AN ANALYTICAL STUDY OF
CUSTOMER RELATIONSHIP MANAGEMENT (CRM)
PRACTICES IN SELECTED MANUFACTURING INDUSTRIES
IN AND AROUND PUNE

ABSTRACT

1. Introduction:

Today is an era of intense competition. There are several factors that have created turbulence in the business environment. For instance, the customer has stepped out of his role as a passive buyer and has become choosy, is well informed and does not hesitate to get what he wants. He will not meekly accept whatever is given to him but rather will be ready to participate in the planning and producing of the product that he wants. In short he is more than willing to become a co-creator of the product or a partner in the product.

Because of this new demanding role of customers, acquiring new customers, retaining the existing ones, and gaining their loyalty and trust has become very difficult. Unless customers get value out of the deal they will not be interested in any business transaction. This makes it imperative for the business to understand the customer’s perception about the product, the organization and the brand.

These vital inputs about the performance of the organization can be obtained by interacting with the customers at all interfaces called touch points. It can help the organization create value better than what the competitors are offering. All these factors have forced the businesses to think of all the possible ways to manage relations with customers to have a better understanding of the customer and his expectations. Coming close to the customer is possible only by developing long lasting relations based on trust and confidence that will bring the customer back to the organization again and again. This gave rise to disciplines like Customer Relationship Management. CRM is thus defined as “A comprehensive strategy and process of acquiring, retaining and partnering with selective customers to create superior value for the company and the customers”.

It is very clear that building customer relationship is the fundamental business of every enterprise and it requires a holistic strategy and process to make it successful.
2. Selection of the topic:

The topic is particularly relevant today given the fierce competition and the demanding consumers. The customer loyalty has eroded so when the customer does not get the value he is looking for, he does not hesitate in defecting. If the companies today understand the buying process of the customer they could identify the key points so as to influence purchase decisions, design the best marketing tactics to increase sales and profitability.

The researcher thought it would be a good research problem to study what exactly is being done with respect to relation building with customers. The study would also include the details about the provisions in the organization structure and the processes to enhance customer relations. It would be interesting to see how many have used technology as an enable of CRM and to what extent e.g. the communication channels and contact channels used for accessibility to customers to facilitate building relations with the customers. It would show how many have a clear concept of CRM and its holistic view rather than just looking at it as a technological application. Understanding of the status of CRM in the manufacturing sector could give directions for possible future development.

3. Objectives of the study:

1. To identify the various means of communication employed for successful CRM.
2. To trace the modification in organization structure to make CRM a success.
3. To study the use of technology to improve the effectiveness of customer relations.
4. To analyze organizational processes implemented to deliver value to customers.
5. To study the HR practices followed to develop the right skills and attitude for creating a CRM culture.
6. To work out a model for evolution of CRM.
4. Hypotheses of the study:

The two types of hypotheses finalized during the course of research are given below:

A) Descriptive hypotheses -

1. Awareness about CRM is not translated into a dedicated CRM division in organizations in the manufacturing sector.

2. Organizations have started taking efforts for creating CRM culture but there is scope for additional efforts.

B) Statistical hypotheses -

Various aspects of CRM were studied and it was decided to study whether these aspects change according to the type of firm i.e. consumer product manufacturing firm or industrial product manufacturing firm. Hence while formulating hypotheses impact of this factor on the various aspects of CRM was studied. The following hypotheses were formulated and statistically tested.

- H1: Type of firm significantly influences the usefulness of the contact centre desktop for ease of transaction for customers.
- H2: Type of firm significantly influences the frequency of use of the call centre as a contact channel.
- H3: Type of firm significantly influences the usefulness of a strategic account manager for establishing contact with customers
- H4: Type of firm significantly influences the frequency of use of the traditional contact channels of sales people, service personnel and marketing department.
- H5: Type of firm significantly influences the frequency of use of customer visit to tap customer opinion.
- H6: Type of firm significantly influences the frequency of use of market research to tap customer opinion.
- H7: Type of firm significantly influences the frequency of use of gap analysis.
5. Research methodology –

5.1 Type of research: The research conducted is of the exploratory and descriptive type.

5.2 Universe: A list of manufacturing units in and around Pune was obtained from the Maharashtra Chamber of Commerce Industries and Agriculture. The list of manufacturing units with a turnover of above 100 crores was decided to be the universe. The MCCIA provided a list of 120 manufacturing companies in and around Pune with a turnover of more than 100 crores.

5.3 Source List: A source list was prepared from the names of organizations with a turnover of more than 100 crores as given by the Maharashtra Chamber of Commerce Industries and Agriculture. The population size was 120 as per this list provided by the MCCIA. In addition to these 120 manufacturing companies, 25 companies that were stiff competitors, had a roaring business and had their regional or territorial offices in Pune were also identified and that brought the population size to 120 + 25 = 145. The list was prepared with the intention of covering the entire cross section of the manufacturing sector. This included the paint companies, automobile companies, furniture company, air conditioner companies, television companies, food product companies etc from the consumer product sector and cement, steel, engineering companies, chemical companies etc from the industrial product sector. 2-5 selected companies from each sector were identified and approached and the list was made as pervasive as possible.

5.4 Sampling unit: The sampling unit was decided to be the head of CRM division in case there was an independent CRM division or the person who handled the CRM activities, in some organizations a part of marketing department.

5.5 Sampling technique: The sampling method followed was purposive and convenience sampling. The people from the companies contacted for the responses were dealing with CRM implementation and their opinion was considered reliable and important. Some competitor companies were also contacted considering the convenience factor.

5.5 Sample Size: The sample size was determined using the formula of sample size determination for small population. The sample size was calculated according to the formula.
\[ n = \frac{Z^2 (P \times Q)}{e^2} \]

For small population, the sample size was calculated using the formula
\[ n \times \sqrt{\frac{N-n}{N-1}} \]

The sample size came to be 50.

5.6 Sources of data

- **Secondary data:** A review of literature was carried out to get a clear idea of the basic concepts of CRM. The various ways in which the businesses have been gearing up to develop good relations with customers could be studied while carrying out the literature review.

  CRM is not a new concept to the business world and therefore there was lot of information available about the basic concept of CRM as well as the various aspects while implementing CRM. Many books had case studies of several organizations that had implemented CRM which helped clarify some issues that arise during implementation. The journals, magazines and newspaper articles also helped gain an insight into the subject of CRM. The websites of the respondent companies provided information about the vision and mission and various CRM initiatives taken by the companies. Thus the secondary sources of information helped study CRM in great details and an exhaustive questionnaire could be prepared on that basis.

- **Primary data:**

  The primary data was collected with the help of a structured questionnaire. The purpose of the questionnaire was to collect the CRM related information from the people in the selected organizations working on it. While collecting the duly filled questionnaire, the researcher interviewed the respondents and noted the additional information given by them. Informal interactions with marketing personnel and dealers also provided valuable information.

5.7 Data analysis:

  The data analysis is carried out with the help of the following techniques.
• **Frequency tables:** The data was coded and recorded with the help of SPSS. Frequency tables were generated and observations based on percentages were noted. Pie charts and bar diagrams have been used to highlight the findings.

• **Case study analysis:** An in depth study of the CRM initiatives of the organizations was carried out with the help of information on the company websites and the questionnaires. The interactions with the company officials at the time of personal visits to the companies helped the researcher make a compilation of the innovative and good CRM practices for a few selected organizations.

• **Statistical analysis:** The statistical analysis for testing the hypothesis is carried out with the help of SPSS software.

  The tests applied are independent sample t-tests as there are two groups of data, one group of consumer product companies and the other group of industrial product companies. Comparisons between these two groups to study the difference in trends with respect to certain factors as well as the difference in practices followed have been studied. The type of firm is the independent variable and the metric rating given is the dependent variable.

  Chi² test is used to find out if there is any relation between having a CRM division or not and customer profiling since the fifth question was of the categorical type. Since there are no multiple scale item the reliability and validity tests were not required.

**6. Findings and conclusions and Suggestions:**

**6.1 Findings:**

• Out of the various modes implemented for making business easy for customers the most popular is the email response used by 92% respondents. 50% respondents use the telebusiness and 46% use the contact centre desk top. The telebusiness and contact centre desk top are used by more than 60% respondents of the consumer sector and just more than 30% respondents of the industrial sector. ATM’s and kiosks are the least used.

• Only 36% respondents have a full-fledged CRM division to cater to various aspects of CRM. The task force and the teams have been adopted by more than 70% of the industrial product sector. The consumer product sector has adopted it
to the extent of 60%. The call centres and customer care centres have been used mainly by the consumer sector.

- For interacting with the customers, the traditional sources like salespeople, marketing department and service personnel are preferred by more than 70% respondents. 70% respondents use the strategic account manager and more than 40% using the websites and very few using the net chat.
- The internet is being used by more than 60% respondents for displaying electronic catalogues and product specifications. 50% or slightly more respondents use internet for order booking and order status enquiry or contact management.
- More than 90% respondents use telephone, fax, mobile and e-mail and only 50% use conference calls for communicating with customers.
- 80% of the respondents utilize the customer visits for tapping customer opinion while 72% respondents make use of a systematic customer feedback activity for tapping customer opinion. Only 34% of the respondents make use of market research for tapping customer opinion. Toll free number for gathering customer opinion is followed by 24% of the respondents.
- Technology as an enabler of CRM has been used to a large extent by all the respondents for billing and invoicing, complaint management, sales and marketing, contact management, inventory management, after sales service etc.
- More than 60% of the respondents develop joint solutions to problems, adopt supply chain management and have provisions for information sharing and open lines of communication for getting close to the customers as well as for better value creation for customers. Customer participation in product development that brings the customer close to becoming a co-creator of the product is implemented by just 56% of the respondents. Co-designing, co-marketing or co-development and joint investment in technology are the least adopted measures for CRM.
- Only 40% of the manufacturing sector thinks that special training to deal with customers is crucial in creating CRM culture. More than 80% feel regular meetings and workshops are important. Open communication culture, teamwork, motivation for CRM, alliance based behavior are considered important by an even smaller group.
• More than 90% respondents regard responsive customer service, proactive relations, frequent personal contact, empowered employees, rewarding employees for excellent customer care and encouraging feedback as important.

• More than 79% respondents consider efficient customer response as important. Arranging conferences, workshops, offering free consultancy are some of the prominent initiatives for improving customer loyalty.

• More than 90% respondents agree that CRM is a strategy and not a technical application, customer satisfaction leads to greater customer loyalty. More than 80% agree that attending to the customer complaints offers an excellent opportunity to increase customer loyalty. More than 70% agree that happy employees can create happy customers.

6.2 Conclusions:
• All the organizations have slowly but definitely started the process of CRM implementation although each organization is at a different stage of evolution of CRM.

• The most popular modes followed for ease of transaction are the email, followed by telebusiness and contact centre desk top.

• Very few organizations have an independent CRM division although many have task force and teams to look into customer relations.

• The most preferred sources for maintaining contact with the customers are the salespeople, marketing department and service personnel. Another popular source is the strategic account manager who is a single point contact for institutional customers.

• Internet is being mainly used for display of electronic catalogue of the products and product specifications, pricing etc. It is not being widely used for order booking or order status enquiry or even for contact management.

• The most preferred mode of communication adopted by organizations to interact with customers is the telephone, fax, mobile and e-mail.

• Customer opinion is tapped mainly by a customer feedback activity and the toll-free number closely followed by Customer visits, market research and sales calls.

• Organizations are keen to develop joint solutions to problems and have provisions for information sharing and open lines of communication for getting close to the
customers. Customer participation in product development is adopted by almost half the respondents.

- Special training to deal with customers, regular meetings and workshops are widely used to create an atmosphere conducive to CRM. Open communication culture, teamwork, motivation for CRM, alliance based behavior are comparatively less used.

- Half the respondents have voice of customer and service quality indicator in place and a small group of respondents practice gap analysis and quality circle.

- Responsive customer service, proactive relations, frequent personal contact, empowered employees, rewarding employees for excellent customer care and encouraging feedback are important for a huge majority of respondents.

- Almost all the respondents regard responsive customer service, proactive relations, frequent personal contact, empowered employees, rewarding employees for excellent customer care and encouraging feedback as important.

- Arranging conferences, workshops, offering free consultancy are some of the prominent initiatives for improving customer loyalty.

- CRM is accepted as a strategy and not a technical application. Customer satisfaction and attending to customer complaints create customer loyalty. Happy internal customers are important for long term customer satisfaction.

6.3 Suggestions:

- The HR departments should play a much more constructive role in creating a CRM culture in organizations by a greater emphasis on open communication, teamwork, motivation, group dynamics and change management.

- A greater and effective use of the internet should be made for order booking and order status enquiry along with electronic catalogues and product specifications.

- Quality initiatives like service quality indicators, quality circles, gap analysis etc. must be implemented to a greater extent. The efforts taken by the organization to build quality will win the appreciation of the customers and help build stronger relations with customers.

- Customer feedback in the form of gap analysis or voice of customer should be adopted by more and more organizations to understand the customer better.
• Professional research groups must be used to a larger extent to collect accurate information about the customer and his buying psychology.
• Good rapport and relation building with customers should be done with more efforts and understanding by information sharing and being in touch with the customers.

A greater use of interactive websites must be made for better connectivity with customers. Social networking can also be used effectively for building relations with the customers.

**Contribution to knowledge, profession and society:** The research covers the study of various dimensions of CRM i.e. the strategy aspect, the organizational culture aspect, the process aspect and the value creating aspect. It describes the various CRM initiatives taken by some selected manufacturing organizations. This is expected to give direction to the organizations for better customer focus. The organizations can also identify their status with respect to evolution of CRM by referring to the model of evolution of CRM developed by the researcher. The research study can provide directions to the organizations to inculcate CRM culture. The customers will be the ultimate beneficiaries as a result of the various customer focused initiatives adopted by the organizations. It will result in a greater number of delighted customers due to a better quality of products, service and value for money.

**6.4 Limitations of research:**
- Inaccessibility to the practicing managers and their busy schedule made it difficult to reach all the functional managers.
- Since many had recently adopted and implemented CRM, they did not have a database of figures related to profit or sales generated due to CRM practices.
- The information given by the respondents and also their opinions and judgments were treated as practices followed by the organizations. Though the researcher has tried her level best to acquire data closest to the truth, personal biases are likely to influence the opinion given.
6.5 **Scope for further research:**
- Analysis of sales and profit figures with reference to CRM practices in organizations
- Study of CRM practices in the service sector
- Analysis of complaint management and redressal with reference to relation building with customer
- Detailed case studies of customer participation in product development in selected units
- Analysis of repeat purchases with reference to customer relationships.

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