

Customer Relationship Management-A tool of Customer Satisfaction and Loyalty

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Abstract

The review of Literature focusses specifically on the role of CRM in building customer satisfaction and loyalty. CRM is a set of practices that organizations adopt to maintain and increase their customer base. The results found are diverse in terms of the publication trend, CRM classification, industries and countries studied. The three dimensions that have been frequently used in prior studies that address the impact of CRM on customer satisfaction and loyalty are Service Quality (SQ), Service Access (SA) and Handling Complaints (HC). These factors are found to have profound effect on customer satisfaction and loyalty. The study benefits both academicians and practitioners in the context of adding to the existing literature on CRM and providing insights on what drives CRM in real practice.

Keywords: Customer Relationship Management, Customer Satisfaction, Customer Loyalty, Service Quality, Service Access

Introduction:

The purpose of Customer Relationship Management (CRM) is to build a competitive edge by being the best at understanding, responding and developing existing customer relationships, in addition to creating and keeping new customers. It has emerged as one of the largest management buzzwords. Popularised by the business press and marketed by the aggressive CRM vendors as a panacea for all the ills facing the firms and managers, it means different things to different people. CRM, for some means one to one marketing while for others a call centre. Some call database marketing as CRM. There are many others who refer to technology solutions as CRM. If so, what is CRM?

The term Customer Relationship Management (CRM) describes systems and processes within companies which, with the help of customer data, aims to unify and improve customer service to achieve higher levels of customer loyalty. Customer Relationship Management brings together various departments such as sales and marketing, to ensure a uniform approach which ultimately contributes to increasing company's success.

Merchants and traders have been practicing customer relationship for centuries. Their

businesses have been built on trust. They customized the products, delivery and payment as per customer's requirements. They paid personal attention to their customers, knew details regarding their customers' tastes and preferences and had a personal rapport with most of them. In many cases, the interaction transcended the commercial transaction and involved social interactions. Even today, this kind of a relationship exists between customers and the markets that are traditional, small and classified as pre-industries markets.

The first open-source CRM system was developed by Sugar CRM in 2004. During this period, CRM was rapidly migrating to the cloud, as a result of which it became accessible to sole entrepreneurs and small teams. This increase in accessibility generated a huge wave of price reduction. Around 2009, developers began considering the options to gain from the growing popularity of social media and designed tools to help companies become accessible on all user-favourite networks. Many start-ups benefited from this trend to provide exclusively social CRM solutions, including Base and Nutshell. The same year, Gartner organized and held the first Customer Relationship Management Summit and summarized the features systems should offer to be classified as CRM solutions. In 2013 and 2014, most of the popular CRM products were

linked to business intelligence systems and communication software to improve corporate communication and end-users' experience. The leading trend is to replace standardized CRM solutions with industry-specific ones, or to make them customizable enough to meet the needs of every business.

Relationship marketing is supported by the growing research interest in different facets of this concept. Researchers in different countries observed this shift in marketer's orientation towards customer relationship and started exploring the phenomenon.

Marketing Benefits of CRM

CRM will gradually reduce organization's dependence on periodic surveys to gather the right kind of data. Collection of data related to customer's behaviour will be an ongoing process. In many cases, the transaction data is automatically collected sometimes real time as in the case of e-commerce transactions. This rich repository of customer information and knowledge updated through regular interactions, customer transactions and purchase behaviour will help marketers to develop and market customer centric products successfully.

Effect on customer satisfaction

Customer satisfaction has important implications in the performance of companies as it plays an important role in building customer loyalty, reducing customer complaints and the likelihood of customer defection. The implementation of a CRM approach is likely to affect customer satisfaction and customer knowledge for different reasons.

Firms can customize their offerings for each customer. By accumulating information across customer interactions and processing this information to discover hidden patterns, CRM applications help firms customize their offerings to suit the individual tastes of their customers. This customization enhances the perceived quality of products and services from a customer's viewpoint and because the perceived quality is a determinant of customer satisfaction, it follows that CRM applications

indirectly affect customer satisfaction. CRM applications also enable firms to provide timely, accurate processing of customer orders, requests and the ongoing management of customer accounts. For example, Piccoli and Applegate discuss how Wyndham uses IT tools to deliver a consistent service experience across its various properties to a customer. Improved ability to customize and reduced variability of the consumption experience enhance perceived quality, which in turn positively affects customer satisfaction. Furthermore, CRM applications also help firms manage customer relationships more effectively across the stages of relationship initiation, maintenance and termination.

The six types of markets in which CRM plays a role are as follows:

1. Customer markets- This includes the existing and prospective customers and the intermediaries.
2. Referral markets- This includes the existing customers who recommend to other prospects and referral sources or multipliers. For example, doctors who refer patients to a hospital or a consultant who recommends a specific IT solution.
3. Influence markets- This includes government, consumer groups, business press and financial analysts.
4. Recruitment markets- These are meant to attract the right employees to the organization.
5. Supplier markets- These are the suppliers of raw materials, components, services etc.
6. Internal markets- This includes organization, its internal departments and staff.

Benefits of CRM to organizations, customers and markets include:

- **Better client relationships:** The more you know and remember about clients, the more your clients know you care about them. This enables you to forge a much stronger connection and a deeper relationship with your clients.

- **Increased ability to cross-sell:** The more you know about your clients' needs and wants the better you can provide a solution to their next problem.
- **Better efficiency in serving clients:** The more you know about clients, the better you can serve them. When everyone uses CRM to record customer interactions, others also get benefitted as they are in a position to serve the client in a better way, with the knowledge of what has been previously discussed with the client.

CRM is about making each and every customer feel like they have a one-to-one relationship with you. Effective CRM gives you the opportunity to show your customers that:

- You recognize them.
- You understand them.
- You care about their needs, queries and concerns.
- You want to deliver products and services that they need the most.
- You appreciate their business.

CRM will also benefit your company by allowing you to:

- Develop superior services and products that meet customers' identified needs.
- Enhance marketing towards the most profitable customers to improve your bottom line.
- Improve efficiency by providing support and services to customers online (For example, through frequently asked questions).
- Anticipate future business needs based on data on historic sales and service trends.

Implementing CRM in your Business: Developing a CRM Strategy

Developing a CRM strategy is an investment of your time which can be encashed over the long-

term. Creating a strategy leads to setting a direction for your CRM initiatives and ensures that your investments are targeted to foster stronger relations with your customers. Following are the essentials of CRM Strategy to be kept in mind:

1. Set the desired results clearly, identify the steps to achieve this vision and monitor progress towards these goals.
2. The CRM strategy should be incorporated into the entire business model and align with strategies from other areas such as marketing and sales.
3. The CRM strategy should include these eight aspects: vision, strategy, customer experience, organizational collaboration, processes, customer information, technology and metrics.

Future Trends in CRM

CRM has developed over the decades and will continue to evolve with new technological advances that enhance the opportunities for businesses to interact with the customers. Businesses will need to be prepared to adapt their CRM initiatives to meet the changing customer behaviour in a dynamic market. There are several CRM trends on the horizon that businesses can anticipate.

Customers are bombarded with brands and choices. If businesses want to attract and retain customers, they need to do more than just deliver information. They need to create a long-lasting impression. New CRM tools will provide businesses with the information they need to understand customers and what kind of experiences appeal to them.

The ideology of managing customer relationships is not new. Companies have been interfacing with customers since the beginning of trade. However, the focus has always been to sell the products or services, than to focus on Customer Retention. Competition, driven by globalization and the internet, has changed the face of business. Customers today have a variety of choices and are becoming far more knowledgeable and demanding. The power has truly shifted to the customer. In this changing scenario, most of the companies are realizing that they need to treat their customers with utmost care. Companies are now desperately

searching for different ways to manage customer relationships effectively, not only to acquire new customers, but also to retain the existing ones. According to a Harvard Business Review Study, some companies can boost their profits by almost 100% by retaining just 5% or more of their existing customers.

CRM Success Factors

While clear intention fuels the power of CRM, there are several other success factors to consider. Organizations that implement CRM with a strong return on investment, share these characteristics:

Internal partnership- Since CRM is a way of doing business that impacts different areas of an organization. This means that you and your management peers need to form strong internal partnerships around CRM. If you and your organization are early on the road to CRM implementation, now is the time to bring your CRM needs to the table and to be open to listening to the CRM needs of the other areas. If the requirements are potentially in conflict, resist the temptation to go to the war for what you need.

If your organization has gone off the partnership road with CRM, then now is the time to come back together and rebuild partnership with the area that is currently championing CRM. Let them know that you appreciate what they have done.

Employees at all levels and all areas accurately collect information for the CRM system-

Employees are most likely to comply with your CRM system in the desired manner when they understand what information is to be captured and why it is important? They are also more likely to trust and use CRM data when they know how and why it was collected?

CRM tools are customer and employee friendly- CRM tools should be integrated into

your systems, making them a natural part of customer service interaction. A major manufacturer of speciality pet foods redesigned the pop-up screens for its toll-free consumer phone line. In the original design, the final pop-up screen prompted the representative to ask the caller's name and address. Yet, representatives had found that it was easier and felt more natural to ask- What's your name? Where are you calling from? and What's your pet's name? at the start of the call.

Report the data that you use and use the data that you report-

Just because your CRM tool can run a report doesn't mean it should. Refer back to your CRM strategy and then run the data you will actually use. Share that data with your team.

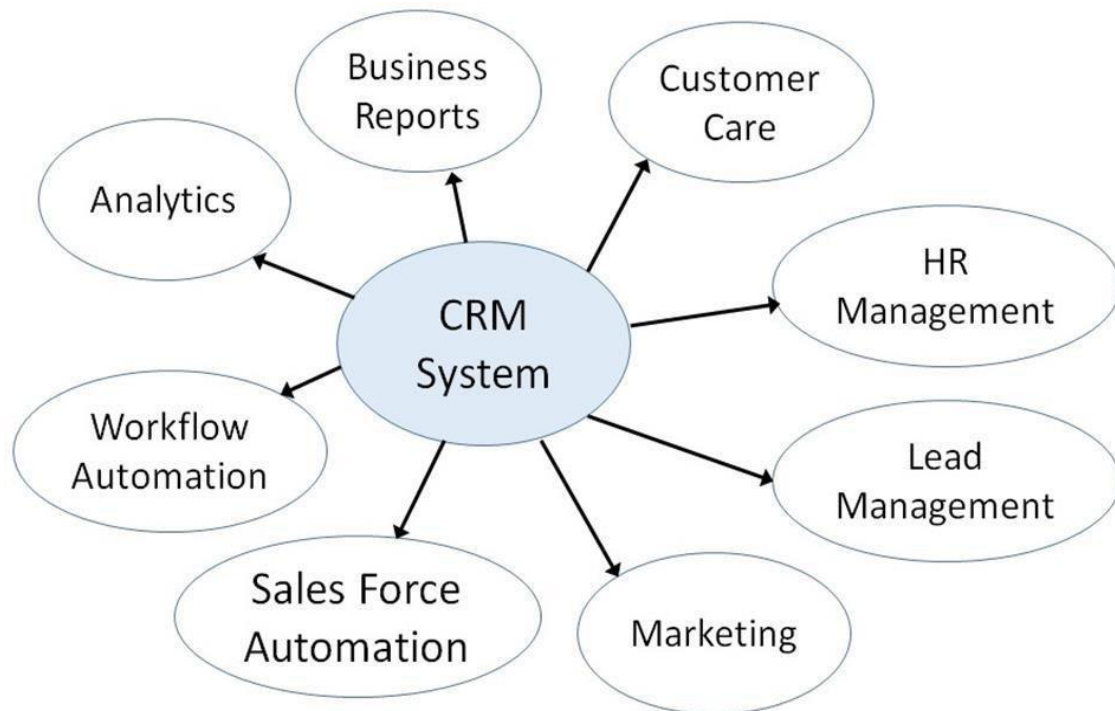
Don't need to go high-tech every time.

At Harley Davidson, outside of Milwaukee, WI during the summer they often leave open the big metal doors to the manufacturing facility to let in any breeze and the cooler evening air. Unfortunately, open doors occasionally let in other things, including skunks. A team met to consider the problem and possible solutions. After discussing the pros and cons of screens, half-doors, or keeping the doors shut, they came upon ideal solution. When a skunk wanders in, just leave it alone and wait till it wanders back out. Skunks may be Harley fans, but they never stay long.

Organizations that successfully implement their CRM look for the simplest solution when implementing their CRM strategy. The strength of CRM depends on clarity of what you want to accomplish. The CRM tools must be simple that allow you to gather the information you need in the easiest way.

Ingredients of CRM

Following illustration shows the ingredients that combine to form a successful CRM system:



Here are some of the important ingredients of CRM:

Analytics- Analytics is the process of studying, handling and representing data in various graphical formats such as charts and tables, to observe market trends.

Business Reporting- Business Reporting includes accurate reports of sales, customer care, and marketing.

Customer Service- Customer Service involves collecting and sending the following customer-related information to the concerned department:

- Personal information such as name, address, age etc.
- Previous purchase patterns.
- Requirements and preferences.
- Complaints and suggestions

Human Resource Management- Human Resource Management involves placing the right human resource at the right place in the business.

Lead Management- Lead Management involves keeping a track of the sales leads and distribution, managing the campaigns, designing customized forms, finalizing the mailing lists and studying the purchase patterns of the customers.

Marketing- Marketing involves forming and implementing sales strategies by studying existing and potential customers in order to sell the product.

Sales Force Automation- Sales Force Automation includes forecasting, recording sales, processing, and keeping a track of the potential interactions.

Workflow Automation- Workflow Automation involves streamlining and scheduling various processes that run in parallel. It reduces costs and time and prevents the assignment of same task to multiple employees.

Customer benefits:

With Customer relationship management in place, customers can be served better on day-to-day basis. With more reliable information, their demand for self-service from companies will decrease. The customer satisfaction level increases if there is lesser need to interact with the company for any kind of problem or complaint.

Benefits recognized to provide value drivers are:

1. Ability to target profitable customers.
2. Integration across channels.

3. Sales-force efficiency and effectiveness.
4. Improved pricing.
5. Customized products and services.
6. Improved customer service, efficiency and effectiveness.

Conclusion:

Customer Relationship Management enables a company to align its strategy with customer needs, in order to meet those needs in the best possible manner, thereby, ensuring long-term customer loyalty. However, for CRM to be successful, different departments need to work together and use measures in a coordinated manner. This is possible if customer database is created, analyzed and updated using CRM software.

CRM approach will be of particular interest to companies operating in highly competitive markets where it is difficult to attract new customers.

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