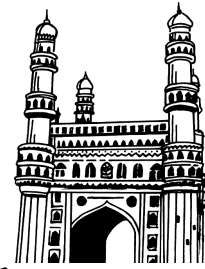


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# CUSTOMER RELATIONSHIP MANAGEMENT

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**Introduction to CRM:** Concepts, Evolution, Need, understanding goals and objectives of CRM, Components of CRM, Benefits, CRM as a strategic marketing tool, CRM significance to the stakeholders, CRM Applications in Consumer and Business Markets, CRM Issues & Problems

## UNIT - II

**Building Customer Relations:** Customer information Database – Customer Profile Analysis - Customer perception, Expectations analysis – Customer behaviour in relationship perspectives; individual and group customer's -Customer life time value – Selection of Profitable customer segments - Customer Life Cycle, Business Networks and CRM.

## UNIT - III

**CRM Process:** Introduction and Objectives of a CRM Process; an Insight into CRM and e-CRTA/online CRM, The CRM cycle i.e. Assessment Phase; Planning Phase; The Executive Phase; Modules in CRM, 4C's (Elements) of CRM Process, CRM Process for Marketing Organization, CRM Value Chain, CRM Affiliation in Retailing Sector.

## UNIT - IV

**CRM Structures:** Elements of CRM – CRM Process – Strategies for Customer acquisition – Customer Retention and Development – Strategies for Customer Retention, Models of CRM – GSPOT Model, KOEL's Model, WebQual Audit Model, ONYX Model - CRM road map for business applications.

## UNIT - V

**CRM Planning and Implementation:** Strategic CRM planning process – Implementation issues – CRM Tools- Analytical CRM –Operational CRM – Call centre management – Role of CRM Managers, Trends in CRM- e-CRM Solutions –Features and advantages of e CRM, Functional Components of e CRM- Data Warehousing – Data mining for CRM – an introduction to CRM software packages.

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### UNIT - I

1. Explain about evolution of CRM.

*Ans :* (Dec.-19)

Refer Unit-I, Q.No. 2

2. What are the Goals and Objectives of CRM?

*Ans :* (Imp.)

Refer Unit-I, Q.No. 4

3. What are the Benefits of CRM ?

*Ans :* (Imp.)

Refer Unit-I, Q.No. 6

4. Who are stakeholders in CRM? Discuss the significance of CRM to the stakeholders.

*Ans :* (Imp.)

Refer Unit-I, Q.No. 8

5. What are consumer markets in CRM? How do you develop business relation- ships in such markets?

*Ans :* (Dec.-19, Imp.)

Refer Unit-I, Q.No. 9

6. Discuss about various CRM Issues & Problems.

*Ans :* (Imp.)

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### UNIT - II

1. Write about the role of customer-related data or customer information database in the achievement of CRM objectives.

*Ans :* (Imp.)

Refer Unit-II, Q.No. 5

2. Discuss about Customer Profile Analysis.

*Ans :* (Sep-20, Imp.)

Refer Unit-II, Q.No. 7



3. Discuss in detail about customer perception.

*Ans :* (Sep-20)

Refer Unit-II, Q.No. 8

4. What is customer expectation? What are the factors influencing customer expectations? What are the issues involved in customer expectation?

*Ans :* (Sep-20)

Refer Unit-II, Q.No. 9

5. Discuss about Customer Life Time Value.

*Ans :* (Sep -20, Dec-19)

Refer Unit-II, Q.No. 6

6. Explain about Customer Life Cycle.

*Ans :* (Imp.)

Refer Unit-II, Q.No. 16

### UNIT - III

1. What are the phases involved in CRM cycle? Discuss.

*Ans :* (Sep.-20)

Refer Unit-III, Q.No. 5

2. Explain the 4 C's (elements) of CRM Process.

*Ans :* (Imp.)

Refer Unit-III, Q.No. 7

3. Discuss the role of CRM process in marketing.

*Ans :* (Dec.-19)

Refer Unit-III, Q.No. 8

4. Write about the CRM value chain. Discuss its primary stages.

*Ans :* (Sep.-20)

Refer Unit-III, Q.No. 9

5. Discuss about CRM affiliation in Retailing Sector.

*Ans :* (Imp.)

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1. Discuss the elements of CRM.

*Ans :* (Imp.)

Refer Unit-IV, Q.No. 2

2. Explain the process of CRM.

*Ans :* (Dec.-19)

Refer Unit-IV, Q.No. 3

3. What do you understand by customer acquisition? Explain various customer acquisition strategies.

*Ans :* (Dec.-19)

Refer Unit-IV, Q.No. 4

4. What is meant by the terms 'customer retention' and 'customer development'? What are the economics of customer retention?

*Ans :* (Dec.-19)

Refer Unit-IV, Q.No. 5

5. What are the various strategies used for customer retention?

*Ans :* (Dec.-19)

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6. Define 'CRM roadmap' applied in businesses. Explain briefly about the roles played by various individuals in the implementation of the CRM program.

*Ans :* (Sep.- 20, Dec.-19)

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1. Explain about strategic CRM planning process.

*Ans :* (Imp.)

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2. What are the Issues/Bottlenecks in Implementing CRM ?

*Ans :* (Imp.)

Refer Unit-V, Q.No. 3

3. Discuss about the various tools of CRM.

*Ans :* (Imp.)

Refer Unit-V, Q.No. 4]

4. Explain the different Types of CRM.

*Ans :* (Sep.-20)

Refer Unit-V, Q.No. 5

5. Explain the concept of call centers management.

*Ans :* (Sep.-20)

Refer Unit-V, Q.No. 6

6. What are the functional components of e-CRM? Discuss.

*Ans :* (Dec.-19)

Refer Unit-V, Q.No. 19

7. What is the role of data warehousing in CRM ?

*Ans :* (Dec.-19)

Refer Unit-V, Q.No. 20

8. Discuss about role of Data mining in CRM.

*Ans :* (Dec.-19)

Refer Unit-V, Q.No. 21

9. How do CRM systems support marketing? Also discuss about CRM support for operational and analytical CRM.

*Ans :* (Sep.-20)

Refer Unit-V, Q.No. 23

# UNIT I

**Introduction to CRM:** Concepts, Evolution, Need, understanding goals and objectives of CRM, Components of CRM, Benefits, CRM as a strategic marketing tool, CRM significance to the stakeholders, CRM Applications in Consumer and Business Markets, CRM Issues & Problems

## 1.1 CONCEPTS OF CRM

**Q1. Explain the concept of CRM.**

*Ans :*

(Dec.-19)

Customer Relationship Management (CRM) is a strategy for managing all your company's relationships and interactions with your customers and potential customers. It helps you improve your profitability.

Customer relationship management (CRM) is a term that refers to practices, strategies and technologies that companies use to manage and analyze customer interactions and data throughout the customer life-cycle, with the goal of improving business relationships with customers, assisting in customer retention and driving sales growth. CRM systems are designed to compile information on customers across different channels – or points of contact between the customer and the company – which could include the company's website, telephone, live chat, direct mail, marketing materials and social media.

### Define CRM

Customer Relationship Management can be defined as a business philosophy and set of strategies, programs, and systems that focuses on identifying and building loyalty with a marketer's profitable customers. It is based on the business philosophy that all customers are not profitable in the same way and marketers' can increase their profitability by building relationships with their better customers. The goal is to develop a base of loyal customers who patronise the retailer frequently.

**According to Gartner,** "CRM is a business strategy designed to optimise profitability, revenue, and customer satisfaction".

**According to PWC Consulting,** "CRM is a business strategy that aims to understand/ appreciate, manage and personalise the needs of an organisation's current and potential customers".

**According to Parvatiyar and Sheth,** "CRM is a competitive strategy and process of acquiring, reacting and partnering with selective customers to create superior value for the company and the customer".

CRM consists of three definitional components in its architectural structure :

1. **Customer :** The customer is the only source of the company's present profit and future growth. Information technologies can provide the abilities to distinguish and manage customers.
2. **Relationship :** The relationship between a company and its customers involves continuous bidirectional communication and interaction. The relationship can be short-term or long-term, continuous or discrete, and repeating or one-time.
3. **Management :** CRM is not an activity only within a marketing department. Rather it involves continuous adaptation in corporate culture and processes. CRM required a comprehensive change in the functioning of organisation and the attitude of its people.

**Features of CRM**

Customer Relationship Management is a strategy which is customized by an organization to manage and administrate its customers and vendors in an efficient manner for achieving excellence in business. It is primarily entangled with following features :

**1. Customers Needs**

An organization can never assume what actually a customer needs. Hence it is extremely important to interview a customer about all the likes and dislikes so that the actual needs can be ascertained and prioritized. Without modulating the actual needs it is arduous to serve the customer effectively and maintain a long-term deal.

**2. Customers Response**

Customer response is the reaction by the organization to the queries and activities of the customer. Dealing with these queries intelligently is very important as small misunderstandings could convey unlike perceptions. Success totally depends on the understanding and interpreting these queries and then working out to provide the best solution. During this situation if the supplier wins to satisfy the customer by properly answering to his queries, he succeeds in explicating a professional and emotional relationship with him.

**3. Customer Satisfaction**

Customer satisfaction is the measure of how the needs and responses are collaborated and delivered to excel customer expectation. In today's competitive business marketplace, customer satisfaction is an important performance exponent and basic differentiator of business strategies. Hence, the more is customer satisfaction; more is the business and the bonding with customer.

**4. Customer Loyalty**

Customer loyalty is the tendency of the customer to remain in business with a particular supplier and buy the products regularly. This is usually seen when a customer is very much satisfied by the supplier and re-visits the organization for business deals, or when he is tended towards re-buying a particular product or brand over times by that supplier. To continue the customer loyalty the most important aspect an organization should focus on is customer satisfaction. Hence, customer loyalty is an influencing aspect of CRM and is always crucial for business success.

**5. Customer Retention**

Customer retention is a strategic process to keep or retain the existing customers and not letting them to diverge or defect to other suppliers or organization for business. Usually a loyal customer is tended towards sticking to a particular brand or product as far as his basic needs continue to be properly fulfilled. He does not opt for taking a risk in going for a new product. More is the possibility to retain customers the more is the probability of net growth of business.

**6. Customer Complaints**

Always there exists a challenge for suppliers to deal with complaints raised by customers. Normally raising a complaint indicates the act of dissatisfaction of the customer. There can be several reasons for a customer to launch a complaint. A genuine reason can also exist due to which the customer is dissatisfied but sometimes complaints are launched due to some sort of misunderstanding in analyzing and interpreting the conditions of the deal provided by the supplier regarding any product or service. Handling these complaints to ultimate satisfaction of the customer is substantial for any organization and hence it

is essential for them to have predefined set of process in CRM to deal with these complaints and efficiently resolve it in no time.

## 7. Customer Service

In an organization Customer Service is the process of delivering information and services regarding all the products and brands. Customer satisfaction depends on quality of service provided to him by the supplier. The organization has not only to elaborate and clarify the details of the services to be provided to the customer but also to abide with the conditions as well. If the quality and trend of service go beyond customer's expectation, the organization is supposed to have a good business with customers.

### 1.1.1 Evolution of CRM

#### Q2. Explain about evolution of CRM.

*Ans :*

(Dec.-19)

CRM is the philosophy, policy and coordinating strategy connecting different players within an organisation so as to coordinate their efforts in creating an overall valuable series of experiences, products and services for the customer. The whole business is revolving around the customer and he has become the key to business growth and profitability. That is why every company today wants to be customer- focused and customer-oriented. Developing close, cooperative relationship with customers is more important in the current era of intense competition and demanding customers, than it has ever been before.

Looking back at a snapshot history of marketing, we can see the following clear developments and progression over the last four decades:

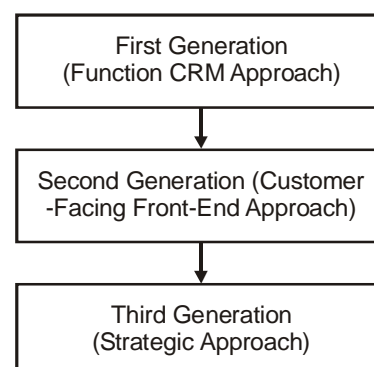
1. **1960s** : The era of mass marketing, when Gibbs SR toothpaste began the first marketing of this kind with its black and white campaign.

2. **1970s** : Saw the beginning of segmentation, direct mail campaigns, and early tele-marketing (such as publishing).
3. **1980s** : Where niche marketing made millionaires of those who were best at it.
4. **1990s** : Relationship marketing - the explosion of tele-marketing and call centres all set-up to develop relationships with customers.

In the early 1990s Philip Kotler proposed a new view of organisational performance and success based on relationships. "The traditional marketing understanding - based on the marketing mix and the 4Ps - is not replaced; it is repositioned in order to outline the importance of the relationship approach".

In order to understand the evolution of customer relationship management it is required to take a look at the principles of relationship marketing where CRM stems from. As industries have matured, changes in the market demand and competitive intensity occurred that have led to a shift from transaction marketing to relationship marketing.

Since the concept of customer relationship management came into vogue in the mid-1990s, CRM has undergone a substantial evolution. To provide a historical perspective a timeline of the evolution is given below :



**Fig. : Evolution of Customer Relationship Management**

**1. First Generation (Functional CRM Approach) :** The collection of activities, which later obtained the umbrella acronym CRM, originally developed as two independent product offerings:

- i) Sales Force Automation (SFA) :** These products addressed such presales functions as maintaining prospect and customer data, tele-marketing, generating leads, creating sales quotations, and placing sales orders.
- ii) Customer Service and Support (CSS) :** This addressed mainly after-sales activities such as help desks, contact and call centres, and field service support, CSS databases often worked with specific customer information, completely isolated from other systems.

Though fragmented and poorly integrated with the back office, the early SFA/CSS applications delivered the promise of sales and service improvement. The combined SFA/CSS market niche remained small, however. At the same time, the market for enterprise resource planning - a tool designed to integrate all company departments and functions across a company onto a single computer system serving every department's needs - was growing.

**2. Second Generation (Customer-Facing Front-End Approach)**

In a way, the CRM innovation during the 1990s was similar to that of ERP - the integration of a number of different independent subsystems into one package. CRM technology was expected to fill the gaps left in ERP functionality and address the business needs of the company's customer-facing front end.

The pursued goal was to create a single view of all interactions with customers, independent of the purpose of the contact (pre-sales, sales transaction, or post-sales service) or the means of contact (phone, e-

mail, Internet, or any other channel). For the most part, this goal was not achieved during the 1990s. In fact, from 1999 on, more and more disillusionment with CRM technology and CRM implementations began to surface. Customer expectations in this period far exceeded the realised benefits of CRM technology. The industry began talking about the demise of CRM. The Internet fuelled new expectations from this technology, but it became very dear that revenue increases through technology were difficult to implement, realise, and measure, unless a more strategic understanding of the process was undertaken.

**3. Third Generation (Strategic Approach)**

By the end of 2002, the CRM market had started to pick-up and the gap between customers' perceived value and the value realised was closing fast. Organisations learned from their experience in implementing the not-so-successful earlier versions of CRM practices. The best organisations now focused on integrating the customer-facing front-end systems with back-end system's, as well as with partners and suppliers.

The integration of internet technology helped give a boost to CRM. Many organisations came to the realisation they could benefit by adopting a strategic CRM approach rather than by blindly implementing technology-based solutions. Companies realised that the eventual goal of CRM is to grow the revenue line and not just control the cost line.

## 1.2 NEED OF CRM

**Q3. Explain about need of CRM.**

*Ans :*

**Need and Importance of CRM**

**1. Better service to customers**

CRM provides more avenues for customers to communicate and explain their needs to

the organization through numerous contact points. Customers get increased satisfaction and a feeling of being special and important because of the increased personalization of services and customization of goods offered to them.

## 2. Customization of market offerings

Companies can customize a product or service depending on the data available with the firm. The firm can facilitate customer-company interaction through the company contact centre and web site. Such interactions help develop customized products.

## 3. Reduction in the customer defection rate

CRM emphasizes on training and development of the employees to become more customer oriented. Due to CRM training and development, employees show care and concern towards the valuable customers; therefore, the customer defection rate may be reduced to a great extent.

## 4. Increase and improvement in long-term relationships

Some firms treat their customers as partners. Firms solicit the help of the customers to design new products or to improve their services. If the customer gets involved with the firm, they are more likely to remain with the firm.

## 5. Increase in customer equity

CRM increases customer equity. Firms focus the marketing efforts more on the most valuable customers (MVCs). The main aim of CRM is to produce high customer equity. Customer equity is the sum of lifetime values of all customers. More focus on MVCs will enable a firm to increase the customer equity.

## 6. Competitive advantage

The firms that adopt CRM get competitive advantage in the market. They can face the

competition with much ease. Competitive advantage helps in generating higher returns on investment.

## 7. Building and maintaining corporate image

The image of the firm also gets enhanced. Loyal customers become evangelists. The evangelists spread a good word about the company and its products. This enables a firm to get additional customers to its fold.

## 8. Higher return on investment

Due to CRM, a company gains a position to generate higher returns on investment. This is because of the repeat purchases on the part of the loyal customers. The company also makes money through cross selling. The higher return on investment increases the shareholders' value.

### 1.3 UNDERSTANDING GOALS AND OBJECTIVES OF CRM

#### Q4. What are the Goals and Objectives of CRM?

*Ans :* (Imp.)

#### Goals and Objectives of CRM

##### 1. Customer Satisfaction

Every company wants their customers to be satisfied. Satisfied customers are more likely to return to make further purchases, as well as promote a company's good name and make recommendations to others. Customers more than ever want to feel engaged with the companies that they are dealing with and so if they feel like they are being listened to, consulted with and respected, they will have a better user experience which will make them more likely to return.

##### 2. Run an Efficient Business

Using CRM can help businesses to develop better working practices, especially with



departments such as customer service. Implementing CRM services through your business can help you react to customers' queries and concerns quicker and more efficiently, which will boost your productivity as well as adding to customer satisfaction.

### 3. **Produce Better Marketing Campaigns**

If you can work out who to target and what communications they respond to best, then you will be able to produce more efficient marketing campaigns. CRM data can show you this and enable you to profile target groups which may be underperforming in order to try and boost this area of your business, with the goal of boosting profits.

### 4. **Gaining New Customers**

CRM will help you find out a lot of useful information about your customer base, and will allow you to work out where there are gaps that need to be filled. Exploring the reasons why customers fail to make purchases or why they may not rate your company's services can help you adapt new policies and techniques which may help you attract new customers. The same principals apply to working out why previous customers have stopped using your services or why they might have turned to your competitors.

### 5. **Boost Sales**

Finally, this last objective is what drives all of the other objectives above. With so much competition in the market today, it is important more than ever that businesses stay relevant and keep offering new things to their clients. By improving the way your business operates, how the customer interacts with your business and producing effective marketing strategies, you can hope to improve the way your business is viewed and encourage new customers, as well as ensuring that existing ones keep coming back. This will boost your profits and help keep your company ahead of its competitors.

## 1.4 COMPONENTS OF CRM

### Q5. What are the components of CRM?

*Ans :*

#### CRM and its Components

CRM comprises several components absolutely essential to the organisation. Each of them offers something different yet its importance cannot be undermined. Recent trends have enabled users to combine two or more components for better success.

The components of CRM are:

#### 1. **People Management**

People Management is nothing but the effective use of people in the right place at the right time. It is imperative to adopt the right measures to ensure that the people skills match their job profiles. This is every large corporate requirement as well as small and medium industries. According to People Management an effective people strategy is first adopted, then the workforce is studied, skills and development analysed and finally the required strategy needed for development and change is set down and implemented.

#### 2. **Lead Management**

Lead Management basically involves the tracking and distribution of sales leads. This benefits the sales, call centre and marketing industries as well. The work involves managing market campaigns, making customised forms, mailing lists and many more. All this is done with a view to capture as many sales lead as possible so that sales benefits. This is achieved through a comprehensive study of customer purchase patterns and the identification of potential sales leads.

#### 3. **Sales Force Automation**

Sales Force Automation is by far one of the most essential components of customer

relationship management and also one of the first. Used by almost all organisations it is nothing but a software solution that includes forecasting, tracking potential interactions and processing of sales. The reason this is adopted as part of a CRM solution is because of the need to identify revenue possibilities.

#### 4. Customer Service

The customer service component in CRM is essential. This is because CRM focuses on collation of customer data, gathering information about their purchase patterns and provides this information to every department that requires it. Therefore vital departments like sales, marketing and personnel stand to gain in their knowledge of the customer. This enables the organisation to provide suitable solutions to every customer and thus enhances customer retention and loyalty.

#### 5. Marketing

Marketing is nothing but the promotional activities that are involved in promoting a product either to a general public or to a specific group. Marketing is different from sales and advertising in that one refers to act of selling itself while the other refers to the strategy involved. Customer Relationship Management facilitates the marketing function in that it increases the effectiveness of marketing by studying the potential targeted customers.

#### 6. Work Flow Automation

Work flow processes include cutting costs and streamlining processes. It basically saves several people from doing the same job again and again. It reduces work and relieves work force of unnecessary tasks. It also includes things like routing out paperwork and filling out of forms that are essential. It also includes the integration of people and processes so that they work together in harmony towards a common objective without any loss of time, money or effort.

#### 7. Business Reporting

This is nothing but being able to identify the exact position of your company at any given point of time. CRM plays a pivotal role in that it provides reports on the business. The advantages of this component include the ability to have this information at your instant access at any time. Accurate reports are also ensured. While forecasting is yet another feature it is also possible to actually export these reports to other systems. Historical data can also be saved to use for comparisons later on.

#### 8. Analytics

Analytics involve the study of data so that information can be used to study market trends. A complete trend study is made possible due to the ability to create charts, figures and diagrams using both historical and current data for information like charts tables, logins and many more. Dashboards can also be used for increased visibility. This is an essential and pivotal part of CRM as it enables a study of data that is needed to make an estimate of the business condition at any given point.

### 1.5 BENEFITS OF CRM

#### Q6. What are the Benefits of CRM ?

*Ans :* (Imp.)

CRM provides various benefits to the organizations. It enables the organizations to retain customers, practice intense marketing and bring about better opportunities for cross selling. It also enables the organization to launch new products and brands within short span of time. The organizations that offer products, price, integrate products and services and provide promised services as demanded by the customers, can only enjoy these benefits.

An organization can ensure customer loyalty by meeting this requirements and keeping him

happy. Therefore, the successful implementation of CRM provides the following benefits.

**1. Increased Sales Revenues**

CRM involves spending more time with the customers rather than acquiring new customers. Therefore, this results in increased sales.

**2. Increased Win Rates**

The companies are able to overcome the bad deals that have taken place earlier, this improve its winning rates,

**3. Increased Margins**

Understanding the customer, offering a value-sell and discounts result in increased margins for the companies.

**4. Increase in Customer Satisfaction Ratings**

The companies responsiveness and ability to meet the customer requirements improves the customer satisfaction ratings.

**5. Reduction in Sales and Marketing Costs**

CRM reduces the cost of sales and marketing of the company. As the company is aware of its target customers and their needs it is not required to spend money and time on sale and marketing techniques.

**6. Creates Positive Referrals**

The customers that are satisfied with the company are sure to spread positive things about the company. These positive words are more effective and create new customers for the company.

**7. Develops Consumer Behaviour Understanding**

It enables the company to understand the consumer behaviour, by providing personal services to customers. The companies are also able to provide complete set of personalised solutions to their customers.

**8. Creates Opportunity for Cross-sell and Up-sell**

A satisfied customer is sure to repurchase from the same company. Therefore, the company is able to get back the customer without any extra cost and can increase the amount of sales by offering huge value products.

**9. Reduction in Marketing Time**

CRM directly reduces the amount of time required for marketing. Since, the positive referrals and cross-sell and up-sell opportunities make the customer acquisition easier.

**10. Channel Cost Rationalisation**

The cost of various channels can be known with the help of effective CRM. This enables the company to calculate the cost of various channels and their profitability and select the most cost-effective channel for serving their customers.

**11. Enables Business Process Re-engineering**

The CRM programmes provide a complete insight of the customer. This enables the company to calculate their profitability with respect to each customer. The company can implement business process re-engineering with accordance to the customers and their profitability to the company.

Therefore, all the above benefits clearly indicate the importance of implementing customer relationship management in modern business. The success of the business largely relies on the company's customer relationship arrangement.'

**1.6 CRM AS A STRATEGIC MARKETING TOOL**

**Q7. "CRM is a strategic marketing tool". Discuss.**

*Ans :*

In business management, marketing is considered as one of the new discoveries. Recently,

marketing has occupied an important position in the overall strategic studies. There are several challenges arising in marketing and subsequently new approaches are being made to view this concept from different aspects. It is observed that the most important element in marketing is 'customer' whose retention is more important than any other marketing functions.

Strategic marketing insist on the fact that managing and advancing the interaction with sales prospects and customers in both business and consumer market is a key strategy to sustain competitive advantage. CRM is a strategic marketing tool which focuses on,

- (i) Generating and servicing more loyal customers
- (ii) Reduction of advertising costs
- (iii) Increase in profitable customers
- (iv) Expansion of customer base
- (v) Ease in Introduction of new products
- (vi) Gathering of personal information and processing of self-service

CRM is a marketing management practice that involves identifying, attracting and retaining the most valuable customers to sustain profitable growth. It is a process that involves making and keeping customers and increasing their level of satisfaction and profitability. In present time, Customers demand for equal access, convenient access, real time specialized information, pricing transparency, logistics transparency, global pricing, choices of distribution channels, portability etc. When a customers is satisfied with the service, he/she first becomes a repeat customer, then he becomes a client, then an advocate ultimately becomes the partner of the firm in progress. Once the customer becomes loyal, he/she creates a profit and reduces operating cost, increase purchases and give many referrals. Often, it is the existing customers who deliver most of the revenues. For a successful business, it is very important to identify the Most Valuable Customers (MVC). The success of customer is always equal to business success.

CRM is one of the dominant managerialist approaches to strategy. It tries to include customers into the network of the firm based on the terms of firm rather than treating them as incidental and occasional purchases of goods and services. Apple is one such firm which have been good at CRM. It launched new projects to an assemblage of apple devotes. The customers who were enrolled sold products by word of mouth and also through formal advertising campaigns. As CRM is a strategic marketing tool, companies are investing a lot on CRM. This massive expenditure is being spent to find, attract and win new customers and to retain the existing customers. This will enable the firm to enhance customer experience, grow revenue, minimize the cost of marketing operations and customer service and training the staff that is in direct contact with customers. To attain set objectives, firms are now using sophisticated IT systems that enable the organization to organize, automate and synchronize activities related to sales, marketing, technical support, customer service etc. According to Kumar and Peterson (2005), It is important to link customer data, strategic marketing objectives and firm's financial performance.

Although information technology builds CRM strategies, it does not guarantee the success of such strategies. There are many failed firms who adopted It focused CRM strategy. They indicate that success cannot be achieved by technology alone, it rather involves an alignment of whole organization including process, structures, mechanisms, culture, leadership and governance with a focus on customer.

### **1.7 CRM SIGNIFICANCE TO THE STAKEHOLDERS**

**Q8. Who are stakeholders in CRM? Discuss the significance of CRM to the stakeholders.**

*Ans :*

**(Imp.)**

#### **Stakeholders in CRM**

The four main stakeholders who have an important role to play in the process of CRM are,

**1. Customers**

The most important persons in the CRM design are 'customers'. It is the customers for whom the whole programme is carried out.

**2. Supplies**

Supplies are the part of system who give input to the value chain of the company.

**3. Partners**

Partners are the people who create value for the customers.

**4. Employees**

The people who execute the CRM design are 'employees'. They are the ones who work in frontline staff . who executes the CRM designed by top management.

**Significance of CRM to the Stakeholders**

First of all, it is important to understand the word 'stakeholders' which not only includes shareholders but many others in the process. The word stakeholder is used to describe any group or party who can influence or influenced by the organizational activities. Therefore, these stakeholders are interested in how projects are carried out and the results of these projects.

For an organization, building relationship with stakeholders is of crucial important and the quality of these relationships affects the organization and its profitability. The organization needs to build relationship with several group and determine priorities in building relationships in an integrated way. It is difficult to do this as these stakeholders affect different parts of the organization and make interaction with different managerial groups.

For example, Supplies interact with representatives of the purchasing department and trade unions have interaction with human resource department i.e managers. It is not possible for an organization to receive the benefits of these relationships without having a unified approach to building relationships with stakeholders. It is not only

the marketing department that builds relationship with these groups but also the top management which is involved in taking actions.

Today, the modern organizations have flat structures which encourage more diffuse decision-making, accelerated information flow and an increased focus on learning. In this situation, organization want the employees and other stakeholders to provide support as to secure resources, minimize costs, gain access to new markets and stay updated with marked conditions. The link between positive stakeholder relationships and competitive advantage can be explained in the following ways,

**(a) Innovations**

An organization can become innovative if there is a strong relationship between employees, supply-chain and business alliance partners. In this highly competitive economy, innovation is possible only with the establishment of positive relationships.

**(b) Reputation**

An organization can build an enhance brand value through positive relationships with customers, employees, suppliers and nearby residents.

**(c) Positive, Trust-Based Relationship**

When relationships are built with suppliers and business partners, a dense network is formed which not only provides the resources but also the information essential for development of new markets. Mostly, supply-chain relationships rely on trust-based relationships. In these relationships, more flexibility is needed which depend on interaction, trust and shared knowledge.

Therefore, the stakeholders are considered as the 'gatekeepers' to the resources which a company requires. For example, it is the customers who decide whether they should give money to company or not and It is in the hands of employees

to share innovative ideas to the company or the competitors. Good relationship with these stakeholders open the gate to better resources and finally to the success of business. However, the managers and businesses today don't think of stakeholders in terms of ethics, morality and social responsibility rather they think of them in terms of economic value and competitive advantage. Stakeholders should work with managers to enhance their own benefits while increasing profitability rather than just being passive recipients.

### 1.8 CRM APPLICATIONS IN CONSUMER AND BUSINESS MARKETS

**Q9. What are consumer markets in CRM? How do you develop business relationships in such markets?**

*Ans :* (Dec.-19, Imp.)

#### Consumer Markets

Consumer markets are the markets where consumer goods and services are sold like cosmetics, soft drinks, garments, shoes etc. Achieve success in this markets is a difficult task, as consumers tastes and preference change very frequently. Sellers in the consumer markets focuses more on building a good brand image. The company's brand image rely upon its product quality, product availability, packaging, services offered and its investment on promotional activities.

#### Developing Relationships in Consumer Markets

It is very difficult to build long term relations with customers. For developing effective customer relationships the firms need to allow the customers to go through the following stages:

1. Awareness
2. Initial purchase
3. Repeat purchase
4. Client
5. Community and
6. Advocacy.

CRM practices of the firm aims at shifting the focus of the firms towards the maintenance of clients from the traditional view of attracting and acquiring customers.

#### 1. Awareness

At this stage, CRM aims at educating the existing customers about their products and services and to attract the prospective customers to purchase the product. The tools that are used by marketers at this stage to meet the CRM goals include personal selling, word of mouth, product advertising.

#### 2. Initial Purchase

CRM at this stage aims at including the firm's products in the evoked set of brands and to enhance the customer's interest in trial purchase of the product. The tools include mass advertising, product sampling and personal selling.

#### 3. Repeat Purchase

CRM at this stage aims at meeting the customers expectations to a maximum extent and to influence the customer for making repeat purchases through offering attractive incentives. Firms at this stage focus more on the customer's specifications about the product features. The tools include value based pricing, quality management, service after sales, incentive system etc.

#### 4. Clients

At this stage the goals of CRM are,

- (i) To build financial relations with the customers to stop their interest to opt for competitor's products and
- (ii) To grab the prominent share of customer business.

Firms at this stage focus more on customizing the product according to the customer's expectations in order to meet its CRM goals. The tools include offering wide range of products, frequent customer cards and other programs.

## 5. Community

CRM aims at building social relationships with customers to retain their interest in purchasing their products and to avoid brand switching. For this, firms should focus on creating a sense of community by offering number of opportunities to customers.

The tools in this stage are conducting membership and affinity programs and maintaining personal communication with customers.

## 6. Advocacy

CRM at this stage aims at shifting the firms view of customers are partners instead of only customers and to improve their loyalty towards the firm's product/ service. For this, firms need to customize their products in such a way that the customers even never by to end relationship with the firm. The CRM goals can be achieved by conducting customer events and reunions, and long term contracts.

CRM practices of the firms aims not only to create awareness in the customer markets but also to gain high degree of customer advocacy through reinforcing the relationships with the customers, using various tools and strategies. These customer relationship capital serves as the most valuable asset for the firm.

### Example

Harley - Davidson is one of the best example of the firms that are enjoying the highest levels of customer advocacy than others in the same line of business. Other firms in this category include Apple, Coco-cola, Nike etc.

Traditionally, firms focused more on acquiring new customers, increasing market share and financial transactions. But, now with the increase in the significance of CRM in marketing firms have been shifted their focus towards increasing the share of customer business instead of market share by customizing the products to satisfy their customers.

Firms offering financial services can better use the above strategy to reinforce their CRM. Earlier customer were used to purchase different financial services from different institutions but now most of the companies are offering all the products/services to their customers.

### Example

Regional Financial Corporation (RFC) became a pioneer in financial service industry by offering both retail and corporate banking products and services, insurance, securities etc., under one roof. The products include personal banking and relationship money market account. RFC emphasis on acquiring a substantial share of customer business facilitate it in gaining competitive advantage over its rivals.

For adopting the above strategy, a firm should first categorise the customers based on their value and profitability to the firm using 80/20 rule i.e., 20% of customers accounts for 80% of business profits. Tracking the customers using advanced technology ensures the firms with an increase in sales and customer loyalty from the remaining 80% of customer. The three categories of customer include:

### (a) Bottom Tier Customers

These customers contribute very less to firms profits and need to pay high fees for additional services.

**Example:** Banks often charge high maintenance fees for depositors of smaller amounts.

### (b) Top-tier Customers

These customers are the most loyal and contribute more for firm's profits. Firms often use retention strategies to maintain relationships with these customer and focus more on satisfying these customers.

### (c) Second-tier Customers

These customers lie between bottom tier and top-tier categories. These are also loyal customer. Firms use incentives to retain these customers.

In order to retain the profitable customers, most of the firms are adopting incentive schemes which are not competitive actions. Thus, they need to follow the strategies that cannot be imitated by competitors in building strong and long term relations with customers.

**Q10. Discuss briefly about CRM in services. What are the important characteristics of services? What dimensions determine the service quality?**

*Ans :*

### **CRM in Services**

Customer Relationship Management (CRM) is all about creating long-term and mutually useful relations with customers. During facilitating services to customers, the issues of creating long-term relations with customers will takes various dimensions because of distinct characteristics of services.

### **Important Characteristics of Services**

The important characteristics of services are as follows,

#### **1. Intangibility**

Services are intangible in nature. This intangibility complicates the task of decision maker by creating several problems, as service cannot be displayed, the buyers cannot see it, cannot test and make a trial before making buying decision, the customer can neither touch it nor smell it, rather in true sense; services are not a physical object.

#### **2. Perishability**

Services cannot be stored or preserved. Unutilised or underutilized services are found to be waste. If a bedroom in a hotel remain vacant, a seat in aeroplane remain unsold etc. are all economic waste. Service for them is lost for now and future. The reason for this waste is perishability of economic waste.

#### **3. Heterogeneity**

The quality of services cannot be standardized. Not two services offered are precisely or exactly alike. This inconsistency make it difficult to establish standards. Consumer rate the same services consumed at different places or different instances in a different manner.

#### **4. Simultaneity**

As the services are produced they are being used. Therefore, there are chances to show error than that of the goods which can be examined for quality prior to

### **Situations Suitable to Service Firm**

The following are the three situations in which the relationship marketing is suitable to a service firm.

1. There is a continuous or regular requirement for the service to the customers. For instance, a telephone service is a continuous service and the services offered in hospital is a regular service.
2. The customer will choose which service provider she/he requires to use. For instance, a customer will choose which restaurant he/she wants to go for dinner instead of sitting in the first taxi or auto outside the railway station. At last the customer might not get a chance.
3. There are different service suppliers and it is common for customers to change from one supplier to other supplier. It is not difficult for the customers to change from one supplier to another because it does not include switching cost. For instance, a customer might fly by an airline of his/her choice rather than purchasing by electricity supply from a monopoly in the area.

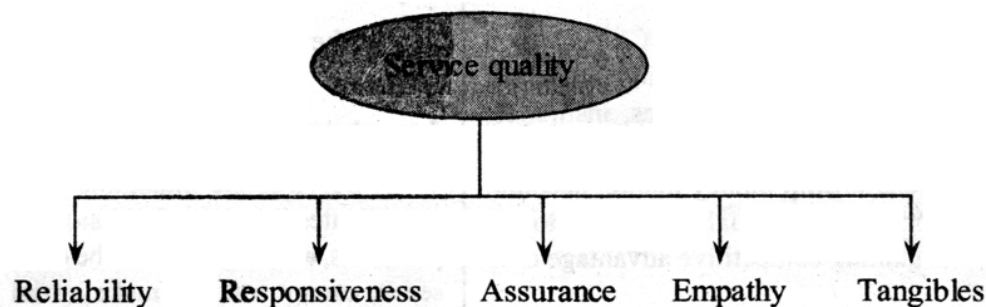
There is a requirement and a chance to have service organizations to attract customers and create relationships with them when the above situations takes place.



### Dimensions of Service Quality

The five dimensions of service quality are as follows,

1. Reliability
2. Responsiveness
3. Assurance
4. Empathy and
5. Tangibles.



#### 1. Reliability

Reliability refers to the capacity of the firm to provide the committed service precisely and dependably. It is considered as an important dimension of service quality. Reliability signifies that the firm delivers its promises with regard to the delivery service provision, problem solution and pricing.

At the times of the failure of service, the customers tolerance zones will reduce and their expected service levels will increase.

#### 2. Responsiveness

Responsiveness refers to the willingness of the firms to assist the customers and to offer them quick service. The responsiveness focuses on the effectiveness and attentiveness with which the firm deals with the customer requests, questions, complaints and problems.

#### 3. Assurance

Assurance is the potentiality of the firm and its employees to stimulate the trust and confidence. Assurance is a significant dimension for the customers who feel, that a particular service such as banking insurance, brokerage, medical and legal services involve high risk.

The trust and confidence can be incorporated in an individual who helps in connecting customer with the company sends as securities brokers, insurance agents, lawyers and counsellors.

#### 4. Empathy

Empathy is the care and concern which a firm shows towards its customers. Empathy deals with providing personalized (or) customized service to the customers. So, that they feel distinct and special. The customers expect the firms which provide service to understand and give importance to them.

**5. Tangibles**

The physical appearance of facilities, equipment, employees and communication materials are termed as tangibles in service quality. These determinants represents the physical appearance (or) image of the service which the customers, specifically the new customer will utilize for assessing the quality. The service industries that focuses on tangibles in their strategies are hospitality services. In such services, the customers visits the firms for such as restaurants, hotels, retail stores and entertainment services for receiving the services.

**Q11. What are B2B markets? Discuss the characteristics of B2B markets.**

*Ans :*

**B2B Markets**

According to Kotler and Armstrong (2001), the business-to-business market includes retailing and wholesaling firms that obtain goods for the purpose of retailing or renting to other.

**Characteristics of B2B Markets**

The characteristics of business market are as follows,

**1. Market Structure and Demand**

Generally in a consumer market, there are several buyers, that is, households or individuals but these buyers purchase in less quantity. On the other hand, a business market consists of few buyers but they are the large buyers who will make purchases in bulk. Therefore, the buyers in the business market will have high influence on the market.

Usually, demand in a business market are 'derived demands'. These demands are derived from quantity the organizations expects to sell to its customers. Most of the business market will have inelastic demands, that is, the overall demand for several business products is not influenced much by

change in price in short term until that is connected to the demand of the consumer. Lastly, the business markets will have huge changes in demands because a small variation in demands of the consumers will create a huge variation in business demand. Therefore, compared to the demand for consumer goods or services, the demand for several business goods and services will have tendency to change more rapidly.

**2. Nature of the Buying Unit**

Generally, several purchases are included in business purchase who are participated in the decision-making process and a more professional purchasing attempt. There are numerous purchasing agents whose complete professional life is committed to purchasing in the business context. The people who are involved in purchase will increase because of increase in quantity of purchase and its value. The management experts and business experts, technical experts and experienced sales persons are the major players in this unit.

**3. Types of Decisions and the Decisions Process**

Compared to consumer buyers, business buyers should make difficult decisions, difficult economic and technical considerations because there will be a high volume and high value of purchases. In buyers firm, the communication between several individuals over various levels takes place frequently relating to purchase decisions. When compared to consumer buying process, the business buying process is highly formalized due to difficulties involved in it. Decisions might be made after expected considerations of all the factors and this may include substantial time for consideration. Lastly, in the business buying process, the seller and buyer are relied on each other. Thus in a purchasing firm the business seller work with

their counterparts frequently. The counterparts will assist them to make decisions by recognizing and defining problem, giving huge data regarding the relevant products and conveying them regarding customization which can be made. Creating long-term relationship with customers in long run will become important for the industrial marketer. From the stimuli view point for business buying cases, the important factors which effect the purchasing process are four P's of marketing, that is, price, place, product and promotion which are integrated with various forces in the environment which includes technological, economic, cultural, political and competitive forces.

#### 4. Important Kinds of Buying Situations in B2B Contexts

In B2B content, there are several kinds of buying situations. They vary from each other with reference to the type of difficulties connected with the decision-making process. The various type of buying situations are as follows,

##### (i) Straight Re-Buy

The straight re-buy includes something reordering by the purchases from its previous vendor without making any changes. The purchase department will place their order on the basis of list of previous vendors and their performance.

##### (ii) Modified Re-Buy

In this type of situation, the buyer desires to alter the product specifications, prices, terms or suppliers. This process includes more attempts of decision-making on the part of the buyer.

##### (iii) New Task Situation

New buying situation is one of the most complicated buying situation as it

involves purchasing of a major product for the first time. As the level of risk involved in new decision is high it requires more people. The requirement of information is high and evaluation process of alternatives is complicated as decision makers does not have much experience about the product.

#### (iv) Systems Buying

In many cases, purchases would like to purchase a packaged solutions from a single supplier rather than purchasing the components from different vendors and then combining them. This is referred as systems buying.

#### 5. Participants in the Business-Buying Process

In business firm, 'buying centre' will make important purchasing decisions which involves people and units from over the firm, each of them will have interest in making purchasing decision. The buying centre includes all the members of the firm who play any of the below roles in the purchase decision process.

- (a) Users
- (b) Influencers
- (c) Buyers
- (d) Deciders
- (e) Gate keeper.

#### 6. The Business Buying Process

The process of buying in business markets involves eight stages. They are,

##### (i) identification of a Problem

The business buying process starts when anyone in the organization identifies a problem which can be solved by buying goods/services.

**(ii) Description of Product Needs**

In this stage, the buyer ascertains the product needs i.e., the attributes of the product and quantity required.

**(iii) Specification of Product**

In this stage, the buying firm will determine and define the best technical features of the product for the needed item.

**(iv) Search for Supplier**

The fourth stage in the business buying process deals with searching of suitable suppliers.

**(v) Invite Proposals**

The qualified suppliers are requested by the buyers to submit their proposals.

**(vi) Selection of Suppliers**

This stage of buying aims at selecting the best suppliers from the identified suppliers.

**(vii) Order-Routine Specification**

After selecting the suppliers, business buyers negotiate the final order by outlining technical specifications, quantity required, expected delivery time, warranties, return policies etc.

**(viii) Review of Supplier Performance**

The business buyer reviews the performance of the selected supplier at periodic intervals.

## 1.9 CRM ISSUES & PROBLEMS

**Q12. Discuss about various CRM Issues & Problems.**

*Ans :*

**(Imp.)**

Implementation of CRM is a costly and complex process. Its impact on the organization is profound and long lasting. The management need

to consider various technical, organizational and human resource related issues before initiating and implementing CRM in the organization.

**1. Technological Issue**

It is the most important issue that need to be considered. The firm is required to check that the CRM solution aligns well with the existing organizational technology features and capability.

Generally firm adopt requirement driven approach to choose a CRM solution which is aligned to the organizational needs. Thus approach involves the following steps.

- (i) Define the business problem and also the processes that are required to the revamped.
- (ii) The second step is to specify process functionality and define how it is customer focussed and meets the business, requirements.
- (iii) The last step is to define and identify solutions which possess the required functionality.

**2. Make or Buy Issue**

Another issue is for the firms to decide whether to make or buy a CRM solution. Firms may try to develop/make their own CRM solutions, under the following situations.

- (i) The required CRM solution tools are not available in the market.
- (ii) The firm desires to possess a unique CRM system, which provides it a competitive edge.
- (iii) A single CRM product cannot provide all the CRM solutions required by the firm.
- (iv) The CRM system, which are available in the market are highly expensive and is beyond the financial reach of the firm.

However inspite of the aforementioned reasons, most firms still opt for ready made CRM systems as it saves lot of time resources and other scarce resources.

### 3. Technical Criteria Issues

The issues include the following,

- (a) **Compatibility:** It is quite essential to check that the CRM solution need to easily align with existing other CRM solution. If not it may be very difficult for the firm to upgrade and integrate the CRM system with other systems, as and when required.
- (b) **Functionality:** It is important to test the product/CRM system to find whether it can provide the required customer solution, which the firm is looking for.
- (c) **Speed and Scalability:** It need to be verified that the CRM system has the ability to handle huge volumes of transaction and provide quick and efficient solutions.
- (d) **On Par with Global Practices:** The linn should benchmark the CRM solution and verify that it is on par with the global CRM solutions available in the market.
- (e) **Commercial Impact:** The CRM system, should provide value for the money being spent to purchase it. In other words, it need to provide good customer service to the firms customers and create a positive impact about the organization.
- (f) **Degree of Integration:** It is advisable that the firm checks the degree of integration. The proposed CRM solution has, with the firms back end data mining solutions and data warehouse.

The organization may implement the CRM solution in a sequential manner and keep reviewing its impact on a periodical basis to make required changes for the successful.

## Short Question and Answers

### 1. Customer Relationship Management (CRM)

*Ans :*

Customer Relationship Management (CRM) is a strategy for managing all your company's relationships and interactions with your customers and potential customers. It helps you improve your profitability.

Customer relationship management (CRM) is a term that refers to practices, strategies and technologies that companies use to manage and analyze customer interactions and data throughout the customer life-cycle, with the goal of improving business relationships with customers, assisting in customer retention and driving sales growth. CRM systems are designed to compile information on customers across different channels – or points of contact between the customer and the company – which could include the company's website, telephone, live chat, direct mail, marketing materials and social media.

### 2. Need and Importance of CRM

*Ans :*

#### (i) Better service to customers

CRM provides more avenues for customers to communicate and explain their needs to the organization through numerous contact points. Customers get increased satisfaction and a feeling of being special and important because of the increased personalization of services and customization of goods offered to them.

#### (ii) Customization of market offerings

Companies can customize a product or service depending on the data available with the firm. The firm can facilitate customer-company interaction through the company contact centre and web site. Such interactions help develop customized products.

#### (iii) Reduction in the customer defection rate

CRM emphasizes on training and development of the employees to become more customer oriented. Due to CRM training and development, employees show care and concern towards the valuable customers; therefore, the customer defection rate may be reduced to a great extent.

#### (iv) Increase and improvement in long-term relationships

Some firms treat their customers as partners. Firms solicit the help of the customers to design new products or to improve their services. If the customer gets involved with the firm, they are more likely to remain with the firm.

### 3. Work Flow Automation

*Ans :*

Work flow processes include cutting costs and streamlining processes. It basically saves several people from doing the same job again and again. It reduces work and relieves work force of unnecessary tasks. It also includes things like routing out paperwork and filling out of forms that are essential. It also includes the integration of people and processes so that they work together in harmony towards a common objective without any loss of time, money or effort.

### 4. Lead Management

*Ans :*

Lead Management basically involves the tracking and distribution of sales leads. This benefits the sales, call centre and marketing industries as well. The work involves managing market campaigns, making customised forms, mailing lists and many more. All this is done with a view to capture as many

sales lead as possible so that sales benefits. This is achieved through a comprehensive study of customer purchase patterns and the identification of potential sales leads.

### 5. Sales Force Automation

*Ans :*

Sales Force Automation is by far one of the most essential components of customer relationship management and also one of the first. Used by almost all organisations it is nothing but a software solution that includes forecasting, tracking potential interactions and processing of sales. The reason this is adopted as part of a CRM solution is because of the need to identify revenue possibilities.

### 6. Customer Service

*Ans :*

The customer service component in CRM is essential. This is because CRM focuses on collation of customer data, gathering information about their purchase patterns and provides this information to every department that requires it. Therefore vital departments like sales, marketing and personnel stand to gain in their knowledge of the customer. This enables the organisation to provide suitable solutions to every customer and thus enhances customer retention and loyalty.

### 7. Stakeholders in CRM

*Ans :*

The four main stakeholders who have an important role to play in the process of CRM are,

#### (i) Customers

The most important persons in the CRM design are 'customers'. It is the customers for whom the whole programme is carried out.

#### (ii) Supplies

Supplies are the part of system who give input to the value chain of the company.

#### (iii) Partners

Partners are the people who create value for the customers.

#### (iv) Employees

The people who execute the CRM design are 'employees'. They are the ones who work in frontline staff . who executes the CRM designed by top management.

### 8. Market Structure and Demand

*Ans :*

Generally in a consumer market, there are several buyers, that is, households or individuals but these buyers purchase in less quantity. On the other hand, a business market consists of few buyers but they are the large buyers who will make purchases in bulk. Therefore, the buyers in the business market will have high influence on the market.

Usually, demand in a business market are 'derived demands'. These demands are derived from quantity the organizations expects to sell to its customers. Most of the business market will have inelastic demands, that is, the overall demand for several business products is not influenced much by change in price in short term until that is connected to the demand of the consumer. Lastly, the business markets will have huge changes in demands because a small variation in demands of the consumers will create a huge variation in business demand. Therefore, compared to the demand for consumer goods or services, the demand for several business goods and services will have tendency to change more rapidly.

## UNIT II

**Building Customer Relations:** Customer information Database – Customer Profile Analysis - Customer perception, Expectations analysis – Customer behaviour in relationship perspectives; individual and group customer's - Customer life time value – Selection of Profitable customer segments - Customer Life Cycle, Business Networks and CRM.

### 2.1 BUILDING CUSTOMER RELATIONS

#### Q1. Explain about Building Customer Relations.

*Ans :*

(Imp.)

Relationship is the fundamental characteristic of any 'living' set of entities. Organisations are no different and therefore people see relationships as the binding force, which lend growth, vibrancy, energy and joy to both, those who supply a product or service, and those who receive it. In today's complex world, every organisation works in a network of such relationships.

From an organisational perspective, relationships provide perpetual stream of revenues and profits, often increasing over a period of time, resulting in positive referrals, new business opportunities and quite often, a challenge to remain focused and efficient. Therefore, whichever way people look at it, it is beneficial to build strong, positive and mutually beneficial bonds.

Most successful marketers understand that key issues in developing competitive advantage include building long-term relationships, and central to these relationships are maintaining customer satisfaction and creating customer value.

#### **Need of Building Relationship with Customers**

Building relationship with customers in current market trends is the most important aspect that an organisation that an organisation should focus on. Distinction and eminence are now most sustainable and affirm for which developing good relationship with customers is must. Some of the substantial outcomes of building a quality relationship is explained below by which need of relationship with customer -are insight:

#### 1. Better Customer Perceptiveness

As the customer lengthens to deal with a supplier, the supplier tends to explicate a better insight of customer's needs and expectations. By this a high level of relationship can be developed between them. This will result in selling more products and retain the business with the customers which finally will lead to profitable business.

#### 2. Lead to Customer Satisfaction

Customer satisfaction is the measure of how the needs and responses are collaborated and delivered to excel customer expectation. It can only be attained if the customer has an overall good relationship with the supplier. In today's competitive business marketplace, customer satisfaction is an important performance exponent and basic differentiator of business strategies. Hence, the more is customer satisfaction; more is the business and the bonding with customer.

#### 3. Lead to Customer Loyalty

Customer loyalty is the tendency of the customer to remain in business with a particular supplier and buy the products regularly. This is usually seen when a customer is very much satisfied by the supplier and revisits the organisation for business deals, or when he is tended towards re-buying a particular product or brand over times by that supplier. To continue the customer loyalty the most important aspect an organisation should focus on is customer satisfaction, hence it can be said that customer loyalty is also an outcome of good relationship. We of cake for suppliers as there is no cost and struggle



involved in this. This could be treated as the best outcome of quality relationship what a supplier can think of.

## 6. Growth in Revenue

When suppliers have healthy relationship with customers the revenue of the organisation always increases as customers tend to buy more and more. There is possibility that a satisfied customer seek to buy special category of related products apart from the regular ones from that particular supplier. For instance if a satisfied and loyal customer has a home insurance from an insurance company then there are positive chances that he could also insure his property and car also if he is fully satisfied with the services of that insurance company. This will definitely result in growth of business.

## 7. Low Cost to Serve

Cost to serve existing satisfied customers is always very less for the supplier as they know and understand customers. Customers never come back with complaints and queries because they know the actual business flow and completely rely on the relationship with supplier.

By the above substantial outcomes it is prominent that creating and maintaining relationship with customer is always a key to success.

## Process of Building Customer Relationship

The Peppers & Rogers consulting group suggests the IDIC methodology or framework for implementing CRM initiatives. IDIC is an acronym for Identify, Differentiate, Interact and Customise, which are the sequence of stages a company must employ before realising the perfect CRM situation. The methodology suggests that the perfect CRM implementation is when a one to-one relationship with each key customer is realised. At this stage it may be costly or cumbersome for the customer to switch loyalties causing them to become 'locked in'. The stages of IDIC I nunc work are as follows:

1. **Identify** : Customer's information such as name, address and purchase information must be collected across the company, at all

points of contact. The more information gathered on each customer, the more can be read into their habits and preferences. In the retail sector environment, purchase information is extremely valuable due to the wide range of products available (e.g., a customer buying nappies and baby food suggests they are looking after babies, and much can be inferred about an individual's income and attitudes by something as small as the type of bread they buy). The problem for bricks and mortar retail sectors is actually identifying the customers in the first place.

2. **Differentiate Customers** : Peppers & Rogers justify this stage by saying, "that customers represent different levels of value to a company and that they have varied needs". Differentiation should be relatively easy for the retail sector to achieve once the data has been collected, since there is full information on how much each registered customer spent and what they spent it on. With the information gained on the total spend of each customer; it is possible to work out their value to the company. The products a customer purchases can put them into categories such as 'vegetarian', 'parent' and 'social class'. These socio-economic categories are clearly independent of one another, so customers can be members of different combinations allowing a high degree of differentiation. This is extended further when combined with the customer's value to the company.
3. **Interact with Customers** : This is the stage where the benefits of CRM kick in. Having categorised the customers, the retail sector is in a position to treat them differently. For example, valuable customers can be given more benefits, such as better offers to encourage them to stay faithful, since their loyalty is more important to the company.
4. **Customise** : Once the interactions and reactions of each customer have been analysed, a full one-to-one service can be offered to customers based on their value to the company, personality and background. Offers can be tailored according to the socio-

economic classification (e.g., there is no point in offering money off vouchers for a brand of dog food if the customer does not own a dog).

### 2.1.1 CRM Framework

#### Q2. Explain about CRM Framework.

*Ans :*

In competitive markets, even satisfied customers switch or defect to competitive offers. Since loyal customers are more profitable for any organisation, there is a need to identify better predictors of loyalty. Indicators of relationship strength such as trust, satisfaction and commitment are better predictors of loyalty and by including these parameters in customer satisfaction surveys; managers can modify service delivery with a focus on customer loyalty. The psychological steps across relationship stages developed by Mookerjee are explained below:

#### 1. Switching:

Switching is very common in the initial stages of a relationship process. A prospect that gets attracted by a company's marketing programme may try out its product or service offering and becomes a customer. However, the initial interactions and experiences determine whether the customer is willing to continue or not. In the cellular service industry, the first two weeks are the most crucial. Most customers need a lot of handholding, support and technical help to start using the service. If it is handled well, customers are likely to continue using the service.

#### 2. Satisfaction:

Satisfaction is a complex emotion, which depends on the offer characteristics, expectations and usage situation. Customers are satisfied when the performance of the product or service matches or exceeds their expectations. Satisfied customers are more likely to continue their patronage. Therefore, satisfaction is an important intermediate step in the relationship building process and many of the satisfied customers will become clients.

#### 3. Trust:

Satisfaction over multiple interactions leads to a stage where the customer begins to have faith in the offering and its consistency in performance. Satisfaction leads to trust when some more antecedent conditions such as shared values and goals, dependence based on stable expectation/perception of performance and perceived switching costs are fulfilled. Trust is defined as the willingness to rely on an exchange partner in whom one has confidence. It exists when a party has confidence in an exchange partner's reliability and integrity and when they share common goals and values. The concept of trust is common among marketers in the packaged goods industry, which depends on trust to build brand loyalty.

#### 4. Commitment:

Commitment to a relationship is defined as an enduring desire to maintain a valued relationship. Therefore, commitment exists only when the relationship is considered important. It can be operationalised using the two dimensions:

- (i) Attitude towards interacting with each other; and
- (ii) The formation of bonds.

Trust and commitment are key variables because they encourage marketers to work at:

- (a) Preserving the relationship investments with partners/clients.
- (b) Resist short-term gains that may be the lesser than expected benefits of staying on in the relationship.
- (c) They view potentially high-risk action, as acceptable since they expect that partners will not act opportunistically.

#### 5. Loyalty

Loyalty is not simply repeated buying. Loyalty includes future purchase intentions, price sensitivity, and referral behaviour (positive word of mouth). In terms of measurement of loyalty or loyalty related behaviour, typical questions would refer to:

- (i) Intentions regarding the next purchase.
- (ii) Whether a change in supplier would be considered with a particular level of increase in the prices.
- (iii) The number and intensity of complaints.
- (iv) The tendency to talk about the supplier to other clients.
- (v) The degree of desire to share positive experience also known as word of mouth.

### 2.1.2 Guidelines for Relationship Building

#### Q3. What are the Guidelines for Relationship Building?

*Ans :*

Successful businesses do not just communicate with prospects and customers for special sales. Today, making the company indispensable is a vital key to marketing success. It is a terrific way to add value, enhance the brand and position against competition. There are seven relationship-building strategies that will help a company in transforming itself into a valuable resource:

1. **Communicate Frequently** : For best results, it is important to communicate frequently and vary the types of messages that are sent to the customer. Instead of a constant barrage of promotions, sprinkle in helpful newsletters or softer-sell messages. The exact frequency chosen will depend on the industry and even seasonality, but for many types of businesses, it is possible to combine e-mail, direct mail, phone contact, and face-to-face communication to keep prospects moving through sales cycle without burning-out on the message.
2. **Offer Customer Rewards** : Customer loyalty or reward programmes work well for many types of businesses, from retail to cruise and travel. The most effective programmes offer graduated rewards, so the more customers spend, the more they earn. This rewards the best, most profitable clients or customers and cuts down on low-value price switchers-customers who switch from programme to programme to get entry-level rewards. Whenever possible, offer in-kind rewards that remind the customers of the company and its products or services.
3. **Hold Special Events** : With the renewed interest in retaining and up-selling current customers, company-sponsored special events are returning to the forefront. Any event that allows the staff to interact with the best customers is a good bet, whether it is springtime golf outing, a summertime pool party or an early fall barbecue. Just choose the venue most appropriate for the unique customers and business.
4. **Build Two-Way Communication** : When it comes to customer relations, "listening" can be every bit as important as "telling". Use every tool and opportunity to create interaction, including asking for feedback through the website and e-newsletters, sending customer surveys (online or off-line), and providing online message boards or blogs. Customers who know they are "heard" instantly feel a rapport and a relationship with the company.
5. **Enhance the Customer Service** : One of the best ways to add value and stand out from the competition is to have superior customer service. Customers often make choices between parity products and services based on the perceived "customer experience". This is what they can expect to receive in the way of support from the company after a sale is closed. Top-flight customer service on all sales will help the company to build repeat business, create positive word-of-mouth, and increase sales from new customers as a result.
6. **Launch Multicultural Programmes** : It may be time to add a multilingual component to the marketing programmes. For example, one might offer a Spanish-language translation of his website or use ethnic print and broadcast media to reach niche markets. Ethnic audiences will appreciate marketing communications in their own languages. Bilingual customer service will also go a long way toward helping the company to build relationships with minority groups.

**7. Visit the Trenches :** For many entrepreneurs, particularly those selling products and services to other businesses, it is important to go beyond standard sales calls and off-the-shelf marketing tools in order to build relationships with top customers or clients. There is no better way to really understand the challenges the customers face and the ways the company can help meet them than to occasionally get out in the trenches. It can be a real eye-opener and a great way to cement lasting relationships.

### 2.1.3 Zero customer defections.

**Q4. Discuss in detail about zero customer defections.**

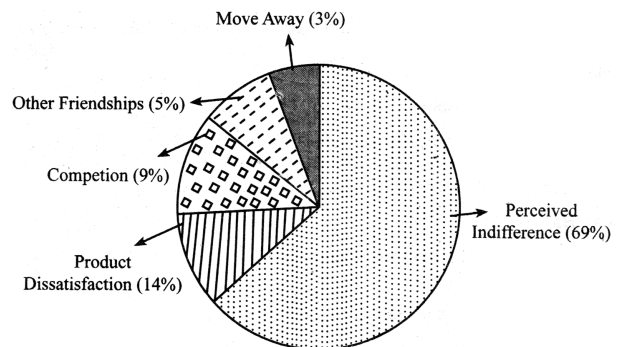
*Ans :*

#### Zero Customer Defections

Companies try to tie in their customers through various levels of bonding to make sure that their customer don't become disloyal and switch to the competitor. In 1980s the quality movement emphasized on 'Zero Defects'. It is very important for firms to know the concept of Customer Defection / Customer Disloyalty. Many studies were conducted to know the reasons for customer defection and to overcome such defections. The study indicated that,

- (i) Customers are profitable to the firm over a period of time, if they stay longer with the organization, they are likely to be more profitable.
- (ii) If a company can retain only 5% of customers, it can increase its profits up 35-85%.
- (iii) Most of the customer switch to competitor's offerings because of perceived indifference of the current provider which may include inefficient complaint handling, lack of proper response to any query for service, lack of courtesy.

The following figure will give you a clear idea of why customer defect.



**Fig. : Why Customer Defect**

### Types of Defecting Customers

The various types of defecting customers are,

#### 1. Price Defectors

The customers who shift to competitor when it offers a product at a comparatively cheaper price are called as 'Price Defectors'. It is better for a company to not have such customers. Sometimes, the companies are responsible for such behavior of customers by not providing the same offers to both new and existing customers.

#### 2. Product Defectors

The customers who have purchased the company's product and are not satisfied with it, are regarded as 'Product Defector's'. This often occurs when the customer experience a bad product performance or other better products available.

#### 3. Market Defectors

When the customer move away from their previous business, they stop being loyal to the former service provider. Such customers are called as market defectors.

#### 4. Organizational Defectors

Individual customers belonging to a group may switch to a competitive supplier with the switching of the entire group. However, some consumer remain loyal to the existing service provider.

#### 5. Service Defectors

The customers who have purchased the company's service and are not satisfied with it, are regarded as 'service defectors'.

## 6. Technology Defectors

The customers who shift from an existing technology for a superior technology, are called as technology defectors. The examples of technology defectors include customer switching from type writer to a word processor, a line printer to an inkjet printer etc.

### Steps for Retaining Customers and Reducing Customer Defection

A customer retention program should be undertaken by every organization especially the service industry. The following steps must taken for retaining customers and reducing customer defection,

#### (i) Measure Customer Retention

The company should analyze how many customers it has lost in the last one year. Most of the times, identifying defected customers is a difficult task. Upon finding the percentages of customers attrition, one should compute the cost of these lost customers with the help of Net Present Value. (NPV) of the future cash flows had these customers stayed for the entire 'customer life'.

#### (ii) Interview Former Customers

Conducting interview of former customer will help the company know as to why customers defect. It is important to know what made the customers to switch. Based on this information, systems and procedures can be designed to eliminate the main causes of defection.

#### (iii) Analyze Complaint and Service Data

The company should analyze the complaints and service data to know the themes which customers keep repeating and therefore could be emerged because of systematic errors. Thus, a review is required for service complaint handling process. Many a times, the service delivery process is redesigned using this information.

#### (iv) Identify Switching Barriers

Identification of switching barriers is the final step. It may include convenient operating hours, speed of transactions or tie in through multiple offerings.

## 2.2 CUSTOMER INFORMATION DATABASE

**Q5. Write about the role of customer-related data or customer information database in the achievement of CRM objectives.**

*Ans :*

(Imp.)

### Customer-Related Database or Customer Information Database

Customer-related database have a central role to play in the execution of CRM strategy. It is important to have proficiency at collecting, enhancing, storing, analyzing, using and distributing the customer-related data for CRM performance. It is not only the strategic CRM that needs customer information for winning and keeping profitable customers but also the operational CRM which requires customer information to deliver excellent service, track sales opportunities and run effective marketing campaigns.

The data used for CRM purpose is not Just 'about' customers but also 'for' customers. The data stored 'for' customer include information regarding products and solutions to service issues. This type of data are stored in searchable knowledge base and customers and partners have access to it through portals. The data 'about' customers are stored in corporate databases maintained in functional areas such as sales, logistics, marketing and accounts and third parties also maintain it including market research firms and credit scoring agencies.

### Corporate Customer-Related Data

Companies maintain several customer-related database which capture customer information from several functional perspectives i.e sales, marketing, logistics and accounts. These database also keep record of different customer related data i.e companies, opportunities, enquires- billing and deliveries.

The maintenance of customer-related data is undertaken by managers who run operations in channels such as company-owned retail stores, third-party retail outlets and online. In the similar manner, customer database are also maintained by many product managers. Customer information database may also contain data about customer cohorts, individual customers, market segments, customer segments.

### Structured and Unstructured Data

The data maintained in corporate database are usually structured. Structured data refers to the data stored in a fixed and named field in a file or record. There are three types of database in which structured customer related data are stored. They are,

1. Hierarchical database
2. Network database and
3. Relational database.

#### 1. Hierarchical Database

Hierarchical databases are the oldest form of database and are not suited to many CRM applications. In such database, one needs to start at the top and work downwards to have access to the lower levels. If you want to retrieve some data in hierarchical format, you have to work through many layers of higher-level data. Generally, the product databases are hierarchical.

#### 2. Network Database

Network database extended the family tree or organization chart metaphor where children can have no parent, one parent or more than one parent. This database could not become popular because of the emergence of relational database.

#### 3. Relational Database

For CRM applications that make use of structure data, relational databases are the standard architecture. Relational Databases store data in two-dimensional tables having rows and columns like spreadsheet. Relational database share a common structure of files, records and fields. Files or tables contain data relating to one topic like customers, transactions, products or service requests. There are number of records (row) in each file. There are number of elements in each record (row). These elements are arranged in a common set of fields (columns) across the tables.

The data which are maintained by corporate database in sales, marketing, service logistics and accounts department are usually 'structured'.

Structured data are also provided by third party data sources like credit scoring agencies and market research firms.

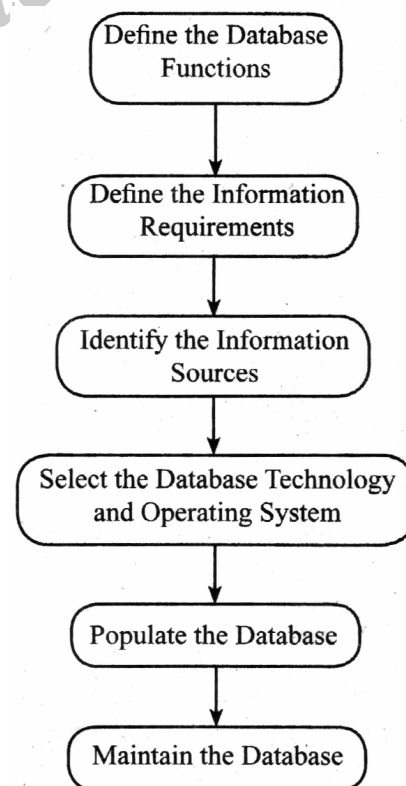
The data that do not fit a pre-defined data model are considered as unstructured data. It may take the form of textual or non-textual files. Textual data includes word documents, PDFs, power point presentations, e-mails, SMS instant messages, spreadsheets etc. Non-textual files include recorded telephone calls, video in flash, images in JPEG and other formats, multimedia messages etc. Increasing unstructured corporate data leads to high storage costs and gives a challenge to confidentiality and privacy.

#### 2.2.1 Steps involved in developing a customer information database.

**Q6. Discuss the steps involved in developing a customer information database.**

*Ans :*

The various steps involved in developing a customer information database are,



**Fig. : Steps in Developing A Customer Information Database**

**1. Define the Database functions**

First of all, it is important to know why the company wants customer information. Generally, the CRM practitioners use CRM database for strategic, operational and analytical CRM. Customer-related information is used by strategic CRM for the purpose of identifying which customers to target for acquisition, retention and development. In operational CRM, the customer related data is used to carryout selling, marketing and customer service operations of the business on a regular basis. Similarly, analytical CRM uses this data to support sales, marketing and service decisions which aim at improving the value created for and from customers.

There are two sub-sets in which the customer- related data is usually organized i.e.

- (i) OLTP database
- (ii) OLAP database.

Operational data is stored in Online Transaction Processing (OLTP) database. The data in OLTP should be very accurate and updated. Analytical data is stored in Online Analytical Processing (OLAP) Database. In this database, the information is usually a summarized extract of the OLTP database and is used to carryout the analytical tasks. Unlike OLTP database, the data need not be very accurate in OLAP database.

**2. Define the Information Requirements**

To know the information requirements in database, the company should consult the people who interact with customers for the purpose of sales, marketing and service and the ones who are responsible for making strategic CRM decisions.

Now-a-days this database design work is being performed by packaged CRM applications. There are many industry-specific CRM applications available in the market which provide industry-specific modules and fulfills the company's data needs to a great extent.

CRM software usually come in the form of modules. For instance, a Sales Force Automation (SFA) application has clear information about opportunities, cases, contacts, activities and other issues which a sales representative needs to work on her accounts in an effective and efficient manner. There are some CRM solutions which provide functionality across marketing, sales and service and contain many modules which are related to these functional areas. Some CRM softwares are designed for specific purpose. So, the data fields may vary accordingly.

**3. Identify the information Sources**

There are two ways in which the information is sourced for customer-related databases i.e internally or externally.

**► Internal Data**

Internal data are considered as the base of most CRM programmes. Internal data reside in different function areas such as marketing, sales and service. Marketing might have data on customer profiles, marketing campaigns, market size, market segmentation, customer acquisition, channels etc. Sales might have data related to customer purchasing history, name and contact details of buyer, important buying criteria, conditions of trade, competitor products and pricing, preferences and requirements of customer etc. Similarly, the customer service might have information about customer service requirements, service histories, customer complaints, customer satisfaction levels, resolved and unresolved issues etc.

It is not easy to capture the customer information from these functional areas and migrate it to databases used for CRM purposes.

**► External Data**

To improve the customer record, one can possibly use external data when internal data are not sufficient for CRM purposes. There are many sources from which the external data can be imported including corporate database companies

and market research companies. External data can be divided into three groups,

- (i) Compiled list data
- (ii) Census data
- (iii) Modelled data.

While the compiled list data are individual level data assembled by list vendors, census data are taken from government census records. Modelled data are produced by third parties who collected it from different sources.

### Secondary and Primary Data

Customer related information are either primary or secondary. When data is collected for the first time for CRM or for other purpose, it is regarded as primary data. When data is collected for a purpose other than CRM requirement, it is regarded as secondary data. Collecting primary data through surveys can be very expensive. Thus, companies opt for low-cost ways to generate primary customer data for CRM Applications. The various data building schemes used are,

#### (i) Subscriptions

Companies invite customers to subscribe to a magazine/newsletter to take their personal information.

#### (ii) Competition Entries

Companies invite customer to participate in lotteries and skill competition. Thus way they obtain customer's personal data on the entry forms.

#### (iii) Registrations

Companies invite customer to register their purchase. In this situation, the customer get ready to provide additional data such as name, contact number and address.

### 4. Select the Database Technology and Operating System

The database technology and operating system decisions are a part of selection of CRM application software. The vendors of CRM application have specific list of database technologies such as oracle, DB2, MySQL OR

SQL server. One can buy a complete integrated platform that includes database technology, Operating System (OS), hardware and CRM applications. Unix and microsoft are the leading operating systems. A UNIX - based technology 'package' may have several options of hardware or OS or database. Such as Hewlett packard hardware, digital UNIX operating system and oracle database. Today, the CRM managers and CRM users don't need to bother about database technology and OS issues as modern applications are bought packaged with database technology and operating system.

### 5. Populate the Database

Once the information and hardware requirements are decided, the data must be collected and entered into the database. CRM applications require accurate data as operational CRM needs the data which is more accurate and advanced than the analytical applications. To make sure that accurate data is populated in the database, one should follow the following steps,

1. Varyify the data
2. Validate the data
3. De-Duplicate the data and
4. Merge and purge data from two or more sources.

#### 1. Verification

In verification, it is checked whether the data is entered exactly as it was found in the original source. This process can be very complicate because it involves keying the data in twice with the computer programmed to flag mismatches.

#### 2. Validation

Validation involves checking the accuracy of entered data. There can be several inaccuracies linked with name and address fields. To facilitate data validation, several processes can be used,

- (i) **Range Validation:** It involves checking whether an entry the outside the range for a field?



(ii) **Missing Values:** If some values are missing in any column, one should have the computer check.

(iii) **Check Against the External Sources:** One can check post codes against an authoritative external listing from the mail authorities.

### 3. De-Duplication

When the customers receive similar communication from a company, they get the idea that their details have appeared twice on a database. This issue may arise when external data are not cross-checked against internal data while sending mail where two or more internal lists are used. From customers's point of view, this looks unprofessional and wasteful. Therefore, the company can use a de-duplication software to overcome this issue.

The de-duplication process may have two types of errors,

- (i) Removing a record which should be retained
- (ii) Retaining a record which should be removed.

### 4. Merge and Purge

Merge and Purge is a process which is performed when two or more databases are merged. It is essential to perform merge and purge when an internal database is merged with external database, when two external lists are merged and when two internal database are merged. The marketing campaigns can save costs to a great extent by purging/removing duplication from the combined lists.

### 6. Maintain the Databases

It is important to update the customer information database to keep it useful. If database are not maintained effectively, they may get degraded. It is possible for a company to maintain data integrity in several ways,

1. All new communications, transactions and campaigns must be into database.
2. Database must be de-duplicated on a regular basis.
3. Every year, a subset of the files should be audited. The amount of degradation must be measured and source of degradation should also be identified.
4. If some customer are found to be inactive for a specific period of time, then remove such customers from the database.
5. Whenever a customer makes a contact, add that customer into database or verify whether he/she already exists in the database.
6. Customer should be enabled to update their own records. Customers should be allowed to access some parts of their record and edit the data.
7. The records of the customers should be removed if they request.
8. If the company is using external agent for managing database, then it should check the effectiveness of agency's performance by inserting some dummy records into the database. Agency's failure to spot dummies will indicate that it doesn't have proper service standards.

Database Query Language also enables you to update and maintain the database. Structured Query Language (SQL) and Query by Example(QBE) are the common languages. SQL provides database maintenance actions such as INSERT, UPDATE and DELETE commands.

Maintaining customer related databases means that CRM users will be more likely to have a need for accurate and relevant data. There are six desirable data attributes.

1. Data should be Sharable
2. Data should be Transportable
3. Data should be Accurate
4. Data should be Relevant
5. Data should be Timely and
6. Data should be Secure.

These data attributes can be remembered through the mnemonic STARTS.

### 2.3 CUSTOMER PROFILE ANALYSIS

#### Q7. Discuss about Customer Profile Analysis.

*Ans :* (Sep-20, Imp.)

##### Customer Profile

Customer profile is the detailed features of a customer. Such as name, age, income, gender, marital status, education, family size, number of cars etc. The profile may also include the aspects such as shopping frequency, credit rating, loyalty index etc. Customer profile is used as an important parameter for learning the customer's purchase pattern.

##### Customer Profile Analysis

A customer profile analysis identifies and measures the features of the most profitable customers. This analysis can be used to improve and customize the activities of marketing. Customer profile analysis involves measuring common characteristics within a population of interest. The analysis include demographics such as gender, age, residence, marital status etc.

##### Significance of Customer Profiling

Customer profiling is the process of understanding the needs of the customers effectively. The development of customer's profile helps in building the relationships with customers and purchasing the goods which are required by the customers.

In any business, it is very important to understand the customer. When a company has profiles of customers, it can better them and treat them accordingly. Customer profiles play an important role in conducting business. However, it is not easy to obtain such information. The main issue is with the size of customer information. There exists several thousands of customer data fields. One may find it very difficult to analyze and extract most relevant information without using advance software tools.

Now-a-days, companies are using star probe hotspot profiling as an advanced tool to analyze complex customer- related information and retrieve most relevant information. Business are increasingly using the statistical customer profiling together with geographic, demographic and psychographic tools. Statistical customer profiling is used to determine

premium rates in insurance industry. For example, it is also used for identifying top customers who provide highest revenues. A company can have better marketing plans if it better understands through profiling.

Visualization and statistical reporting tools have been used by analysts in conventional customer profiling methods. Using these tools, one can work on only few variables at a time, thus making it impossible to carryout a systematic accurate analysis of such data. Therefore, appropriate tools are required for timely and through systematic analysis. Hotspot analysis is one such tool that systematically analyzes the customer profiles.

Hotspot profiling analysis can search profiles of special customer groups in a systematic manner by using techniques of artificial intelligence. On the basis of search and incremental learning techniques, the analysis generates accurate profiles. Hotspot search may vary depending on kinds of target variables, i.e.,

1. Numerical variables: Total, average, harmonic ratio etc.
2. Categorical variables: Laplace, entropy, laplace, probability etc.

The following examples will help you understand where hotspot analysis is used in customer profiling:

- (a) Hotspot search is used by a health club, if it desires to know the profiles of customers who didn't renew in the last 12 months.
- (b) A utility provider may use hotspot search if it wants to know the profiles of customers who switched to competitor and use this information to develop customer retention strategies.
- (c) It is used by a department store when it wants to know the geographic and demographic profiles of customer groups that responded well in the previous catalogue mailing campaigns and want to use the information to boost overall sales.
- (d) An insurance company may also use it if it wishes to know all the most important factors of policy claims.
- (e) It is used by a health care fund if it wishes to find out the profiles of fraudulent healthcare claims and providers.

## 2.4 CUSTOMER PERCEPTION

**Q8. Discuss in detail about customer perception.**

*Ans :* (Sep-20)

In the service marketing literature, perception is defined as the belief of a consumer regarding the received or experienced service. The concept of customer perception is explained differently by different authors and researches. Customer perception is considered as an indicator of marketing effectiveness of the company. The marketing strategy is successful based on the post-purchase experience as delivered through the product/service and as perceived by the customers.

According to 'Schiffemen' and 'Kanuk', customer perception is defined as the process by which an individual selects, organizes, and interprets stimuli into a meaningful and coherent picture of the world. Perception is an individual process that would rely on individual needs, values and expectations.

From the bank's point of view, the services offered are actually the products. In banks, the services are produced and consumed at the same time, as bank is a people-intensive and people oriented high-contact service outlet, there is a great influence of retail environment and interpersonal relationship (The relationship between customer and service personnel) on the service quality and customer satisfaction. For this reason, the bank services are highly perceptual. Thus, they are usually non-standardized.

An exploratory research was carried out by Parasuraman et al (1985) and ten broad determinants of service quality were identified i.e reliability, competence, responsiveness, courtesy, credibility, access, tangibles, understanding, security, communication. They also suggested a model of service quality which says that satisfaction is a function of expectations regarding a product and its Perceived Performance (PP). Customer becomes satisfied when PP of a service matches or is beyond the expectation of service quality. Dissatisfaction occurs if the service fails to satisfy one's expectation about service quality.

Today, customer perception is considered as a crucial aspect by several companies. To make sure that customer has favourable perception towards company, it is important to identify the expectation of customer and actual delivery of services. Therefore, the firms must develop positive attitude towards the identification of target customer needs and requirements.

### Dimensions of CRM perception

The following are the five dimensions that form a basic 'skeleton' of CRM practices of a service company.

#### 1. Tangibles

In services marketing industry, tangibles include service branch's cleanliness, parking, lighting, toilets, seating, signage interior decor etc. It is very important to pay attention to tangibles as tangibilising the intangible services will help a market to do marketing effectively. However, it cannot be denied that the physical evidence could create a definite impact on different stages of customer's involvement with a service provider.

**Example:** Many multiplexes today provide great movie-watching experience by maintaining a great infrastructure with air conditioning, proper seating (sofas), good tasty and hygienic food, nice, carpet, flooring and great sound system.

#### 2. Services Delivery

Service plays an important role in marketing of services. It includes how well the service is delivered and how the technology is used that changes the channel through which the service is delivered.

**Example:** Now-a-days, many restaurants offer home delivery of food to avoid rush. E-check in facility is being offered by Jet airways where the customers are not required to stand in front of the airline counters to obtain boarding passes. They are now able to get all this done through Internet.

#### 3. Offers

In service company, offers include the safety, features and product's ability to match the basic requirements of customers.

**Example:** In Gujarat, a news spread that ICICI Bank had run away so the people begin to make queues in the branches and the ATMs to withdraw their deposits. The scandal that hit the bank took many months to recover.

#### 4. Employee Behavior

Employee behavior refers to how a service provider sitting behind the desk behaves with the customer. In banking services, employee behavior plays an important role as the production and delivery of services takes place simultaneously. A part of employee behavior also include how an employee attend the customer by considering his/her requirements, recommending him possible solution and resolving the complaints. It is to be noted that employee should not make any discriminating behavior with the customer or prefer someone over the other.

#### 5. Grievance Handling Mechanism

It includes how an employee takes interest in the grievance of a customer, the approach he/she adopts to resolve the grievance and the time within which the grievance is resolved.

**Example:** A turn around time is set by MTNL for each and every complaint. The complaint automatically moves up in it hierarchy if it remain's unsolved for a specific time period. Then the complaint shall be resolved by the higher level official.

### 2.5 EXPECTATIONS ANALYSIS

**Q9. What is customer expectation? What are the factors influencing customer expectations? What are the issues involved in customer expectation?**

*Ans :* (Sep-20)

#### Customer Expectation

The expectations of the customers is considered as a standard or reference point for the ultimate satisfaction of the customer. According to zeethaml and Bitner, the services delivery acts as a benchmark with which the performance is judge. If a firm fails to understand the expectations of the customers from the service, then it will result in the

loss of sale and loss of the firm's human, capital and time resources which intum leads to loss from the competitive market.

While evaluating the expectations of the customers, a firm has to examine and understand the following aspects,

1. The expectations of the customers from the service.
2. The factors which affects the formation of customer's expectations.
3. The way in which these expectations can be changed and
4. The actions which a firm must take to overdo the expectations of the customers.

#### Factors Influencing Customer Expectations

It is very essential for the marketers to understand the factors influencing the expectations of the customers for providing satisfaction to the customers. These factors are as follows,

##### 1. Service Benchmark Set by Competitors

Like other industries, service businesses also has a benchmark. This service benchmark is considered as a minimum standard for services and anything less than this standard is not acceptable to the customer and reduces his satisfaction level.

##### 2. Individual Psychology

Different individuals have different likes, tastes, preferences, tolerances etc., which determine their service expectations. This is because of the individual's psychology which differ among the people.

##### 3. Individual Background

The service expectations of the individuals is also affected by their educational, social and economic backgrounds which sets a minimum standard for the customer for service expectation.

##### 4. Firm's Previous Service Records

The firm's previous service records also determines the customer's service expectation from the service provider. A customer will not accept anything below his earlier/ previous

service experience and in case if he/she accepts it, then it will result in greater customer dissatisfaction.

### Issues Involved in Customer Expectation

The various issues which are involved in customer expectations are as follows:

#### 1. Reality of Customer's Expectations

As a customer is regarded as the king of the modern market, he/she feels that he/she has the right to demand anything. However, the firm decides the corresponding benefit accruing to him as the firm is involved in the profit making business and there is a cost for the service which the marketer provides to the customer. A balance should be maintained between the cost and benefits.

#### 2. Growth of Customer's Expectation

It is very essential for the firm to understand the growth of customer's expectation as there are chances of the customers expecting the higher level of service than the specific level of service which is provided to them by the company. After a specific expectation of a customer is met, he starts expecting more and keeps on growing. For acquiring the customers from the competitors, the firm tries to offer superior service to their peers which leads to the continuous growth of customer's expectation.

#### 3. Exceeding Customer Service Expectation

In today's rapidly changing marketing environment, it is very essential for the companies not only to meet the customer's expectation but also to exceed the customer's expectation, as customer's expectation is an important determinant in customer's satisfaction. The individual companies make use of different methods to go faster than others in customer service and exceed customer's expectation.

#### 4. The Extent to Which the Firms Should go for Pleasing Customers

If the customer's service expectation increases, then it becomes very difficult for the service provider to progress at the same

speed as cost is involved in every initiative which is taken by the service provider. For becoming a leader in customer service, the firm should not neglect the financial implications of such initiatives.

### 2.6 CUSTOMER BEHAVIOUR IN RELATIONSHIP PERSPECTIVES-INDIVIDUAL AND GROUP CUSTOMER'S

**Q10. Who is a consumer/customer? What are the different types of consumers?**

*Ans :*

#### Consumer / Customer

There is a slight difference between the term customer and consumer. Consumer is a person who is involved in activities like assessing, purchasing, using or disposing of goods and services. Customer is a person who purchases/buy goods and services from a particular store or company. A customer is always referred in terms of a particular store or company but consumer is not defined in terms of a particular store or company.

#### Types of Consumers / Customers

Consumers are classified into two types,

1. Individual consumers/personal consumers.
2. Group consumers/organizational consumers.

#### 1. Individual Consumers/Personal Consumers

Individual consumer purchases goods and services for personal use or for any family member or for household purpose or to gift a friend on birthday, marriage day, etc. In simple words, personal consumers purchase goods and services for final use, due to this reason these consumers are known as "ultimate consumers" or "end users".

#### 2. Group Consumers/Organizational Consumers

Profit and non-profit organizations come under group/ organizational consumers. Manufacturing units purchase raw materials

to manufacture and sell their goods. Government agencies and institutions like state government, hospitals, educational institutions and so on purchase products, equipment and services necessary for working of these organizations. Manufacturing companies buy advertising services in order to communicate their offerings with their customers. In the same way, companies providing advertising services purchase equipment in order to provide services.

### Consumer Behaviour

The process where individuals or groups select, purchase, use or dispose off products, services, ideas or experiences to satisfy their needs and desires is referred to as consumer behaviour.

Some of the definitions of consumer behaviour are given below:

1. According to 'Peter.D.Bennett' consumer behaviour refers to "the actions and decision processes of people who purchase goods and services for personal consumption".
2. According to 'James F.Engel, Roger D.Blackwell and Paul W.Miniard' consumer behaviour refers to "the mental and emotional process and the observable behaviour of consumers during searching for, purchasing and post consumption of a product or service".

### Types of Consumer Buying Decision Making

The three types of decision making are,

1. Nominal decision making
2. Limited decision making and
3. Extended decision making.

#### 1. Nominal Decision Making

Nominal decision-making is also known as 'habitual decision-making' or 'nominal problem solving' or routine problem solving. Need recognition results in desire to buy. In case of least priced products and products which are used continuously, consumer involvement is found to be low. Nominal decision-making is involved in least priced products and products consumed. In case of

nominal decision making, the first step is problem recognition. After recognising the problem, internal searching is carried out which results in selection of a preferred brand or product. The preferred brand or product is purchased. No evaluation of brand is done till the brand fails to meet the expectations.

Nominals decision making is the result of continuous satisfaction with a product which was selected previously after carrying out an extended decision-making process or the consumer doesn't give much importance to the product category or purchase.

#### 2. Limited Decision Making

On the continuum of consumer decision making, limited decision-making lies in between the nominal decision-making and extended decision making. Mostly, limited decision making is very simple and easy to understand. Limited decision making involves internal search from long-term memory and limited external search, evaluation of only some alternatives, simple decision rules and some post-purchase evaluation. Wayne. D. Hoyer say that in case of low-level consumer involvement, limited decision-making becomes similar to that of nominal decision making. For instance, from a display of Nescafe, consumer choose a pack depending upon his/her opinion regarding the taste and aroma of a product. If the consumer decision rule is to buy the low priced instant coffee powder then he/ she will search for the low priced instant coffee powder and buy it. At times, limited decision-making is influenced by emotional factors.

#### 3. Extended Decision Making

In case of extended decision-making, extended internal and external searching is involved. After internal and external search, serious evaluation of various alternatives is done as consumer lack relevant information regarding the product or service and require such information. Usually, the evaluation involves measuring the characteristics of each product at a time and determining how the characteristics of each product form a set of

expected characteristics. The reason behind all these things is the high-involvement of consumer in decision making. In case of purchasing items like washing machine, computer, new house, stereo system and so, consumer involvement is high and requires extended- decision making. Extended decision-making involves complex post purchase evaluation. In some emotional decisions, extended decision-making may be involved.

**Q11. Discuss the consumer behaviour from the customer relationship perspective.**

*Ans :*

The discipline of consumer behaviour deals with issues such as 'what' products and services do we buy, 'why' do we buy, 'how' often do we buy, from 'where do we buy' etc. Consumer behaviour is all about the acts of individuals who are directly involved in receiving, using and disposing of economic goods and services including the decision processes that come after it and determine these acts. Being human, consumers may be selfish, spontaneous and unpredictable.

The most common thing among all of us is that we are consumer in some or the other way. On a regular basis, we buy and consume several varieties goods and services. However, we differ from each other in terms of likes, dislikes, tastes etc and accordingly we tend to adopt different behaviour patterns while making purchase decisions. While a person may prefer to use Dove Soap, Meera Shampoo, Colgate toothpaste, but his/her spouse may look for another type for same requirement. In the same manner, a person may have a certain set of preferences in clothing, books, magazines, food, recreational activities forms of savings and the stores from where he/she wants to shop. These preferences of a person may be different from the preferences of his/her spouse, neighbours, friends and colleagues. Every customer is different from the other and this uniqueness is reflected in the consumption behaviour consumption pattern and process of purchase.

The study of consumer behaviour explains as to why customers are different from each other in purchasing and using products/services. The

behaviours of consumers have many attributes and differentials. These differences are not only linked with groups, demographics or one specific item. There exist a complex development of behaviours in the consumer markets.

In today's business world, it is very important for the businesses and marketing executives to understand how their company can be differentiated from other companies and so their products. They must understand the consumer requirements in the market. If they can understand the customer requirements and their products, then it is no more difficult for them to develop a strategic plan, create a market niche and develop their customer base with better customer relations. In the market, they can take competitive advantage through Customer Relationship Management (CRM). A company can maintain good customer relations by understanding the customer and by observing their reactions to the environment which will ultimately the life of customer relationship between customers and company.

For most of the businesses, the starting point is to understand the need of a customer. If a gap occurs between expectations of customers and what company think customers expect, then this leads to overlook or not understanding the perceptions and real requirements of customers. Market profiling is very important while setting up a retail shop. If an existing store intends to stay in contact with customers, it must monitor the market on a regular basis. One should also consider the changes in marketplace before deciding to change the focus or direction of store. This way, the chances of success can be increased and the store can grab the opportunities in any emerging markets in the geographical area.

**2.6.1 Consumer Purchasing Decision Process**

**Q12. Write about various stages involved in the consumer purchasing decision. Discuss the factors affecting consumer purchasing decisions.**

*Ans :*

**Consumer Purchasing Decision Process**

The stages of the consumer buying decision process are,

**1. Identification of a Need**

Every person has some needs or wants that may develop inconvenience, if they are not fulfilled. These needs can be fulfilled by acquiring and consuming goods and services. A person may involve in decision process, when he is strongly motivated to buy and when an existing product is depleted or not satisfied with product being used.

There are infinite needs and wants but the amount of time and money to satisfy them is limited, hence there is competition among needs.

**2. Specify the Alternatives**

After identifying the need, the consumer must recognize the alternatives available in market that are capable of satisfying the need. First alternative products are identified and then alternative brands are identified through previous experiences.

**3. Evaluation of Alternatives**

After identifying a specific amount of alternatives, the next step in consumer buying decision process is to evaluate the alternatives. This evaluation may be based on single standard or many standards against which alternatives are compared. The way consumers select the standard, recognize the changes in standards and way to correct unfavourable misperceptions are all observed by the marketers.

**4. Purchase and Related Decisions**

When consumers evaluate all the alternatives the next step is to decide whether to buy or not. If consumer is ready to purchase then a series of decisions take place about features of product, mode of payment, delivery of product, etc.

**5. Postpurchase Behaviour**

The experience of consumer through a buying process reflects the behaviour of consumer if same need arise in future. Consumers may develop new opinions and beliefs and may revise the old ones. When a consumer has doubts in his mind relating to

purchases made then he experiences a postpurchase cognitive dissonance, it is a situation of anxiety which develops when there is difficulty in selecting best alternative, from among desirable alternatives. Consumers often try to reduce their postpurchase anxieties by gathering information which support their decisions.

**Factors Affecting Consumer's Purchasing Decisions**

The behaviour of consumer is influenced by many factors which are classified into three groups. They are,

**1. Factor Influencing Buyer as an Individual**

The behaviour of a buyer is highly influenced by his religion and cultural background. These factors are explained in three categories,

- (i) Personal factors
- (ii) Cultural factors
- (iii) Psychological factors.

**(i) Personal Factors**

Personal factors like, age level of education, occupation, overall economic position and lifestyle affect the behaviour of buyer and helps them to make decisions, relating to purchase and consumption of a product. In present conditions, people are more focused on image and status which involve dress, possessions and general lifestyle, which ultimately influence the buying decision of the people.

**(ii) Cultural Factors**

There are different cultures and religions, with their unique terms and conditions. The individual's lifestyle and buyer behaviours are influenced, by the do's and don'ts of the religion and culture.

**(iii) Psychological Factors**

Psychological factors involve, beliefs, attitudes, motivation and perception of consumers, which influence the buying behaviour. Consumers from the same



economic and social groups have different beliefs, faiths and attitudes. Some may be traditional whereas, some are modern. This variance creates problems in analysis for the marketer.

## 2. Social Environment of Buyer

The social environment around the buyer influences his buying decision like, family, office and clubs etc., where he interacts with individuals and groups, who have an impact on his buying behaviour. The groups that influence the buyer behaviour are,

### (i) Influence of Personal Group

The personal group of the consumers who influence the buying behaviour and lifestyle are, family, friends and close colleagues. The basic group of people, who primarily influence the consumers are, family members and co-workers. These intimate groups have an opinion leader, who indirectly influence the buying behaviour of members. The opinion leader plays an important role in marketing, by using new products and new ideas.

### (ii) Influence of Social Class

The structure of the intimate group is smaller than a social class. Social class is formed on the basis of income, occupation, place of residence, etc., of the individual members. The extent of influence of social class on members, depend on the degree of attractiveness of the group.

## 3. Information from Different Sources

There are different sources of information, that encourage the consumers to use new products and services. Sources of information are advertisements, samples, display in shops and suggestions of salesmen. These sources, provide information about the new products which influence the buying behaviour of customer and create positive or negative image, in the mind of consumer.

## 2.7 CUSTOMER LIFE TIME VALUE

### Q13. Discuss about Customer Life Time Value.

Ans :

(Sep -20, Dec-19)

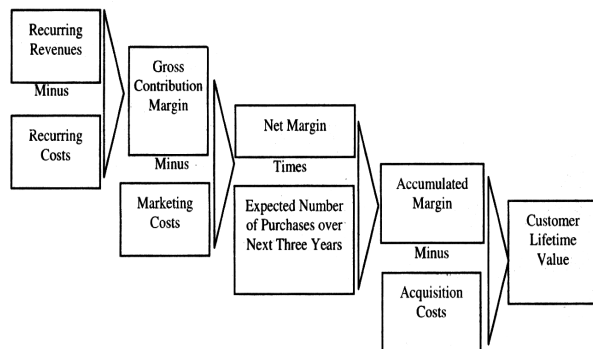
#### Customer Life Time Value (CLTV)

Customer Life Time Value (CLTV), which is also known as Lifetime Customer Value (LCV), is a measure of a customer's, or customer segments, profit-generation for a company. Lifetime value is the present day value of all net margins earned from a relationship with a customer, customer segment, or cohort.

To compute LCV, all historic net margins are compounded-up to today's value and all future net margins are discounted back to today's value. Estimates of LCV potential look only to the future and ignore the past. The focus on net margins rather than gross margins is because a customer that appears to be valuable on the basis of the gross margins generated might seem less profitable once cost-to-serve the customer is taken into account. Companies that do not have the processes in place to allocate costs to customers cannot use net margin data. They must work either with gross margin or sales revenue data.

Customer lifetime value (CLV) can be defined as "the sum of cumulated cash flows - discounted using the Weighted Average Cost of Capital (WACC) - of a customer over his or her lifetime (three years in most cases) with the company."

The importance of LCV rests on the fact that it is a forward-looking metric, unlike other traditional measures, which include past contributions to profit. It assists marketers in adopting appropriate marketing activities today in order to increase future profitability. The computation can also be used to include prospects, not just current customers. Further, LCV is the only metric that incorporates into one all the elements of revenue, expense, and customer behaviour that drive profitability. This metric also manages to score over other metrics by adopting a customer-centric approach instead of a product-centric one, as the driver of profitability. The approach for measuring LCV is illustrated in Figure.



In adopting such a metric, a firm operating a loyalty program can examine whether the customers being rewarded are indeed profitable ones. Further, the metric enables the firm to observe when its customers are turning unprofitable and to take corrective action by letting such customers go, thereby saving valuable marketing efforts. Since this metric can tell a firm how long the customers will remain profitable, the firm can plan its marketing initiatives on the basis of expected profits from its customers during a given period of time.

Simply put, the LCV of any given customer can be expressed as:  $LCV = \text{total revenues} - (\text{fixed costs} + \text{variables costs})$ .

### Dimensions of CLTV

The various dimensions of CLTV are :

1. The duration of the 'customer lifetime'.
2. The firm's share of wallet among its customers, i.e., what portions of the customer's purchases in the firm's offering categories are captured by the firm as opposed to its competitors.
3. The firm's success in terms of frequency of up and cross-selling to its customers so as to increase the levels and monetary value of their purchases over time.
4. The firm's costs of acquiring, serving, and retaining its customers.

### Guidelines for Successful CLTV Method

1. Connect with overall strategy of the business.
2. It should link with the loyalty that the company seeks to bring in.
3. Referrals must be part of the component of the CLTV (True Loyalty).

4. Constant rate of retention and discount not feasible.
5. Risk rate should also be associated.
6. Dynamics of the different sectors must be incorporated, e.g., automobile from airlines.
7. Truly customised CLTV for highly volatile sectors such as financial services and online companies.
8. It should link with Loyalty program.

### Importance of Computing CLTV

To calculate CLV, a company has to measure different customer and market data. A company that systematically calculates CLV will gain significant advantage:

1. CLV can provide an exact figure for the company's largest asset, which is rarely mentioned in the Annual Report. The calculations enable management to follow the progress over time and to intervene if events start moving in the wrong direction.
2. The company will be able to evaluate the profitability of various marketing strategies including the effects of different loyalty programmes. Usually the costs connected with a loyalty programme are not difficult to calculate - it is more difficult to predict the income. Combining costs and income over a number of years (defined from the company's perspective) will give an idea of CLV with and without a loyalty programme.
3. A company is able, using CLV, to evaluate whether a customer database is optimal. By using CLV the company will be able to classify different customer groups and different potential customer groups by long-term profitability and thus decide whether to change market strategy or not.

**Q14. What are the issues involved in calculating CLV? Discuss the applications of CLV.**

*Ans :*

### Issues Involved in Calculating CLV

Customer lifetime value has an instinctive appeal as a marketing concept because theoretically it determines the exact worth of customer in

monetary terms and therefore determines exact amount which marketing department is willing to spend to acquire each customer. But in reality, it is not possible to make accurate calculations of CLV because of complexities and uncertainties surrounding customer relationships.

The accurate calculation is based on the nature of the customer relationship programme. In the process, each step is filled with challenges and presents opportunities for doubt and debate. Following are the issues which come in the way,

#### 1. Lack of Data

A frequently observed stumbling block is the lack of data. Even though a company might be in business for many years, but getting last five years of records might not be available or cannot be calculated. The calculation of CLV is not possible due to missed out data for the best customers.

#### 2. Lost Customers

Another stumbling block in the way is to determine the number of customers who are dead. Bryan Eisenberg in his book 'How are you measuring customers?' has written: 'Some marketers are unwilling to admit a customer is truly lost'.

#### 3. Newer Company

This issue is relating to comparatively new firms. The company has been in business for only few months and assumes - who all can forecast the future? How to know the time period in which customer will stay with the firm? It is not possible to calculate CLV as no one has an idea of life time of customer.

#### 4. Choosing a Formula

There is complexities in selecting a formula. Debate exists in every step of the way: Whether to include the value of referrals in calculation? Or stop the calculation at revenue or to continue till profit? Whether to segment customer groups or compute one overall number for the company?

In spite of all drawbacks, the firm must start computing the CLV. The calculation can be easy if industry observes benchmark on average order size,

time gap between orders of customers, etc. Martha Rogers and Don Peppers advice to form a proxy for life time value which has specific importance to the company. It is very simple i.e., total of annual orders plus the values of each referral from each client.

The real value developed from lifetime value helps to convey clearly to company and employees, the meaning of stakes or what it means in monetary terms to gain or lose a customer.

#### Applications of CLV

The various application of CLV are discussed as follow,

##### 1. Resource Allocation

An organization can target specific customers by properly allocating resources to a specific customer or customer segment. This will be profitable to the organization in the long-run. The company is in a position to afford more cost of customer acquisition with higher expected CLV.

##### 2. Segmentation

It is possible to segment customers based on the calculated CLV and this segmentation may be an essential criterion for different initiatives of marketing and serving. On the basis of CLV, different products and price types can be offered to the customers as per their profiles.

##### 3. Marketing Campaigns

One can use CLV matrix in marketing decisions to make marketing campaigns more effective and focussed when the marketing budgets are limited. A company cannot realize the real benefits of CLV matrix until it calculates CLV across segments, customers and marketing campaigns.

The CLV data can be used to answer the questions of marketing managers. They can utilize this information for the purpose of allocating resources for various activities of customer acquisition and retention. Infact, one can analyze sales pipelines and predict which customers are valueable and which of them are waste of time depending on the parameters that define the customer profile.

**4. Merger and Acquisition**

The decisions regarding merger and acquisition are made on the basis of company's financial statement to be acquired. Nevertheless, there are two major limitations of financial statements,

- (i) They show the past performance but not the future.
- (ii) They don't have a good understanding of the customer base and its potential.

Acquisition means acquiring the company's customer base. Thus, the strategic decisions taken on the basis of CLV of customer base of the company are more accurate as it gives a clear view of the company.

**5. CLV Based Loyalty Programmes**

Companies develop loyalty programmes which aim at rewarding and encouraging the enhancement of customer's life and frequent purchasing. However, these programmes come at a cost. Rewarding a customer with low CLV is a waste of time. They can be beneficial to the company only if they are developed for high CLV customers.

It is generally the product managers who propose for reward programmes for particular offers and their price. Now the question arises-which customer must be rewarded and how much should be the reward? Thus, in loyalty programme, CLV-based reward system is considered to be the most effective one as it cause loss to the company when the customer who are less profitable to company make an exit.

**2.8 SELECTION OF PROFITABLE CUSTOMER SEGMENTS**

**Q15. Who are profitable customer? How do you select a profitable customer segment?**

*Ans :*

**Profitable Customers**

According to Philip Kotler, "Profitable customer is defined as a person, company or

household that over time yields a revenue stream that exceeds by an acceptable amount the company's cost stream of attracting, selling and servicing the customer".

Companies struggle hard to market products to people so that they make purchases. Segmenting customers based on profitability enables a firm to identify and target profitable customers and to avoid unprofitable customers. While profitable customers generate profits for the firm, the unprofitable customers generate no profits and instead they drain firm's resources, saps the time and energy of workforce. Therefore, it is very important for a company to know who among its customers are profitable and who are unprofitable. Customer profitability has a direct impact on the profitability of corporate. The company can achieve long-term profitability by focussing more on retaining customers rather than acquiring them.

**Selecting a Profitable Customer Segment**

To select a profitable customer segment, it is very important to group customer based on their profitability. The main objective of CRM is to satisfy the profitable customers and at the same time reducing the cost of servicing unprofitable customers or low profit customers. Customer segmentation based on profitability is very important as this enables the company to know which customers to pursue, satisfy and try to retain.

The company can use Customer Lifetime Value (CLV) to select customers by their current and future profitabilities. CLV is calculated by taking into consideration the projection of lifetime purchases of customers, the average profit margin on the items they purchase and the net present value of their projected profits. Customer Lifetime Value (CLV) can be calculated as net present value of an annuity.

$$NPV_A = P \left[ \frac{1 - (1 + i)^n}{i} \right]$$

Where,

$i$  = Annual discount rate

$P$  = Average annual profit

$A$  = Customer A

$n$  = Expected lifetime in years.

However, when decisions are taken for some customers based on profitability information, this may lead to poor decisions because the customers who are less profitable today can be more profitable tomorrow.

Companies must use segmentation tools which divide the customers based on their profitability. This way resources can be allocated appropriately, thereby reducing acquisition and servicing costs for unprofitable customers. Furthermore, value can be enhanced for more profitable customers.

Segmenting customers by their profitability not only benefits the organization as a whole, but also allow the employees to see by glancing at a computer screen which customers come under 'most profitable' segments and act accordingly. This helps them to enhance the customization of service and provide better customer responsiveness and satisfaction.

The following are the three important steps to segmenting by customers profitability,

### 1. Ranking

The firm must first develop a scale of 1 to 10 in which the complete customer base can be ranked in terms of their profitability. It is possible to use volume, margin or length of tenure as a measure, but ranking should only be done on the basis of profitability of costs allocated to customers versus revenue gained from them. Once the ranking is done, the next task is to prioritize the highest-value customers and invest in them. Segment profiles should be developed that can observe purchasing patterns, demographic and media habits. The company's marketing communication strategy will be influenced by this information.

### 2. Relevance

Now, the appropriate offers should be used to target different ranks. Imagine of the different types of customers on the same jumbo jet moving towards the same destination on the same plane. The customers are of different types i.e., first-class, business, premium-economy and economy customers and every segment has its own priorities.

Some may view offers as comfort and for other its getting the cheapest possible seat. Thus, the company must use a similar approach while creating customer offering if it aims at surpassing the expectations of customers and retaining them for future business. According to Forrester research, only 43% of the 60 global companies provide good service to profitable customers to ensure wider scope for improvement.

### 3. Reshape

By considering the customer-related information, an understanding of different customers should be developed to acquire customers.

## 2.9 CUSTOMER LIFE CYCLE

### Q16. Explain about Customer Life Cycle.

*Ans :*

(Imp.)

Today, real estate organisations are constantly required to reduce costs, increase efficiencies and "do more with less". An area that is rarely looked at for cost-savings and improved efficiencies, but one that offers tremendous returns, is telecommunications costs. Telecom today is a whole lot more than phone bills. Large organisations are buying a variety of telecom services including data, voice over IP phone systems, call centers, and wireless services. In fact, telecom costs are usually one of the top three expenses for most MLS's, associations and real estate companies, particularly those with their own data centers. It is not uncommon for telecom costs to account for as much as 20% of total annual operating costs, yet the bills receive very little scrutiny. Telecom represents a significant cost savings opportunity for large MLS's and real estate firms, yet few have taken advantage of this opportunity.

### Customer Life Cycle

If in an organization, many customers diverge their way to other organizations and customer acquisition program shows less aggressiveness then the organization faces terrible cash flow problems. This is the time when tracking the number of customers in each stage of customer life cycle becomes essential. This helps the organization to

determine the purchasing power and pattern of customer and coping up the cash flow problem.

There are basically following stages of customer life cycle:

1. **Prospects-** Prospects are the people who are not actual customers but could be converted into one. These people should be treated like initial customers as they have the potential value same as that of a customer. Initially the prospect makes a set of expectation regarding the products and services towards the supplier. If supplier wins to meet the expectation of the customer, the supplier has the golden chance to convert the prospect into liable customer. During the process it is very important for the supplier to meet all the cut off's of the prospect by providing efficient marketing communications and explaining the value of having business with them.
2. **First time buyers-** After making the first buy, the customer enters this stage. Such customers probably have the lowest retention rate as they have not yet explored all the facets offered by the supplier. They may fall in satisfied customers' category but have not yet evaluated the product features. Hence it is the duty of supplier to convince them more on the product value and services to meet their second level of expectation. If they succeed in doing this then customers would continue to buy the products and could be retained as long as they are overall satisfied. During this process the failure of meeting even one aspect of customer could cause the customer to defect.
3. **Early repeat buyers-** Customers will fall into this stage when they make at least one repeated buy. These customers are more tended towards regular buying as compared to the first time buyers. Suppliers have chance of getting more and more business out of them as they have already created influence on them. However, these are the satisfied customers but still they are in process to evaluate the relationship between the two parties, hence a small mishap could lead to defect these valuable customers.

4. **Core Customers-** Customers are said to be core customers when they are fully satisfied with the product value and services provided to them as well as when the supplier is able to maintain a quality relationship with them. These customers are flexible and considerable as they ignore small mistakes which they know, will be efficiently and quickly resolved. Having highest retention rates these customers are the most valuable assets for an organization and it is important to give special treatment to these customers. Unless and until there is major problem, these customers do not defect.
5. **Core Defectors-** There comes a stage when the core customers tend to switch to different supplier due to some specific reasons. These reasons include availability of more efficient and competitive products and brands in market, any of the important service not entertained or any defect not rectified within a given time-frame, boredom due to same product usage repeatedly etc. It is difficult to retain customers if above reasons are pertained. But strategically coping up with the situation could result in retaining them.

#### Benefits of TLC

There are several benefits that have been identified from companies who are actively involved in Telecom Lifecycle Management initiatives:

#### Effective cost-reduction

Telecom Lifecycle management helps senior management get a better handle on one of the most significant costs. Partnering with a Telecom Lifecycle Management firm brings a depth of telecom experience that is very difficult to maintain internally. Participants in the process say they have realised significant on-going savings they would never have been able to achieve without a TLC partner. It resolves a huge problem in terms of managing telecom for both voice and data while saving a considerable amount of money that can be used to reinvest in upgrading technology.

#### Centralised decision-making

Telecom decisions are usually being made all over the organisation and thus companies do not realise the efficiencies they could. By employing the

services of a telecom lifecycle management expert, companies can rely on a partner who can help them more critically evaluate their true telecom spending. By consolidating this information companies can renegotiate contracts with more purchasing power and leverage.

#### **Allows focus on more strategic issues**

When the telecom lifecycle management solution is owned in-house, often someone becomes a "data entry" person. Outsourcing the management of the telecom lifecycle frees up key internal resources. It's almost impossible to quantify the amount of time savings companies realise with their internal staff, but do recognise it has helped free up some time focus on more strategic issues. TLC participants say that they can now spend more time thinking about ways to improve the quality of service we deliver to our customers through technology."

### **2.10 BUSINESS NETWORKS AND CRM**

**Q17. Define network and write about business networks. Discuss the role of Business Networks in CRM.**

*Ans :*

#### **Network**

A network refers to a structure comprising of nodes which are connected to each other through threads.

#### **Business Network**

A business network is defined as a network in which there exist organizations, nodal companies and individuals and the relationship between them.

In the business market context, these nodes are business units like producers, suppliers, regulators, contractors, partners, customers and other organizations, companies and individuals. The relationships between these business units are expressed in actor bonds, resource ties and activity links. Actor bonds are nothing but interpersonal contacts between people in network-related firms and resources are the financial, physical, human, managerial, legal and intellectual and other strengths and weaknesses of firms in the network.

Activity links are the legal, administrative, commercial connections that exist between companies as an when they interact.

A complex social structure is formed when there are intercompany and interpersonal relationships within a network. There are many ways in which this happens. In companies, equity stakes lend to make complex patterns of ownership and influence. Company X has a stake in company Y, company Y has a stake in companies X and Z. Directors have memberships of board of network companies. The meeting of marketers takes place in their professional organizations. For key account holders, social events are organized by sales people. Personal relationships have an important role to play in business relationship. Established interpersonal relationships may sometimes enable the development of other interpersonal relationships and sometimes it hinders it.

Any firm involving in a host of various relationships and the companies with which it has relationships also have relationships with other firms. Thus, a firm can have position within a network of firms. In a network, each firm has its own view of the network which may be completely different from other firms in the same network. Every firm attempts to make influence over other parts of network. According to some researches, an average firm has atleast 10 such strategically important network relationships.

#### **Business Networks and CRM**

Networks are considered to be very important from a strategic CRM perspective, because it is the network members who provide the services, material inputs, knowledge, technology, funding and people who contribute to the creation of value prepositions for the focal customers of the firm. Besides this, network members also provide services like logistics, advertising and distribution which helps in increasing and satisfying the demands of customers.

Let us take an example of some retailers who developed relationships within banks to provide financial services products to the customers. One

can find this arrangements in the UK where the partners are Royal Bank of Scotland and Tesco. This types of arrangement is far better than the conventional customer-perceived distinctions between bank and retailer. These partners can become successful when each partner understands the competencies of other parties, share customer-related information, align their technologies and are clear about their goals. In case of poorly managed relationship between retailer and bank, it is not possible to deliver the value to the customers and to create it for partners. The potential value liberated in customer relationships depends on how companies manage their non-customer network relationships i.e., suppliers, distribution alliance partners, financiers and so on.

The modern CRM systems are focussing on management of business networks and the emphasis is also laid on extra enterprise or collaborative CRM. Today, CRM system include application for the management of relationship with employees (ERM), Partner Relationship Management (PRM), websites integration for investor relations and the management of suppliers through integration with Enterprise Resource Planning (ERP).

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## Short Question and Answers

### 1. Building Customer Relations

*Ans :*

Relationship is the fundamental characteristic of any 'living' set of entities. Organisations are no different and therefore people see relationships as the binding force, which lend growth, vibrancy, energy and joy to both, those who supply a product or service, and those who receive it. In today's complex world, every organisation works in a network of such relationships.

From an organisational perspective, relationships provide perpetual stream of revenues and profits, often increasing over a period of time, resulting in positive referrals, new business opportunities and quite often, a challenge to remain focused and efficient. Therefore, whichever way people look at it, it is beneficial to build strong, positive and mutually beneficial bonds.

Most successful marketers understand that key issues in developing competitive advantage include building long-term relationships, and central to these relationships are maintaining customer satisfaction and creating customer value.

### 2. Zero Customer Defections

*Ans :*

Companies try to tie in their customers through various levels of bonding to make sure that their customer don't become disloyal and switch to the competitor. In 1980s the quality movement emphasized on 'Zero Defects'. It is very important for firms to know the concept of Customer Defection / Customer Disloyalty. Many studies were conducted to know the reasons for customer defection and to overcome such defections. The study indicated that,

- (i) Customers are profitable to the firm over a period of time, if they stay longer with the organization, they are likely to be more profitable.
- (ii) If a company can retain only 5% of customers, it can increase its profits up 35-85%.

- (iii) Most of the customer switch to competitor's offerings because of perceived indifference of the current provider which may include inefficient complaint handling, lack of proper response to any query for service, lack of courtesy.

### 3. Customer Profile Analysis.

*Ans :*

#### Customer Profile

Customer profile is the detailed features of a customer. Such as name, age, income, gender, marital status, education, family size, number of cars etc. The profile may also include the aspects such as shopping frequency, credit rating, loyalty index etc. Customer profile is used as an important parameter for learning the customer's purchase pattern.

#### Customer Profile Analysis

A customer profile analysis identifies and measures the features of the most profitable customers. This analysis can be used to improve and customize the activities of marketing. Customer profile analysis involves measuring common characteristics within a population of interest. The analysis include demographics such as gender, age, residence, marital status etc.

### 4. Dimensions of CRM perception

*Ans :*

The following are the five dimensions that form a basic 'skeleton' of CRM practices of a service company.

#### i) Tangibles

In services marketing industry, tangibles include service branch's cleanliness, parking, lighting, toilets, seating, signage interior decor etc. It is very important to pay attention to tangibles as tangibilising the intangible services will help a market to do marketing effectively. However, it cannot be denied that the physical evidence could create a definite impact on different stages of customer's involvement with a service provider.

**Example:** Many multiplexes today provide great movie-watching experience by maintaining a great infrastructure with air conditioning, proper seating (sofas), good tasty and hygienic food, nice, carpet, flooring and great sound system.

## ii) Services Delivery

Service plays an important role in marketing of services. It includes how well the service is delivered and how the technology is used that changes the channel through which the service is delivered.

**Example:** Now-a-days, many restaurants offer home delivery of food to avoid rush. E-check in facility is being offered by Jet airways where the customers are not required to stand in front of the airline counters to obtain boarding passes. They are now able to get all this done through Internet.

## iii) Offers

In service company, offers include the safety, features and product's ability to match the basic requirements of customers.

**Example:** In Gujarat, a news spread that ICICI Bank had run away so the people begin to make queues in the branches and the ATMs to withdraw their deposits. The scandal that hit the bank took many months to recover.

## 5. Customer Expectation

*Ans :*

The expectations of the customers is considered as a standard or reference point for the ultimate satisfaction of the customer. According to Zeithaml and Bitner, the services delivery acts as a benchmark with which the performance is judged. If a firm fails to understand the expectations of the customers from the service, then it will result in the loss of sale and loss of the firm's human, capital and time resources which in turn leads to loss from the competitive market.

While evaluating the expectations of the customers, a firm has to examine and understand the following aspects,

- i) The expectations of the customers from the service.

- ii) The factors which affect the formation of customer's expectations.
- iii) The way in which these expectations can be changed and
- iv) The actions which a firm must take to overcome the expectations of the customers.

## 6. Consumer Behaviour

*Ans :*

The process where individuals or groups select, purchase, use or dispose of products, services, ideas or experiences to satisfy their needs and desires is referred to as consumer behaviour.

Some of the definitions of consumer behaviour are given below:

- i) According to 'Peter D. Bennett' consumer behaviour refers to "the actions and decision processes of people who purchase goods and services for personal consumption".
- iv) According to 'James F. Engel, Roger D. Blackwell and Paul W. Miniard' consumer behaviour refers to "the mental and emotional process and the observable behaviour of consumers during searching for, purchasing and post consumption of a product or service".

## 7. Customer Life Time Value (CLTV)

*Ans :*

Customer Life Time Value (CLTV), which is also known as Lifetime Customer Value (LCV), is a measure of a customer's, or customer segments, profit-generation for a company. Lifetime value is the present day value of all net margins earned from a relationship with a customer, customer segment, or cohort.

To compute LCV, all historic net margins are compounded up to today's value and all future net margins are discounted back to today's value. Estimates of LCV potential look only to the future and ignore the past. The focus on net margins rather than gross margins is because a customer that appears to be valuable on the basis of the gross

margins generated might seem less profitable once cost-to-serve the customer is taken into account. Companies that do not have the processes in place to allocate costs to customers cannot use net margin data. They must work either with gross margin or sales revenue data.

Customer lifetime value (CLV) can be defined as "the sum of cumulated cash flows - discounted using the Weighted Average Cost of Capital WACC) - of a customer over his or her lifetime (three years in most cases) with the company."

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## 8. Customer Life Cycle.

*Ans :*

Today, real estate organisations are constantly required to reduce costs, increase efficiencies and "do more with less". An area that is rarely looked at for cost-savings and improved efficiencies, but one that offers tremendous returns, is tele-communications costs. Telecom today is a whole lot more than phone bills. Large organisations are buying a variety of telecom services including data, voice over IP phone systems, call centers, and wireless services. In fact, telecom costs are usually one of the top three expenses for most MLS's, associations and real estate companies, particularly those with their own data centers. It is not uncommon for telecom costs to account for as much as 20% of total annual operating costs, yet the bills receive very little scrutiny. Telecom represents a significant cost savings opportunity for large MLS's and real estate firms, yet few have taken advantage of this opportunity.

### Customer Life Cycle

If in an organization, many customers diverge their way to other organizations and customer acquisition program shows less aggressiveness then the organization faces terrible cash flow problems. This is the time when tracking the number of customers in each stage of customer life cycle becomes essential. This helps the organization to determine the purchasing power and pattern of customer and coping up the cash flow problem.

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## 9. Business Network

*Ans :*

A business network is defined as a network in which there exist organizations, nodal companies and individuals and the relationship between them.

In the business market context, these nodes are business units like producers, suppliers, regulators, contractors, partners, customers and other organizations, companies and individuals. The relationships between these business units are expressed in actor bonds, resource ties and activity links. Actor bonds are nothing but interpersonal contacts between people in network-related firms and resources are the financial, physical, human, managerial, legal and intellectual and other strengths and weaknesses of firms in the network. Activity links are the legal, administrative, commercial connections that exist between companies as an when they interact.

## UNIT III

**CRM Process:** Introduction and Objectives of a CRM Process; an Insight into CRM and e-CRTA/online CRM, The CRM cycle i.e. Assessment Phase; Planning Phase; The Executive Phase; Modules in CRM, 4C's (Elements) of CRM Process, CRM Process for Marketing Organization, CRM Value Chain, CRM Affiliation in Retailing Sector.

### 3.1 CRM PROCESS - INTRODUCTION AND OBJECTIVES OF A CRM PROCESS

**Q1. What are the steps in objectives and CRM process ?**

*Ans :*

#### **Introduction**

Any group of actions which are helpful in attaining the output of operation system by following a particular measure of effectiveness is known as CRM process.

The purpose of every process of CRM is to integrate collaborative, operational, analytical and various other business processes in order to make a business profitable and successful. Thereby it becomes a major tool which assists to set organization's targets and attain them with the help of cost reduction and giving superior quality of service to the customers. All these processes will have major aspects and factors that requires paying attention.

The process of CRM should also incorporate the analytical aspects and components. For instance, if a company has a desire to attract new customers and maintain prevailing customers then they must have ability to categorize them into groups and segments as per their choice. In such a case the company should be capable enough to match customer requirements and give them a chance to choose from alternative. This process will allow to gather required data regarding customers through emails, call centers and so on.

All the processes of CRM has intended to attain only one goal that is shown in increase in sales and number of customers irrespective of any field the company operate. It is essential for every business to have an alternative to traditional methods for controlling various types of situations. Thereby CRM becomes perfect option, besides it has already proved to be effective. There are many successful cases that assisted many organizations to obtain greater profits and success.

CRM process is defined as any group of action that is instrumental in the achievement of the output of an operation system, in accordance with a specified measure of effectiveness.

#### **Objectives of CRM Process**

The main objective of CRM process is to originate a powerful new tool for customer retention.

- To simplify marketing and sales process
- To make call centers more efficient
- To provide better customer service
- To discover new customers and increase customer revenue
- To cross sell products more effectively

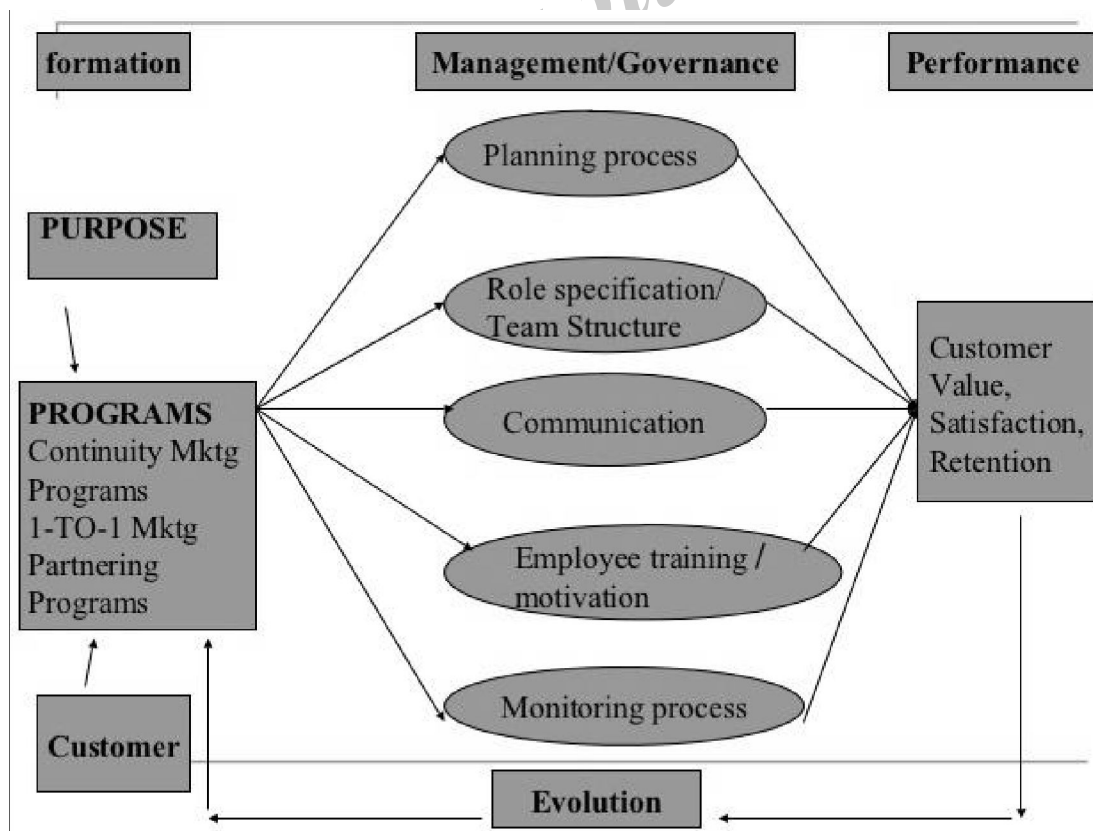
### Benefits of CRM Process

The main goal of all CRM processes is to incorporate collaborative, analytical, operation and other business processes in order to create an effective and profitable business. It will turn out to be an essential tool that will help you to set clear targets for the company and achieve them by all means with the reduction of costs and providing customers with a high quality service. All these processes have important aspects and factors which need paying your attention. For example, operating relationship management process is mostly oriented on such actions as sales, marketing campaign and management and customer service. It is one of the most important steps for those companies which decide implementing CRM strategies and additional tools.

Customer relationship management process must also include analytical aspects and components which are also of great importance. In other words in case you want to attract new customers and keep already existing clients you should be able to divide them into specific groups and segments according to their preferences. In this situation you will be always able to suit all their needs as well as provide them with a good alternative. This process is enabled by collecting all necessary information about clients with the help of call centers, emails and other vital tools. This is one of the most effective process CRM solutions.

Every CRM process is aimed on achieving one and only goal which is reflected in the increase of sales and the number of customers no matter in what field you operate. Every business needs a good alternative to traditional methods of handling different kinds of situations, CRM turns out to be a perfect option. In addition it has already proved to be very efficient. There are lots of successful stories which helped huge companies gain success and high profits.

### CRM Process Model



### 1. Customer Relationship Formation Process

In CRM formation process, there involves decision-making relating to the initiation of relational activities for a particular group of customers or for an individual customer with whom the company is willing to collaborate relationship. Therefore, the company should be in a position to identify and differentiate individual customers. The formation process involves three important decision areas i.e defining the purpose of engaging in CRM, selecting parties for CRM programs and developing programs for relationship engagement with the customer.

#### CRM Purpose

CRM mainly aims at enhancing marketing productivity and improving mutual value for the parties involved in the relationship. To serve this purpose, CRM increases marketing efficiencies and enhances marketing effectiveness. Therefore, the nature of CRM programs can be made clear by specifying objectives and defining CRM purpose in the company. This also helps to clarify the activities which must be performed by the partners and facilitates in identifying the appropriate relationship partners who possess essential expectations and capabilities to meet mutual goals.

### 2. Relationship Management and Governance Process

After developing CRM program, it becomes important to manage and govern program and individual relationships. In case of mass market customers, the degree to which there is symmetry/asymmetry in the primary responsibility of whether the customer or the program sponsoring company will be managing the relationships varies with the size of the market. For distributors and business customers, the relationship management requires the involvement of both parties. The governance responsibilities are shared and managed based on the perception of norms of governance processes among relational partners. All relationships are not managed in the similar way.

Relationship governance has another important aspect i.e the process of planning and the extent to which the customers should be involved

in the planning process. Customers involvement in the planning process would be helpful in implementation of plan and the achievement of planned goals. It is especially desirable for managing cooperative and collaborative relationship with large customers.

To manage relationship conflicts, it is important to have proper monitoring processes such as periodic evaluation of goals and outcomes, design or governance process, initiating changes in relationship structure and creating a system settling the conflicts.

### 3. CRM Performance Evaluation Process

In CRM it is essential to assess results periodically to check whether programs are meeting expectations and are sustainable in the long-run. Evaluation of performance will help you to make corrective action in modifying the objectives of relationship marketing and program features. If a company does not have appropriate performance metrics for evaluating CRM efforts, it is difficult to make objective decisions in relation to continuation, modification or termination of CRM programs.

Usually firms use existing marketing measures to evaluate CRM as developing a performance metrics is not a simple activity. To measure CRM performance, it is recommend to use a balance score card which integrates different measures on the basis of each program's defined purpose.

### 4. CRM Evolution Enhancement Process

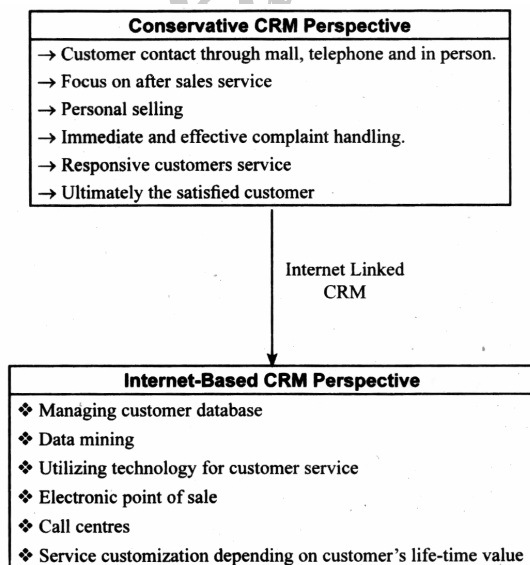
There is a possibility of evolution in customer relationships and CRM programs. At times the evolution is quite natural and some evolution paths are pre-planned. Whatever may be the case, the involved partners should make decisions regarding the evolution of CRM programs. These decisions may be related to continuation, termination, improvement and modification of the relationship engagement. There is a great impact of factors such as relationship satisfaction and relationship performance on the evolution of CRM programs. If the use of satisfactory performance, partner prefer to continue or improve their CRM program. If the expectations are not met, partners may modify/terminate the relationship.

### 3.2 AN INSIGHT INTO CRM AND e-CRM/ONLINE CRM

#### Q2. Give an insight into CRM and e-CRM/Online / CRM.

*Ans :*

CRM is a comprehensive sales and marketing approach which aims at building a long-term customer relationships and improving the performance of business. It is a discipline which relies on process, people, information and technology. CRM has undergone a transition over a period of time as the technology has influenced the modern relationship with the customers. It has now become e-CRM as an approach to deliver customer experiences. The definition of e-CRM is same as that of traditional CRM i.e it involves the strategic use of processes, people, technology and information to regulate the customer relationship with the company across the whole customer life cycle. However, a new channel is provided by internet for customer interactions to which we call e-CRM. The basic rules are same, the only new thing is 'technology'. e-CRM involves the use of electronic communication channels such as internet, mobile phones, voice portals etc to interact with the customer in personalized and efficient manner. The following figure shows the changing perspective of CRM,



**Fig. : Customer Relationship - The Changing Perspective**

It is quite clear that internet has changed customer expectations for control, access, speed and globalization. But the Internet has mainly caused change to CRM implementations by way of automation. i.e changing the way the people are involved in customer interactions online. In any new touch point medium, there exist the differences in process and technology.

#### 1. Information

It is the electronic information upon which both CRM and e-CRM rely. Although direct human interaction is involved in CRM touch points, the interaction is perhaps with an individual who doesn't have a clear idea of the customer. In e-CRM process, human being is not involved. Thereby making it necessary to have complete and accurate information.

There are many customers who don't like sharing their personal information online because they know that the companies won't protect their personal data and may invade their privacy. Therefore, it is important for companies to gain the trust of their customers to be truly able to achieve e-CRM success.

#### 2. Process

The companies should understand clearly what they want to do before moving processes to the web. It is a fact that technology can surpass humans in performing certain things, but it doesn't perform effectively in certain areas. Thus, the company must evaluate its processes from the customers' perspective before putting them online.

The company with excellent online processes is 'Amazon, com' which effectively combines processes into the back office logistical infrastructure to make sure that customer have positive experience with the company.

#### 3. Technology

For e-CRM, technology not only plays an operational role but also the role of human being. According to a research, people treat their computers as social beings. Therefore, it is important to recognize the relationships that people have with

their computers. This will help the company to effectively design its website that can deliver the types of experiences a company want for its customers. There are several customers who consider website as their company. This view of customers should be taken into consideration to design manners, emotion and personality into the web experience.

People are aware of the rules, but computers should be taught the rules. For this reason, people are considered as an important part e-CRM. The company's sales and service representatives should specify how automated interaction will appear. This is because the technology should be able to deliver the experiences to customers the company wants.

#### 4. People

CRM is valued for the way it builds and manages relationships with customers, but in case of e-CRM, there exist no interaction between people. Does it mean that e-CRM is impossible by definition? of course not. But the company should ensure that a customer feel like he/ she is interacting to a person while making interaction with company online. It is possible to create this feelings with the help of animated characters and photographs that demonstrate human behavior. Chat groups and chat e-mail can also be created for this purpose. A company can also enable its customer to talk to live service representatives while doing online shopping.

Employees can play an important role in delivering interactions with customers. They can take key decisions relating to what type of relationships they should have with different types of customers instead of directly touching the customers. Based on these decisions, the processes and systems can be designed.

**Q3. Define e-CRM/Online CRM what are the steps involved in building an e-CRM solution? Discuss the requirement, need and dimensions of e-CRM.**

*Ans :*

#### Definition of e-CRM/Online CRM

e-CRM/online CRM refers to the use of electronic communication channels such as internet,

voice portals, mobile phones etc., to interact with the customers in personalized and efficient manner.

#### Steps in Building on E-CRM Solution

The steps involved in building an e-CRM solution are as follows,

1. Determine objectives of the business.
2. Evaluate present experience of e-CRM along with e-CRM continuum in terms of technology and process.
3. Determine business processes and changes which are required to encourage the objectives of e-CRM.
4. Plan and schedule to perform processes.
5. Setup the required information warehouse in order to strengthen opinion of the customers.
6. Choose, perform and combine the necessary e-CRM applications.

#### Architecture of e-CRM

Architecture of e-CRM are as follows,

##### 1. Operational e-CRM

In order to create and maintain relationship the front-end customer meets the points of automation.

##### 2. Collaborative e-CRM

The opinions and resources of the customers can be shared in order to provide them a good and secure relationship.

##### 3. Analytical e-CRM

Data of the Customer is evaluated in order to improve knowledge regarding customer and to use it for maintaining relationship.

#### Need for e-CRM

The following points highlights the need for e-CRM.

1. e-CRM develops the value of inter-active relationships.



2. It organize the marketing initiatives over every customer channels.
3. It emphasis business on enhancing the relationships of the customer and obtaining a high share of every customer business by measuring, evaluating and actionable customer contact strategies frequently.
4. It allows business to increase its personalized messaging to the e-mail and internet.
5. It support customer data for efficient e-business and e-marketing.

#### Requirements of e-CRM

The basic requirements of e-CRM are as follows,

1. The basic requirements required for e-CRM is evaluation outcomes.
2. It requires online channels which is a web personalized e-messaging medium for communicating quickly.
3. It requires economic which facilitates high return communication initiatives of the customers.
4. It needs external data i.e., the use of customer sanctioned outside data.
5. It requires companies which touch and shape experience of the customers all over the firm.
6. It needs customer empowerment.

#### Dimensions of e-CRM

The following are the three dimensions of e-CRM

1. Expansion
2. Retention
3. Acquisition Getting.

**Q4. "CRM is an incorporation of various technologies." Discuss.**

*Ans :*

There are a variety of sophisticated yet user friendly technological tools that are used in a e-CRM systems. The four most popular technologies used in e-CRM systems are,

#### 1. Voice Portals

It is a popular technological tool that allows the customers to access web information through mobile phones. This technology is based upon Voice XML (Voice Extensible Markup Language).

Bevocal, TellMe, Shoptalk etc are few commercial web portals, the provide voice based accesses to services such as stocks movies, news etc.

However, a major limitation of voice portal technology is that voice recognition is limited to specific domains. For example, a voice portal that is related for booking hotel rooms cannot be used for stock market trading services.

#### 2. Web Phones

It is also known as internet protocol (IP) telephony. This e-CRM technology supports voice communication over the internet.

**Example:** Skype, 3 com, Cisco etc. This system allows a compatible integration of audio and textual information over the internet.

#### 3. BOT's

BOT's is the short form for 'Software Robots' which are employed by firms to locate websites on the internet using plain English. It allows the users to ask for website search by typing in sentences or key words. For example popular search engine 'Google' is a type of BOT technology. The following schedule shows the BOT classification along with examples

S.No.	Classification of BOT	Example
1.	Search engines	Google, Yahoo.
2.	Email BOT's	Kana communication
3.	Natural language search	Intermedia, Brighware
4.	Chatter BOT's	Artificial life

A major advantage of using BOT's is that it provides response very quickly. Further, it can handle hundreds of search request simultaneously. A survey has found that 80% of the questions posed to BOT's are immediately and accurately answered and for the remaining 20% of questions, the response time is quick. This saves substantial amount of time resources for the customers.

The performance of a BOT can be further enhanced by updating the questions and the responses that customers may ask. This helps, the firm to exceed customer expectation by resolving and responding to customers queries instantly.

#### 4. Virtual Customer Representative(VCR)

It is said that an expressive human face is better than a thousand words. The VCR technology provides a three dimensional animated talking heads which the firms can use as front end to CRM and email applications. This helps them to immediately arrest the attention of the customer.

Thus it can be concluded that present day firms have a variety of powerful and effective e-CRM tools to choose and integrate in their system, as per their requirements.

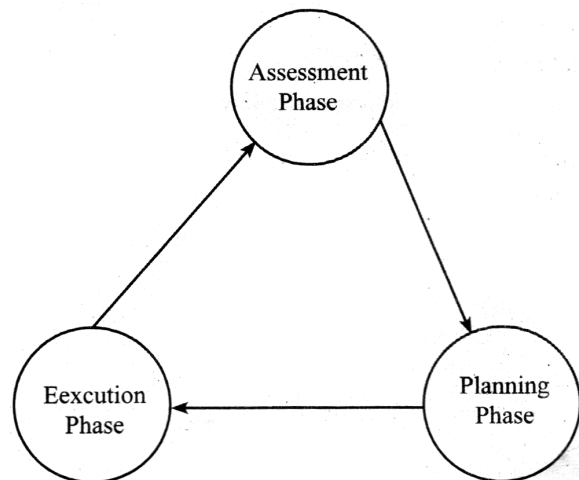
### 3.3 THE CRM CYCLE I.E. ASSESSMENT PHASE; PLANNING PHASE; THE EXECUTIVE PHASE

**Q5. What are the phases involved in CRM cycle? Discuss.**

*Ans :* (Sep.-20)

The following are the phases involved in CRM cycle.

1. Assessment phase
2. Planning phase and
3. Execution phase.



**Fig. : CRM Cycle**

Let us discuss each of them in detail.

#### 1. Assessment Phase

In assessment phase, a model of the behavior of target customers are developed with the help of in house information, external demographic, psychographic and other information. Here, many question may arise related to marketing such as,

- (a) Who are the customers? What are their demographics and lifestyle?
- (b) Where do they live?
- (c) What and how to they purchase?
- (d) What are they worth? What is their lifetime value potential?
- (e) What are their purchasing patterns?
- (f) How can they be reached? How they responded to advertisements in the past and through which channels do they prefer to be contacted?
- (g) Is there a model of their profitability or the risk associated with doing business with them?

#### 2. The Planning Phase

In planning phase, the marketing will determine how to reach the audience in a best way as specified in the above phase by way of formulating marketing campaigns and strategies.

### 3. The Execution Phase

In the execution phase, the firm uses the available touch points of customer to put all the knowledge to work.

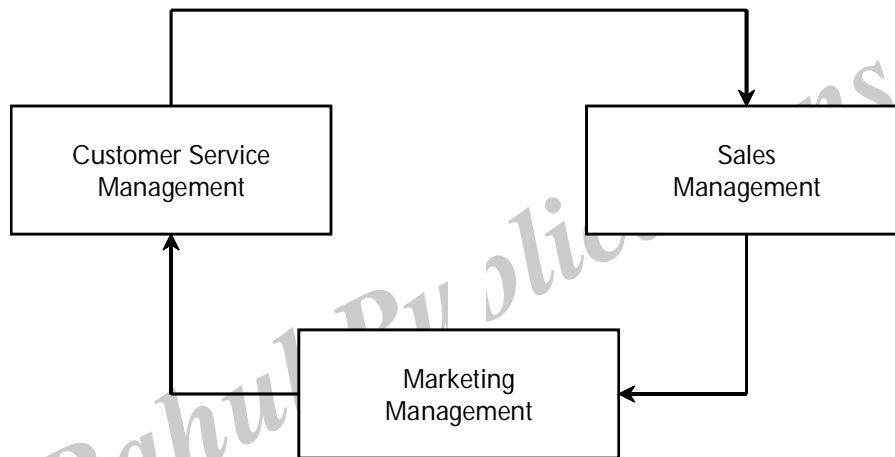
#### 3.4 MODULES IN CRM

**Q6. Discuss about the modules in CRM.**

*Ans :*

Customer Relationship Management (CRM) involves three modules. They are,

1. Sales management module.
2. Marketing management module and
3. Service management module.



**Fig. : Modules of Customer Relationship Management**

#### 1. Sales Management Module

Sales management module helps in generating sales and closing deals. It gives suggestions to the firm to potential leads and outline closing stages of deals. In CRM, sales functionality covers all the elements of sales management like planning and forecasting of sales, account and contact management, opportunity management, incentive and commission management, organizational and territory management, activity management, billing and contract management and activity management.

#### 2. Marketing Management Module

The major principle of the marketing module is to help the firms marketing team in evaluating and segmenting customers to ensure the effectiveness of marketing activities. In CRM, the marketing module consists of the overall functionalities which are required for substantial involvement of customer. It offers the abilities of marketing planning, e- marketing, lead management, campaign management, marketing evaluation and customer segmentation. The KPIs (Key Performance Indicators) which are related to this module can be determined and measured.

### 3. Service Management Module

In CRM, the service management module is a significant module because it retains the customers by providing a premium level of services. In CRM, service provides ability to plan and control the service administration by satisfying the revenue potential of customer. With the help of channels like Internet, interactions, centres, partners and field employees, the service requirements can be managed.

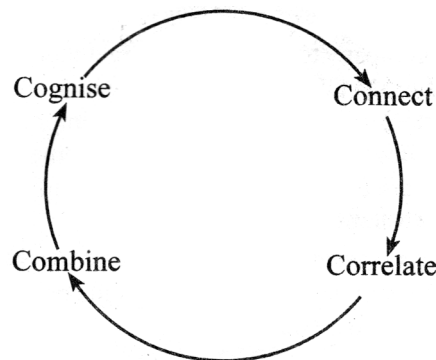
#### 3.5 4C's (ELEMENTS) OF CRM PROCESS

**Q7. Explain the 4 C's (elements) of CRM Process.**

*Ans :*

(Imp.)

The four C's of CRM process are depicted in the figure below,



**Fig. : 4 C's of CRM Process**

1. **Correlate:** The interactions and transactions which are between organization and customer must be gathered from all the contact points.
2. **Combine:** The management and mapping of communication points between an organization and a customer must be combined.
3. **Cognise:** The knowledge attained from capture and analysis of detailed information is very useful to the firm for creating an ongoing learning with respect to the customer products, channels, markets and competition from data warehouse and knowledge base.
4. **Connect:** Connect involves application of knowledge to establish communication or interaction with customers, consumers, partners, suppliers and channels which helps in building a value relationship.

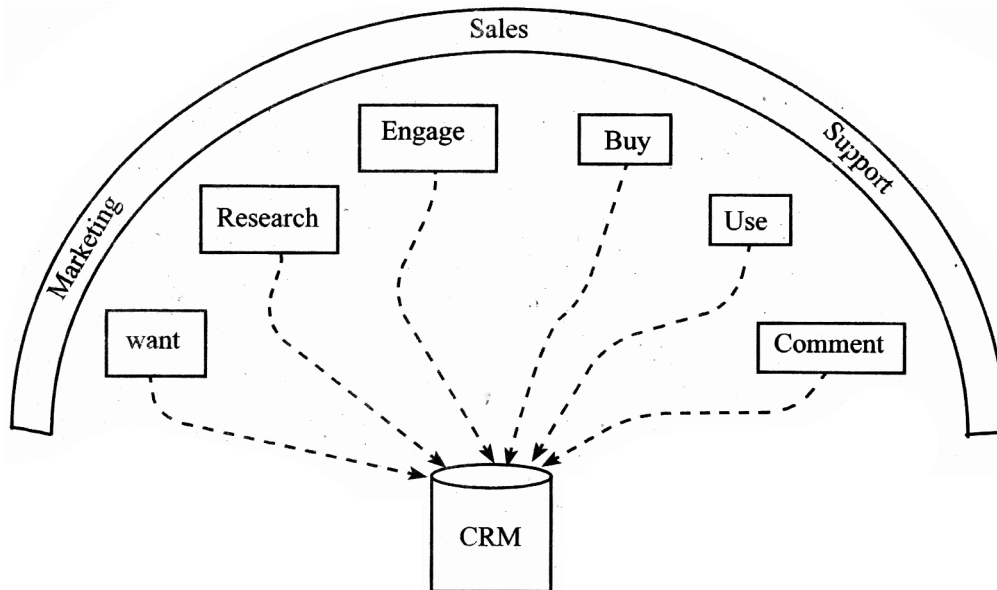
#### 3.6 CRM PROCESS FOR MARKETING ORGANIZATION

**Q8. Discuss the role of CRM process in marketing.**

*Ans :*

(Dec.-19)

Today, business organizations are adopting CRM as a strategy which includes the formulation of tools and methodologies which facilitate in managing customer relationships in an organized way.



**Fig. : CRM Role in Marketing**

The processes of CRM help the company to identify and target their best customers, plan and implement marketing campaigns with specific objectives and goals. CRM has processes which are extremely helpful in generating quality sales leads, establishing individualized relationships with customer as to improve customer satisfaction. These processes not only offer highest level of customer service to the most profitable customers, but also provide essential information to the employees which help them become aware of their customer's needs and wants. This in turn help the employees to build relationship's between the firm and its customers.

CRM enables a brand marketer to connect directly with their customers and understand them. CRM function facilitates in increasing reach and brand loyalty through targeted messages and content. Therefore, it is important for the marketers to identify the value which CRM can bring to a brand.

CRM has more role to play than technology. It is a complete philosophy for the way a company managers and strengthens relationships with customers. The company must know the role of CRM in marketing the products and developing the customer base.

### 1. Market Data

A company can use CRM as a tool for gathering real-world market data about customers. This data may be used by marketing personal to coordinate campaigns which are aligned with target markets.

### 2. Customer Focus

Usually, companies emphasize more on processes and products and tend to ignore customers. If CRM is the central point of company's marketing strategy, it should refocus its messaging on customers.

### 3. Customer Relationships

CRM is all about customer relationship. But marketing should be all about the process of building of customers relationship. The efforts of marketing that benefit from the CRM have the net effect of incorporating the goal into the beginning of the marketing process.

**4. Tracking**

CRM enables the company to keep track of the effectiveness of marketing campaigns. The sales metrics and feedback that arise from CRM data can easily recognize the marketing strategies which were effective with company's customer base.

**5. Deeper Engagement**

Customer engagement is very important in branding and loyalty initiatives. CRM can help a company to deeply touch the lives of customers through its improved products.

**6. Brand Loyalty**

CRM enables a company to focus on improving brand loyalty and customer retention. Many a times, marketing efforts overemphasize the acquisition of new customers at the expense of the existing customer base. As it is easy to retain a current customer than a new one, CRM must be an easy sell for the marketing department of the company.

**3.7 CRM VALUE CHAIN**

**Q9. Write about the CRM value chain. Discuss its primary stages.**

*Ans :*

(Sep.-20)

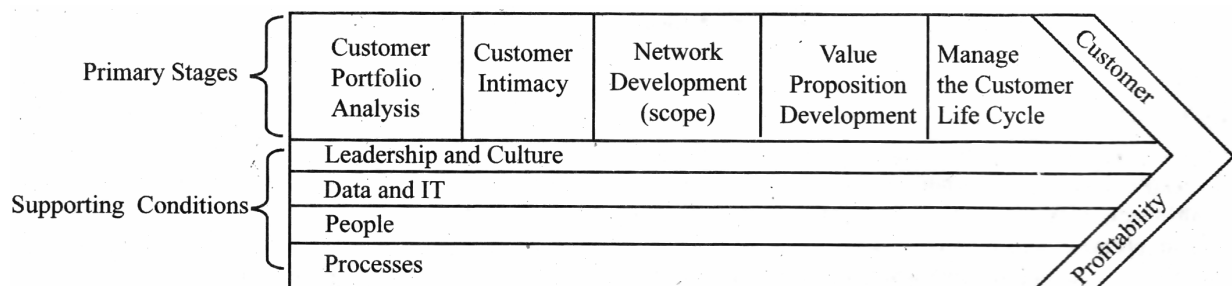
**CRM Value Chain**

The concept of value chain was coined by Michael Porter. He proposed this concept as a way to identify all processes, actions or stages which are involved in creating outputs from inputs. The customer who is at the end of value chain receives these outputs. The amount that a customer is ready to pay for a product/ service is its 'value'. The business revenue is the total value minus the cost which the company has incurred in providing the product to the customer.

The most commonly used model for CRM is the 'CRM value chain model' provided by Francis Buttle. The model has two stages i.e.,

1. Primary stage and
2. Secondary stage or supporting conditions.

The purpose behind developing a secondary stage is to provide support to the primary stage. CRM can be enabled only when both stages work in collaboration.



**Fig. : The CRM Value Chain**

A business should opt for CRM value chain model while developing their CRM strategies. Today, modern businesses focus on the principle of Customer Relationship Management (CRM) as it allows a business to deliver value to the customer and effectively manages business relationship with customer. A firm can make its customers loyal to its brand and retain them by building a valuable relationship with one important customer. Therefore, the CRM value chain model take into consideration all the stages needed to establish a relationship with customers.

### Primary Stages of the CRM Value Chain

The primary stages of the CRM value chain includes the following processes,

1. Customer portfolio analysis
2. Customer intimacy
3. Network development
4. Value proposition development and
5. Manage the customer life cycle.

#### 1. Customer Portfolio Analysis

In this step, the actual and potential customer base is analyzed to know the customers the company wants to serve in the future. The company give first preference to strategically significant customers including the ones who are expected to generate profit in the future.

#### 2. Customer Intimacy

Here, the company obtain the information of chosen customers such as customer's identity, requirements, profile, history, preferences and expectations.

#### 3. Network Development

Once the Company has all the customer related information in hand, it starts identifying, and managing relationships with network members of the company. These are the people and organizations that make great contribution in creation and delivery of the value propositions for the selected customers. The network may include both internal

members such as employees and external members such as partners, suppliers, investes/ owners etc.

#### 4. Value Proposition Development

Now, the company can identify sources of value for customers and can create a proposition and experience which fulfill the preferences, requirements and expectations of customers.

#### 5. Manage the Customer Life Cycle

The customer life cycle is defined as the journey of customer from 'suspect' to the 'advocate status'. To manage customer life cycle, the company must focus on both structure and process. The structure involves the ways to manage the customers relationship and processes need to focus on acquisition, retention and development of customer.

These five stages of CRM value chain indicate three main sequential stages of CRM strategy i.e Analysis, Resource development and Implementation. This process continuous and repetitive. One cannot consider it as a one time process which results in a strategy which is serviceable forever. At every step, numerous tools and processes are required for analytical planning, implementation and control purposes.

### Q10. What are the supporting conditions of the CRM value chain? Discuss.

*Ans :*

The following are the four supporting conditions for the development and implementation of the CRM strategy.

1. Leadership and culture
2. Data and Information technology
3. People
4. Processes.

These conditions have an influence on each primary stage of the CRM value chain. Implementation of CRM strategy may fail if these conditions don't support it.

### 1. Leadership and Culture

The outcomes of CRM strategies depend on both leadership and culture of organization. Leadership plays an important role in successful implementations of CRM. Leadership is required at the level of strategic CRM for setting out whether a customer-orientation will guide the company into the future. The companies that are committed to CRM tend to incline towards a marketing/sales orientation rather a product/production- orientation.

If the issues of marketing rest at the heart of the implementation, then it is possible to express CRM goals in terms of enhanced business performance by ensuring higher levels of customer retention and satisfaction. If the CRM investment is supported by sales goals, the objectives may be expressed in terms of improved sales efficiency and greater sales effectiveness. An organization's mission, vision and values are reflected in the adopted business- orientation.

It is quite expensive to implement operational and analytical CRM. Companies prefer to make investment in IT, people development and process engineering. Thus, leadership should be committed to the project.

An organization culture is considered as customer- centric based on the leadership behaviors, internal relationships and formal systems. These aspects determine the employees experience in the company which in turn is reflected in their behavior while making interaction with customers.

One can expect the positive answer to the following questions in customer- centric culture.

#### Leadership

- (i) Is leadership committed to bring about a positive difference to customer experience?
- (ii) Are the actions of leadership show that the customers are important?
- (iii) Does the leadership encourages employees to follow a 'customer-first' role model.

#### Formal Systems

- (i) Are customers allowed to appraise front-line staff?
- (ii) Are new recruits instructed to prioritize customers in doing business?
- (iii) Does company measure customer satisfaction and retention?

#### Internal Relationships

- (i) Does employees congratulate their colleagues upon creation exceptional customer experience?
- (ii) Does the company encourage sharing of customer experience across work groups?
- (iii) Do the employees from different department conduct a meeting to improve customer experience?

### 2. Data and Information Technology(IT)

Data and Information Technology is the second important supporting condition for the implementation of CRM. For the effective CRM implementation, a company needs high-quality customer data. The important elements of CRM strategies are acquiring, storing, enhancing, maintaining, distributing and using customer related information. The data requirements of a CRM strategy depend on the activities undertaken and decisions made in the five main stages of the CRM value chain.

At the customer portfolio stage, the task is to know the customers to whom the company wants to serve in the future. The various activities undertaken during CPA require great amount of data relating to customers, markets, internal processes and competitors.

In CRM value chain, the task in 'customer intimacy' stage is to collect information about the customers to whom the company has selected to serve in the future that help in building strong relationship with them.

Network development involves the task of identifying, briefing and coordinating the network of business including the partners, suppliers and



employees to make sure they make significant contribution to the value creation and delivery process. These network members not only act as generator of information, but also the user of information for CRM.

Suppliers provide input for the creation of the value proposition. They provide data relating to current and future costs, future product availability, quality conformance reports, logistic performance reports. They can provide plenty of good ideas for new product improvement of existing products and cost reduction proposals for the future.

Partners include companies like franchisees, joint venture collaboration's, licensees and alliance partners who play an important role in the creation of value of the CRM implementer's customers as these partners have access to the end customer, they can provide customer related information to the head office include information on customer expectations, changing customer profiles etc.

Employees have an important role to play in providing information as they are directly involved in interacting with customer at different touch points. The information they obtain from customer as feedback is very helpful in developing CRM strategies.

It is important for a company to have customer - related information to ensure successful development of value proposition's for the selected customers. The value proposition is the offer which a company gathers along with its network partners to win and keep the selected customers. There are different value propositions designed by different companies for various customer segments. A company can continuously improve its value proposition by analyzing the historical information on complaints, product defects and service calls.

To manage customer life cycle, one has to work on a set of customer management tasks such as identification of customers, recruitment of customer, selling off their first product, development and implementation of retention plans, winning back valued customers etc. Through customer information, these tasks can be performed effectively. It is the customer related information that help you prioritize sales and service efforts.

### 3. People

Another supporting condition for successful CRM implementation is 'people'. According to several commentators, people are the most important element in the performance of a CRM strategy. The role of people can be understood under the following points,

- (i) People design the strategy of CRM.
- (ii) They choose the IT solution.
- (iii) They implement and use the IT solution.
- (iv) They coordinate with others to successfully accomplish CRM work.
- (v) They create and maintain customer database.
- (vi) They develop the processes of marketing, selling and service.
- (vii) They contribute towards satisfaction and retention of customer.

It is not possible to achieve successful implementation of CRM without people. Thus, the companies should listen to people to win their support. For CRM implementation to be effective, the company should focus on improving skills, knowledge and attributes of people. The required skills and knowledge may include how to segment customers, design experiments and interpret experimental data through statistical procedures. Therefore, training should be given to people for these competencies.

### 4. Processes

Processes are considered as the final supporting condition for CRM. The ways in which the company performs things are regarded as 'Processes'. There are different types of processes i.e.,

- (i) **Vertical Processes:** The processes which are located completely within a business function are referred to as "vertical processes".

- (ii) **Horizontal Processes:** These processes are cross-functional. The process of new product development may involve sales, finance, marketing, research and development groups.
- (iii) **Front Office Processes:** The processes which are encountered by customers are referred to as front-office processes. A good example of such process is complaint management.
- (iv) **Back-Office Processes:** The processes which are hidden from customers are referred to as Back office processes. A good ex of such process is procurement process.
- (v) **Primary Processes:** A company may have major cost or revenue implications from primary processes. Customers show no concern towards back-office processes, they care about the processes they touch. Primary processes in insurance industry include claims process, new policy purchase process and policy renewal process.
- (vi) **Secondary Processes:** The companies have minor cost or revenue implication from secondary processes.

The company should identify the key processes from the CRM viewpoint and should design these processes in such a manner that they make significant contribution to the objectives of CRM. To make processes visible, a tool called process mapping or flow charting or blue printing can be used. A flow chart specifies the steps involved in performing the process. It is possible to rate the processes based on the degree to which they can be enhanced.

### 3.8 CRM AFFILIATION IN RETAILING SECTOR

**Q11. Discuss about CRM affiliation in Retailing Sector.**

*Ans :*

(Imp.)

Today, the retail industry has shifted its focus from product to customer. It is increasingly adopting internet technologies. In this situation, the service providers find it difficult to establish a robust Customer Relationship Management (CRM) process which can precisely collect customer related information for their organization. In today's dynamic environment, one can compete successfully by keeping in view the key requirements such as predictive sales, staff productivity, revenue forecasting, automating and streamlining processes, greater staff productivity, shifting and organizing unstructured data.

CRM key consideration in retail sector are discussed as follows,

#### 1. Data Collection

Usually, customer related details are not known to the marketer in a normal retail transaction. To overcome this problem, the retailer can keep their own credit card or loyalty card supplemented over a period of time by data collected at the time of in-store promotions and competitions.

In any case, the data will be available in small amounts as most of the regular customers don't like to involve in any devices of data collection. Thus, it is important to view customer contact as incremental activity instead of replacing the in-store merchandising and normal marketing.

#### 2. CRM Campaign Activity

It is possible for a retailer to interact directly with customers by way of credit card and loyalty card statement mailings at low incremental cost. It is also important to maintain sophistication in the interaction

between customer segmentation and marketing data base and a range of various messages that reach customers through these statements.

### 3. Customer Profiling

The value that a retailer gains through direct customer contact is associated to the timing and the relevance of the message. Thus, the retailer should not only focus on collecting customer details but also on gathering profile data related to products/services in which the customers are interested. Special emphasis should be laid on collecting the data that shows what products the customer has purchased in the past. To know the most loyal and most valuable customers, it is essential to analyze the value and frequency of purchase.

### 4. Loyalty Card Mailings

To increase the number of customers, the retailer can use reminder mailings regarding the level of 'points' currently on a loyalty/credit card along with bonus points on a promotion.

### 5. Seasonal and Promotional Mailings

The retailer can undertake additional mailings at full cost depending on seasonality or product range introductions. This makes it more essential to gear various messages to various customer segments. In any case, a promotional device is very important in the mailing kept in store which can offer a measurement of the interest created.

### 6. The Importance of Telephone-Inbound

The mailings and general in-store merchandising should ensure the availability of a customer service help desk to answer questions relating to store openings and events and product availability questions. Besides this, It should also have an ability to put product on hold for-a period.

### 7. Mail Order Channel-Outbound

In few retail situations, this may develop into a full mail order catalogue and off-the-page order service. In these situations, the retailer can focus more on catalogue or a range of niche catalogues based on how well it knows the purchasing trends of customers.

Outbound mail is considered as an expensive medium which cannot be justified easily in terms of the likelihood of incremental business being clearly viewed to cover the cost. The telephone should create an immediate customer reaction and also a measurable benefit.

### 8. Potential for Telesales and a New Business Revenue Stream

A retailer generally uses outbound mail to directly sell other services to the customer. As this is meant only for customers having store card, the focus was earlier laid on financial products such as credit payment protection. To ensure cost-effectiveness, additional data is required and it can only be collected in the best way by promotional mail or store-based activity.

The retailer can also use outbound mail to directly interact with customers who have spent lavishly in the past. But this should only be done when a time period has elapsed without the use of credit/loyalty card.

It is important for a retailer to understand the level of satisfaction of their customers through different seasonal and product range variations by telephone and researching a continuously changing consumer panel.

## Short Question and Answers

### 1. CRM process

*Ans :*

Any group of actions which are helpful in attaining the output of operation system by following a particular measure of effectiveness is known as CRM process.

The purpose of every process of CRM is to integrate collaborative, operational, analytical and various other business processes in order to make a business profitable and successful. Thereby it becomes a major tool which assists to set organization's targets and attain them with the help of cost reduction and giving superior quality of service to the customers. All these processes will have major aspects and factors that requires paying attention.

The process of CRM should also incorporate the analytical aspects and components. For instance, if a company has a desire to attract new customers and maintain prevailing customers then they must have ability to categorize them into groups and segments as per their choice. In such a case the company should be capable enough to match customer requirements and give them a chance to choose from alternative. This process will allow to gather required data regarding customers through emails, call centers and so on.

All the processes of CRM has intended to attain only one goal that is shown in increase in sales and number of customers irrespective of any field the company operate. It is essential for every business to have an alternative to traditional methods for controlling various types of situations. Thereby CRM becomes perfect option, besides it has already proved to be effective. There are many successful cases that assisted many organizations to obtain greater profits and success.

### 2. Objectives of CRM Process

*Ans :*

The main objective of CRM process is to originate a powerful new tool for customer retention.

- To simplify marketing and sales process
- To make call centers more efficient
- To provide better customer service
- To discover new customers and increase customer revenue
- To cross sell products more effectively

### 3. Definition of e-CRM/Online CRM

*Ans :*

e-CRM/online CRM refers to the use of electronic communication channels such as internet, voice portals, mobile phones etc., to interact with the customers in personalized and efficient manner.

**Steps in Building on E-CRM Solution**

The steps involved in building an e-CRM solution are as follows,

1. Determine objectives of the business.
  2. Evaluate present experience of e-CRM along with e-CRM continuum in terms of technology and process.
  3. Determine business processes and changes which are required to encourage the objectives of e-CRM.
  4. Plan and schedule to perform processes.
  5. Setup the required information warehouse in order to strengthen opinion of the customers.
  6. Choose, perform and combine the necessary e-CRM applications.
- 

**4. Architecture of e-CRM**

*Ans :*

Architecture of e-CRM are as follows,

**1. Operational e-CRM**

In order to create and maintain relationship the front-end customer meets the points of automation.

**2. Collaborative e-CRM**

The opinions and resources of the customers can be shared in order to provide them a good and secure relationship.

**3. Analytical e-CRM**

Data of the Customer is evaluated in order to improve knowledge regarding customer and to use it for maintaining relationship.

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**5. Requirements of e-CRM**

*Ans :*

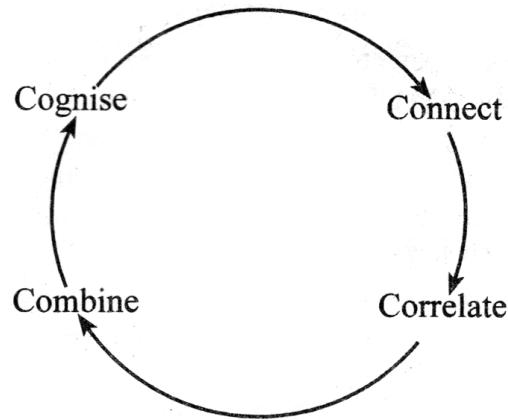
The basic requirements of e-CRM are as follows,

- i) The basic requirements required for e-CRM is evaluation outcomes.
- ii) It requires online channels which is a web personalized e-messaging medium for communicating quickly.
- iii) It requires economic which facilitates high return communication initiatives of the customers.
- iv) It needs external data i.e., the use of customer sanctioned outside data.
- v) It requires companies which touch and shape experience of the customers all over the firm.
- vi) It needs customer empowerment.

**6. 4 C's (elements) of CRM Process.**

*Ans :*

The four C's of CRM process are depicted in the figure below,



**Fig. : 4 C's of CRM Process**

- i) **Correlate:** The interactions and transactions which are between organization and customer must be gathered from all the contact points.
- ii) **Combine:** The management and mapping of communication points between an organization and a customer must be combined.
- iii) **Cognise:** The knowledge attained from capture and analysis of detailed information is very useful to the firm for creating an ongoing learning with respect to the customer products, channels, markets and competition from data warehouse and knowledge base.
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**7. CRM Value Chain**

*Ans :*

The concept of value chain was coined by Michael Porter. He proposed this concept as a way to identify all processes, actions or stages which are involved in creating outputs from inputs. The customer who is at the end of value chain receives these outputs. The amount that a customer is ready to pay for a product/ service is its 'value'. The business revenue is the total value minus the cost which the company has incurred in providing the product to the customer.

The most commonly used model for CRM is the 'CRM value chain model' provided by Francis Buttle. The model has two stages i.e.,

1. Primary stage and
2. Secondary stage or supporting conditions.

**8. Data and Information Technology(IT)**

*Ans :*

Data and Information Technology is the second important supporting condition for the implementation of CRM. For the effective CRM implementation, a company needs high-quality customer data. The important elements of CRM strategies are acquiring, storing, enhancing, maintaining, distributing and using customer related information. The data requirements of a CRM strategy depend on the activities undertaken and decisions made in the five main stages of the CRM value chain.

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In CRM value chain, the task in 'customer intimacy' stage is to collect information about the customers to whom the company has selected to serve in the future that help in building strong relationship with them.

Network development involves the task of identifying, briefing and coordinating the network of business including the partners, suppliers and employees to make sure they make significant contribution to the value creation and delivery process. These network members not only act as generator of information, but also the user of information for CRM.

## UNIT IV

**CRM Structures:** Elements of CRM – CRM Process – Strategies for Customer acquisition – Customer Retention and Development – Strategies for Customer Retention, Models of CRM – GSPOT Model, KOEL's Model, WebQual Audit Model, ONYX Model - CRM road map for business applications.

### 4.1 CRM STRUCTURES

**Q1. What factors should be considered by a company while creating CRM structure? What are the different types of conventional CRM structures? Explain.**

*Ans :*

#### **Factors to be Considered While Creating CRM Structures**

According to Alfred Chandler, "It is important for an organization to set their strategic goals before designing the organizational structure to achieve those goals". Companies that intend to adopt CRM as their core business strategy should set up a structure that attains three major outcomes by way of its marketing, selling and service functions.

1. The acquisition of selected market segments or consumer segments.
2. The retention and development of important market segments or consumer segments.
3. The ongoing development and delivery of competitively superior value propositions and experiences to the targeted customers.

This is the base of strategic CRM and it should be supported by the structure of organization. There exist no perfect structure as every structure has its own trade offs.

#### **Conventional CRM Structures**

The different types of conventional customer relationship management structures are,

1. Functional Organization Structure
2. Geographic Organization Structure

3. Market/Customer-Based Organization Structure
4. Product, Brand or Category Organization Structure and
5. Matrix Organization Structure.

#### **1. Functional Organization Structure**

In functional organization structure, there are marketing, sales and service specialists who report to a functional head like director of sales and marketing. The specialists may include market researcher, account manager, marketing analyst, campaign manager, service engineer and sales support specialist.

Functional organization structure is suitable for small to medium sized business having limited product ranges. Sales, marketing and service are the three core disciplines that interface with customer. These disciplines may or may not share their customer knowledge by placing it in a customer database. From a CRM perspective, it is preferable that they share this knowledge because this information will be helpful to other specialists whose decisions can influence on customer acquisition, retention and experience.

#### **2. Geographic Structure**

In geographic structure, the three core customer management disciplines i.e., marketing, selling and service are organized on territorial lines. When compared to marketing, selling and service are more geographically dispersed. Many international companies opt for geographic structure around the regions of America, Asia, Europe, Africa and middle east. The companies which



are smaller in size may organize around national, regional and local areas. When the customers prefer face-to-face contact with sales persons and are geographically dispersed, it indicates that there is a clear benefit in salespeople. If the customer are located at remote locations and the service needs to be delivered, then in such situations, company distributes its service staff geographically. As high cost is involved in selling and providing service, companies make sure that they perform these activities more cost-effectively. While some companies provide telesales service to some customers, they prefer face-to-face selling to their important customers. Companies can reduce cost by developing websites which allow the customers to service their own requirements.

However, from the CRM perspective, this approach is not appreciated as there will be several different customer types in a single geographical area. A salesperson who is assigned with the task of selling industrial chemicals may be required to take help from many industries like textiles, paints or consumer goods manufacturing. There might be diverse applications of sold product and customer's buying criteria may also be different. Few may consider the product as significant and other may regard it as insignificant. The problem becomes more complex if the salesperson sells several products to several customer groups. The salesperson may not be able to develop either customer, product or expertise.

### 3. Market or Customer Structure

Market or customer structure is often adopted by companies that serve different customers or customer groups having different buying practices or requirements. These are many types of managers in market/customer structure. They can be in the form of segment managers, market managers, accounts managers and customer business managers.

### 4. Product, Brand or Category Organization Structure

Product, brand or category organization structure is often adopted by companies that

provide wide range of products especially when they have different marketing, sales or service requirements. Large customer goods companies like Proctor and Gambler and Unilever, use this type of structure. Marketing strategy is developed by product/brand managers and then the specialists coordinate their efforts in advertising, marketing research, selling, merchandising, sales promotion and service.

According to several multi-brand companies, it is difficult to integrate the overall organizational resources around the customer needs using brand management. Instead of promoting integrated customer offers, brand management results in competition between the product-brand offers of a company. The product-brand companies do not have coordination and they do not value the customer's time. The customer may also undergo different levels of service from different brand/product managers. There are several leading fast-moving consumer goods companies who have opted for category management structure. There are several leading fast-moving consumer goods companies who have opted for category management structure. Kraft is one such company that has variety of brands. There are category business directors in the company who coordinate a team of functional experts who emphasize on each category. Brand managers sit on the category team. The category team works with a customer team which is involved in making efforts for each major customer. This is to make sure that category yield profit for both customer and kraft. There is also a process team dedicated to each category and is responsible for ensuring that business processes are aligned with customer requirements.

### 5. Matrix Structure

Companies prefer matrix organization structure when it has variety of product lines that serve different consumer groups. In a matrix structure, market or customer-based managers are on one side of matrix and product managers on the other side.

		Customer Managers			
Product Managers	A				
	B				
	C				
	D				
	E				

Fig.: Matrix Organization Structure

In multi-channel organizational, customer managers are replaced with channel managers. The multi-channel retailers have many routes to market i.e, catalogues, stores, online retailing, TV channel etc. As matrix organization facilitate both vertical and horizontal communication, it reduces inefficiencies and enhances coordination.

In metrics, market/customer managers develop and maintain profitable relationships with external customers. Product managers are viewed as suppliers in the matrix. To become preferred supplier of market manager, the internal managers may try to compete with external suppliers. For pricing internal transfers following approaches are considered,

- (i) Internal supplier sells at external market prices or
- (ii) Internal supplier sells at internally agreed transfer price that allows the market managers to return a profit on their external relationships and transactions.

This price enables the market manager to have more flexibility in negotiation of price with the external customer.

## 4.2 ELEMENTS OF CRM

**Q2. Discuss the elements of CRM.**

*Ans :*

**(Imp.)**

The elements of crm are given below:

### 1. Customer lifecycle management

Customer lifecycle management or CLM is the measurement of multiple customer-related metrics, which, when analyzed for a period of time, indicate performance of a business. The overall scope of the CLM implementation process encompasses all domains or departments of an organization, which generally brings all sources of static and dynamic data, marketing processes, and value added services to a unified decision supporting platform through iterative phases of customer acquisition, retention, cross and up-selling, and lapsed customer win-back.<sup>1</sup>

Some detailed CLM models further breakdown these phases into acquisition, introduction to products, profiling of customers, growth of customer base, cultivation of loyalty among customers, and termination of customer relationship.

Stages of customer life cycle management:

- **Reach:** Your content must be properly marketed in places where people/businesses in your market will find your information. This way they will become aware of your company's existence.
- **Acquire:** You have to understand your potential customers wants/needs so you can provide a product/service they will want to purchase. Contact them directly with personalized communication in order to convert them from potential leads to paying customers.

- **Develop:** After the first purchase, keep in touch and build a relationship with your customer. Ensure they are fully satisfied with their purchase.
- **Retain:** One time customers will become repeat customers as long as you are satisfying their needs. Care for them and continue to cultivate a relationship with them. Do not be afraid to ask for feedback. They will be happy you care about their opinion and you can use their comments to improve your product/services. Make them feel a part of the process.
- **Advocacy:** If your customers are truly satisfied, they will become brand advocates. This will spread awareness within their social circles and the cycle will come full cycle when you reach potential new customers due to your existing customers.

## 2. Customer Lifetime Value

Customer Lifetime Value is the single most important metric for understanding your customers. CLV helps you make important business decisions about sales, marketing, product development, and customer support. For example:

- **Marketing:** How much should I spend to acquire a customer?
- **Product:** How can I offer products and services tailored for my best customers?
- **Customer support:** How much should I spend to service and retain a customer?
- **Sales:** What types of customers should sales reps spend the most time on trying to acquire?

### 4.3 CRM PROCESS

#### Q3. Explain the process of CRM.

*Ans :* (Dec.-19)

The process of CRM is the systematic determination of the techniques using which a project is implemented, competitively and economically. The CRM process involves the following steps,

1. Identifying the customer
2. Differentiating the customer and
3. Customizing the marketing mix.

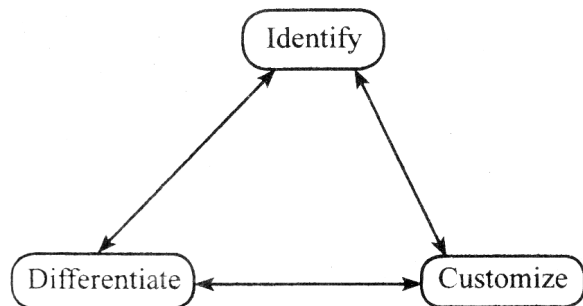


Fig.: The CRM Process

#### 1. Identifying the Customer

To know the customer, firms acquire information related to prospect, business customer and end consumer through personal disclosure, customer service encounters, automated tracking by means of sales force and barcode scanners at website and retailers activity.

#### 2. Differentiating the Consumer

There are diverse needs of customers. The firms can collect information about consumer needs through internet. This information is helpful in identifying different benefit segments and in increasing profits. It is essential for a firm to know the high value customers by,

- (i) Mining and profiling in customer database and
- (ii) Using real space and real time data collection methods.

Several firms make use of RFM analysis (Recency, Frequency and Monetary) to acquire information related customers from databases. This is usually done to find the customers who spend lavishly and buy frequently and recently.

#### 3. Customizing the Marketing Mix

If the firm has recognized prospects and differentiated customers as per their behavior, characteristics, needs or value, then it may

take into consideration customizing offering to different individuals/segments. Customization occurs not only in product offerings but also across the marketing mix. Personalization marketing means the things which greet users by e-mail or name (ex., web pages).

#### 4.4 STRATEGIES FOR CUSTOMER ACQUISITION

**Q4. What do you understand by customer acquisition? Explain various customer acquisition strategies.**

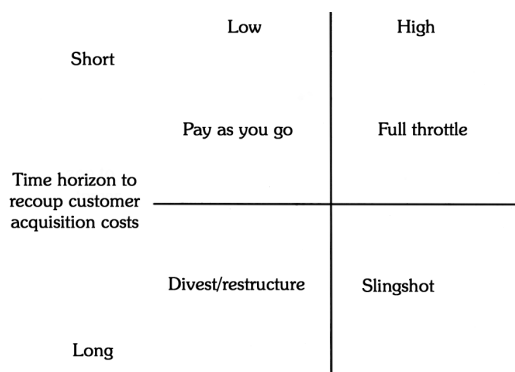
*Ans :* (Dec.-19)

##### Customer Acquisition

Customer Acquisition is defined as the customer to take part in a behaviour that allows further contact. For example, signing up for a newsletter. For a social media marketer, acquisition is defined as acquiring additional followers/fans on a social network page.

##### Customer Acquisition Strategies

After identifying the customers With whom the company must pursue, the company must ascertain the cost to be spend on pursuing them. The dynamic acquisition strategy of a company for acquiring a customer or customer group is based on the probability of realizing adequate future cash flows. Companies which are not capable to connect their customer acquisition strategies to customer retention metrics will have unprofitable customers in their portfolio. There are four generic acquisition strategies which facilitates a company to balance its investment in acquisition along with the returns from retention.



**Fig.: Four Customer Acquisition Strategies**

##### 1. Full Throttle (Low risk/High return)

In full throttle strategy, retention probability is high whereas time horizon to recoup the acquisition investment is low. This strategy provides a good opportunity to the firm, so the firm must invest as much as possible in acquisition unless the NPV of the marginal customer becomes negative.

##### 2. Slingshot (High risk/High return)

In slingshot strategy, the retention probability is high and time to recoup acquisition investment is long till the payout makes investment in customer acquisition risky. However, if investment is more in acquisition, future payout will be large. A slingshot strategy represents the customer-investment environment among Internet companies. Many e-tailers heavily invested in acquisition spending without identifying the risk related to lower-than-expected retention profits.

##### 3. Pay as You Go (Low risk/Low return)

In this strategy, the customer acquisition cost is low as well as payback period is also short. The firm's acquisition strategy must invest as all profits will be accrued in the current period. In other words, short-term profit goals leads to firm's investment.

##### 4. Divest/Restructure (High risk/Low return)

In this strategy, customer acquisition will not pay off as initial payback is low and retention is also low. A firm need to restructure its marketing system. In long run, the firm will not be profitable and it will have very low customer equity.

#### 4.5 CUSTOMER RETENTION AND DEVELOPMENT

**Q5. What is meant by the terms 'customer retention' and 'customer development'? What are the economics of customer retention?**

*Ans :* (Dec.-19)

##### Customer Retention

According to Dawkins, P.M and Reichheld, F.F (1990), " Customer retention is the number of customers doing business with a firm at the end of

financial year expressed as percentage of those who were active customers at the beginning of the year”.

Customer retention refers to maintaining of continuous and long-term business relationship with customers. Customer retention is nothing but the mirror image of customer churn or defection.

### Customer Development

The process of growing the value of retained customers is known as customer development. Firms usually try to cross-sell and up-sell products into the customer base and at the same time they want to ensure customer satisfaction. Cross - selling refers to selling of additional products and services to an existing customers. Its main objectives is to grow share of wallet. Similarly, up-selling can be defined as selling higher priced or higher margin products and services to an existing customer.

### Economics of Customer Retention

The economics of customer retention is discussed as follows,

#### 1. Customer Referrals

Customers who frequently purchase products from a preferred supplier are found to be more satisfied than the customers who do not. Thus, these types of customers tend to utter positive Word-of-Mouth (WOM) and influence feelings, behaviors and beliefs of others. According to research, customers who make frequent purchases are heavier referrers.

For example, in online clothing, one-time customer refers 3 other people and they refer 7 people after 10 purchases. Similarly, consumer electronic customers who have bought once refer 4 other people and after 10 purchase, they refer 13 other people. However, it is observed that the newly acquired customers are powerful WOM advocates as they are freshly excited by their experience and are likely to benefit the company more than the long-term customers who are habituated.

#### 2. Premium Prices

If the customers are satisfied with the relationship they have with supplier may pay higher prices to their suppliers as a reward. This often occurs because the customers felt their sense of value more

than just a price. Customers do not get influenced by the price appeals offered by competitors when they are in established relationship with one supplier. Studies have highlighted that customer satisfaction is strongly linked to willingness-to-pay.

#### 3. Increasing Purchases as Tenure Grows

Customers become aware of their customers overtime. If they find that the relationship with supplier is satisfactory, their trust in suppliers grows and risk and uncertainty reduces. Thus, customers prefer to spend more to the supplier who maintains and assures satisfactory relationship. Moreover, suppliers can have better yields from their cross-selling efforts if they manage to develop deeper customer intimacy over time.

#### 4. Lower Customer Management Cost Over Time

It is quite expensive for a supplier to establish a relationship with newly acquired customer. To recover such acquisition costs, the company may have to wait for several years to earn the sufficient profit from such relationship. For example, it may take 6 years for a company to recover the costs of winning a new retail bank customer. However, the regular relationship maintenance costs like selling and service costs in B2B markets are comparatively lower than the costs of winning account. Thus, there are chances that the account will become more profitable on period-by- period basis as tenure increases. When relationship between customers and supplier becomes closer, the relationship maintenance cost reduces significantly.

From the above conditions, it can be concluded that the newly acquired customers are less profitable when compared to retained customers. As per the experience of Dawkins and Reichheld, 5 % increase in customer retention rate results in the increase in the net present value of customers by 25-95 %. Over a range of industries such as auto services, insurance brokerage, credit cards, office building management etc.

#### Q6. What are the various strategies used for customer retention?

Ans :

(Dec.-19)

An organization has to make significant efforts for formulating the strategy for retaining the existing

customers. The following are the set of strategic initiatives which the firms should take for retaining the customers,

### 1. Complaint Management System

An effective complaint management system should assure that the complainant is kept informed, the employees understands the processes of complaint and takes them seriously and the employees have the authority to handle the situations. A good complaint management system should have the following characteristics,

#### (i) Visibility

The complaint management system must be visible so that the customers can know where there have to complain.

#### (ii) Accessibility

The complaint management system must be accessible so that the customers can know how they have to complain. If the system for lodging complaints is more formal, then it is less accessible to the customers.

#### (iii) Responsiveness

The complaint management system should settle/ handle the complaints quickly. The faster the complaints are dealt with, higher the satisfaction of the customers.

#### (iv) Customer Focused Approach

A service provider who follows a customer focused approach invites complaints and shows a fair commitment towards resolving the complaint by its words and actions.

#### (v) Accountability

The organizational management must appoint a person who is responsible for handling the complaints.

#### (vi) Continuous Improvement

The complaint management system must continuously identify the root causes of the complaints and should try to fix them.

### 2. Service Recovery Strategies

It is very essential for the service companies to have service recover strategies which can be employed at the time of service failure. The following

steps are very helpful in an effective service recovery system,

- (i) The costs of the effective service recovery must be measured. These costs must also include the indirect costs which a firm incurs when a customer leaves unhappily.
- (ii) The staff should listen the complaints of the customers carefully.
- (iii) The staff must quickly respond to the complaints of the customers.
- (iv) The organization should provide adequate training and authority to the front line people or employers.
- (v) The customer feedback loop must be closed.

### 3. Managing Customer Waiting

The waiting by customer is unavoidable as sometimes it is impossible to match the demand and capacity. It is very essential for a marketer to decrease the waiting time. If it is not possible to decrease the waiting time, then the marketer should atleast try to decrease the expected waiting time of the customers. The customers will be more satisfied with the service if the expected waiting time is less. The following are the different ways in which the customer waiting time can be managed,

- (i) The firm must examine its operational processes for recognizing and eliminating the inefficiencies or bottlenecks.
- (ii) If it is not possible to avoid the waiting time then a reservation system can be used by the firm.
- (iii) As customers feels that unoccupied time is more than the occupied time, the firm should try to engage the customer by installing distractions such as TV sets, magazines and other reading material which entertain and keeps him physically involved.
- (iv) The firm should continuously update the customer by providing the information about the expected waiting length and the position of the customer in a queue.
- (v) The firm must give explanation to the customer incase of occurrence of unexpected delays. This assists in decreasing the

uncertainty and customer irritation. The firm can impress the waiting customer by offering simple things like a glass of water or a cup of tea.

- (vi) The resources which are not used for serving the customers must be kept out of the sight of the customers. This is possible by keeping the idle employees out of the sight and carrying out activities which do not involve the interaction of the customers out of the sight of the customers.
- (vii) The firm should try to decrease the pre-service time by shifting the preservice waiting to the service encounter phase.
- (viii) A smiling service personnel who have complete knowledge about his job can assist in overcoming the negative impacts of waiting. Hence, the firm should provide training and give incentives/rewards to the employers for offering good service to the customers.

**Q7. Explain the strategies used for customer development.**

*Ans :*

The process of growing the value of retained customers is known as customer development. Firms usually try to cross-sell and up-sell products into the customer base and at the same time they want to ensure customer satisfaction. Cross - selling refers to selling of additional products and services to an existing customers. Its main objectives is to grow share of wallet. Similarly, up-selling can be defined as selling higher priced or higher margin products and services to an existing customer.

Customer do not purchase products no matter how persistently and repeatedly company makes efforts to sell additional products and services which are not related to their requirements. Companies are also suggested to down sell whenever necessary. At times, the company should identify and provide lower cost solutions to the problems of customers even if it makes smaller margin. Customers view up-selling as opportunities and exploitative. Thus their level of trust in suppliers gets reduced and the risk of relationship dissolution increases. Nevertheless, a structural bond is created by multi-

product ownership which minimizes the risk of relationship dissolution.

There are many CRM technologies that can be used for customer development purposes,

**1. Event-Based Marketing**

Cross-selling and up-selling campaigns are usually linked with events. For example, a bank may cross-sell an investment product to a customer if the customer deposits an amount in a saving account to such an extent that it reaches a trigger point.

**2. Campaign Management Software**

This software creates up-sell and cross, split customer development campaigns in single/multiple communication channels and track the effective of such companions specially in terms of sales and incremental margin.

**3. Customization**

It is possible to customize cross-sell and up-sell offers at unique customers level on the basis of transactional history and target profile. Besides this, communication is also personalized to the customer and the channel of communication are also personalized. For example, social media, email, SMS or phone call, surface mail etc.

**4. Integrated Customer Communications**

Usually, the practitioners of CRM make sure that the messages communicated to customers are consistent throughout all channels.

**5. Channel Integration**

It is possible to integrate customer development activities across channels. Customer undergoes a bad experience when different channels provide different offers to the same customers and at the same time. One can observe channel integration in retail when channels like web, stores and direct-to-consumer channels perform in an integrated, customer -centric manner. This can occur only when customer development plans and customer information are shared across channels.

**6. Data Mining**

Cross-sell and up-sell campaigns are held on the basis of intelligent data mining. The information relating to what all customer has bought is stored in transactional histories. Based on this transactional history, data mining enable you to know the probability of a customer buying any other products.

**7. Marketing Optimization**

CRM analytics organizations such as SAS, keep optimization software. Using optimizing software, the marketers can have optimal returns from up-sell and cross- sell campaigns across customer segments and multiple channels by considering the issues such as communication costs, budget constraints, contact policies and transactional histories of customers and propensities-to-buy.

The base of cross-selling and up-selling of clients in professional services is 'client audit'. It is important for sales representatives to be aware of opportunities for cross and up selling in B2B environments. This means understanding the operations of customers and knowing the innovation plans for products/services.

The development of retained customers can act as an important source of additional revenues especially in the mature markets where it is difficult or expensive to acquire new customers.

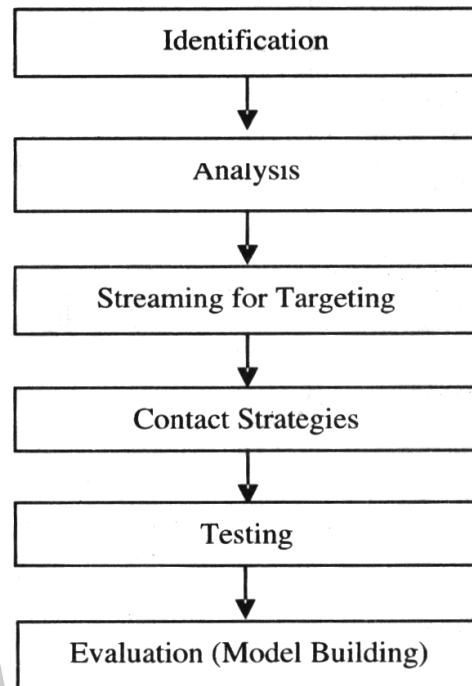
**4.6 STRATEGIES FOR CUSTOMER RETENTION****Q8. What are the steps in customer retention process?**

*Ans :*

Customer retention as it is a variable process. A basic definition could be 'customer retention is the process when customers continue to buy products and services within a determine time period'. However this definition is not applicable for most of the high end and low purchase frequency products as each and every product is not purchased by the customer.

**Customer Retention Process**

Following steps are involved in customer retention process:



**Fig.: Customer Retention Process**

**Step 1 : Identification**

The first step is simply to identify and value the best customers against an agreed criterion of profitability. It may be that smaller but regular buyers contribute a greater profit margin and lifetime value than one time large purchasers.

**Step 2 : Analysis**

Thorough profiling and tracking of customer behaviour is vital here. These analyses also help to identify the potential market of similar customers for the acquisition programme. This is sometimes referred to as a marketing audit. Many financial institutions have been surprised to learn how many customers and families are multiple purchasers of their products when they have undertaken this kind of analysis.

**Step 3 : Streaming for Targeting**

Once each customer record has been analysed and scored for potential value, it is accessible for selection. The criteria for selection include not only potential profitability but also



customer accessibility, by direct marketing or by other techniques. In addition to the usual range of marketing communications, most companies have access to a series of customer contact points at nominal cost. These are known as 'free rides' and are ignored surprisingly often. They include statement stuffers, product dispatch stuffers, invoices and account letters, opening and closing letters, catalogues, calls from customers and point of sale or service contacts. While some industry sectors take significant advantage of free rides (financial services is a good example) others do so only partially or not at all. Even a delivery note can be accompanied by a simple feedback form with three or four questions.

#### Step 4 : Contact Strategies

The aim is to reward customer decisions to stay loyal and to increase purchasing. Different media are 'bundled' according to their relative strengths in order to achieve the greatest effect.

**For example**, customers who are a long way from buying (they may have just bought) may need a gentle mail prompt. The task is to assess the most appropriate and cost-effective contact strategy for each segment. The idea of putting the customer in a privileged position is common here. Many companies, such as British Airways and Capital One, the financial services group, now use this approach to determine the contact strategies or many different customer groups, particularly their best customers.

#### Step 5 : Testing

It is always worth having a continuous series of tests to establish optimum timing, frequency, offer and creative treatments. Without these, the profitability of loyalty programmes can be difficult to establish.

#### Step 6 : Evaluation (Model Building)

The objective of a retention programme must be to make it worthwhile for customers to be loyal, which is why a thorough understanding of customers' behaviour is vital. It is sometimes necessary to achieve a delicate balance between marginal income and customer irritation. In any retention programme, all possible contact points with customers must be reviewed, competitive messages must be taken into account and optimal frequency

must be tested. Evaluation is therefore based on a careful modelling exercise. The model should be refined continuously through links to the customer database backed by periodic but regular research.

#### Q9. What are the customer retention strategies?

*Ans :*

#### Customer Retention Strategies

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**Q10. What are the levels of retention strategy.**

*Ans :*

**Levels of Retention Strategy**

Berry and Parasuraman have created a framework which explains that retention marketing can be done at four different levels. These levels of strategy leads to ties which brings the customer closer to the firm. The following are the four levels of retention strategy,

**1. Level 1: Financial Bonds**

In this level, the firm offers financial incentives to the customers for making greater volume purchases or for continuing their relationship with the firm for longer time period. The more the customer uses the service, the higher is the discount and less is the price paid by the customer for the services.

**Example**

Lower rates are charged by the mobile service operators to the customers who moves up to a specific level of bill.

The risk involved in the financial bond is that the customer has to visit the company for obtaining this financial benefit. In order to retain the customer for longer time period, the firms should also build relationship with the customer.

**2. Level 2: Social Bonds**

In this level, the firm plans to build long term relationship with customers by building social and interpersonal relationships. The customers in this level are known by their names and the services are customized for matching it with the needs of the individuals. The marketers make use of different methods to be in contact with their customers for giving them a personal touch and for developing informal relationships with them. A relationship is also build between the customers of the same service provider.

**3. Level 3: Customization Bonds**

The customization bonds are the tailor made offers for the customers which takes the opinions and ideas of the customers while designing the offer. A special relationship is built between the customer and the organization when the organization considers the opinions of the customers.

**Example**

Many students opts to go to the coaching institution, in which their preferred teacher teaches. If the teacher leaves the coaching institute and goes to other institute then the students also leaves the institute.

**4. Level 4: Structural Bonds**

This level deals with all the above three bonds along with their introductions. The company creates a network with the customers and provides everything which is needed in the service delivery process. They connect the customers with the organizational structure and leverage them. These bonds are developed by offering highly customized services to the clients. The specific needs of the customers are brought into the organizational system for developing new methods and for enhancing the offerings to the clients. The examples of structural bonds are doctors, lawyers, tax consultants and business consultants.

**Q11. What are the difference between customer retention and customer acquisition?**

*Ans :*

**Difference between Customer Retention and Customer Acquisition**

Some of the differences between customer retention and customer acquisition are as follows:

Core Task	Customer Acquisition	Customer Retention
<b>Philosophy Characteristics</b>	Win the customer <b>Needs</b> Hunter mentality, Segmentation, Rip-down barriers.	Care for the customer <b>Customers</b> Fanner mentality, Customer penetration, Build-up barriers, Relationship management.
<b>Organisation/ Management (Examples)</b>	Narrow hierarchy (Vorwerk), Internal competition (AWD), Performance-oriented commissions (HUK coburg).	Internal cooperation (IBM), Qualitative performance targets (BMV), Customer information systems (Creation),

**Q12. What are the Challenges in Acquiring and Retaining Customers?**

*Ans :*

**Challenges in Acquiring and Retaining Customers**

Relationship marketing is extremely useful in promoting services. There are certain important issues for understanding customers and maintain a long term mutually trusted relationship with them. These issues are as follows:

**1. CRM Initiatives**

IT and Telecom, Banking, Hotel, Hospital sectors are adopting various CRM initiatives. In case of It and telecom the customer care centres are the initial receiver of customer complaints and processed that for the other levels of management for solution. In case of Banking, Hotels and Hospital sectors the feed back opportunity is one of the forms of getting customer satisfaction and dissatisfaction level. In customer centric marketing, marketers assess each customer individually to determine whether to serve that customer directly or indirectly. Also customer centric marketers determine whether to create an offering that customizes the product or service of the marketing mix or standardize the offering.

**2. Process**

Information from customers is collected systematically over a period of time. This can be done through regular surveys and during customer interaction noting down the important points. This information has to be combined with the organizations experiences with customers to build rich customer profiles, buying behaviours, preferences and usage patterns.

### 3. Identifying Key Customers

When it comes to combining customer information with experiences, service firms seem to be economizing. Most of them seem to be doing it for selected customers. Hotels do it for their regular guests specially those who have enrolled for their membership schemes. Financial service providers selectively do it for their high net worth individuals who typically use multiple offerings of the service provider.

### 4. Measurement of Effectiveness

Most service firms rely on periodic surveys to understand their customers' expectations and also understand and anticipate the behaviour of customers. Many service firms have indicated that they work with their customers as a team to ensure that their expectations are to be exceeded. Research has constantly indicated that one of the major reasons for poor quality service is the gap between perception of managers about the customer expectations and customers' real or actual expectations. Roger and Dorf have recommended a four stage process of Identification, Differentiation, Interaction, and Customization for implementing one to one relationship with customers. After analyzing the information and findings company must go for implementing those key elements and again they need to follow up the result.

### Q13. What are the Benefits/Advantages of Customer Retention?

*Ans :*

#### Advantages of Customer Retention

#### 1. Possibility of Repeat Business

This is probably the most obvious advantage of customer retention. Effective services that lead to customer satisfaction will make the customer coming back to individual again, thus giving repeat business. Repeat business is a win-win proposition for the business/service provider and for the customer. The business reduces the cost of customer acquisition, while the customer reduces the cost of finding a reliable vendor and thus also saves on costs associated with switching vendors.

### 2. Reduced Costs for Customer Acquisition

Acquiring a customer has certain associated costs. These include the costs associated with advertising, following up, sales demos, travel and meeting costs, etc. Having a repeat customer means that the customer is already aware of the processes and can predict a certain quality of output, thus minimising the costs involved in new customer acquisition. Having a repeat customer also has the potential to open up another channel to advertise the business - word-of-mouth. Word-of-mouth advertising/recommendations are perhaps the most important outcome of having a satisfied customer.

### 3. Fostering Greater Interaction between Business and Customer

Today's markets are increasingly moving away from mass produced standard products and services, towards a more customised market, where products and services are tailored to meet customers' specific requirements. Having a repeat customer is an opportunity for individual to build a more focused relationship based on the customers' specific needs and requirements. Being ensured of having a customer who comes back, individual have more confidence to suggest improvements, provide insights to better understand their needs and consequently design products and services that are relevant. Having a repeat business also provides an opportunity for the buyer and the seller to co-create products and services.

### 4. Having more Delighted Customers

Effective customer retention strategies allow individual to move from the zone of customer satisfaction to customer delight. Studies have shown that customer delight is achieved only when there is a perfect synergy between the buyer and seller - when the seller understands exactly what the buyer needs and the buyer understands what the seller can deliver exactly what he needs. If individual is able to delight the customers, he have better chances of them coming back, since they now know why one is different from the rest of competition.

**4.7 MODELS OF CRM – GSPOT MODEL, KOEL'S MODEL, WEBQUAL  
AUDIT MODEL, ONYX MODEL**

**Q14. What are the different models of CRM? Discuss in detail about G-Spot Model.**

*Ans :*

**Models of CRM**

Customer Relationship Management (CRM) is a comprehensive set of technologies and processes that facilitate relationship management with potential customers and business partners across sales, marketing and service.

The important models of CRM are,

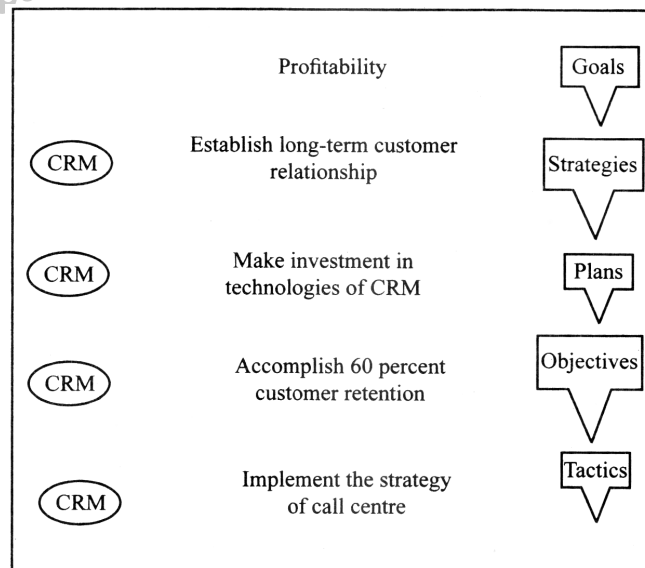
1. G-SPOT Model of CRM
2. KOEL's Model
3. Web Qual Audit Model and
4. ONYX Model.

**1. G-SPOT Model of CRM**

There are two kinds of technologies which support Customer Relationship Strategy (CRS). They are,

- (i) CRM, the customer facing interaction systems like support campaign management. Customer Intelligence (CI) and sales force automations which offer tools for capturing, storing, accessing, processing-organizing and analyzing model customer data.
- (ii) CRM is a set of applications which are helpful in setting up and maintaining long-term mutually beneficial relationship with customers.

The game plan of all companies include " G - Spot" which they apply to CRM. G-SPOT stand for Goals, Strategies, Plans, Objectives and Tactics. The following figure shows the G-Spot model of CRM.



**Fig.: G-Spot Model of CRM**

## Goals

There are clearly defined goals in every business which not only includes profitability but also recognition.

## Strategies

Companies develop different strategies to achieve set goals. These strategies are related to designing of innovative products emphasizing on international markets.

## Plans

To execute strategies, the companies are required to develop plans. For instance, a plan may be developed to hire top product engineers for designing innovative products.

## Objectives

Objectives are the measurable goals of each plan such as maintaining 60 percent customer retention rate.

## Tactics

Tactics are how to accomplish objectives which are a part of the plan to implement strategies for the achievement of goals.

## 2. KOEL's Model

The KOEL's model is developed based on the findings of Mr. R. Nargundkar. He was a consultant in pursuing a re-engineering exercise with CRM.

KOEL is considered as a leading manufacturer of diesel engines and it has a high reputation in the market due to its good and consistent quality. The three different market segments to which the KOEL's diesel engines are sold are,

1. Industrial buyers
2. Dealers
3. Original Equipment Manufacturers (OEM).

KOEL made the following changes when it felt dissatisfaction about long-lead times as furnished by the customers in satisfaction surveys.

1. It introduced E-com for instantaneous order registration.
2. Customer-focus and Market segmentation.
3. Flexible and dedicated manufacturing system.

4. Rationalization and Development of Vendor.
5. Integration of supply chain by way of organizational focus and IT networking.

These changes were made by making advanced improvements in inventory levels, delivery lead time, rejection levels and wastages. To facilitate E-Commerce, a website was also developed by KOEL. The customers of KOEL can avail following facilities from the dynamic website,

- (i) The website displays product catalogues.
- (ii) It shows customers-specific discount and pricing.
- (iii) It allows order entry for multiple receiving locations.
- (iv) It submits customers order to ORACLE'S order entry module and offers online confirmation.
- (v) It allows one to view invoices, status of order and debit/credit balances.

KOEL is also aiming to develop its brand image with its dealers and end-users of its product such as industrial customers and farmers who purchase diesel, engine-fitted gen sets and pump-sets by initiating an interactive option on the internet. KOEL is also planning to provide advisory, educational and entertainment services on its website.

## 3. Web Qual Audit Model

The web qual audit methodology was proposed by Adam and Deans. The study used online techniques such as e-mail and web-forms to reach a probabilistic sample by government and business. The study has also emphasized on content analysis and interview. After the study, the following propositions have been stated,

### Proposition 1

All industries do not make use of 'web' to a great extent and the use of web may vary with key factors related to the demographics of organization such as,

- (a) Organizational size.
- (b) Amount budgeted to maintain the website of the company.

- (c) The time duration for which the company has maintained a publically accessible website.
- (d) Return on investment from expenditure on its website.

There are five industry clusters which are identified by Adam and Smith based on their similarity of use of internet. They are,

- (i) Transport, manufacturing and storage.
- (ii) Insurance, construction and finance.
- (iii) Retail trade and wholesale trade.
- (iv) Accommodations, restaurants, cafes and cultural services.
- (v) Communication services.

### Proposition 2

According to Adam and Deans, most of the firms use net for the purpose of marketing communications. They observed that businesses were quite reserved in using the Net as a marketing channel and also in the usage of Net in CRM.

To check the proposition, the firms which were selected as sample were divided into 4 groups,

1. Marketing Communication and Transaction on-line (Group I).
2. Market Communication and Transaction Support Office (Group-II).
3. Group I + CRM (Group - III).
4. Group II + CRM (Group - IV).

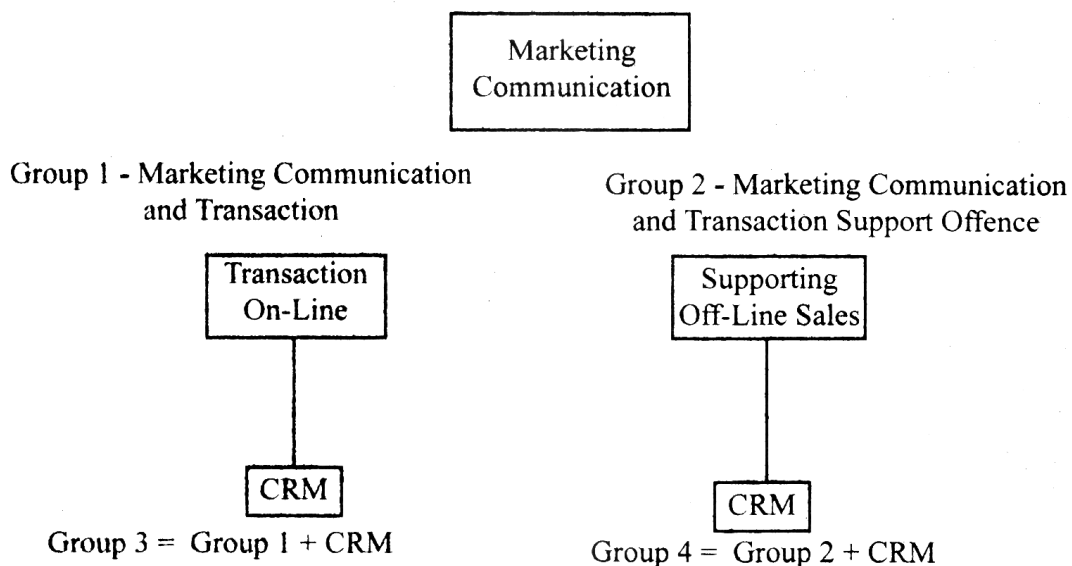
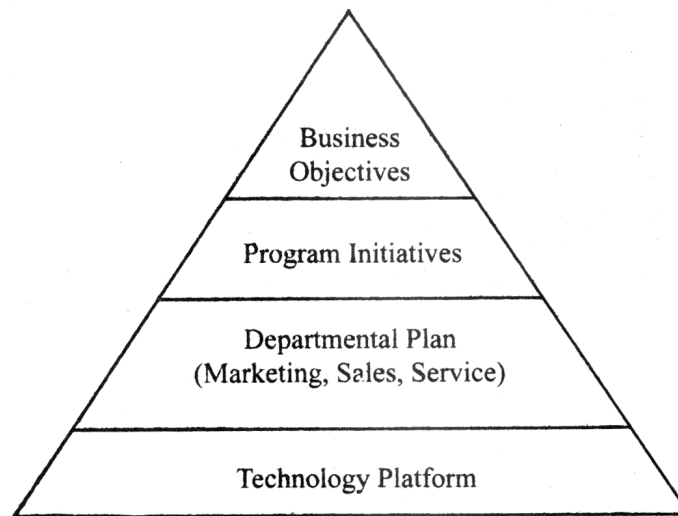


Fig.: Market Communication + Supporting of Line Sales and Online Business Groups

### 4. ONYX Model

Customer Relationship Management (CRM) is a comprehensive set of technologies and processes which facilitate relationship management with potential and current customers and business partners across sales, marketing and service irrespective of the communication channel. The following figure represents the ONYX view of building a business which uses CRM.





**Fig.: ONYX view of establishing business that will use CRM**

Before implementing a CRM system, the companies must understand and communicate some fundamental truths,

1. It is important to clearly define business objectives that outline strategies goals of 2-5 years. This may include market share, revenue and margin goals.
2. The scope of programme initiatives is usually of one-and-a-half year. They take the form of directives like "set up the direct sales force in a vertical market", "emphasis on expansion within the customer base".
3. Departmental plans are the processes and behavior that act as basis for everyday work within the organization. Example: Allowing the customers to do self-help on a website.
4. Technology is used to automate and enable various processes and initiatives of business. A large integrated platform is used by the organization to accomplish the goals of technology enabled business. Organizations are likely to execute their technology strategies in one of four levels,
  - (a) Functional
  - (b) Departmental
  - (c) Partial CRM and
  - (d) Full CRM.

**(a) Functional Level (Level-1)**

A company which operates at functional level is characterized by compartmentalization of its independently managed business processes. It is challenging to achieve inter-team coordination and cooperation and it is almost impossible to achieve inter-departmental cooperative and coordination. For Example, Automated e-mail response and sales forecasting.

**(b) Departmental Level (Level-II)**

A company which operates at departmental level is characterized by interdepartmental synchronization by implementing coordinate process and using technology all over the department. For example, call centres, channel management and sales force automation.

**(c) Partial CRM (Level-III)**

A company which operates at level three i.e., partial CRM, builds previous processes, inter-departmental synchronization with departmental synchronization and coordinated process. In this model, Return on Investment (ROI) is usually 4-7 times more than the initial and continuous investment.

**(d) Full CRM (Level-IV)**

The company which operates at level IV i.e., Full CRM, it has almost attained a single master customer database on which the entire organization coordinates strategy and process. For large organization this model will be inappropriate as it needs operational process and coordination. Return on Investment (ROI) is usually 5-10 times than the initial and continuous investment.

**4.8 CRM ROAD MAP FOR BUSINESS APPLICATIONS**

**Q15. Define 'CRM roadmap' applied in businesses. Explain briefly about the roles played by various individuals in the implementation of the CRM program.**

*Ans :* (Sep.- 20, Dec.-19)

**CRM Roadmap**

The roadmap of CRM is a long-term plan of the CRM program. It is used to manage essential expansion activities and to make sure that the CRM program achieves the strategic business objectives of the company. The road map of CRM states the key activities of CRM for the next one to two years and these activities are informed through organizational plans.

CRM is considered as an enterprise wide initiative whose main aim is to integrate the front-end customer facing systems with the back-end systems that deliver the value and product to the system. CRM strategy is not defined alone by the top management but also the whole enterprise is involved with all functional areas. Implementation of CRM requires change management as all business aspects are subject to change including processes, focus, goals, performance, technology, orientation and effectiveness measures.

**Roles of Individuals in CRM implementation**

The different roles played by the various individuals in the implementation of CRM programmes are as follows:

**1. Business Sponsor**

Business sponsor is an individual who is responsible to look after either a single step of CRM project (or) the entire program. The role of such individual is to develop the vision of a programme to create the overall goals and objectives, to relate with project team and to act as a tiebreaker for resolving the various implementation issues. The business sponsor mostly provide funds for CRM performing the initial steps of a CRM programme.

**2. CRM Steering Committee**

A committee of decisions makers, who must have awareness about the pain points / bottlenecks need to be established for taking up the enterprise CRM initiative. They are responsible for convening the requirements on a regular basis, for prioritizing the improvements and for taking up the corporate initiatives.

**3. Implementation Project Manager**

Such managers are responsible for ensuring that the different needs specified by the business sponsor and steering committee has been implemented successfully for directing the operation. The implementation project manager observes the regular implementation activities, maintains the status and updates the business sponsor on current issues.

**4. Lead Developer**

The lead developer needs to manage the technical development and adaptation of the CRM products as it is also concerned with the other requirements. He/She should take part in the selection of CRM technology and also for hiring the suitable developers to implement the CRM toolset.

**5. Database Developer**

The database developer needs to carry out the function of data integration without considering the nature of CRM. Whether it is operational (or) analytical CRM. This generally refers to the functioning along with the data warehouse of a company and its development team. While in any other case, a clear understanding about the significant sources of company systems and their data acquisition methods is essential, which usually needs a separate team of database administrators and data "Extraction" Expense.

**6. Front-end Developer**

The programming needs to generate (or) customize the end-user interface based on the selected CRM product.

**7. Subject Matter Experts**

The experts such as business people from the different department who are critical towards the CRM success adopt the CRM system after it has been implemented. They have effective ideas about the annual measures of CRM, its do's and don't's and should also be concerned with regular development and testing of a CRM product.

**Other Optional CRM Development Roles****1. Director of E-business**

Even though a company has a separate division focusing on e-business that, CRM needs to be involved to make sure the effective integration of a web-oriented customer services.

**2. Director of Data Warehousing**

When a company already has a data warehouse, then there is a high possibility of gaining the competitive advantage. The existing data, development processes, source system knowledge and metadata could be adopted for the development of a CRM solution.

**3. Chief Information Office**

As the nature of CRM is strategic, it is politically rather than technically appropriate to get approval and authorisation from the CIO, who is capable of providing appropriate

resources along with IT department. CIO also facilitates the socialisation of CRM as a corporate information resource.

**4. Vice President of Strategic Planning**

This position actually occurs in large companies where the vice president of the strategic planning is responsible for sharing the business area (or) the product offerings with the CRM team. He must provide assistance to the company in the acquisition and partnership strategies (or) for improving the existing products and services.

**5. Chief Privacy Officer**

The chief privacy officer needs to give all the particulars on corporate (or) regulatory policies about the usage of the customer data.

Generally, these job roles act crucially in the success of CRM. The responsibilities as executive sponsor and the CRM steering committee should be carried out by the staff members who have huge experience relating to the reasons, prospects, problems of the CRM implementation programme.

**Q16. What do you mean by CRM strategy? Write in detail about the various steps involved in the CRM implementation roadmap strategy.**

*Ans :*

**CRM Strategy**

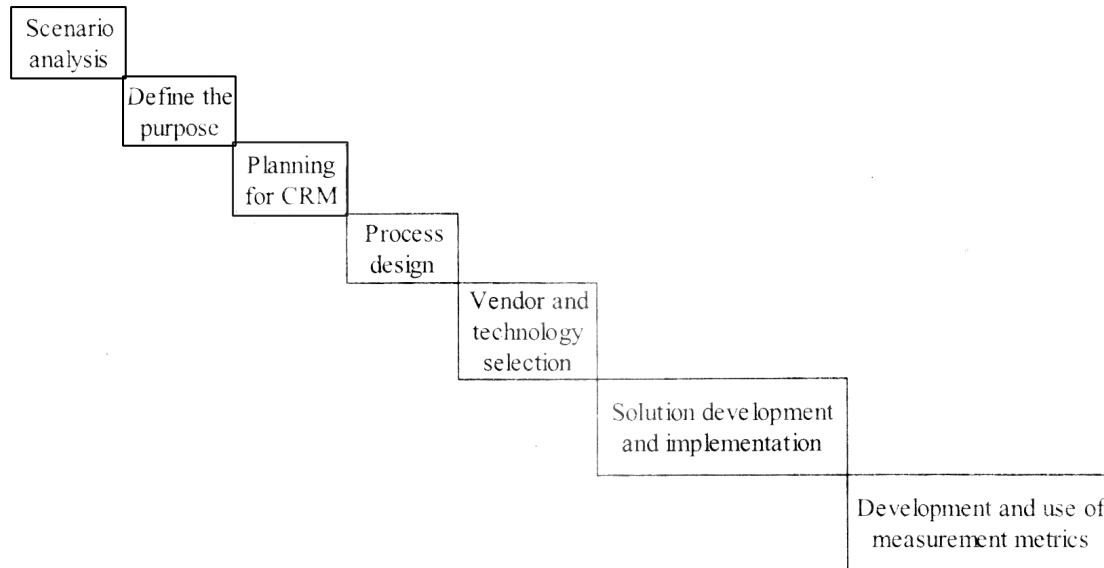
CRM strategy may be defined as the long term initiative of the organization aimed towards integrating the front and back end customer systems, reorienting the entire organization to focus towards satisfying/exceeding the expectations of the customers.

Thus it may be said that CRM strategy not just includes the top management but also all the functional department of an organization.

Generally organizations form a CRM implementation team which is entrusted the responsibility to manage to govern and implement the CRM strategy at the full organizational. It is necessary for the team to consider factors such as organizational and department structure, role specification level workflow processes, communication process, employee motivation, training and so on.

**Steps Involved in CRM Roadmap Implementations Strategy**

Implementing and integrating CRM solutions in an organization requires a well designed and sequentially planned roadmap and consist of the following steps.



**Fig.: Steps Involved in CRM Roadmap Implementation Strategy**

**1. Scenario Analysis**

It refers to analyzing the scenario/environment in which the firm operates. This is because every firm is directly impacted by the changes in its environment. This may be done by answering questions such as, what type of business the firm is involved in? Who are the customers what are the results of competition analysis?

**2. Defining the Purpose**

The next step is to clearly define the need/purpose for initiating CRM in the organization. It may be to built long lasting relationship with the customers or due to over saturation of the market with competitors, or other reason.

**3. Planning for CRM**

The next logical step is to study the internal organizational structure and plan for every organizational area that would get affected a results of CRM. Generally CRM implementation teams focus on the following five areas. Business focus, marketing focus, technology, business metrics and organizational structure.

**4. Process Design**

Under this stage the implementation team analyses the current organizational process and initiates to modify them to make all the processes customer centric. Generally this is a radical change and requires proactive involvement of the top management, along with huge financial resources.

**5. Vendor and Technology Selection**

In this stage, new technological solutions are selected that are in alignment with the mair CRM strategy. Also, new vendors business partners may be selected to fit in well with the new customer focused strategy.

For example: a company which was using an old version of complex software, which was cheap and very slow/ may now opt for a fast and latest version of software, which may cut the processing and delivery time. Thus increasing customer satisfaction.

#### **6. Solution Development and Implementation**

Under this stage, the CRM implementation team undertakes customization of features integrates the new technologies with the existing processes, tests the working of prototype models, trains and mentor the workforce to adjust with the new CRM strategy.

This is followed by a full fledged implementation of the new CRM focused processes and technology, throughout the organization.

#### **7. Development and Use of Measurement Metrics**

The final step to develop and use tools to measure the performance of the newly implemented CRM solution. This helps a firm to know the effectiveness of its CRM strategy.

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## Short Question and Answers

### 1. Elements of CRM.

*Ans :*

The elements of crm are given below:

#### i) Customer lifecycle management

Customer lifecycle management or CLM is the measurement of multiple customer-related metrics, which, when analyzed for a period of time, indicate performance of a business. The overall scope of the CLM implementation process encompasses all domains or departments of an organization, which generally brings all sources of static and dynamic data, marketing processes, and value added services to a unified decision supporting platform through iterative phases of customer acquisition, retention, cross and up-selling, and lapsed customer win-back.<sup>1</sup>

Some detailed CLM models further breakdown these phases into acquisition, introduction to products, profiling of customers, growth of customer base, cultivation of loyalty among customers, and termination of customer relationship.

Stages of customer life cycle management:

#### ➤ Reach

Your content must be properly marketed in places where people/businesses in your market will find your information. This way they will become aware of your company's existence.

#### ➤ Acquire

You have to understand your potential customers wants/needs so you can provide a product/service they will want to purchase. Contact them directly with personalized communication in order to convert them from potential leads to paying customers.

#### ➤ Develop

After the first purchase, keep in touch and build a relationship with your customer. Ensure they are fully satisfied with their purchase.

#### ➤ Retain

One time customers will become repeat customers as long as you are satisfying their needs. Care for them and continue to cultivate a relationship with them. Do not be afraid to ask for feedback. They will be happy you care about their opinion and you can use their comments to improve your product/services. Make them feel a part of the process.

#### ➤ Advocacy

If your customers are truly satisfied, they will become brand advocates. This will spread awareness within their social circles and the cycle will come full cycle when you reach potential new customers due to your existing customers.

## ii) Customer Lifetime Value

Customer Lifetime Value is the single most important metric for understanding your customers. CLV helps you make important business decisions about sales, marketing, product development, and customer support. For example:

- **Marketing:** How much should I spend to acquire a customer?
- **Product:** How can I offer products and services tailored for my best customers?
- **Customer support:** How much should I spend to service and retain a customer?
- **Sales:** What types of customers should sales reps spend the most time on trying to acquire?

## 2. CRM Process

*Ans :*

The process of CRM is the systematic determination of the techniques using which a project is implemented, competitively and economically. The CRM process involves the following steps,

- i) Identifying the customer
- ii) Differentiating the customer and
- iii) Customizing the marketing mix.

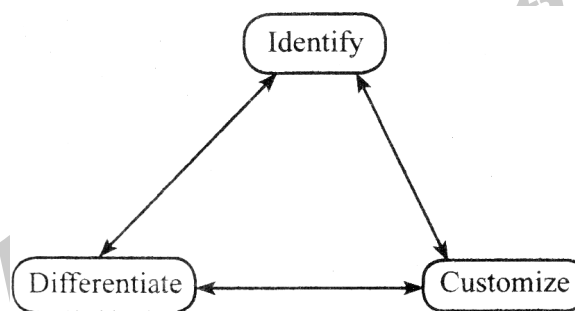


Fig.: The CRM Process

## 3. Customer Acquisition

*Ans :*

Customer Acquisition is defined as the customer to take part in a behaviour that allows further contact. For example, signing up for a newsletter. For a social media marketer, acquisition is defined as acquiring additional followers/fans on a social network page.

### Customer Acquisition Strategies

After identifying the customers With whom the company must pursue, the company must ascertain the cost to be spend on pursuing them. The dynamic acquisition strategy of a company for acquiring a customer or customer group is based on the probability of realizing adequate future cash flows. Companies which are not capable to connect their customer acquisition strategies to customer retention metrics will have unprofitable customers in their portfolio. There are four generic acquisition strategies which facilitates a company to balance its investment in acquisition along with the returns from retention.

**4. Models of CRM**

*Ans :*

Customer Relationship Management (CRM) is a comprehensive set of technologies and processes that facilitate relationship management with potential customers and business partners across sales, marketing and service.

The important models of CRM are,

1. G-SPOT Model of CRM
2. KOEL's Model
3. Web Qual Audit Model and
4. ONYX Model.

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**5. KOEL's Model**

*Ans :*

The KOEL's model is developed based on the findings of Mr. R. Nargundkar. He was a consultant in pursuing a re-engineering exercise with CRM.

KOEL is considered as a leading manufacturer of diesel engines and it has a high reputation in the market due to its good and consistent quality. The three different market segments to which the KOEL's diesel engines are sold are,

1. Industrial buyers
2. Dealers
3. Original Equipment Manufacturers (OEM).

KOEL made the following changes when it felt dissatisfaction about long-lead times as furnished by the customers in satisfaction surveys.

1. It introduced E-com for instantaneous order registration.
2. Customer-focus and Market segmentation.
3. Flexible and dedicated manufacturing system.

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**6. CRM Roadmap**

*Ans :*

The roadmap of CRM is a long-term plan of the CRM program. It is used to manage essential expansion activities and to make sure that the CRM program achieves the strategic business objectives of the company. The road map of CRM states the key activities of CRM for the next one to two years and these activities are informed through organizational plans.

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**7. CRM Strategy***Ans :*

CRM strategy may be defined as the long term initiative of the organization aimed towards integrating the front and back end customer systems, reorienting the entire organization to focus towards satisfying/ exceeding the expectations of the customers.

Thus it may be said that CRM strategy not just includes the top management but also all the functional department of an organization.

Generally organizations form a CRM implementation team which is entrusted the responsibility manage to govern and implement the CRM strategy at the full organizational. It is necessary for the team to consider factors such as organizational and department a structure, role specification level workflow processes, communi-cation process, employee motivation, training and so on.

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# UNIT V

**CRM Planning and Implementation:** Strategic CRM planning process – Implementation issues – CRM Tools- Analytical CRM –Operational CRM – Call centre management – Role of CRM Managers, Trends in CRM- e-CRM Solutions – Features and advantages of e-CRM, Functional Components of e-CRM- Data Warehousing – Data mining for CRM – an introduction to CRM software packages.

## 5.1 CRM PLANNING AND IMPLEMENTATION

**Q1. Write about CRM planning and implementation.**

*Ans :*

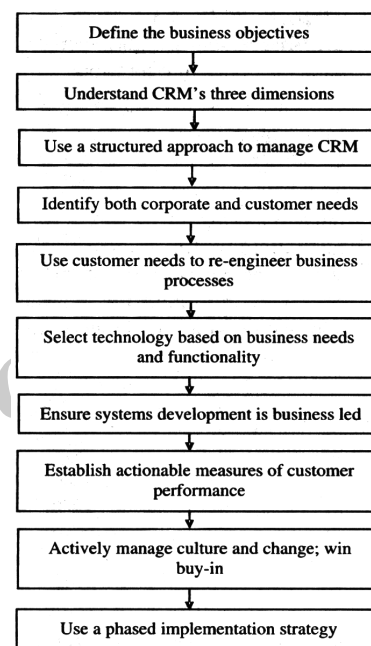
Most CRM programs offer a database of customers, with detailed tracking information available on an individual and global level. The database can organise customers into groups, track their activity and notify groups of customers based on complex filter systems. These databases give a business a central location for customer knowledge.

Working alongside the customer tracking applications, marketing systems help businesses target specific groups of customers. Marketing programs often gives businesses options for multiple channel of delivery, including email, postal advertising, phone advertising, social media and website ads. Most programs present specific tracking information for each platform, ensuring each channel remains productive.

The intent of most CRM programs trends toward full integration of all business departments, easing the transfer of information between divisions. With central databases, marketing teams can act more quickly on information provided by development teams or salespeople, and business leaders can receive accurate information more quickly.

### Planning Process for CRM Program

The core activities critical to planning CRM are shown in figure :



### 1. Defining the Business Objectives

To achieve success one must begin with a clear set of goals and objectives against which results can be measured. It is like having a journey plan; one has the map, the start, end, and stopping points all planned before one set-off, taking into account the time of day one will travel, petrol, etc.

### 2. Understanding CRM's Three Dimensions

Whatever its scale, every CRM project has three dimensions - People, Processes, and Technology. A classic mistake is to view CRM simply as a technology project and to underestimate the scope of the process and cultural changes involved. There are major implications for organisational structure, for

processes, for IT architecture, for segmentation, and measurement of customer value which must be taken into consideration before embarking on a CRM project. An approach that addresses the multidimensional scoping of a CRM project will maximise its chances of success.

### 3. **Using a Structured Approach to Manage CRM**

Every CRM program needs to be realistically scoped and planned using milestones and goals to measure progress. An essential aspect of CRM project management is the development of the implementation and design team. This usually includes representatives of sales, marketing, service, information technology, and senior management, in addition to any outside contractors. This of itself requires a consideration of the need to allow the team to develop through the forming-storming-norming phase of team dynamics before any critical areas of the CRM project are undertaken within the performing stage. A structured approach ensures that all the essential steps are addressed and given realistic timings.

### 4. **Identifying both Corporate and Customer Needs**

Any company's CRM program has to be designed and built around the needs of its customers and users. This means researching customers' requirements and expectations, so that CRM performance can match and ideally surpass these requirements. Similarly, the same goes for the functional and information needs of sales, marketing, service, and all others involved in the CRM process, e.g., accounts, dispatch, samples, warehouse. All often their needs are overlooked which leads to the second largest reason for CRM project failure - a non-pervasive system.

### 5. **Using Customer Needs to Re-Engineer Business Processes**

Inevitably, needs-analysis will reveal a gap between the organisation's current capabilities and processes and customer expectations. If

CRM is to work this gap has not only to be bridged but also implemented in a manner that is seamless to the customers. This means that in the vast majority of cases customer-facing processes will need to be re-organised or rethought for CRM to deliver results; this has serious implications for both staff training and continuity of operations.

### 6. **Selecting Technology Based on Business Needs and Functionality**

When compared with the issues of people, process and information management challenges, technology selection is usually relatively straightforward - provided one has a clear understanding of the functionality required. This is a basic methodology for professional buyers and makes equally sound sense whether sourcing items for a system, intangible or otherwise or for more mundane purchases. Again following a structured approach will allow the best solution to be identified on the basis of rigorous comparison against a well-defined list of the needs and functionality requirements.

### 7. **Ensuring Systems Development is Business Led**

Only the people who work in each department of the business truly understand that area's needs and have a vested interest in its future success. Because of this it is vital to ensure that business representatives from the key departments not technologists are in the driving seat of the CRM project. The best option is to appoint a non-technologist Senior Manager to head the project team and to include business representatives in any sub-teams developed to oversee any specific areas of development. Users of the system should be involved at critical stages of systems development as this will help to quell resistance to any needed change.

### 8. **Establishing Actionable Measures of Customer Performance**

The pay-off from CRM should be measurable in terms of customer profitability and value.

Segmenting the customer base in terms of regency, frequency, and value helps to establish these key indicators of success from relationship management. In order to track the gains made from the application of a CRM strategy it is important to start with a quantified assessment of profitability and value, as this helps to focus on measuring results in a meaningful way.

### 9. **Actively Managing Culture and Change, Win Buy-In**

Unless the human issues of a CRM project are handled effectively, all the analytical work, systems development and technology investment will be for nought. To avoid failure, management of the change in processes and procedures has to be built into the program from the start; this may well include a significant amount of retraining time.

Above all, involving people in reworking processes and systems design rather than imposing the new regime is essential. It also helps if the system is implemented in such a way that the 'gains' it produces are 'kicked-back' to the operatives involved, particularly if it was their ideas that created them. This is a system known as Gainshare, which has been used successfully by a number of businesses in the USA, Australia, and Japan.

### 10. **Using a Phased Implementation Strategy**

Another key lesson from the established world of project management is that a phased approach helps an organisation to more easily absorb the impact of change. This allows for people to see the advantages of any new systems and processes, whilst also learning the new skills and competencies needed to run it, again a Gainshare philosophy fits nicely within the overall concept. It also allows for parallel running of systems to militate against 'big-bang' problems and to allow 'fine tuning' as the project develops. If all else fails it also provides a structured mechanism to review and overcome unanticipated issues as they arise.

## 5.2 STRATEGIC CRM PLANNING PROCESS

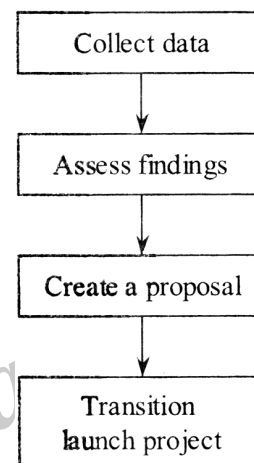
### Q2. Explain about strategic CRM planning process.

*Ans :*

(Imp.)

### Strategic CRM Planning Process

The following figure shows the strategic CRM planning process.



**Fig.: Strategic CRM Planning Process**

Various persons are assigned to collect data, assess findings, create a proposal and launch project to fulfill various sets of objectives. They are discussed in a step-wise manner as in the following:

#### Step 1: Collect Data

- (i) Sales, service, executive, support and marketing management gather information to design a CRM program which suits to the company's strategy.
- (ii) Employees communicates with end-users directly to know the degree of customer's satisfaction with the firm's service and the probable changes which the firm can implement.
- (iii) Customers collect data to analyse the present services.

#### Step 2: Assess Findings

- (i) Representatives of the firm trace out the variations between the actual performance with the estimated objectives.

- (ii) Information technology segregate various kinds of customers.
- (iii) Project team identifies firm's opportunities, threats and strategies that would effect CRM program.

### Step 3: Create a Proposal

- (i) Managers and top executives analyse crucial elements and plays an important role in supporting the strategy.
- (ii) Project team presents a CRM vision and explain its importance to the company.

### Step 4: Launch Project

- (i) Managers and top executives evaluate the available resources and scope.
- (ii) Project team finally selects the best project.

## 5.3 ISSUES/BOTTLENECKS IN IMPEMENTING CRM

### Q3. What are the Issues/Bottlenecks in Implementing CRM ?

*Ans :*

**(Imp.)**

A customer relationship management plan is a key component of running the business, as it describes how employees should deal with customers and provides a comprehensive brand image that both customers and employees can count on. When writing a customer relationship management plan, it is important to define employee conduct and methods of handling customer inquiries or complaints in a manner that is easy to understand. Additionally, allowing room for improvements and adaptations as a result of periodic assessments will result in a more effective customer relationship management plan.

The process of CRM planning and implementation may vary in different organisations depending upon their goals, business objectives, current level of training required for employees and availability of technology. A highly skilled and trained team of professionals is required to make CRM planning and implementation a success in any organisation, as CRM is complex in nature and involves the integration of technology, people and processes.

CRM planning and implementation, however, is neither easy nor cheap. Bringing an entire company together under one concept can be challenging and requires a significant amount of energy, time and money. CRM planning and implementation differs from organisation to organisation but there are a few common steps one needs to follow to ensure a successful implementation. There are many factors that could influence the success of CRM planning and implementation.

### Issues in Implementing of CRM

Increases in revenue, higher rates of client satisfaction, and significant savings in operating costs are some of the benefits to an enterprise. Proponents emphasize that technology should be implemented only in the context of careful strategic and operational planning. Implementations almost invariably fall short in case of technological and operational issues.

#### A) Technological Issues in Implementing CRM

Some of the technological issues in implementing CRM are as follows:

##### 1. Functional and Process Disparity :

The inability of one department to interact properly with another for the purpose of CRM results in this kind of disparity. For example, the sales and marketing departments can help each other but if data and knowledge is not shared properly it will result in disparity. For example, salespeople could benefit by finding out from the marketing department the names of customers that respond to a particular type of campaign (suggesting their product preferences or pricing affinities, etc). However, if the data is not shared, then the benefit of the data is lost. In case different systems are used by the various departments, then the boundaries across departments can be insurmountable and also result in disparity.

##### 2. Channel Disparity :

CRM pre-supposes the use of multi-channels for better customer facilitation. However, channel disparities can arise owing to conflict between channels. When a brick-and-mortar

retailer launches an online channel, conflict can arise since the franchisees who have invested in their stores fear that they will lose sales to the online store. The sharing of data across the multi-channels can be a severe challenge since the data ownership issues and fear of loss of control may result in certain channel members refusing to share critical data. The technologies that support various channels should also be chosen with proper consideration so that it enables proper sharing of data and reduces conflict. As a result of the conflict across channels, the customer may end up having an undesirable experience and the objectives of the CRM initiative would suffer as a result of the channel disparity.

**3. Set-Up Costs and Complexity :**

Cost and complexity involved in setting up locally hosted CRM software comes out as a big hurdle. Frequent technical expertise required for set-ups and upgrades of CRM systems, makes the businesses pay for on-going support of the application. As the business grows, needs from a CRM package also changes and adding these extra features can be quite expensive.

**4. Out-of-Date Information :**

Customer information changes often, but the data marketers most use to reach customers does not always update as quickly as the customers would like. Whether a consumer has moved to a new city or has changed his or her purchasing habits, campaigns will not be effective if marketers are relying on information that does not update as customers' lives change.

**5. Non-Responsive Databases :**

CRM databases are not responsive to the challenges of multi-channel marketing in an increasingly privacy protected society. It is important for marketers to identify and contact clients and prospects according to their unique privacy requirements.

**6. Lack of Standardisation :**

There is little if any standardisation of software and data formats among or between the

agencies and organisations active in CRM.

**7. Inadequate Technical and Financial Resources :** CRM in general is crisis-oriented with inadequate technical and financial resources to solve the backlog of bricks and mortar needs, therefore programme development generally has a lower priority.

**8. Shortage of Technical Experts :** The shortage of technical experts available to address the backlog of CRM problems can be mitigated by the future development of expert systems to assist users in basic building diagnostics and other similar tasks.

**B) Operational Issues in Implementing CRM**

Operational issues in implementation of CRM are as follows:

**1. Exclusivity :** One of the major problems of effective CRM implementation is being a loner department. Various facets of a business may not communicate effectively with one another, and in doing so, they can create a mishmash of different CRM methods that are not uniform in their approach or goals. In order to create a truly effective CRM initiative, the business must approach the issue as a single creature, and do so from the start.

**2. Lack of Training :** CRM is a troublesome task, but necessary - so employees need to be schooled in what must be done. Is the majority of the workforce prepared to implement a CRM initiative? Or will they be attempting to accomplish the said goal in a clueless manner? The latter will result in some very uneven customer service, which is not good for any business. Ultimately, a business must hire a CRM expert and make sure everybody involved in CRM within the company is adequately trained with the tools they are given.

**3. Wasted Funds :** CRM is expensive. It can cost a lot to give the customer exactly what they want. Consequently, a lot of money may be invested in the process, perhaps more than what is needed. Look at the costs associated with CRM initiative and determine whether or not the additional money is actually a

necessity. If so, is there anywhere the approach could possibly be streamlined? Are there any areas that may be sapping the budget unnecessarily?

#### 4. **Smaller Businesses :**

Some of the challenge and difficulty associated with implementing a CRM system are dependent, to some degree, on the size and well-being of a business. While a large, well off business will probably have the capital, time and resources to implement a CRM solution, a smaller business may not have those resources as readily available. This makes the proper and full implementation of CRM much more difficult for smaller businesses.

#### 5. **Mode of Operation :**

In order for a business to use a CRM solution properly, nearly the entire business will have to change. Most companies operate on an "us first, customers second" mentality, whereas CRM-centric businesses focus on placing customers and their satisfaction before the company. Furthermore, CRM systems are typically very complex and span multiple departments, meaning most employees will have to go through some sort of training that will inhibit them, at least somewhat, from performing their normal work duties.

### 5.4 CRM tools

#### Q4. Discuss about the various tools of CRM.

*Ans :* (Imp.)

The various categories of CRM tools are,

1. Marketing
2. Sales
3. Customer service and
4. Personalization

#### 1. **Marketing**

The CRM tools in marketing include database marketing, analytical tools, product and brand management, encyclopedias, telemarketing,

configuration management and marketing information systems.

#### 2. **Sales**

The CRM tools in sales include mobile sales, opportunity management, account management, contact management, sales literature, price lists and sales support materials.

#### 3. **Customer Service**

CRM tools in customer service include inside sales, call centres, mobile service and other tools which are used to automate and streamline help desks and customer support.

#### 4. **Personalization**

It includes the tools used for building customer profiles and delivering personalized content.

The various technological tools in CRM are discussed as follows,

##### i) **Mobile Technologies:**

It is important to use mobile technology to facilitate the sales force automation. To effectively incorporate mobile technologies into the CRM implementation, proper use of CRM system is essential. This will help the remote users to have access to system and perform their required functions through mobile devices such as PDAs and cellphones.

##### ii) **Migration Management:**

Migration management involves the process of migrating the use of one operating environment to the new system successfully. The organizational employers are required to use new IT systems and should become proficient in using such technologies when the organization has implemented CRM.

##### iii) **Back-End Integration:**

To make sure that users get benefitted from CRM systems, the organization should effectively integrate the system with other sources of relevant data like MIS, ERP etc. This way, the users of CRM system can access the updated data from other systems.

**iv) Application Servers:**

Generally, a system is developed using a three-tier integration which facilitates in combining the application servers, database and Graphical User Interface (GUI) servers. The organization should make sure that the system is fail-safe and robust. To avoid hackers from breaching the security, restriction should be laid and any emerging issues must be corrected immediately to ensure uninterrupted access to the users.

**v) Connectivity:**

As CRM is a data intensive practice, it involves transfer of data between several contact points without any interruptions. Thus, to facilitate such transfer of data, care should be taken. If data transfer are not facilitated, it may lead to delay in data transfer which ultimately affects the overall CRM process. The systems being used should ensure connectivity, meet the required specifications and must have load bearing capacity. In case of any failures, the failed systems should be quickly replaced with alternative systems to manage the situation and to ensure uninterrupted connectivity.

**vi) Maintaining and Upgrading:**

It is important for an organization to appropriately maintain the developed CRM system by way of virus checking, regular debugging, checking the authenticity of users and transactions. Proper measures should be adopted to alert the system administrator about the threats and malpractices. These alerts must be developed by considering the abnormal requests from users and irregular usage patterns. The organization must ensure that users are updated with latest technology. For this purpose, it should regularly update servers, softwares and processors.

**vii) Delivery Technology:**

The CRM system should be capable of handling several data types and should effectively handle transfer of data between fax machines, mobile phones and IP addresses. The various data delivery technologies which can be used are SMS,

GPRS (General Packet Radio Services) and EDGE (Enhanced Data GSM Environment).

**viii) ODS and OLAP:**

Operational Data Store (ODS) allows the user to retrieve older data and incorporate it into the new database. This approach is helpful when the users want to make queries on the old data like previous sales record of customer. In contrast to ODS, Online Analytical Processing (OLAP) involves processing which supports the analysis of projections and trends of business.

**ix) Use of WAP/WML/XML**

As internet is an integral part of CRM initiate, it is encouraged to use wireless protocols for effectively utilizing the internet for the purpose of CRM applications. Thus, the languages such as Wireless Application Protocol (WAP) and

Wireless Markup Language(WML) must be used to develop programmes to enable the text portions of the web pages to be presented. Extensible Markup Language (XML) can be used to share data with different other applications of various environments.

**Types of CRM Tools**

CRM stands for customer relations management or customer relationship management. CRM is done to identify the best current customers, improve sales in flagging customer segments, and identify potential customers. CRM tools help to manage customer relationships, identify sales trends, plan marketing campaigns based on identified customer concerns and peak demand times, and enhance the sharing of information between corporate divisions like marketing and engineering. Following are the tools of CRM:

**1. Collaborative CRM Tools :**

Collaborative data management tools make company information available across the web. This includes drawing and modelling information given by engineering and finance departments. It can also allow file sharing with co-workers around the world who are sharing and updating the same files. The sales



manager in Hong Kong showing a presentation stored in an online repository assembled by a co-worker in the U.S. is using collaborative CRM tools.

## 2. Social CRM Tools :

These tools standardize and automate social networking marketing and data collection activities. Social CRM tools allow automated posting of links created by IT. They can create online ads and Twitter updates to reach potential customers in social media with unique file references so that page views and click-through rates can be calculated. Social CRM tools can be set-up to automatically accepting friend requests on a company's social media page, then automatically send friends coupon codes or the latest ad campaign. Social CRM tools can also be used to place viral video ads on the company's social media website and monitor the ads' spread across the Internet. The tools can identify customer sentiment in online chats about the ads, and determine an average customer rating of these sentiments.

## 3. Operational CRM Tools :

These tools are mostly used in salesforce automation. This category includes contact management systems and software for tracking sales from initial contact or customer inquiry to final sale. Operational CRM tools include request for proposal templates and quote generation information for salesforce reference.

## 4. Marketing Automation CRM Tools :

These tools identify current customers, collecting aggregate data from current customer demographic surveys. These surveys and the response information contained within are used by marketing automation tools to manage e-mail marketing lists. These tools can also identify customers who express interest in other products, their reasons for upgrading products purchased, and customers who are no longer happy. These CRM tools are often customer-generated by signing up for mailing lists or opting out of them.

## 5. Analytical CRM Tools :

These tools tie in financial analysis of current sales with financial forecasting based on customers' marketing responses. Analytical CRM tools provide an estimate of how customer sales will go down, how customers say they will increase or decrease spending, and how many indicate interest in upgrading products or services. This information is used to improve financial forecasts based on what customers say they will buy.

### 5.5 TYPES OF CRM ANALYTICAL AND OPERATING CRM

#### Q5. Explain the different Types of CRM.

*Ans :* (Sep.-20)

The differential types of CRM are :

- A) Operational CRM
- B) Analytical CRM
- C) Collaborative CRM

#### A) Operational CRM

It concentrates on three areas of business processes: the computerization, enhancement and improvement of services. These areas are based on offering customer support mostly. There are major automation applications, which support the CRM systems that aid in the computerization of marketing, selling and services process.

**These automation applications are :**

#### 1. Marketing Automation :

It concentrates on automating the marketing processes. Marketing campaigns management consists of the use of the actual information of a specific customer in determining, evaluating and developing communications aiming at customers in multilevel, multi-channel or individual environment. The campaigns are usually simple and use unique and straightforward communications. At multichannel environmental level, the strategies used are a bit hard and pose a challenge to many. The implementation and

integration of a communication strategy is tricky. The performance evaluation and campaign's quality should be computerized and be clear to each channel.

## 2. Sales Force Automation

CRM systems are used in acquiring new customers and dealing with existing customers. The system identifies a customer and maintains all the data. The data can be distributed to various stages, which consist of lead generation for more prospects.

## 3. Service Automation

This application deals with managing. Examples of the operational CRM are the actual interactions with customers like websites, data aggregation systems, direct sales, call centers and blogs. It enables anyone around the organization to access customer information and gives actual views of customer needs.

## B) Analytical CRM

Analytical CRM supports organizational back-office operations and analysis. It deals with all the operations and processes that do not directly deal with customers. Hence, there is a key difference between operational CRM and Analytical CRM. Unlike from operational CRM, where automation of marketing, sales-force and services are done by direct interaction with customers and determining customer's needs, analytical CRM is designed to analyze deeply the customer's information and data and unwrap or disclose the essential convention and intension of behavior of customers on which capitalization can be done by the organization.

Primary goal of analytical CRM is to develop, support and enhance the work and decision making capability of an organization by determining strong patterns and predictions in customer data and information which are gathered from different operational CRM systems.

The following are the key features of analytical CRM:

- Seizing all the relevant and essential information of customers from various channels and sources and collaboratively integrating and inheriting all this data into a central repository knowledge base with a overall organization view.
- Determining, developing and analyzing inclusive set of rules and analytical methods to scale and optimize relationship with customers by analyzing and resolving all the questions which are suitable for business.
- Implementing or deploying the results to enhance the efficiency of CRM system and processes, improve relationship and interaction with customers and the actual business planning with customers.
- Combine and integrate the values of customers with strategic business management of organization and value of stakeholders.

Analytical CRM is a solid and consistent platform which provides analytical applications to help predict, scale and optimize customer relations. Advantages of implementing and using an analytical CRM are described below.

1. Leads in making more profitable customer base by providing high value services.
2. Helps in retaining profitable customers through sophisticated analysis and making new customers that are clones of best of the customers.
3. Helps in addressing individual customer's needs and efficiently improving the relationships with new and existing customers.
4. Improves customer satisfaction and loyalty.

The power of CRM provides a lot of managerial opportunities to the organization. It implements the customer information in an intelligent way and creates views on customer values, spending, affinity and segmentation. Analysis is done in every aspect of business as described below:

### 1. Customer Analytics

This is the base analytic used to analyze customer knowledge base. It provides a better view of customer behavior and by modeling, assessing customer values and assessing

customer's portfolio or profiles and creates an exact understanding of all the customers.

## 2. Marketing Analytics

This helps discovering new market opportunities and seeks their potential values. It also helps in managing marketing strategies and scale and plan marketing performance at district, regional and national levels. Marketing analytics also focus on campaign management and planning, product analysis and branding.

## 3. Sales Analytics

Sales analytic provides essential environment to plan, simulate and predict sales volumes and profits by constantly analyzing organizational sales behavior. It helps in pipelining all the selling opportunities in an efficient way by indulging and improving the sales cycle.

## 4. Service Analytics

Analytical CRM has major role in enhancing the services which answering all the questions regarding customer satisfaction, quality and cost of products, complaint management etc. It even helps in improving and optimizing the services by sophisticatedly analyzing the service revenue and cost.

## 5. Channel Analytics

This type of analysis helps to determine the customer behavior on channel preferences, like web channel, personal interaction, telephone channel etc. This information is efficiently integrated in customers' knowledge base so that they can be contacted accordingly.

The essential results produced by Analytical CRM system could diversely help the organization to tackle customers' based on values. It also helps in determining which customer is best to invest in, which can be treated at an average level and which should not be invested in.

## C) Collaborative CRM

Collaborative CRM deals with synchronization and integration of customer interaction and

channels of communications like phone, email, fax, web etc. with the intent of referencing the customers a consistent and systematic way. The idea is not only enhancing the interactions but also to increase and improve customer retention and liberty.

## 1. Interaction Management

This management process deals with designing the communication or interaction channel process within an organization which is specific to customer interaction and finally enhancing the extent of communication between both the parties. The communication channel depends on the customers' preference on how they require the interaction to be dealt with. Some customers prefer to be contacted via phone and email because of more comfort ability or non availability of manual interaction due to no time or unavailability of resources. Some of them prefer to have live online meeting or web meeting to reduce the travel time and lack of time or may be they prefer more clarified real time environment by sitting at desk and transact. Some of the customers insist for agent conducted services which is often face-to-face interaction as they believe that this way is more efficient and conclusive. Depending on these channels of interaction it is very important for organization to fulfill these needs of customers and gather information from them and implementing it into the CRM before interacting to enhance the interaction power.

## 2. Channel Management

After analyzing and implementing the interaction medium it's important to enhance the power of channels through which the customers are interacted. By using latest technological aspects for improving channel interaction could help to contact customers in an efficient way and gather information from them to help organization to understand the customers. Hence it is important for an organization to clearly arrange the channel responsibilities and duties.

**Advantages of Collaborative CRM**

Enables valued customer interaction across the channels.

- Entangles web or online collaboration to cut down service cost of customers.
- Integrates customer interaction with call centers to enable multi-channel interaction with customers and helps them make understand the overall process vales.
- Describes a view of integrated customer's details during interaction to server them in a better way.

This CRM solution brings customers, process and strategies and data together so that organizations could serve and retain customers more efficiently.

**5.6 CALL CENTRE MANAGEMENT**

**Q6. Explain the concept of call centers management.**

*Ans :*

**(Sep.-20)**

"The history of call center dates back to 1877. Since then, call centers have started evolving into a separate industry which has brought many innovations in the field of telecom services depending on the feedback of the customers.

**Definition of Call Centers**

A call center can be defined as a centralized office developed for the purpose of transmitting and receiving a huge volume of customer's requests through telephone.

Thus the call center provides an extensive customer service by helping its customers in receiving any form of information related to their needs, answering their queries, buying products and receiving payments. All these operations can be performed by means of telephone.

Call centers have not only gained popularity in service-oriented industries, but it has also been emerged as a full fledged service industry in itself which provided an employment to 3% of the total worlds population. India is poised to have call centers not only servicing our own country but also catering to the needs of other foreign countries.

The success of call centers mainly depends on the following three factors.

- ▶ Speed with which the services are performed.
- ▶ Quality of work
- ▶ Efficiency.

**Need for Call Centre**

A call center helps its customers by providing service, support and sales information through voice. The main drawback associated with call centers is that it involves a huge cost of staffing which can be reduced by using an online or virtual help centre. It can also be reduced by answering some of the customer's questions online. For this, it has to operate 24 hours a day and seven days a week.

**Components of a Call Centre**

The three important components of a call centre system are,

**a) Caller**

Caller is the customer who can communicate with the PBX linked to interactive voice response about their complaints or service requests. Caller will be provided with several options to choose according to his/her requirement. The caller's telephone number or account number or customer identification number will acts as a trigger in Customer Telephony Integration (CTI) to show pop-ups in the screen.

**b) Call Centre**

Call centre is an organisation which is directed by chief customer officer and consists of supervisors and Customer Service Representative (CSR). CSR should report to their immediate supervisors who then reports to the chief customer office. Supervisors are engaged in directing the team of CSR and need to handle abnormal calls that are transferred by CSR. The performance of CSR and supervisors can be measured based on the accuracy of the information provided by the CSR's to the callers.

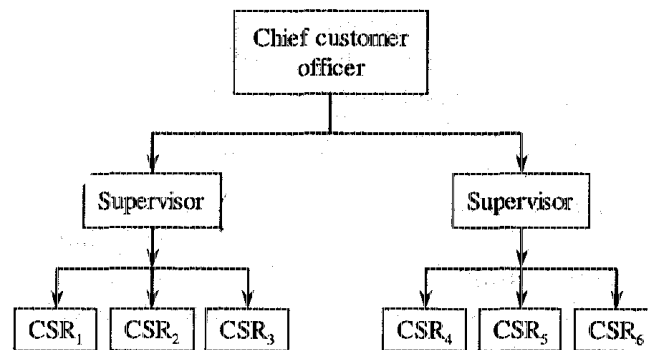


Fig.: Hierarchy of Call Centre

c) **Bank/Financial Service Provider**

Call centres are either organised by the bank outsourced to any agencies.

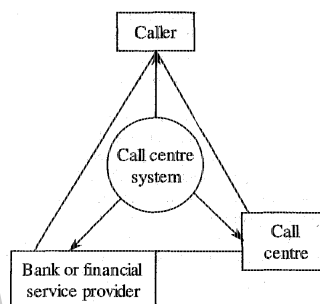


Fig.: Components of Call Centre System

Call centres should emphasise more on the three objectives,

- i) Attract new customers
- ii) Retain potential customers
- iii) Improve the profitable customers.

To achieve these objectives one should periodically monitor, measure and control the effectiveness and efficiency of the call centre.

**Measures of Call Centre Effectiveness**

The effectiveness of a call centre can be measured based on the following parameters,

- i) Degree of satisfaction of the caller.
- ii) The performance in handling the calls without transferring it to their supervisors can be measured using electronic tracking system.
- iii) Efficiency of a call centre in terms of cost/call, calls per shift, time taken for each call, converted or abandoned calls per shift etc.

A call centre is newly introduced in Indian service industry. It requires number of employees that are specially trained in the products and services of the banks to ensure the customers with accurate information

and to handle their queries and complaints. Call centre will enhance the expense ratio, standardise the services of banks and also improves the quality of the services.

### Types Call Centres

Call centres are broadly classified into two types as follows :

1. Inbound call centres and
2. Outbound call centres.

#### 1. Inbound Call Centres

The call centres which are responsible for receiving calls from customers i.e., handling all the incoming calls are known as inbound call centres.

- ▶ They usually handle the calls arriving at toll free telephone numbers.
- ▶ This type of call centres employs two technologies called Computer Telephony Integration (CTI) and Interactive Voice Processing (IV responses).
- ▶ A rule called 80/20/5 has been followed by many inbound call centres, which states that "A calling agent answers 80% of free calls within the time duration which is equal to or less than 20 seconds in such a way that less than 5 percent of callers are not dropped out of the hold queue".
- ▶ Hence, inbound call centers face a problem of too low or too many agents at any given span of time. A trade-off between high staffing costs (due to large number of agents) and poor customer service (due to small number of agents) is required to maintain.

#### 2. Outbound Call Centres

The call centres which are responsible for initiating calls to customers i.e., handling all the outgoing calls are known as outbound call centres.

- ▶ These usually deal with the calls related to telemarketing, telesales, polls and fund raising campaigns.
- ▶ The two key technologies employed by this type of call centres are,

- i) Computer Telephony Integration (CTI)
- ii) Predictive dialing.

Outbound calling can be broken into two parts as follows :

1. **Business to Business** : It refers to the calls made to business partners, suppliers, etc.
2. **Business to Consumer** : It refers to the calls made to customers.

### Call Centers Technologies

" Following are the various technologies used in the functioning of a call centre:

- a) Computer Telephony Integration (CTI)
- b) Automated Call Distributor (ACD).

#### a) Computer telephony Integration (CTI)

CTI is an advanced technology that facilitates the communication with the customers in a cheapest way. A call centre can gain competitiveness and accomplish its effective goals through CTI. CTI is the application of computer based intelligence to telecommunication devices or the process of using advanced telephonic systems for an intelligent data in order to improve their productivity by reducing their costs and also to enhance customer satisfaction.

CTI integrates the principles of computer programs and telephone network by exchanging the signals and messages between the switching system and computers. Computer telephony consists of number of technologies including Local Area Network (LAN), interactive voice processing, voice mails, voice recognition, predictive dialing, collaborative computing, simultaneous voice data and text to speech.

Customer complaints and queries are also redressed using CTI technology. It facilitates quick solutions to the regular and routine complaints and queries. It networks all the computers with telephone switches to rotate the calls all over the call centre.

#### b) Automated Call Distributor (ACD)

It is the process of combining the computer systems with the telephone system in order to answer the calls using the previously coded

commands with a voice menu. It then forwards the call to the Customer Service Representative (CSR). This technique receive calls in a method similar to first-come-first-out inventory principle.

The calls are then transferred to the CSR in an order i.e., to one who are free for longer time first. This technique helps in optimum utilisation of available human resources of a call centre. PBX basic telephone system whereas ACD facilitates the management of high number of inbound calls in a call centre.

ACD will answer the incoming call and then transfer it either to IVR unit or ACD queue. Recently the traditional switching systems of the call centres can be utilised completely using routing and statistical applications of ACD technology.

Infact call centres are not considered as a complete CRM practice as they results in high levels of customer dissatisfaction.

### 5.7 ROLE OF CRM MANAGERS

**Q7. Explain the role of crm managers in business.**

*Ans :*

The CRM Manager is responsible for development, execution, and continuous refinement of multi-channel Consumer Relations and the development of programs, roadmaps, and Consumer Relation strategies. The CRM Manager focuses on the loyalty and retention marketing strategies.

The CRM Manager has a clear understanding of how to leverage consumer behavioral, lifestyle, transactional, and demographic data in order to deliver relevant marketing programs through multiple communication channels with a vision of growing consumer loyalty and increasing their lifetime value to the business.

The position of CRM Manager demands extensive cross-functional collaboration, good communication skills, excellent project managerial skills, creative skills, and a process-focused aptitude that will enable the CRM Manager to effectively execute multiple responsibilities and deliverables.

### Objectives and Responsibilities of the CRM Manager

#### 1. Management and Strategy

The CRM manager plays the main role of managing the business's day-to-day consumer relations protocols, their refinement, CRM segmentation, onsite personalization, and product recommendation programs and platforms. The CRM Manager also manages key vendor relationship and databases, in formulating strategies, strategy execution, asset deliverable management, as well as the testing of all SMS, emails, among other multi-channel communications. The CRM Manager is also tasked with overseeing the creation of models against lifetime value, retention, churn, loyalty, and advocacy programs.

Along with senior CRM management, the CRM Manager plays an active role in the formation of ongoing CRM strategies as well as the weekly/monthly/annual departmental calendars that enable the continuous and consistent testing, learning, and optimization in order to maximize consumers' lifetime value. The CRM Manager also structures CRM activities with a view of maximizing KPI improvement, ROI, and business impact.

At this capacity, the CRM Manager oversees and coordinates the implementation of new CRM campaign management tools inclusive of email service provider integration, frontend integration, and CRM integration with the internal IT department, third-party ecommerce providers, and email service providers. He also oversees direct communications with consumers and plays a leading role in deciding on the CRM platforms, structures, and architecture in order to guarantee that consumer relations are carried out seamlessly across the business.

#### 2. Analytical/Technical Skills

The CRM Manager is tasked with business-wide consumer analytics and behavioral reporting, for example, he is responsible for the development of consumer segmentation models along with internal and external

analysts and based on common characteristics inclusive of purchase history, consumer type, consumer behavior, and demographics. He drives the continuous optimization of on-site product recommendations, cross-selling and merchandising opportunities based on segmentation models and desired actions.

At this capacity, he also implements relevant, approved online marketing campaigns, as well as offers for cross-platform communications that are founded on segmentation models and the business's goals. The CRM manager also provides strategic guidance to CRM strategies that will be inclined to drive maximum ROI. He also performs consumer Journey Mapping and analyzes business touch-points in order to increase the business's commercial opportunities.

### 3. Collaboration

The role of the CRM Manager is also highly collaborative. The CRM Manager works closely with various departments in the business, inclusive of the senior management and key stakeholders in an effort to develop and launch suitable digital marketing initiatives. The CRM Manager also works closely with the IT department in an effort to better understand all CRM feeds and data flowing in and out of CRM program management tools. This is in an effort to ensure that all data is flowing properly and alert the CRM department of any issue in the CRM campaigns.

At this capacity, the CRM Manager will work with third-party vendors in order to improve consumer communications and remarketing campaigns. He also works closely with senior CRM management and key stakeholders in developing the consumer loyalty vision for the business and instilling that vision across the organizational departments and contact points, for example, social, web, mobile, email. He also collaborates with the senior management in building conversion metrics and ensuring consistency in all consumer contact initiatives and programs.

### 4. Consumer Relations

The CRM Manager also takes initiative in directly reaching out to consumers in an effort to gather feedback and ensure that the business's consumer relations programs are effective and that they are of high quality and standards and also that they facilitate the execution of successful marketing campaigns enabling consumer loyalty.

### 5. Opportunity

It is the duty of the CRM Manager to guide CRM campaigns and introduce new capabilities for the purpose of meeting emerging business needs and market trends. At this capacity, the CRM Manager shares new and emerging CRM best practices across the business in order to give the business a competitive edge over competition in consumer acquisition.

The CRM manager is also tasked with conducting post-campaign analytics for the purpose of realizing recommendations for future CRM campaigns. He maintains a strong knowledge and understanding of the current and emerging eCommerce strategies, trends, and techniques that consistently give the business a lead in consumer acquisition within the market.

### 6. Other Duties

The CRM manager also performs other duties as delegated by the Senior CRM Manager, Head of CRM, Director of Performance Marketing, the Chief Marketing Officer, or the Employer.

## Qualifications of the CRM Manager

### 1. Education

The CRM Manager requires a Bachelor's Degree in Marketing, Information Technology, Public Relations, Business Administration, Economics, Finance, or any other related field. The equivalent of the same in working experience is also acceptable.

### 2. Experience

A candidate for this position must have had at least 2 years of experience in CRM



marketing or advertising within a Sales team in a fast-paced and highly competitive setting. He will also have experience working with multiple communication channels in consumer interactions. A suitable candidate will also have had some experience in basic set-ups and development of corporate-level CRM programs and campaigns.

### 3. Analytical Skills

The CRM manager also has to possess strong analytical skills coupled with project management and planning skills. A candidate for the position must demonstrate a substantial knowledge in CRM segmentation, campaign management, direct marketing, offer management, data mining, interactive marketing, database marketing, and email marketing.

### 4. Communication Skills

Being a highly interactive position, the CRM Manager must have excellent communication skills that will ensure effective conveyance of information and execution of duties in a cross-functional setting. The CRM Manager will also create reports and strategic proposals that will be presented to the senior CRM management and, as such, he must possess excellent written and verbal communication skills that will ensure these reports and presentations are clear, concise, and convincing.

Most importantly he interacts with consumers for the purpose of gathering information on the effectiveness of CRM programs and campaigns, the CRM Manager must, therefore, possess excellent communication skills that will guarantee he is able to acquire accurate information and convey this back to the business, which will be subsequently used for improvement of CRM initiatives.

### 5. Ms Office/Software

The CRM Manager must be highly proficient in Ms Word for the purpose of creating not only verbally but also visually engaging reports and presentations for CRM management, collaborating personnel, and key stakeholders.

### 6. Interpersonal Skills

There are certain interpersonal skills that a CRM manager has to possess in order to ensure effective execution of his duties. A candidate for this position must be customer-service orientation, demonstrate an ability to work in a fast-paced environment with ease, be self-motivated and proactive, have an insatiable thirst for knowledge, have critical attention to detail, be able to prioritize and meet deadlines while working on multiple projects, and have creative problem-solving skills.

### 7. People Skills

The CRM Manager must also have an ability to create strong, meaningful, and long-lasting relationships. He must be likeable and easily relatable in order to facilitate cross-functional interactions and, most importantly, consumer relationships.

## 5.8 TRENDS IN CRM

### Q8. What are the trends in CRM ?

*Ans :*

The following trends are being emerging in the field of CRM,

#### 1. Hosted Solution

The organisations are presently showing greater levels of interest in buying a hosted solution from the Active Server Page (ASPs).

This trend is expected to increase further as the organisations are basically focussing upon the main business activities and are seeking updated solutions from the ASPs.

#### 2. Integrated Solution

The next trend is to integrate the CRM activities with various fields like supply chain, manufacturing and B2B market place. This trend is also expected to increase greatly in the future.

The evolution of marketing and branding services is the reason for the increase of this trend. The internet marketing and branding

is a totally different paradigm which includes a different set of rules and regulations. Because of the convergence of marketing and CRM, the professionals offering the special services are increasing emerging rapidly.

### 3. Data Warehouses

Data is now-a-days being considered as a product. This is Because of the fact that the organisations are hurrying up to warehouse their own data which is being captured at the interaction points. Therefore, the data can be bought, sold, shared and leased. There exists few organisations whose mere business is to trade in data transactions.

### 4. Integrating Data from Multiple Channels

The providers of CRM solution are trying to move data of social media to more secure channel of communication. They are also working on how to integrate unstructured data from different channels like mobile smart phones and email.

### 5. Social CRM

Nowadays, customers are reading, reviewing, recommending and judging the products even before making a purchase. Thus, the businesses are intending to adopt social CRM tools in their CRM software. This will help the businesses know the preferences and behaviour of customers through social media.

### 6. Cloud-Based CRM

To overcome the issues associated with existing CRM softwares, the cloud-based CRM softwares are being preferred by businesses. The cloud-based CRM minimizes the burden of businesses for investing in infrastructure.

### 7. Mobility

In the present business world, the providers of CRM solution are making huge investments to bring more rigor in the mobile platforms of CRM applications.

### 8. CRM Software Systems with Wearables

Wearables are the next big revolution in the development of CRM software systems. Customers wear the devices (wearables) to

track their fitness and health information. Businesses are trying to integrate the CRM applications with wearable computing devices so that they can have real time customer information and to have access to their account data. By having such information, the businesses will be able to interact with customers effectively and discover opportunities of selling and improving customer relationships.

### 9. CRM to XRM

The evolved CRM is XRM i.e., Extreme Relationship Management. The scope of XRM is far more wider than the scope of CRM. For instance, Generally a business is required.

## 5.9 e-CRM SOLUTIONS

### Q9. Write about e-crm solutions.

*Ans :*

E-CRM stands for Electronic Customer Relationship Management. It refers to the use of electronic communication channels such as the internet, voice portals, mobile phones etc. to interact with the customers in personalised and efficient manner.

With the advent of the internet, it has become possible for firms to access customer information intelligently and interactively.

There has been a substantial impact of technology upon CRM as a result of factors such as ever increasing demands of the customers, fierce competition in the market due to which customer loyalty may change quickly and the faster response time as desired by all customers.

#### 5.9.1 Features of e-CRM

### Q10. What are the features of e-crm?

*Ans :*

(Sep.-20)

The distinct feature of e-CRM are

1. e-CRM is heavily dependent upon customer database management and data warehousing, which is maintained by the firm on a regular basis.

2. It aims to reach/interact with the customers using multiple channels of communication such as the internet, mobile phone etc.
3. It helps the organization to expand its market base and enable it to enter into new markets.
4. e-CRM is structured to identify potential and profitable customers. This helps the firm to focus its attention towards satisfying and retaining the most profitable customers.

### Role of e-CRM in Business

The role of e-CRM in business is as follows:

#### 1. Matching Behaviour with Offers :

Some e-CRM systems monitor usage to build customer profiles. Organisations like Amazon match their offers to customers based on previous purchase patterns. The aim remains simple enough - to provide the right information, goods, services, to the right people. Using these e-CRM the companies know what one is buying, where one is buying it and when buying it.

#### 2. Segmenting Customer Data :

e-CRM allow for very quick and very cheap segmentation of their customer database which makes marketing and promotion cheaper, more efficient and provides higher returns. e-CRMs are relatively inexpensive to maintain and run, as a large proportion of the data is collected automatically and a further tranche maintained by the client themselves.

#### 3. e-CRM for Membership Organisations :

Some professional and membership organisations now use e-CRM systems to manage their memberships. An excellent example is the International Bar Association, the global voice of the legal profession. When members log into the IBA website, the content and data that is presented to them is based on the information held in the e-CRM. So a lawyer who has a particular field of interest is provided with web pages,

documents and articles relevant to that interest, and only offered conferences, seminars and publications which are relevant. Members can also update their own details.

#### 4. Overall System :

e-CRM system has been recently adopted in the industry as an overall system for managing not only contracts but also accounts, opportunities, activities, marketing, customer support, partner/channel support and many other sales and service processes. e-CRM implies capabilities such as self-service knowledge base, automated e-mail response, personalisation of web contact, on-line product bundling and pricing, and so on.

#### 5. Identify the Difference:

Enabling technologies such as the internet is an important tool in identifying the difference through prioritising user behaviour and attitudes toward the company's products. Implementation of e-CRM tools is able to enhance the effectiveness of company operations and provides value for companies that adopt it.

#### 6. Used to Influence the Opinion:

Organisations need to be involved in e-CRM and online media to be able to influence what people write about the corporation. It is a valuable channel in order to gain customer knowledge and customers' opinions about the business and their offerings. It is also a way to acknowledge complaints and thus be able to handle them.

### 5.9.2 Considerations for Implementing an E-CRM System in Business

**Q11. What are the Considerations for Implementing on E- CRM System in Business.**

*Ans :*

When approaching the development and implementation of e-CRM, one has to keep the following important considerations in mind :

**1. Define Customer Relationships :**

Generate a list of key aspects of the customer relationships and the importance of these relationships to the business.

**2. Develop a Plan :**

Create a broad relationship management programme that can be customised to smaller customer segments. A suitable software solution will help deliver this goal.

**3. Focus on Customers :**

The focus should be on the customer, not the technology. Any technology should have specific benefits in making customers' lives easier by improving support lowering their administrative costs, or giving them reasons to shift more business to the company.

**4. Save Money :**

Focus on aspects of the business that can contribute to the bottom line. Whether it is through cutting costs or increasing revenue, every capability the company implements should have a direct, measurable impact on the bottom line.

**5. Service and Support :**

By tracking and measuring the dimensions of the relationship, organisations can identify their strengths and weaknesses in the relationship management programme and continually fine-tune it on the basis of ongoing feedback from customers.

**5.9.3 E's of e-CRM****Q12. Explain about E's of e-CRM.**

*Ans :*

The "e" in e-CRM not only stands for "electronic" but also can be perceived to have many other connotations. Though the core of e-CRM remains to be cross channel integration and organisation; the six "e" in e-CRM can be used to frame alternative decisions of e-CRM based upon

the channels which e-CRM utilises, the issues which it impacts and other factors; the six 'e's of e-CRM are briefly explained as follows:

**1. Electronic Channels**

New electronic channels such as the web and personalised e-messaging have become the medium for fast, interactive and economic communication, challenging companies to keep pace with this increased velocity. e-CRM thrives on these electronic channels.

**2. Enterprise**

Through e-CRM a company gains the means to touch and shape a customers experience through sales, services and comer offices- whose occupants need to understand and assess customer behaviour.

**3. Empowerment**

e-CRM strategies must be structured to accommodate consumers who now have the power to decide when and how to communicate with the company through which channel, at what frequency. An eCRM solution must be structured to deliver timely pertinent, valuable information that a consumer accepts in exchange for his or her attention.

**4. Economics**

An e-CRM strategy ideally should concentrate on customer economics, which delivers smart asset-allocation decisions, directing efforts at individuals likely to provide the greatest return on customer -communication initiatives.

**5. Evaluation**

Understanding customer economics relies on a company's ability to attribute customer behaviour to market programs, evaluate customer interactions along various customer touch point channels, and compare anticipated ROI against actual returns through customer analytic reporting.

### 5.9.4 Phases of e-CRM

#### Q13. Discuss about Phases of e-CRM.

*Ans :*

The phases of e-CRM are as follows:

#### Phase 1: e-CRM Assessment

Before the implementation of a particular strategy in any business scenario, it is worthwhile to know the current state of the business with respect to the prevailing competition. It is very important to devise a numerical measure of how a company measures up in the eyes of the customers with respect to its competitors. In this particular case of e-CRM, an e-CRM Capability Index could be devised, which provides a benchmark for cross-company comparison. Based on these results, a company identifies quick hits based upon e-CRM gap which can be immediately implemented to improve business processes, impact the bottom line and further enhance its understanding of its customers' view of the company. It can also plot the current state of affairs relative to stage, which it wants to attain in the e-CRM continuum. E-CRM assessment stage would be a diagnostic stage followed by e-CRM strategy alignment and e-CRM architecture stage.

#### Phase 2 : E-CRM Strategy Alignment

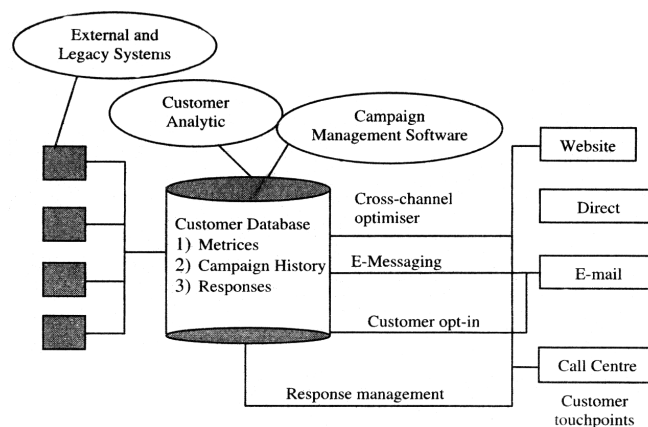
Every company moving into customer relationship management must make key decisions on a number of significant customer-related factors. Each company must identify, measure, and align to the gaps that exist between customer expectations already measured in the e-CRM assessment stage and the internal capabilities that serve these customer expectations.

Ideally in this module a company should try to build-up consensus across functions in the areas shown in the figure on the key decisions, which the company needs to take to satisfy the customers expectations.

The output of these sessions combined with initial e-CRM assessment form a knowledge book that includes the agreed-upon strategy and alignment areas, a phased transformation approach and supporting high-level business cases.

#### Phase 3 : E-CRM Architecture

The primary inputs to this module are mainly from the e-CRM assessment and strategy alignment modules. During this stage the company will try and develop a Connected Enterprise Architecture (CEA) within the context of the company's own customer relationship management strategy. The following is a set of technical e-CRM capabilities and applications that collectively and ideally comprise a full e-CRM solution:



**Figure : Basic Components and Architecture of an E-CRM Solution**

**1. Customer Analytic Software :**

This software predicts, measures, and interprets customer behaviours, allowing companies to understand the effectiveness of e-CRM efforts across both inbound outbound channels. Most importantly, customer analytic should integrate with customer-communications software to enable companies to transform customer findings Into ROI-producing initiatives.

**2. Data Mining Software :**

This software builds predictive models to identify customers most likely to perform a particular behaviour such as purchase an upgrade or churn from the company. Modelling must be tightly integrated with campaign management software to keep pace with multiple campaigns running daily or weekly.

**3. Campaign Management Software :**

This software leverages the data warehouse to plan and execute multiple, highly targeted campaign overtime, using triggers that respond timed events and customer behaviour. Campaign management software tests various offers against control groups, capture promotion history for each customer and prospect, and produces output for virtually any online or offline customer touchpoint channel.

**4. Business Simulation :**

This software used in conjunction with campaign management software optimises offer; messaging and channel delivery prior to the execution of campaigns, and compares planned costs and ROI projections with actual results.

**5. Real-Time Decision Engine :**

It coordinates and synchronises communication across disparate customer touchpoint system. It contains business intelligence to determine and communicate the most appropriate message, offer, and channel delivery in real time, and support two-way dialogue with the customer.

**5.9.5 Types e-CRM Solutions****Q14. What are the Types e - CRM Solutions ?**

*Ans :*

The e-CRM solution can be categorised in following groups:

**1. Customer-Facing Applications**

These applications are those where customers interact with a company. The primary application is web-based call centres, otherwise known as customer interaction centres. Given below are some customer-facing applications:

**i) Customer Interaction Centres (CIC) :**

It is a comprehensive customer service entity in which selling companies take care of customer service issues communicated through various contact channels. It allows customers to communicate and interact with a company in whatever way they choose. Providing well-trained customer service representatives who have access to data such as customer history, purchases, and previous contacts is one way to improve customer service. New products are extending the functionality of the conventional call centre to e-mail, fax, voice, and web interactivity (e.g., web chat), integrating them into one product - the CIC.

**ii) Intelligent Agents in Customer Service and Call Centres :**

To ease information overload from CRM activities, companies can use intelligent agents. Of special interest is a suite of five agents ("SmartBots") from Artificial-Life Inc. An agent called Web Guide can interactively assist customers to navigate a website using plain English or another language. An agent called Messenger evaluates incoming e-mail and generates auto responses. The call centre agent provides the problem-resolution component to the conversations between the Web Guide and customers. It also refers the customer to a real person, if necessary. The EC agent executes EC-related tasks, such as

providing real-time information on account status. Finally, the sales representative agent can create a user profile based on information collected from other agents.

**iii) Automated Response to E-Mail (Autoresponder) :**

The most popular online customer service tool is e-mail. Inexpensive and fast, e-mail disseminates information and conducts correspondence on many topics, including responses to customer inquiries. The ease of sending e-mail messages has resulted in a flood of customer e-mails. Some companies receive tens of thousands of e-mails a week or even a day. Answering these e-mails manually would be expensive and time consuming. Customers want quick answers, usually within 24 hours (a policy of many organisations). Several vendors offer automated e-mail reply systems known as "autoresponders", which provide answers to commonly asked questions.

Autoresponders, also called "infobots" and e-mail on demand, are text files that are returned automatically via e-mail. They can relay standard information for support of customer service, marketing, and promotions.

**iv) Salesforce Automation :**

Salespeople constitute the major contact point with customers (both individuals and businesses). The more computer support they have available, the better (quicker, more accurate) service they can provide to customers. Salesforce Automation (SFA) applications support the selling efforts of a company's salesforce, helping salespeople manage leads, prospects, and customers through the sales pipeline. An example of such an application is a wireless device that allows quick communication with the corporate intranet. The Maybelline case provided another example; that company implemented a reporting system involving mobile devices.

**v) Field Service Automation :**

Field service employees, such as sales representatives, are on the move, and they

interact directly with the customers. Field service representatives include repair people (e.g., from the telephone or electric company) who go to customers' sites. Providing service employees with mobile devices can increase customer service. Field service automation applications support the customer service efforts of field service representatives and service managers. These applications manage customer service requests, service orders, service contracts, service schedules, and service calls. They provide planning, scheduling, dispatching, and reporting features to field service representatives. For example, wireless devices, such as provided in SFA.

**2. Customer-Touching Applications :**

These applications are those where customers use interactive computer programmes rather than interacting with people. The following are popular customer- touching applications:

**i) Personalised Web Pages :**

Many companies provide customers with tools to create their own individual web pages (e.g., MyYahoo!). Companies can efficiently deliver customised information, such as product information and warranty information, when the customer logs on to the personalised page. Not only can a customer pull information from the vendor's site, but the vendor can also push information to the consumer. In addition, these web pages can record customer purchases and preferences. Typical personalised web pages include those for bank accounts, stock portfolio accounts, credit card accounts, and so on. On such sites, users can see their balances, records of all current and historical transactions, and more. American Airlines is an example of one company that uses personalised websites to help increase the bottom line.

**ii) E-Commerce Applications :**

These applications implement marketing, sales, and service functions through online touchpoints, most typically the web. These applications let customers shop for products

through a virtual-shopping-cart metaphor and purchase the products in their shopping carts through a virtual-check-out metaphor. Customers may also perform self-service support tasks such as checking order status, history inquiry, returns processing, and customer information management. This provides convenience to many customers and also saves them money, thus, increasing their satisfaction.

### iii) **Web Self-Service :**

The web environment provides an opportunity for customers to serve themselves. Known as web self-service, this strategy provides tools for users to execute activities previously done by corporate customer service personnel. For example, personalised web pages are one tool that may support web self-service. Self-service applications can be used with customers and with employees, suppliers, and any other business partners. Of the various self-service tools available, three are of special interest:

#### a) **Self-Tracking :**

It refers to systems, such as that of FedEx, where customers can find the status of an order or service in real (or close to real) time. Most large delivery services provide such services, as do direct marketers such as Dell, Amazon.com, and Staples. Some auto manufacturers (e.g., Ford) allow customers to track the progress of the production of a customised car. Some employers, universities, and public agencies will let job applicants track the status of their job application.

#### b) **Customer Self-Service through FAQs:**

Every website needs a "Frequently Asked Questions" - FAQ - page that helps customers to help themselves. A FAQ page lists questions that are frequently asked by customers and the answers to those questions. By making a FAQ page available, customers can quickly and easily find answers to their questions,

saving time and effort for both the website owner and the customer.

#### c) **Self-Configuration and Customisation:**

Many build-to-order vendors, from Dell to Mattel, provide customers with tools to self-configure products or services. One of the best ways to satisfy customers is to provide them with the ability to customise products and services. In order to have an effective build-to-order system, companies and their suppliers must first understand what customers want. This can be done by finding the customers' requirements (e.g., via self-configuration) and then linking the configured order directly to production so that production decisions are based on real customer demand. In addition, customers should be linked interactively to the company and if necessary to product designers at the company. The superior "new retailer" provides for customisation, offers superb customer services, and saves the customer time.

### 3. **Customer-Centric Applications :**

These applications support customer data collection, processing, and analysis. Data reporting and warehousing CRM data need to be collected, processed, and stored. The major applications are as follows:

#### i) **Data Analysis and Mining :**

Analytic applications automate the processing and analysis of CRM data. Many statistical, management science, and decision support tools can be used for this purpose. Analytic applications process a warehouse's data, whereas reports merely present that information. Analytic applications are tools that analyse the performance, efficiency, and effectiveness of an operation's CRM applications. Their output should enable a company to improve the operational applications that deliver customer experience in order to achieve the CRM objectives of customer acquisition and retention. **For example**, analytic applications may be



designed to provide insight into customer behaviour, requests, and transactions, as well as into customer responses to the corporation's marketing, sales, and service initiatives. Analytic applications also create statistical models of customer behaviour, values of customer relationships over time, and forecasts of customer acquisition, retention, and desertion.

- ii) **Data Mining** : It is another analytic activity that involves sifting through an immense amount of data to discover previously unknown patterns. In some cases, the data are consolidated in a data warehouse and data marts; in others, they are kept on the internet and in intranet servers.

#### 4. **Online Networking and Other Applications :**

These applications support communication and collaboration among customers, business partners, and company employees. Representative technologies are discussed here:

- i) **Online Networking** : Representative online networking tools and methods include the following:
- a) **Forums** : Available from internet portals, such as Yahoo! and AOL, forums offer users the opportunity to participate in discussions as well as to lead forums on a "niche" topic.
  - b) **Chat Rooms** : Found on a variety of websites, they offer one-to-one or many-to-many real-time conversations.
  - c) **Usenet Groups** : These are collections of online discussions grouped into communities.
  - d) **Blogs and Wikis** : These are becoming the major online networking tools. Blogs enable companies to approach focused segments of customers. In addition to Stonyfield Farm, airlines, cruise companies, banks, and similar businesses sponsor blogs for their customers. Companies can learn from the blogs and try to improve their

operations to make customers happier. For example, by monitoring its blog U.S. Cellular learned that many teenagers were unhappy due to the limited time on their cellphones. The company then started offering unlimited "call me" minutes to attract the teenagers. Note that wikis can be considered collaborative whiteboards because everyone can participate.

#### e) **E-Mail Newsletters :**

These newsletters usually offer the opportunity for readers to write in, particularly in "Let us hear from you" sections. Users can find newsletters of interest by browsing a topic in a search engine. The goal of an e-mail newsletter is to build a relationship with the subscribers. The best beginning is to focus on service by providing valuable information about an industry, which may range from tips ("tip of the day") to a full-blown newsletter consisting of extensive text and graphics. Because of the current bulk of e-mail advertising and marketing, customers may initially be distrustful of e-mail marketing. Therefore, newsletter articles, commentary, special offers, tips, quotes, and other pieces of information e-mailed to people must be presented in a professional and attractive manner.

- f) **Discussion Lists** : A discussion list is a re-distribution tool through which an e-mail is sent to one address and then is automatically forwarded to all the people who subscribe to the list. These lists automatically forward an e-mail to all the people who subscribe to the list so that they can react to it. Discussion lists are distributed post-by-post (each recipient gets each e-mail from other members individually) or as digests (all e-mails are compiled and sent out according to a schedule - e.g., once per day).

**ii) Voice Communication and Understanding by Machines :**

The most natural way of communicating is by voice. Given the opportunity to do so, many customers prefer to connect to the internet via voice. During the 1990s, VAR systems became popular. Today, web-based voice systems are taking their place. Companies such as bevoal.com and TellMe (tellme.com) provide one solution for accessing the internet by voice. It involves converting voice to text, processing and transmitting the text message, and then converting text found on the web to voice. Even more advanced systems will be available in the near future.

**iii) Language Translation :**

Some people prefer customer service to be in their native or selected language. Website translation is most helpful in serving tourists. A device called InfoScope (from IBM) can read signs, restaurant menus, and other text written in one language and translate them into several other languages.

**iv) On-Demand CRM :**

Like several other enterprise systems, CRM can be delivered in two ways - on-premise and on-demand. The traditional way to deliver such systems was on-premise - meaning users purchased the system and installed it on site. This was very expensive with a large upfront payment. Many SMEs could not justify it, especially because most CRM benefits are intangible. The solution to the situation, which appears in several similar variations and names, is to lease the software. Initially, this was done by application service providers for SMEs. Later, Salesforce.com pioneered the concept for its several CRM products (including supporting salespeople), under the name of on-demand CRM, offering the software over the internet.

**5.9.6 Applications of e-CRM****Q15. Explain about Applications of e-CRM.**

*Ans :*

CRM applications are a convergence of functional components, advanced technologies and channels. Applications of e-CRM are stored for efficient retrieval. The IT tools can be used effectively to facilitate customer relationship practices of an organisation. These tools need to be integrated in a format so that they may deliver the intended results.

The application of e-CRM are as follows:

**1. Sales Applications :**

The thrust of the Sales Force Automation (SFA) is automating the fundamental activities of sales professional, i both in the market and internally. The common application includes scheduling; contact and account management; pricing; market area assignment in the form of sales territory and management; and expense reporting. Daily sales reports can also be automated resulting in more accurate, faster, and less expensive reporting. The SFA applications are sales configuration applications, which allow application users (either a customer or a sales representative) to assemble product components into finished goods.

**2. Marketing Applications :**

The newest breed of application in the CRM space is the marketing automation solution. These solutions complement SFA applications and provide certain capabilities that are unique to marketing. These include web-based and traditional marketing campaign planning, execution and analysis, list generation and management, budgeting and forecasting, collateral generation and marketing materials management, a marketing encyclopedia which is typically a repository of the product, pricing, and competitive information, and lead tracking, distribution and management. Marketing automation applications differ from SFA applications in the services they provide and the targets of those services.

### 3. Customer Service and Support Applications :

Rounding-out the functional components of a CRM solution are Customer Service and Support (CSS) applications. These applications, typically deployed through a call centre environment, or over the web for self-service, allow the organisations to support the unique requirements of their customers with greater speed, accuracy, and efficiency.

### 4. Customer Interaction Management (CIM) :

It is a technology that makes use of the valuable customer information contained in CRM applications and takes customer relationships to a much more personalised and intimate level. What companies need to understand is that while CRM has brought the value of the customer relationship to light, it is the growing and nurturing of those relationships through personalised and consistent service which ensures their repeat business. With a comprehensive CIM solution, businesses can leverage real-time knowledge about customer relationships in dynamically delivering that personalised, consistent customer experience across channels.

CIM + CRM → Lasting Customer Relationships

### 5. Interactive Relationship Management :

To bring-out an effective meaning from incidents, such as a customer has pulled out an unusually large amount from his savings account or deposited a large amount, it needs to be coupled with the analysis made by the analytical tool used by the bank, and it would probably represent a marketing opportunity for the bank's investment division. The CRM tools would then proactively trigger in a rule for the bank to get in touch with the customer through a medium one would prefer most. Companies, therefore, need to understand first what information would be useful for serving the customer better and then how it should.

### 5.9.7 Advantages of e-CRM

#### Q16. What are the Advantages of e-CRM ?

*Ans :*

#### 1. Cost Effective

A major advantage of e-CRM is that it lowers the cost of services for the organization.

For example : Instead of visiting the bank office, a customer can complete a banking transaction using the internet banking facility it saves lot of cost for the bank.

#### 2. Adaptive to New Technology

e-CRM is adaptive in nature and can easily be aligned with other technological tools to provide better customer service.

#### 3. Any Time Availability

e-CRM tools/systems can be accessed by customers, around the clock. For example: internet banking, call centres, ATM centres etc.

#### 4. Increased Customer Interaction

e-CRM tools such as call centres, toll free phone numbers, web site portals, provide an array of tools for customers to interact with the firm, any time they desire to.

#### 5. Quick Response

It is a major advantage of e-CRM system. These tools provide instant service to the customers.

#### 6. Lower Marginal Cost

It lowers the firms marginal cost because it is less expensive to construct and maintain a website.

#### 7. Opportunity of New Customers

The latest e-CRM service options integrate a variety of data bases and provides the firm to serve notential clients all over the globe.

#### 8. Self Control to Customers

New and powerful e-CRM tools provide the customers the opportunity to self direct information they are looking for. Such systems saves a lot of time for the firm and the customers.

**5.9.8 Difference between CRM and e-CRM****Q17. What are the Difference between CRM and e-CRM ?***Ans :*

<b>Basis of Difference</b>	<b>Conservative CRM</b>	<b>e-CRM</b>
1. Customer	Traditional means - retail store, telephone or fax.	Through Internet, e-mail, wireless, mobile and PDA technologies.
2. System Interface	Works with backend application through ERP system	Designed for front-end as well as backend applications through ERP, data warehouse, datamart.
3. System	It requires PC clients to download various	Here, browser is the customers' portal to e-CRM. applets and applications.
4. System	Implementation is longer Maintenance and Modifications	System implementation and costly. requires less time and cost.
5. Customisation and Personalisation	Different people require different information but personalised views for different audience are	Personalised views based on purchase and preferences are possible.
6. System Focus	not possible here. System is designed around product and job functions. Here, applications are designed around one	System is designed around the customers need, Enterprise wide portals are designed and not limited to a single department, department or business unit.

### 5.9.9 eCRM Solutions Strategies

**Q18. Write about various forms of e-CRM solutions. What strategies are available for e-CRM solution?**

*Ans :*

#### Types of e-CRM Solutions

e-CRM can be deployed once the CRM plan has been developed. There exist several forms of CRM solution. They are,

1. Hosted e-CRM solutions
2. Customized e-CRM solutions
3. Off-the-shelf e-CRM solutions.

The cost of e-CRM packages in small business may range from \$ 200 for a single user and for medium-sized business, it may range from \$ 3,000 for multi-user license. Cost of customized CRM solution is based on the scope provided by e-CRM offering.

#### 1. Hosted e-CRM Solution

Hosted e-CRM solutions are built and managed on the server of a third party. Thus, company does not need to purchase and maintain additional servers or hardware and it can emphasize on its core business practices. The ASP manages all the upgrades, maintenance and other aspects of handling the software component. Several hosted solutions provide flexibility to a certain degree but they do not allow you to customize beyond basic parameters like selecting from specific reports and choosing different templates for the solution. Some key providers of hosted CRM solutions are,

- Sherweb.com and
- esalestrack.com

#### 2. Customized e-CRM Solutions

This type of CRM solution is mainly built for the company itself. As it allows the company to customize it completely, design the program to accommodate any information, reports and other data specifications as per requirement. Compared to hosted solutions, these types of programs are quite more

expensive. Customized CRM solutions are often in need of enterprise software, service and support from external providers. CRM solutions are provided by many consultants and vendors. The application of these solutions may start from simple application to implementation of comprehensive software, hardware and customer relationship ideologies. Some of the providers of customized e-CRM solutions are,

- Sales Logix ([www.saleslogix.com](http://www.saleslogix.com))
- Siebel ([www.siebel.com](http://www.siebel.com)) and
- Salesforce ([www.salesforce.com](http://www.salesforce.com)).

#### 3. Off-the Shelf e-CRM Solutions

A company may also purchase a relatively simple CRM software applications i.e., off-the-shelf e-CRM solutions. These solutions may provide limited customization and need some in-house IT support. However, a company may prefer these solution if it is looking for an affordable option. An example of an off-the shelf CRM software is sugar CRM ([www.sugarcrm.com](http://www.sugarcrm.com)). A Company will choose the best CRM solution based on its goals, IT resources and budget. There will be cost of software or hosted application licensing fees for CRM implementation depending on the type of solution the Company has chosen. If the company selects customized or off-the-shelf applications, it should also consider the cost of the hardware required to run the system, there may also involve the fees for upgrading software or customizing interfaces or other aspects of the program.

#### Strategies for e-CRM Solution

The various strategies available for e-CRM solution are,

##### 1. Knowledge Development

Electronic technology is used to gather and analyze different data for the purpose of deriving knowledge about customers.

##### 2. Operation Customization

The needs and requirements of customers are fulfilled by changing organization's operational environment.

**3. Knowledge-Operation Integrations**

The front office is integrated with back office to align the whole operations to specific needs of customers.

**5.10 Functional Components of e CRM**

**Q19. What are the functional components of e-CRM? Discuss.**

*Ans :* (Dec.-19)

The functional components of e-CRM are,

1. Vision
2. Strategy
3. Value customer experience
4. Organized collaboration
5. Process
6. Information and
7. Technology.

**1. Vision**

The organization should effectively define actual needs and holistic plan for implementing e-CRM. Otherwise, it becomes very expensive for an organization to employ e-CRM and to get benefited from it. The top management should support the vision so that all the operations are smoothly carried out and the system remains completely focussed on customer.

**2. Strategy**

To ensure customer satisfaction, e-CRM makes use of electronic processes to combine customer-related information gathered at each stage of customer contact point. The strategies focus on how e-CRM will be able to attain its purpose of building customer relationship. e-CRM strategies should exist at all levels in an organization. Strategic perspectives of e-CRM facilitates in converting a customer into firm's partners so that both company and customer can work collaborately. For this purpose, it is important to find potential customers in the first place.

Then, these customers are made to convert into first-time buyers. Once they buy the products, they can be converted into repeat customers by fulfilling their particular requirements. To create knowledge regarding the repeat customers of the company and to meet their personalized requirements, the strategy of e-CRM may use technology. In this manner, the customers now become clients i.e., loyal customers and the company gives them a special treatment.

Now, the company focuses on how to turn these clients into advocates of products and services of the company. Ultimately, these advocates are turned to partners with whom the company makes decisions jointly. A structural bond is required to be developed for the complete process by defining a clear e-CRM strategy.

**3. Valued Customer Experience**

It is quite difficult for a company to build a life-long relationship with customer. The main objective of e-CRM is to build a strong bond of trust and reliability which cannot be broken by rival firms. The company should offer products/services that meet the expectations of customers. The marketers should respect their experience with product claims they establish. Generally, customers tend to be loyal to the companies who fulfill their promise by providing the products that meet their expectations. It is important for the company to make their employees become aware of customer's requirements. This way the perceived value of the customer can be increased to a considerable extent. This in turn creates a strong switching barrier for the customers. The company should make sure that the preferences, needs and choices of customers are satisfied in such a manner that they exactly fit their expectations. For this purpose, they will have to enhance the products and services being offered to the customers. This will result in customers having valued experience and high-level of trust which the rivals find it difficult to break. E-CRM enables a marketer to provide unique solution to customers by combining the

technological applications in production, distribution, facilitation and consumption so that the customer becomes loyal to the company for a long-period.

#### 4. **Organizational Collaboration**

A firm must integrate its front-end system of sales operation with the back-end support system to develop a customers-centric organization. It is not possible for a company to achieve customer satisfaction if operations are not collaborative and all organizational employees are not involved in the process. To achieve the objective of customer acquisition and retention, marketers rely on research and development departments, production departments and finance department. To facilitate this, e-CRM offers a collaborative base where all departments work in collaboration to build a long-term relationship with customers. For effective knowledge management, e-CRM develops an easily accessible, comprehensive and inclusive organizational memory.

#### 5. **Process**

e-CRM focuses on continuous learning regarding the needs and requirements of customers. Accordingly, it provides customization to win customer's trust and to build a long-term relationship with them.

#### 6. **Information**

e-CRM encourages a firm to collect customer-related information, store it and use it for making improvements in the products/services and to know customers effectively so that proper steps can be taken accordingly.

#### 7. **Technology**

e-CRM enables the company to use more and more electronic technology at all the customer touch points. The important components of e-CRM technology support system today include data mining, web log analysis, e-mail management, real-time proliferating, chat bulletin board, collaborative filtering, extranet and intranet, web community, cookies etc. It is essential to have change management and process designing

for effective implementation and successful running of digitized environment in e-CRM. The e-CRM technology integrated with the web provides an opportunity to enterprise to understand needs of customers and to satisfy them for a long-term relationship.

### 5.11 Data Warehousing

#### **Q20. What is the role of data warehousing in CRM ?**

*Ans :*

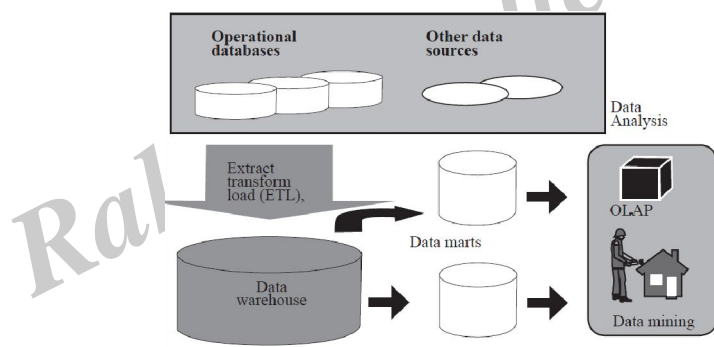
**(Dec.-19)**

Customer relationship management (CRM) means generating high levels of profitable customer satisfaction through the use of knowledge generated from CRM applications using corporate and external data. CRM is based on the simple notion that the better one knows one's customers, the better one can maintain long-lasting, valuable relationships with them. The goal of CRM is to maximise relationships with customers over time, focusing on all aspects of the business, from marketing, sales, operations and service, to establishing and sustaining mutually beneficial customer relations. In order to accomplish that, the organisation must develop a single, integrated view of each customer.

The mission of a data warehouse is to provide consistent and reconciled business intelligence, which is based on operational data, decision support data, and external data to all business units in the organisation. In order to do that, corporate data must be analysed, understood, transformed and delivered. Therefore, the data warehouse administration must coordinate and oversee the development, delivery, management and maintenance of the entire data warehouse environment. However, many of today's data warehouses are not ready for the challenges of CRM, and steps must be taken to make it possible. This involves additional or expanded subject areas, external data and high volume accessible data. The biggest challenge in data warehousing today is supporting data warehouse expansion to provide a foundation for CRM. Data warehouses that meet the needs of CRM are aptly named customer data repositories (CDR) due to the need for low-level, granular customer transaction data. This need has many implications for the data warehouses that need to support CRM.

Building a data warehouse is a key stepping stone in getting started with analytical CRM. Data sources for the warehouse are often the operational systems, providing the lowest level of data. Data sources are designed for operational use, not for decision support, and the data reflect this fact. Multiple data sources are often from different systems, running on a wide range of hardware, and much of this software is built in house or highly customised. This causes data from multiple sources to be mismatched. It is important to clean warehouse data since critical CRM decisions will be based on it. The three classes of data extraction tools commonly used are- data migration which allows simple data transformation, data scrubbing which uses domain-specific knowledge to scrub data, and data auditing which discovers rules and relationships by scanning data and detects outliers.

Loading the warehouse includes some other processing tasks, such as checking integrity constraints, sorting, summarising, and build indexes, and many more. Refreshing a warehouse requires propagating updates on source data to the data stored in the warehouse. The time and frequency to refresh a warehouse is determined by usage, 85/JNU OLE types of data source, and many more. The ways to refresh the warehouse includes data shipping, which uses triggers to update snapshot log table and propagate the updated data to the warehouse, and transaction shipping, which ships the updates in the transaction log. The key entities required for CRM include Customer, Product, Channel and many more. Usually information about each of these is scattered across multiple operational databases. In the warehouse these are consolidated into complete entities. For example, the Customer entity in the warehouse provides a full picture of who a customer is from the entire organisation is perspective, including all possible interactions, as well as their histories. For smaller organisations the analysis may be done directly on the warehouse, while for larger organisations separate data marts may be created for various CRM functions like customer segmentation, customer communication, customer retention, and many more.



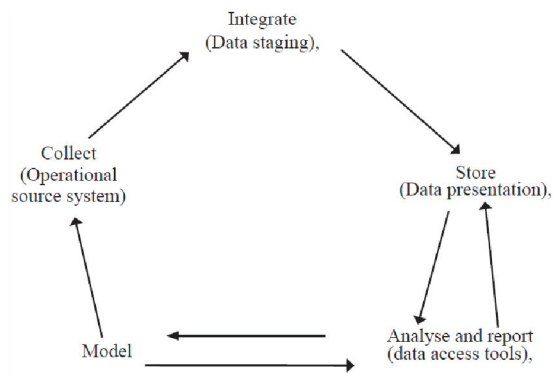
**Fig.: Data warehouse architecture**

### Processing customer information using data warehousing

CRM addresses both operational and analytic requirements. Effective CRM relies on the collection of data at every interaction with the customer and then the leveraging of this data through analysis. CRM's objective is to integrate all customer activities, from the initial prospect contact, purchase transaction, fulfilment, payment transaction and ongoing customer service. The data warehouse serves as the repository to collect and integrate the breadth of customer information found in operation systems as well as in external ones. The data warehouse supports a complete view of the customers, including customer data from typical sources such as: transactional data, interaction data (solicitations, call centres), demographic and behavioural data and self-provided profile data.

Analytic CRM is enabled through accurate, integrated and accessible data in the warehouse. Customer data can be leveraged to better identify selling opportunities, point inefficiencies, generate demand and improve retention. Historical data could also be leveraged to generate models for the operational side.





**Fig: Analytic CRM**

As the organisation becomes more centred on the customer, so should the data warehouse. The data warehouse will grow as more information about customers is collected. The process becomes more complicated as data from multiple sources is being integrated and a new customer dimension is needed. The customer dimension is the most challenging dimension for any data warehouse. In a large organisation, the customer dimension is very deep (millions of rows), very wide (dozens of attributes) and subject to various changes and represents a mixture of data from multiple internal and external sources.

In transaction systems, Changing Customer Circumstances, Data and Derived Customer Segment Data usually are modelled as dimension attributes of the entity type Customer. This is being done for performance reasons, and it is a practical approach. But for the purpose of customer analysis over time periods, an enterprise also needs to track how the values of these data categories develop over time. This leads to a conceptual customer model which explodes the former single entity type Customer into four sub-entity types. The three data categories are in an n:1 relationship with the original Customer entity type.

With "validity periods" as unique identifiers, it is possible to reconstruct the state of a customer attribute for any time period. This approach considers the above-mentioned requirements for customer analysis over time periods. A disadvantage is that queries on this data structure become very complex, due to the necessity to historise dimensional data.

## 5.12 Datamining for CRM

**Q21. Discuss about role of Data mining in CRM.**

*Ans :*

(Dec.-19)

### Data Mining

Data mining is the process of unearthing useful patterns and relationships in large volumes of data. A sophisticated data search capability that uses statistical algorithms to uncover patterns and correlations, data mining extracts knowledge buried in corporate data warehouses.

### Role of Data Mining in CRM

Although it is still a relatively new technology, businesses from all industry verticals i.e. healthcare, manufacturing, financial, transportation etc. have invested in it to take advantage of historical data. Data mining techniques in CRM assist your business in finding and selecting the relevant information that can then be used to get a holistic view of the customer life-cycle; this comprises of four stages: customer identification, customer attraction, customer retention and customer development. The more data there is in the database, the better the models will be created and their subsequent use will result in more business value.

Data mining typically involves the use of predictive modeling, forecasting and descriptive modelling techniques as its key elements. Exploiting CRM in this age of **data analytics** enables an organization to manage customer retention, select the right prospects & customer segments, set optimal pricing policies, and objectively measure and rank which suppliers are best suited for their needs.

#### Applications of Data Mining in CRM

#### 1. Basket Analysis

Ascertain which items customers tend to purchase together. This knowledge can improve stocking, store layout strategies and promotions.

#### 2. Sales forecasting

Examining time-based patterns helps businesses make stocking decisions. Furthermore, it helps you in supply chain

management, planning your financials and gives complete control over internal operations.

### 3. Database marketing

Retailers can design profiles of customers based on their demographics, tastes, preferences, buying behavior etc. It will also aid the marketing team in designing personalized marketing campaigns and promotion offers.

This will result in enhanced productivity, optimal allocation of company's resources and bring the desired ROI.

### 4. Predictive life-cycle management

Data mining helps an organization predict each customer's lifetime value and to service each segment appropriately.

### 5. Customer segmentation

Learn which customers are interested in purchasing your products and design your marketing campaigns and promotions keeping their tastes and preferences in mind. This will increase the efficiency and result in the desired ROI since you won't be targeting customers who show little to no interest in your product.

### 6. Product Customization

Manufacturers can customize products according to the exact needs of customers. In order to do this, they must be able to predict which features should be bundled to meet the customer demand.

### 7. Fraud detection

By analyzing past transactions that were later determined to be fraudulent, a business can take corrective measures and stop such events from occurring in the future. Banks and other financial institutions will benefit from this feature immensely.

### 8. Warranties

Manufacturers need to predict the number of customers who will submit warranty claims and the average cost of those claims. This will ensure efficient and effective management of company funds.

## Techniques for Data Mining in CRM

### 1. Anomaly Detection

Searching for information that doesn't match expected behavior or a projected pattern is called anomaly detection. Anomalies can provide actionable information because they deviate from the average in the data set.

### 2. Association Rule Learning

Discover relations between data items in huge databases. With Association Rule Learning, hidden patterns can be uncovered and the information gained may be used to better understand customers, learn their habits, and predict their decisions.

### 3. Clustering

Identify similar data sets and understand both the similarities and differences within the data. Data sets that have similar traits can be used for conversion rate increases. For example, if the buying behavior of one group of customers is similar to that of another group, they can both be targeted with similar services or products.

### 4. Classification

This technique is used for gathering information about data so that the data sets can be placed into proper categories. One example is the classification of email as either regular, acceptable email or as spam.

### 5. Regression

Regression analysis is one of the advanced data mining techniques in CRM. The objective is to find the dependency between different data items and map out which variables are affected by other variables. This technique is used to determine customer satisfaction levels and their impact on customer loyalty.

### 6. Bottom Line

Data mining together with the rise of Artificial intelligence will shape the future of CRM and aid companies in their quest to become more customer-oriented. The combination of CRM and DM tools will augment the knowledge

and understanding of customers, products and transactional data, thereby improving strategic decision making and tactical marketing activity. The outcome? Increased revenue as a result of improved ability to respond to each individual contact and reduced costs due to optimal allocation of resources.

### 5.13 An Introduction to CRM software Packages

**Q22. Discuss in detail about CRM software packages.**

*Ans :*

Today, most of the businesses whether large or small, are opting for CRM software packages as they allow a company to manage all aspects of customer encounters, marketing and advertising, sales, customer service after sale and the programs to keep loyal customers. CRM system is mainly used by people involved in sales, marketing and service organization to obtain customer-related data and to improve communication. Implementing CRM systems has brought several benefits to the company such as enhanced customer satisfaction, minimized operating costs, improved customer retention and the ability to fulfill demands of customers.

In a company, the CRM software integrates and automates the sales, marketing and service functions. The main aim of using the software is to capture data regarding all the contacts that a company has its customers through every channel and to store it in the CRM system. This is to ensure that company is well-aware of customer actions. CRM software allows an organization to develop a customer-related database which entails all relationship details so that the company can have an access to such detail to match needs of customers with product plans and offerings, remind them of service requirements and become aware of what other products they have purchased.

There are many CRM software packages available in the market for small, medium and large enterprises. The most commonly used CRM software packages are,

#### 1. Netsuite CRM

Netsuite CRM has excellent built-in-e-commerce applications which are best suitable for small and large businesses. It is quite more expensive than the other options and it involves additional charges for different add-ons.

#### 2. Microsoft Dynamics

It is the most popular software package because of its overall functionality, hosted and on-premise options, monthly fee depending on the number of users and interfaces with Microsoft Outlook and web browser. It offers features like integration to mapping data with an easily reachable map to the contact's office or obtaining instant customer specific information from the internet and feeding it up in the customer summary. It has an ability to summarize social buzz and manage complaints and instant posts in real time. It can also manage the data required for offering support or returns including the complicated requirements of marketing and senior management.

#### 3. Salesforce.Com

According to CRM experts, Salesforce.com is the most popular package with many features and functionalities which are flexible enough to accommodate business development and growth. However, some companies find it difficult to use.

#### 4. Sugar CRM

Sugar CRM is a good CRM package which is easy to set-up and configure. For assistance, tutorials are also provided. It does not charge anything for a basic package but charges apply for professional edition that provides access to several additional tools.

#### 5. Zoho CRM

Zoho CRM is a web-based CRM package which is easy to set-up and use. It does not require a company to involve in long-term contracts and is free for upto 3 users. It is expandable enough to accommodate business growth and it can integrate seamlessly with other zoho programs and also with Google Applications.

## 6. Oracle

Oracle Incorporation is basically a provider of database software solutions. It had recently entered the CRM market with a variety of e-business solutions for every area of business such as marketing, sales, management etc.

It offers a wide range of e-CRM solutions which can be easily integrated with front and back office applications. These CRM solutions focus towards enhancing, profitability, build strong partner relationships and so on.

Oracle is considered as a one stop shop for all organizational requirements, and it provides easy end to end solutions. Some popular oracle CRM solutions include oracle marketing, oracle sales, oracle support, oracle interaction centre and so on.

## 7. Siebel

Siebel Incorporation is the world leader in providing CRM solutions and software application for business intelligence and customer data integration. Its mission statement is "CRM for everyone", it provides solution for every type of organization, any type of user and provides CRM solutions that are suitable to any kind of budget.

Siebel also provides E-CRM solutions for financial businesses such as banking, brokerage, insurance, capital market etc.

Today, CRM is increasingly adding to the functionality of already well-known tools through improvements and integration with other applications.

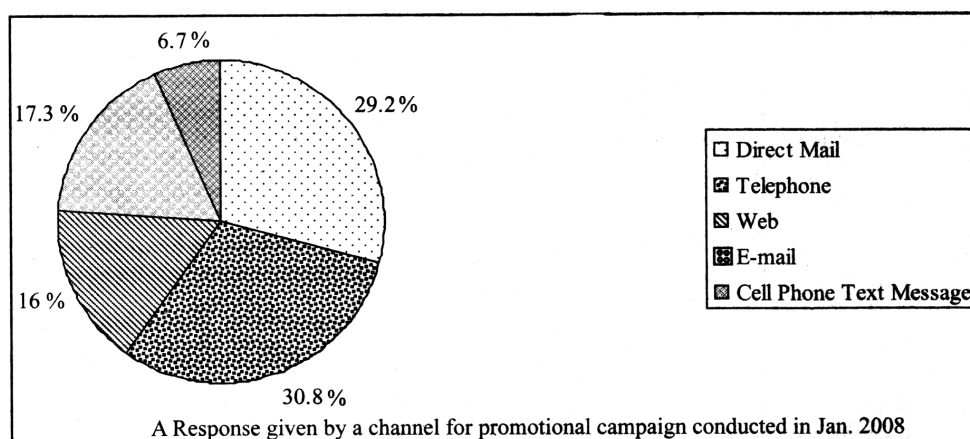
**Q23. How do CRM systems support marketing? Also discuss about CRM support for operational and analytical CRM.**

*Ans :*

(Sep.-20)

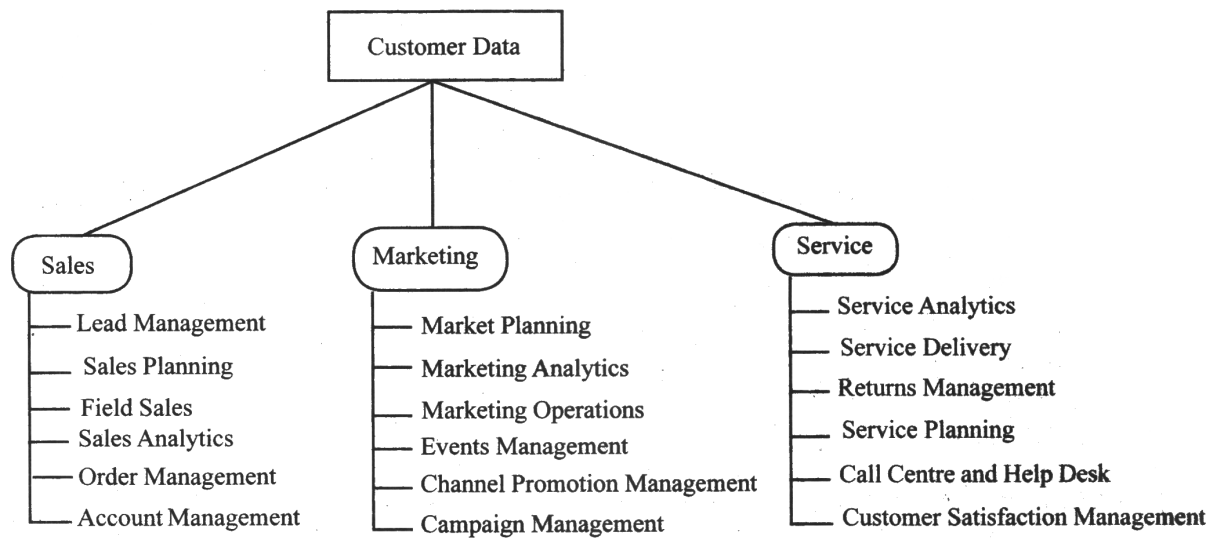
### CRM Software Supporting Marketing

CRM software offers a single point for users to evaluate and manage different marketing campaigns over several channels such as direct mail, the web, e-mail, telephone and wireless messages. The following figure shows how CRM support marketing:

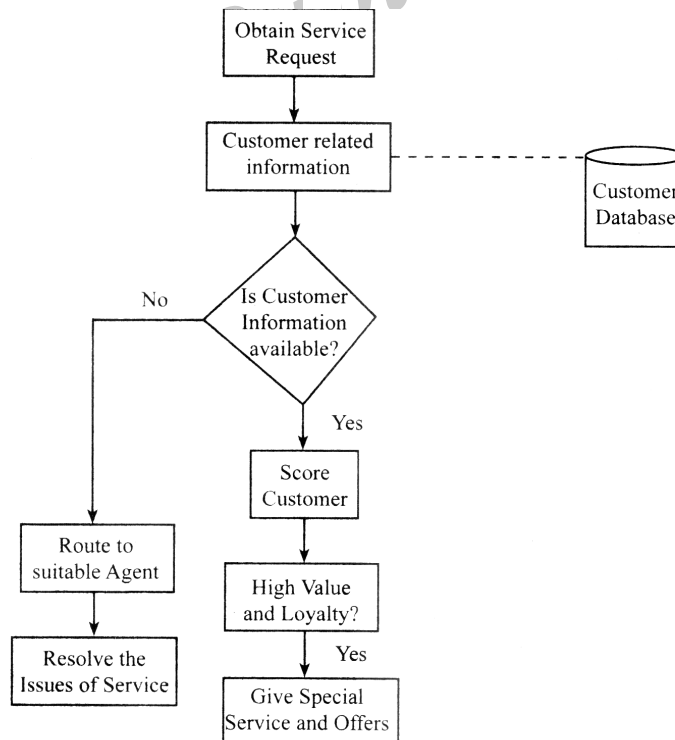


**Fig.: CRM Support for Marketing**

The software capabilities of CRM software are presented in the following figure;



There are some CRM software packages which support business processes in marketing, sales and service, thereby collecting and combining customer related information from various sources. They not only support operational CRM but also the aspects of analytical CRM. The CRM software enables a company to identify high-value customers for special treatment. The following figure shows how a CRM software models the customer service to promote customer loyalty:



**Fig.: Customer Loyalty Management Process Map CRM Software Supporting Operational and Analytical CRM**

The CRM software's support for both operational and analytical CRM is discussed under the following heads,

### 1. Operational CRM

It facilitates in customer-facing applications like call centre, salesforce automation, marketing, automation and customer service support.

### 2. Analytical CRM

It involves,

- (a) Customer Lifetime Value (CLTV).
- (b) Analyzing customer-related information output from applications of operational CRM.
- (c) On the basis of data warehouses populated customer-touch points and operational CRM systems.

### 3. Service Platform

It combines several applicants to provide an incredible experience for the involved parties.

- (i) Portal Software
- (ii) Order-to Cash process.

Order to cash nothing but a composite process which combines data from legacy financial applications and individual enterprise systems. With the help of application integration tools, one should model a process and translate it to a software system. The following figure shows order-to-cash service:

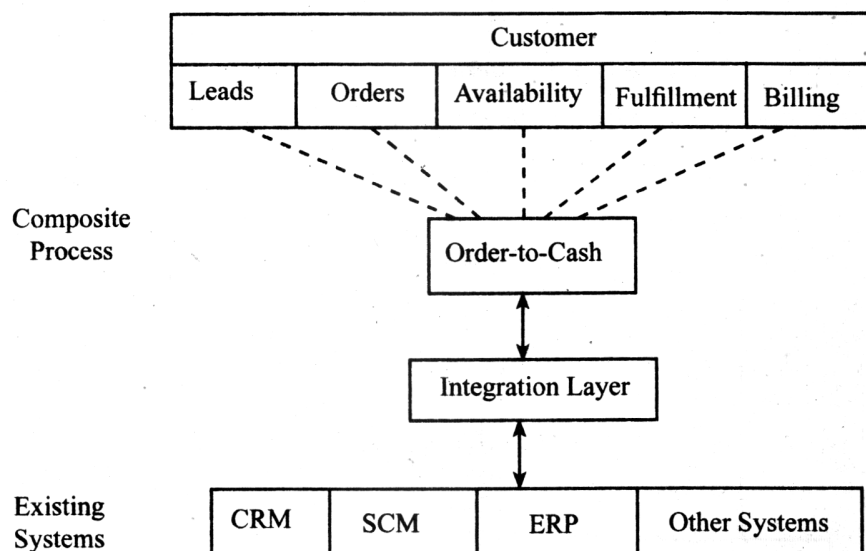


Fig.: Order-to-Cash Service

### 4. Enterprise Solutions/Suites

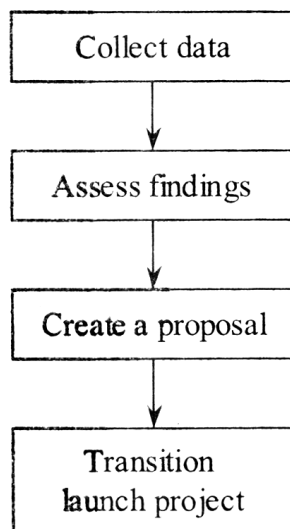
Make applications more web-enabled, flexible and integrated with other systems.

## Short Question and Answers

### 1. Strategic CRM Planning Process.

*Ans :*

The following figure shows the strategic CRM planning process.



**Fig.: Strategic CRM Planning Process**

Various persons are assigned to collect data, assess findings, create a proposal and launch project to fulfill various sets of objectives.

### 2. CRM Tools

*Ans :*

The various categories of CRM tools are,

1. Marketing
2. Sales
3. Customer service and
4. Personalization

#### 1. Marketing

The CRM tools in marketing include database marketing, analytical tools, product and brand management, encyclopedias, telemarketing, configuration management and marketing information systems.

#### 2. Sales

The CRM tools in sales include mobile sales, opportunity management, account management, contact management, sales literature, price lists and sales support materials.

#### 3. Customer Service

CRM tools in customer service include inside sales, call centres, mobile service and other tools which are used to automate and streamline help desks and customer support.

#### 4. Personalization

It includes the tools used for building customer profiles and delivering personalized content.

#### 3. Operational CRM

*Ans :*

It concentrates on three areas of business processes: the computerization, enhancement and improvement of services. These areas are based on offering customer support mostly. There are major automation applications, which support the CRM systems that aid in the computerization of marketing, selling and services process.

**These automation applications are :**

#### 1. Marketing Automation :

It concentrates on automating the marketing processes. Marketing campaigns management consists of the use of the actual information of a specific customer in determining, evaluating and developing communications aiming at customers in multilevel, multi-channel or individual environment. The campaigns are usually simple and use unique and straightforward communications. At multichannel environmental level, the strategies used are a bit hard and pose a challenge to many. The implementation and integration of a communication strategy is tricky. The performance evaluation and campaign's quality should be computerized and be clear to each channel.

**2. Sales Force Automation**

CRM systems are used in acquiring new customers and dealing with existing customers. The system identifies a customer and maintains all the data. The data can be distributed to various stages, which consist of lead generation for more prospects.

**3. Service Automation**

This application deals with managing. Examples of the operational CRM are the actual interactions with customers like websites, data aggregation systems, direct sales, call centers and blogs. It enables anyone around the organization to access customer information and gives actual views of customer needs.

**4. Analytical CRM.**

*Ans :*

Analytical CRM supports organizational back-office operations and analysis. It deals with all the operations and processes that do not directly deal with customers. Hence, there is a key difference between operational CRM and Analytical CRM. Unlike from operational CRM, where automation of marketing, sales-force and services are done by direct interaction with customers and determining customer's needs, analytical CRM is designed to analyze deeply the customer's information and data and unwrap or disclose the essential convention and intension of behavior of customers on which capitalization can be done by the organization.

Primary goal of analytical CRM is to develop, support and enhance the work and decision making capability of an organization by determining strong patterns and predictions in customer data and information which are gathered from different operational CRM systems.

**5. e- CRM Solutions.**

*Ans :*

E-CRM stands for Electronic Customer Relationship Management. It refers to the use of electronic communication channels such as the internet, voice portals, mobile phones etc. to interact with the customers in personalised and efficient manner.

With the advent of the internet, it has become possible for firms to access customer information intelligently and interactively.

There has been a substantial impact of technology upon CRM as a result of factors such as ever increasing demands of the customers, fierce competition in the market due to which customer loyalty may change quickly and the faster response time as desired by all customers.

**6. Customer Interaction Centres (CIC).**

*Ans :*

It is a comprehensive customer service entity in which selling companies take care of customer service issues communicated through various contact channels. It allows customers to communicate and interact with a company in whatever way they choose. Providing well-trained customer service representatives who have access to data such as customer history, purchases, and previous contacts is one way to improve customer service. New products are extending the functionality of the conventional call centre to e-mail, fax, voice, and web interactivity (e.g., web chat), integrating them into one product - the CIC.



**7. Hosted e-CRM Solution.**

*Ans :*

Hosted e-CRM solutions are built and managed on the server of a third party. Thus, company does not need to purchase and maintain additional servers or hardware and it can emphasize on its core business practices. The ASP manages all the upgrades, maintenance and other aspects of handling the software component. Several hosted solutions provide flexibility to a certain degree but they do not allow you to customize beyond basic parameters like selecting from specific reports and choosing different templates for the solution. Some key providers of hosted CRM solutions are,

- Sherweb.com and
- esalestrack.com

**8. Off- the Shelf e- CRM Solutions.**

*Ans :*

A company may also purchase a relatively simple CRM software applications i.e., off-the-shelf e-CRM solutions. These solutions may provide limited customization and need some in-house IT support. However, a company may prefer these solution if it is looking for an affordable option. An example of an off-the shelf CRM software is sugar CRM ([www.sugarcrm.com](http://www.sugarcrm.com)). A Company will choose the best CRM solution based on its goals, IT resources and budget. There will be cost of software or hosted application licensing fees for CRM implementation depending on the type of solution the Company has chosen. If the company selects customized or off-the-shelf applications, it should also consider the cost of the hardware required to run the system, there may also involve the fees for upgrading software or customizing interfaces or other aspects of the program.

## *Internal Assessment (Mid Examinations)*

The pattern of Mid Exams or Continuous Internal Evaluation (CIE) prescribed by the JNTU-H as per the Regulations 2019 (R19) for all the semesters is as follows,

- There would be two Mid Exams or Continuous Internal Evaluation (CIE) for each semester,
  - The **I<sup>st</sup> Mid Term Examinations** would be conducted during the Middle of the Semester.
  - The **II<sup>nd</sup> Mid Term Examinations** during the last week of instructions.
- The Mid Exam I and II would have the same pattern of question paper which would carry **25 Marks** each and the time duration for conducting each Mid exam would be 120 min.
- The pattern of Mid Exam Question Paper would consist of two parts i.e., **Part-A** and **Part-B**.
  - **Part-A** consist of 5 compulsory questions each carries 2 marks (i.e  $5 \times 2 = 10$  marks).
  - **Part-B** consist of 5 questions out of which 3 questions should be answered, each question carries 5 marks (i.e  $5 \times 3 = 15$  marks).
- The average of the two Mid exams will be added with the 75 marks of External end examination which equals to 100 marks (i.e  $25 + 75 = 100$ ).

### **UNIT - I**

#### **Part - A**

1. Customer Relationship Management (CRM) (Refer Unit-I, SQA-1)
2. Work Flow Automation (Refer Unit-I, SQA-3)
3. Lead Management (Refer Unit-I, SQA-4)
4. Sales Force Automation (Refer Unit-I, SQA-5)
5. Market Structure and Demand (Refer Unit-I, SQA-8)

#### **Part - B**

1. Explain about evolution of CRM. (Refer Unit-I, Q.No. 2)
2. Explain about need of CRM. (Refer Unit-I, Q.No. 3)
3. "CRM is a strategic marketing tool". Discuss. (Refer Unit-I, Q.No. 7)
4. Who are stakeholders in CRM? Discuss the significance of CRM to the stakeholders. (Refer Unit-I, Q.No. 8)
5. Discuss about various CRM Issues & Problems. (Refer Unit-I, Q.No. 12)

**UNIT - II****Part - A**

1. Building Customer Relations (Refer Unit-II, SQA-1)
2. Customer Profile Analysis. (Refer Unit-II, SQA-3)
3. Customer Expectation (Refer Unit-II, SQA-5)
4. Consumer Behaviour (Refer Unit-II, SQA-6)
5. Customer Life Time Value (CLTV) (Refer Unit-II, SQA-7)
6. Business Network (Refer Unit-II, SQA-9)

**Part - B**

1. What are the Guidelines for Relation- ship Building? (Refer Unit-II, Q.No. 3)
2. Discuss in detail about zero customer defections. (Refer Unit-II, Q.No. 4)
3. Discuss the steps involved in developing a customer information database. (Refer Unit-II, Q.No. 6)
4. Who is a consumer/customer? What are the different types of consumers? (Refer Unit-II, Q.No. 10)
5. Write about various stages involved in the consumer purchasing decision. Discuss the factors affecting consumer purchasing decisions. (Refer Unit-II, Q.No. 12)
6. Who are profitable customer? How do you select a profitable customer segment? (Refer Unit-II, Q.No. 15)

**UNIT - III****Part - A**

1. Objectives of CRM Process (Refer Unit-III, SQA-2)
2. Requirements of e-CRM (Refer Unit-III, SQA-5)
3. CRM Value Chain (Refer Unit-III, SQA-7)
4. Data and Information Technology (IT) (Refer Unit-III, SQA-8)
5. Definition of e-CRM/Online CRM (Refer Unit-III, SQA-3)

**Part - B**

1. What are the steps in objectives and CRM process ? (Refer Unit-III, Q.No. 1)
2. Give an insight into CRM and e-CRM/Online / CRM. (Refer Unit-III, Q.No. 2)
3. Discuss the role of CRM process in marketing. (Refer Unit-III, Q.No. 8)
4. What are the supporting conditions of the CRM value chain? Discuss. (Refer Unit-III, Q.No.10)
5. Discuss about CRM affiliation in Retailing Sector. (Refer Unit-III, Q.No. 11)

**UNIT - IV****Part - A**

1. CRM Process (Refer Unit-IV, SQA-2)
2. Customer Acquisition (Refer Unit-IV, SQA-3)
3. Models of CRM (Refer Unit-IV, SQA-4)
4. KOEL's Model (Refer Unit-IV, SQA-5)
5. CRM Roadmap (Refer Unit-IV, SQA-6)
6. CRM Strategy (Refer Unit-IV, SQA-7)

**Part - B**

1. Discuss the elements of CRM. (Refer Unit-IV, Q.No. 2)
2. Explain the process of CRM. (Refer Unit-IV, Q.No. 3)
3. What are the various strategies used for customer retention? (Refer Unit-IV, Q.No. 6)
4. What are the steps in customer retention process? (Refer Unit-IV, Q.No. 8)
5. What are the difference between customer retention and customer acquisition? (Refer Unit-IV, Q.No. 11)
6. What are the Challenges in Acquiring and Retaining Customers? (Refer Unit-IV, Q.No. 12)
7. What do you mean by CRM strategy? Write in detail about the various steps involved in the CRM implementation roadmap strategy. (Refer Unit-IV, Q.No. 16)

**UNIT - V****Part - A**

1. CRM Tools (Refer Unit-V, SQA-2)
2. Analytical CRM. (Refer Unit-V, SQA-4)
3. Customer Interaction Centres (CIC). (Refer Unit-V, SQA-6)
4. Hosted e-CRM Solution. (Refer Unit-V, SQA-7)
5. Off- the Shelf e- CRM Solutions. (Refer Unit-V, SQA-8)

**Part - B**

1. Write about CRM planning and imple- mentation. (Refer Unit-V, Q.No. 1)
2. What are the Issues/Bottlenecks in Impementing CRM ? (Refer Unit-V, Q.No. 3)
3. Explain the different Types of CRM. (Refer Unit-V, Q.No. 5)
4. Explain the role of crm managers in business. (Refer Unit-V, Q.No. 7)
5. What are the trends in CRM ? (Refer Unit-V, Q.No. 8)
6. What are the Difference between CRM and e-CRM ? (Refer Unit-V, Q.No. 17)
7. What are the functional components of e-CRM? Discuss. (Refer Unit-V, Q.No. 19)
8. What is the role of data warehousing in CRM ? (Refer Unit-V, Q.No. 20)
9. How do CRM systems support marketing? Also discuss about CRM support for operational and analytical CRM. (Refer Unit-V, Q.No. 23)

# JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD

## M.B.A IV Semester Examination

September - 2020

R17

### CUSTOMER RELATIONSHIP MANAGEMENT

Time : 2 Hours]

[Max. Marks : 75

**Answer any five questions  
All questions carry equal marks**

#### ANSWERS

1. (a) Explain how CRM has changed the dynamics of business marketing.

*Ans :*

CRM as an "enterprise approach to understanding and influencing customer behavior through meaningful communications, in order to improve customer acquisition, customer retention, customer loyalty, and customer profitability CRM can be seen as a company's overall strategy, designed to optimize profit and customer satisfaction through the internal organization of the company, based on customer segments, in order to ensure value creation for both the company and customers , companies are facing high levels of competition, constant changes in customer needs and ever growing market demands). The knowledge that companies have about their customers is a very important resource). By combining good organizational structure, processes and personal skills, companies may successfully create customer knowledge Therefore, CRM can be seen as the combination of processes, human resources and technology

- (b) What are the challenges in switching over to CRM from traditional marketing? (Unit - I, Q.No. 12)

2. (a) What do you understand by customer profile analysis? (Unit - II, Q.No. 7)

- (b) How would you estimate customer life time value ? Illustrate. (Unit - II, Q.No. 13)

3. (a) What is perception ? What is the importance of gauging customer perception ? (Unit - II, Q.No. 8)

- (b) What is the need for customer analysis in CRM ? (Unit - II, Q.No. 9)

4. (a) Why 'return policy' is important in retailing ?

*Ans :*

The consumers are confident when the purchase is guarded with a feature of returning the goods in case it does not satisfy the needs of the consumer. The return policy boosts the risk bearing ability of purchasing the product online.

Historically, the money-back guarantee was a way for retailers to stand behind the products they sold. The basic message was, "If for some reason you don't like our product, return it for the full value of what you paid for it." On the outside, it is an unconditional agreement that guarantees the quality of the product. As such, return policies have been as much a marketing tool as a retail standard.

- (b) Explain the importance of touchpoints as a starting point for the development of a CRM system. (Unit - III, Q.No. 5)

5. (a) What is CRM value chain ? What is the importance of value chain analysis ? (Unit - III, Q.No. 9)

- (b) How does on line CRM initiatives help customer loyalty ? (Unit - V, Q.No. 10)

6. (a) What is 'Six - market fit' for Customer Relationship Management ?

*Ans :*

**(i) Internal Markets**

Internal Markets comprises of employees who have the ability to determine the style and ethics of the business environment with their actions and beliefs. It is believed that developing values in support of customer oriented corporate culture is a critical requirement for sustained success in the market place.

**(ii) Referral Markets**

Referral Markets are an effective source of new business. Referral can be in the form of professional advice such as doctors, lawyers, bank managers and accountants, and also from existing satisfied customers.

Building relationship from these sources through word of mouth recommendation is an integral part of marketing strategy.

**(iii) Influence Markets**

Influence Markets comprises of individuals and organizations who have the ability to positively or negatively influence the marketing environment in which the company competes. Hence, public relation exercises become an integral part of the relationship marketing process.

Companies tend to have good relationship with critical sources of influencers relevant to their markets to be successful in the business environment.

**(iv) Employee Markets**

Employee markets form a focal point for relationship marketing. To further the aims of the company in marketplace, there is a need to recruit employees and to retain such employees.

The aim should be to change the organization that is attractive to people who share the values of the company.

**(v) Supplier Markets**

Supplier markets refer to the network of organizations that provide the materials, products and services to the organization. It is only recently that many companies have come to recognize the importance of building close and mutually beneficial relationships with suppliers.

Such companies have reaped significant benefits such as better quality, faster reach-to-market, original and creative products and lower levels of inventory.

**(vi) Customer Markets**

Customer Markets represent all the people or the organizations that buy goods or services. They can be either consumers or intermediaries. In more markets today, 'customer service' proves to be the major factor differentiating the company from its competitors.

(b) What are the various elements of CRM roadmap? **(Unit - IV, Q.No. 15)**

7. (a) How can call centers contribute to better CRM in organization? **(Unit - V, Q.No. 6)**

(b) Explain the importance of business analytics for the success of CRM. **(Unit - V, Q.No. 5)**

8. What are some of the software packages for CRM implementation? Discuss any two packages and evaluate them. **(Unit - V, Q.No. 23)**

## JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD

M.B.A IV Semester Examination, December - 2019

R17

## CUSTOMER RELATIONSHIP MANAGEMENT

Time : 3 Hours]

[Max. Marks : 75

**Note :** This question paper contains two parts A and B.

Part A is compulsory which carries 25 marks. Answers all questions in Part A.

Part B consists of 5 Units. Answer any one full question from each unit.

Each question carries 10 marks and may have a, b, c as sub questions.

PART - A (5 × 5 = 25 Marks)

**ANSWERS**

1. What do you Understand by Touch Point Analysis.

*Ans :*

Customer touch-point analysis can start with a review of the customer insights you already have and a map of customer interactions to understand where data collection is still needed. The key is to ensure that the baseline assessment not only collects the relevant information on customers' needs and expectations at every stage in the customer lifecycle but also seeks to objectively measure how well each interaction adds to or subtracts from brand value

(b) How customer value is important to business ?

(Unit - II, SQA. 7)

(c) Give examples of customer's defection from your surroundings.

*Ans :*

Customers are difficult to maintain and it costs a lot to acquire new customers than to retain an old one. Hence it becomes even more imperative to retain customers and try and see that one size fits all strategy does not work here. Every customer is unique and needs to be handled differently.

- **Pricing** : Customers are very sensitive to pricing and any increase in the same can lead to termination of relationship. This is especially true when the economy is on a downturn and customers are trying to cut corners at all possible costs. This defection can happen for any product whether it is banking service, mobile services, rental services etc. The moment price is increased and is offered a better pricing somewhere else, customer defects.
- **Service** : Customers have varied options to choose from and a slightest dip in service standards will lead to customers' defection. Service plays a vital part in the relationship and should not vary irrespective of what channel customers uses. Customers tend to be very finicky about how their servicing requirements are handled and tend to defect at a slightest hint of service not meeting their expectation.
- **Product** : A bad product can lead to customer dissatisfaction leading to customer defection. A simple example of a new car introduced in the market without much emphasis given to after sales service and bad quality spares can lead to a bad publicity and word of mouth. This is worst publicity for an organization and will spell doom.

- (d) Write short note on emotional bonding .

*Ans :*

An emotional connection occurs when your CRM strategy bridges the dissonance between a consumer completing a logical purchase, and a consumer who purchases to fulfill their desire to feel socially accepted, secure and confident.

- (e) Discuss the advantages of data mining.

*Ans :*

**(i) It is helpful to predict future trends**

Most of the working nature of the data mining systems carries on all the informational factors of the elements and their structure.

One of the common benefits that can be derived with these data mining systems is that they can be helpful while predicting future trends. And that is quite possible with the help of technology and behavioral changes adopted by the people.

**(ii) It signifies customer habits**

For example, while working in the marketing industry one can understand all the matters of customer behaviour and their habits. And that is possible with the help of data mining systems.

As these data mining systems handle all the information acquiring techniques. It is helpful in keeping track of customer habits and their behavior.

**(iii) Helps in decision making**

There are some people who make use of these data mining techniques to help them with some kind of decision making.

**(iv) Increase company revenue**

As it has been explained earlier that data mining is a process wherein which it involves some sort of technology to acquire

some information about anything possible. And this type of technology makes things easier for their profit earning ratio.

**PART - B (5 × 10 = 50 Marks)**

2. (a) Write short note on CRM. (Unit -I, Q.No. 1)  
(b) Explain the Functionality of Touch Point Analysis.

*Ans :*

**1. Atmospheric elements**

Atmospheric covers all aspects of when a consumer comes into contact with the store physically or digitally, and will activate any of the consumer's senses, such as: sight, sound, touch, and smell. Some atmospheric elements that need to be considered for physical stores are: Store layout and design, Store displays, the overall attractiveness of the store, ambiance and amenities

**2. Technological elements**

Technological touch points cover the ease of use of the technology and also the convenience of it, as well as self-service technology The technological side of businesses are becoming ever increasingly



important, to a business are the overall success of it. As well as having up to date technology it is important for the business to use the technology to their advantage when sending out surveys or questionnaires to their target markets,

### 3. Communicative elements

Communicative elements focus on a promotional message, informative message and advertisement. These messages are often used as a one-way communication channel from the business to the customer, it can include both promotional and informative information. It can be received in the forms of: email flyers, messages via texts, advertising on the television or radio, physical flyers and telephone calls.

### 4. Process elements

Process elements look at the process for the customer to get a product and the availability of the product, specifically: waiting time, navigation and service process. Waiting time can be while the customer is in store, waiting in line to check out or even purchase a coffee/wait for it to be made, but it also includes virtual checkouts, delivery, how long you are on hold with on the. Navigation and service look at the accessibility and ease for the consumer to get around the store, both virtual and brick and mortar stores. It can also come down to how easy the business has made the process of returning goods, whether they are faulty, wrong size, or if the customer has simply decided they no longer want it.

OR

3. (a) How did CRM evolve? (Unit - I, Q.No. 2)  
(b) Explain how CRM helps in understanding the customer's views? (Unit - I, Q.No. 9)
4. (a) What is meant by Lifetime customer value? (Unit - II, Q.No. 13)  
(b) Is there any difference between cost-volume profit analysis and base profit analysis, if yes, what?

*Ans :*

No, there are no differences between cost volume profit analysis and base profit analysis.

OR

5. What do you mean by customer defection? What drives the customer defection?

*Ans :*

Customer defections should focus a service provider on those aspects of the service which are important to the customers. Customers generate increasingly more profits each year they stay with a service company. Losing a customer means losing all the revenues that he would have brought in future. A service company's greatest worry and source of motivation to make improvements should be the customers who defect.

Customer defections can focus a company's attention on exactly the things that customers value. The company should gather feedback from defecting customers and adjust its processes and products to reflect customers' concerns. The idea should be to attain a level of zero customer defection.

The service provider has to define 'defection' for his business. A customer may not avail the services of the provider each time he needs the service but he still needs to use the provider's service a reasonable number of times to be labeled as loyal.

For example, as soon as a family starts going to other restaurants half the time they go out to eat, the family should be labeled as a defected customer by the restaurant who is interested in keeping the family as its customer.

The next step that a service provider has to take is to find a mechanism to track customers who have already defected or are on the verge of doing so. This mechanism will track the customer's purchases from the service provider and alert the provider when there is change in his buying pattern. A retailer issues cards to all its customers.

Customers are interested in getting the 2 cards because the card holders get discounts on their purchases. Customers' future purchases are automatically registered against their card number. The retailer knows how often particular customers return and how much they buy. The retailer can contact those who are visiting infrequently or those who are purchasing less

6. Explain the CRM process with relevant examples. **(Unit - IV, Q.No. 3)**

OR

7. Discuss with examples CRM roadmap for business applications. **(Unit - IV, Q.No. 15)**

8. (a) What do you mean by customer retention strategy? **(Unit - IV, Q.No. 5)**

- (b) Describe the keys of customer retention. **(Unit - IV, Q.No. 6)**

OR

9. (a) Define customer acquisition. Discuss the reason for customer acquisition. **(Unit - IV, Q.No. 4)**

- (b) Describe in detail various strategies for customer acquisition. **(Unit - IV, Q.No. 4)**

10. What are the functional and technical requirements for CRM solutions? Explain. **(Unit - V, Q.No. 19)**

OR

11. Explain the role of data warehousing and data mining in CRM. **(Unit - V, Q.No. 20,21)**

# JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD

M.B.A II - Year IV - Semester Examination

R19

## MODEL PAPER - I

### CUSTOMER RELATIONSHIP MANAGEMENT

Time : 3 Hours]

[Max. Marks : 75

**Note :** This question paper contains two parts A and B.

Part A is compulsory which carries 25 marks. Answers all questions in Part A.

Part B consists of 5 Units. Answer any one full question from each unit.

Each question carries 10 marks and may have a, b, c as sub questions.

PART - A ( $5 \times 5 = 25$  Marks)

#### ANSWERS

1. (a) Customer Relationship Management (CRM) (Unit-I, SQA 1)
- (b) Building Customer Relations (Unit-II, SQA 1)
- (c) Definition of e-CRM/Online CRM (Unit-III, SQA 3)
- (d) Customer Acquisition (Unit-IV, SQA 3)
- (e) Strategic CRM Planning Process (Unit-V, SQA 1)

PART - B ( $5 \times 10 = 50$  Marks)

2. Explain about evolution of CRM. (Unit-I, Q.No. 2)  
(OR)
3. What are the Goals and Objectives of CRM? (Unit-I, Q.No. 4)
4. Write about the role of customer-related data or customer information database in the achievement of CRM objectives. (Unit-II, Q.No. 5)  
(OR)
5. Discuss about Customer Profile Analysis. (Unit-II, Q.No. 7)
6. What are the steps in objectives and CRM process ? (Unit-III, Q.No. 1)  
(OR)
7. Give an insight into CRM and e-CRM/Online / CRM. (Unit-III, Q.No. 2)
8. Discuss the elements of CRM. (Unit-IV, Q.No. 2)  
(OR)
9. Explain the process of CRM. (Unit-IV, Q.No. 3)
10. What are the Issues / Bottlenecks in implementing CRM ? (Unit-V, Q.No. 3)  
(OR)
11. Discuss about the various tools of CRM. (Unit-V, Q.No. 4)

## JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD

M.B.A II - Year IV - Semester Examination

R19

## MODEL PAPER - II

## CUSTOMER RELATIONSHIP MANAGEMENT

Time : 3 Hours]

[Max. Marks : 75

**Note :** This question paper contains two parts A and B.

Part A is compulsory which carries 25 marks. Answers all questions in Part A.

Part B consists of 5 Units. Answer any one full question from each unit.

Each question carries 10 marks and may have a, b, c as sub questions.

PART - A ( $5 \times 5 = 25$  Marks)**ANSWERS**

1. (a) Need and Importance of CRM (Unit-I, SQA 2)
- (b) Customer Profile Analysis. (Unit-II, SQA 3)
- (c) Architecture of e-CRM (Unit-III, SQA 4)
- (d) Models of CRM (Unit-IV, SQA 4)
- (e) Analytical CRM (Unit-V, SQA 4)

PART - B ( $5 \times 10 = 50$  Marks)

2. What are the components of CRM? (Unit-I, Q.No. 5)  
(OR)
3. "CRM is a strategic marketing tool". Discuss. (Unit-I, Q.No. 7)
4. Discuss in detail about customer perception. (Unit-II, Q.No. 8)  
(OR)
5. Discuss about Customer Life Time Value. (Unit-II, Q.No. 13)
6. Define e-CRM/Online CRM what are the steps involved in building an e-CRM solution? Discuss the requirement, need and dimensions of e-CRM. (Unit-III, Q.No. 3)  
(OR)
7. What are the phases involved in CRM cycle? Discuss. (Unit-III, Q.No. 5)
8. What do you understand by customer acquisition? Explain various customer acquisition strategies. (Unit-IV, Q.No. 4)  
(OR)
9. What are the steps in customer retention process? (Unit-IV, Q.No. 8)
10. Explain the role of CRM managers in business. (Unit-V, Q.No. 7)  
(OR)
11. What are the trends in CRM ? (Unit-V, Q.No. 8)

## JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD

## M.B.A II - Year IV - Semester Examination

R19

## MODEL PAPER - III

## CUSTOMER RELATIONSHIP MANAGEMENT

Time : 3 Hours]

[Max. Marks : 75

**Note :** This question paper contains two parts A and B.

Part A is compulsory which carries 25 marks. Answers all questions in Part A.

Part B consists of 5 Units. Answer any one full question from each unit.

Each question carries 10 marks and may have a, b, c as sub questions.

## PART - A (5 × 5 = 25 Marks)

ANSWERS

1. (a) Work Flow Automation (Unit-I, SQA 3)
- (b) Customer Life Time Value (CLTV) (Unit-II, SQA 7)
- (c) 4 C's (elements) of CRM Process. (Unit-III, SQA 6)
- (d) CRM Roadmap (Unit-IV, SQA 6)
- (e) e-CRM Solutions (Unit-V, SQA 5)

## PART - B (5 × 10 = 50 Marks)

2. What are consumer markets in CRM? How do you develop business relationships in such markets? (Unit-I, Q.No. 9)  
(OR)
3. Discuss about CRM Issues & Problems. (Unit-I, Q.No. 12)
4. Explain about Customer Life Cycle. (Unit-II, Q.No. 16)  
(OR)
5. Define network and write about business networks. Discuss the role of Business Networks in CRM. (Unit-II, Q.No. 17)
6. Discuss the role of CRM process in marketing. (Unit-III, Q.No. 8)  
(OR)
7. Write about the CRM value chain. Discuss its primary stages. (Unit-III, Q.No. 9)
8. What are the customer retention strategies? (Unit-IV, Q.No. 9)  
(OR)
9. What are the different models of CRM? Discuss in detail about G-Spot Model. (Unit-IV, Q.No. 14)
10. What are the Types e - CRM Solutions ? (Unit-V, Q.No. 14)  
(OR)
11. Discuss about role of Data mining in CRM. (Unit-V, Q.No. 21)