

UNIT 1

EVOLUTION OF CUSTOMER RELATIONSHIP

CUSTOMER RELATIONSHIP MANAGEMENT (CRM):

MEANING AND DEFINITIONS

CRM is a powerful tool that helps an organization in developing and strengthening relationships with its customers. It focuses on knowing the customers well, understanding their needs and expectations and delivering them more than their expectations in order to satisfy them. CRM is basically a business strategy that focuses on customer retention and satisfaction. To maintain and manage relationships with their customers, organizations need to systematically collect, store and analyse their customers' information, which includes their names, contact details, needs and preferences, history of purchases, repeat orders and expected future transactions.

The term 'Customer Relationship Management' is the combination of three words; 'Customer', 'Relationship' and 'Management'

(1) Generally, the term 'Customer' conveys an individual only; however, broadly a 'customer' may be defined as a particular individual, a group of individuals, or institutions etc. They are the end users in the distribution chain of goods and services. Customer is someone who can be persuaded to buy through marketing efforts or advertisements. Depending upon the type and nature of customers, products are created and sold in the market.

(2) Meaning of the term 'Relationship' may be different for different persons. It is a state of association between two parties. In terms of business world, the relationship between the organization and customer is neither personal nor one-time. In fact, it is long-term relationship, rather than based on single transaction

(3) The term 'Management' denotes application of a systematic process consisting of planning, organizing, directing and controlling to a specific field.

The above discussion describes the term Customer Relationship Management (CRM) as optimal management of the long-term relationship between Customer and the Supplier/seller.

Definitions

Following are some of the widely accepted definitions of the term 'Customer Relationship Management (CRM):

According to Dick Lee, "Relationship Management is putting the customer in the middle of business cycle."

In the words of Buttle Francis (2008) "CRM is the core business strategy that integrates internal processes and functions and external networks to create and deliver value to targeted customers at a profit. It is grounded on high quality customer data and enabled by information technology".

According to Wimshurst and Mackay (2002), "CRM is a complete set of activities covering all functions of the organization, relating with and supporting a customer."

FEATURES OR CHARACTERISTICS OF CUSTOMER RELATIONSHIP MANAGEMENT

- 1. Process:** Customer Relationship Management is not one-shot activity; rather it involves a systematic process. This process starts with identifying a customer and maintaining all the corresponding details into the CRM system or program. The Sales and Field representatives then try getting business out of these customers by sophisticatedly following them up and converting them into a winning deal.
- 2. Strategy:** CRM is a business strategy that enables an organization to serve the needs of its customers well. It works with the focus to know, understand, anticipate and respond to the needs of present and potential organizational customers in order to raise the relationship value. CRM is a technique that is crucial for every business.
- 3. Customer Satisfaction:** CRM focuses on understanding the needs of customers and enhancing customer satisfaction, which further leads to retention and loyalty. Organizations utilize various tools and techniques to increase interaction with their customers. The focus is on finding, acquiring and retaining customers for long run.
- 4. Holistic View:** Organization's CRM system displays the holistic view of customers' information from all data sources e.g. an organization's loyal customer may buy online from the company website or they may personally visit the retail store. A good CRM integrates the information from both online as well as offline platforms and provides a comprehensive view of customer purchase history.
- 5. Dual Outcomes:** Customer Relationship Management (CRM) is an upright idea or strategy that focuses on making the relations with customers stronger on one hand, while reducing cost and enhancing productivity alongwith profitability on the other.
- 6. Cost:** CRM involves commitment of huge costs and efforts. Choosing an appropriate CRM system, hiring suitable CR managers, installing CRM software, training of sales personnel and staff, all this requires commitment of large amount of funds.
- 7. Relationship Changes with Time:** As the time passes, customer may enter into frequent purchases/interactions with the organization, he/she becomes closer and relationship gets stronger. The relationship between organization and customer passes through various stages overtime. However, this relationship may also terminate due to insufficient services offered by the organization or low rates of customer response.

HISTORY AND EMERGENCE OF CRM PRACTICE

The growth of CRM can be well elaborated under the following heads:

- 1. Mass Production** (during 1960s): In 1960s, the companies used to work with the belief that they have abundance of resources and only need to focus on production. The notion was that customers can be replaced with new ones anytime. Mass production was the system of large-scale production and high-volume assembly line, as suggested by Henry Ford. This concept, no doubt, enhanced the profit-making ability of corporations but had negative impact on human beings working in organizations.

2. Mass Market (during 1970s): Walking on the same idea, during 1970s, corporations were offering same product to whole market, which was referred as mass market. Here market segments differences were fully ignored and all customers were offered one product. Persuasion was the marketing strategy used, in which same message was broadcasted to entire market.

3. Customer Information Management Systems (during 1980s): The ideology of organizational executives started changing with the emergence of Information age. As customers were able to get information freely and could take better decisions for their purchase, taking them seriously became the need of hour. The foundation of CRM concept was laid in 1980s, when it became known as Data Base Marketing. Customer data bases were created and maintained to contact the customers. Loyal and valuable customers used to play the most crucial role and company representatives used to speak to them. The challenge at this CRM stage was that limited information could be gathered via surveys. Another issue was that the organizations didn't had access to efficient methods of processing and analyzing customer information. During this phase, the organizations realized the fact that they needed only basic information about their customers e.g. what they purchased, frequency of purchase, usage, reason of purchase etc.

In this era, companies started implementing the Japanese style management approach to improve quality, which was known as Total Quality Management (TQM). The awareness regarding quality was embedded in all organizational processes.

4. Customer Relationship Management (during 1990s): During 1990s, sea changes came in the business world due to liberalization and globalization. Customers were able to access even global markets and had numerous options to switch over. Here the concept of 'Customer Relationship Management' emerged in business world to completely change the way corporations used to interact with their customers. The organizations went a step further and worked on dual system. They were not only collecting customer information for their own benefit, rather they started offering customers back what they deserved e.g. sending cards on special days, offering discounts on purchase, giving gifts and coupons, points and perks etc. The idea was to have loyal and long term relations with the customers, who buy organizational offerings. Here, the practical application of CRM posed multiple challenges, as it was quite expensive to track and keep high volume of customers' data. Updating the database was another issue. However, now days, many of these issues have been handled by CRM software systems

5. E-CRM (after 2002): The definition of CRM has drastically changed in today's business environment. Besides focusing on profitability, organizations started becoming serious about designing and maintaining long term relations with their customers. Idea of e-CRM is another milestone in the field of Customer Relationship Management. It was a web based automation tool to exercise CRM strategy in optimal manner. With the advent of multiple CRM software programs, companies are able to reach out their customers via multiple sources both offline as well as online. In the modern times, these software can be customized according to organizational requirements and customer can be well connected.

In contemporary times, CRM has emerged as a separate field of study. Numerous tools and software have made the analysis of customer data easy.

FACTORS RESPONSIBLE FOR THE GROWTH OF CRM

1. Shifts in Business: After 1980s, there were rapid shifts in the business world that changed the customers' power drastically. For various products, supply was exceeding demand and sellers were left with little pricing power. All such trends necessitated the suppliers to understand their customers and develop relationships with them.

2. Retention is Cheaper. With the growth of industrialization, organizations slowly realized that retaining customers is less costly and offers a more sustainable competitive advantage as compared to acquiring the new ones.

3. Competition: As businesses progressed, the component of competition became very vital as suggested by Michael E. Porter in his famous Five Forces Model of Competition. With the advent of new technology and advanced product features, customers' expectations started rising, therefore, businesses were left with no other options except relationship building.

4. Increased Awareness: Widespread education and information enhanced the level of awareness among consumers. They make informed purchasing decisions after going through online reviews and ratings. Having a strong connect with these knowledgeable consumers was the need and building relationship with them came up as a creative solution.

5. Consumer Laws: Introduction of various consumer laws over years was another reason behind the growth of CRM practices in the business world. For safeguarding buyers from different forms of exploitation, Consumer Protection Act was introduced as a milestone in 1986, which was amended multiple times to match up the needs of various consumers. These customer laws awakened the customers about their rights and organizations about their responsibilities.

6. Liberalization and Globalization: Opening up of economies globally made the entire world a global village, which equipped the consumers with standard information all around the world. They became aware about their rights and started taking informed decisions, which further led to the emergence of CRM practices.

7. Variety of Options: Availability of endless options at the disposal of customers was another factor responsible for the growth of CRM over years.

8. Developments in the Banking Sector: Advent of online banking, multiple payment options, credit cards, debit cards, UPI, internet banking and other technological advancements equipped the customers with new tools, who were able to take instant decisions to make a purchase or not.

9. Need of Partnering Relationship: Research has proved that it is always better to have closer relationships with few suppliers as compared to having more vendors. Therefore, the organizations started following the trend of partnering with customers and suppliers.

10. Other Factors: Other factors behind the growth of CRM practice were:

- Introduction of online investment programs
- Online buying and selling trends
- Growth of service economy
- Total Quality Management

OBJECTIVES/ROLE OF CRM

- 1. Valuing Differentiation:** All customers are not alike and CRM helps in knowing the customers more. Different customers have unique needs and expectations. Through CRM, organizations take out time to know the customers well and understand their individual needs.
- 2. Quality Service:** CRM aims at offering quality goods and services to the customers. Offers are customized according to the requirements of individual customers.
- 3. Customer Satisfaction:** Various CRM strategies focus on higher level of customer satisfaction, loyalty and delight.
- 4. Customer Acquisition and Retention:** Organizations can win the customers for long run by focusing on their needs and preferences and can also acquire new leads. Customer stay connected longer with the organization and their loyalty increases. CRM also assists in tapping new opportunities.
- 5. Reduced Costs:** As customers are connected to the organization and become more responsive due to CRM strategies, the companies need not spend much on marketing and promotional campaigns. Attracting new customers may not be necessary to sustain a business, as existing customers would be fetching enough revenues. Therefore, additional expenses for tapping new customers can be controlled.
- 6. Profitability:** Existing satisfied customer base offers profitability and growth to an organization. Satisfied customers bring loyalty, positive referrals and growth in sales with them. It results in increased revenues and market share for the company.
- 7. Quality Information:** CRM database offers information related to customers that can be helpful in taking sound business decisions. Various software help in collecting, storing and using the customer data systematically.
- 8. Enhanced Effectiveness and Productivity:** CRM assists in enhancing organizational effectiveness and productivity.
- 9. Effective Communication:** CRM also helps in developing effective two-way communication channels between customers and organization.
- 10. Keeping Track:** Tracking the transactions of prospects is another function of CRM.

BENEFITS OF CRM

- 1. Customer Satisfaction:** CRM seeks to achieve a higher level of customer satisfaction in the organization. When organizations have customers' information such as their previous purchase history and interactions, they can provide better and faster customer support/service. CRM acts as a tool that helps in strengthening better relationships with customers by identifying their needs and expectations and fulfilling them, which results in higher level of satisfaction.
- 2. Effective Channels of Communication:** CRM program assists in establishing effective communication channels to reach the existing and potential customers. Customers are

welcomed to give feedback regarding their organizational experiences via various online as well as offline modes.

3. Systematic Customer Information: Customers' information is collected and systematically analyzed in an effective CRM program. Organizations can make use of various software programs to collect, analyze and utilize the detailed customer information which includes demographic and purchase related data. This access to customer data can also help in identifying trends and insights about customers through reporting and visualization features.

4. Increased Profitability and Market Share: CRM is a business strategy that focuses on customer satisfaction and retention. It also offers the benefit the enhanced profitability and market share by attracting new customers and retaining the existing ones. Upselling and cross selling further lead towards increased revenue.

5. Designing Customer Profiles: The customers' information collected in the CRM program can be effectively utilized in designing the detailed profiles of every individual customer, which includes personal details, buying habits, frequency of purchase, feedback, post purchase behavior etc.

6. Enhanced Customer Loyalty: Positive customer experience leads to customer satisfaction and customer loyalty, which are two crucial elements for the growth of an organization. With the help of CRM program, customer centric culture is created which helps in identifying customer needs and converting them into loyal and satisfied consumers.

7. Tracking New Opportunities: CRM assists in identifying new opportunities for an organization.

8. Understanding Needs: CRM helps a business in understanding what it needs to do to get new customers and hold the existing ones for long.

9. Cost Reduction: By managing the customers' complaints in time and identifying the wasteful activities from customers' viewpoint, CRM assists in reducing overall cost

SCOPE OF CRM

1. Relationship Building: Relationship management is a crucial component of CRM. Variety of strategies are used by the organizations to build and sustain long term relationships with chosen customers.

2. Sales Management: It includes finding the prospects and monitoring the same from first contact to final sale. Upcoming sales automation software have streamlined all phases of sales process, resulting in time minimization in pursuing clients

This function includes:

- Opportunity management
- Contact management
- Order placement
- Sales force automation

3. Marketing: CRM systems for marketing help the enterprise to identify and target potential clients and generate qualified leads for the sales team. This function includes:

- Campaign management ie, tracking and measuring multichannel campaigns
- Demographic analysis
- Metrics monitoring i.e. monitoring clicks, responses, leads, deals etc.
- Tele-marketing
- Marketing automation

4. Customer Service and Support Management: Organizations, these days, are making use of technology platforms to improve customer experience. CSS management includes:

- Call center management
- Intelligent call routing
- Knowledge management
- Customer service automation
- Integrated account information or computer telephone integration

5. Integration Function: The organizational operations can be categorized in two types, Front Line/Office operations and Back Line/Office operations and these two categories must be integrated to get effective outcomes. This function includes:

- Integrate back-end data with front-end systems
- Integrate front-end system data with back-end systems
- Data synchronization

6. Lead Tracking/Management: Leads ie. potential customers have to be managed through various offline and online methods and CRM offers variety of techniques for lead management.

7. Data Management: Companies work with customer databases. Managing these data systematically and utilizing them in optimal manner is very vital. Data management function includes:

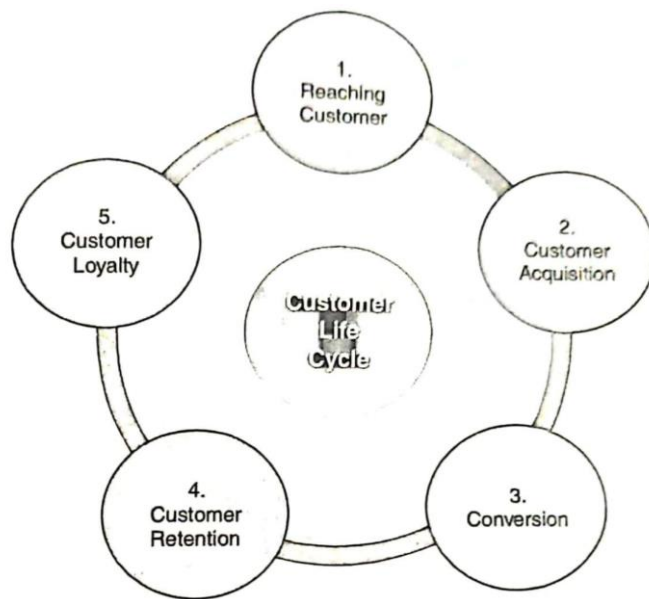
- Data Mining
- Data Warehousing

With the increase in complexities in business world, the scope of CRM has also widened

PROCESS OF CRM

CRM process is a strategy for keeping every customer interaction personalized and meaningful. To understand the CRM well, one must know about Customer Life Cycle

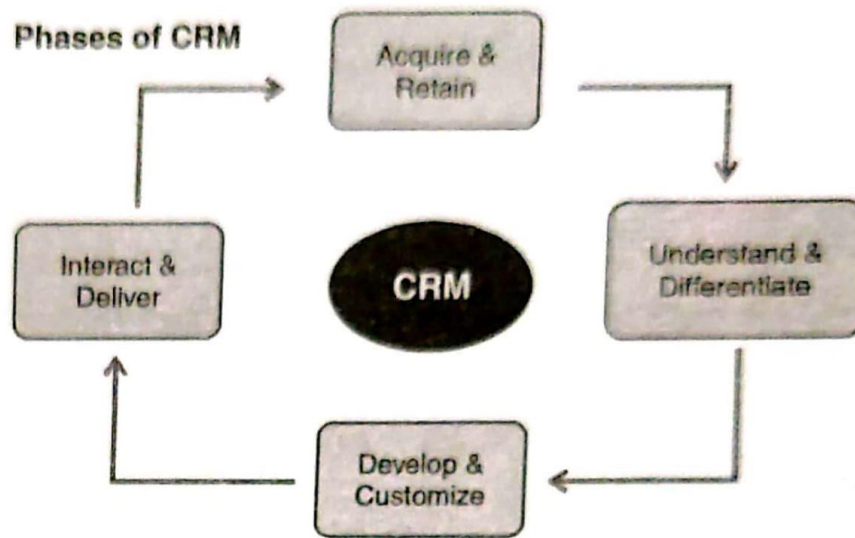
CRM Cycle starts with Outreach and Customer acquisition and leads towards customer loyalty. Different phases through which CRM help to support the relationship between a business and its customers are as follows:



Customer life cycle

1. **Reaching customer-** The first stage of the lifecycle is the reach or awareness stage, where a customer becomes aware of an organisation's products and services. All the prospects start at this stage. Here, the customer is usually looking for solutions to an unmet need and learns about a company's offerings. They may learn via search engines, billboard advertisements, targeted advertisements or word of mouth. The customer may also be comparing other available options
2. **Customer Acquisition-** At the acquisition or consideration stage, customers are deciding if they want to make the purchase. Customers contemplate the pros and cons of the offering and determine how well it meets their needs. They may contact the company's customer care department to learn more, read the information on the company website or look for reviews.
3. **Conversion-** Here, a lead becomes a customer. The prospect has gathered all the necessary information and determined that the organisation's offerings are the best option. It is still possible at this stage for a prospect to discover a better option and abandon the purchase. This is common in e-commerce and can be due to unavailable payment options or unclear steps for completing the purchase
4. **Customer Retention-** This stage comes after the customer has made the purchase and may have also used the product or the service. Here, you try to understand how the customer feels about the product and if they are happy with it. You can obtain feedback by circulating post-purchase surveys or calling the customer.
5. **Customer loyalty-** The final stage of a customer's purchase journey is the loyalty stage, where the customer makes repeat purchases from the organisation. Here, the customer becomes an asset and can help you acquire more customers. Customers who have reached this stage can act as brand advocates by referring the company and its products to others.

Phases of CRM



1. Acquire and Retain: CRM helps a business in acquiring new customers through excellent contact management, direct marketing, selling and fulfillment. Loyal and valuable customers are identified from customer databases and are rewarded for their commitment.

2. Enhance: Technologically enabled CRM in collaboration with skilled sales and service specialists offers excellent customer service. Customer experience is enriched with variety of strategies. For delivering best customer service, understanding them well is the pre-condition. Therefore, customers must be:

- (a) Understood well
- (b) Differentiated on certain criteria, known as segmentation
- (c) Offered product and services according to their requirements

3. Develop and Customize: CRM has to be designed and customized according to the needs of customers and nature of organization

4. Interact and Deliver. Finally, the skilled salespersons interact with potential and exiting customers and deliver them what is being designed for them

FRAMEWORK OF CRM

The framework of CRM involves various components and processes. The following is the general framework of CRM:

1. Designing the CRM Strategy: For making CRM work successfully, the organizations have to start with clearly defined purpose/objectives that will be in synchronization with CRM. Few examples of business objectives can be enhancing customer satisfaction, increasing cross/up selling, focusing on efficiency/effectiveness and improving retention ratio etc.

2. Customer Segmentation and Selection: Then the organization tries to tap all possible sources from where customers can be found. The customers are identified and segmented on the basis of certain criteria/behaviors, and myriad marketing strategies are devised as per the requirements of each segment. Segmentation is generally based on certain homogenous customers' characteristics e.g. their purchasing patterns are analyzed. Based on the customer profitability analysis, the customers who can offer greatest value to organization are shortlisted. On the criteria of value, the firm makes decisions regarding which segment to focus upon and how much to be spent.

3. Customer Targeting: One to One relationship marketing strategy is used to target the right customer chosen in previous stage. Special promotional appeals, price discounts, perks, and other offers are given through various media such as telemarketing, direct mails or one to one calls.

4. Designing Data Base: The companies collect detailed data of their potential and existing customers and design a repository of information about their customers from various touchpoints including sales, marketing, customer support and social media. This data base becomes the foundation for identifying customers who can be long term loyals to the organization. Companies maintain customer information files in their systems and assess the value of every customer to the organization.

In the data base Customer purchase history is assessed over time.

5. Arranging CRM Software: To store and manage customer information effectively, modern organizations use robust software, which perform specialized functions related to sales, customer support and marketing.

6. Analyzing the Data Base: The data available in customer data base is analyzed and this stage is called data mining. The analysis offers required information in various formats such as CLV (Customer Lifetime Value) to the organization. The purchase information available in customer data base is used to calculate each customer's cumulative profitability.

7. Relationship Performance: Relationship marketing is the most widely used tool to enhance customer satisfaction and delight. It is known that best relationships can be developed by offering quality products and flawless services to customers. When customers receive unexpected services which other competitors can't match, they become all time loyal towards the organization. Relationship can be made stronger by bridging the service quality gaps with service guarantees and service recovery strategies. The success of relationship can be measured through various KPIs (key performance indicators) such as retention ratio, customer satisfaction score, customer loyalty and other financial indicators.

8. Privacy Issues: In the CRM framework, privacy of customer information is a very crucial aspect. CRM contains personal information of customers, which may sometimes be taken for granted. It may lead to several privacy issues.

9. Metrics: The measurement of CRM performance can't be ignored. It is necessary to identify how the entire CRM system has performed and it is done with help of CRM metrics. Metrics are the guidelines for measuring success of CRM in an organization. Various metrics are used such as profitability, market share captures, churn rate, customer retention etc.

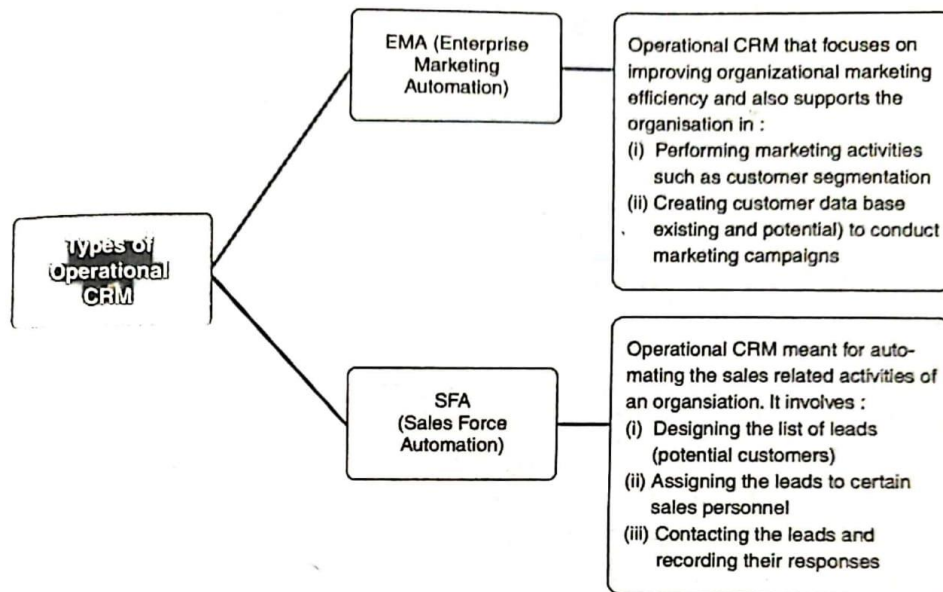
TYPES OF CRM

Customer Relationship Management facilitates an organization in acquiring new customers and retaining the existing ones. The objectives for which CRM is implemented in the organizations differ from each other; some organizations may have the objective of revenue enhancement, while for others it may be opportunity to tap prospects. Depending upon the nature of organizational requirements, CRM can be classified under the following categories:

CRM Types

1. Operational CRM
2. Analytical CRM
3. Sales Intelligence CRM
4. Collaborative CRM

1. Operational CRM: The organizational operations can be categorized in two types, Front Line/Office operations and Back Line/Office operations. Front line operations are operations/activities that lead to direct interaction with customers such as sales operations, marketing activities, customer service actions etc. Back line operations are the operations/activities which are meant to assist the front-line operations and don't directly deal with customers such as financial management, HR planning, HRM and production management, demand analysis etc.



Operational CRM are meant to offer support to front line operations. As here, organization directly interacts with customers, therefore, every interaction is crucial and offers relevant information about them. Organizations record these customer interactions' information in their database for future analysis purpose. Therefore, Operational CRM aims at collecting customer information and also assists in tracking this customers' information to estimate their future moves.

2. Analytical CRM: Operational CRM focuses on collecting customer information, while Analytical CRM aims at analyzing this information. The analysis process assists in taking various policy decisions such as product design, pricing etc. Customer information is analyzed by the organizations through expert analysts for variety of purposes such as:

- To estimate the future moves of customers i.e. whether they are going to buy organizational products in the future or not
- To analyze the customer behavior which would assist in various product decisions
- To plan the marketing campaigns
- To take policy decisions e.g. budgeting requirements, HR recruitments etc.

3. Sales Intelligence CRM: Sales intelligence CRM is used by the organizations dealing in distribution and manufacturing activities. This CRM focuses on improving strategic sales processes of an organization. Customer information collected via Operational CRM is analyzed to take sales related decisions. Under Sales intelligence CRM, customers buying behavior are analyzed with the following purposes:

- To take the strategic sales decisions
- To track the sales opportunities
- To enhance sales revenue and productivity
- To offer better customer service

To track cross sell (a strategy to encourage a customer to buy related/ complementary products to the ones that he/she is already buying), switch cell (a strategy to encourage a customer to switch over to the organization's similar product that customer was buying from competitor) and upsell (a strategy to encourage a customer to buy superior or more expensive high end version of the product that he/she is already buying) opportunities.

4. Collaborative CRM: As the name suggests, Collaborative CRM focuses on the collaborative working of various organizational departments especially on the customer information sharing. Various departments work in the organizations such as Production, Finance Marketing and Sales, IT, Operations etc. All these departments work for better customer satisfaction and relations. When the departments share customer information with each other, it leads to following benefits:

- No duplication of activities
- Better customer service
- Control over customer service costs

When Collaborative CRM is applied, it increases the efficiency of various organizational departments e.g. salesmen directly dealing with customers can well estimate the future demand of the products. This data may be shared with Sales and Marketing department staff (who can plan their marketing activities accordingly), with Finance department (who can plan the budget), and the Production department (who can fix the production quantities). Another crucial aspect of Collaborative CRM is that there should be collaboration between different channels through which customer interaction data is collected and recorded such as phone calls, emails, face to face interaction, chat and messaging, internet/website browsing etc.

CRM SUCCESS FACTORS

1. Top Management Support: CRM implementation in the organization must be supported by the people sitting at the top position of an organizational hierarchy. CRM projects are strategic initiatives, therefore top management must actively support them. Top management must understand that CRM is an effective tool to retain existing customers and attracting the new ones. Executive team must be actively involved in driving CRM as a strategic tool for the organizational success.

2. Measurable Goals: The goals designed for CRM must be SMART. It is critical to define the goals that organization expects a CRM project to deliver. The goal must be:

- S- Specific
- M-Measurable
- A-Achievable
- R-Realistic
- T-Time Bound

3. Compatibility with Strategic Intent: CRM should be implemented in support of organizational vision, mission, goals, strategies and aims. CRM must work towards achieving the organizational goals, therefore, both organizational goals and CRM goals must flow in same direction. Following points must be considered to make CRM successful:

- CRM goals and vision must be in line with the overall organizational plans and strategy.
- CRM goals must be clearly communicated to everyone in the organization and it must be ensured that everyone understands the same.
- CRM implementation may lead to some changes in the organization; therefore, CRM staff must instil confidence in the people to manage this change.
- Executive team must be ready to implement critical changes in the CRM program, as and when required

4. Effective Implementation: Only planning of CRM activities is not enough, its effective implementation is the real key to success. In the implementation stage, following decisions play crucial role:

- Implementation must be done in phases and the scope/goal of each phase must be decided in advance.
- The expectation of everyone involved must be in line with the planned deliverables.
- There should be enough scope for changes in the implementation. The methodology must be flexible enough to cope up with the situations.
- Clear documentation should be done at every stage and it must be ensured that things are clear to everyone.
- The resources involved in implementation stage must be optimally used to avoid wastages.

5. Data Quality: Data is the life blood in every CRM program. The quality of data directly affects the health of overall CRM system. In the data aspect, following are the key considerations:

- The data must be easily understandable to the concerned users.
- Quality of data is the most crucial factor in CRM program's success that instills confidence in the entire CRM system.
- Incomplete, inaccurate, duplicate, and outdated data leads to poor outcomes such as wrong future demand forecasts, bad reporting etc.
- The cost involved in collecting, analyzing, rectifying, importing and updating data can be a crucial consideration for the organization.

6. Right Team: The quality of CRM team also plays crucial role in its successful implementation. Right team members assist in avoiding pitfalls in CRM processes and keep the things on track. Organizations must choose trained and experienced consultants, who have real time experience of deploying CRM applications.

7. Right Partner: An external party may also be involved in the CRM process to bring industry related rich knowledge. These external experts can add value to the CRM project due to their previous experiences. They help the organization to navigate through CRM journey by avoiding various challenges coming on the way. Improvements can be incorporated by identifying the opportunities at the right time.

8. Right Technology: The best technology doesn't guarantee success of CRM project. Following are the key considerations in the selection of suitable technology:

- Build or buy decision is very crucial. Sometimes, building technology may be appealing but considerably expensive
- As far as possible, things must be customized in the CRM system to avoid pitfalls.
- The software and hardware used for CRM must be easily accessible to the staff. As far as possible it must be accessible by multiple devices, especially in case of large organizations.
- Selection of appropriate technology must be discussed with experts, customers and CRM partners.

9. Alignment of Business and IT Operations: CRM is driven by technology; therefore, the business operations must be aligned with the CRM technology.

10. Customization: The organizations must focus on out of the box functionality instead of customization. Customization is generally time consuming, costly and may be challenging for CRM implementation process. Organizations must try to choose the technology that meets the organizational needs and requirements.

11. Involvement of End Users: To make the CRM program successful, the end users must be actively involved in solution design. Feedback of end users may avoid confusions for those who are finally going to use it. The end users must also be trained through demonstrations on the use of CRM software features and functionalities.

12. Monitoring: Once the CRM project is implemented and is live, its effectiveness must be measured, monitored and tracked to continuously improve the system.

CUSTOMER PROFITABILITY (CP):

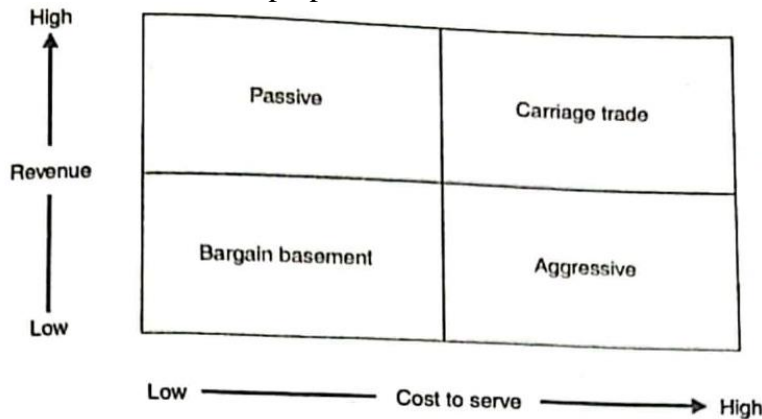
MEANING

Customer Profitability is an evaluation process in which the organization focuses on assigning costs and revenues to different segments of customer instead of assigning to the products or departments. According to Philip Kotler, "a profitable customer is a person, household or a company that overtime yields a revenue stream that exceeds by an acceptable amount the company's cost stream of attracting, selling and servicing the customer." In simple terms, Customer Profitability is company's view of the possible profits to be made from its customers. Profits denotes the excess of revenue generated over the costs incurred on the customers.

Customer profitability is the profit that an organization makes from serving a customer or customer groups over a specific period of time. By calculating CP, the firm can identify the customers/customer groups with higher profitability along with the unprofitable ones. Here, the decision related to continuation and discontinuation of relationship with specific customer or customer group can be taken. Therefore, the concept of customer profitability can offer effective business insights.

CUSTOMER PROFITABILITY ANALYSIS

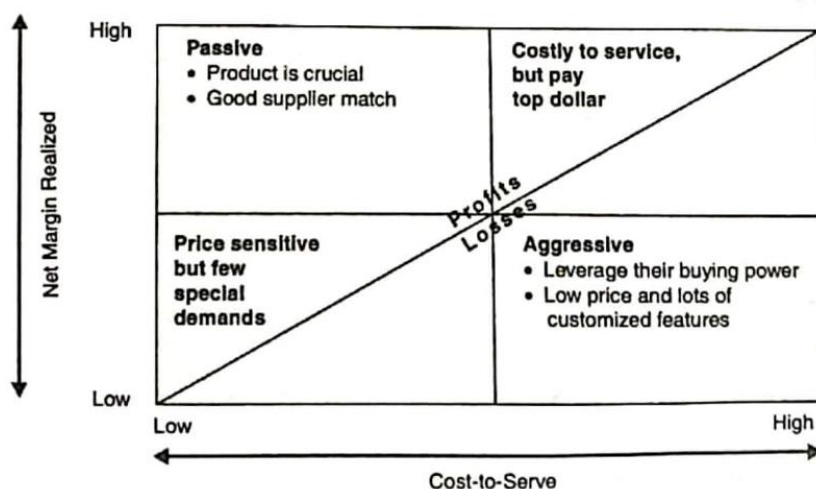
CPA is a technique used by organizations which allows businesses to determine the profitability of each customer or customer segments by attributing profits and costs to each customer separately. This technique can be applied at individual customer level or at the level of customer aggregates/groups. CPA is a retrospective technique, which analyses the past events of different customers to calculate profitability of each customer. Customer classification matrix is prepared to serve different customers:



- Most profitable/valuable customers have been categorized as 'Passive', as they are generating higher profitability at lower costs. Organization must pay special attention to them.
- 'Carriage trade' segment shows the customers with high revenue, but are expensive as well. These customers may be continued only if revenue exceeds their cost.
- Customers which are cheaper to serve, but bringing less profits have been named as 'bargain basement'.
- 'Aggressive' segment shows the customers having higher costs but generating lower revenue.

Strategies for Different Customers

Customer Profitability



Aggressive

- Negotiate with customers on pricing
- Refine internal processes to reduce cost
- Lose unprofitable customers

Bargain Basement

- Strategies to increase revenue
- Conduct research to know expectations
- Check the price sensitive customers

Carriage Trade

- Redefine processes to reduce costs
- Investigate the cost factors and control them as far as possible

Passive

- Better serve these customers
- Focus on loyalty building
- Work on customer satisfaction
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Customer Product Profitability Analysis (CPP analysed)

In CPP analysis, customer profitability is assessed and product decisions are finalized. Following matrix shows Customer product profitability analysis:

	Customer A	Customer B	Customer C	
Product A	*	*	*	Most Profitable Product
Product B	*			Profitable Product
Product C		X	X	Loss Product
Product D	*		X	Mixed Product
	Most Profitable Customer	Mixed Customer	Loss Customer	

Following are the crucial points in the above shown Customer Product Profitability Analysis

Matrix:

1. In the above Matrix, Customers are depicted among columns and Products are depicted among rows.
2. (*) represents Profitable Product and (X) represents Loss Making Product.
3. Customer A is the most Profitable Customer, as he/she is buying three profit making products.
4. Customer B is offering Mixed Profitability, as he/she is buying one Profitable and one Non- Profitable Product.
5. Customer C is the most Unprofitable customer, as he/she is buying one Profitable and two Non-Profitable products.

Strategies for the Matrix:

1. Customer A is the most Profitable Customer, company needs to retain this customer for long

2. Customer B is offering Mixed Profitability. Therefore, the company can raise the price of Product C or can entirely eliminate the same. It can also motivate the customer to buy Profitable Product to make this customer profitable.

3. Customer C is the Losing Customer. Therefore, the company can raise the price of Product C and D or can entirely eliminate these products. It can also motivate the customer to buy Profitable Product to make this customer profitable.

PROCESS OF CUSTOMER PROFITABILITY ANALYSIS

Following steps are involved in the customer profitability analysis:

1. Customer Segmentation: First step in Customer Profitability analysis is to segment the customers on the basis of certain homogeneity criteria. Customer segmentation can be done on the following basis:

- Demographic segmentation: Segmenting customers on the basis of age, sex, education and other demographic characteristics.
- Geographic segmentation: Segmenting customers on the basis of geographic area.
- Psychographic segmentation: Segmenting customers on the basis of psychological characteristics such as attitude, personality, or motivation.
- Usage segmentation: Segmenting customers on the basis of frequency of use.

2. Determining Revenue of Each Segment: Once the segments are defined, revenue per customer segment is calculated. Calculation of segment revenue depends upon the nature of products and services offered in that segment.

It must be noted that discounts, service fee or any other amounts must be adjusted in product prices to calculate the true revenue from each customer. Then, these customer revenues are aggregated to calculate total revenue generated by the segment.

3. Determining Cost of Each Segment: In this stage, cost of each segment is calculated.

Total cost = Product or Service Cost + Customer Costs + Overhead Costs + Marketing, Sales and Distribution Costs

Customer cost includes hidden costs including inspection costs, ordering cost, order picking costs etc. Generally, the organizations make use of Activity Based Costing (ABC) to attribute all types of costs.

4. Analyzing the Segments: In this step, organizations divide their segments under different heads i.e. Most profitable customer/segment, Less profitable customer/segment, the Least profitable customer/segment. Customers can be segregated as Aggressive, Passive, Carriage trade and Bargain basement.

Most profitable segment: Segment where Revenue > Costs

Least profitable segment: Segment where Revenue < Costs

5. Devise Strategies to Maximize Profits: Different strategies have to be developed for every segment to maximize the returns (as discussed above):

(i) Profitable Segments: Detailed planning must be done for developing long term relationships for increased revenue. Here the focus should be on Customer Retention strategies and Loyalty programs.

(ii) Least Profitable and Unprofitable Segments: To deal with least profitable and unprofitable segments, companies can resort to the following strategies:

Elimination: Elimination means ceasing to supply these segments of customers. Company can raise the product price, or decide not to market the same product to these customers, or modifying the product/service in such a way that it is no longer suitable for the customer.

Reengineering: Reengineering means turning the least profitable or unprofitable customer groups into profitable ones either by increasing revenue or decreasing costs related to these groups. Company can opt the strategy of charging additional fees for services, or using differential prices from different customer segments.

6. Review Impact of New Strategies: Strategies opted in step no 5 must be reviewed regularly and their impact must be assessed e.g. reviewing the impact of change in price on the customer profitability.

COST-BENEFIT ANALYSIS

Cost Benefit analysis is a process that businesses use to decide which decisions to take and which to forego. It measures the benefits of a decision minus costs associated with that decision. Before taking up a new project, prudent managers conduct cost benefit analysis to evaluate all potential costs and revenue that project may generate.

Whenever any CRM decision is to be taken in an organization, managers will weigh the benefits of CRM decision in contrast to its associated costs.

CRM Benefits

To the Organisation

- Increased Revenue
- Reduced Cost
- Customer Loyalty

To the Customer

- Simplifying Buying Process
- Friendly Services Leading to better Customer Satisfaction

CRM Costs

To the Organisation

- Huge investment will be required

To the Customer

- Opportunity Cost

For the purpose of conducting cost benefit analysis, some organizations make use of value analysis. Value is the difference between benefits and cost. Therefore, value analysis is a process meant to identify how that CRM is perceived by consumers and organisation. Value creation is a strategic process to manage a product/service/business unit's growth and competitive share.

TRENDS IN CRM

Customer relationship management is a highly integrated part of overall business strategy. In the era of increased competition, it is imperative that the businesses focus on long term relationships with their customers rather than quick sales. It is not suddenly that businesses have realized that customer is important and must be given personalized service, but the history of CRM depicts that managers were focusing on improving customer services over decades. The commercial penetration of internet into the homes transformed everything, as businesses were able to connect with their customers anytime. Today, CRM has revolutionized the way business is transacted.

The following added dimensions have emerged in modern businesses:

1. Customization and Personalization: Earlier the businesses used to come up with a wide range of products and customers used to choose among them. Today, the customer wants product as per own discretion and the companies are ready to serve the customers with what and how they want. Even a car can be customized with its features and options, a home can be designed, outfits can be personalized as per customers' choice of colour, material, tailoring and stitching selections. CRM has proved to be a great enabler in opting this customization for the businesses in a cost effective way.

2. Digitalization: One of the most crucial trends in businesses today is of digitalization. Digital CRM means creating a digital customer experience and enhancing the levels of customer satisfaction. Just knowing the customer profile, their names, phone numbers, value they can bring is not enough, rather the companies need their enriched profile along with their behavior patterns and motivation. With the help of digital technologies, businesses can know client's preferences in purchasing, their favorite channels and preferred mode of payments. These digital platforms have completely changed the customer expectations, as customers are served with multiple options so that they can get what they want, and how they want.

3. Shift towards Cloud Based CRM: The business organizations are preferring cloud-based CRM software to tackle the challenge of on premise CRM software, as these existing software involves a high cost for every upgradation. Cloud based CRM can assist the organizations by reducing the cost of infrastructural investments. However, the decision to have a public cloud or private cloud depends upon the size, requirements and financial capability of an organization.

4. Emerging Dimension of Social Media CRM: Modern customers are well aware and they take decisions whether to buy a product or not, based on social media reviews, Instagram stories, recommendations on YouTube channels and audience experiences. Therefore, the businesses have to employ social CRM tools as social media can change the attitude and preferences of users. Influencer marketing, involving the content writers, updating the social

presence are few of the upcoming tools to tap potential customers and have strong bonds with existing ones

5. Mobile CRM: Majority of the customers have shifted themselves to smart phones and that's why the companies are also developing their personalized mobile applications. These apps are designed customer handy and the problems are also handled by chatbots or customer representatives.

6 Integrating Data from Multiple Channels: CRM software developers are focusing on integrating the customer data coming from multiple channels e.g. e. mails, smart phones, chats etc. The unstructured data has to be processed to make it meaningful and presentable.

E-CRM: A NEW TREND IN CUSTOMER RELATIONSHIP MANAGEMENT

The term 'e-CRM' was coined by Oscar Gomes, which encompasses all CRM functions performed with the use of net environment. It denotes performing all CRM functions with the help of digital communication tools such as e mails, chat rooms, instant messaging, forums etc. One definition states that, e-CRM is an integrated online sales, marketing and service strategy that is used to attract and retain customers for an organization.

RELATIONSHIP MARKETING

In the philosophy of Transaction based Marketing, buyer and seller exchange was characterized by limited communications and there was little or no ongoing relationship between them. With the change in business environment, new concept of marketing emerged which was known as Relationship marketing. It aimed to build, grow and maintain mutually satisfying long term relationships with key parties in order to earn and retain their business. The idea was to have cost effective relationship with customers, suppliers, employees and other partners for mutual benefit. In the words of Philip Kotler and Armstrong, "relationship marketing is the process of creating, maintaining and transferring excellence, value-laden relationships between customers and other stakeholders."

The term CRM and relationship marketing are being used interchangeably to reflect a variety of perspectives. In the words of Berry, relationship marketing relates to attracting, maintaining and enhancing customer relationships. On the similar lines, Morgan and Hunt suggested that relationship marketing refers to all marketing activities directed towards establishing, developing and maintaining successful relationships.

Key features of relationship marketing are:

- To view the customers as equal partners in transactions
- To have long term relations, repeat transactions
- Mutual benefit of buyer and seller

Relationship Marketing is also known as 'Interactive marketing', Personalized marketing and 'a Segment of one'. The concept of 'one to one relationship' marketing as a CRM approach was advanced by Don Peppers and Martha Rogers in their book 'One to One Future' in 1994.

Their idea behind 'One to One Relationship Marketing' was that personalization with every customer enhances loyalty and gives a feel of connection to the customers. It leads to better returns for the organization and enhanced satisfaction to the consumers. Basically 'One to One' marketing is a CRM strategy that focuses on having a personal interaction with every customer. It focuses on personalized contact with the customers to have an emotional connect

Strategies for Relationship Marketing

Organizations make use of either of the strategies to practice relationship marketing successfully in their organizations:

1. **Permission Marketing:** In this method, the organizations capture the social media logins, customer email addresses, sign up in various accounts such as Gmail, yahoo mail, Facebook, Twitter, LinkedIn etc. From these social media pages, organizations gather information about interests, background, family and friends of existing and potential customers etc. The organizational products and services are offered to individual customers according to their interests.
2. **Cookie Creators:** Cookies follow the customers to all the websites and web addresses that they visit. They serve organization's ads to the potential consumers on various web addresses. When customers repeatedly view these advertisements, it leaves impact on their minds to buy the same.
3. **Recommendation Engines:** These engines offer suggestions to the web site visitors based on the products and services on which customers have shown interest any time in the past eg. product bought from Amazon, Pizza ordered from Dominos etc. Therefore, if customer has expressed interest in a product at a time, recommendation of similar products will come under the head 'recently viewed items' or 'related products' or 'customers who bought this also viewed this'
4. **Loyalty Programs:** Under this strategy, customers are informed to purchase a loyalty card or program specially designed for premium customers e.g. Amazon Prime, Zomato Gold Membership, True Caller Gold Premium etc. With this, they can have access to enhanced organizational facilities/services or need to pay lower prices.
5. **Special Offers:** Customers are requested to give a mobile number to intimate them about special offers declared from time to time. Generally, organizations take feedback regarding their products and services and simultaneously gather customer information, which is then stored in their data bases. Self-generated messages are sent to the customers' contact numbers from time to time about special offers announced by the organizations