

## **CRM - A New Dimension of Marketing**

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### **ABSTRACT**

Today, customer relationship strategy is emerging as one of the most important components of corporate strategy. A well-executed customer relationship strategy can result in a number of quantitative benefits including greater ability to up-sell and cross-sell, improved customer retention and reduced cost of service. In addition, successful companies will also develop reference able customers, foster customer forgiveness and create relationship equity, a situation where the customer and the company are both deriving high levels of value from the relationship. Together, these quantitative and qualitative benefits contribute to shareholder value. The old adage goes that "the customer is always right", which is the reason so many companies today spend millions of dollars on technology systems to get closer to them. Yet for many customers, their experience is an ever-greater remoteness from the companies who say they are there to serve them. The information they receive is untargeted, it doesn't speak to them directly and bears little relationship to what they need, want or might aspire to. This paper focus on the market applications provided by large CRM vendors.

**Keywords:** *Relationship, Customers, Information, Corporate, Strategy*

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### **INTRODUCTION**

Relationship marketing is a form of marketing that evolved from direct response marketing in the 1960s and emerged in the 1980s, in which emphasis is placed on building longer term relationships with customers rather than on individual transactions. It involves understanding the customer's needs as they go through their life cycles. It emphasizes providing a range of products or services to existing customers as they need them.

Since the beginning of the new millennium, traditional marketing practices have not been effective in yielding good returns. Companies have turned reluctant to spend huge

advertising expenditure and marketing research the potent tool of getting deeper insights of customer has lost its charisma. The four P's of marketing- Price, Product, Place and Promotion- are not much useful in developing marketing strategies. Due to enigmatic consumer behaviour, it becomes inevitable for the companies to develop new marketing strategies. Customer relationship management/Customer relationship marketing (CRM) has emerged as a new marketing strategy in that tenor.

### **WHAT IS CRM**

Customer Relationship Marketing is a practice that encompasses all marketing activities directed toward establishing, developing, and maintaining successful customer relationships. The focus of relationship marketing is on developing long term relationships and improving corporate performance through customer loyalty and customer retention. Until recently CRM has been recognized as database management activity only. According to *Kotler and Armstrong*, "CRM involves managing detailed information about individual customers and carefully managing touch points in order to maximize customer loyalty. Later, CRM is viewed as the overall process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction. The aim of CRM is to build long-term, mutually satisfying relations with customers in order to earn and retain business by delivering high quality products and services at reasonable prices over the time. In other words, instead of trying to maximize profits from each and every transaction, CRM focuses on maximizing profits over the lifetime value of the customer by creating and maintaining relationships. Longstanding, happy customers can be served with less customer service, marketing and sales costs.

### **SIGNIFICANCE OF CRM**

For the retention of customers, companies have strived for pleasing the customers by maintaining databases of all the customers and to speak individually to countless customers. Database marketing the process of building maintaining and using other databases (products, suppliers, resellers) for the purpose of contracting, transacting and building relationships- has emerged as a new marketing strategy. Companies in their over-zealous fondness for technology maintained huge databases. For instance, *Fingerhurt* preserved some 1400 pieces of information about each of 30 million households in its massive database. At the end, most of the data had become irrelevant

and employees failed to use the data effectively. Moreover, there was a pivotal problem of updating the data from time to time. Of late, companies are realizing that losing a customer means losing more than a single sale. It means losing the entire stream of purchases that the customer would make over a lifetime of patronage. *Sewell* in '*Customer for Life*' (with *Paul Brown*) estimated that a customer entering his dealership for the first time represents a potential life time value of over \$ 300000. "With internet explosion and communication revolution today's customers are smarter and have all the information at their fingertips. They are more price-conscious more demanding and approached by a legion of competitors with equal or better offers. It is not enough to be skillful in attracting new customers, but the company must retain them in order to increase their business. At present, companies are designing strategies to retain customers and build long-term relationships with them through CRM.

CRM is a relative newcomer that appeared in the business radar. With the advent of e-commerce, CRM has become a typical area of interest. It is a business strategy with technology as its nucleus. The successful implementation of CRM in the organization requires reorientation of a company's culture- the way the company is managed, employees are trained and evaluated. The whole business organization should become consumer-centric. Companies are continuing to invest heavily in CRM, so are clearly confident in its business value. Yet in 2004 AMR Research found that 28 per cent of CRM projects failed to go live and in 2005 Forrester Research found that more than half of CRM users were unhappy with their return on investment. Many CRM managers come up against users who do not fully appreciate the value of CRM and perceive it as a completely unnecessary tool.

### **PRE-REQUISITES OF CRM**

CRM is a relationship process through which a company can cultivate relationship on long-term basis with its customer groups/segments in such a way that it would benefit both the customer and the company. The pre-requisites of CRM programme are:

1. Willingness on the part of the company and the customer to stay committed to the relationship, which is based on mutual benefits. Many organizational process changes have to be initiated in both the companies. Hence, top management's support; co-

operation and commitment are sine qua non for introducing and implementing CRM. (This applies to B-to-B transactions).

2. A 'Non-transactional' orientation on the part of the company is required. Contrary to a transaction- one-off interaction- CRM is concerned with formulating and implementing strategies to build long-term relationships with customers. (Though transaction based loyalty programmes could be formulated).

3. Willingness on the part of the company to invest in an infrastructure that can implement and operationalise CRM. The infrastructure could include we-based hardware/software that can effectively harness the advantages of CRM.

### **COMPANY TYPES THAT MUST ADOPT CRM**

Companies that do not have repeat business from customers will not gain much from CRM. And also that have walk-in customers not providing multiple sales and service channels will not benefit much from CRM. Again if maintaining long term relationship with customer is not a priority for the company, it will be wise not to invest in CRM. Then who benefits/ the more the channels to access customers and more the number of touch points with customers, greater is the need for CRM installation. Companies in

- Banking
- Finance
- Insurance
- Airlines and hotels
- Telecommunications and health care benefit from installing CRM software.

### **CRM AND ORGANIZATIONAL CHANGE**

CRM is an overall business strategy for the whole organization rather than a sales tool of marketing department with short term orientation. CRM places customer at the center of business consciousness along with the product. The aim of CRM is to foster consumer-centric culture across the organization-right from the top brass to the employee at the bottom. The imperatives of CRM with regard to organizational changes are:

- CRM is an overall business strategy; hence people at the helm should not only understand and appreciate the philosophy of CRM but also be committed to its success. They should assess its ramifications from time to time.

- An on-going relationship with customers requires internal collaboration among different functions. So, the entire team must unite as one-right from the person greeting customers at the entrance to the person handling office processing.
- CRM is a major organizational change initiative. As such, not mere support of the top management but commitment and leadership are needed. The initiatives should be firmly rooted with organization goals and have specific success matrices and criteria. Without this foundation, the initiative will be like a sailboat without a rudder.
- As customer-centric culture is to be adopted in the organization, the functioning of the whole company-the way it is organized and managed, training imparted to the employees, evaluation and reward schemes for the employees-must be reworked.
- Launching loyalty programmes is indispensable in CRM for retention of customers. **Swetha Jain** says, "There is no dearth of players across the sectors who are launching loyalty programmes. The players dangling the loyalty cards to customers include retail chains like Shoppers Stop, petroleum major Bharat Petroleum Corporation Limited (BPCL) and airlines like Jet Air Ways and Indian Airlines.
- The top management should have the ability to develop and execute winning strategies based on the data analysis, lest the data and its analysis should become worthless.

### **FUTURE OF CRM**

CRM is here to stay and will evolve. The desire to improve customer satisfaction and retention of customers will constantly drive the need to improve CRM systems. Economy is now driven by customers and not by sellers as in the past. There are different type of customers, different types of business models, and selling strategies. And it is a matter of time when there will be different types of CRM software to support these models. Technology will improve to put more functionality tools in CRM applications as there is more demand for knowledge management systems, sales coaching systems, and service intelligence systems. Information today's is in the form of maps, charts, and graphs generated by report writers and visual profiling programs. These will give way to voice activated and speech feed-back tools and other elaborate visual aids using 3-D and CAD style graphics.

### **CONCLUSION**

The main objective of CRM is building long-term, sustaining relations with customers by delivering superior customer value and satisfaction. Instead of trying to maximize profits from each and every transaction, CRM focuses on maximizing profits over the lifetime value of customers. Undoubtedly, CRM is a potent tool in sustaining and boosting sales in this era of hypercompetitive world. But, one should not consider CRM as panacea for all the marketing ills as it has its own limitation.

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