



Customer Relationship Management-An Overview

DEEPIKA

Assistant Professor,
Motilal Nehru College (Morning)
University of Delhi (India)

RACHNA

Assistant Professor, (Commerce)
Shaheed Bhagat Singh College
University of Delhi (India)

Abstract:

Creating loyal customer is at the heart of every business. Without customers you don't have a business. Creating customers is one thing and managing relationship with them is totally different thing. Customers are the reason for the existence of any business. The aim of this paper is to analyze the importance of customers, how do companies view customers, to know how the successful companies manage their relationship with customers, what strategies these companies follow while managing their relationship with customers.

Keywords: *Customer, Customer relationship management, Management*

1. Introduction

A customer is an individual that purchases the goods or services produced by a business. A customer believes in maximizing value. They form an expectation of value and act upon it. Therefore, companies not only satisfy customers but also delight them by providing superior product.

Managers who believe that customer is the company's only true profit center consider the traditional organization chart, where president is at the top, management in the middle and frontline people and customers are at the bottom. But time has changed so does the philosophy of managers. Successful marketing companies invert the chart. At the top are customers, next comes importance of frontline people who meet, serve and satisfy customers. Under them are the middle level managers whose job is to support frontline people so that they can serve customers well and at the base is top management whose job is to hire and support good middle managers. In this kind of model everyone is involved and interested in knowing the customers. Many companies are systematically measuring how well they treat their customers, identifying the factors shaping satisfaction and making changes in their operations and marketing as a result. For customer centric companies customer satisfaction is both goal and a marketing tool. This leads to the concept of Customer Relationship Management. Customer relationship management focuses on cultivating a long term relationship with customers.

HDFC's experience shows successful marketers are the one that fully satisfy their customers. The bank invested heavily in the latest technology platform and this gave it significant advantage in terms of scalability and capability to offer services that hitherto were offered by some of the multinational banks. HDFC bank was first among those banks to offer online real-time banking across all the channels such as internet banking and mobile banking. Adding value to the

customer through better quality of services resulted in increased market share of HDFC bank and helps in managing relationship with customers.

2. Objectives

1. To analyze importance of customers.
2. How companies view customers.
3. To analyze importance of customer relationship management
4. How successful companies manage their relationship with customers

3. Customer Relationship Management

Today in this dynamic world companies compete against each other to gain an edge over each other. The only thing which differentiates one company from other is the quality of products and services. Successful companies live and die according to their ideas. Companies produce products and offer services to satisfy customers, companies hire talented employees to achieve its objectives i.e. to satisfy customers, companies call board meetings to identify the reasons of customer's dissatisfaction or to expand the business to cater different segment of market i.e. to serve new customers. So it is the 'customer' who is the main reason for the existence of the business.

Customers are life blood for any business be it global corporation with thousands of employees or a sole trader with few employees. They are the only one who ensures the success and failure of any business. So it becomes imperative for the company to ensure regular supply of customers in order to maintain its existence.

It is indeed difficult for any company to attract the customers and at the same time retain them in business especially when market is flooded with so many lucrative options for customers to choose from. Every company incur some cost in attracting the customers, but once the customers get attracted towards the company's products or services, they give higher payoffs. The success of company depends not only on how a company creates customers but also on how the company manages its relationship with its customers, which is known as 'customer relationship management'. Customer relationship management is the process of carefully managing detailed information about individual customers and to utilize that information in maximizing customer loyalty. It aims to provide excellent real time services through individual account information.

Today customers are more educated and informed than ever before. They have tools to verify company's claims and seek out superior alternatives. These informed customers expect companies to do more than connect with them, more than satisfy them, even more than delight them. In simple sentence they expect the company to listen to them. So attending customers is not the duty of company but a privilege also.

For example:-Tata motors implemented Oracle Siebel Automotive, a comprehensive customer relationship management (CRM) solution designed specifically for companies in the automotive industry. Seamlessly integrated with Tata motors dealer management system and SAP back office application Siebel Automotive has delivered significant benefit across the extended organization including improved customer satisfaction , increased revenue and productivity and reduced cost. It provides 360 degree view of customers.

Some people think that CRM is a strategy which focuses on:

- Understanding the customers
- Retaining the customers through better customer services
- Attracting new customers

- Increased profitability
- Decreased customer management cost
- Win new contracts

But CRM is more than attracting and retaining customers. It believes in knowing the customers. For example: Listening to customers is at centre of Apple's business processes. Apple Company carefully listens to the customers and responds to what they have heard. The goal is not only to satisfy the customers but also to delight them. So that these delighted customers share their wonderful experience with their peers resulting in increased number of customers. Similarly feedbacks from the customers help the company to improve their service quality.

Now the question arise why CRM? The answer lies in the fact that the cost of attracting a new customer is 5 times the cost of keeping a current customer happy. CRM not only benefits company but also customers.

4. Benefits of CRM to customers

- CRM focus on individual customer. So it provides better customer services.
- For example:* Hewlett Packard tries to respond to every e-mail query within an hour and usually answer within 10 minutes. The firm monitors its e-mail centers minutes by minutes to ensure it meets its service quality standards.
- Increased customer satisfaction because they are getting exactly what they want.

5. Benefits of CRM to Company

- It helps the company in cross sell and up sell more effectively.
- CRM systems help the business to gain a better understanding of who their customers are? What they are really buying and also see how loyal the customers really are.
- It reduces cost of company.
- It helps the company in growing the number of customers.
- Effective use of CRM enables the organization and its staff to see both sides and to work with the customers to arrive at a mutually satisfactory and sustainable solution.

For example: Southwest Airline entered the airline industry in 1971 with little money but lot of personality. Marketing itself as LUV airline, the company featured a bright red heart as its first logo. Selling tickets directly to customers through company website was a radical move at that time. Operating an airline without entertainment and food service was something that competitors could not think. Every aspect of decision taken by Herb Kelleher (creator of southwest airline) was subject to ridicule and criticism but he never bothered about the competitor and relied on his gut feeling and achieved success. With little money, it followed words of mouth marketing. Later advertisements showcased southwest low fares, frequent flights, on time arrival and top safety records. One of its advertisement featured small bag of peanuts with the words "This is what our meal looks like at southwest airline, It also what our fare look like". Its fares are low because it flies only Boeing 737 which saves time and money because training is simplified for pilots, flight attendants and mechanics. It chooses to fly to smaller airport that have low gate fee and less congestion. It made flying affordable to people who previously could not fly.

The symbol of southwest airline embodies the spirit of southwest employees caring about themselves, each others and southwest customers.

- Close deals with customers helps in retaining them understand who the customer is.

CRM can be effectively used if implemented properly. The focus of CRM is on customer. So the first step is acquiring the right customer. It is necessary to identify the most valuable customers. Valuable customers are those who spend major portion of their wallet on company's products and services. These are the customers who help the company in achieving its objectives. Here the company also analyzes the customer revenue and cost data to identify current and future high value customers.

After identifying customers the next step is creating the right product. This involves thorough research of what customers held today and will need tomorrow and what competitors are offering today and will offer tomorrow. This research helps the company in spotting what products/ services it should be offering. This also involves the determining the pricing strategy and distribution channel a company should choose.

After providing valuable product to the valuable customer the next step is to manage logistics and the supply chain more efficiently. Here CRM helps in processing transactions faster and providing better information to the frontline managers.

CRM works best only when everyone in the company think customer. It is the workforce which helps in converting the raw material into a finished product. Human resource i.e. employees works as an asset for the company. The best efforts of company might fail in the absence of motivated workforce. This involves using tools which motivates employees in fostering customer relationship. Here a company can use incentives to boost employee's loyalty.

For example: Ritz Carlton Hotel founded in 1983 in Atlanta, Georgia start with 10hour of training annually for every employees. The goal is to treat every guest like royalty by being warm, friendly, gracious and genuinely devoted in making sure that every stay is a memorable one. Every day at Ritz Carlton Hotel employees around the world gather via internet for 15 minutes meeting known as 'LINE- UP'. They first review guest experiences. Resolve issues and discuss ways to improve service. Each day also share 'wow story' by staff person who provided exemplary services by going above and beyond the call of duty.

All these steps help the company in creating customers. But creating customers is half part of success story of company. To exist in this turbulent business environment a company has to learn how to win back customers, this requires close focus on competitor offerings and to analyze the causes of company's customer's defection. Here the challenge is to win back dissatisfied customers and to delight existing customers by providing a superior product. Then only a company can achieve success.

So to reap all such benefits a company must know its customers. In order to know customer, the company must collect information about customers and store it in database which is known as customer database. A customer database is an organized collection of comprehensive information about individual customer; it consists of information through accumulated customer transaction registration information, telephone queries and every customer contact. It also contains customers past purchases, age, income, opinions and preferred media as other useful information. These data are collected by the company contact centre and organizes into a data warehouse where marketers can capture and analyze it to draw inferences about individual customer needs and preferences.

The database is very useful as it helps the company in identifying the prospects, deciding which customer should receive a particular offer, deepen customer loyalty, re-activate customer purchases i.e. reminding customers through attractive offers, and helping in avoiding costly

mistakes. Though customer database provide lot of valuable information but still it is not free from limitations. There are certain factors which prevent a company from effectively utilizing customer database.

6. Problems in using customer database

- A large amount of investment in computer hardware, database software, analytical program, communication links and skilled personal is required to create and maintain customer database.
- When company create customer database it records all such interaction between the company and customers. for example when customer purchase product, purchase quantity etc. sometimes it becomes difficult to collect right data.
- Creating customer database and utilizing it for customer relationship management requires everyone in the organization to be customer centric and it is difficult to involve everyone in the company to be customer oriented. Sometimes employees find it easy to carry on traditional way of marketing. Effective utilization of customer database requires training of the employees as well as dealers and suppliers. It requires holistic approach. That means everyone who is connected with company understand the importance of customers.
- Another problem is that every customer may not want to be connected with the company or may not want any kind of relationship with the company. Customer often does not want companies to collect personal information about them. So company should respect the privacy issues of customers.
- Customer database requires creating and managing information about customers and serving more loyal customer. But it may not cost less in serving loyal customers than attracting new customers. In fact loyal customers know their value to the company and they take benefit of that by extracting premium services or price discounts. Loyal customers expect more from companies.

Therefore the benefit of customer database comes with heavy cost, not only in collecting the customer data but also in maintaining it. In spite of all these limitations customer database is most frequently used by business marketers, service providers like hotels, banks airlines and insurance, credit card and telephone companies and by those companies who do lot of cross sell and up sell.

Creating customer database is one of the ways of managing customer relationship. Technology and web has changed the ways companies approached CRM strategies because the advent of new technology have changed the customer buying behavior and also changed the way companies communicate with customers and collect information.

With the growth of internet and related technologies, customers are more concerned over the privacy and safety of their personal information. Therefore business needs to ensure that storage and analysis of the customer data must have the highest level of protection against cyber-crimes. So the only problem with CRM is that if company doesn't run the right report then it may not get accurate picture of customers.

CRM can produce tremendous results if used properly, in order to implement CRM effectively a company needs to change its internal structure because a superior customer relating capabilities has everything to do with how a business builds and manage its organization.

7. Conclusion

Losing profitable customers can dramatically affect the firm profits. Companies are becoming skilled in CRM, which focuses on developing programs to attract and retain the right customer and meeting the individual needs of those valued customers. The emphasis of CRM is on customer retention. Attracting new customer may cost five times as much as doing a good enough job to retain an existing one. Successful marketing thus require companies to have capabilities such as understanding customer value, delivering customer value and sustaining customer value. Only a selected group of companies stand out as master marketers. These include Procter& Gamble, Southwest Airline, Nike, Wal-Mart, IKEA, Nokia, Sony, Infosys, Tata Steel, LG, and Samsung. These companies focused on customers and organized to respond effectively to changing customer needs.

Good CRM helps companies to grow, satisfied customers stay connected with company's products and services, new customers get attracted, the overall performance of company enhances and employees works more efficiently and happily.

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