Chapter 2

LITERATURE REVIEW

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2.1 Relationship Marketing & Customer Relationship Management - A Literature Review

The current research work is aimed at establishing the association of Relationship Marketing and Customer Relationship Management, in particular, with the Retail Commercial Automobile financing segment. A brief survey of the relevant literature helped the research to concentrate the focus on the areas relevant in this particular subject. The study of the contemporary works has, further opened up new dimensions in the field for probing further into the situation and come up with valuable insights.

2.1.1: Relationship Marketing

Over a few decades ago, before the advent of the supermarket, the mall, and the automobile, the people went to their neighborhood general store to purchase goods. The proprietor and the small staff recognized the customer by name and knew the customer's preferences and wants. The customer, in turn, remained loyal to the store and made repeated purchases.

This genial customer relationship disappeared as times changed through more and more development, the population moved from the agrarian communities to large urban areas, the consumer became mobile, and shopping malls and department stores were established to achieve economies of scale through mass marketing.

Although prices were lower and goods more uniform in quality, the relationship between the customer and the merchant became nameless and faceless. The personal relationship between merchant and customer became a thing of the past. As a result, customers became fickle, moving to the supplier who provided the desired object at lowest cost or with the most features.
The last few years, once again, saw the rise of Customer Relationship Management (abbreviated CRM) as an important business approach. It is nothing but the same “old wine in a new bottle”. Its objective is to return to the world of personal marketing like in the yesteryears. The concept itself is relatively simple. Rather than market to a mass of people or firms, market to each customer individually. And in this one-to-one approach, information about a customer (e.g., previous purchases, needs, and wants) is used to frame offers that are more likely to be accepted. This approach is made possible by advances in information technology.

Though the term ‘Customer Relationship Management’ was first introduced by Berry in 1983, several ideas of Relationship Marketing had emerged much earlier. (Panda, 2003). The first traces may be spotted in Mc Garry’s works, as early as in the 1950’s, though not widely publicized. He pointed out that the marketing activity was a conglomerate of 6 (six) functions (1950, 1951, 1953, 1958). They are:

i. Contractual Function
ii. Propaganda Function
iii. Merchandising Function
iv. Physical Distribution Function
v. Pricing Function &
vi. Termination Function.

The contractual function reflected the relational aspect wherein he emphasized on developing mutual co-operation and interdependence among marketing actors.

Mc Garry was followed by Wroe Alderson (1965), whose two prominent works in the 1960’s & 1970’s provided a platform for the relationship marketing especially in the business to business (B2B) context. He emphasized on the inter-channel and intra-channel co-operation which lead to many a success stories.
Close on the heels was Adler (1966) who pointed out that there existed closer symbiotic relationships between firms that were not linked by the traditional marketer-intermediary relationship. This definitely flung open the doors to the relationship marketing thoughts and emphasized the importance of Relationships in business.

The next milestone contribution was made by Sir John Arndt (1979), who highlighted the tendency of firms engaged in B2B marketing gradually developing and maintaining long-lasting relationships with their key customers and their major suppliers, rather than concentrating on discrete exchanges, which he termed as “DOMESTICATED MARKETS”.

Through 1980’s and 90’s these works had already set the ball rolling with many a school of thought plunging into the mainstream and making a close note of these concepts. According to Christopher et. al. (1991, pp 8-9) the world marketing scenario had undergone a sea change of focus from decade to decade. With Consumer Marketing in the 1950’s, Industrial Marketing in the 1960’s, Non-Profit and Societal Marketing in the 1970’s, Services Marketing in the 1980’s all laying the foundation, brick by brick to Relationship Marketing in the 1990’s and onwards. In the late 1980’s and 90’s, developed countries of the west especially in USA and UK numerous scholars and several schools of management were undertaking in-depth studies on relationships and networks and their impact on the organizations’ performance, especially in B2B marketing (Hakanson, 1982; Jackson, 1985; Dwyer et al., 1987; Hallen, Johnson & Syed-Mohamed, 1991; Anderson, Hakanson, & Johnson, 1994).
An extensive review of literature published thereafter reveals different inter-related forms of **Relationship Marketing** as mentioned below:

i) Relationship marketing is attracting, maintaining and in service organizations – enhancing Customer Relationships (Berry, 1983).

ii) Long-term exchanges between firms and ultimate customers as particularly recommended in the Services Marketing area (Berry, 1983).

iii) Partnerships for joint research and development as between firms, and local state and national governments (Berry, 1983).

iv) Relationship Marketing is marketing to win, build and maintain strong and lasting relationships with industrial customers (Jackson, 1985).

v) The partnering involved in relational exchanges between manufacturers and their external goods’ suppliers (Frazier et al, 1988)

vi) Relational exchange involving service providers, as between advertising or marketing research agencies and their respective clients (Frazier et al, 1988)

vii) Within firm relational exchanges involving such business units as subsidiaries, divisions or Strategic Business Units (Porter, 1987)

viii) Exchange involving the functional departments within the firm (Ruckert and Walker, 1987)

ix) Strategic Alliances between firms and their competitors, as in technology alliances. (Nueno & Oosterveld, 1988; Ohmae, 1989; Bucklin & Sengupta, 1993)
x) Exchanges between a firm and its employees as in Internal Marketing (Berry & Parasuraman, 1991).

xi) The process whereby both parties – the buyer and the provider establish an effective, efficient, enjoyable, enthusiastic and ethical relationship: one that is personally professionally and profitably rewarding to both parties (Porter, C, 1993)

xii) The understanding, explanation, and management of the ongoing collaborative business relationship between suppliers and customers (Sheth, 1994)

xiii) An emergent disciplinary framework for creating, developing and sustaining exchanges of value between the parties involved whereby exchange relationships evolve to provide continuous and stable links in the supply chain (Ballantyne, 1994)

xiv) The within-firm relational partnerships, as those involving such suppliers (goods & services), buyers (intermediate and ultimate customers), internal partnerships (other SBUs, functional departments, employees), & lateral partners: (competitors, non-profit organizations like the police etc, Govt. etc) (Morgan and Hunt, 1994).

xv) Relationship Marketing refers to the attempts to involve and integrate customers, suppliers, and other infrastructural partners into a firm’s developmental and marketing activities. (Sheth & Parvatiyar, 1995)

xvi) A close long-term relationship between various (network) participants involved in exchanging something of value (total market process). (Aijo, 1995)
xvii) Relationship marketing is marketing based on interaction with a network of relationships (Gummesson, 1996).

The most comprehensive forms of all the definitions of Relationship Marketing was definitely put forth by Gronroös (2000) and will be considered for the present study:

xviii) The purpose of Relationship Marketing is to identify and establish, maintain and enhance, and if necessary terminate relationships with stakeholders so that the objectives regarding economic and other variables of all parties are met. This is achieved through mutual exchange and fulfillment of promises. (Gronroös, 2000)

To sum it up Relationship Marketing, once referred to as a ‘fad’, has gradually emerged into a full fledged discipline, and is well recognized by professionals throughout the world in the new millennium. The concept of relationship marketing has brought about a paradigm shift in the business mindset - a shift away from the short term (profit motive) perspective to that of a long term focus (win-win) set up for the companies.

The paradigm shift from transactions to relationships is associated with the return of direct marketing both in business-to-business and business-to-consumer markets. As in the pre-industrial era (characterized by direct marketing practices of agricultural and artifact producers) once again direct marketing, albeit in a different form, is becoming popular, and consequently so is the relationship orientation of marketers. (Sheth, Parvatiyar, 2000)

**Levels of Relationship Marketing:**

It was not surprising that with the various inputs from different squares it could be identified that Relationship Marketing is a multi-level approach with Palmer in 1996
suggesting three levels: a) Tactical b) Strategic & c) Philosophical. Palmer (1996) went in to relate Relationship Marketing at the tactical level to be a sales promotion tool like loyalty schemes etc. At strategic level Relationship Marketing was referred to the concept of ‘detention than retention’ with the effective usage of legal, economic, technological, geographical and other barriers to exit. At a philosophical level RM was seen by Palmer to go to the heart of marketing philosophy, refocusing marketing strategy from Product and their life cycles towards customer life cycles.

Brodie et al (1997) suggested RM had a four level approach:

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<tr>
<th>Database Marketing</th>
<th>Technologically based tool to facilitate acquisition and management of customers</th>
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<td>Business / Customer Partnering</td>
<td>Concentration on customer retention</td>
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<tr>
<td>Customer Partnering (Company Relationships)</td>
<td>Concentration on all the business relations</td>
</tr>
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<td>Catch All Category</td>
<td>Broadest level which concentrates from tactical to strategic level.</td>
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Gummesson further went on to enumerate 30 R’s: The 30 key network relationships under four categories:

- Classic Market Relationships
- Special market relationships
- Meta relationships
- Mega Relationships covering almost all the stake holders of the firm (Gummesson, 1999).

§ 2.1.2 But why at all do firms get into relationships with other organizations or customers?

The answer was very rightly pointed out by Hunt, Arnett and Madhavaram (2006), where they said that firms enter into relational exchanges with individual customers
when, as a result of the relationships, firms are better able to develop market offerings that are customized to the tastes and preferences of the individual consumers. And firms enter into strategic alliances with other firms when the relationship between the firms results in the acquisition or development of complementary and/or idiosyncratic resources. Firms enter into relational exchanges with nonprofit organizations when the association of the firm with the nonprofit organization increases the value of the firm’s market offering to consumers.

In short, firms enter into relationships when they perceive that the relationships will contribute to the competitiveness of firms through relational resources.

§ 2.1.3 Relationship Exchanges

Interactive relationships between marketing actors are inherent as compared to the arm’s length relationships implied under the transactional orientation (Parvatiyar, Sheth and Whittington 1992). An integrative relationship assumes overlap in the plans and processes of the interacting parties and suggests close economic, emotional and structural bonds among them. It reflects interdependence rather than independence of choice among the parties; and it emphasizes cooperation rather than competition and consequent conflict among the marketing actors. Thus, 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.

When the scholars in the field talked about relationship marketing they highlighted on a few prime relationship constructs which characterize successful relational exchanges which finally contributing to the productive relations between the firm and its stakeholders. An extensive study of literature suggests that six prime exchanges take a front
seat when it comes to relational exchanges between firms and their stakeholders. They are:

1. **Trust** (Dwyer et al., 1987; Morgan Sividas and Dwyer, 2000; Smith Wilson, 1995).
3. **Cooperation** (Anderson and Narus, 1990; Morgan and Hunt, 1994).
4. **Keeping promises** (Gro
5. **Shared values** (Brashear et al., 2003; Morgan and Hunt, 1994; Yilmaz and Hunt, 2001).
6. **Communication** (Mohr and Nevin, 1990; Mohr et al., 1996).

Scholars have investigated a wide variety of relationship-relevant characteristics (Cannon and Perreault, 1999; Hewett et al., 2002). Across multiple studies, **commitment** and **trust** are consistently identified as focal constructs of relationship marketing (Anderson and Weitz, 1992; Doney and Cannon, 1997; Moorman et al., 1993; Morgan and Hunt, 1994).

More broadly, researchers have coined the term “relationship quality” to describe business relationships. Although definitions vary slightly across study contexts, relationship quality is typically assessed through some combination of **commitment**, **satisfaction** and **trust** (Crosby et al., 1990; Dorsch et al., 1998; Hewett et al., 2002).

**Trust** is one of the most widely examined and accepted relational exchange in relationship marketing (e.g. Dwyer et al., 1987; Ganesan, 1994; Mohr and Spekman, 1994). According to Wilson (1995, p. 337) “trust is a fundamental relationship model building block and as such is included in most relationship models”. In their commitment-trust theory of relationship marketing, Morgan and Hunt (1994) establish trust as a key-mediating variable that is central to relational exchanges. The inherent
belief that trust transforms a business relationship into a successful endeavour is best summarised by Sullivan and Peterson (1982): When the parties have trust in one another, then there will be ways by which the two parties can work out difficulties such as power conflict, low profitability, and so forth.

The literature on marketing channels has provided numerous definitions of trust. Most definitions involve a belief that the exchange partner will act in the best interest of the other partner. For example, Anderson and Weitz (1992) define trust as “one party’s belief that its needs will be fulfilled in the future by actions taken by the other party.” According to Moorman et al. (1993, p. 82), trust is “a willingness to rely on an exchange partner in whom it has confidence.”

Finally, Morgan and Hunt (1994, p. 23) conceptualise trust as existing “when one party has confidence in an exchange partner’s reliability and integrity.” In an industrial buying context, Doney and Cannon (1997) define trust as the perceived credibility and benevolence of a target of trust. The first dimension of trust focuses on the objective credibility of an exchange partner, an expectancy that the partner’s word or written statement can be relied on (Lindskold, 1978). The second dimension of trust, benevolence, represents the extent to which one partner is genuinely interested in the other partner’s welfare and motivated to seek joint gains. This definition of trust is relevant in an industrial buying context. In a business-to-business relationship, the customer will attempt to reduce its perceived risk by selecting a supplier seen as capable of performing reliably (credibility) and demonstrate its interest in the buyer’s well being (benevolence).

However, in their research on the nature of trust in buyer-seller relationships, Doney and Cannon (1997) found that, contrary to their predictions, trust was not related to supplier
choice. As a potential explanation, the authors suggested that professional buyers focus on the superiority of the supplier’s offering, rather than on subjective assessments of trust, and called for further research in this area.

Commitment

In addition to trust, Morgan and Hunt (1994) identified commitment as another key-mediating variable of relationship marketing. The importance of the commitment construct has been widely acknowledged in the relationship marketing literature. For example, in a service marketing context, Berry and Parasuraman (1991, p. 139) state that “relationships are built on the foundation of mutual commitment.” Commitment has been defined “as an enduring desire to maintain a valued relationship” (Moorman et al., 1993, p. 316). It is based on the belief that a relationship is worth the effort to be maintained. Committed relationship partners are unlikely to switch even if a competing supplier outperforms the incumbent’s value offer. Consequently, a high level of commitment helps to stabilise the relationship. Morgan and Hunt (1994, p. 23) summarise their literature review on the commitment construct as follows:

A common theme emerges from the various literatures on relationships: parties identify commitment among exchange partners as key to achieving valuable outcomes for themselves, and they thrive to develop and maintain this precious attribute in their relationships.

Satisfaction

Internal & External customer satisfaction is widely accepted among researchers as a strong predictor for behavioural variables such as repurchase intentions, word-of-mouth, or loyalty (Ravald and Gronroos, 1996; Liljander and Strandvik, 1995). Satisfaction research is mainly influenced by the disconfirmation paradigm (Parasuraman et al.,
This paradigm states that the customer's feeling of satisfaction is a result of a comparison process between perceived performance and one or more comparison standards, such as expectations. The customer is satisfied when he/she feels that the product's performance is equal to what was expected (confirming). If the product's performance exceeds expectations, the customer is very satisfied (positively disconfirming), if it remains below expectations, the customer will be dissatisfied (negatively disconfirming). Though most scholars agree on the disconfirmation paradigm, the nature of satisfaction remains ambiguous. On the one hand, satisfaction clearly arises from a cognitive process comparing perceived performance against some comparison standards. On the other hand, the feeling of satisfaction essentially represents an affective state of mind. Consequently some satisfaction scales tap the cognitive dimension of satisfaction, while others capture its affective nature.

The extent to which a satisfaction scale focuses on the cognitive or the affective dimension, however, should have an impact in terms of both the antecedents that affect satisfaction and the consequences fostered by satisfaction. A clear decision on the fundamental nature of the satisfaction construct is needed. In accordance with the majority of research being done on the satisfaction construct, we opt for the latter view and define a purchaser's satisfaction with a supplier as an affective state of mind resulting from the appraisal of all relevant aspects of the business relationship (Geyskens et al., 1999, p. 223).

Furthermore, satisfaction, which is widely accepted among researchers as a strong predictor for behavioural outcomes such as repeat purchase intentions, word-of-mouth, or loyalty (Liljander and Strandvik, 1995; Ravald and Gronroos, 1996), Scholars have repeatedly witnessed conflicting survey results of high satisfaction scores correlating with
declining market shares (Gale, 1994; Jones and Sasser, 1995) and some researchers have called for a replacement of the satisfaction construct by the value construct as a better predictor of outcome variables in business-to-business studies (Gross, 1997).

Value has been conceptualised under different assumptions (Judy, 2006). Some authors research value from a network perspective (e.g. Walter et al., 2003). Others focus on its dyadic function (e.g. Blois, 2002). While the literature contains a variety of definitions stressing different aspects of the value concept, four recurring characteristics can be identified:

(1) Value is a subjective concept.
(2) It is conceptualised as a trade-off between benefits and sacrifices.
(3) Benefits and sacrifices can be multi-faceted.
(4) Value perceptions are relative to competition.

Value is a subjectively perceived construct (Kortge and Okonkwo, 1993). Different customer segments perceive different values within the same product (Zolkiewski, 2006). In addition, the various members in the customer organisation involved in the purchasing process can have different perceptions of a supplier’s value delivery (Perkins, 1993). This is of particular importance in business markets where the buying centre consists of several persons sharing different roles and responsibilities (Robinson et al., 1967; Webster and Wind, 1972).

Most definitions present customer-perceived value as a trade-off between benefits and sacrifices perceived by the customer in a supplier’s offering (Zeithaml, 1988; Monroe, 1990). Among other conceptualisations, benefits are conceived as a combination of economic, technical, service, and social benefits (Anderson et al., 1993) or economic,
strategic, and behavioural benefits (Wilson and Jantrania, 1995). Sacrifices are sometimes described in monetary terms (Anderson et al., 1993). Other definitions describe sacrifices more broadly as a combination of price and relationship related costs (Gronroos, 1997).

Finally, value is relative to competition. The value of a market offering is always assessed in relation to a competing offer. This resembles the notion of the comparison level that is fundamental to social exchange theory (Thibault and Kelley, 1959). On a high level of abstraction, customer-perceived value is defined as the trade-off between the benefits ("what you get") and the sacrifices ("what you give") in a market exchange (Zeithaml, 1988, p. 14).

In all such Relationship Marketing approaches we find that the Customers, both internal and external, take the centre-stage of all relationships in the business and all other relationships are aimed at such fruitful customer centric relations.

Relationship marketing thus, attempts to involve and integrate customers, suppliers and other infrastructural partners into a firm's developmental and marketing activities (McKenna 1991; Shani and Chalasani 1991). Wilson (1995) summarized different relationship variables that affects the relationship of firm with different stakeholders, those variables are Commitment, Trust, Cooperation, Mutual Goals, Interdependence and Power, Performance Satisfaction, Structural Bonds, Comparison Level of Alternatives, Adaptation, Non-retrievable Investments, Shared Technology, and Social Bonds. Morgan and Hunt (1994), while discussing relationship variables focused more on commitment and trust as a major variable affecting relationship between different parties involved in marketing transaction & exchange.
The Nordic School emphasized on marketing as a cross functional process. For maintaining relationships marketing function should be carried out by all employees and departments, it is no more concentrated in marketing department as a specialist function (Gronroos, 1989). In B2B marketing, relationships are built over time with increasing experience, reduction of uncertainty, greater commitment in each others (Ford, 1980). Anglo Australian school of thought believes in quality and service of marketing with focus on delivering customer value. Customer judges the value of the product or service from benefits perceived from it compared with its cost of ownership. The better the value delivered by the firm, better is the customer relationship (Christopher, 1996). Whatever school you follow it is the customer retention which is the base of relationship marketing (Rosenberg & Cazepiel, 1984).

In this work the researcher intends to find out which are the most important relational exchanges that affect the customer relations and retention in a typical B2B marketing scene of retail loans of commercial automobiles and how are these issues presently addressed by the Financial Institutions.

§2.1.3 Customer Relationship Management

CRM is an abbreviation for Customer Relationship Management and is a narrower concept of Relationship marketing as it is evident from the above forms and it concentrates exclusively on the specific relation of the customer-and the provider, whereas Relationship Marketing actually encompasses the relationships among all the stakeholders of the company.

The world today has become a global village following the liberalization and deregularization policies of the nations. The boundaries seem to have faded away further
with the boom in the Information technology. The business scenario thus is an arena of open warfare between the small domestic players and the global multinational giants.

Payne (2006) in his much acclaimed work had correctly pointed out that “The market place of the 21st century bears little resemblance to bygone eras, which were, characterized by relatively stable customer bases and solid market niches. Nowadays, customers represent a moving target and even the most established market leaders can be ousted from their dominant positions in no time”.

According to Panda (2003) CRM is being enlarged to include an integrated perspective on marketing, sales, customer service, channel management, logistics, and technology for customer satisfaction in the recent years.

CRM does not belong just to sales and marketing. It is not the sole responsibility of the customer service. Nor is it the brain child of the information technology team. While any one of these areas may be the internal champion for CRM in the organization, in point of fact, CRM must be a way of doing business that touches all areas. When CRM is delegated to one area of an organization, such as IT, customer relationships generally suffer. Likewise, when an area is left out of CRM planning, the organization puts at risk the very customer relationships it seeks to maintain (Anderson, Kristin, 2001).

Ravishankar (2004) in his works had once mentioned that Peter Drucker believed marketing to be more than just a department. Marketing in the modern days evolved to be an attitude to see things from the customer’s point of view. Hence, everyone in the organization should be concerned about the customers’ needs and their satisfaction to ensure successful marketing.
CRM is the new-fangled sprouting issue in relationship marketing with focus on cooperative and collaborative relationship between a company and its customers. "Customer Relationship Management is a comprehensive strategy and process of acquiring, retaining and partnering with selective customers to create superior value for the company and the customer. It involves integration of marketing, sales, customer service and supply chain functions of the organization to achieve greater efficiencies and effectiveness in delivering customer value" (Sheth & Parvatiyar, 2001). CRM represents the marriage between the customer orientation and the emerging information technology to produce a memorable relationship experience to the marketers as well as to the customers (Agrawal, 2003). CRM can be considered as a tool for delivering marketing dream to enjoy long term relationship with customers, especially with the profitable ones (Pearson, 1995). Finally it can be said that CRM is not the end, it's a means to ensure long term success of marketing effort.

Reichheld and Sasser (1990) in a study on customer retention and corporate profitability had cited the role of customers is essential for corporate performance, so that when relationships with customers endure, profits rise.

Seth & Parvathiayar (1995) and Reichheld (1993) had concluded cost effectiveness of customer loyalty and hence profitability of retaining customers over acquiring new ones. It was in fact Seth & Parvathiayar (1995) who pointed out in their much acclaimed research work that acquiring a new customer is almost 8 times more costly than retaining and servicing an old one.

According to Gerson, Richard (1998) : Customer service is the critical factor for success in business and the greatest profits result from customer retention, loyalty and repurchases rather than new customer acquisitions.
Furthermore it was brought to light by Mc Kenna (1991) that the "new paradigm" is going to affect businesses in two ways: firstly customer retention entails an improvement of corporate performance by means of repeated purchases and references; and secondly, enhanced organizational performances enable the company to invest more resources on motivating and improving the relationship with employees, and this will in turn affect again the Customer Retention.

CRM with its roots in Relationship Marketing, was stated as "an over attempt of exchange partners to build a long-term association, characterized by purposeful cooperation and mutual dependence on the development of social as well as structural bonds" (Pulde, 1999). Light (2003) stated that CRM evolved from business processes such as relationship marketing and the increased emphasis on improved customer retention through the effective management of Customer relationships.

§2.1.4.1 Evolution of Customer Relationship Management

When producers and consumers directly deal with each other, there is a greater potential for emotional bonding that transcends economic exchange. They can understand and appreciate each others' needs and constraints better, are more inclined to cooperate with one another, and thus, become more relationship oriented. This is in contrast to the exchange orientation of the middlemen (sellers and buyers). To the middlemen, especially the wholesalers, the economics of transactions are more important, and therefore, they are less emotionally attached to products. Indeed, many middlemen do not physically see, feel, touch products but simply act as agents and take title to the goods for financing and risk sharing.
The separation of the producers from the users was a natural outgrowth of the industrial era. On the one hand, mass production forced producers to sell through middlemen, and on the other, industrial organizations, due to specialization of corporate functions, created specialist purchasing departments and buyer professionals, thus separating the users from the producers. However, today's technological advancements that permit producers to interact directly with large numbers of users and because of a variety of organizational development processes, such as empowerment and total quality programs, direct interface between producers and users has returned in both consumer and industrial markets, leading to a greater relational orientation among marketers.

Academic researchers throughout the world are reflecting these trends in marketing practice, and searching for a new paradigm of the discipline that can better describe and explain it. As with each new shift in the focus of marketing, there are advocates and critics of the relationship focus in marketing.

§2.1.4.2 Shifts in Marketing's Orientation through the Decades

As is widely known, the discipline of marketing grew out of economics, and the growth was motivated by lack of interest among the economists in the details of market behavior, especially those related to the functions of the middlemen (Bartels 1976; Houston, Gassenheimer and Maskulka 1992; Hunt and Goolsby 1988). It coincided with the growth in the number of middlemen and the importance of distribution during the industrial era. The first courses offered on the subject area of marketing at University of Michigan in 1902 and at The Ohio State University in 1906, therefore, focused on the inter-relationships among marketing institutions and among various divisions of the firm in performing the distributive task (Bartels 1976, pp. 22-23).
Unlike mainstream economists of the late nineteenth century, who were preoccupied with public policy and economic effects of market institutions, early marketing thinkers had operational interests (Bartels 1976). Most of this centered around efficiency of marketing channels and the services performed by them in transporting and transforming the goods from the producers to the consumers (Shaw 1912; Weld 1916, 1917). The process of marketing was thought to generate additional forms of utility including time, place and possession utilities to the consumer (Macklin 1924).

Thus, marketing as a discipline got organized around the institutional school of thought, and its main concerns centered around the functions performed by wholesalers and retailers as marketing institutions (Sheth, Gardener and Garrett 1988). The founders of the institutional marketing justified the need for independent middlemen role on the grounds of specialization and division of labor, although both producers and consumers believed that the middlemen received higher margins than what they deserved. Thus, middlemen were perceived as adding no value and creating economic inefficiencies by having location monopolies.

Authors of that period belonging to the institutional school of marketing thought, such as Butler (1923), Breyer (1934), Converse and Huegy (1940), and Alderson (1954) also supported the value and functions of middlemen in achieving marketing efficiency. They utilized economic theories to design effective and efficient institutional frameworks. Because of their grounding in economic theory, institutional marketing thinkers viewed the phenomena of value determination as fundamentally linked to exchange (Duddy and Revzan 1947). Alderson (1954) elaborated on this institutional thinking by placing the intermediaries at the center of exchange and marketing.
Although the institutional thought of marketing was later modified by the organizational dynamics viewpoint, and marketing thinking was influenced by other social sciences, such as psychology, sociology and anthropology, exchange remained and still remains the central tenet of marketing (Alderson 1965; Bagozzi 1974, 1978, 1979; Houston 1994; Kotler 1972). Formal marketing theory developed around the idea of exchange and exchange relationships, placing considerable emphasis on outcomes, experiences and actions related to transactions (Bagozzi 1979).

In the late 80’s and early 90’s several scholars had begun to question the exchange paradigm, and its ability to explain the growing phenomena of relational engagement of firms (e.g. Grönroos 1990; Sheth, Gardener and Garrett 1988, Webster 1992). In the recent past, researchers have tried to develop frameworks for relational engagement of buyers and sellers, often contrasting it with the exchange mode inherent in transactions (Arndt 1979; Ganesan 1994; Lyons, Krachenberg, and Henke 1990). Business practice exhorts customer and supplier firms to seek close, collaborative relationships with each other (Copulsky and Wolf 1990; Goldberg 1988; Katz 1988). This change in focus from value exchanges to value-creation relationships have led companies to develop a more integrative approach in marketing, one in which other firms are not always competitors and rivals but, are considered partners in providing value to the consumer. This has resulted in the growth of many partnering relationships such as business alliances and cooperative marketing ventures (Anderson and Narus 1990; Johnston and Lawrence 1988). Close, cooperative and interdependent relationships are seen to be of greater value than purely transactions based relationship (Kalwani and Narayandas 1995).

However, the relationship orientation of marketing is not an entirely a new phenomena. If we look back to the practice of marketing before the 1900s, we find that relationship
orientation to marketing was quite prevalent. Although history of marketing thought dates back to only the early 1900s (Bartels 1962), marketing practices existed in history, even to pre-history (Nevett and Nevett 1987; Pryor 1977; Walle 1987). During the agricultural era, the concept of domesticated markets and relationship orientation were equally prevalent. In short, current popularity of relationship marketing is a reincarnation of the marketing practices of the pre-industrial era in which producers and consumers interacted directly with each other and developed emotional and structural bonds in their economic market behaviors.

§2.1.4.4 Orientation Of Marketing Practice In The Pre-Industrial Era

Pre-industrial society was largely based on agricultural economy and the trade of art and artifacts. During the agricultural days, most farmers sold their produce directly in the bazaars. Similarly, artisans sold their arts and artifacts at these markets. Consumers and producers gathered together face-to-face for trading products. The role of the producer was not separated from that of the trader and the producer functioned as both 'manufacturer' and 'retailer' of its own products. Also, producers and consumers developed strong relationships that led to the production of customized products made by the artisans for each customer. Similarly, relational bonding between traders was also quite prevalent, partly because of the need to do business with others you could trust.

Thus, ongoing trade relationships were a critical element of business practices in the pre-industrial era where ownership was linked with the management of business. Most traders of Africa traded only with selected clans on a regular basis. So important was the element of trust in these clan-trade relationships that outsiders could rarely enter into the system (Mwamula- Lubandi 1992). The evidence of such clan based trading exists even today within the clan-oriented network of traders in diamonds and other precious metals.
For example, the Palanpuri clan (from Gujrat, India) have dominated the trade of diamonds all over the world along with the Orthodox Jews (Rothermund 1988). Economic and anthropological studies indicate that the Jews were not really outcasts left to perform trading activities; rather, they chose to control trade amongst themselves as they could trust no others (Sombart 1951).

Such clan-oriented trading developed a network of partnerships as their trading activities extended internationally, with the network partners often coming from the same or related clan with whom ongoing business could be conducted. Similar evidence of the ongoing business relationships can be found in the economic history of the old ‘silk route’ that flourished during pre-colonial times between China, India and Afghanistan. Economic history books narrate the vigorous efforts of Chinese silk producers toward market development and promotion of ongoing trade activity along the ‘silk trade route’ (Feltwell 1991; Li 1981). Relationships between customers and suppliers of silk were vital because Indian weavers and silk craftsmen heavily depended on the supply of Chinese silk to produce garments and artifacts required by local kings and nobles. Such relationships once again reflect interdependencies of these marketing actors. In order to facilitate future trade, some traders cooperated with weavers and designers in India, providing them with contemporary designs from China. The influence of Chinese designs in the earlier arts of India bears clear evidence of the cultural exchange in the interest of promoting future trade of the Chinese silk.

Retaining customers, influencing repeat purchases, fostering trust and facilitating future marketing were also concerns of marketers in the pre-industrial era. The development of ‘branding’ as a marketing practice could be cited as the best evidence of this concern. Although the history of branding can be traced back for many centuries, the term was
derived from the marking of livestock (Carratu 1987). Owners of livestock started branding their cattle in order to distinguish theirs from other cattle when they brought them to the market for sale. As this system evolved, family names were used as brands, not only to identify the product, but also to give the consumer the satisfaction of knowing the products depicting the name carried a certain “warranty” of quality because the producers were willing to ascribe their family name to the product (Room 1987). It became a method of providing quality assurance to the buyer, a system to promote repeat purchase, and a method to facilitate future marketing (Crone 1989).

Even the development of open-air markets or bazaars in the pre-industrial period was aimed at facilitating on-going business and trading. Not only did such marketing venues provide a common arena for buyers and sellers to meet, they also aimed at minimizing nomadic trade whereby traders could swindle their customers and escape any form of retribution. Urban trade privileges and guild regulations (De Vries 1976) in Europe restricted the 'hit and run' sellers from becoming a part of the market system. Those who participated in the market knew and trusted each other (Mackenney 1987), once again providing continuity and security for the repeat purchaser. Producers established permanent retail shops at the marketplace where they could make and sell these goods on a daily basis (Cundiff 1988). As a consequence, consumers and producers had direct relationship with each other.

It can be said that relationship orientation in marketing was evident during the pre-industrial era. Direct interaction between the producers and consumers necessitated cooperation, reliance, and trust among marketing actors. Evidence suggests that these relationships sometimes continued for generations as producers and consumers trusted each other’s family and clans (Kingson, Hirshorn and Cornman 1986).
The relationship orientation in marketing and trade continued into the early years of the Industrial Revolution and the emergence of capitalism. Fullerton (1988) describes some of the efforts adopted by marketers during this period to build and maintain relationships with buyers. Market development efforts were complemented by close cooperation between business and government which helped develop markets among the nobility, the high clergy, and the growing urban bourgeoisie (Fullerton 1988). Merchants of this period established fixed-location retail shops in cities throughout Europe. This represented their desire to build and retain customers. Fixed location retail outlets meant local buyers could come back time and again allowing the producer and the consumer to establish long-term relationships for repeat purchases over the long-term. It also meant direct accountability of each other’s actions.

Marketing practices during early industrialization were also highly individualized, relationship oriented and customized. Many products were manufactured on a custom basis for rich individuals or industrial customers. The design and tailoring of clothes, the creation of jewelry, watches, home furnishings and other consumer products were customized. Marketers rarely had to consider inventories of finished products, and publishers sold textbooks for which a demand already existed (Febvre and Martin 1976). Such production, based primarily on customer request and demand, did not require marketing activities such as advertising or price competition. Relationships between customers and suppliers were critical, since the customer depended on the manufacturer or trader to make goods available to him or her as per specifications and expectations. Consumers making a commitment to buy based on the trustworthiness and commitment of the marketers was critical. Reciprocally, the producer relied on the credit worthiness of the consumer and took the risk of making custom products. Branding became even more
popular during this period, as producers and merchants began to attach their own family
names to the products they offered, in great symbolic gestures, assuring their personal
commitment to a product's quality. This practice of branding based on family names
continued in the early years of the industrial era in Europe (Philips, Fiat, Daimler-Benz),
North America (Eli Lily, Ford, Johnson & Johnson, Kellogg's, Procter & Gamble) and
also in Japan (Toyota, Honda, Matsushita).

§2.1.4 Orientation Of Marketing Practice In The Industrial Era

It was with the advent of mass production and mass consumption that marketers began to
adopt a more transactional approach. Emergence of mass production and mass
consumption resulted in key consequences. First, people moved away from small
subsistence farms to jobs in industrial towns, and needed retailers to supply assortment of
basic conveniences of food, shelter and clothing (Cundiff 1988). Secondly, manufacturers
were motivated to produce in mass quantities given the associated economies of scale. On
the one hand, economies of scale helped these manufacturers to lower the cost of goods,
and hence prices of the products they sold, and on the other hand, it increased the need to
find markets for their products. Unable to sell the entire stock of produced goods,
producers were confronted with an increased inventory of finished products. These
market conditions gave rise to aggressive selling and the development of marketing
institutions that were willing to bear the risks and costs of inventory ownership and
storage. Wholesalers, distributors and other marketing intermediaries assumed the role of
middlemen who, on the one hand, stored the excess production of manufacturers, and, on
the other hand, helped in locating and persuading more buyers to purchase goods and
services. So crucial became this function that early marketing thought was developed on
the concept of distribution and the creation of time and place utilities.
Early marketing thinkers, such as E.D. James, Simon Lifman, and James Hagerty, concentrated on these distributive elements of marketing (Bartels 1965). This period also gave rise to modern marketing practices, such as sales, advertising and promotion, for the purpose of creating new demand to absorb the oversupply of goods that were being produced. Scholars, such as Ralph Butler, were among the first to articulate this promotional concept of marketing (Bartels 1965).

Thus emerged the transactions orientation of marketing whereby marketers became more concerned with sales and promotion of goods and less with building ongoing relationships. This shift was further accentuated during the Great Depression of 1929, when the oversupply of goods in the system heightened the pressure on marketers to find and persuade customers to buy their products. Thus the transaction orientation has been a major influence in marketing thought and academic research throughout the industrial era.

During the height of the industrial period, marketing practices were aimed at promoting mass consumption. Developed out of the need to support the mass production machinery, the emphasis was directed at increasing the sale of products. Both personal and impersonal manifestations of the selling 'force' were found increasingly in business, supported by other activities, such as advertising and promotion. Marketing was considered successful only when it resulted in a sale. Measures of marketing performance were linked, as is still the practice today in many companies, to sales and market share. Some marketers resorted to extreme practices of persuasive selling including deceptive advertising and false claims.

As competition intensified with excess capacity, sales transactions further increased. Many engaged in aggressive selling and competitive warfare. Short-term orientations
dominated marketing practices; the desire to maximize profit in the short run was accentuated as the uncertainties of the future market appeared perilous, given the rise in competition and its consequent effect on industry mortality. Some marketers relented and looked for innovative ways to protect their markets. Aided by the managerial school of marketing thought, two important developments occurred in the later period of the industrial era.

The first development was the marketer's realization that repeat purchase by customers was critical, making it necessary to foster brand loyalty. Several marketing scholars also became interested in repeat purchase and brand loyalty behavior as early as World War II (Churchill 1942; Womer 1944; Barton 1946; Patterson and McAnally 1947). This research was further advanced in the buyer behavior theory of Howard and Sheth (1969), wherein they closely examined repeat purchase behavior and brand loyalty. In order to achieve a brand image, brand differentiation and effective advertising, certain marketing techniques emerged. The development of market segmentation and targeting became important tools for marketing planning. In the face of competition, marketers realized the benefits of focusing on specific groups of customers for whom they could tailor their marketing programs and successfully differentiate themselves from their competitors (Peterson 1962). Brand marketing that grew during this period supported the philosophy that the retailer was not the salesman for the manufacturer but rather the buyer for the consumer. Some marketers read this change and shifted focus from discrete, one time sales to ongoing, repeat-purchase possibilities.

The second significant change was the development of administered vertical marketing systems (McCammon 1965), whereby marketers not only gained control over channels of distribution, but also developed effective means of blocking competitors from entering
into these channels. Vertical marketing systems such as franchising and exclusive distribution rights permitted marketers to extend their representation beyond their own corporate limits to reach final customers (Little 1970). In many ways, the development of the vertical channels was a reversal of the practice of separating producers from the consumers.

These developments represented the reemergence of direct marketing and in maintaining a long-term relationship with consumers. Yet, the orientation of the industrial era was largely transactional, as can be gauged by standard measures used to evaluate marketing performance: market shares, sales revenues, and profitability per brand, territory and segments. Such measures reflect the concern for competition and its consequent effects on profits.

In industrial marketing, the transactional approach was further compounded by the practices of competitive bidding. On one hand, users of industrial products were separated from the purchasing function, given specialist procurement departments in most industrial and business organizations. On the other, competitive bidding processes forced industrial marketers to prepare bid documents for each transaction. Every transaction became important and it was necessary for them to outsmart other competitors in such bids so that they can win the customer order. Although 'reciprocity' was practiced to facilitate future sales, emphasis remained on discrete transactions.

However, not all firms were happy concentrating on discrete transactions. Several industrial buyers and sellers began to develop longer-term contracts for supplies and service, creating on-going interactive relationships between themselves (Hakansson 1982). Some of them engaged in long-term partnerships and formed alliances with other companies. For example, a partnering type of relationship between Whirlpool and Sears
and McDonalds and Coca-Cola has existed for more than fifty years. Similarly, Mitsubishi Electric and Westinghouse Electric are engaged in an alliance-type relationship for over 60 years, as are Philips and Matsushita (Business International Corporation 1987).

§2.1.4.6 Orientation Of Marketing Practice In The Post-Industrial Era

Post-industrial era has seen substantial development toward relationship marketing, both in practice and in managerial thinking. Marketers started realizing the need to supplement a transaction-orientation with an orientation which showed more concern for customers. It began with the advent of complex products, which gave rise to the systems selling approach. This approach emphasized the integration of parts, supplies and the sale of services with the individual capital equipment. Customers liked the idea of systems integration and sellers were able to sell augmented products and services to customers. The popularity of system integration began to extend to consumer packaged goods, as well as services (Shapiro and Posner 1979).

At the same time, some companies started to insist upon new purchasing approaches such as national contracts and master purchasing agreements, forcing major vendors to develop key account management programs (Shapiro and Wyman 1981; Shapiro and Moriarty 1980). These measures forced intimacy and permanence in the buyer-seller relationships. Instead of purchasing a product or service, customers were more interested in buying a relationship with a vendor. The key (or national) account management program designates account managers and account teams that assess the customer's needs and then husband the selling company's resources for the customer's benefit. Still considered a boundary spanning sales activity, key account programs reflect higher commitment of selling organizations toward their major customers. Such programs,
concurrently, led to the foundation of strategic partnering relationships that have emerged under relationship marketing (Anderson and Narus 1991; Shapiro 1988).

The growth of relationship orientation of marketing in post-industrial era is the rebirth of direct marketing between producers and consumers (Sheth & Parvathiyar, 1994). Several environmental and organizational development factors are responsible for this rebirth of direct relationships between producers and consumers. At least five macro-environmental forces can be identified:

(i) rapid technological advancements, especially in information technology;
(ii) the adoption of total quality programs by companies;
(iii) the growth of the service economy;
(iv) organizational development processes leading to empowerment of individuals and teams; and
(v) increase in competitive intensity leading to concern for customer retention.

These forces are reducing the reliance of producers, as well as consumers, on middlemen for effecting the consummation and facilitation processes.

The impact of technological revolution is changing the nature and activities of the marketing institutions. The current development and introduction of sophisticated electronic and computerized communication systems into our society is making it easier for consumers to interact directly with the producers. Producers are also becoming more knowledgeable about their consumers by maintaining and accessing sophisticated databases that capture information related to each interaction with individual consumers, at a very low cost. It gives them the means by which they can practice individual marketing. As a result, the functions formerly performed by the middlemen are now
being undertaken by either the consumer or the producers. Producers are building such systems that allow them to undertake quick responses with regard to manufacturing, delivery and customer service, eliminating the need for inventory management, financing and order processing through middlemen. Also, consumers have less time and thus a reduced inclination to go to the store for every purchase. They are willing to undertake some of the responsibilities of direct ordering, personal merchandising, and product use related services with little help from the producers.

Hence, given the recent technological strides and consumer attitudes, some functions performed by middlemen may be entirely eliminated. For instance, the “just in time” inventory system, made possible by the real time transportation and communication systems now available, allows a producer to eliminate the need for an intermediate inventory holding institutions between itself and the consumers or suppliers (Sheth, Gardener and Garrett 1988). Other technological systems, such as flexible manufacturing are being used by some to mass-customize their offerings to individual consumers. Rapid technological developments have also increased the cost of research and development. The window of time in which it is possible to recover R&D costs has also shortened. This has forced companies to work together in joint research projects and joint product-development programs. Similarly, the rapid convergence of technologies, such as communication and computers or electronics and home appliances, mandates that companies in such industries work on joint projects to leverage their combined resources and to share risks. Thus, inter firm partnering and alliances is becoming popular.

Another major force driving the adoption of relationship marketing is the total quality movement that recently revolutionized industry's perspectives regarding quality and cost. Most companies saw the value of offering quality products and services to customers at
the lowest possible prices. When companies embraced Total Quality Management (TQM) to improve quality and reduce costs, it became necessary to involve suppliers and customers in implementing the program at all levels of the value chain. This needed close working relationships with customers, suppliers and other members of the marketing infrastructure. Thus, several companies, such as Motorola, IBM, Xerox, Ford, AT&T, Toyota, etc., formed partnering relationships with suppliers and customers in order to practice TQM. Other programs such as Just-in Time (JIT) supply and Material-Resource Planning (MRP) also made use of the interdependent relationships between suppliers and customers (Frazier, Spekman, and O'Neal 1988).

The third force ushering in relationship marketing is the growth of the service economy, especially in the advanced countries. As more and more organizations depend upon revenues from the services sector, relationship marketing becomes prevalent. Service is more difficult to initiate than a product because it requires even the customer's input and involvement [Payne (1994)]. And services are typically produced and delivered by the same institution. Service providers are usually involved in the production and delivery of their services. For instance, in the case of personal and professional services, such as haircut, maid services, consulting services, accounting services, and legal services, the individual producer of the service is also the service provider. Effective delivery of services require the involvement of the service provider in much the same way as the users of these services are directly engaged in obtaining and using the service thus, minimizing the role of the middlemen, if any. In such a situation, a greater emotional bond between the service provider and service user develops and the need for maintaining and enhancing the relationship. It is therefore evident that relationship
marketing is important for scholars and practitioners of services marketing (Berry 1983; Crosby and Stephens 1987; Crosby, Evans and Cowles 1990).

Certain organizational changes have facilitated the growth of relationship marketing. Amongst these the most significant is the role definition of the members of the organization. Through a variety of changes in organizational processes, companies are now directly involving users of products and services in the purchase and acquisition decisions of the company. For a considerable time, these functions were managed by the procurement department as a specialized function, with little or no input from the actual users of these products and services. Thus the separation that existed between the producer and the user due to the existence of user middlemen, acting as gatekeepers, is potentially bridged in many cases. Wherever such changes are being made, direct interaction and cooperative relationship between producers and users develop.

Finally, in the post-industrialization period the increase in competitive intensity is forcing marketers to be concerned with customer retention. As several studies have indicated, retaining customers is less expensive and perhaps a more sustainable competitive advantage than acquiring new customers. Marketers are realizing that it costs less to retain customers than to compete for new ones (Rosenberg & Czepiel 1984).

Treacy and Wiersema, in their widely accepted *Discipline of Market Leaders*, (1995) point out that leading business have one of the three primary competitive advantages which are identified and leveraged.

1. Operational excellence
2. Product leadership
3. Customer intimacy
While all the firms need a minimum capacity for all three abilities, there is one of these three that should be the discipline in a successful business. Customer Intimacy or Customer Relationship Management has become the buzzword of the era among the academicians and practitioners.

On the supply side it pays more to develop closer relationships with a few suppliers than to develop more vendors (Hayes, Wheelwright and Clark 1988; Spekman 1988). In addition, several marketers are also concerned with keeping customers for life, rather than merely making a one-time sale (Cannie and Caplin 1991).

In summary, relationship-orientation in marketing has staged a comeback. It was only during the peak of industrialization that marketing's orientation shifted toward a transactional approach. With the advent of middlemen, and the separation of producers and users, there was a greater transactions orientation. Industrialization led to a reversal in the relationship between supply and demand, when due to mass production efforts producers created excess supply of goods and services and were themselves preoccupied with achieving production efficiencies. Thus, they needed middlemen to service the customer. The middlemen in turn, adopted a transactional approach as they were more interested in the economic benefits of exchange than the value of production and/or consumption. Although efficiencies in product distribution were achieved through middlemen, effectiveness was not always accomplished as was evident from the literature on channel conflict. Now with one-to-one connect between the producer and user, relationship orientation in marketing has returned with a new name Customer Relationship Management.
§2.1.5 *CRM as a present day concept*

Payne (1994) viewed CRM to be a strategic approach concerned with creating improved stakeholder value through the development of appropriate relationships with key customers and customer segments.

[Roberts-Witt, 2000] propounded that CRM consists of three components:

- Customer,
- Relationship, and
- Management (Figure 1).

CRM tries to achieve a ‘single integrated view of customers’ and a ‘customer centric approach’
Customer: The customer is the only source of the company’s present profit and future growth. However, a good customer, who provides more profit with less resource, is always scarce because customers are knowledgeable and the competition is fierce. Sometimes it is difficult to distinguish who is the real customer because the buying decision is frequently a collaborative activity among participants of the decision-making process [Wyner, 1999]. Information technologies can provide the abilities to distinguish and manage customers. CRM can be thought of as a marketing approach that is based on customer information [Wyner, 1999].

Relationship: The relationship between a company and its customers involves continuous bi-directional communication and interaction. The relationship can be short-term or long-term, continuous or discrete, and repeating or one-time. Relationship can be attitudinal or behavioral. Even though customers have a positive attitude towards the company and its products, their buying behavior is highly situational [Wyner, 1999]. For example, the buying pattern for airline tickets depends on whether a person buys the ticket for their family vacation or a business trip. CRM involves managing this relationship so it is profitable and mutually beneficial creating a Customer lifetime value (CLV).

Management. CRM is not an activity only within a marketing department. Rather it involves continuous corporate change in culture and processes. The customer information
collected is transformed into corporate knowledge that leads to activities that take advantage of the information and of market opportunities. CRM required a comprehensive change in the organization and its people.

An extensive research of literature reveals different approaches to the definition of CRM in the modern days:

i) CRM is a management approach that enables organizations to identify, attract and increase retention of profitable customers by managing relationships with them (Payne, 1994)

ii) CRM is a business strategy - an attitude towards employees and customers that is supported by certain processes and systems. The goal is to build long-term relationships by understanding individual needs and preferences and in the way adding value to the enterprise and customers (Price Waterhouse Coopers, 1999)

iii) CRM is about the development and maintenance of long term mutually beneficial relationships with strategically significant customers (Buttle, 2000)

iv) CRM is a business strategy that goes beyond increasing transaction volume. Its objectives are to increase profitability, revenue, and customer satisfaction. To achieve CRM, a company wide set of tools, technologies, and procedures promote the relationship with the customer to increase sales. [Sweeney Group, 8 2000]

v) CRM is a business strategy combined with technology to effectively manage the complete customer life cycle (Smith, 2001)
vi) A comprehensive strategy and process of acquiring, retaining and partnering with selective customers to create superior value for the company and the customer (Parvithiyar & Seth, 2001)

vii) CRM is an abbreviation for Customer Relationship Management, not Customer Relationship Marketing. Management is a broader concept than marketing because it covers marketing management, manufacturing management, human resource management, service management, sales management, and research and development management. Thus, CRM requires organizational and business level approaches – which are customer centric – to doing business rather than a simple marketing strategy. CRM involves all of the corporate functions (marketing, manufacturing, customer services, field sales, and field service) required to contact customers directly or indirectly. The term “touch points” is used in CRM to refer to the many ways in which customers and firms interact. (Paul Gray, 2001)

viii) CRM is the values and strategies of Relationship Marketing with particular emphasis on customer relationships- turned in to practical application (Gummesson, 2004)

ix) Guion and Kent (2006) viewed (CRM) as Customer Retention Marketing having its roots in relationship marketing with the goal to convert the target audience into loyalists and loyalists into enthusiasts, advocates, and partners.

x) Customer relationship management (CRM) is the practice of intelligently finding, marketing to, selling to, and servicing customers. CRM is a broadly used term that covers concepts used by companies, NGO's and public institutions to manage their relationships with customers and stakeholders.
Technologies that support this business purpose include the capture, storage and analysis of customer, vendor, partner, and internal process information. Functions that support this business purpose include Sales, Marketing and Customer Service, Training, Professional Development, Performance Management, Human Resource Development and Compensation (wikipedia, 2007)

In the present research work the researcher would stick to CRM as a holistic approach to doing business by creating long term partnerships and relations with strategically important customers and thus generating Value for the enterprise as well as the customer.

§2.1.5 KEY CUSTOMER-ORGANIZATION RELATIONS:

Adrian (2003) went on to identify six key customer relations based on the loyalty parameter which he termed as the “loyalty ladder”

<table>
<thead>
<tr>
<th>Level</th>
<th>Characteristic</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Prospect</td>
<td>One who is yet to do business with your organization</td>
</tr>
<tr>
<td>2. Buyer</td>
<td>Someone who has done business once with your organization</td>
</tr>
<tr>
<td>3. Client</td>
<td>A repeat customer but may be neutral; or even negative towards your organization</td>
</tr>
<tr>
<td>4. Supporter</td>
<td>Someone who likes your org but supports you passively</td>
</tr>
<tr>
<td>5. Advocates</td>
<td>Someone who actively recommends you to others, source of WOM</td>
</tr>
<tr>
<td>6. Partner</td>
<td>A win-win situation when both partners benefit from each other</td>
</tr>
</tbody>
</table>

In the present research work the researcher intends to study the strategies prevalent among the players in the given market of commercial auto loans to enhance the customer-organization relationships, and hence benchmark the best practices.
§2.1.6 **PROTOTYPES OF CRM**

Analyst firms, including Meta Group classify CRM into the following prototypes:

i) Operational CRM  
ii) Analytical CRM  
iii) Collaborative CRM  
iv) Strategic CRM  
v) E-CRM  
vi) H-CRM

**Operational CRM:** This is the area that is concerned with the automation of business processes involving front-office customer contact points. These areas include sales automation, marketing automation and Customer service automation. Of late Operational CRM has gained ground with the maximum share of enterprise expenditure channelised to these automated systems. Service Marketers especially interact with their customer base through Automated Kiosks (ATMs for banks) and Call centers.

**Analytical CRM:** This involves the capture, storage, organization, analysis, interpretation and use of data generated from the Operational side of the business. Integration of Analytical CRM solutions with Operational CRM is an important consideration of any business. It gives the basic guidelines to formulate further marketing strategies. It enables the right customers to be targeted with the right kind of offers and permits personalization and one-one marketing to be undertaken through superior customer knowledge.

**Collaborative CRM:** This involves the use of collaborative services and infrastructure to make interaction between the company and its multiple channels possible. This enables the customers to contact the enterprise through a range of different channels and undergo a common experience across the channels.
**Strategic CRM:** Originates from the Business Grand Strategy and is concerned with building long term Customer Relationships and hence create value for the share holders in the long term.

**E-CRM:** is electronic CRM which encompasses technology and e-commerce concepts to manage customer relationships.

**H-CRM:** is human CRM which entails only one-to-one personal interaction which ensures building long term Customer Relationships and hence create value for the share holders in the long term.

*In the present research work the researcher intends to identify the major CRM prototypes prevalent among the players in the given market of commercial auto loans.*

### 2.2 CRM IN THE SERVICES SECTOR

**§2.2.1 Services as the new paradigm of marketing**

Services are, economic activities that create value and provide benefits for customers at specific times and places, as a result of bringing about a desired change in – or on behalf of- the recipient of the service. A brief review of the literature brings about a number of forms of definitions by the various scholars:

i) Services are those identifiable, essentially intangible activities, which provide want satisfaction when marketed to consumers and/or industrial users and which are not necessarily tied to the sale of a product or another service (Stanton, 1999)

ii) A Service is any act or performance that one party offer to another that is essentially intangible and does not result in ownership of anything. Its production may or may not be tied to any physical product (Kotler, 1991)
iii) “Services are deeds, processes and performances”. Here, deeds are the actions of the service provider, processes are the steps in the provision of service, and performance is the customers’ understanding of how the service has been delivered. (Zeithmal and Bitner, 1998)

iv) According to the American Marketing Association, “Services are activities, benefits or satisfaction, which are offered for sale are provided in connection with the sale of goods”. This definition makes it clear that services are activities, benefits or satisfaction and we find their uses for selling products which may be tangible or even intangible.

v) A Service is defined as an act or performance offered by one party to another. Although the process may be tied to a physical product, the performance is essentially intangible and does not normally result in ownership of any of the factors of production (Balaji, 2002)

The researcher feels that a comprehensive definition of services must include the following elements:

- Lack of physical output or construction
- Benefit to the receiver from the service rather than the product offered
- The intangible nature of services
- Inseparability from the manufacturer
- Inconsistent nature of services
- Lack of ownership of any physical product and so on.

Services lie at the very center of all economic activities in any society. Dorothy Riddle (1996), in writing about the role of the service sector in world development, formulated the economic model shown in figure below. This model of the economy shows the flow of activity among the three principal sectors of the economy, extractive
(mining and farming) manufacturing and service, which is divided into five sub-groups. All activity eventually leads to the consumer. Examples of services in each of the five sub-groups are:

![Interactive Model of an Economy](image)

**Fig 1 Interactive Model of an Economy**

*Source: Dorothy I, Riddle, Service Led Growth, Praeger, New York, 1986)

1) **Infrastructure Services**: Infrastructures such as transportation and communication are the essential links between all sectors of the economy, including the final consumer. In a complex economy, infrastructure services and trade services function as intermediaries between the extractive and manufacture sectors and as the channel of distribution to the final consumer. Infrastructure services are a prerequisite for an economy to become industrialized, therefore, no advanced society can be without these services.

**Examples**: Communications, transportation.
2) **Business Services:** In an industrialized economy, specialized firms can supply business services to manufacturing firms more cheaply and more efficiently than the manufacturing firms can supply the services for themselves. Thus, more often we find advertising, consulting, financing, and other business functions being provided for the manufacturing sector by service firms.

**Examples:** Consulting, finance, banking.

3) **Trade Services:** Service activities are absolutely necessary for the economy to function and to enhance the quality of life. Consider, for example, the importance of banking industry to transfer funds and transportation industry to move food to areas that cannot produce them.

**Examples:** Retailing, maintenance and repair.

4) **Social/Personal Services:** Moreover, a wide variety of social and personal services such as restaurants, lodging, cleaning and child care have been created to move former household functions into the economy.

**Examples:** Restaurants, health care.

5) **Public Administration:** It plays a critical role in providing a stable environment for investment and economic growth. In communities and countries where public administrative services are weak or heavily skewed solely by political or idealistic concerns, essential services are inaccessible to many citizens.

**Examples:** Education, Government
Thus, it is imperative to recognize that services are not peripheral activities but, rather, integral parts of society. They are central to the functioning of a healthy economy. The service sector not only facilitates but also makes possible the goods producing activities of the extractive and manufacturing sectors. Services are the crucial force for change towards a global economy.

Thus it can be deciphered that, Services have become a major component of every national economy and their contribution to the development and progress of any economy cannot be overlooked. Services contribute an average of more than 60 percent to the gross national product of the developed nations. However, they are also rapidly moving to the forefront in the developing nations as well, accounting for 69 percent in Mexico, 66 percent in Argentina and South Africa, 52 percent in India and about 50 percent in Thailand. Even in the least developed countries, services typically contribute at least 45 percent of GDP. Table 1 shows the importance of the service sector across the world.

**Table 1. Services across the world in 2002**

<table>
<thead>
<tr>
<th>Country</th>
<th>Service as Percentage of GDP</th>
<th>Percentage of workforce in services</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>80</td>
<td>83</td>
</tr>
<tr>
<td>Belgium</td>
<td>75</td>
<td>73</td>
</tr>
<tr>
<td>Denmark</td>
<td>75</td>
<td>79</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>73</td>
<td>74</td>
</tr>
<tr>
<td>Australia</td>
<td>72</td>
<td>73</td>
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<tr>
<td>France</td>
<td>71</td>
<td>71</td>
</tr>
<tr>
<td>Germany</td>
<td>71</td>
<td>63</td>
</tr>
<tr>
<td>The Nederland</td>
<td>70</td>
<td>73</td>
</tr>
<tr>
<td>Canada</td>
<td>69</td>
<td>74</td>
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Therefore marketing can be termed as a function by which a marketer plans, promote and deliver goods and services to the customers or clients. In the marketing of services, the providers are supposed to influence and satisfy the customers or users. An institution or an individual may act as a provider who requires professional excellence to influence the impulse of prospects and to transform them into actual customers. When we buy services offered by a service generating organization in a true sense we buy the time, knowledge, skill or resources. The application of marketing principles in the services sector is the main thing in the services marketing.

The following key points regarding the concept or perception of services marketing are:

i) It is a managerial process of managing the services.

ii) It is an organized effort for providing a sound foundation for the development of an organization.

iii) It is a social process helping an organization to understand the emerging social problems and to take part in the social transformation process to justify its existence in the society.

Services marketing is thus marketing based on relationship and value. It may be used to market a service or a product. Marketing a service-base business is different from marketing a goods-base business.

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In services marketing, customers are more demanding, expecting more value and benefits from the services they buy. The customers become more powerful in their relationship with service providers (Danciui, 2004). This is a very strong indication for the service providers to recognize the leading part of the relationship they have with the customers. But the customers ask for new relationship, as the nature and the specific character require. This kind of relationship requires a new marketing, which can be referred to as the Relationship Marketing. The clear and characteristic feature of the Relationship Marketing is the cultivation of long-term mutual beneficial relationships with a defined customer group (McDonald and Wilson, 2001, p. 6). By contrast to transactional marketing, the Relationship Marketing especially in the Services sector, mainly focuses on keeping the current customers and then to attract new consumers and to understand, anticipate and satisfy customers.

To understand the complex role of marketing in service companies one can refer to the central model from Grönroos, which many other authors like Kotler and Zeithmal also refer to. This model is the service marketing triangle.

![Figure 1.2 The Service Marketing Triangle](image-url)
This model suggests three marketing functions are internal marketing, interactive marketing and external marketing are indispensable for any service organization (Gronroos, 1996).

The firm is the management including full-time marketers and salespeople who give promises to the customers and have to enable the promise through continuous development and internal marketing with their employees. This internal marketing is a prerequisite for external and interactive marketing and can be reached through attractive and stimulating places of work, together with good internal communication.

The employees are those working in close contact to the customers, also called part-time marketers by Gummesson. They are the ones who conduct the interactive marketing.

According to Grönroos the internal marketing has to be managed by the company’s leadership, the interactive marketing happens between the employees and the clients and the external marketing is what takes place between the company’s management and the clients.

§2.2.2 Services Marketing – A Relationship Marketing Perspective

The Services Marketing calls for Relationship Marketing to engage the customer interactively in the many steps of creating value, looking for innovative ways to unlock new and meaningful benefits for the customer and then share the value so created between producer and consumer. The Relationship Marketing recognizes the key role customers have not only as purchasers, but in defining the value they want. Previously, companies would be expected to identify and provide this value in what the company would consider a “product”. With Relationship Marketing, the customer helps the company provide the benefit bundle that consumer values. The value is created with the customers and not for them. Relationship Marketing requires that a company designs and
aligns its business process, communications, technology and people in support of the value customers want. Relationship Marketing recognizes the value of customers over their purchasing lifetimes. In recognizing lifetime value, Relationship Marketing seeks to bond progressively more tightly with customers. Relationship Marketing seeks to build a chain of relationships within the organization to create the value customers want and between the organization and its main stakeholders (Gordon, 1998, pp. 8-9).

The above described characteristics of the Relationship Marketing suggest that the Relationship Marketing is defined by relationship, interactivity and long-term. This kind of marketing activity may be considered as relationship management which is creating, developing and maintaining a network in which service provider is part (Doole, Lancaster, Lowe, 2005, p. 279). Customer relationships do not simply exist; they must be established and earned through ensuring customer satisfaction.

Customer Satisfaction is the affable notion of customers if they perceive their experiences to be in line with their expectations (Jauhari, Dutta, 2009). In general it can be concluded as that if a service satisfies the needs and wants of the customers’ satisfaction. The higher the level of satisfaction the higher is the satisfaction. And since the concept of Marketing focuses on customer needs satisfaction, the prime marketing objective is thus to maximize customer satisfaction. Zeithmal & Bitner (2003) enumerated the following factors that affect customer satisfaction in service sector –

a) Product/ Service features

b) Customer’s emotion or state of mind

c) Customer perceptions of equitable treatment

d) Attribution for service success or failure.
The service provider and customers work out bi- and multilateral activities to produce and provide value, especially through an interpersonal communication. In order to be created and maintained, the relations need time. The short relationships in which customer come and go, becoming lost, are generally more expensive in the service sector. The marketing budget for attracting customers to the service provider and stimulating potential customers to accept the companies’ promises is often very large. For this reason, the marketing for protection of the customer base becomes extremely important. It is more important to focus on establishing and maintaining long-term customer relationships.

Customer Satisfaction is very very important because in Services sector the customer is the one and only judge of service quality. Thus, understanding customer expectations, the key for performance in service marketing. Hence, Relationship Marketing can facilitate identifying and solving specific issues like knowing the customers, understanding customers’ expectations, evaluating the services process, drawing up an adequate deliverance ensuring a proper service quality and therefore higher levels of satisfaction. Since services are a series of activities and the ‘product’ is ‘missing’ (Gronroos 1998), the services quality forms an important aspect in the perception of services. Kasper et al. (1999) defined Service Quality as “The extent to which the service, service process and service organization can satisfy the expectations of the user”.

2.2.2.1. Dimensions of customer expectations – Key to Service Quality

The most eminent instrument in attempting to systematize the service quality is the ‘Gap Model’ of service or SERVQUAL that was developed by Parasuraman et al (1985).
SERVQUAL assumes that service quality is crucially determined by inconsistency between expectations and perceptions of Customers (Gupta et al., 2005).

The service quality has a particular meaning for the buyer’s decision. Thus, the service provider must identify and understand what quality means for the service customer. In the 20th century, Gasvin (1984, 1987), Berry, Zeithamel, (1986, 1991) suggested the multidimensional character of the service quality.

The reliability involves consistency of performance and dependability, i.e. the firm performs the service right the first time, accuracy in billing, keeping records correctly, and performing the service at designated time.

The responsiveness concerns the willingness or readiness of employees to provide service. It involves timeliness of service, i.e. mailing a transaction ship immediately, calling the customer back quickly, giving prompt service, e.g. setting up appointments quickly.

The competence depends upon possession of the required skills and knowledge to perform the service, i.e. knowledge and skill of the contact personnel knowledge and skill of operational support personnel, research capability of the organization.

The access consists in the approachability and ease of contact, i.e. the service is easily accessible by telephone (free lines no holding), the waiting time to receive service is not extensive e.g. at a bank the convenient location of service facility.

The courtesy is in relation with politeness, respect, consideration and friendliness of contact personnel, clean and neat appearance of public contact personnel.

The communication means keeping customers informed in language they can understand and listening to them. It may mean that the company has to adjust its language for different consumers, increasing the level of sophistication with a well-educated
customer and speaking simply and plainly with a novice, i.e., explaining the trade-offs between service and cost, assuming the customer that a problem will be handled.

The credibility is the result of the trustworthiness, believability, honesty and having the customer best interests at heart. Contributing to the credibility and company name and reputation, personal characteristics of the contact personnel, and the degree of hard sell involved in interactions with the customer.

The security is viewed as the freedom from danger, risk or doubt, i.e. physically safety while using service, financial security and confidentiality.

The tangibles, as element of service quality, are the physical facilities, appearance of personnel, tools or equipment used to provide the service, physical representations of the service, e.g. plastic card or bank statement, other customers in the service facility.

As is stated above, the customers of a service firm do not perceive the results of the service production process only, i.e. what they have got when the buyer-seller interactions are over or the called technical quality of the service. They also perceive how the end result is transformed during the buyer-seller interactions, i.e. the so called functional quality of the service. The technical or objective quality of the service depends on the tangibles and on the conformance to the established standards and requirements. The functional or subjective quality of the service is the final perceived outcome as a result of the termination of the buyer-seller interactions. As is indicated in Figure 3, the objective and subjective aspects of the service quality are in close relation with the factors which may exercise influences over it.

Understanding customer expectations is thus prerequisite of delivery superior service.

The range of customer expectations as important indicators of service quality was
summed up into five dimensions of the services, each one identically important by Parasuraman (1988)

✓ **Reliability.** Customers expect the services providers have the ability to perform the desired service dependably, accurately and consistently. This involves keeping the service promise and the reputation.

✓ **Tangibles.** The way the physical facilities, like equipment appearance of personnel and the communication materials, are used by customers to judge the service. Tangibles influence service quality perceptions by offering indirect clues about the nature and quality of the service itself, and indirectly, by the usage of physical aspects in the production of service. The customers expect all these to be like they are promised and have the quality they appreciate.

✓ **Responsiveness.** The customers appreciate the willingness of services providers to provide the service promptly and efficiently. To be responsive to customers means help them keeping informed, buying and post buying, too.

✓ **Empathy.** The customers want to be very well understood by services providers. Thus, they expect the provision of caring, individualized attention, speak to them in language they can understand and listen to them.

✓ **Assurance.** This is caused by the employees, knowledge, courtesy, competence and ability to convey trust and confidence in customers. Every customer believes the reliability must be double of the trust vested by him on the provider.

Assurance depends more on the outcome. The customers trust the providers who meet their expectations. The tangibles, responsiveness, reliability, and empathy are the parts of the provision by services, but contribute to the outcome.
As Gronroos (1998, p. 10-13) suggested, the customers perceived good service quality using six criteria, as follows: professionalism and skills, attitudes and behavior, reliability and trustworthiness, recovery (correction, ability), reputation and credibility.

**Figure 2. A model of service quality**

*Source: Adapted from Block and Zeithamel (1985), p. 42*

The customer makes use of three assessments in order to judge the service quality, i.e. the expected quality, the experimented quality and the perceived quality, which are displayed in Figure 4, as a service quality process model.
2.2.2.2 Customer Perception, Service Quality and Customer Satisfaction

Gap model of service quality

The Gap model of service quality was developed by Parasuraman, Berry and Zeithaml (1985), and more recently described in Zeithaml and Bitner (2003). It has served as a framework for research in services marketing, including hospitality marketing, for over two decades. The model identifies four specific gaps leading to a fifth overall gap between customers' expectations and perceived service.

The five gaps

Customers have expectations for service experiences and they use them to measure against the perceived service performance in their judgment of service quality. It is essential, then, that managers determine what those expectations are when designing the service. The first gap in service quality occurs when management fails to accurately
identify customer expectations. It is referred to as the Knowledge Gap. Specifically, it is the difference in customer expectations and management’s perception of customer expectations. Hotel managers, for instance, must know and understand what their guests expect from their stay, including all tangibles (the room, amenities, lobby features) and intangible components (availability of additional services, ease of check-in and check-out procedures). The size of the gap is dependent on the extent of upward communication (from customers to top management), the number of layers of management, the size of the organization, and most importantly, the extent of marketing research to identify customer expectations.

![Fig 4: The Integrated Gap Model](Source: Zeithaml and Bitner (2003))
The second gap is referred to as the **Design Gap**. It is measured by how well the service design specifications match up to management’s perception of customer expectations. The extent of this gap is dependent on management’s belief that service quality is important and that it is possible, as well as the resources that are available for the provision of the service. A restaurant manager may understand customer expectations for being served within 20 minutes of ordering, but may not have the resources or the appropriate number of staff to insure that speed of service.

Gap 3 represents the variation in service design and service delivery. Known as the **Performance Gap**, its extent is a function of many variables involved in the provision of service. Since individuals perform the service, the quality may be affected by such factors as skill level, type of training received, degree of role congruity or conflict, and job fit. Some service providers do not have a high service inclination, despite training. Service recovery efforts along with extent of responsibility and empowerment also affect the size of this gap. The process is further complicated by the customer’s participation in the service encounter.

A customer may make a special request for a room type different from the one originally reserved, or request a menu item after the initial order has been completed, making it more difficult to perform the service as intended.

The fourth gap is called the Communications Gap. It is the difference between what is promised to customers, either explicitly or implicitly, and what is being delivered. Hospitality companies use advertising, personal selling, and sales promotion to inform, persuade, and remind guests about its products and services. Showing beautifully
appointed hotel rooms, refreshing swimming pools, and luxurious lobby areas in an advertisement communicates to the target customers. The extent of communications between the company and the advertising agencies will affect the size of the gap. Over-promising is commonly responsible for the communication gap.

Each gap has a cumulative effect from the preceding gaps. Gap 5 is the total accumulation of variation in Gaps 1 through 4 and represents the difference between expectations and perceived service. Furthermore, consumers evaluate perceived service along five quality dimensions of Tangibles, Responsiveness, Assurance, Reliability and Empathy and price and other service features.

Fig 5: Service Evaluation

Source: Adapted from Parasuraman et al. (1985), Zeithmal (1988), Jauhari and Dutta (2009)
In Service Quality Assessment

1. If Expectations are exceeded by the perceived service the customer is delighted or taken by surprise: \( ES < PS \) (Customer Delight)

2. If the Expectations are met by the perceived service the customer is satisfied: \( ES = PS \) (Customer Satisfaction)

3. If the Expectations are not met by the perceived service the customer is dissatisfied and may never return to the service provider: \( ES > PS \) (Customer Dissatisfaction)

Customers' service expectations have two levels, desired and adequate.

The desired service level is the service the customer hopes to receive. The adequate service level is that which the customer finds acceptable. It is in part based on the customer's assessment of what the service "will be", that is, the customer's "predicted service".

Separating the desired service level from the adequate service level is a zone of tolerance, as shown in Figure 6 below.

![Figure 6. A model of Service Level Expectations](source: Parasumaran, Berry, Zeithmal (1991), p. 42.)
The zone of tolerance expands and contracts like an accordion, following the two expectations levels. It can vary from customer to customer and, potentially from one situation to the next for the same customer. This is to say that customer expectations have their own dynamique. Because customers view reliability as the service “core”, and tend to have higher expectations for it, they seem least willing to relax reliability expectations. Thus, the zone of tolerance for service reliability is likely to be smaller and the desired and adequate service levels are likely to be smaller.

If this is true, the opportunity a service provider to exceed customer expectations is greater with the process dimensions then with the outcome dimension. For this scenario may be credible, the factors that may cause the desired service level to rise are to be observed. The customer experience, the expectations of some affiliated party – the customer’s customer or a superior – are important.

Customer’s adequate service expectations seems to be influenced more by specific circumstances and are therefore more challengeable, than their desired service expectations. The most important factors susceptible to influence customers’ adequate service expectations are the number of service alternatives customers perceived and emergency and service failure situations (Parasumaran, Berry, Zeithamel, 1991, p. 43). If customers perceive that they have alternative suppliers from which to choose, their zone of tolerance is likely to be smaller than if they don’t feel they have this flexibility. Emergency and service failure situations tend to raise customer’s adequate service level temporally thereby narrowing the zone of tolerance.
2.2.2.3. Managerial implications of the Gap Model:

In order to find goods solutions, the managers of the firms providing services must take into consideration the impact the customers expectations have on their services.

First, the service provider must demonstrate fair play. This is to say that the company must “play” correctly, in its relationship with the customers. If so, it may be able to extend customers’ zone of tolerance. This will require devoting far more attention to explaining its policy about the service and it is buying, and listening to customers and becoming more sensitive to their expectations and concerns.

Second, the firm must be reliable, by performing the service properly the first time. Firms that do not provide the service core that customers are buying, fail their customers in the most direct way. Managers should impose a “do it right the first time” value system.
in the firm by establishing reliability standards, teaching the “way” and “how” of reliability in training sessions, forming “reliability terms” to evaluate specific services for ways to reduce failures.

Third, the firms must manage its promises. The services providers will have a better chance of meeting customer expectations when their promises reflect the service actually delivered rather than an idealized version of the service. The hotel room, water quality, for instance, contributes to the customers’ positive and negative assessment of the hotel’s service quality.

Fourth, leverage the process dimensions is to consider as managerial implication. Services firms that seek to exceed customer expectations, in order to enhance their quality image should capitalize on the best opportunity, if they focus on service delivery. It is during delivery, when customers directly experience provider’s service skills and “tone” that firms are best able to augment the service core of reliability in ways that are differentiating.

The leverage of process dimensions involves a wide span of actions designed to enhance the willingness and ability of employees to be effective servers. These include recruiting the most promising employees, providing them with ongoing training in interpersonal and problem-solving skills as well as technical skills; empowering employees to exercise judgment and creativity in responding to customers’ special needs; measuring employees capacity for excellent service, e.g. with product knowledge tests and the quality of service they actually deliver, e.g. mystery shopper research and rewarding the most excellent servers financially, non financially, and with career advancement.
Fifth, managers must observe that developing genuine customer relationship is a primary, controllable means for service companies to enlarge customers’ zone of tolerance. This is maybe the most dramatic managerial implication of the customer expectations. Customer relationship provides companies with a “goodwill” or credibility factor that encourages customer tolerance.

The possibilities for relationship – based service extend to virtually all services that customers use on an ongoing on periodic basis.

Any relationship service system is to be designed consistent with some requirements, as follows:

• Customers must have access to service when the need arises. Customers need to know when they contact, how to make the contact, and then be able to actually make the contact.

• Communications between the company and the customers should be company-initiated as well as customers-initiated, that is to be flexible and quick.

• In addition to being able to tailor the service to the customers, the service providers must also be willing to do so. They must have the means, in every way: information, communication, services’ access, delivery.

The current research work will concentrate the efforts to determine the Service gaps for the existing customer base of the Retail loans of Commercial Automobiles and would also make an effort to compare the 5 Service Gaps namely Knowledge Gap,
Design Gap, Performance Gap, Communication Gap and Consumer Gap (if any) over the three categories of Financial Institutions (namely Nationalized Banks, Private Banks and NBFC) who are in this business in the Durgapur-Asansol of West Bengal and Dhanbad-Bokaro Regions of Jharkhand.

The research would also attempt at comparing the 5 Service Gaps namely Knowledge Gap, Design Gap, Performance Gap, Communication Gap and Consumer Gap (if any) for each of the three types Financial Institutions (namely Nationalized Banks, Private Banks and NBFC) individually over the 2 regions namely in the Durgapur-Asansol of West Bengal and Dhanbad-Bokaro Regions of Jharkhand.

The research would also aim at evaluating the Consumer Gaps in particular for adjudging the overall Satisfaction Level of the consumers of Retail loans of Commercial Automobiles in the Durgapur-Asansol of West Bengal and Dhanbad-Bokaro Regions of Jharkhand.

2. 3 CRM & ITS RELEVANCE WITH THE RETAIL FINANCING OF ASSETS

Customer Relationship Management have been referred to as the process to identify and establish, maintain and enhance & when necessary terminate the relationship with Customers such that the objectives of all parties involved are met; and this is done by mutual exchange and fulfillment of promises. [Gronroos, 1996]. Thus at the core of an effective CRM strategy is the creation of mutual value for all the parties involved in the business process. It is about creating a sustainable competitive advantage by being the best at understanding, communicating, and delivering and developing existing customer relationships in addition to creating and keeping new customers. [Panda, 2002]
The process aimed at making each relationship, a learning relationship, an investment which would give both commercial and non-commercial returns in the long run. We realized that the concept of product life cycle has gradually given way to the concept of customer life cycle focusing on the development of products and services that anticipate the future need of the existing customers and creating additional services that extend existing customer relationships beyond transactions.

![Customer Relationship Management diagram]

**Customer Life Cycle (CLC)** like the Product Life Cycle (PLC) also comprises of four phases Introduction, Growth, Maturity & Decline. However we found it had a striking resemblance with the institution of marriage in our society and hence preferred to name the four phases shown in Fig IIa as follows:

**Phase I – HONEY MOON phase** – The first month of the loan transaction: which introduces the organization to the customer and vice versa; the relationship seems to be bliss, full of goodies. Because both parties put their best foot forward.
Phase II – R-EVOLUTION phase – The first year after the first phase - This is the phase where both parties discover true facades of each others’ character. At this stage, the relationship is tried and tested at every point of time. A phase of Rapid Evolution which we can definitely term as REVOLUTION. Mostly customers in this stage are finicky about the slightest of the problems that may creep up. This is the point over where the FI can hit a century and become a hero ; and confirm his position in the Team with the customer or He is out, absolutely. Most defaulters occur during this period – as most divorces do.

Phase III - RESONANCE phase - after the successful revolution phase – there is a lot of empathy, sympathy, understanding, compassion and even indulgence in this phase among the partners. There is a perfect match in their frequencies and that lead to the perfect constructive interference – the RESONANCE – among the parties. Together they are all set to cherish the returns of the transaction relationship. As happens in the relationship of the husband and wife, where they try to reinvent the spousal relationship as a parental relationship. For the FI, this is the time when the customers look forward to more exciting offers and even goes on to referral programs as a satisfied customer. It
becomes the organizations' responsibility to re-invent the relationship through cross-selling & up-selling of the products & services and through innovations retain the customer so as to lengthen the life span of the customer with the organization (Fig II b). Failing which customer moves on to the Phase IV – RECLINE phase, where he withdraws himself and just waits for the transaction period to be over as most marriages in the Indian society do, just wait, or find solace in some other relationship.

![Customer Life Cycle Redefined](image)

The Customer Life Cycle Redefined paradigm thus, looks at lengthening the life span of the customer with the organization rather than the endurance of a particular product or brand. It demands a well chalked out CRM strategy at every phase of the CLC.

* The research aims at evaluating CRM initiatives and identifying the underlying issues governing the strategies currently in vogue in the aforesaid segment in the given territories.

§2.4 RETAIL FINANCING OF COMMERCIAL AUTOMOBILES AND CRM:

Retail Asset backed financing like Car Loans, Commercial Vehicle or Commercial Automobile loans; Home Loans, Consumer-Durable loans and 2-wheeler loans have become very common in the new millennium.
A pilot case study at ICICI Bank Ltd, Durgapur in the year 2005 revealed that of the various retail loans a repeat funding to the Existing Customers in the same portfolio had its highest score for this particular segment as is evident in plate 1.5.1 below.

![Plate 1.5.1](image)

The pilot study reveals that existing customers do form a major source for generation of leads in the Retail financing of Commercial Automobiles with about 60% of the cases being generated through the network of existing clientele and the remaining 40% is generated through the dealer network and middle men like brokers or special Marketing Executives.

Thus, Relationship Marketing and Customer Relationship Management, in particular has immense role to play in the financing of Retail Commercial automobiles.

*The research aims at evaluating CRM initiatives and identifying the underlying issues governing the strategies currently in vogue in the aforesaid segment in the given territories.*
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