CHAPTER - III

CUSTOMER RELATIONSHIP MANAGEMENT
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3.1 INTRODUCTION

One of the modern skills required in the present competitive business world is winning new customers and retaining the existing ones with this business strategy in mind, the following chapter focuses on the conceptual foundations of CRM, the strategies for building CRM, including the process, the CRM framework and it further focusses on the applications of CRM in consumer and business markets. The technological tools for CRM has covered the evolution of eCRM and the difference between CRM and eCRM. In the last decade, CRM was a mere buzzword but with the growing importance given by the practitioners and business strategists it has now become a key element of the firms competitive strategy.

3.2 CONCEPTUAL FOUNDATIONS OF CRM

3.2.1 EVOLUTION OF CRM

The evolution of CRM was gradual. The concentration at the beginning was only consumption. Human activities were confined to consuming whatever was available within their reach easily. Then the focus gradually shifted to production i.e. productions activities were performed for consumption and for exchange. During the sales era, production for was performed only for sales and full attention was given to
production. Since the supply was limited, whatever was produced became saleable. But with the increased supply, selling became a difficult task and this made organizations to move towards marketing and related activities. At this stage, the focus was shifted from products to consumers for the survival of producer in the market understanding of customers needs had become a necessity. Customers started gaining more and more attention due to the availability of unlimited brand choice. This gave birth to the concept of customer driven organizations. In those days organizations find it difficult to retain their existing customer base. At this point of time it was realized that once a consumer comes in contact with an organization a sort of relationship begins. Initially it is the type of buyer and seller. But with repeated contacts the relationship goes on widening. If a customer contacts the organisation several times, the relationship will not be a simple buyer and seller relationship, keeping in view this relationship a new concept of relationship marketing came into existence. In other words the organization can sell more goods and services using the relationship which already exists between consumer and the organisation. 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.

Practitioners and consultants use customer relationship management (CRM) to refer to technology enabled process for customer
interactions and relationship building while marketing academicians prefer the term ‘relationship marketing’.¹

The development of relationship marketing points to a significant shift in the axioms of marketing. Competition and conflict to mutual cooperation and choice independence to mutual interdependence. This is shown in figure 3.1 below.

![Diagram showing the relationship between mutual interdependence, mutual cooperation, competition and conflict, and transactional marketing.]

**Fig. 3.1**  : Axioms of Transactional Marketing and Relationship Marketing  
**Source**  : Sheth and Parvatiyar Handbook of Relationship Marketing, Response Books, Sixth Printing 2006, pp.122
The first axiom of transactional marketing believes that the drivers of value creation are competition and self interest. Through competition buyers get their choice and this choice in turn motivates the suppliers to create offering with higher value and this results into fulfillment of their self interest. But this axiom is now challenged by the proponents of relationship marketing who say that mutual cooperation, as opposed to competition and conflict, leads to higher value creation\(^2\). Some other social psychologists are of the opinion that competition is inherently destructive and mutual cooperation inherently more productive\(^3\). The second thing that is base of transition marketing is its belief that independence of choice among the actors of marketing creates a more efficient system for creating marketing value. Whereas, relationship marketing believes that interdependencies reduce transaction cost and generate higher quality while keeping governance costs lower that does exchange marketing.\(^4\) A number of relationship marketing practices can help achieve efficiency, such as customer retention, resource sharing between the marketing partners, efficient customer response. The operating cost can be reduced with the help of these practices. Relationship marketers with the help of individualized marketing and adoption of mass customization processes can solve the problems of each selected customer and thereby can make marketing more effective.

Table 3.1 highlights the differences between traditional (transaction) and relationship marketing.
Table 3.1 Transaction Marketing Vs relationship marketing

<table>
<thead>
<tr>
<th>Transaction Marketing</th>
<th>Relationship Marketing</th>
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<tbody>
<tr>
<td>One of exchanges</td>
<td>Focus</td>
</tr>
<tr>
<td></td>
<td>On going exchanges</td>
</tr>
<tr>
<td>Brand Management</td>
<td>Customer management</td>
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<tr>
<td>Short term Focus</td>
<td>Time Perspective</td>
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<td></td>
<td>Long term Focus</td>
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<tr>
<td>Mass Communication</td>
<td>Primary Communication</td>
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<td></td>
<td>Personal Communication</td>
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| • Isolated Market Research             | Customer feedback mechanism            |
|                                        | Markets of one                         |
| • Market Share                         | Criterion for success                  |
|                                        | Mind share                              |
| • Profitability of transaction brand equity | Critical metrics                  |
|                                        | Lifetime value of customer equity      |


The post industrial era has seen substantial development towards relationship marketing. A need was realized by the marketers to adopt an orientation which is & more focussed on customers rather than an orientation which is transaction focussed. The growth of a relationship orientation of marketing is the rebirth of direct marketing between the producers and consumers. A large number of environmental & organizational factors have been identified which are responsible for its growth such as rapid technological advances, adoption of TQM by the companies, growth of service economy, OD process leading to empowerment of teams etc. There forcer have reduced the dependence of producers & consumers on middlemen resulting into the growth
of relationship marketing. Major driving force in the adoption of relationship marketing is the TQM. When companies realized the benefits of quality products and reduced costs, they began to embrace TQM. Then it became necessary for them to involve suppliers and customers at all levels of the value chain. This required the companies to build close working relations with customers, suppliers and other members of the marketing infrastructure. The growth of service economy has been the important force in ushering the relationship marketing. As more and more organizations depend upon revenues from the service sector, relationship marketing becomes prevalent. In the case of personal and professional services, such as haircutting, maid services, consultant services etc. the individual producer of service is also the service provider. In these cases, a greater emotional bond is developed between the provider and the user of service. It is therefore evident that relationship marketing is important for scholars and practitioners of services marketing.\(^5\)

Finally, in the post industrial period the increase in competition has made it imperative for the marketers to be concerned with customer retention.

3.2.2. SCHOOL OF THOUGHT ON CRM

The concept of relationship marketing has gained the support of the growing research interest in different aspects of this concept. Researchers from various disciplines observed the transition of traditional marketing into relationship marketing. In the early 1990s, the approaches to CRM can be broadly classified into.
1. The Anglo – Australian Approach
2. The Nordic Approach
3. The North American Approach

These various approaches to CRM propagated by different scholars explain the emergence of CRM as the interactive process.

ANGLO – AUSTRALIAN APPROACH

The first approach in Anglo-Australian Approach explains relationship marketing as an integration of quality management, services marketing and customer relationship economics as shown in Fig. 3.2 below:

![Diagram](image)

**Fig. 3.2**: Anglo Australian Approach of Relationship Marketing

**Source**: Shainesh & Sheth, CRM – A Strategic Perspective, McMillan India Ltd., Ltd. (2006)

2. **THE NORDIC APPROACH**

The Nordic school is a marketing school of thought that originally grew out of research into services marketing. The Nordic school
researchers from the beginning itself emphasized the long term relationship nature of services marketing, but without using the term relationship marketing instead they used terms such as buyer seller interactions and interactive marketing to indicate the relational nature of the marketing of services. According to Nordic School approach, marketing from a relational perspective has been defined as “the process of identifying and establishing, maintaining, enhancing, and when necessary terminating relationships with customers and other stakeholders, at a profit, so that the objectives of all parties involved are met, where this is done by a mutual giving and fulfillment of promises”.

Another well known Nordic school definition is “marketing seen as interactions, relationship and networks”.

Both these definitions come to a conclusion that relationship marketing is a process. The concept of relationship marketing is integration of three important processes known as the triplet of relationship marketing i.e.

1. The interaction process
2. The dialogue process and
3. The value process

A successful relationship marketing strategy requires that all the above three process should be taken into account in the planning of relationship marketing. The interaction process is the core of relationship
marketing, the dialogue process is the communications aspect of relationship marketing, and the value process is the outcome of relationship marketing. If any one of there are not analyzed and planned carefully, the implementation of relationship marketing may suffer. For example, if the dialogue process is not integrated with the interaction process, the value process may take a negative turn, because customers may get conflicting signals and the promises may not be fulfilled.

THE NORTH AMERICAN APPROACH

The scholars of the North – American approach concentrated on the relationship between buyer and seller operating within the context of the organizational environment which facilitated the buyer – seller relationship.

![Diagram](image)

Fig. 3.3: North – American Approach to relationship marketing

The broadened view of relationship marketing takes into consideration not only the traditional customer market but a total of six key market domains. In addition
to the conventional customer acquisition, it has advocated a cross functional role of marketing.

The six markets are as follows:

1) **Customer markets** - Existing and prospective customers as well as intermediaries.

2) **Referral markets** - Existing customer who recommend to other prospects.

3) **Influence markets** - Consumer groups, business partners
   
   Government

4) **Recruitment markets** - for attracting the right employers to the organisation.

5) **Supplier markets** - Suppliers of raw materials, components, services etc.

6) **Internal markets** - the organisation including internal department & staff.

![Diagram of the six markets framework](image)

**Fig. 3.4**: The six markets framework

**Source**: Shainesh & Sheth, CRM – A conceptual framework, McMillian Indian Limited, 2006
According to Berry, "Relationship marketing is attracting, maintaining, and, in multi service organizations – as enhancing customer relationship."9

This is a strategic viewpoint about CRM and Berry stressed that attracting new customers should be viewed only as intermediate step in the marketing process. Developing closer relations with these customers and turning them into loyal ones are equally important aspects of marketing.

Groenroos Stated: "Marketing is to establish, maintain, and enhance relationship with customers and other partners, at a profit, so that the objectives of the parties involves are met. This is achieved by a mutual exchange & fulfillment of promises."10

This definition implies that customer relationship is the core of firm and marketing should be devoted to building and enhancing such relationships.

According to Morgan and Hunt, "The relationship marketing refers to all marketing activities directed towards establishing, developing and maintaining successful relationship."11

So, from this definition we can say that the core theme of all the CRM and relationship marketing perspectives is its focus on cooperative and collaborative relations between the customers and the firm, and also between the firm and other marketing actors. The objective of a company is not only to increase its customer base but also to identify various
marketing programs which would be profitable and will create value for the customer and the firm.

Parvatiyar and Sheth defined CRM as:

"Customer Relationship Management is a comprehensive strategy and process of acquiring retaining and partnering with selective customers to create superior value for the customer and the company."\(^{12}\)

Looking at all the above definitions we can conclude that CRM is a process oriented view, at highlights the cooperative and collaborative nature of the relationship for the long term benefits of both; the firm and the customer. Also, CRM aims at building the long term relationship with chosen customers by getting closer to them at every 'Touch point' and thereby earn profit.

3.3 BUILDING CUSTOMER RELATIONSHIP

3.3.1 RELATIONSHIP BUILDING AS A PROCESS

In this operating environment, companies interact with their customers and learn about them i.e. who they are, what do they want, how much they buy etc. The foundation of effective customer relationship management is built on the detailed process of learning and customization. This can be represented in the form of diagram:
Fig. 3.5: The Learning Relationship Process


The data available from this analysis will help the companies to identify the profitable customers. Therefore, it is necessary for companies to keep these customers. This iterative learning process helps in building relationship between a company and its customers.

3.3.2 THE IDIC FRAMEWORK

Peppers and Rogers proposed the IDIC framework to explain the process of converting existing customers into loyal customers.\textsuperscript{13} IDIC represents the following four key steps in the relationship building process:

1) Identify

In this step the company is required of locate and contact its large number of customers and try to get their maximum details eg. their names,
phone numbers, addresses, habits, important dates (birth date, anniversary date), preferences etc.

2) Differentiate

After learning about customers, it is time to differentiate them on the basis of value and needs. Value is an indication of customers worth to the company i.e. his profit contribution differentiation should help the company in tailoring its offerings to each customers value & needs which can be called as customization.

3) Interact

Interaction takes place when the customers uses a service, makes a purchase, makes a complaint etc. It help learn more about the customers especially the valuable customers. Various methods used commonly for interaction are telephone interactions, formal surveys, self services channels like the web. Call centres etc.

4) Customize

Purpose of customization is to offer real value to the customers by tailoring some aspect of the product or service, to fit into customer’s exact needs. This helps the customers enjoy a high level of convenience. It can not be easily duplicated by the competitions and thus helps maintain USP of the company.
This framework is very useful in understanding the process to be adopted in building the relationship with existing customers.

3.3.3 LOYAL CUSTOMERS LADDER

For any marketer, along with the process of converting existing customers into loyal customers, it is equally important to know the stages through which a prospect becomes a customer and then a loyal customer.

![Ladder of Loyalty](http://www.1to1.com)

The Fig. 3.6 shows the different stages through which a prospect becomes a customer and finally a partner. Let us briefly discuss the features and the line of demarcation between each of these stages.

1) Prospect
   A prospect is a target of the marketers

2) Customers
   A target becomes a customer when he actually buys the product.
3) Client

A customer becomes a client when he repeatedly purchases the product/service. This means he is a satisfied customer.

4) Supporter

A client turns into a supporter when he being a satisfied customer recommends it to others.

5) Advocate

A supporter can be called as an advocate when along with recommendations, he also shares information with the company to improve its products and services.

6) Partner

An advocate becomes a partner when he gets involved in the decision making of a company. This results into creating greater bonding between customers and marketers.

The marketing action in the first two stages i.e. prospect customers is customers attraction while during the subsequent steps are on developing and enhancing the relationship. Therefore, relationship marketing goes for beyond repeat purchase.

3.3.4 CONCEPT OF BONDING

Relationships are built over a period of time and companies can build learning relationships with valuable customers. It is assumed that every interaction point with the customer should be taken as an
opportunity to serve the customers better. Since, CRM is all about developing bonds with the customers one must have clarity of the concept of bonding and types of bonds one can have.

Berry and Parasuraman have identified four levels of bonds.\textsuperscript{14}

1) **Financial Bonds**

Volume and frequency rewards, bundle and cross selling & stable pricing.

2) **Social Bonds**

Personal relationship, continuous relationships and social bonds among customers.

3) **Customization Bonds**

Customer intimacy, mass customization and anticipation / innovation

4) **Structural Bonds**

Integrated information systems, joint investments, and shared processes and equipment's.

**LEVEL 1: FINANCIAL BONDS**

In the initial stages, companies try to tie the customers by providing various financial incentives such as discounts at the bulk purchase, starting loyalty programmes e.g. frequent flyer programmes. Such programmes help to motivate the customers to increase their frequency & volume of usage of product/service. Similar to these rewards is bundle & cross selling. This method is observed mostly in case of credit cards,
magazine subscription etc. where customers can buy other services other services provided by the same provider at a lower cost. Many a times, to retain old customers companies offer stable prices assurance than those paid by new customers. But inspite of all these attractions, financial bonds are considered to be the weakest bonds; one because they can be easily imitated, second as it attracts a lot of price sensitive customers who switch to a cheaper option at the first available opportunity.

LEVEL 2: SOCIAL BONDS

The second level of bonding which is stronger and relationship more difficult to break is the social bonding where companies get involved into information sharing, rapport building, provide personal touch to the services so as to strengthen their interpersonal relations with the customers. For example in case of professionals like doctors, teachers or personal service providers like beauticians, dieticians etc; a social bond of personal kind helps a lot.

LEVEL 3: CUSTOMIZATION BONDS

Customization is tailoring the product / service as per the needs specified by the valuable customers. During interactions, a lot of information is shared by the customers about their needs and preferences. This proves to be very useful to the company to customize the products, services or any aspect of the marketing mix. Companies can also adopt
for 'mass customization', in which manufactures provide tailored products or services with little additional effort and cost effective production and communication technologies. "Mass customizations refers to the use of flexible processes and organizational structures to produce varied and often individually customized products and services at the price of standardized, mass produced alternatives." The national Bicycle corporation, Japan, can potentially make over eleven million varieties of bicycle using flexible manufacturing systems and make deliveries in two mechs. Customization bonds are also difficult to break as the customer would need to start from scratch and teach the new potential provider.

LEVEL 4: STRUCTURAL BONDS

Structural bonds are partnership between two providers (either service / product) through integrated information system, joint investments and shared processes. For example "American Express bonds with its customers through the use of its debit cards and Travel Related Services (TRS). TRS takes care of all the travel and stay need of executives belonging to its corporate clients. TRS personnel, in many cases operating out of the clients premises, arrange visa, passport and bookings for airlines, taxi & hotels at special prices through arrangement with all their partners, thus, providing a 'one stop shop' and a hassle free experience for the executive as well as the client organisation. When the executive trends0, all the expenses are paid through the Amex debit card. Amex
then consolidates the travel & entertainment expenses and presents it to
client organization in the format that its accounting / financial system
requires – executive wise, location to wise, budgeted Vs. actual. Thus
Amex provides good service value and builds strong structural bonds with
its customers." While moving from levels 1 to 4 the bonds become
stronger. As the bonds become stronger, customer loyalty increases and
with the increased customer loyalty the scope for reaping the benefits of
relationship marketing increases.

3.3.5 RELATIONSHIP THROUGH LOYALTY

Different levels of bonds result into increased customers loyalty is
the basic platform of relationship formation. In a highly competitive and
challenging business environment, organizations are really blessed if they
are fortunate to have loyal customer in their customers’ inventory.
Customer loyalty may fall into several types that include.
• Loyalty towards brands
• Loyalty towards Stores
• Loyalty towards Organizations
• Loyalty towards Sales Persons
• Loyalty towards any other related aspect in the process
  of purchase & consumption

In tune with the loyalty, the customer may be classified under three heads.
• The hard core loyalists i.e. those who maintain included loyalty w.r.t. their brand choice.
• The soft core loyalists who divide their loyalty among few available brands.
• The switchers who do not maintain loyalty.

a) LOYALTY CONTINUUM

Switcher → Soft core loyal → Hand use loyalists organizations must focus their attention on conversion of switchers into soft core loyalists and soft core to hard core loyal customers.

Why organizations need loyal customers is a very important thing for the organizations to learn. Loyal customers enable the organizations to run at very less operational costs. The acquisition cost is zero for the existing products and for new products it will be very less. Also, loyal customers themselves act as major publicity source for promotion. So, a sustainable growth is the reward for creating loyal customers.

b) WHY DO CUSTOMERS DEFECT

Customers' defection is a cause of major concern for most of the organizations. The quality movement in the 1980s focused on 'zero defects'. The concern for reducing and eliminating customers attrition emerged from studies conducted by Rechheld, F. F. and Sasser, W.E., 1990 which indicated.
- Customers are profitable over a period of time. The longer they stay with an organization the more profitable they are likely to be.
- Across industries, profits can increase by 35-85% by increasing customer retention by only 5%.
- About 70% of the customers switch to competitive offering due to perceived indifference of the current provider.

It is essential to discover the reasons as to why customers become defectors. Some commonly found defection drivers could be either the customer's specific needs has not been fulfilled, or they moved over to different product category or they perceived better value of money from the competitors offerings etc. Whatever may be the reasons it is necessary to prevent customer defection and to win lapsed customers back to the organisation.

c) STRATEGIES TO PREVENT CUSTOMER DEFECTIONS AND RECOVER THE LAPSED STRATEGIES.

The strategies to prevent customer defection and recover lapsed customers are pinpointed below.

- Total knowledge about customer behaviour
- Knowledge about lifestyle and life cycle
- Interactive communication system
- Special promotion campaign
- Developing barriers to exit
- Customer specific approach
• Customer win-back programmers
• Building customer care team
• Developing bonds with customers
• Improvement of value delivery system etc

3.3.6 CRM FRAMEWORK

A study conducted by Mookerjee, A. and Shinesh G. \(^{18}\), indicates that 'In competitive markets even satisfied customers switch or defect to competitive offers. Since loyal customers are more profitable for any organization there is a need to identify better predictors of loyalty. Indicators of relationship strengths like Trust, Satisfaction and Commitment are better predictors of loyalty and by including these parameters in customer's satisfaction surveys, managers can modify service delivery with a focus on customer loyalty.

a) SWITCHING

In the initial stages, switching is a if gets attracted by company marketing programme may try the product & become customer. But this initial interaction determines whether he is willing to continue or not.

b) SATISFACTION

When the expectations of the customers match with the performance of the product, then he is a satisfied customer. Hence, it is important for the marketers to manage customer expectations.
Satisfaction is an important intermediate step and many satisfied customers will become the clients.

c) TRUST

Trust is defined as the willingness to rely on an exchange partner in whom one has confidence. After a number of customer company interactions there comes a stage where the customer beings to have faith in the offering and its consistency in performance. Satisfaction leads to trust when some perceived conditions such as shared values & goals, dependence based on stable performance and perceived switching costs are fulfilled.

d) COMMITMENT

Commitment means a strong desire to maintain a valued relationship. It depends upon attitude towards each other and the formation of bonds (viz technical, social, structural financial). Trust and commitment are key variable because they encourage marketers to work at preserving the relationship investments with partners / clients.

e) LOYALTY

Loyalty does not mean simply repeat buying but it includes price sensitivity, complaining, recommendations etc. To measure the loyalty of a customer marketer can ask question like whether he is intending to
purchase again, whether change in supplier would be considered with a particular level of increase in prices, what is the intensity of complaints, does the customers a tendency to talk about the supplier to other clients, and the degree of desire to share positive experiences (word of mouth).

Thus, with the help of this framework marketer can understand the progression of a relationship through the various psychological steps.

3.4 APPLICATIONS OF CRM IN CONSUMER MARKETS

3.4.1 CRM IN SERVICES

Customer relationship management is all about building long term and mutually beneficial relationships with customers. Due to the features like intangibility, perishability, heterogeneity and simultaneity of services, the issue of building relationships with customers takes on a different dimension. Berry 19 has identified three situations in which relationship marketing is most applicable to a service firm. These are:

1) There is an ongoing periodic desire for the service on the part of the customers.

2) The customer decides which service provides he / she wants to use.

3) There are alternative service suppliers and switching of customers from one supplier to another is common.

When such conditions exist, that means there is lot of opportunities in the market for these firms for attracting customers with the help
of quality services. Parsuraman, Berry and Zeithmal\textsuperscript{20} developed a conceptual model that defines service quality from the customer's perspective and identifies key service provider gaps potentially responsible for poor service. Perceived service quality is defined as 'the degree and direction of discrepancy between the consumer's perceptions and expectations'.

Parsuraman\textsuperscript{21}, et al (1988), identified the following five dimensions that determine the service quality.

1. **Reliability**: Ability to perform the promised service accurately.
2. **Assurance**: Knowledge and courtesy of employees and their ability to inspire trust & confidence.
3. **Tangibles**: Physical facilities, equipment and appearance of personnel.
4. **Empathy**: Caring the individualized attention that the firm provides to its customers.
5. **Responsiveness**: Willingness to help customer and provide prompt service.

However, in most services, Reliability and Responsiveness emerge as the most important dimensions.

So, when service quality is difficult to imitate, service provider can gave on satisfaction leading to loyalty of the customer with this mantra.
CRM is an imperative in some purely driven industries such as hospitality banking, airlines and telecom industry. Many innovative CRM programmes have been implemented in the hospitality industry e.g. “Frequent usage reward programmes”, reward customers for using the services of the firm, “Membership programmes” wherein regular customers are offered discounts etc help to earn the goodwill and loyalty of their customers. Banks have introduced ATMs to increase the convenience of operating their accounts whenever they desire. Banks now provide services over multiple channels from telephone to internet. Like the hospitality industry, airlines also face prolonged customer contact – over the period of the journey of the passenger. Differential pricing (time basis), frequent flyer programmes, special concessions for students, senior citizens, disabled passengers etc. Are some CRM techniques used by them. With the opening up of telecom sector, competition has increased along with the number of customers availing the service. Customers need change over a period of time. Therefore, firms need to understand the customers so that specific segments of the customers can be identified and served accordingly. All major cellular and other telecom firms have call centers to provide information to their customers about the services they provide, help them get started with the service, explain the different payment options available, attend to customers complaints regarding billing etc. In the coming years, CRM will increasingly play an important role in determining the performance of the service providers.
3.4.2 CRM IN PRODUCT MARKETS

The two large chunks of the product market are consumer durables and automobiles where CRM plays its role. Consumer durables are based for relatively larger period of time after purchase. The interactions with customers are usually at the time of purchase or at the time of after sales service. Since, interaction is very less, chances of a customer defecting to another firm is very high, especially if the customer is facing problem with the product. Therefore, firms in consumer durable industry are also looking forward towards building long term relationship with the customers. As a part of relationship building most firms have set up service centers and hold regular check up camps in an effort to get close to the customer. There are also customer clubs started by some consumer durable firms such as song club by song, signet club by Titan. A customer automatically becomes a member when he / she purchase the product with them.

In the automobile sector, firms have implemented many innovative CRM programmes since a car will need regular & servicing and parts needs to be replaced with wear & tear; many automobile majors have set up their own service stations. The firm can get a lot of feed back about the performance of their vehicles by ‘listening’ to their customers during the contact. Many firms monitor satisfaction through periodic interaction using various channels such as news letters, emails etc. Input obtained from these sources help in designing and production of vehicles. Many a times,
firms organize customer carnivals at regular intervals. These 'carnivals' educate the customer about the firms product and also give a feel for their vehicles by giving free test rides. Tie ups between automobile firms and finance firms help customers finance their acquisitions at reasonable rates. So, all these measures help automobile firms in retaining old customers and acquiring new ones.

3.5 CRM PROCESS

CRM process is the systematic determination of the methods by which a project is to be implemented; economically and competitively. It is defined as "any group of action that is instrumental in the achievement of the output of an operation system, in accordance with a specified measure of effectiveness".  

A closed loop CRM process has the following step:

a) Gathering Information

The first step is to collect information about the customers from both the internal and external sources of the organisation.

b) Perform Date Aggregation

At this stage, the data collected is merged and compressed into complete view of the customer. A large customer data repository is produced.
c) **Create “exploration warehouses”**

The exploration warehouses are the extracts of the customers data needed to support specific analysis, such as customer profitability and predictive modeling. Exploration warehouses are the engines for analytical applications that support identification of opportunities and developing strategies.

d) **Execution of Strategies**

The strategies developed are executed with the help of marketing campaigns across the targeted segments of customers. Campaign execution results into an interaction with the customers.

Finally, once a customer interaction takes place and the customers responds, capture that response and ‘recycle’ it to use in the on-going learning, analysis, and refinement process. With the completion of each cycle more is learned about the needs and preferences of the customers resulting into an enhancement of the customers understanding and anticipation of their needs.

A CRM process is beneficial as it increases the ability of the firm to retain loyal and profitable customers, acquiring the right customers, based on known characteristics which drive growth and increased profit margins.
3.6 ROLE OF INFORMATION TECHNOLOGY IN BUILDING, MAINTAINING AND ENHANCING RELATIONSHIPS

The single most important thing to remember about any enterprise is that there are no results inside its walls. The result of a business is satisfied customer. This requires a lot of learning and research about the customers and using this information to come up with certain strategies with a view to satisfying the customers. Companies need to create better metrics to have adequate in place that serves the customers effectively. In brief it can be said that information drives the marketing activities. Marketers need to collect data regarding the buying behavior of the customers, their demographics, etc., to anticipate their likely moves in future. This results in having the better products which fit the buyer's needs, better prices, better distribution, and better promotion. Mere recognition of the importance of information is not enough; rather, using this information effectively is equally important.

Information Technology helps in not only collecting data, analyzing it, learning about the markets and the consumers but also assists in transmitting the right information at the right place, in right quantity and in right tempo. This may help the marketers in maintaining long-term relationship with the customers. Every transaction with the customer or the prospect is an opportunity to gather information, invest in relationship marketing and build shareholder value. Thus, IT has a greater role to play in expanding the opportunities of marketing. The process of gathering information about the customers during each transaction helps the marketer to have complete knowledge about its customers. The aim of
any marketer is to maintain a long-term relationship with the customers, which will ensure sustainable competitive advantage in the long run. Because it is easier retaining a customer rather than acquiring new customers, relationship marketing is becoming one of the major elements of the corporate strategy for many organizations. In the past few years the traditional form of marketing is being questioned by many scholars. The function-based traditional marketing has slowly given way to the new form of marketing known as relationship marketing, which is cross-functional in nature. The adoption of relationship marketing is fueled by the realization on part of the companies that building long-term relationship is the essence of doing business in the modern times. But to achieve this, companies need to develop information-enabled systems so as to have direct contact with customers. Retaining customers will lead to the creation of sustained competitive advantage and improved profitability for the company. Information technology acts as the enabler in the whole process.

There has been a paradigm shift in the approach towards marketing, i.e., marketing is moving from a transaction-based approach to a new paradigm called "Relationship Marketing". The traditional activities which emphasized the role of customer acquisition as the primary role of marketing have been replaced by relationship marketing, which recognizes that marketing actually starts after the sale is complete. Information technology has an important role to play in the overall functioning of relational marketing.
In modern times, companies have to leverage the relationships with the help of technology, especially information technology. In relationship marketing, information regarding the consumers and channel partners are collected on an individual basis and is used to design the products and / or services as per the individual requirement. Here, suppliers tend to cooperate with the distributors and retailers on an individual basis so as to serve the customers well. The technology tools like databases, data warehouses, and data mining etc. which are available to the marketers assist companies in increasing the customer value and company's profitability. Information technology is of great help in gathering and managing data required not only for a better understanding of the customers but also to frame appropriate relationship marketing strategies to be adopted in present and future. Moreover, IT can enable the companies to determine the importance of customer acquisition, customer retention and his lifetime value. Research studies have shown that a 5% increase in customer retention will lead to around 20% to 25% increase in profits.

As a result of the profound developments in the field of information technology knowledge is slowly but surely replacing natural resources and capital as the basic requirement for running a business. Also, the access to an infinite source of information is aiding in the **shifting of power from the marketers side to the customer's side.** This new state of the customers is transforming the traditional marketing from a transaction orientation to a relational paradigm. The marketing dynamics are changing from product driven to consumer driven. This in turn requires a good relationship among all the members of the channel, and
consumers. Thus, IT is enabling marketing to move towards relationship marketing. The companies need to make use of value. The primary job of the management is to develop proper relationship marketing strategy and ten develop appropriate information technology base as per their requirements. This requires a proper blend of databases, data marts, data warehouses and electronic commerce. The ultimate objective for the incorporation of information technology in the overall marketing strategy is to create opportunities for increasing the profitability with the aid of customer retention, acquisition and targeted cross-selling.

3.6.1 RELATION BETWEEN IT AND RELATIONSHIP MARKETING

There exists a symbiotic relationship or a “virtuous cycle” between advancements in information technology and the change in marketing paradigm towards relationship marketing. Relationship marketing has grown because of the developments in information technology, some pitfalls of traditional marketing, the increased expectations of the consumers and rising competition. In this case both push and pull driven effects are omnipresent.
The cycle is represented in the Figure No. 3.7:

![Diagram showing the cycle between Increased Competition, Marketing Evolution, Increased Demand for Relationship Marketing, New Technology Development, IT Resolution, and RM More Affordable and Effective.]

Figure 3.7: "Virtuous Cycle" between IT and Relationship Marketing


The widespread proliferation of relationship marketing is giving rise to the development in technological innovations targeted towards the improvement in relationship marketing itself. For example, web-casting is facilitating relationship marketing by pushing useful information to the customers. It helps to increase the interaction between the customers and the companies so as to strengthen the relationship between them.
3.6.2 IMPACT OF IT ON RELATIONSHIP MARKETING

Relationship marketing when used in conjunction with information technology brings both i.e. economics of scale and economics of scope, which in turn lead the companies on the path of sustainable growth.

Impact on Economics of Scale

Economics of scale are affected in the way that a large section of customers can get individual attention from the marketers. Each of the transaction represents a very minute portion of the total volume. It is next to impossible to practice on a large scale without the large scale use of relationship marketing. The increasing affordability of these technologies is provoking the marketers to deploy their management techniques to track their customers on an individual basis. Nowadays, companies are pursuing individualized relationships with customers based on the economical and usable information about them. Economics of scale enable marketers to compete for the market share. In this whole process, IT is playing the role of an enabler on a mass scale.

Impact on Economics of Scope

The economies of scope are also affected to a large extent by the developments in information technology. The individual information as obtained by marketers is useful not for its scale but for its scope. Information about a single customer reveals the particular needs and aspirants of that very customer. Let us suppose that two companies are competing for the same customers' business with all other conditions remaining the same. The marketer with greatest scope of information about the customer is more likely to build an intimate and good
relationship with that customer. Economics of scope drive the fight for the share of customer in an environment of relationship management. Information technology bestows relationship marketing with huge scope of scope economics in the way it provides a very effective tool to organize each and every information about a customer, which can be further used to design products and or services based on the individual needs.

3.6.3 PITFALLS OF IT-ENABLED RELATIONSHIP MARKETING

In spite of the profound growth and development of IT and its increasing use in marketing, there are certain issues that hinder the IT-enabled relationship marketing process from fully prospering. These issues are:

- How to maintain privacy and security? Marketers must make sure that the information which customers pass on to them is not misused.
- How to develop authenticity in relationship marketing?
- How to fast pace the customer adoption of new IT-based relationship marketing processes?
- Gaining access to the appropriate information systems and executioners capabilities.
- How to transform IT-enabled relationship from an advantage to a necessity?
- How to enable relationship marketing in a cost-effective manner?

With the advent of Information Technology, companies are prepared to do anything and everything to keep their customers happy. But Relationship
marketing still lacks the clear insight into how to leverage the potential of 
information technology for marketing purposes. There has to be a greater 
alignment between the IT strategy and relationship marketing strategy for 
designing better processes which aid in the production of successful products 
and or services.

3.7 TECHNOLOGICAL TOOLS FOR CRM

3.7.1 DATA WAREHOUSING

Data warehousing is a collection of decision support technologies, aimed 
at helping the decision maker make faster and better decisions. "A data 
warehouse is a subject – oriented, integrated, time varying non-volatile 
collection of data that is primarily used in organizational decision 
marking." The data warehouse is the structure on which data mining 
applications reside and run. It is an important constituent of a balanced 
CRM ecosystem. It aids in critical decision support by consolidating and 
integrating crucial customer information along with other information such 
as demographics, competitor information etc., from various sections of the 
company. A well designed data warehousing can play a very important 
role in building and supporting successful CRM applications.

3.7.2 DATA MINING

Date mining also known as 'Knowledge Discovery in Databases 
(KDD) is the non-trivial process of identifying valid, novel, potentially 
useful and ultimately understandable patterns in data." Data mining tools 
and techniques operate on large databases and extract patterns that are
implied in them. Matheus et al have described, "The grand challenge of knowledge discovery in databases is to automatically process large quantities of raw data, identify the most significant and meaningful patterns, and present these as knowledge appropriate for achieving the user's goals."\textsuperscript{27}

Data mining tools and techniques operate on large databases collected by the companies and extract knowledge of two types: predictive and descriptive. Prediction involves finding out the future state of a variable using its past value & the values of other related variables. Whereas descriptive knowledge involves the data under consideration e.g. change in customer profile with either his age / income. Currently available data mining package include. Decision trees, rule induction, case-based reasoning, visualization techniques, nearest neighbor techniques etc.

3.7.3 CAMPAIGN MANAGEMENT

Campaign management solutions are software products that help a marketing manager plan, design, execute and measure the effectiveness of marketing campaigns. They help in segmenting the customer and developing targeting and positioning strategies for each segment, defining products that match the customer requirements, help in pricing and selecting distribution channels for those products and finally implement communication strategies to build brand awareness, generate interest and motivate purchase.
3.7.4 SALES FORCE AUTOMATION

Sales force automation can be defined as a number of processes designed to produce a sale of your products using less time and effort than is presently required. Information technology is a major enabler of SFA with the help of SFA tools, the routine report gets automated which provides more time to see customers. After purchasing the products customers might have difficulties in using them in such cases, the company has to provide good after sales service and support. Customer service and support (CSS) has assumed considerable importance in CRM solutions. CSS can be made more effective by CRM solutions that provide CSS capabilities. This is possible because of dissemination of relevant information to the customer and the service personnel to aid informed decision making.

3.7.5 INTERACTIVE TECHNOLOGIES

Information technology has revolutionized the way we see and do our work bringing in better ways of doing the business. The development of software, hardware and networking technologies have led to the development of new and better technologies. The development of interest as a medium of communications has made it possible for companies to interact more closely with their customers and at the same time get to know them better. One way to communicate the offerings is to have a web page in HTML format. CRM applications can be used both within the company and also by customers. Their set of requirements and content to
be delivered are significantly different. Applications that are used by customers using their own infrastructure need to be interactive, but at the same time must be built using open technologies (like Java) so that can be accessed easily. In case, the applications are used by the organizations themselves, then proprietary software can be used e.g. CGI (Common Gateway Interface) Netscape Navigator etc.

CONCLUSION: In short we can say that CRM is an enterprise wide initiative. Many firms wrongly identify CRM as a technology initiative and assign the CRM implementation project to their IT group. Technology is needed in order to implement CRM it is just an enabler.
REFERENCES


