a suggestion to enhance organization’s efficiency.
• Maintain high standard of hygiene’s, cleanness in organisation, to create a sense of pleasure among customers.
• Always take part in customer’s related programmes, to draw the attention of potential customers.
• Realise to the customers that your product is distinctively better than what your nearest competitor offers.
• Create the high image of organisation so that customers feel proud to be a member of your valuable organisation.
• Provide advice for better purchasing time in the interest of customers.
• Always display customer care.
• Provide opportunity to inspect products whenever customer demands.
• Always make your product available everywhere every time easily.
• Provide confidence to customers that organisation will protect them and do not discriminate with other customers in any way.
• Regularly boost the confidence of your customers in your organisation.
• Provide feeling to customer about your moral, social, cultural and ethical values.
• Provide varieties of choice for selection to your customers.
• Always think from customers’ point of view.
- Demonstrate greater initiative and enthusiasm in fulfilling customer needs than your nearest competitors.
- Be polite while rejecting a customer's request, make him/her feel under what circumstances you did so and establish that you have taken all possible care to accept his/her request.
- Provide product related knowledge programmes frequently.
- Frequently measure the extent of customer satisfaction, customer retention, customer complaints, customer suggestion etc. Customer care programme adopted by organizations should be based on above guiding principles to certainly attract customers towards building continuous relationship with the organizations. (H. Peeru Mohamed A Sagadevan)

2.19. CUSTOMER LIFE CYCLE IN RELATION TO CRM:

Human being have a specific life cycle, similarly, customers also have a specific life cycle with different stages. The life cycle starts when any customer purchases first time any product of any company. First stage of customer life cycle is Customer Acquisition. CRM revolves around the management of the Customer life cycle. Customers Need Assessment and Acquisition turns in to customer Development through personalization and customisation of product and services through the learning process. Then, it moves to customer equity leverage through cross selling and up selling. Then, organisation efforts for retention of existing customers.
2.19.1 Customer Acquistion:

Acquistion is a stage in which customers are acquired for an organization’s profitable business. Customer so acquired would reach at the point of either satisfaction or dissatisfaction. As a result, satisfaction leads to retention and dissatisfaction result into attrition. Many companies continue to use the traditional mass-media advertising method to get new customers. Customer’s need assessment is the basic step for customer acquisition.

2.19.2 Customer Development:

Customer Development through personalization and customisation is the second stage of customer life cycle. Acquired customer must have a feeling of part of company. Personalization and customisation is required for continuous relationship.
2.19.3 Customer Equity Leverage:

Customer equity Leverage by cross selling and up selling can satisfy customers’ new needs and wants. The idea is to maximize revenues of the marketer by exploiting continuous relationships with the customer.

2.19.4 Customer Retention:

Customers’ retention would help to spread a positive image of the organisation by word of mouth, which in turn helps to acquire new customers to the Customer Inventory. Customer retention would further enable customers to spend more and more on organizational offerings. Customer share of business will increase. Always cost of serving retained customers would be less compared to serving fresh customers each time. Further, it is likely that retained customers may be fewer prices sensitive and more profit potential for the organisation.

Customer retention assumes significant in the light of the following facts generally reported through revenue analysis of various organizations. CRM expert Jay Curry and Adam Curry (2000) in their customer marketing publication mentioned that:

Top 20 per cent of the customers deliver 80 per cent of the revenue in the organisation. Present customers contribute 90 per cent revenue of the organisation. Top 20 per cent customers deliver more than 100 per cent of profits. The bulk of marketing benefit is often spent on people other than customers; between 5 per cent and 30 per cent of all customers have the potential for moving upward the loyalty ladder. 2 per cent upward increase in the loyalty ladder means 10 per cent more revenue and 50 per cent more profits.

2.20 CUSTOMER LIFE CYCLE MANAGEMENT AND CUSTOMER MIGRATION:

In the area of service marketing, it has been found that organizations lose customers because of several reasons such as:-

- 1 percent dies.
- 3 per cent move away.
- 5 per cent form other friendship.
- 9 per cent for competitive reasons.
- 14 per cent because of product dissatisfaction.
- 68 per cent quit because of attitude of indifference towards customers by some employees. (Reichheld 1996) 26

Above figure indicate that majority of customers are unhappy on account of adamant attitude, poor services and discourteous behaviors of front-line staff. CRM revolves around the management of Customer Life Cycle (CLC).

**Figure-2.6 Customer Life Cycle Management and Customer Migration:**

- Customer Migration
- Customer Need Assessment & Acquisition
- Customer Retention & Development
- Referrals for New Customers
- Customer Equity Leverage Through cross Selling & up selling
- Customer Migration


CLC starts with acquisition of customer either through the traditional advertising or through referrals. Then, it moves on to customer development process through personalization of communication and customisation of products and services through a mutual learning process. Then, it moves on to leverage the customer equity through cross selling and up selling. Then it works for the retention of existing customers and for the benefit of the new customers that they get through their personal referrals. (Neelam Jain, 2002) 28

Behavioral scientists commonly use the six-stage model to describe the development of relationships. The six stages are contact, involvement, intimacy, deterioration, repair and dissolution. In context of banking services the different
dimensions of relationships mentioned above need to be addressed properly. (Shanthakumar, D.K and Xavier, 2001). 29

The bank manager only can play a deciding role to access and minimize the customer attrition and migration at different stages of CLC.

2.21 THE DIMENSIONS OF SUCCESSFUL CONTINUOUS RELATIONSHIP:

- **Trust:**
  
  It is an important factor in the development of marketing relationships and prevails where a customer has confidence in a seller's reliability and integrity (Morgan and Haunt 1994). Trust in a person is acquired by assessing the previous interactions, such as conflicts; the partner has had with others in similar situations (Holmes 1991). Trust is strengthened if partners are responsive in ways that acknowledge an individual’s particular needs and affirm their sense of worth (Holmes and Rample 1987). Satisfaction with complaint handling is related positively to trust (Stephen, Brown and Chandrashekaran 1998).

- **Customer Satisfaction:**
  
  It plays an important role in developing long-term continuous relationships. Highly loyal customers remain loyal for longer period, which ultimately give strength to the relationship between the concerned parties. Customers’ preference for a particular bank or a bank’s product reflects his/her loyalty towards that brand/bank, which in turn signifies positive attitude for building and retaining continuous long-term relationships.

- **Complaint Handling:**

  It results in efficient management of continuous relationships in service business. Complaint handling helps in developing and maintaining continuous relationship because of challenges in managing quality, profitability. (Berry and Parasuraman 1991).

- **Commitment:**

  It focuses on long lasting desire of parties to maintain a relationship (Morgan and Haunt 1994). The concept of commitment becomes relevant to services due to the
need for customer participation in the delivery process. Like trust, satisfactory complaint handling is also related positively to customer commitment.

- **Customer orientation:**
  
  It suggests to be more customers focused instead of product-centric. Staffs have to understand the needs of customers as individuals, so that such information can be used to improve quality of service they offer. There has to be greater emphasis on training program to ensure staffs’ use of the technology in ways appropriate to particular types of relationships (Calder 2001)\(^33\)

- **Continuous Communication:**
  
  Continuous communication with the customers has been determined as a key factor of relationship maintenance in service sector, such as insurance (Crosby 1984)\(^34\), wholesale banking (Greenwich Associates 1987). Parties cannot be expected to trust each other, if particular moments constitute their only opportunity to interact.

- **Continuous Periodic Assessment:**
  
  Continuous periodic assessment of customer’s needs and assurance that they have made correct decision is necessary for strong relationship.

- **Continuous Personal Touch:**
  
  Continuous personal touch such as gifts on special occasion; cards; calendars; and diary etc. can maintain long way continuous relationships among parties. It is an interactive, face-to-face relationship between bank and an individual on one-to-one base. (Sharma and Gurjeet Kaur 2003)\(^35\)

2.22 **ROLE OF SATISFACTION IN CONTINUOUS RELATIONSHIP WITH CUSTOMERS:**

Customers’ satisfaction is a state of mind that occurs when the customer feels that his expected requirement is fulfilled by what is offered by the organisation. Customer’s satisfaction is related with various parts given as below

2.22.1 **Product satisfaction:**

Product satisfaction comes with the core benefit provided by the product. It is related to the minimum expectation of customer from the product. It is related with satisfying basic needs of customers.
2.22.2 **Ambience Satisfaction:**

It is a blend of tangible factors, which the customer experiences, in the purchase and consumption process. The tangible aspect of ambience satisfaction include appearance of sales point, continuous services available and competitive pricing. Where intangible aspects include the courtesy extended by sales persons.

2.22.3 **Peripheral Satisfaction:**

When specific value added to the product in addition to the core benefit it resulted into peripheral satisfaction. It helps the customer to enhance their desire for personal attention.

2.22.4 **Clarity satisfaction**

Clarity satisfaction is related with the satisfaction extended in tune with the individual of the customer concerned. It provides the customer an arena to reduce his anxieties and fear with respect to the purchase of product. A talkative customer would be much satisfied if the sales personnel engaged in lengthy dialogue. A suspicious customer would be fully satisfied if all his/her latent and expressed doubts are clarified.

2.23 **CONTINUOUS RELATIONSHIP THROUGH CUSTOMER LOYALTY:**

In today's highly competitive and challenging business environment, it is really a blessing for organisation if they are fortunate enough to have loyal customers in their directory. Building customer loyalty is the basic platform for continuous relationship. Loyalty in the marketing term has been defined as a willful, voluntary, and repeated choice of a specific brand of a product or type of service. For the one-time purchase, Loyalty could be explained in terms of the extent of commitment to the brand selected; the positive attitude developed towards using the brand selected and positive image the customer projects about the brand he/she selected.

Loyalty for specific brand is the committed willful option for a particular brand. Loyalty toward brand is what customer normally develops with specific reference to a brand, irrespective of any one of the above categories such as organisation, store, and sales person, etc.

Brand loyalty process starts with awareness of the fact that the brand is available. Creating such sense of awareness of brand is of the major responsibilities of the
marketer. A customer who develops loyalty towards an organisation might willfully offer to whatever product or service is offered by the organisation. He/she would be a strong supporter for the organization’s products and services. Such a loyalty is a result of the organization’s image, continuous relationship with organisation, better performance of the organisation and so on.

Loyalty in sense is a willful commitment to the brand in view of perceived satisfaction. The action of loyalty is a positive, repeated behaviour of preferring one brand of a product from among the several types of brand available. In the present day having, a loyal customer will serve as a sustainable competitive edge for the organisation. Therefore, organisation should keep ‘building customer loyalty’ as a means of continuous relationship. Customer loyalty can be build through following process.

**Figure no-2.7 Process of brand loyalty:**

Source: Peeru Mohamed A Sagadevan: Customer Relationship Management, pp53.
2.23.1 Awareness About Brands:

Brand of a product plays an important role in attracting and retaining sustainable relationship with customers. Product's brand is not merely a term, a symbol, or a mark, which is associated with a certain types of product for the purpose of easy identification and categorization. It is much more than that. Brand represents the combination of tangible and intangible attributes of a customer looking for satisfying his core and augmented needs.

2.23.2 Brand Familiarity:

Developing a strong brand identity is therefore an obvious need of an organisation. Brand identity is a non-transferable means to establish the uniqueness of the brand in terms of various attributes of the brand. Creating familiarity of the brand name, brand symbols, brand design, or brand marks, plays an important role for organisation. A loyal brand name must be simple, memorable, unique, meaningful, understandable, and related with the product having retention, recognition, and recall values.

2.23.3 Brand recognition:

Recognition of the brand by the customers is the result of brand familiarity. Each brand has its own personality and each customer would tend to match his/her self-image with the brand personality. Having perceived the brand in their own way the prospective customer moves further in the selection process namely brand acceptance that means accepting the various tangible and intangible core as well as augmented benefits offered by the brand.

2.23.4 Brand Image Formation:

The essence of a brand image is all about what a brand stands for and how it differs from competitor's brand. The brand image plays an important role to build loyal customer. Image of a brand creates goodwill for brand. For a formation of a brand image, quality of a product or service must be of a very higher standard.

2.23.5 Brand Selection

The brand acceptance would lead to brand selection, which is based on satisfactory performance; the customer would keep on insisting on the same brand of that company that would finally make him/her a loyal customer. The expectations are shaped
by the influence of various factors that are interrelated and not easily identifiable or predictable. There are two types of factors, which influence on brand selection such as, Internal factors such as perception, motives, personality, and self-image, attitude, learning and External factors such as culture, group behaviour family, Relationship, Economic status, Lifestyle, and communication.

2.23.6 Brand Loyalty:

In the brand loyalty process, it is likely that at any stage when satisfaction of customer is accumulated than customer becomes loyal customer. Loyalty towards brand is the committed willful option for a specific brand. Full loyalty for a brand may be explained suppose a customer visits a shop for purchasing specific product or service and if such product or service is not at present available then he/she would prefer to wait for specific brand and do not purchase substitute brand available.

The concept of Customer lifetime value means that customers who buy more than one product from a vendor, tending to make a relationship stronger and last longer. The ability to converse more closely with customers increases customer interactions. With CRM, companies are able to communicate the right message to attract the right customers at the right time. (Economic Times, learn) 37

2.23.7 Brand Rejection

Some times due to dissatisfaction accumulated or may due to the competitors powerful brand image customer may purchase competitors brand and customer may not become a loyal customer group and may reject brand.

2.24 CRM IN SALES FORCE AUTOMATION:

CRM virtually has its beginnings in Sales Force Automation (SFA). SFA means automating the way a company sells products for maximum productivity and revenue generation. This includes things like scheduling meetings with customers, managing the sales pipeline as well as opportunities, and ensuring that each stage in the sales process is defined, captured, managed, and closed in a proper manner.

Contact management, is simply capturing customers profile and status information on a single database platform, being shared across the company. CRM is a corporate strategy or plan, which means that it can mean anything and everything depending on which industry your customer is in and their varying competencies.
The objectives of the CRM strategy include increased revenue, which is distinct from SFA because CRM addresses revenue from all layers of a corporation, increased productivity of staff and processes which result in revenue gains and cost reduction. (Craig Young)38

Customer focused projects all lead to improving a customers’ experience while dealing with an organization and the front line of any organization of its sales force. Providing the sales force of a company with technology support in order to improve the efficiency of the selling process is called Sales Force Automation. SFA products are increasingly focused on nurturing customer relationships.

Organizations, which can benefit from SFA, include those that have products / services that are technically complex have long selling cycles involve many people in the selling process

Key benefits of SFA solutions are improvement in customer service by helping the sales force respond quickly and accurately improvement in sales force productivity better management control, and visibility of the sales process

Integrated CRM tools have helped service organizations greatly to improve efficiencies by integrating the web contact center with the call center. With the introduction of Internet banking and automated email, many banks’ web contact center receives on an average, 20,000 emails every month. Some 45 per cent of these are responded to automatically. Companies have realized payback from controlling staff expansion, customer contacts have increased fourfold, but the number of operators has only doubled.

To migrate from a product-centric to a customer-centric approach, companies are getting their customers involved in CRM initiatives to improve customer support and develop new and improved products. This implies drastic alterations in the rigid supply chain with the customer having a key role to play in the productivity cycle. Building long-lasting relationships with customers has gone beyond trying to understand the behaviour of the customer; it is now recognized as looking at a product or service through the eyes of a customer. These benefits fall under 3 main categories:
2.24.1 Improvement in customer service:

SFA systems help to reduce the lead-time taken by the sales force to respond to customers. There is also a significant improvement in the quality of the response to the customer in terms of technical accuracy and completeness.

2.24.2 Improvement in Sales Force Efficiency:

Salespersons, supported by SFA systems can handle many complex products. Such systems help the salesperson to remain current in their knowledge as they provide a lot of assistance and technical information. New salespeople can be productive and go out on the field quickly with the help of such systems.

2.24.3 Process Improvements:

The third area where SFA tools can help is in the area of management visibility and process control. For organizations that are geographically wide spread in many locations and have large sales forces, SFA systems can deliver much needed visibility to what is happening in the field and be better placed to handle customer and market needs. SFA tools also help sales management establish and manage a proper sales process that can guide the sales force effectively. Early warnings and alerts are frequently provided management information by SFA tools.

2.24.4 COMPONENTS OF SFA SOFTWARE SOLUTIONS:

2.24.1 Opportunity Management:

This solution helps sales management establish a step-by-step process. The sales process can then be monitored and control to ensure that it is effective. Sales management also gets visibility to what is happening in the field enabling the organization to respond quickly to changing customer needs and/or competitive action. Such tools also facilitate collaborative selling involving large teams.

2.24.2 Product Catalogs:

These are very useful for technical products that need lots of illustrations. Product catalogs are kept concurrent to ensure that the sales team and the customer have access to the latest information.

2.24.3 Needs Analyser/Buying Advisor:

This component helps the sales person or the customer in the buying process by taking them to a guided, step-by-step process. Solutions provide interactive,
what-if scenarios and product comparisons so that the customer needs can be specified and understood more accurately.

2.24.4 Product Configuration:

This tool is very useful when the products being sold are highly customizable. It provides the product options that can be selected to meet different needs. For highly engineered products, this tool can help improve the technical accuracy of the quotation to the customer and reduce the lead-time taken for responding to the customer.

2.24.5 Pricing engine:

For complex, multi-level pricing of products with different business rules involving taxes and multiple currencies, pricing engines are very effective. Such tools also provide for margin analysis and commission calculations.

2.24.6 Quotation and Proposal Generator:

For companies that need to generate comprehensive technical and financial quotations and proposals. These tend to take a lot of time and effort from the sales people. By using the automated tool, the salesperson can spend more time on the actual customer needs rather than on elaborate (but required) paperwork. This is also very useful in the face of frequent changes in product information.

2.25 CRM IN BANKING SECTOR:

The customer is being offered services in his drawing room. In order to succeed and stay successful, marketers need continually to capitalize on the changes in the market. They must cope with the speed of change. The change in the business environment is forcing firms to re-organize themselves. Amicable relationship with customers aims at promising and delivering high quality good service and fair price. It is extremely effective to a specific system and expects consistent and timely service (Kotler, 1996)\(^39\)

Nationalization was done with the motto of raising the contributions of public sector commercial banks for the development and welfare heads but they failed in doing so. In the Indian banking industry, the contours of development underwent radical changes especially after the first phase of nationalization of commercial banks. unions paved the avenue for degeneration in the quality of customer services. Impolite
behaviour (Pai 1987; Vaghul 1976; Varde 1976) 40, unfriendly and non-cooperative nature (Hebber, 1988) and negative attitude of bank staff towards customers lead to the absence of personal contacts and relationship (Mandanna and Chengappa, 1993) 41 affecting the goodwill of the bank.

Continuous Relationship Marketing is the process of developing continuously cooperative and collaborative relationship with customers. Customer retention, being the core element of relationship marketing, include activities such as after marketing and post treatment satisfaction services, frequent user benefits, customer focused care programmes, database maintenance, support for on-going relationship with customers, and programmes to involve customers into the design, development and sales activities (Naidu, Parvatiyar, Sheth and Westgate 1999) 42

In relevance to banking, Continuous relationship marketing covers two-way relationship between the banker and customer within the framework of business contract. Such a business contract relating to banking operations and services begins the moment a customer opens an account with a banker. Bankers are like physicians, businessmen, lawyers, teachers and others who deal in personal, but economic services (George, 1989) 43

2.26 CRM AND ITS RELEVANCE TO BANKING SERVICES:

In the early 1990s, the concept of relationship marketing was formally introduced into the field of service marketing. Commercial service institutions viz., Banks, Insurance and other service providers found it more profitable to retain and reward the existing customers rather than making effort to attract new customers. It was accepted that building closer relationships with customers would resulted in better returns to banks through means of increased use of banking service by loyal customers, and charging of price premiums for customized services. "According to one estimate the cost of attracting a new customer is five times as much as pleasing an existing one, and it might cost sixteen times as much as to bring the new customer to the same level of profitability as the lost customer. Customer retention thus is more important than customer attraction". (Kotler, 2000) 44 The task of creating strong customer loyalty results into relationship marketing, (Gronroos, 1990) 45 Socio-emotional relationship
benefits also facilitate strength to the relationship and imply sharing of vital information, sharing socially and psychologically.

2.27 MEASURES INITIATED BY BANKS TO IMPROVE CRM:

Various measures initiated by the banks to improve the CRM are outlined in brief as follows:

2.27.1 Management of Demand and Supply:

Most of the banks have gradually initiated multiple delivery channels viz., ATM, Phone Banking, Net Banking, to shift the customers away from the traditional brick and mortar banking. However, in Indian situation branch banking cannot be totally relegated to the back seat since customer preference for such system has not waned as yet. Of late, some of the banks like SBI, BOB and ICICI Bank have resorted to extend banking hours from 8.00 a.m. To 8.00 p.m. in select branches and also offering of 24 hours banking services which is being now contemplated because of instruction of Indian finance minister Shri. P. Chidambaram to all public sector banks w.e.f. 20th November 2005.

2.27.2 Management of Customer Complaints

Banks have been taking serious note of customer complaints. It is now reply within 24 hours is ensured informing the customer regarding status of his/her complaint. Even the top authority like CMD too personally monitors the progress regarding resolution of customers’ complaint in favour of the banks.

2.27.3 Customer Retention

Banks are also keeping regular track of number of accounts closed and the accounts wherefrom heavy withdrawal is taking place. Reasons for closure of accounts are also ascertained to arrest customer attrition.

2.27.4 Product and service

As most of the banks are concentrating on their retail portfolio and in the process of aligning their products in line with specific customer needs. Product innovation and modification of existing products are undertaken on an ongoing basis to suit the changing needs of the customers. Delivery of service ultimately determines the quality, which creates the “Moments of Truth” for the customers.
2.27.5 Relationship Pricing Strategies:

Relationship pricing strategies encourage customers to avail multiple facilities and services of the bank. Many banks have introduced varying loan schemes with freebies to attract new customers on the one hand and to establish a long standing continuous relationship through a spectrum of products with their existing customers.

2.27.6 Customisation of the Relationship:

Majority of the banks have redesigned their account opening forms with plethora of information which serves the twin purpose of establishing an abiding relationship with the customers like their birth dates, marriage anniversary dates, children’s birth day etc.

2.27.7 Customer Selection

CRM suggests that the level of customer service should be aligned with the status of the customer. A high net worth customer deserves VIP treatment. 20 per cent such customers contribute to 90 per cent of the Bank’s profit. According to one of the survey carried out in a nationalised bank revealed that 67 per cent of its Savings Bank Account customers maintained an average balance of less than Rs.1000/-. 15 per cent rest maintained an average balance between Rs.1000/- and Rs10,000/-. and only 8 per cent maintained balance over Rs.10,000/-. The customers belonging to the last category of customers can be called as ‘profit’ customers while the first category represents ‘loss’ customers. The objective of the bank is not to banish these ‘loss’ customers but to convert them into ‘profit’ customer as the fact remains that they may be ‘profit’ customers of other banks. (Indian Banker April 2005)

2.27.8 Expectations of Today’s Customers:

With the technological intervention in service delivery mechanism the customers have also become tech-savvy and prefer to enjoy the comfort and convenience of Any Time, Anywhere Banking through ATM, Internet, kiosks etc. but, it is also to be remembered that technology alone is not the panacea for customer service. A service industry like banking above all also needs human touch and warmth in dealings. The customer should feel that he/she is the most wanted person in a branch. The pleasant ambience of the branch with a welcome note replete with dedicated, knowledgeable and helpful banking staff goes a long way in attracting new customers. Service at a low cost
with speedy response may result into improved operational efficiency and quick decision-making, which marks as the demand of today’s customers. (Banerjee Alok kr)⁴⁶

2.28 IMPROVING PERFORMANCE AND PRODUCTIVITY IN BANKS THROUGH CRM:

Indian banking has come a long way since its liberalization. New private sector banks have brought the necessary competition into the banking industry and spearheaded the changes towards higher utilization of technology, improved customer service, and innovative products. In spite of their sheer size, public sector banks proved to be surprisingly nimble and flexible to meet the emerging needs of customers. As the body responsible for bank supervision, RBI has played its part in ensuring that banks are in tune with the international standards and norms. Today, the Indian banking sector is as competitive and healthy as any in the world. Productivity has been traditionally defined as ratio of output to input. In order to improve the productivity, banks have to get an increased output with constant level of input. In case on banking services, productivity has been referred as profits per branch; business for branch; profits per employee and reduction in NPA’s, etc. Faced with mutually independent forces of competition, regulation, technology and expectations of the customers, banks are now sets for a range of roles- adjust, adapt, and change. That’s the message that technology has sent to modern day banking. There has been tremendous transformation of financial services.

Table-2.2 Financial Services: Then and Now:

<table>
<thead>
<tr>
<th>From Old World</th>
<th>To New World</th>
</tr>
</thead>
<tbody>
<tr>
<td>Confined market place</td>
<td>Unlimited market place</td>
</tr>
<tr>
<td>Competition between banks</td>
<td>Competition between brands</td>
</tr>
<tr>
<td>Unlimited product line</td>
<td>Extensive Product breadth</td>
</tr>
<tr>
<td>One size fits all product</td>
<td>Customizations and Innovation</td>
</tr>
<tr>
<td>Branch focused</td>
<td>e-enabled, multi channel players</td>
</tr>
<tr>
<td>Focus on business growth</td>
<td>Focus on revenue growth as well as cost reduction</td>
</tr>
<tr>
<td>Revenues through margin</td>
<td>Revenues generated through fees and value added services</td>
</tr>
</tbody>
</table>
Despite above changes banks are finding that most viable way of increasing their productivity is to successfully manage continuous relationships, and enhance the overall customer experience considering following reasons.

- There are higher marketing costs associated with generating interest in new customers as opposed to already informed existing customers. The marketing costs involved in the creation of interest in a uniformed new customer far outweigh those involved in maintaining the relationship necessary to continue exchanges between buyers and sellers (Giltomer, 1998). It has been estimated that the cost of attracting new customers can be as high as six times that of retaining existing customers (Richhld and Sasser, 1990)\textsuperscript{47}.

- Close and long-term relationships with customers imply continuing exchange opportunities with existing customers at a lower marketing cost per customer (Gronroos, 1990). Across a wide range of business, the pattern is the same, the longer a company keeps a customer's confidence in the business (Reichheld and Sasser, 1990)

- Viewing customer exchanges as a revenue stream, as opposed to a compendium of isolated transactions, enable cross selling of related services over time and premium pricing for the customer's confidence in the business (Reichheld and Sasser, 1990)

- Strong customer relationships with a high degree of familiarity and communications on both sides can generate more practical new product ideas from customers and contact personnel (Lanning and Lynn, 1991)\textsuperscript{48}

- Good relationship with customers can result in good word-of-mouth from successful exchanges, Service quality cracks can develop where good relationships have existed previously

Though public sector banks have tried to implement CRM but have found it difficult the same to implement in totality. As Policies are determined difficult at H.O. level, branches finds its implementation because of inadequate concepts and lack of knowledge about CRM. Majority of the PSBs organizes meetings of customers and
customer grievance redress cells lower attendances in such meetings have diluted its effects. Mainly the bureaucratic set-up and procedural delays are to be responsible for it, resultant as into poor banking services to customers.

2.29 REVIEWING LITERATURE OF CRM:

The dictionary meaning of the term relationship describes it as ‘A logical affiliation, association, or connection between two entities that benefit both of them. CRM advocates for long-term mutually beneficial relationships between consumers’, companies’ and other stakeholders.’ (Oxford dictionary 2000)

One can come across number of researches being pursued by academia in various dimensions of RM. Evolution of the concept of RM can be found in various studies on different dimensions viz., Buyer-Seller Relationship (Dwyer, Schurr 1987; Johanson, Hallen and Seyed Mohamed 1991.), Network Structures and Arrangements (Anderson, Hankansson, and Hohson, 1994), Channel Relationships (Boyle, Dwyer, Robicheaux, and Simpson 1992; Ganesan, 1994) as well as Sales Management (swan and Nolan, 1985), and Business Alliances (Bucklin and Sengupta 1993; Heide and John, 1990 and Sheth and Parvatiyar, 1994). Some of them have undertaken empirical research studies to test utility of the concept of CRM in Efficient Management of Relationships and to find out how to improve its practices (Heide and John 1992; Morgan and Hunt, 1994; Christopher, Pyane and Ballantyne, 1992; Copulsky and Wolf, 1990; Illingworth, 1991). Leonard Berry (1983) has studied the concept of RM in Service Marketing.

Other important study conducted in CRM consists of viz., RM of Intangibles (Berry, 1983; Gronrous, 1990); Business-to-Business Marketing (Bonoma and Johnson 1978; Dwyer et al., 1987; Ford, 1981), and High-Tech Marketing (Mc Kenna 1991; Gronours 1996; Guillet de Monthoux, 1975). These studies have concluded on long-term beneficial relationships between buyers and sellers. These have provided evidence that CRM practices carries positive effect on companies’ profitability (Buchanan and Gillies, 1990; Reicheld and Kenny, 1990; Reicheld and Sasser 1990). Ryans and Wittink (1977) has suggested inadequate attention being paid to the concept of RM in Selling of Intangibles.
Few studies have found that the concept of CRM can be useful in improving the performance of service personnel as a key to retaining customers (George, 1977; Gronrrous, 1981; and L. Berry, 1980 and 1981). Professor Mohan L. Agrawal (1997) who has explored the nexus between naturalness of relationship marketing and the characteristics of three types of selected service industries viz., equipment dominant services, people-dominated services, and the services has found that both customer and marketer play an equal role in producing the services in India.

Professor M.S. Vardani and Deepali Singh (1999) attempted to examine the status of relationship marketing in India, based on the perception of cross-section of marketers as a technique for developing lifetime customers. They suggested ways to marketers in order to win their customers’ heart and also to develop value-laden strong relationships with them.

Relationship Marketing advocates for long-term mutually beneficial relationship between consumers and companies. It is data-based marketing that emphasizes the promotional aspects of marketing link to database effort (Bickert, 1992). Another relevant viewpoint considers relationship marketing only as customer relation with a variety of marketing tactics are used after for customer bonding or staying in touch once sales, is made (Vovra, 1992.)

A more popular approach with recent application of information technology is to focus on individual or one-to-one relationship with customer that integrates data base knowledge with long run customer retention and growth strategy (Papers & Rogers, 1993.)

In 1985 Jakson defined relationship marketing as marketing-oriented strong, lasting relationship with individual accounts.

According to Shani and Chalasani (1992) defined relationship marketing is an integrated effort to identify, maintain and build a network with individual consumers, and to continuously strengthen the network for the mutual benefits of both sides, through interactive, individualized. The study of relation marketing with a focus on customer retention has showed evidence that it has a positive effective on company’s profitability.

From strategic viewpoint of relationship marketing, (Berry 1983.), Stress that attracting new customer should be viewed only as an intermediate step in the marketing
process. Gronroons (1990) and Gumesson (1987) take a broader prospective and advocate the customer relation ought to be the focus and dominant paradigm of marketing. Morgan and Hunt (1994) drew upon the distinction made between transactional exchanges and relational exchanges. Heide (1994) identified a set of generic process of relationship initiation, relationship maintenance, and relationship termination. Wilson (1995) has developed a similar process model of buyer-seller cooperative and partnering relationship by integrating conceptual and empirical research conducted in this field.

In current era of hyper competition, marketers are forced to be concerned with customer retention and loyalty (Dick & Basu, 1994, and Rechheld, 1996). Several authors claim that relationship marketing offers a paradigm shift, a new springboard replacing the conventional marketing management paradigm. (Gronroos, and Gumnessson, 1994.) Lawrence.A.Crosby and Nancy Stephens (1987) reported on effects of relationship marketing on satisfaction, retention, and rises in the Life Insurance Industry. The credentials of relationship marketing are hard to dispute. Academics in the idie of service marketing. (Berry 1983, Gronoors 1990); Business o Business marketing (Bonoma an Johnson 1978, Ford 1981) and high tech Marketing (Mc Kenna 1991) have concluded that long-term relationship benefits buyers and suppliers. There are two forces working for the relationship marketing approach. On one hand by having long-term trusting relationship between both buyer and seller can and should reap mutual benefit (Gronroos 1996) and second from the supplier side. There is a body of evidence shows customer retention has a positive effect on company’s profitability. (Buchanan and Gillies 1990, Reicheld and Kenny 1990.)

In Indian perspective Dipali Singh and M.S.Vardani (1999) studied how about Indian marketers view customer relationship marketing as a technique for developing lifetime customers and suggested ways marketers should follow to win their customer’s heart and also develop value laden strong relationship with them.

CRM has evolved from establishing a separate customer service department. Organizations have become aware of the lifetime value of customers, as well as the different needs of a variety of customer segments that they serve. Customer loyalty has a
significant influence on business growth and an impact on the bottom line (Chaudhary, 2000).

A more customer centric perspective results in a lower cost of acquisition of customers and some increase in switching costs for customers (Schmarzo and Haper, 2000). The relationship centric approach requires that the organization should accumulate knowledge about customer activities, and preferences in order to engage in a value added relationship. It is far cheaper to keep an existing customer than to find a new one (Turban lee, King and Chung, 2000).

Peter Drucker and Theodore Levitt (1990) suggested that obtaining, keeping and maximizing customers is the only way to increase business profitability.

In the early 1980’s CRM was used most notable in sales force automation and in the area of telemarketing. Data capture and control was the primary focus and there was little integration across organizations or with organizations strategy, (Gold finger, 2000).

CRM explains systematically the various concepts and cardinal principles, significance, architectural and other related aspects (H.Peeru Mohamed and A.Sagadvan 2002).

Electronic customer relationship management [eCRM] is a new business too that all age companies are rushing to get, (Dr. Parimal vyas 2002).

Within the organization, a strategic review of the company’s current positions needs to occur. Possessing the technology done is not sufficient, as eCRM initiatives need to be seen in the light of the overall strategic direction of the organization. (Chaudhry 2000; Payne 2000).

Marketing and customer treatment as well as related media and communication plans need to be determined for target customers. The specific value proposition of the plans should be that loyalty and customer value will enhance profits. (Chaudhry, 2000; Schmarzo & Haper 2000).

Dr. Rogers focused on how organization can use websites and technology to retain customers, enhance relationship, and boost market share (NZ InfoTech, 2000).

According to Girjan Sinha founder president of the Silicon valley based eGain communication corp., the next wave technology will create advantages and wealth disproportionate to initial investment is eCRM. Shri. D.V.Jagdish, director eCommerce.
SAP India focused on eCRM that helps Indian companies to compete globally by opening a new channel, Internet sales, through which they can extend their reach. (Ginjan Sinha, Economic Times 2005).

Shri. Arun Maheshwari, CEO, Trivium India Software stated, “Today eCRM is emerging as one of most important components of corporate strategy. Shri. S.P. Grover, Head eCRM, Oracle software India, stressed on the global aspect, He believed “earlier the customers were only in local geographic but now are around the world.” (Arun Maheshwari, Economic Times 2005)

Shri. C.V. Rao CEO of eCRM Foundation Delhi illustrated on eCRM in following way “Till yesterday companies concentrated on process to encash product differentiation through features, looks and host of other features.”

Dr. Parimal Vyas has suggested that “Indian companies needs to creatively design and implement mutually beneficial, eCRM software too strengthen long term customer relationships and provides unequal direction to employees for deploying and selecting its application in way that benefit business partners, suppliers and other stakeholders.”

Ninad Karpe heads C.A. Satyam ASP and author of Josh @ work suggested that relationship marketing would acquire a new meaning with lots of loyalty points for frequent spenders. T. Srinivasan, country manager EMC said that how data is stored and accessed is crucial to the success of CRM. With the advent of eCRM, users carry handheld devices to access data to and from the corporate database. Jay curry and Adam curry author of ‘plugged in customers’ talked on how to profit from eCRM. (Jay curry and Adam curry 2004).

As a part of the study, we adopt Rust and Oliver’s (1994) view that the overall perception of service quality is based on the customers’ evaluation of the three dimensions of the service encounter:
The three dimension of the Service encounter are:

a. The customer-employee interaction, called the Functional Quality (FQ) [see Gronroos 1982, 1984]. This aspect includes the service delivery of the bank staff to the bank customers.

b. The service environment, suggest as Environment Quality (EQ) [see Bitner 1992]. This refers to the tangible and intangible infrastructure that supports better service delivery.

c. The outcome (service product) also called Technical Quality (TQ) [see Gronroos 1982, 1984 and Gronross Model]. This refers to the measurement of the product quality offered and related to the tangible benefits, which directly affect the customers of the bank.

The support also provide by Gronross Model, Seminal conceptualization (Mohr & Bitner 1995, Oliver 1997) that defines perceived service quality as a combination of Technical Quality and Functional Quality and the evidence that the
service environment effect service quality perceptions (Baker 1986, Spangenberg, Crowley & Henderson, 1996).

Figure No. 2.9: Gronross Model (1984):

![Gronross Model Diagram]


Figure No. 2.10: The Five dimensions Continuous Relationship Marketing Integrated Model Suggested and used by the Researcher:

![Continuous Relationship Marketing Model Diagram]
The researcher has studied five dimensions of the CRM, they are as follows:

a. **Information Technology Factors**: This aspect refers to IT adopted by the banking sector in the form of e-Banking; e-Marketing; Internet Banking.

b. **Behavioural Factors**: This aspect refers to the behaviour of the Customers in the bank that creates Trust; Satisfaction; Loyalty; Faith; Continuous Long-term Relationship.

c. **Technical Factors**: This aspect refers to Product quality offered and relates to tangible and intangible benefits that directly affect the bank customers.

d. **Functional Factors**: This aspect refers to routine functions performed by bank staff to the bank customers.

e. **Service Environment Factors**: This aspect refers to tangible and intangible infrastructure that supports better service delivery.
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