4.1 Introduction:

A review of literature was carried out to get a clear idea of the basic concepts of CRM. The significance of CRM to the business world today and its implications to the businesses were studied in details. The various ways in which the businesses have been gearing up to develop good relations with customers were studied while carrying out the literature review. It gave direction to the thought process related to CRM and greatly contributed to the formulation of research objectives as well as framing the questionnaire for the research process. Several articles and books that made a significant impact on the research have been discussed in the chapter.

4.2 DK Shantakumar and M J Xavier have discussed various opportunities for research in CRM. The first area for research that has been discussed is measuring the depth of relationships by developing a scale of measurement. Some of the dimensions of relationship to measure the closeness or depth as suggested by them are as follows:
- Reciprocation, mutual benefit, trust, transparency, concern, interdependency, commitment, shared values and adaptation. They also study the customer life cycle and stages in them from the research point of view to identify the stage at which cross selling and up selling should be pursued. Research should try to analyze relations on the basis of their social interactions and classify them into different categories such as teacher, student, confidante, comrades etc. Relations can also be classified on the basis of behavioral interactions. A model on the basis of relationship stages should be developed, may be a universal relationship model. Research also needs to identify when and under what conditions should businesses refer to mass media advertising and when should it grow purely on referrals, to what extent should customization of product be provided etc. In short, relations need to be studied in brand perspective in general first and then with relation to marketing. The article gave an idea about the various points of view for studying the relations with customers and ways to measure their depth throwing light on CRM.

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4.3 B. M. Ghodeswar 41 focuses on the use of technology to improve customer contact. With a greater customer contact the depth of relations improve leading to meaningful interactions. These help acquire a better customer insight and helps to deliver a much more customized or personalized product. The technology offers a plethora of options to establish and enhance customer contact. The customer facing technologies are supported by central databases, call centers, streamlined operations behind the scare. Digital technology helps tracking customer preferences and buying habits and thus deliver a memorable customer experience. This memorable experience is shared by customers all around the world with internet popularly called virtual marketing. Thus CRM is a sales and marketing approach supported by technology advancements to deliver a unique customer experience and acquire long term customer loyalty.

More and more businesses have realized this and hence customer retention has been identified as a critical component for business success. There is also a large percentage of companies developing their own data warehouses and resorting to a greater use of Internet.

An important aspect of utilizing technology for fostering customer relations was studied in this article giving an idea as to how CRM could be enhanced making use of technology.

4.4 Graham Hoskins 42 elucidates in his article the current perception of CRM and also traces the future of CRM. He understands that the concept of CRM is not very clear and means different things to different people. It basically examines that CRM stems from the need of fully satisfying customer expectation. To reach this end the entire organization has to contribute for which a close interaction amongst all the departments is absolutely necessary.

This will deliver a memorable customer experience and result in customer delight which is what the business must aim for, in the current scenario. In short, the


organizations must move from a reactive mode to not only proactive but a very proactive mode. This encompasses understanding and fulfilling multiple customer needs by continuous two way communication and an attempt for continuous improvement. IT and technology in general has to work only as an enabler and cannot replace the human element. The customer will be the pivotal point and will play a considerable role in managing relationships. The recognition of customer individuality will be highly instrumental in satisfying customer expectations and resulting in mutually beneficial customer relations. The article went a long way in clearing the concepts of CRM thus contributing in a big way to the study of CRM.

4.5 R. Nargundkar and Chetan Bajaj in their article, discuss the experience of the company KOEL in retaining customers due to global competition. The company pursued a re-engineering exercise along with enhancement of relationships with customers and process changes to retain the customers, enhance their satisfaction by reducing transaction time. Lead times were long and were a major cause of dissatisfaction as indicated in the surveys carried out. There were substantial improvements in inventory management, the wastages and rejections were brought down to almost nil. These improvements were brought about by introducing instantaneous e-order registration, vendor development, supply chain networking through internet etc.

Business processes were re-engineered where in all the distributors, warehouses and sales officers were able to register orders through a software module Web Customer that connected all the customers also through the World Wide Web. The website established offered product catalogues, price lists, discounts offered, order booking and enquiry. The markets were segmented into OEM (Original Equipment Manufacturers) Power Generation and Industrial segment for a better customer focus. The introduction of e-commerce ensured electronic transfer of information, database shared by all the planning elements of the organization making

a seamless organization possible. Joint planning ensured transparency and task forces formed work on the common problems. The order registration and execution had been re-engineered and integrated with key suppliers and distributors. The changes were introduced in phases and required the education and training of vendors and distributors. The attitudes and mindset had to be changed to overcome the resistance to the new changes. The article greatly helped in giving an idea about how CRM was practically implemented and the various difficulties that were encountered in implementing CRM.

4.6 Pramod Paliwal\(^4^4\) in his article describes the development in the highly competitive global cement industry. The most important development is the realization of the fact that cement manufacturers must be able to develop long term sustainable relations with three important set of customers – the influencers, buyers and end users. In the cement industry the major influences are the pluralistic buying behaviour, technology and applications. These influences which vary from one buying situation to another can be tracked with Customer Relationship Management-a good tool to enhance credibility and ultimately the level of satisfaction. The traditional buyer-seller interactions do not necessarily address all the issues that come up in the pre sales and post sales services. Customer Relationship Management can address these issues as there is a greater intimacy between the buyer and seller and in the interactions that follow all the aspects of all the products and the differentiating points of the product can be made clear. The developing of credibility becomes easier by offering a variety of solutions such as total solutions after sale services, training users etc. The relations with architects, masons, dealers, end users can provide better value to them by understanding their needs in a better way.

This study helped identify the distinct advantages of CRM particularly in the field of global cement industry.

4.7 Roselind Hopewell elucidates the whole concept of customer relationship management. She says that from the very first interaction the customer must be made to feel a part of the family where they will be taken care of throughout the relationship. The relationship must be made to last lifelong by caring for the customer not just transacting business. The customers must be understood in their context. So managing the relationship and the business becomes easy. She describes the customers as the “unique assets” of a business and make a substantial contribution to the growth of the business when managed effectively. Effective management of relations requires that the customers must know that they are valuable and their needs are being considered for fulfillment sincerely. This does not give them an indifferent treatment and these are important points that hold the customer to the business. Thus, to provide value to the customer, they must be segmented in groups to serve better and the business processes must be modified accordingly.

The article helped understand the importance of good relations with customers and the process of creating value for the customer for their long term retention.

4.8 Krishnakumar in his book describes the changing scenario in the global manufacturing market. He states that customers are not easy to please and manufacturers must respond quickly. A customer centric experience is valuable hence the need for CRM. CRM according to him involves all the departments in the organization and is not the monopoly of any one department in the organization. The way a customer interacts with the firm is called the touch point. Customers are a source of profit and growth and good customers provide greater profit with lesser resources. Such good customers are scarce. Hence creating good customers out of customers is possible by CRM. IT can help this process by distinguishing customers by managing their information.

Relationship involves a continuous bidirectional communication and interaction. These relationships could be attitudinal or behavioral, short term or long term. Managing this relationship to make it profitable and mutually beneficial is CRM. CRM requires a change in the corporate culture and processes wherein the

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customer information is converted into customer knowledge and used to identify market opportunities. The basic principles of CRM in manufacturing are as follows: -

i) Treat each customer individually and in developing customer relations they must be personalized in terms of content and service based on customer preferences and behavior.

ii) Personalization of these interactions can help acquire and retain customer loyalty.

iii) The organization should identify and select good customers i.e. customers who can give a lifetime value and give them best customer care.

The bad and worst customers are those who incur a greater cost to serve than the returns they give, hence must be dropped.

Some business decisions in manufacturing are deciding the content of professional customer service, product and service customization, making the most of existing sales data, Integrated sales and marketing, effective customer care and customer database. Finally, he describes the components of successful CRM in manufacturing as follows: -

i) Vision and Objectives

ii) Robust Measures

iii) Business processes

iv) People

v) Tools to create value

vi) Technology to increase productivity

The article greatly helped in understanding the role of CRM in manufacturing as well as the components of successful CRM.

4.9 Roger Joseph Baran, Roger J. Galka and Daniel P. Strunk in their book describe the contribution of CRM to manufacturing. CRM can help companies differentiate themselves from competitors in an area that cannot be copied. Maintenance, enhancement and retention of customers through CRM strategies, tactics is important than simply acquiring customers through CRM can increase marketing productivity though marketing functions like identifying prospects, acquiring customers, developing customers, increasing their loyalty and commitment and winning back customers.

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47. Baran Roger Joseph, Galka Roger J and Strunk Daniel P., Thomson Learning Academy and Research Centre Inc. 2008 from http://books.google.co.in
CRM provides sales, marketing and campaign strategies to the sales and marketing managers.

Relationship marketing maintains continuous relations with trust and commitment. Relational databases of companies identify, access, manipulate and share customer information across departments. CRM implementation becomes easy with relationship marketing, continuous support of top management, a business plan, business strategy and business metrics. Creating a single accurate view of the customer is important along with the contribution of IT and strategy to identify, acquire, develop and retain customers. Customer intensive and good quality of information about customers from customers themselves help develop stronger relationships with customers. The article helped further clarify the concept of CRM by describing in details how CRM can contribute to winning customers by acquiring customer information and developing good relations with them.

4.10 Paul Greenberg48 in his book explains the changing economy and its impact on business, particularly the customers who will not continue to be the customers unless the business provides substantial value to the customer or at least knows what the customers want. The competitive business world makes a business reach out to its customers as well as the competitors’ customers through the phone, fax, email, internet or letter. These channels to reach the customer are open to all businesses and hence the business must make use of these channels to be in touch with the customers to register all the changes in preferences and habits.

He says CRM is an important business methodology that helps companies align their products, services, marketing message and sales approach with customer needs and expectations. There must be integration among different departments and components and there should be a free flow of information to offer a regular and uniformly upgraded CRM initiative. The crux is that CRM is an enterprise wide strategic business initiative arrived at treating each individual customer differently.

He defines CRM as a philosophy and business strategy, supported by a system and a technology designed to improve human interactions in a business environment. Collaborative customer relationship management is partner relationship management. The business partners must be given visibility into business process,

they must be motivated to sell to provide a satisfactory brand experience from end to end for the customer. The business process of the company must have an owner who will work on the relation to other business process and its value to customer experience. Some customer metrics are soft while some are hard. The softer ones are customers desire for a partnering relationship rather than a transaction based relationship receptivity of customers towards comprehensions solutions developed by a supplier. The hard ones are customer potential index, increase in revenue per sales person, increase in retention rate of customers, increased up selling and cross selling opportunities etc. He suggests a metric which is very similar to the Balanced Score Card. But he feels the real measure of CRM success is change in customer behavior which takes several years to measure.

He feels that for CRM initiatives to succeed the business culture needs to be transformed and this change management needs to be done systematically. He is sure that CRM will expand and continue to diversify with greater applications for the business. The book explains in details CRM, its components, its philosophy and processes to build fruitful relations with the customers. It also gives an idea about how the soft and hard aspects of business can be measured. Thus a comprehensive picture about CRM could be acquired.

4.11 N. M. Shanthi and S. B. Bhaskaran\textsuperscript{49} elucidate the hypercompetitive business world and the importance of customer for the survival and growth of the business. Customer retention saves a lot of customer acquisition cost particularly when the valued customers are looked after effectively. CRM strategies begin with identifying customer needs, segmenting them into groups based on their needs and then satisfying them with customized products and services. A vital aspect of the whole concept of CRM is customer feedback because this is the element which provides information for production and operational strategies.

The advancements in technology have enabled any time access to customers and the tedious tasks of billing and invoicing, complaint management, reporting of the sales staff etc. have become less cumbersome. The authors feel that business must have a comprehensive churn model to detect active and passive churns so that they do not affect the company profitability. This can identify the reasons why the customers switch over. It has been noticed that prices are not highly varied within a

\textsuperscript{49} Edited by Shanthi N. M. and Bhaskaran S. B., Implementation of CRM in services concepts and cases, The Icfai University Press, 2006.
category of products so the most attractive feature for the customer is the value added service offered. When the customers do not get better services at the same price, churn takes place. The technology advancements provide to the customers detailed information about markets, competitions so that the decision to switch over takes place at the speed of the thought. Hence monitoring the consumer behavior to curb customer churn has become imperative for business. This is particularly more relevant to the service centric businesses. The challenges, in implementation of CRM in services are elucidated in details along with several case studies.

Success of CRM strategies depends on several internal and external factors but the implementation of CRM has resulted in many gains which has made CRM acceptable in the manufacturing and service sector. While delving in details into the drivers of successful CRM implementation, the challenges faced and the corrective actions to be taken for successful implementation are discussed at length.

4.12 H. Peeru Mohamed and A. Sagadevan\textsuperscript{50} in their book very lucidly explain the basic principles of effective customer relationship management, the concept, process, techniques, significance and architectural aspects of CRM. They begin by explaining the difference between transactional marketing and relationship marketing. The former places a thrust on gaining more and more new customers rather than retaining existing customers while the latter focuses on continuous multiple transactions with customers who need to be bound to the business in long term permanent relationships. In other words, the thrust in on developing hard care loyal customer who are in continuous contact, and are committed.

The relationship marketing has evolved into CRM according to him. Relationship marketing has a narrow perspective of focusing only on customers and the marketing functions of the organization, while CRM focuses widely on customers and all the functions connected directly or indirectly with value creation. CRM is then defined as a management process of acquiring customers by understanding their requirements, retaining customers by fulfilling their requirements more than their expectations and attracting new customers through customer specific strategic marketing approaches. This process requires total commitment on the part of the entire organization in designing and implementing relationship strategies. The

\textsuperscript{50} H. Peeru Mohamed and A. Sagadevan, Customer Relationship Management A step by step approach
reasons why organizations lose their customers are analyzed as well as strategies for building relationships are discussed.

The main ingredients for customer relation building include people, process, product, organization and setting satisfactory service standards. There must be concentration on competitors accompanied with cost and customer analysis and consideration of the paying ability of customers and their purchase behavior pattern. There must be detailed study of differentiation in prices and quality standards to reduce dissatisfaction, attend to the changing requirements of customers in terms of goals, values and behavior as well as products and services. The supply chain employees need to be trained, the service providers need to be empowered. The activities must be aimed at developing partnering relations with customers, organizing customer clubs, planning efficient and effective customer communication systems, complaint management system, carrying out customer satisfaction research to get a feedback about the effectiveness of all activities. The customers must not be retained out of fear or addiction, limitation or force. The relations should be the result of total care programmes that boost the confidence of the customer in the product. The activities must be genuine and must ensure value for the customer’s money. The book goes into the details of customer life cycle management, CRM process as well as CRM implementation. The book serves as a useful source of information for designing and implementing CRM in any organization.

4.13 Madhavi Garikaparthi51 in her book discusses the concept of CRM and then illustrates CRM in 21 case studies. She agrees that relationship management is an investment not a cost because money invested in relationship management not only gives customers but also gives repeat customers. In the business world of today which is moving at a staggering pace, it is not easy to create, attract and retain customers. According to her CRM is a business philosophy based on the premise that positive relations and constant relations with the customers are vital for a successful business. It is a major element of corporate strategy for many organizations because they have realized the importance of the process which brings together a host of information from sales, marketing, customer behavior, market trends etc.

These organizations have also realized that CRM is not just understanding customer behavior but developing IT strategies for specific needs of the customer as well as creating a CRM culture i.e. a customer centric culture. Creating a commitment on the part of employees to deliver to external customers is not easy and takes time to develop. One of the most frequent causes of CRM failure has been management’s expectation of a quick pay off which is not easy. Seamless interaction is critical to successful CRM and can be facilitated with a database that is accessible to all the concerned people.

Teri Robinson in his case study “Dow organizes people, processes and technology around customer needs” focuses on CRM success at Dow. Dow is a chemical company which is 106 years old. Mack Murrell, the Global Director of Enterprise Operations got the feedback from customers that the company was not extremely customer focused. When the manufacturing unit started working on CRM it realized that it is a top down change which has to be instilled in everyone’s mind. The customers were asked to share their ideas about what they thought were the keys to success. The attributes which they mentioned were the attributes present in the successful business. Thus, gaps in customer expectation and product delivered were identified and were worked upon. Measuring mistakes and cost of doing things is a leading indicator and loyalty is a lagging indicator. They worked to see that their company would be the easiest company to do business with.

In another case study “Audi’s Drive to service Excellence” by Susan Suffes, Audi’s research revealed that though the customers were happy on the whole but at the dealer level customers felt “Service by Chance” was the norm. Then Audi decided to launch its “Service by Design” in January 2000. In phase one – Audi decided to deliver the “basics” – the minimum services that customers expect from their dealers. In phase Two – the customer relationships were humanized by not only taking care of cars but also of people who drove the cars. A metric to measure this Service by Design was developed to judge the dealers’ influence on customer experience. In short, the human dimension of customer experience was highlighted as an important ingredient of CRM. A business process that takes of customers contributes to a memorable customer experience and results in customer satisfaction and delight leading to loyalty.
The case study approach helped gain a better understanding about how the CRM is implemented in real life and how it contributes to creating a memorable customer experience.

4.14 Tony Hines in his book in chapter 7 describes the concept of CRM. He defines CRM as a business philosophy, a set of strategies, programmes that focus on identifying and building customer loyalty to get maximum profits from customers. The organization must develop channels of communication to provide consistent response to customers. CRM is the ability of the organization to manage customer relations efficiently and effectively. The supplying organization has several benefits due to CRM such as identifying the manner of customer interaction with the organization, what and when they purchase, their frequency of purchase and mode of payment. With this information the segmentation of customers into groups and selecting the target market becomes easier. According to him CRM is data driven and hence constructing a customer database is important, followed by analyzing customer data for segmentation and then designing CRM programmes to encourage emotional ties. The CRM programmes must then be implemented and evaluated.

This book focuses on supply chains of organizations that need to be customer focused because the successful organizations of the future will be customer focused and not product or technology focused. The book provides a clear view of a new aspect of CRM i.e. supply chain and its importance in future due to the increased customer focus rather than product or technology focus. The value of CRM to the future organizations was greatly emphasized making the significance of CRM very clear.

4.15 Editors Jagdish N. Sheth and Atul Parvatiyar have assembled a set of chapter contributors to create a reference point for relationship marketing.

The scope and conceptual foundations of relationship marketing are not yet fully developed according to the editors. According to some, it is an integrated effort to identify, maintain and build up network with individual consumers and to continuously strengthen the network for mutual benefit of both sides through interactive, individualized and value added contacts over a long period time.

52 Hines Tony, Supply Chain Strategies Customer driven and customer focused, Butterworth-Heinemann Indian Reprint, 2008 Elsevier, A division of Reed Elsevier India Pvt Ltd. New Delhi
According to other scholars, relationship marketing refers to putting the customer first and shifting the role of marketing from manipulating the customer to genuine customer involvement.

The book discusses at length how firms put together and manage resources to achieve competitive advantage based on relations acquired through trust and commitment of customers. It discusses the role of IT in building, maintaining, and enhancing customer relations with the view of identifying the present and future profitability of the customers. The development of relations and its research implications, the study of consumer behavior to identify how they make choices, and the buyer-seller relations that follow as well as the strategic implications of all these transactions are elucidated in the book.

The concepts of CRM were clarified to a great extent and it helped further research.  

4.16 Molineux Patrick in the book “Exploiting CRM Connecting with customers” has traced the evolution of CRM. The various stages compiled by in the book are enumerated below

Wunderman\(^\text{54}\) introduced the concept of direct marketing suggesting that by delivering focused marketing directly to customers, connecting marketing initiatives to receptive customers with marketing tools appropriate to the customers and product had long-term implications. Accurate marketing straight to the customers was bound to give results in the form of gaining a fair share of the customers’ wallet. All these ideas challenged the then predominant mass marketing concepts.

Michael Porter\(^\text{55}\) and his successors in 1985 introduced the value chain. According to their theory, to understand the individual activities like designing, producing, marketing, delivering, and supporting products performed by various businesses need to be studied by a firm to identify the competitive advantage needed. It’s contribution to the cost position and the potential to be a differentiator and value creator for the customer need to be considered by the firm.

The golden year of CRM was 1993. Don Peppers and Martha Rogers released the book “One to One Future”\(^\text{56}\) which described a fundamental shift from mass marketing.
marketing (targeting share of market) to customer marketing (targeting share of customer).

According to them, technology would be an enabler to help the marketers collect knowledge of individual customers gained through interactions with them. The data collected in the databases created by the technology would then be converted into customer insight that would enable the firm to develop meaningful customer relations and offer customized offerings to individual target customers.

Peppers and Rogers established an IDIC formula -

I - Identify customers for unique characteristics to differentiate customers from individuals

D - Differentiate each customer by their needs and their value to the company.

I - Interact with them effectively and cost efficiently.

C- Customize company’s behavior towards each customer.

The four stages above are in a cyclical format one leading to the other e.g. Customization leading to more learning of the customer etc. Prior to industrialization the customer was personally in touch with the producer. This link with the customers was severed due to industrialization but software enabled it to be recreated.

Traditionally customization meant a higher cost. Stan Davis introduced the concept of mass customization, which was later developed by Joseph Pine in 199357. Davis and Pine introduced shift from mass production (same product of a consistent standard produced repeatedly) to mass customization (customized product manufactured on a mass scale, yet at a low cost enabled by technology). Firms could take advantage of the benefits of customization at mass production prices i.e. mass customizing at mass production prices. Thus in mass production the stress is on low price due to economies of scale. For a customized product comparison on the basis of price is difficult as the stress is on the relevance of the product. But for a mass customizer, offering a customized product at a mass production price offers good value to the customer.

Hammer and Champy in 1993 released “Re-engineering the corporation.”58 This focused upon eliminating processes that were not value additions to customers.

57 ibid, pg 11
58 ibid, pg 11
Although Hammer had introduced reengineering in his work in 1960\textsuperscript{59}, his work in 1993 though not directly related to CRM could convince that reengineering had a tremendous influence on customer relationships mainly in automating customer experience. i.e. automating more than 90% of the work which was not value addition but just routine work vulnerable to errors.

In 1995, Michael Treacy and Fred Wielsema\textsuperscript{60} introduced the value discipline model. The three value disciplines to offer superior customer value are

- **Operational Excellence** - Provide Customers with reliable products at competitive prices and deliver with minimal difficulty and inconvenience.
- **Product Leadership** - Offer leading products and service that enhance customers' use and application of the product gaining an advantage over rivals' products.
- **Customer Intimacy** - Segment and target markets accurately and then provide tailor made products.

In 1996 Frederick Reichheld released “The Loyalty Effect”\textsuperscript{61} and demonstrated how building loyalty of customers could deliver shareholder value. He economically justified investment in customers. He could prove that a 5% increase in retention could boost profits by 25-100%.

4.17 Thus all the above ideas had contributed to the concept of CRM which showed how to gain competitive advantage, customer intimacy and customer value by creating products relevant to customer needs.

Corporate initiatives like customer care programs e.g. answering telephones, handling complaints, understanding and reacting to customers’ behavior were undertaken by many firms right from 1980’s. British Airways named this program as “Putting People First.” Wherein customer service could be a competitive differentiator. It was recognized that technology enables CRM. An important enabler of CRM is technology and some developments in this respect are worth mentioning in the study of CRM evolution.

\textsuperscript{59} ibid, pg 10
\textsuperscript{60} ibid, pg 10
\textsuperscript{61} ibid, pg 10
Ted Codd, an IBM researcher presented a paper.” A Relational Model of data for large shared data banks.” 62 which turned attention to the importance of database marketing. None of the CRM initiatives would be possible without a database as the intuition based marketing was being replaced by database marketing.

Seibel Systems was founded in 1993 the golden year of CRM. In 2000, Fortune magazine placed Seibel Systems second among the “100 fastest growing Companies” while Business Week named it as the most influential company in software. The software created by Siebel could provide customer oriented data, helping the business in being customer centric to gain a competitive advantage. This also created a misconception that implementing such software was implementing CRM.

But CRM definitely had arrived on the corporate agenda and the world’s perception of CRM was greatly influenced by Siebel.

4.18 Concluding remarks:

The review of literature that was carried out helped get a clear concept of CRM. The various initiatives and processes implemented by many successful organizations for taking care of the customers made a very interesting reading. The benefits that accrued to the organizations in terms of better customer satisfaction and customer loyalty were noteworthy. This gave rise to an urge to identify and understand the CRM practices followed in the Indian manufacturing sector. A need was felt to carry out research regarding the practices implemented in the Indian manufacturing sector for creating value for the customers. There was also a need to find out whether there was clarity about the concept of CRM i.e. whether it was considered to be a technical application or whether it was a change in the mindset about the significance of customers to a business. It was intensely felt that studying the organization structure, processes, communication channels, and the HR practices followed for creating a fulfilling experience for the customer would be an interesting area for research.

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62 ibid, pg14