CRM A KEY BUSINESS STRATEGY: SIGNIFICANCE OF
CUSTOMER RELATIONSHIP MANAGEMENT IN THE 21ST CENTURY

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ABSTRACT

Customer relationship management has been viewed as business strategy that enables seamless integration of every area of business that touches the customer - namely marketing, sales, customer service and field support – through integrated management of people, process, and technology. It has received considerable attention from businesses and vendors alike as a tool that could provide competitive advantage to businesses through management of the crucial customer relationship function. Customer service and specifically relationship management, in particular, are crucial to attaining a sustainable competitive advantage in the marketplace.

Changes in customer expectations can be identified throughout the world. Customer relationship management (CRM) strategies have become increasingly important worldwide due to these changes in expectations from customers as well as changes in the nature of markets. Changes have been noted across the world, but opportunities present themselves in developing countries for CRM strategies. Customer retention has always been crucial to success in the business market, and it now provides the centerpiece of strategy discussions as firms embrace customer relationship management.

Keywords: Customer relationship management, Competitive advantage, Business strategy, Opportunities, Sustainable, Integrated management
Introduction of CRM

CRM is a widely used acronym that stands for Customer Relationship Management. The first CRM initiatives launched – namely in the early 1990s focused primarily on improving a single service channel – namely, the call center. Companies adopted new technologies and performance measures designed to streamline the process of answering and handling customer inquiries, hoping to increase customer satisfaction and their own operating efficiency. Later, companies widened this focus to include sales as well, implementing new automation tools to enhance sales force efficiency and productivity. In the mid – to late 1990s, the focus of CRM expanded yet again to include more service and sales channels (Such as the Web, e-mail, and instant messaging) giving customers alternatives for interacting with a company.

Complex channel integration programs characterized this phase of CRM. Still underway today, with companies focused on standardizing customer treatment across channels and gathering more customer data at each contact point. Many companies also implemented data warehouses and customer analytical programs to help manage this data and mine it for deeper insights into customer preferences. All of these previous efforts have produced important benefits. Contact center initiatives enable companies to reduce service cost while making transactions more convenient for customers. Sales for automation software made salespeople more efficient and boosted their ability to help customers. Better channel integration made it easier for customers to deal with providers and enabled companies to gather more information about customers. And internet-based initiatives opened up a new avenue into customers’ homes and offices for selling and serving.

CRM is an information industry term for software that helps an enterprise to manage customer relationship in an organized way. CRM is a business technology that is mainly used by sales teams and beneficial for any business where customer attractions, retention and management are vital. CRM also integrates all sales – relevant business processes, such as acquisition, Marketing, Sales and Services.

Definitions

• “CRM is a managerial strategy that helps organizations to collect, analyses and manage customer related information through the use of information technology tools and techniques in order to satisfy customer needs and establish a long term and mutually beneficial relationship”
  - Hung et al., 2010.

• CRM is a key business strategy in which a firm needs to stay focused on the needs of its customers and must integrate a customer – oriented approach throughout the organisation
  - Lion, 2009.

• CRM is strategic approach for systematically targeting, tracking, communicating and transforming relevant customer data into actionable information on which strategic decision – making is based.
STRATEGY FIRST, THEN CRM

For companies to realize the full potential of CRM – ensuring they get the best return on their CRM investments and aren’t wasting precious resources building unnecessary capabilities – they must begin to incorporate a strategic perspective into all of their CRM efforts. In particular, they must address four critical strategies, and understand the key interplay between them, before investing in any CRM Project.

1. Customer: Identifying the customers that the company wants, based on its existing business model and corporate mission.

2. Channel: Selecting the most appropriate and effective channels for reaching these customers.

3. Brand: Understanding how all interactions with customers, not just advertising, contribute to the company’s brand value.

4. CRM: Determining the most appropriate CRM capabilities for supporting these critical interaction points and channels to reach the chosen customers.

CUSTOMER STRATEGY

A growing number of companies have come to accept that their fate hinges on applying a more customer-centric approach to serving customers. This approach represents an evolutionary shift from focusing merely on product sales and delivery to focusing more explicitly on satisfying the needs and wants of today’s customers.

Customer Segment management model

Customer Segment management is the process of segmenting groups of customers based on like attributes and managing those segments in a way that maximizes both the benefits to customers and the long-term profit potential of the organisation. For example, this may include segmenting customers according to product and service needs, buying behaviors, and actual and potential profitability.

In essence, customer segment management can be viewed as a stage on the way to achieving “true nirvana” – managing relationships with each customer on an individual basis. Traditionally, companies have exploited a mass, or one-to-many, approach to targeting customers, but with diminishing results in satisfying the needs and wants of customers. On the other hand, targeting and managing customers on a one-to-one basis is currently not practical for most companies. For the time being, customer segment management offers a more realistic customer-centric approach to managing customer relationships.

CHANNEL STRATEGY

New technologies bring new opportunities to channel designers, marketers, and business strategists. From catalog selling, which grew out of improved rail and postal technologies, through today’s internet and wireless shopping opportunities, companies
continually face an array of new methods and choices for reaching customers. Yet many suppliers fail to exploit new channel opportunities for fear of creating conflict with their existing channels.

Managing Conflict Strategically

Changes in processes require changes in channel participants. As channels specialize and form new roles, old players face continual threats, at least until their place in the new order is clear and secure. Proper analyses and appropriate strategies can go for toward minimizing the amount of conflict and its economic destructiveness. To aid this type of analysis and decision making, channel conflict strategy matrix has created.

The matrix shows the interplay between market power and channel added value.
Channel Conflict Strategy Matrix

<table>
<thead>
<tr>
<th>Forward integrate</th>
<th>Cooperate</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Indentify new value propositions</td>
<td>• Look for win-win, grow the pie.</td>
</tr>
<tr>
<td>• Act fest/independently</td>
<td>• Seek compromise</td>
</tr>
<tr>
<td>• Fill gaps in channel coverage</td>
<td>• Look to self new products through new channels</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Compete</th>
<th>Lead</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Create internet-enabled direct link to customers.</td>
<td>• Define appropriate approaches or the channel</td>
</tr>
<tr>
<td>• Shift volume to new channel through promotions.</td>
<td>• Make initial investment</td>
</tr>
</tbody>
</table>

- Market power is function of where customer influence resides – with the supplier or with the channel.

- Channel added value measures how much worth the channel creates for the customer, beyond what the manufacturer provides.

BRAND STRATEGY

Coca-Cola, Airtel, Sony, Nokia ……. Everybody recognizes the value of a strong brand. But few companies manage their brand value as well as they should, and even fewer think of their brand as having much, if anything, to do with their creation and management of customer relationships, or CRM. It is becoming increasingly clear, however, that CRM is indispensable in creating a successful brand, one that can bring tangible benefits to the company and its stakeholders. To capture those benefits, brand managers first must expand their definition of brand and move beyond seeing it as merely a sign or logo that identifies a particular product or service.

More than a name

Many People instinctively associate brand with a name. To be sure, a company’s name is an important element of its brand. However, a brand is far more than a name, icon, or slogan. It encapsulates all the customer’s interactions with the company, its products, and its services. Marketers who ignore or minimize the important contribution these elements make to branding will fail to generate significant value from their branding efforts. For example, a company that prides itself on great products and prompt, courteous customer service, yet makes those customers slog through an inordinate list of complex options when they call its services center, is damaging its brand. Similarly, a company that continually fails to deliver
goods when promised is undermining its advertising and marketing efforts to create a strong, positive brand.

It is quite evident that customer’s broad conceptions about a company go a long way in determining how they receive and embrace that company’s brand. The most successful companies in branding are those that create and deliver what we call the “Customer delight experience.” In this context, we can understand brand to equal the sum of everything a company says, everything it does, and how it says and does it. Put another way, brand encompasses the entire range of the company’s products, services, behaves, distribution channels, technologies, and processes. All strong brands share three characteristics. First, they promise something better and different on a dimension that customers care about. Second, this promise is executed very consistently. And third, the brand promise is communicated consistently and persistently.

CRM STRATEGY

As the global economy lurches unsteadily through the early part of the twenty-first century, companies around the world are searching for ways to restore the growth and profitability they enjoyed in the buoyant 1990s. For many of these organizations, customer relationship management is seen as a particularly attractive proposition. Indeed, better management of the customer base offers great potential for companies to improve their top bottom lines – especially given how difficult it’s become for businesses of all types to attract and retain loyal customers. However, as many companies have discovered, adopting the right CRM capabilities – and generating significant business benefit from those investments – is not as easy as they first thought. In fact, many industry observers and analysts are quoting failure rates as high as 60 percent for recently completed CRM projects, and they are equally bearish on initiatives currently under way.

As the cost of typical CRM implementation countries to grow and the pressure to address the shortcomings in customer management operations intensifies, organizations will have to become more vigilant in identifying which CRM capabilities will provide the greatest financial benefit; building a bulletproof business case for the project; gaining executive and stakeholder support; creating an intelligent and comprehensive executive and stakeholder support; creating an intelligent and comprehensive execution plan; and using the new system to develop customer insights that will fuel more efficient strategies and programs for marketing, sales, and customer service.

In the past decade, it has become increasingly difficult for companies to connect with existing and prospective customers. The reasons for this include the following: the commoditization of brands and products, with the number of items on offer to consumers expanding significantly in the past 20 years; tougher and more numerous competitors; an explosion in the amount of market noise following the huge jump in the number of messages that bombard consumers on a daily basis; proliferation of customer interaction channels, especially with the advent of the internet and wireless devices; and customers’ ever-rising demands and expectations, driven by the increased ability to evaluate offers and prices by means of the internet and by experience with value and service leaders such as Virgin, FedEx, Wal-Mart, and Siemens. With such stiff challenges facing them, it’s no wonder that companies are increasingly under pressure to come up with better ways to manage their customer relationships.
Significance of Customer Relationship Management

Customer Relationship management is the strongest and the most efficient approach in maintaining and creating relationships with customers. Customer relationship management is not only pure business but also ideate strong personal bonding within people. Development of this type of bonding drives the business to new levels of success. Once this personal and emotional linkage is built, it is very easy for any organization to identify the actual needs of customer and help them to serve them in a better way. It is a belief that more the sophisticated strategies involved in implementing the customer relationship management, the more strong and fruitful is the business. Most of the organizations have dedicated world class tools for maintaining CRM systems into their workplace. Some of the efficient tools used in most of the renowned organization are BatchBook, Salesforce, Buzzstream, Sugar CRM etc.

Looking at some broader perspectives given as below we can easily determine why a CRM System is always important for an organization.

1. A CRM system consists of a historical view and analysis of all the acquired or to be acquired customers. This helps in reduced searching and correlating customers and to foresee customer needs effectively and increase business.

2. CRM contains each and every bit of details of a customer, hence it is very easy for track a customer accordingly and can be used to determine which customer can be profitable and which not.

3. In CRM system, customers are grouped according to different aspects according to the type of business they do or according to physical location and are allocated to different customer managers often called as account managers. This helps in focusing and concentrating on each and every customer separately.

4. A CRM system is not only used to deal with the existing customers but is also useful in acquiring new customers. The process first starts with identifying a customer and maintaining all the corresponding details into the CRM system which is also called an ‘Opportunity of Business’. The Sales and Field representatives then try getting business out of these customers by sophistically following up with them and converting them into a winning deal. All this is very easily and efficiently done by an integrated CRM system.

5. The strongest aspect of Customer Relationship Management is that it is very cost-effective. The advantage of decently implemented CRM system is that there is very less need of paper and manual work which requires lesser staff to manage and lesser resources to deal with. The technologies used in implementing a CRM system are also very cheap and smooth as compared to the traditional way of business.

6. All the details in CRM system is kept centralized which is available anytime on fingertips. This reduces the process time and increases productivity.

7. Efficiently dealing with all the customers and providing them what they actually need increases the customer satisfaction. This increases the chance of getting more business which ultimately enhances turnover and profit.

8. If the customer is satisfied they will always be loyal to you and will remain in business forever resulting in increasing customer base and ultimately enhancing net growth of business.
Conclusion

Undoubtedly, CRM has generated value for many companies in the past several years. However, the value that’s been delivered pales in comparison to what is possible. As economic uncertainty continues and customers become more demanding, organizations simply must find ways to improve the chances that their new CRM initiatives will succeed. Building the right CRM capabilities is only the first part of the CRM journey. Once these capabilities are in place, it is incumbent upon the organization to take the necessary steps to ensure that the new CRM capabilities are leveraged most effectively. These steps include creating a high-level customer strategy that builds on the new CRM capabilities to improve the way the company interacts with customers and prospects; developing a better understanding of existing customers’ needs and profitability and grouping customers into logical segments; creating strategies for each segment to maximize the value of those groups of customers; and identifying and building the processes, organization structures, and measures necessary to implement these strategies and optimally serve each customer segment. By following this approach, companies can realize a significant return on their CRM investments – and subsequently attract the attention, loyalty, and business of their most valuable customers for years to come.

References

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