

Customer Relationship Management (CRM): A Strategic Tool

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Abstract

In the corporate world, we use various phrases like Customer is king, Customer is God, Customer is on the priority of the organization chart, Customer is our boss, A happy customer pays you more, Customer is our preferred partner etc. Gone are the days when companies emphasize customer satisfaction. Nowadays companies' aim goes beyond customer satisfaction. They aim to delight the customer. Customer delight occurs when you provide the product/service more than expected. Japan is on the top followed by Germany, the USA, Canada, the UK, and France while adopting this philosophy.

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Customer delight is closely linked to market share and profits. It is essential on the part of the companies to understand their customers and make out the strategies to retain them. To hold customers, the companies have to put more of an emphasis on tracking and overseeing each individual customer interaction. “Customer Relationship Management is the latest concept, which is concerned with improving the effectiveness and efficiency of business maneuver. Customer Relationship is a company’s capacity to recognize its top clients and meet their demands to win their loyalty to the company’s operations has shown management to be a crucial instrument for boosting profitability. (Thomas and Sullivan, 2005) [1]. It is undeniably more beneficial for businesses to pursue long-term relationships with clients as opposed to a transaction-oriented strategy. (Morgan and Hunt, 1994; Jayachandran et al., 2005) [2][3]. The majority of researchers working today concur with this viewpoint., including Reichheld and Teal (1996) [4], who made the argument that obtaining consumers is far more expensive than maintaining them, while the other suggestions indicated that retaining customers is more important for long-term success than acquiring new ones. It appears that a consistent flow of sales can be attained during the course of the client’s relationships with the business by cultivating customer loyalty. (Dibb and Meadows, 2004) [5].

At ICICI Bank, Customer Relationship Management is being directed at understanding the customer life cycle so that they can approach the customer at the right time. “As the life cycle changes, we try and understand how we can provide other services like car loans, home loans, investment in mutual funds, retirement and insurance options” says Madhabi Puri GM – ICICI bank. Based on this, the banks set an action plan and approach the same from the technology perspective. The following Customer Relationship Management process can be generated by the organizations while keeping a few questions:

First Process: Development of Strategy Method- What are our goals and where are we at? Who are our target clients, and how should we categorize them?

Second Process: The Creation of Value- In what way should we provide our clients with value? How can we optimize the desired customers’ lifetime value?

Third Process: The Multichannel Integration Process- Which methods work best for us reaching out to customers and them reaching out to us? What constitutes an exceptional customer experience that can be provided at a reasonable price?

Fourth Process; Information Management- How should customer information be arranged? How can we “replicate” the customer’s thought process?

Process 5: Performance Assessment Process: What can be done to boost shareholder value and profits?

According to Boulding et al. (2005), [6] Customer relationship management is evolving from a customer-focused approach to a comprehensive integration of all relationships and the use of systems to gather and analyze data throughout the company. This allows for the development of capabilities to integrate these activities across the company's network, generating customer value in the process and creating shareholder value for the company.

For successful Customer Relationship Management implementation and long-term relationships with the customers, the following are the four factors which are to be abided by:

1. Trust and Commitment

Commitment requires trust, which is theoretically associated with loyalty and satisfaction. (Morgan and Hunt, 1994; Ballester and Aleman, 2001) [7] [8]. Improved cooperation is one of the key results of trust-based interactions. Commitment is the outcome of trust, which also lessens feelings of risk and uncertainty. By securing future business rather than short-term advantages, trust fosters investment in long-term relationships, which may help prevent opportunistic behavior and self-interest. (Morgan and Hunt, 1994; Ballester and Aleman, 2001) [9] [10].

2. Feeling of Contentment

A customer who is contented, is more likely to remain in a long-term relationship with the company, as compared to the dissatisfied ones who are likely to look for alternative options. The length of the connection is determined by the consumers' subjective evaluation of its worth, which is updated regularly based on their memories of prior interactions. (Britton and Rose, 2004) [11].

3. Reliability and Symmetry

Long-term development is aided by dependency, yet dependency alone cannot keep a relationship going. There should be a two-way dependency. The degree of equality amongst relationship participants is referred to as relationship symmetry.

4. Fairness

Studies have indicated that the sense of justice in a relationship also improves the quality of relationships (Kumar et al., 1995 b) [12]. It is very important to develop fairness in processes and procedures and this fairness should be recognized and judged, to maintain a long-term and strong relationship. To build good customer relationships the organisations should think about matters of fairness, symmetry, reliance, commitment, satisfaction, and trust.

Causes of Failures for Customer Relationship Management Initiatives

Customer Relationship Management is still failing on many fronts, and many of them are trying to translate these failures into profitable opportunities. A recent article in Harvard Business Review Quotes a survey conducted by Garter Group, A Research and advisory firm, whereby it was found that 55 % of all projects do not yield significant results. In an article, the Baine's survey of management tools which reveals that Customer Relationship Management ranked in the bottom 3 in terms of the satisfaction executives had about its performance on the business front. A study of Customer Relationship Management – Forum detailed the significance of 9 different causes of failures for Customer Relationship Management initiatives:

Different Causes of Failure for CRM Initiatives

Causes for Failures of CRM Initiatives	% of Failures
Organizational transformation	29%
Politics at work and inertia	22%
Insufficient knowledge of CRM	20%
Inadequate Directionality	12%
Insufficient CRM abilities	06%
financial difficulties	04%
Issues with software	02%
Poor guidance	01%
Others	04%

Strategies for Successful Customer Relationship Management

Customer Relationship Management can be used as a strategy to deal with competition and management should seriously consider the following points for making Customer Relationship Management successful.

- The management must define customer relationships in a way that can be measured and therefore managed.
- The top management must be actively interested in the performance improvement of Customer Relationship Management.
- The company needs to implement a strategy to raise performance methodically. Plans for the organization should specify the goals that will be used to gauge progress. The organization should explicitly measure performance against the plan.
- The organization should have an effective performance feedback system for all levels.

- In Customer Relationship Management, the people are a major factor in achieving success; they need to be motivated to bring their brains and hearts to work and not just their bodies.

Approaching of Customer Relationship Management

For a successful implementation, Customer Relationship Management needs to be integrated into the overall operations of the firm (Piercy, N.F., 2009) [13]. Customer relationship management activities have varying outcomes depending on where they are done, even if various organizations have different basic capabilities. Thus, it was determined that, depending on where and when it is applied, customer relationship management may not always improve a company's operations but instead have the opposite effect. (Krasnikov, A., et al., 2009) [14]. The effects of Customer Relationship Management technology investments can be enhanced by befitting relational information processes. While the efficacy of Customer Relationship Management may differ based on the situation, it seems that gaining customer knowledge and applying it to generate value for the company is the most crucial aspect of implementing CRM. The future of Customer Relationship Management is vast and the technological advancements such as social media would certainly be important boosters of it.

Conclusion

The core of the corporate strategy is customer relationship management, which is the process of identifying the values that are significant to specific clients and then applying that understanding to provide the advantages those clients truly desire while also facilitating their business dealings with the organization. Businesses should embrace the customer-focused company approach, which maximizes profits, sales, and client retention.

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