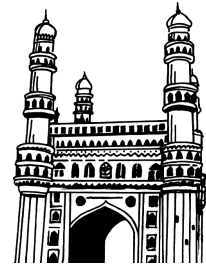


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# BBA

*III Year V Semester*

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## CUSTOMER RELATIONSHIP MANAGEMENT

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# **BBA**

## ***III Year V Semester***

# **CUSTOMER RELATIONSHIP MANAGEMENT**

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# CUSTOMER RELATIONSHIP MANAGEMENT

## STUDY MANUAL

Important Questions	III - VI
Unit - I	1 - 24
Unit - II	25 - 58
Unit - III	59 - 76
Unit - IV	77 - 108
Unit - V	109 - 130

## SOLVED MODEL PAPERS

Model Paper - I	131 - 132
Model Paper - II	133 - 134
Model Paper - III	135 - 136

# SYLLABUS

## UNIT - I

### **EVOLUTION OF CUSTOMER RELATIONSHIP :**

CRM – Definition, Emergence of CRM Practice, Factors responsible for CRM growth, CRM Process, framework of CRM, Benefits of CRM, Types of CRM, Scope of CRM, Customer Profitability.

## UNIT - II

### **CRM CONCEPTS :**

Customer Value, Customer Expectation, Customer Satisfaction, Customer Acquisition, Customer Retention, Customer Loyalty, Customer Lifetime Value. Customer Experience Management, Customer Profitability.

## UNIT - III

### **PLANNING FOR CRM :**

Steps in Planning – Building Customer Centricity, Setting CRM Objectives, Defining Data Requirements, Planning Desired Outputs, Relevant issues while planning the Outputs, Elements of CRM Plan, CRM Strategy: The Strategy Development Process.

## UNIT - IV

### **CRM AND MARKETING STRATEGY :**

CRM Marketing Initiatives, Sales Force Automation, Campaign Management, Call Centers. Practice of CRM. CRM in Consumer Markets, CRM in Services Sector.

## UNIT - V

### **CRM PROBLEMS IN IMPLEMENTATION :**

Issues and Problems in Implementing CRM, Information Technology Tools in CRM, Challenges of CRM Implementation. CRM Implementation Roadmap, Road Map (RM).

# Contents

Topic	Page No.
<b>UNIT - I</b>	
1.1 Customer Relationship Management (CRM) .....	1
1.1.1 Definition .....	1
1.2 Emergence of CRM Practice .....	3
1.3 Factors Responsible for CRM Growth .....	5
1.4 CRM Process .....	6
1.5 Framework of CRM .....	8
1.6 Benefits of CRM .....	9
1.7 Types of CRM .....	10
1.8 Scope of CRM .....	12
1.9 Customer Profitability .....	13
➤ <b>Short Questions Answer</b> .....	<b>17 - 22</b>
➤ <b>Choose the Correct Answer</b> .....	<b>23 - 23</b>
➤ <b>Fill in the Blanks</b> .....	<b>24 - 24</b>
<b>UNIT - II</b>	
2.1 Customer Value .....	25
2.2 Customer Expectation .....	27
2.3 Customer Satisfaction .....	29
2.4 Customer Acquisition .....	32
2.5 Customer Retention .....	35
2.6 Customer Loyalty .....	39
2.7 Customer Lifetime Value .....	46
2.8 Customer Experience Management .....	49
2.9 Customer Profitability .....	50
➤ <b>Short Questions Answer</b> .....	<b>53 - 56</b>
➤ <b>Choose the Correct Answer</b> .....	<b>57 - 57</b>
➤ <b>Fill in the Blanks</b> .....	<b>58 - 58</b>

### UNIT - III

Topic	Page No.
3.1 Planning For CRM .....	59
3.1.1 Steps in Planning - Building Customer Centricity .....	60
3.2 Setting CRM Objectives.....	63
3.3 Defining Data Requirements Planning Desired Outputs .....	63
3.4 Relevant issues while planning the Outputs .....	65
3.5 Elements of CRM Plan .....	66
3.6 CRM Strategy .....	66
3.6.1 The Strategy Development Process .....	68
➤ <b>Short Questions Answer</b> .....	<b>72 - 74</b>
➤ <b>Choose the Correct Answer</b> .....	<b>75 - 75</b>
➤ <b>Fill in the Blanks</b> .....	<b>76 - 76</b>

### UNIT - IV

4.1 CRM Marketing Initiatives .....	77
4.2 Sales Force Automation .....	79
4.3 Campaign Management .....	84
4.4 Call Centers .....	88
4.5 Practice of CRM in Consumer Markets .....	91
4.6 CRM in Services Sector .....	94
➤ <b>Short Questions Answer</b> .....	<b>104 - 106</b>
➤ <b>Choose the Correct Answer</b> .....	<b>107 - 107</b>
➤ <b>Fill in the Blanks</b> .....	<b>108 - 108</b>

### UNIT - V

5.1 CRM Problems In Implementation .....	109
5.1.1 Issues and Problems in Implementing CRM .....	112
5.2 Information Technology Tools in CRM .....	113
5.3 Challenges of CRM Implementation .....	116
5.3.1 CRM Implementation .....	118
5.4 CRM Roadmap .....	120
➤ <b>Short Questions Answer</b> .....	<b>126 - 128</b>
➤ <b>Choose the Correct Answer</b> .....	<b>129 - 129</b>
➤ <b>Fill in the Blanks</b> .....	<b>130 - 130</b>

## Important Questions

### UNIT - I

1. Define CRM. Explain the need for CRM.

*Ans :*

Refer Unit-I, Q.No. 1

2. Explain the concept of emergence of CRM practices.

*Ans :*

Refer Unit-I, Q.No. 4

3. Explain various steps involved in CRM process.

*Ans :*

Refer Unit-I, Q.No. 7

4. What are the benefits of CRM?

*Ans :*

Refer Unit-I, Q.No. 9

5. Explain the different types of CRM.

*Ans :*

Refer Unit-I, Q.No. 10

6. What are the future trends in CRM ?

*Ans :*

Refer Unit-I, Q.No. 14

7. Explain the role of technology in CRM.

*Ans :*

Refer Unit-I, Q.No. 15

### UNIT - II

1. Define customer satisfaction? State the factors affecting customer satisfaction.

*Ans :*

Refer Unit-II, Q.No. 3

2. Explain the importance of customer satisfaction ?

*Ans :*

Refer Unit-II, Q.No. 5

3. Describe various customer retention strategies.

*Ans :*

Refer Unit-II, Q.No. 10

---

4. State the various trends in customer retention.

*Ans :*

Refer Unit-II, Q.No. 12

---

5. What are the Factors Affecting Customer Loyalty Formation.

*Ans :*

Refer Unit-II, Q.No. 16

---

6. Discuss about Customer Life Time Value.

*Ans :*

Refer Unit-II, Q.No. 18

### UNIT - III

1. Define customer centricity ? State the various pillars of customer centricity.

*Ans :*

Refer Unit-III, Q.No. 1

---

2. Explain the Challenges of Customer Centric Business Strategy.

*Ans :*

Refer Unit-III, Q.No. 3

---

3. Describe the Data Requirements in customer relationship management.

*Ans :*

Refer Unit-III, Q.No. 5

---

4. What are the elements of CRM Plan?

*Ans :*

Refer Unit-III, Q.No. 7

---

5. Discuss the strategy development process.

*Ans :*

Refer Unit-III, Q.No. 10



**UNIT - IV**

1. What are the marketing strategies of CRM? Explain.

*Ans :*

Refer Unit-IV, Q.No. 1

---

2. What do you understand by Sales Force Automation?

*Ans :*

Refer Unit-IV, Q.No. 2

---

3. Discuss about Campaign Management System.

*Ans :*

Refer Unit-IV, Q.No. 6

---

4. What are the elements of a Call Center.

*Ans :*

Refer Unit-IV, Q.No. 10

---

5. What are the different types of Call Centres?

*Ans :*

Refer Unit-IV, Q.No. 11

---

6. What are the different types of call centers technologies ?

*Ans :*

Refer Unit-IV, Q.No. 12

---

7. What are the steps in Consumer Buying Process ?

*Ans :*

Refer Unit-IV, Q.No. 16

---

8. Write about CRM practice in Indian Service Sector.

*Ans :*

Refer Unit-IV, Q.No. 17

**UNIT - V**

1. Describe the various phases in CRM planning and implementation.

*Ans :*

Refer Unit-V, Q.No. 1

---

2. "Various technical, organizational and human related issues need to be considered while implementing CRM". Elucidate.

*Ans :*

Refer Unit-V, Q.No. 3

**3. What are the technological benefits in implementing CRM ?**

*Ans :*

Refer Unit-V, Q.No. 4

---

**4. Describe the Implementation process of CRM.**

*Ans :*

Refer Unit-V, Q.No. 8

---

**5. Describe the concept of CRM Roadmap.**

*Ans :*

Refer Unit-V, Q.No. 9

---

**6. What are the emerging trends in CRM.**

*Ans :*

Refer Unit-V, Q.No. 10

# UNIT I

## EVOLUTION OF CUSTOMER RELATIONSHIP :

CRM – Definition, Emergence of CRM Practice, Factors responsible for CRM growth, CRM Process, framework of CRM, Benefits of CRM, Types of CRM, Scope of CRM, Customer Profitability.

### 1.1 CRM

#### 1.1.1 Definitions

**Q1. Define CRM. Explain the need for CRM?**

*Ans :*

**(Imp.)**

#### Meaning

Customer relationship management (CRM) has the business purpose of intelligently finding, marketing, selling to and servicing customers. CRM is a broadly used term that covers concepts used by companies, and public institutions to manage their relationships with customers and stakeholders. Technologies that support this business purpose include the capture, storage and analysis of customer, vendor, partner, and internal process information. Functions that support this business purpose include Sales, Marketing and Customer Service, Training, Professional Development, Performance Management, Human Resource Development and compensation.

#### Definitions

- (i) **According to Shani and Chalasani (1992)**, defines Customer Relationship Management as "an integrated effort to identify, maintain and build up a network with individual consumers and to continuously strengthen the network for mutual benefit of both sides, through interactive, individualized and value added contacts over a long period of time"
- (ii) **According to Vavra (1992)**, CRM is customer retention in which a variety of after

marketing tactics is used for customer bonding or staying in touch after the sale is made. According to Gronroos, CRM is marketing strategy to establish, maintain and enhance relationship with customers and other partners, at a profit so that the objectives of the parties involved are met. This is achieved by a mutual exchange and fulfillment of promises.

We define CRM as Customer Relationship Management as a comprehensive marketing strategy to improve marketing productivity which can be achieved by increasing marketing efficiency and enhancing marketing effectiveness through a process of acquiring, retaining and partnering with selective customers to create superior mutual value for the parties involved.

- (iii) **According to Gartner**, "CRM is a business strategy designed to optimise profitability, revenue, and customer satisfaction".
- (iv) **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".
- (v) **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.

**Need**

- The experience from many companies is that a very clear CRM requirement with regards to reports, e.g. output and input requirements, is of vital importance before starting any implementation.
- With a proper demand specification a lot of time and costs can be saved based on right expectations versus systems capability.
- A well operative CRM system can be an extremely powerful tool for management and customer strategies.
- CRM is not just a technology, but rather a comprehensive approach to an organization's philosophy in dealing with its customers. This includes policies and processes, front of house customer service, employee training, marketing, systems and information management.
- Hence, it is important that any CRM implementation considerations stretch beyond technology, towards the broader organizational requirements.

- The objectives of a CRM strategy must consider a company's specific situation and its customers' needs and expectations.

**Q2. What are the features of CRM ?**

*Ans :*

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**

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.

**Q3. What are the objectives of CRM?**

*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.

**1.2 EMERGENCE OF CRM PRACTICE****Q4. Explain the concept of emergence of CRM practices.**

*Ans :*

**(Imp.)**

- 1960's – the era of Mass Marketing, when Gibbs SR toothpaste began the first marketing of this kind with its black and white campaign.
- 1970's – saw the beginning of segmentation, direct mail campaigns and early telemarketing (such as publishing)
- 1980's – where Niche marketing made millionaires of those who were best at it.
- 1990's – Relationship Marketing. The explosion of telemarketing and call centers, all set up to develop relationships with

customers. The recognition of the true value of retention and the use of Lifetime Value as a business case.

In recent years however, several factors have contributed to the rapid development and evolution of CRM. These include:

1. The growing de-intermediation process in many industries due to the advent of sophisticated computer and telecommunication technologies that allow producers to directly interact with end-customers. For example, in many industries such as airlines, banks insurance, software or household appliances and even consumables, the de-intermediation process is fast changing the nature of marketing and consequently making relationship marketing more popular. Databases and direct marketing tools give them the means to individualize their marketing efforts.
2. Advances in information technology, networking and manufacturing technology have helped companies to quickly match competition. As a result product quality and cost are no longer significant competitive advantages.
3. The growth in service economy. Since services are typically produced and delivered at the same institution, it minimizes the role of the middlemen.
4. Another force driving the adoption of CRM has been the total quality movement. When companies embraced TQM it became necessary to involve customers and suppliers in implementing the program at all levels of the value chain. This needed close working relationships with the customers. Thus several companies such as Motorola, IBM, General Motors, Xerox, Ford, Toyota, etc formed partnering relations with suppliers and customers to practice TQM. Other programs such as JIT and MRP also made use of interdependent relationships between suppliers and customers.
5. Customer expectations are changing almost on a daily basis. Newly Empowered customers who choose how to communicate with the companies across various available channels. Also nowadays consumers expect a high degree of personalization.
6. Emerging real time, interactive channels including e-mail, ATMs and call centre that must be synchronized with customer's non-electronic activities. The speed of business change, requiring flexibility and rapid adoption to technologies.
7. In the current era of hyper competition, marketers are forced to be more concerned with customer retention and customer loyalty.
8. As several researches have found out retaining customers is less expensive and more sustainable competitive advantage than acquiring new ones.
9. On the supply side it pays more to develop closer relationships with a few suppliers than to develop more vendors.
10. In addition several marketers are concerned with keeping customers for life than making one time sale.
11. The globalization of world marketplace makes it necessary to have global account management for the customers.

---

**Q5. State the various reasons for the emergence of CRM.**

*Ans :*

**1. Customer becoming more powerful:**

The customer now realizes that with liberalization and globalization he has a large number of companies supplying the product or service with hardly any difference in Value. It is now the customer who dictates the terms and asks for more and more at lower cost.

**2. Mass Customization**

The customer realizes that companies are focusing on mass customization. Taking the

very simple example of jeans which have become a craze with the youth, the customer finds that at a retail outlet he can select from a wide variety and the retailer is able to make alterations depending upon the customer's choice with an alteration expert making the desired changes within minutes. There is an approach in design wherein modularity is introduced in the design stage which enables a variety of products to be served to the customers to permit them to have the product they demand

### 3. Cost of customer

It has been realized that it is far more profitable and easier to retain a loyal customer than to create a new customer from a prospect. Every CRM expert is aware of this fact

### 4. Limitation of ERP Solutions

Though ERP is a very versatile tool which very successfully integrates the internal process users by making every internal supply chain strong, there are difficulties in extending it to the downstream end of a supply chain to the customers.

### 5. Firms opting for direct selling

Some firms opt for direct selling to the customer and intentionally eliminate the distributor and retailer to increase their responsiveness. They are also able to avoid the bullwhip effect by doing so. It is in such cases when CRM solutions are cost needed and effective.

## 1.3 FACTORS RESPONSIBLE FOR CRM GROWTH

### Q6. What are the Factors responsible for CRM growth?

*Ans.:* (Imp.)

#### 1. Top Management Commitment and Support

Top management involvement in the CRM implementation plan has been identified in

almost all success factors studies as a crucial factor that ensure the successful implementation of CRM. Considering the scope of CRM implementation as an enterprise-wide strategy requires a full support by the top level of the organizational structure. The role of board level is essential in backing the CRM implementation process and securing required amount of financing for putting CRM projects into action.

#### 2. Define and Communicate CRM Strategy

A clear definition of the CRM strategy and alignment of this strategy to the company's strategy would facilitate the transition of changing work structure and environment toward customer-centric approach. The absence of a clear CRM strategy or the lack of developing such a plan could cause the failure of CRM implementation. Additionally, publishing the strategy to the staff is required to raise their awareness of the CRM objectives, implications, and benefits.

#### 3. Culture Change

In order for CRM to succeed in realizing its objectives, organization should develop a culture where all staff are encouraged to share and learn from new work structure and information that is based on customers. Expected resistance of new ways of conducting work tasks within the organization's culture should be addressed and minimized.

#### 4. Inter-Departmental Integration

From a strategic perspective CRM implementation has an organization-wide influence. Different functions and departments of the organization should be integrated and connected with a structure that support the flow of information.

Although all aspects of the organization should be integrated, a special consideration should be devoted to functions that have

direct interaction with customers such marketing, sales, and services. Such integration is required to deliver a unified view of the organizations and its products to the customers.

#### 5. Skillful Staff

Employees play a key role in the success of CRM projects. Issues of the nature of learning new work systems, training programs, change resistance, willingness to share information, and motivating staff should be taken to consideration.

#### 6. Key Information on Customers

Acquiring and analyzing the right quantity and quality of information on customers helps to meet customer's needs. The right information is the base for designing customized products and services.

#### 7. Manage IT Structure

Considering CRM as only a technological solution is a vital misconception that resulted in increasing failure of CRM projects. Nevertheless, IT is an enabler for acquiring and managing valuable data on customers. Technological aspects such as data warehouse capabilities and software configuration in addition to the influence of the internet are crucial for CRM successful implementation

#### 8. Customer Involvement

Direct and indirect Involvement of customers in CRM designing is a tool for strengthening practical CRM. Such an involvement helps the organization to analyze the customer relationship life cycle and consequently find the areas of problems that can be managed by CRM. Furthermore, customers' acceptance and interaction with CRM systems could be enhanced by involving those customers in building CRM systems.

### 1.4 CRM PROCESS

**Q7. Explain various steps involved in CRM process.**

*Ans :*

**(Imp.)**

#### **Necessities for an Effective Process Planning**

CRM Process is the systematic determination of the methods by which a project is to be implemented, economically and competitively.

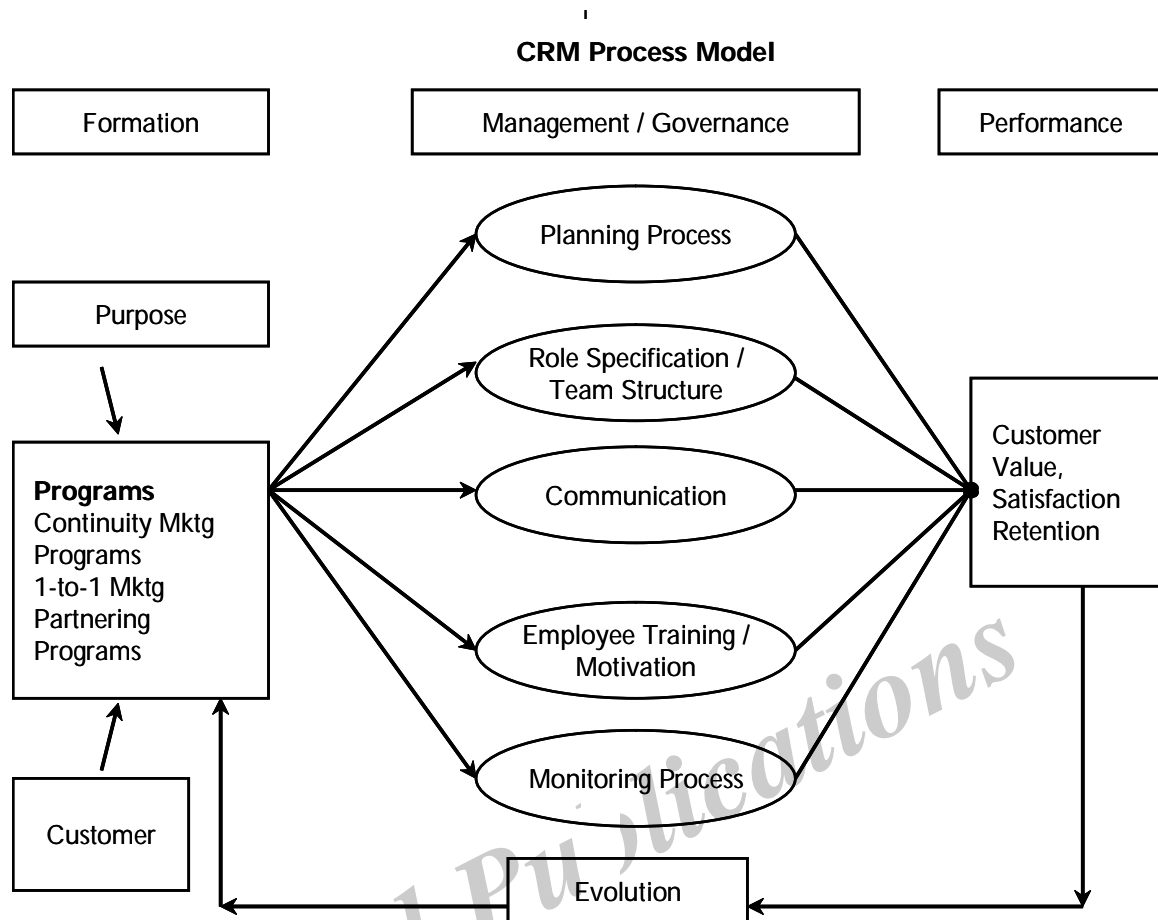
Process planning is the intermediate stage between project kick off and implementation.

Creatively translate business innovation, structural transformation and value measures into CRM investment priorities

Continually refine iteration approach based on the following five major areas.

- Customer
- Competition
- Market
- Growth
- Technology innovation





### Process Selection Procedure

- Major technological changes
- Minor technological changes
- Specific component choice
- Process flow choice

### Major Technological Changes

- Does technology exist or not ?
- Are there competing technologies between which we should choose?
- Should technology be developed in the country itself?
- Should innovations be licensed from foreign countries?
- Minor Technological Changes - Once the major technological choice is made there may be a number of minor technological process available Additional Modules - Customization of Software
- Director should be involved in evaluating costs and for consistency of the desired product Deciding the best combination of process in terms of costs and the operation process.

**1.5 FRAMEWORK OF CRM**

**Q8. Describe the framework of CRM.**

*Ans :* (Imp.)

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 hand holding, 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.

### 1.6 BENEFITS OF CRM

#### Q9. What are the benefits of CRM?

*Ans :*

(Imp.)

Benefits of CRM are as follows

#### 1. Provide Better Customer Service

CRM system gives advantages such as the ability to personalize relationship with customers. CRM maintains Customer Profiles, there by treating each client as an individual and not as a group. This way every employee can be better informed about each customer's specific needs and transaction profiles.

Better Customer Service improves the responsiveness and understanding which helps in building Customer loyalty. It also helps the company in getting continuous feedback from the Customers on the Product they have brought.

**For Example:** LG Company always make a follow-up with its Customers on the items the, Customers have bought, so as to rectify the problem (if any) even before it gets logged as a complaint.

#### 2. Increase Customers Revenues

Regular updation of customer information will help a firm to keep on revising its product and marketing strategy. Adaptation of product and its marketing to match the changing needs of a customer make the organisation customer friendly resulting in increase the sales and revenue.

#### 3. Discover New Customers

CRM systems help the organization in identifying potential Customers by keeping a track of the profiles of their existing client, the business can easily come up with a strategy to determine the kind of people they should target so that it returns them maximum revenue.

#### 4. "Cross Sell" and "Up Sell"

CRM system facilitates Cross-selling (offering customers complimentary products based on their previous purchases) and Up-Selling (offering customers premium products in the same category) It helps them to gain a better understanding of customers and anticipate their purchases.

For Example- (Cross sell – A Bluetooth head set along with the smart phone and up sell – Surf Detergent has introduced Surf Excel a better quality product.

#### 5. Help Sales Staff Close Deals Faster

CRM helps the business in closing deals faster through quicker and more efficient responses to customer needs and customer information. The organizations have to implement CRM Systems effectively.

#### 6. Customer Loyalty

Firms can gain loyalty of the customer by regularly understanding their needs and meeting their needs. Customer develops regular association with the firm due to the products and marketing style of a firm that is of customers liking.

**7. CRM Benefits Everyone**

It offers a win situation for everyone that is:

- (a) Customer is benefited as he gets product of his choice.
- (b) Retailer is benefited as he has less difficulty in selling the product.
- (c) Manufacturer is benefited due to regular sales.

**1.7 TYPES OF CRM**

**Q10. Explain the different types of CRM.**

*Ans :*

**(Imp.)**

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, multichannel 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**

This is a CRM type that maintains the analysis and operations of an organizational back-office. Here, the sales are not done directly to the customers. This type is made in a mode to analyze critically the information, the demographics and anything else relating to the customers. The sole aim of analytical CRM towards the organization is developing, supporting and enhancing the decision-making in the organization. It establishes the powerful patterns and forecasts in the clients' information and data collected from different operational CRM systems.

**Features of analytical CRM**

- Deploying and implementing the outcome to improve the effectiveness of CRM systems and processes, and enhance relationships and customer interaction.
- Analyzing, determining and developing comprehensive rules and methods to level and optimize the customer relationship.

- Getting the entire important customer's information from different channels and sources.

### 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.

#### Q11. What are the disadvantages of CRM?

*Ans :*

Implementation of CRM system has following limitations for an organization:

#### 1. Investment

A firms has to invest capital in developing the CRM system and technology to gather information about the customer regularly. Small firms with the limited capital may find difficult to install the CRM system in their organisation.

#### 2. Technology

Collection of information regarding the customer's needs and its regular updating requires use of modern information technology. A firm must not only have adequate capital but needs necessary knowledge to install and implement the technology.

### 3. **Liaison between Production Marketing and CRM Team**

CRM is undertaken to understand to needs of customer and accordingly device product and its marketing. It needs cooperation between manufacturer, retailer and their infraction with the final customer to know customers' needs and accordingly market the product.

Lack of coordination between them will make the task of CRM unsuccessful. That is information collected must be communicated to manufacturer. Manufacturer must redesign product based on such communication. If the communication is not proper or manufacture does not respond to communication CRM will be in effective.

### 4. **Regular Exercise**

CRM is a regular activity it is not a one time affair. Firms have to regularly monitor to under and customer's needs. The CRM system has to work 24×7 to regularly get feedback from the customers. In such case use of technology like, Website, Toll free communication, email may be effective.

### 5. **Wrong CRM Tool**

A mistaken tool choice may make CRM more complicated. So the companies need to consider in advance what kind of tools would be appropriate in order to follow its relationship with its customers.

## 1.8 SCOPE OF CRM

**Q12. Explain the scope of CRM.**

*Ans :*

The CRM is basically introduced in an organization with an aim to retain customers. Basically, CRM brings about a change in the business. The change does not take place instantly and inorder to make it a success it is necessary to steel it in the right direction. The use of CRM is not restricted only to the IT department. It must implemented within the complete organization.

The scope of CRM is still being studied by many marketing scholars. Various concepts with relation to value and process of cooperative and collaborative relationships between buyers and sellers are being developed. The concepts relating to managing of relationship with customers are being studied by scholars belonging to disciplines such as channels, service marketing, business- to-business marketing, advertising, etc.

CRM also proves to be helpful in online transactions. The online customer service may also be offered for products sold offline.

**Voss has identified three levels of CRM.**

#### 1. **Foundation Services**

These are the basic mandatory services. They include site responsiveness, site effectiveness and order fulfillment.

#### 2. **Customer-centered Services**

It includes the services which are of major concern for the customers. It includes services such as, order tracing; configuration and customization and security/trust.

#### 3. **Value Added Services**

This includes the extra services that are offered such as dynamic brokering, online auctions and online training and education.

This customer service is available throughout the life of the product. Therefore the CRM's value chain comprises of four parts.

#### (i) **Customer Acquisition**

It refers to the service strategy that focuses on encouraging the customers to purchase the product, by presenting company's brand and information.

#### (ii) **Customer Support During Purchase**

This service strategy helps the customer in purchasing efficiently, informatively and productively, by facilitating a proper shopping environment.

**(iii) Customer Fulfillment**

This service include informing the consumer about delay in delivery of products and facilitating timely delivery.

**(iv) Customer Continuance Support**

The relationship between the customer and purchases is maintained with the help of information and support. Therefore, this service focuses on providing continuous support and information to customers.

### 1.9 CUSTOMER PROFITABILITY

**Q13. What is customer profitability ? Classify customers based on customer profitability.**

*Ans :*

**(Imp.)**

Customer profitability (CP) is the profit the firm makes from serving a customer or customer group over a specified period of time, specifically the difference between the revenues earned from and the costs associated with the customer relationship in a specified period. According to Philip Kotler, "a profitable customer is a person, household or a company that overtime, yields a revenue stream that exceeds by an acceptable amount the company's cost stream of attracting, selling and servicing the customer.

The organizations should be feasible and should remember that they are taking a business decision while offering value to the customer. Before making any investment in the customer, the firm should consider the value of the customer to the company and the return which will get from the customer. For avoiding any failure, the firms should measure the value which they receive from their customers (i.e., customer profitability) and should use it in decision making.

Hence, the organizations have to manage the following two sides of customer value,

1. To offer value to their customer which is strategically regulated by customer experience management and

2. To receive value from their customer which is strategically measured by customer profitability.

### **Customer Classification on the Basis of Customer Profitability**

The customers are classified into four types on the basis of their value to the company. Every customer needs a different strategic approach from an organization. The following are the different types of customers which are classified on the basis of customer profitability.

1. The first type of customer gets high value from the products and services of the Company and offers high value in terms of high profit margins, loyalty and retention. The firm builds a mutually beneficial or win-win relation with such type of customers. The organizations must recognize and try to acquire such type of customers.
2. The second type of customer is the 'lost cause' who receives less value from the products and services of the company. If these customers offer any marginal value to the firm, then it can be to allow for economies of scale. The firms must make reducing investment in such type of customers. A study conducted by US banks in early 90's concluded that only 30% of the customers lease profitable in long run and the remaining 70% of customers demolished value. If a firm recognizes its own 'lost cause' customers, then it should transform them into profitable customers or dismiss them.
3. The third type of customer is the customer who gives high value to the firm but does not receive much value from the services of the firm. Such type of customers can be either new large customers who are not getting a good customer experience or old customers who are taken for granted. These customers are likely to suffer from defection till the company invests in effective products, additional services and a better customer experience.

4. The fourth type of customer is the customer who receives superior value from the products and services of the firm but gives less value due to their large size or competition intensity. In a shopping mall, such type of customers only visit the mall and do not purchase anything.

The above study explains how the firms waste their time, efforts and money by offering high value to low value customers without measuring customer profitability. However, after recognizing the high value customers, the firms should have knowledge about how to offer the right customer experience to them for retaining old customers, acquiring new customers and extending the margins which they are generating per customer.

### **Customer Profitability as a Strategic Measurement Tool**

The present value of the current and future profits produced from a customer is called "Customer Lifetime Value" (CLV). The customer lifetime value emphasizes mainly long-term customer relationship and assures that the firm does not spend more on a customer than its worth. Though widespread databases and sophisticated models can be used for evaluating customer lifetime value, Sunil Gupta and Donald Lehmann of Columbia Business School created a simple and accurate formula for estimating it. The research conducted by them found that customer lifetime value is a product of the annual margin of a customer and a "margin multiple". The margin multiple relies on the cost of capital and the customer retention rate of the company which is in the range of 1 to 4.5.

### **Example**

The multiple of a company whose customer retention rate is 90% and cost of capital is 12% is 4. If the annual margin from the customer of this company is \$100, then the CLV is \$400. This means that the company must not spend more than \$400 for acquiring this customer.

The firms can make use of CLV for formulating the strategies for customer acquisition, customer retention and customer expansion.

### **Customer Profitability and Company Value**

Customer profitability gives an estimation of firm value which helps in connecting marketing investment and shareholder return. The customer based valuation assumes that if the customers are the key profit makers of a firm, then the lifetime value of every customer can be estimated and the current and future customer base of a company must offer a good proxy for its market value.

Gupta and Lehmann conducted a study and found that a 1% improvement in customer retention enhances the value of the firm by 5%. Whereas a 1% improvement in the cost of the capital of company increases the value of firm by only 0.9%. These metrics create a framework for managers for connecting the investment in customers with the value of the firm.

The customer profitability as a strategic measurement tool provides a measure of the value of the firm and the drivers of that value.

### **Customer Experience Management (CEM) and Customer Profitability Management (CPM)**

Senior executives make use of CEM and CPM for maximizing the growth. Customer profitability measurements help in maximizing CEM investments in customer acquisition, retention and expansion for targeting the right customers. Customer profitability monitors the financial value which the customers offer to a firm, while CEM strategically guides to increase that value and to specify the customer experience aspects affecting the customer profitability aspects.

Thus, for attaining growth, the companies should recognize and increase customer value which the firm offers to the customers and which it derives from them. This is possible through CEM and CPM. So, the use of these two models together, helps a firm to obtain the benefits of both the sides of customer value.

### **Q14. What are the future trends in CRM ?**

*Ans :* (Imp.)

Some of the future trends in CRM are as follows :



**1. Cloud-based CRM**

Cloud computing services continue to rise, and CRM has not been left behind in this area. Cloud-based software is a cost-efficient means of gathering customer data. On-site resources no longer need to scout for leads to input into a system for future sales calls, sources of customer data are already available. Cloud-based CRM will gain momentum as cloud-based applications continue to progress.

**2. Social CRM**

Social media marketing remains on an uptrend and companies are paying attention. Consumers are empowered by social networking sites to influence product or brand image and perception. Negative feedback no longer simply routes a call to customer service, businesses can expect feedback to reach potential markets before they do. Software vendors are now responding to social CRM needs. Social media optimisation and gamification are gaining traction as marketing strategies, keeping customers engaged with the brand and company.

**3. Centralised Data**

CRM will continue to aim to understand customers through extensive data collection and analysis. By centralising customer data through CRM, businesses will be able to target and engage customers more effectively. CRM data won't end with generating leads for the sales team but will be a continuing process that also includes maintaining relationships with a growing customer base.

**4. Mobility**

Mobility has turned into a critical corporate component. Customers are no longer bound to PC's and are constantly accessing data on the go. Frontline employees and customer service resources will increasingly be empowered by mobile devices for support.

Customer perception will also be shaped not only by real-world involvement, but also by online and mobile experiences.

**5. Flexibility**

Flexibility for CRM users is key because it allows them to customise the software to meet their needs. Ease of integration and multichannel publishing are key corporate considerations. As a result, a flexible and accessible CRM platform is becoming increasingly important for users.

**6. Crowd Sourcing**

With customers gaining voice through social media, enterprises are increasingly able take advantage of crowd Sourcing for business improvements. Tapping current customers for fresh ideas, solutions and expectations can help employees across an organisation provide the innovation and interactive relationship that a growing number of customers now expect. This means that CRM will no longer be just for lead generation and marketing, it will also provide a source for new innovation.

**7. Verticalisation**

Vertical solutions are another trend. We are approaching the end of the one size fits all CRM market and entering an age of verticalisation and specialisation. There are different types of customers, different types of business models and selling strategies so the CRM software needs to support these different models. Software companies develop a tool-set and letting users/resellers customise it for their industry. In CRM, the most successful resellers reinvent the CRM application as a platform. They craft entirely new solutions on CRM that are installed with their particular expertise in a vertical or a set of business processes that make CRM much more straightforward and easier to use. This innovation benefits business customers as the reseller is modifying the system to become a suitable commercial product and making CRM much more turnkey for the user.

**8. Knowledge Management Systems**

CRMs of the future should have more intelligent functionality to make them knowledge based management systems. The companies put a very powerful, functionally relevant view of the customer at their employee's fingertips with the ability to embed Google Maps, social feeds. In near future, companies would be able to do that for CRM with virtually any data source.

**Q15. Explain the role of technology in CRM.**

*Ans :* (Imp.)

The role of technology can be understood by following points :

- 1. Data Consolidation and Analysis :** The backbone of every CRM system is the customer database. Data must be consolidated into one database to allow sales and customer service professionals immediate access to comprehensive data. Applications offer specific functions that refine the raw data into meaningful information that provides sales and customer service professionals with the information they need to personalise customer transactions. Any raw data collected during these transactions can be incorporated into the existing customer database.
- 2. Customer Identification and Retention :** CRM technology can utilise data gathered from the Internet to identify potential customers and customise the company's offerings to their particular needs. Data from search engines, surveys and e-commerce is analysed to determine what products and services are most appropriate for individual customers. Providing personalised sales offerings facilitates making the initial sale as well as engendering loyalty from existing customers.
- 3. Cross-Selling Opportunities :** CRM technology gives support personnel the opportunity to contribute to company sales. The delivery of pertinent information to

customer support personnel enables them not only to more effectively resolve customer issues, but also to offer personally tailored product offerings during the service transaction. Cross-selling capabilities can also be incorporated into automated devices and websites, providing additional avenues of profit during those transactions.

- 4. Portability :** CRM technology can distribute customer information to portable devices such as PDAs to give sales and customer service specialists a great deal of mobility. When they're not tied to a physical call center, service personnel can resolve customer issues on site while using the information provided by CRM technology to identify product offerings specifically tailored to that particular customer.
- 5. Improved Forecasting :** The consolidation and steady acquisition of customer data that CRM technology provides offers organisations valuable forecasting information. Analysis of customer data can identify both short- and long-term trends in customer activity that can be used to generate custom product and service offerings. The more accurate forecasting that is enabled by CRM technology's data collection and analysis functions improves an organisation's decision-making capabilities by removing a considerable amount of guesswork.

## Short Question and Answers

### 1. Define CRM.

*Ans :*

#### Meaning

Customer relationship management (CRM) has the business purpose of intelligently finding, marketing, selling to and servicing customers. CRM is a broadly used term that covers concepts used by companies, and public institutions to manage their relationships with customers and stakeholders. Technologies that support this business purpose include the capture, storage and analysis of customer, vendor, partner, and internal process information. Functions that support this business purpose include Sales, Marketing and Customer Service, Training, Professional Development, Performance Management, Human Resource Development and compensation.

#### Definitions

- (i) **According to Shani and Chalasani (1992)**, defines Customer Relationship Management as "an integrated effort to identify, maintain and build up a network with individual consumers and to continuously strengthen the network for mutual benefit of both sides, through interactive, individualized and value added contacts over a long period of time"
- (ii) **According to Vavra (1992)**, CRM is customer retention in which a variety of after marketing tactics is used for customer bonding or staying in touch after the sale is made. According to Gronroos, CRM is marketing strategy to establish, maintain and enhance relationship with customers and other partners, at a profit so that the objectives of the parties involved are met. This is achieved by a mutual exchange and fulfillment of promises.

We define CRM as Customer Relationship Management as a comprehensive marketing strategy to improve marketing productivity which can be achieved by increasing

marketing efficiency and enhancing marketing effectiveness through a process of acquiring, retaining and partnering with selective customers to create superior mutual value for the parties involved.

- (iii) **According to Gartner**, "CRM is a business strategy designed to optimise profitability, revenue, and customer satisfaction".
- (iv) **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".

### 2. Features of CRM ?

*Ans :*

- (i) **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.
- (ii) **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.
- (iii) **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.

- (iv) **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.
- (v) **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.

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### 3. What are the objectives of CRM?

*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.

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### 4. What are the benefits of CRM?

*Ans :*

Benefits of CRM are as follows

#### 1. Provide Better Customer Service

CRM system gives advantages such as the ability to personalize relationship with customers. CRM maintains Customer Profiles, thereby treating each client as an individual and not as a group. This way every employee can be better informed about each customer's specific needs and transaction profiles.

Better Customer Service improves the responsiveness and understanding which helps in building Customer loyalty. It also helps the company in getting continuous feedback from the Customers on the Product they have brought.

**For Example:** LG Company always make a follow-up with its Customers on the items the, Customers have bought, so as to rectify the problem (if any) even before it gets logged as a complaint.

#### 2. Increase Customers Revenues

Regular updation of customer information will help a firm to keep on revising its product and marketing strategy. Adaptation of product and its marketing to match the changing needs of a customer make the organisation customer friendly resulting in increase the sales and revenue.

**3. Discover New Customers**

CRM systems help the organization in identifying potential Customers by keeping a track of the profiles of their existing client, the business can easily come up with a strategy to determine the kind of people they should target so that it returns them maximum revenue.

**4. "Cross Sell" and "Up Sell"**

CRM system facilitates Cross-selling (offering customers complimentary products based on their previous purchases) and Up-Selling (offering customers premium products in the same category) It helps them to gain a better understanding of customers and anticipate their purchases.

For Example - (Cross sell – A Bluetooth head set along with the smart phone and up sell – Surf Detergent has introduced Surf Excel a better quality product.

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**5. Operational CRM**

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*Ans :*

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Hence, the organizations have to manage the following two sides of customer value,

1. To offer value to their customer which is strategically regulated by customer experience management and
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## *Choose the Correct Answer*

1. Attracting, maintaining and in multi-service organizations - enhancing customer relationships is known as, [b]  
(a) CRM (b) Relationship marketing  
(c) PRM (d) Operational CRM
2. A comprehensive strategy and process of acquiring, retaining and partnering with selective customers to create superior value for the company and for the customers is known as, [c]  
(a) PRM (b) Relationship marketing  
(c) CRM (d) Analytical CRM
3. \_\_\_\_\_ and \_\_\_\_\_ terms are inaccurately used interchangeably. [d]  
(a) CRM and PRM  
(b) Analytical CRM and collaborative CRM  
(c) Relationship marketing and database marketing  
(d) CRM and relationship marketing.
4. The marketing program that aims at retaining customers and enhancing their loyalty is known as, [c]  
(a) CRM (b) Relationship marketing program  
(c) Continuity marketing program (d) Individual marketing program
5. The second important decision in CRM formation process is the selection of, [b]  
(a) Customer (b) Customer partner  
(c) Marketer (d) Marketer partner
6. \_\_\_\_\_ is the data providing base for CRM. [d]  
(a) Information technology (b) Customer  
(c) Organization (d) Information
7. The cost and benefit analysis has been made from the point of view of, [d]  
(a) Customer and company (b) Only company  
(c) Only customer (d) Entrepreneur
8. CRM basically aims at, [b]  
(a) Creation of new customers (b) Retention of existing customers  
(c) Both (a) and (b) (d) Increasing the profits
9. Relationship marketing makes marketing effective by, [d]  
(a) Attracting new customers (b) Reducing cost of marketing  
(c) Retaining old customers (d) Removing the negative image of marketing
10. CRM helps the organization by increasing the income earned from, [c]  
(a) Up-selling and cross-selling  
(b) New customers and business activities  
(c) New customers, retained customers and up-selling and cross-selling.  
(d) Retained customers, expanded business activities and loyal customers.

### *Fill in the blanks*

1. \_\_\_\_\_ is crucial for building healthy customer relationships.
2. \_\_\_\_\_ combines the operational data for identification of opportunities and management of business process.
3. Traditionally CRM is considered as \_\_\_\_\_.
4. \_\_\_\_\_ provides a direct customer contact area.
5. \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_ with the customers are the main goals of CRM.
6. \_\_\_\_\_ involves interaction with customers through traditional and modern group ware/web technologies.
7. CRM is beneficial for \_\_\_\_\_ and \_\_\_\_\_.
8. \_\_\_\_\_ is implemented first in the CRM strategy.
9. \_\_\_\_\_ should be actively practiced by the whole enterprise.
10. CRM aims at increasing \_\_\_\_\_ and \_\_\_\_\_ with the customers.

### **ANSWERS**

1. CRM
2. Analytical CRM
3. Database marketing
4. Operational CRM
5. Acquiring, retaining and partnering.
6. Collaborative CRM
7. Organization and customers
8. Operational CRM
9. CRM
10. Cooperation and elaboration

## UNIT II

### CRM CONCEPTS :

Customer Value, Customer Expectation, Customer Satisfaction, Customer Acquisition, Customer Retention, Customer Loyalty, Customer Lifetime Value. Customer Experience Management, Customer Profitability.

### 2.1 CUSTOMER VALUE

**Q1. Explain the concept of customer value.**

*Ans :*

#### Meaning

Value creation refers to a strategic process to control a product, service or a business unit's growth and competitive share. It is developed on a core foundation of market research implementing advanced techniques known as Customer Value Analysis (CVA).

The literature on both marketing and quality focuses on the significance of customer value. Customer Value Management (CVM) is famous methodology used for addressing critical business issues. It is used by leading companies in many industries in the world. CVM is the outcome of customer value-added techniques and economic value comparisons, it facilitates targeted improvement of customer service where it can have large business benefits. In order to develop a direct link for ratings of product and service to market share, customer value added analysis make use of competitive market research techniques along with econometric modelling.

The concept of customer value is becoming more and more popular as an important strategic factor in acquiring a competitive advantage. It is also observed as a crucial building block in the development of relationships.

Perceived value implies an all inclusive evaluation by the customer relating to the utility of a product depending on "what is got and what is given". Value exist in the balance between functional solution attained by the customer and sacrifice of customer to obtained the solution.

In designing, the whole delivery to the customer, the product, service, image and the person who delivers constitute customer value. Simultaneously, money, time, energy and psychic costs constitute the total cost calculation. While designing the customer delivery both cost and value perspectives must be taken into consideration.

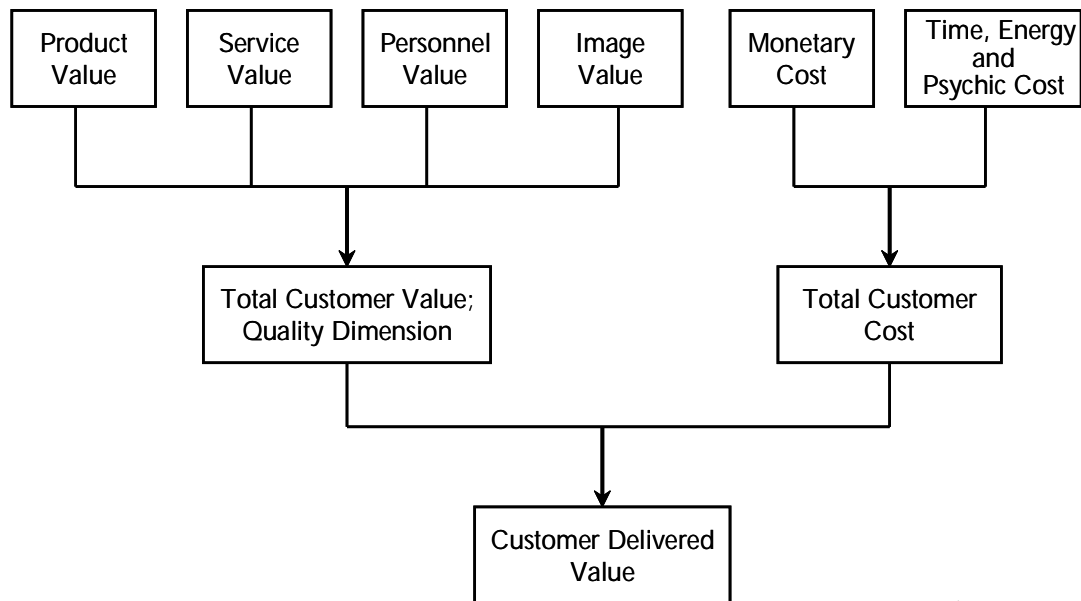


Fig. : Customer Value from Cost Benefit Perspective

Following are the phases involved in delivery of value :

1. Select the value
2. Provide the value and
3. Communicate the value.

The process of value creation consists of,

1. Value defining
2. Value developing and
3. Value delivering.

The relationship value consists of,

1. Value determination
2. Value creation
3. Value delivery and
4. Value assessment.

Both marketing and quality plays an important roles in the process of the creation and delivery of customer value. Therefore, value proposition of a company is calculated on two high level dimensions with multiple sub-sets.

1. Quality or relative performance (-) what the customer gets compared to competitors ?
2. Price - What the customer pays compared to competitors ?

### Recommendations that are useful in creating customer value

A company can attain world-class performance by following the recommendations provided to continue customer value creation process. The recommendations are as follows,

1. In early phases of the project, lead time and total resource consumption must be reduced by spending more time and resources to avoid rework and late changes.
2. Make sure that only products with unrivalled customer value are developed by implementing systematic methods for information management.
3. As customer consists of many individuals, a new product must satisfy all demands of different stakeholders along the entire customer chain.
4. It is necessary to have a good understanding and description of the voice of the customer, but it is not mandatory to perform on words of customers.
5. Unrivalled customer value not only based on low costs but it depends on combination of visible improvements to the main, additional and/or undesired functions.
6. The product must operate in the entire commercial process ranging from the customer being prospect, buyer, recipient and user to decommissioner.
7. Customer value creation process constitutes methodical, functions and cost-based thinking or value-based thinking which develops a connecting train of thought.
8. With respect to ideas and concepts, quantity results in quality.
9. Make sure to operate and utilize new and global knowledge as rediscovering the wheel, is an unnecessary and expensive mistake.
10. Usually, the optimal product is an outcome of an interactive process wherein first concept is created and then refined to perfection.
11. Every new product acts as a step in a chain of development, so it must be created as a joining link between past and future products.
12. Quality can be guaranteed only by reducing variability and making product and processes

as robust. In order to verify and ensure customer value, systematic methods must be used in the product and its related processes.

13. In order to minimize the risks within the project, systematic methods must be used to verify and ensure customer value in product and its related processes.
14. Low production costs can be attained by effectively utilizing the benefits of the learning curve.
15. Optimal launching develops a queue of buyers when product delivery commences.

## 2.2 CUSTOMER EXPECTATION

**Q2. Define customer expectation and what are the factors influencing customer expectation and issues ?**

*Ans :*

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 inturn 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**

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 incase if he/she accepts it, then it will result in greater customer dissatisfaction.

**Issues Involved in Customer Expectation**

The various issues which are involve 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 firms decides the corresponding benefit occurring to him as the firms are 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 firms, 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 it met, he starts expecting more and keeps on growing. For acquiring the customers from the competitors, the firms try 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 makes 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 firms should not neglect the financial implications of such initiatives.

### 2.3 CUSTOMER SATISFACTION

**Q3. Define customer satisfaction? State the factors affecting customer satisfaction.**

*Ans :* (Imp.)

Customer satisfaction, a business term is a measure of how products and services supplied by a company meet or surpass customer expectation. It is seen as a key performance indicator within business and is part of the four perspectives of a balanced scorecard.

Customer satisfaction is an overarching concern for marketing professionals. Simply put, customer satisfaction is how happy a customer is with a product or service, both in the product's performance as well as the company's delivery of the product to the market. One commonly used measure of customer satisfaction is the 'gap model'. The gap model is defined by the following equation:

$$\text{Customer Satisfaction} = \text{Delivery} - \text{Expectations}$$

Delivery refers to the customer's perception of the actual delivery of the product or service. Expectations refer to the customer's expectations about that product or service. Thus customer satisfaction is the difference, or "gap," between what the consumer expected and what he or she received.

#### Factors

Marketing researchers have identified following distinct factors which influence consumer satisfaction:

#### 1. Product (Basic Design)

How familiar designers are with customer needs, what incentives drive the designing, manufacturing and quality control.

#### 2. Sales Activity

What messages the company sends out in its advertising and promotion programmes, how it chooses and monitors its sales force/intermediaries, and the attitudes that it projects to the customer.

#### 3. After-Sales

Guarantees, parts and service, feedback, complaints handling, and overall responsiveness to a customer with a problem.

#### 4. Culture

Intrinsic values and beliefs of the firm as well as the tangible and intangible symbols and systems it uses to instill these values into employee behaviour at all levels.

#### 5. Consumer Emotions

Customers' emotions can also affect their perceptions of satisfaction with products and services. These emotions can be stable, pre-existing emotions, for example, mood state or life satisfaction. Specific emotions may also be induced by the consumption experience itself, influencing a consumer's satisfaction with the service.

#### 6. Product and Service Features

Customer satisfaction with a product or service is influenced significantly by the customer's evaluation of product or service features. For a service such as a resort hotel, important features might include the pool area, access to golf facilities, restaurants, room comfort and privacy, helpfulness and courtesy of staff, room price, and so forth.

#### 7. Attributions for Service Success or Failure

Attributions - the perceived causes of events - influence perceptions of satisfaction as well. When they have been surprised by an outcome (the service is either much better or much worse than expected), consumers tend to look for the reasons, and their assessments of the reasons can influence their satisfaction.

#### 8. Perceptions of Equity or Fairness

Customer satisfaction is also influenced by perceptions of equity and fairness. Notions of fairness are central to customers' perceptions of satisfaction with products and services.

9. **Other Consumers, Family Members, and Co-workers** : In addition to product and service features and one's own individual feelings and beliefs, consumer satisfaction is often influenced by other people. For example, satisfaction with a family vacation trip is a dynamic phenomenon, influenced by the reactions and expressions of individual family members over the duration of the vacation.

**Q4. How to build customer satisfaction ?**

*Ans :*

No business or organisation can succeed without building customer satisfaction and loyalty. Satisfaction will be determined by the value of the difference between what the customer receives and what they pay to receive. In the present scenario of competition companies can build the required customer satisfaction by:

**1. Incorporating Good Business Practices**

Companies are able to achieve this state of total customer satisfaction by incorporating good business practices. These practices are constructed around stakeholders, business process, resource and organisation. To ensure maximum value, companies need to develop business processes, which understand and fulfil customer expectations. This can be achieved by aligning cross functional teams across critical processes, to create one smooth flow. Companies need to understand its core competencies and develop them, thereby successfully managing its resources.

**2. Creating and Delivering Value**

Companies through creating and delivering value can develop total customer satisfaction. Company itself can be considered as a value chain consisting of primary and secondary activities. Primary activities consist of inbound materials, operation, delivering finished products, sales/marketing and servicing clients. Secondary activities consist of functional departments like technology

department, procurement department, human resource and finance department. This value created is delivered to customer through the distribution channel under the principle of supply chain management.

**3. Customer Relationship Management**

Companies need to develop policies for retaining customers along with attracting new customers. This art of retention can be achieved through customer relationship management (CRM). In CRM the task is to develop strong consumer based brand equity, which is done by converting first time buyer to repeat buyer to a client to a member to advocates and finally to partners. During these courses, companies can look forward to offering financial benefits in terms of discount for frequent buyers or also by association with a social cause.

**4. Understand What can Go Wrong**

Managers, particularly those on the frontline, must understand that an endless number of things can and will go wrong in meeting customers' expectations. Even the best strategies will not work in the face of customers who are in a bad mood. Although some factors are simply uncontrollable, managers should be aware of these factors and be ready to respond if possible.

**5. Focus on Controllable Issues**

The key is to keep an eye on the uncontrollable factors, but focus more on things that can manager controlled. Core product quality, customer service, atmosphere, experiences, pricing, convenience, distribution, and promotion must all be managed in an effort to increase share of customer and maintain loyal relationships. It is especially important that the core product be of high quality. Without that, the firm stands little chance of crating customer satisfaction or long-term customer relationships.



**6. Manage Customer Expectations**

Managing customer expectations is more than promising only what marketer can deliver. To manage expectations well, the marketer must educate customers on how to be satisfied by the firm and its products. These efforts can include in- depth product training, educating customers on how to get the best service from the company, telling customers about product availability and delivery schedules, and giving customers' tips and hints for improving quality and service. For example, the U.S. Postal Service routinely reminds customers to mail early during the busy holiday season in November and December. This simple reminder is valuable in managing customers' expectations regarding mail delivery times.

**7. Offer Satisfaction Guarantees**

Companies that care about customer satisfaction back-up their offerings by guaranteeing customer satisfaction or product quality. For the firm, a guarantee can serve as a corporate vision, creed, or goal that all employees can strive to meet. A good guarantee is also a viable marketing tool that can be used to differentiate the firm's product offering. For customers, guarantees reduce the risk of buying from the firm and give the customer a point of leverage if they have a complaint.

**8. Make it Easy for Customers to Complain**

Over 90 per cent of dissatisfied customers never complain - they just go elsewhere to meet their needs. To counter this customer defection, marketers must make it easy for customers to complain. Whether by mail, phone, e- mail, or in person, firm that care about customer satisfaction will make customer complaints an important part of their ongoing research efforts. However, tracking complaints is not enough. The firm must also be willing to listen and act to rectify customers' problems. Complaining customers are much more likely to buy again if the firm handles their complaints effectively and swiftly.

**9. Create Relationship Programs**

Firms can use relationship strategies to increase customer loyalty. Today, loyalty or membership programs are everywhere - banks, restaurants, supermarkets, and even bookstores. The idea behind all of these programs is to create financial, social, customisation, and/or structural bonds that link customers to the firm.

**10. Make Customer Satisfaction Measurement an Ongoing Priority**

If marketer does not know what customer what customers want, need, or expect, everything else is waste of time. A permanent, ongoing program to measure customer satisfaction is one of the most important foundations of CRM.

**Q5. Explain the importance of customer satisfaction ?**

*Ans :* (Imp.)

Building strong relationships with customers and providing satisfaction to them, can have many benefits for the business owner, aside from simple profits:

**1. Customer-Oriented Management**

During the course of a customer satisfaction analysis, customer shares their goals, needs, and wishes. The company is thereby given the opportunity to adjust what it has to offer to the expectations and perceptions of the customer.

**2. Comparison with the Competition**

Customers are also an excellent source of competitive intelligence. They can keep everyone informed of what competitors are doing, and better still, anyone do not even have to pay them in order to acquire this information.

**3. Comparison Over Time**

It is important for a company to not only use satisfaction studies to ascertain possible sources of satisfaction or dissatisfaction, but

to also use them for analysing and deriving possible strategies for action. Via regular studies, comparisons can be derived with regard to product and service quality over a given time period.

#### 4. Profit from Specific Insights

Through innovation and strategic changes, the rapid and early attainment of customer satisfaction can be an advantage. By goal-oriented teamwork, products and services can be developed or directly adjusted to the expectations of potential customers.

#### 5. Loyalty

A highly satisfied customer often becomes loyal customer. The term brand loyalty is used to describe the behaviour of repeat purchases, as well as those that offer good ratings, reviews, or testimonials. Brand loyalty describes the tendency of a customer to choose one business or product over another for a particular need.

#### 6. Reduced Costs

A highly satisfied customer costs less to serve than a new customer. Because retaining the customer requires less cost than procuring the new customers. A highly satisfied customer is willing to pay more for the product or service. A highly satisfied customer tells their family and friends about the product or service.

#### 7. Leads and Referrals

The existing base of customers can often be the best source of providing new sales leads, as well as referrals which can also benefit from the products and services. The best part is that one can simply have to get into the habit of asking every customer for these.

#### 8. Ideas for New Developments

The customers probably know what they want or what they are willing to spend money on, in most cases. By getting this information, one can make it more likely and will retain customers well in the future.

### 2.4 CUSTOMER ACQUISITION

**Q6. Define customer acquisition. Explain the process of customers acquisition.**

*Ans :*

#### Meaning

Customer acquisition is the process of acquiring new customers for business or converting existing prospect into new customers. The importance of customer acquisition varies according to the specific business situation of an organization. This process is specifically concerned with issues like acquiring customers at less cost, acquiring as many customers as possible, acquiring customers who are indigenous and business oriented, acquiring customers who utilize newer business channels etc.

#### Process

##### Step 1 : Gather Customer Intelligence

Data provides extremely important information that governs decisions. Organisations have mountains of customer information and forward-thinking businesses are making the most out of this data and extracting actionable insights out of the data. Companies need to determine who the most successful customers are and what qualities and characteristics these customers have in common e.g., whether they are in the same industry or vertical, and who the decision-maker within the firm is.

##### Step 2 : Organise Internal Acquisition-Planning Meetings

Such meetings will be instrumental to determine how insights from customer intelligence match to the current sales process. It also gives business leaders the opportunity to deeply examine the entire customer- acquisition strategy. These meetings should include representatives from different departments who look at the acquisition strategy of each sales team, including how they find prospects, how they determine which titles are most valuable to go after in different industries, how they get through to decision-leakers, and how they determine the preferred communication method of these decision-makers.

### Step 3 : Build Strategy Around the Ideal Customer Profile

Customer intelligence should give business leaders a good profile of the company's ideal customers. This will allow firms to start formulating a strategy that focuses on capturing these customers.

The strategy should also outline the steps that should be taken to pursue high-value customers. Attention should also be paid to developing a strategy to align sales, marketing, and service teams.

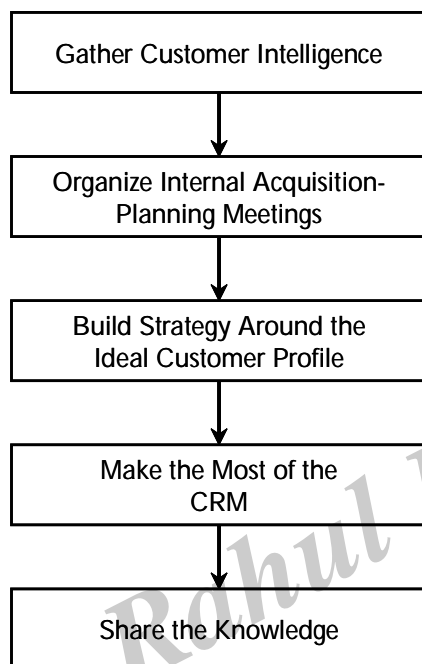


Fig. : Process of Customer Acquisition

### Step 4 : Make the Most of the CRM

It is important not to restrict the CRM to information fields that were traditionally being collected. Instead, be open to adding fields to capture information that is relevant to new sales process, e.g., company size, number of employees, and industry vertical. Rather than using free form fields, it is recommend using drop-down menus to increase data consistency and make it easy to analyse.

### Step 5 : Share the Knowledge

After building a foundation of intelligence about the ideal customer, including how and when

to target them, make sure that everyone on the sales team is using this strategy and applying the information in their sales efforts and automate these practices wherever possible.

### Q7. State the various strategies for customer acquisition.

Ans :

Strategies for customer acquisition are as follows:

#### 1. Target Prospects

Identify prospective customers matching the business objectives using specialised research, market surveys, psychographic profiles and analytics tools to segment audiences. By creating more targeted and relevant messaging for the offers, a company will improve its customer acquisition ability.

#### 2. Improve Direct Mailings

While direct mailing might not sound workable in the digital era, businesses find just as much success there through targeted campaigns than they do marketing online. In fact, Online Marketing Institute says 65% of all those who have received direct mail campaigns have purchased something as the result of those mailings. A firm can achieve better results from direct mail offers by having valid data, correct addresses to improve delivery and suppression techniques to exclude customers it is not targeting. These simple measures significantly decrease costs associated with returned mail or non-conversion.

#### 3. Using Analytic Tools for Customer Segmentation

A company can use business analytic tools to find key information about the customers that can help it to target the right kind of people. While some of this research can be done through Google Analytics, it does not give a company a complete picture. The company needs to use more diffuse data to determine

certain habits of the demographic it wants to market to. Some of the above can be done by looking into the company's own database of customers who have already given it business. This can help sort out those most apt to stick around based on information marketing department extracts.

#### 4. Finding Financial Statuses of Customers

Once the firm has found a group of customers it knows it can market to, the firm should try to find records that shows their financial status to avoid any risks. One of the biggest threats to businesses that many people do not think about is customers who are loyal; yet do not pay their bills.

Some of those customers may have credit issues that make them unable to pay and potentially leaving the business at a loss. That is why it is best to scope out these people in advance and not allows them to buy things on credit from the business.

#### 5. Balance with Digital Marketing

Acquiring customers online still needs to be balanced with the direct mail process. The key today to acquiring customers online is to engage in dialogue on social media that leads those people to the company website. Once they visit there, the company can again use Google Analytics to determine what the visitors are responding to. If a company can create a private list on places like Twitter, it can have a one-stop source where the social media leads are.

With the public record of people being all the more public today, it is to the benefit of all businesses so customers do not hide things that need to be known. It is all part of the increase in better digital tools that are helping businesses large and small thrive into the second half of the 21<sup>st</sup> century.

#### 6. Coupons or Discount

One common customer acquisition initiative is to offer coupons or discounts. In recent years, online group coupon companies such as Group on have become extremely popular. The positive aspect of this initiative is that it drives in a significant amount of new customers into the company location. However, these customers will provide service at low or no profitability. Even worse, the customers may become used to the discount and expect it every time.

#### 7. Raise Brand Awareness

Customer acquisition techniques can benefit a firm by raising its brand awareness. While it may not pay-off immediately, the long-term effect can be powerful. For example, a consulting firm called interbrand has created an index of the world's leading brands. They value Coke-Cola's brand at \$70 billion. While the firm's brand value may not be high as Coke's, it can always continue to increase its value.

#### Q8. How to customer acquisition measured ?

*Ans :*

Customer acquisition measures are becoming prominent these days. Managers are more focused on balancing customer acquisition and customer retention activities. There are two basic concepts i.e., acquisition rate and acquisition cost which are used to evaluate customer acquisition activities.

#### Acquisition Rate

When firms try to acquire customers, they basically target on particular group of prospects. Acquisition rate is the key performance indicator to describe the success of the acquisition campaign. Acquisition rate is calculated by dividing the fraction of prospects acquired by total number of prospects targeted. It is computed as percentage.

Acquisition rate (%)

$$= \frac{\text{Number of prospects acquired}}{\text{Number of prospects targeted}}$$

The acquisition rate signifies an average probability of acquiring a customer from a population. Hence, it is always computed for a group of customers but not for an individual customer. Acquisition probability is an equivalent measure for an individual.

Acquisition rates are computed on campaign by campaign basis. As acquisition rates vary widely in the same firm, an average acquisition rate is usually of limited value.

The value of numerator and denominator comes from :

- **Numerator** : Number of prospects acquired as ascertained from internal records.
- **Denominator** : Number of prospects targeted is gathered from database and/or market research data.
- **Evaluation** : Acquisition rate is one of the most important metric but it is not useful in isolation.

## 2.5 CUSTOMER RETENTION

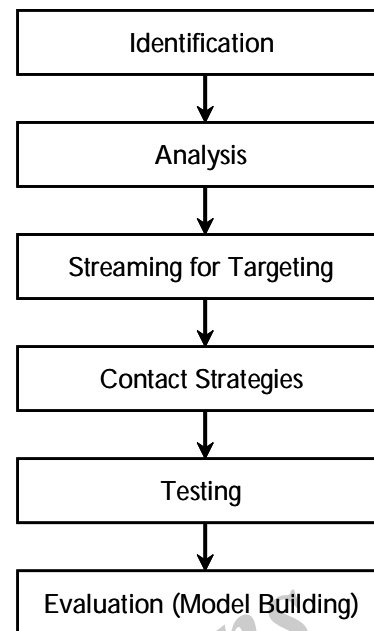
**Q9. Define Customer Retention. Explain the process of Customer Retention.**

*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.

### 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 for 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.

#### Q10. Describe various customer retention strategies.

*Ans :*

(Imp.)

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 understand the processes of complaint and take 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 they 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 recovery 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 employees.
- (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 at least 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 feel 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 in case 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 pre-service 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.

**Q11. What are the Benefits/Advantages of Customer Retention ?**

*Ans :*

**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.

**Q12. State the various trends in customer retention.**

*Ans :*

**(Imp.)**

Retaining and developing customers has long been a critical success factor for businesses. In that sense, Customer Relationship Management is not new, previously falling under the guise of customer satisfaction. Worldwide, service organizations have been pioneers in developing cause retention strategies.

**1. Innovative Measures**

Banks have relationship managers for select customers, airlines have frequent flyer programs to reward loyal customers, credit card companies offer redeemable bonus



points for increased card usage, telecom service operators provide customized services to their heavy users, and hotels have personalized services for their regular guests. It is, however, with the rapid rise of new entrants into the market place and increased competition that companies in other sectors have recognized the business potential within a captured base.

## 2. Improved Operating Performance

Sluggish growth rates, intensifying competition and technological developments businesses induced to reduce costs and improve their effectiveness. Business process reengineering, automation and downsizing reduced the manpower costs. Financial restructuring and efficient fund management reduced the financial costs. Production and operation costs have been reduced through Total Quality Management (TQM), Just in Time (JIT) inventory, Flexible Manufacturing Systems (FMS) and efficient Supply Chain Management (SCM).

## 3. Increased Focus

However, reduction in costs alone is no longer enough or is necessarily an effective strategy. In facing the competitive threats, such as new entrants, pricing pressures, technology along with the related costs and also including the time lags in procuring, maintaining and strengthening one's market, more and more organizations are realizing that the traditional marketing model is no longer effective. With a flood of new entrants offering quality products and services at lower prices, many sectors have been turned into commodity markets. In a market place where loyalty has plummeted and the cost of acquiring new customers is prohibitive, companies have turned to their current customers in an attempt not only to retain them but also to exploit the potential within. This has enabled them not only to respond to the threats in their market place but also positioned them strategically to take advantage of the opportunities available.

## 2.6 CUSTOMER LOYALTY

**Q13. Discuss about customer loyalty.**

**(OR)**

**Define customer loyalty.**

*Ans :*

### Meaning

The term customer loyalty is used to describe the behaviour of repeat customers, as well as those that offer good ratings, reviews, or testimonials. Some customers do a particular company a great service by offering favourable word of mouth publicity regarding a product or services, telling friends and family, thus adding them to the number of loyal customers. However, customer loyalty includes much more. It is a process, a program, or a group of programs geared toward keeping a client happy so he or she will provide more business.

Customer loyalty can be achieved in some cases by offering a quality product with a firm guarantee. Customer loyalty is also achieved through free offers, coupons, low interest rates on financing, high value trade-ins, extended warranties, rebates, and other rewards and incentive programs. The ultimate goal of customer loyalty programs is happy customers who will return to purchase again and persuade others to use that company's products or services. This equates to profitability, as well as happy stakeholders and it can be easily achieved by developing and maintaining a customer loyalty programme such as green card in case of Pantaloons.

### Definitions

- (i) **According to Cunningham** "Customer loyalty is the proportion of purchases of a household devoted to the brand it purchased most often".
- (ii) **According to Ball et al.**, a quick observation of customer loyalty is repeated purchase. In practical terms, firms want repeated purchases mainly because such behaviour in consumers can:

1. Apparently show the customer preference for a brand or product;
2. Reflect a customer's purchase intention; and
3. Presumably secure profitability by increasing market shared.

**Q14. What are the Categories of Customer Loyalty ?**

*Ans :*

The cross classification of attitudinal and behavioural loyalty presented by Dick and Basu resulted into the following four loyalty archetypes given below :

		Repeat Patronage	
		High	Low
Relative Attitude	High	True Loyalty	Latent Loyalty
	Low	Spurious Loyalty	No Loyalty

**Categories of Customer Loyalty**

**1. True Loyalty**

It is a combination of high levels of repeat patronage and relative attitude. This category of loyal customers proves to be a strong competitive tool in the hands of a company as these customers patronise the company and its products regardless of insignificant price changes and competitive offers available to them.

They enable the company to leverage upon the benefits of loyalty to full extent. Customers who fall into this category exhibit strong attitudinal preference as well as high level of repeat purchasing. They are less inclined towards switching and advocate the company and its

**2. Latent Loyalty**

It represents the influence of situational factors or social influences on buying decisions. Despite having a high relative attitude, customers in this category may not purchase a company's products and services often. Customers with latent loyalty are characterised with low level of repeat patronage despite holding a strong attitudinal preference towards the company. Some common situational factors that may have an impact over customers' level of repeat buying behaviour are issues related to affordability, availability, inconvenient location or timings problem, narrow distribution channels, and so on. To convert latent loyalty into true loyalty, a company needs to identify the issues faced by its customers and find out ways to tackle them.

**3. Spurious Loyalty**

This type of loyalty is a purely behavioural element. This category refers to high level of repeat patronage. The level of commitment or relative attitude is low in this case as customers revisit the company just for the sake of convenience or habit or absence of a better alternative. As a result, such customers are more vulnerable to competitive offers and are likely to switch to another company as soon as their main issue is resolved. However, there are ways to turn this category into the pool of truly loyal customers. In order to do so, a company needs to realise that short-term tactics of loyalty building are not going to work in the long run. Adding more value to the product and confronting the competition with upright marketing strategies are the real solutions in such a situation.

**4. No Loyalty**

This category does not endorse any level of attitudinal preference or repeat patronage. It is difficult to convert these customers into true loyals as they are neither emotionally connected with the company nor do they

guarantee repeat purchasing. This category along with the category of spurious customers is highly inclined towards switching and susceptible to incursions from competitors.

**Q15. What are the Drivers of Customer Loyalty ?**

*Ans :*

Many well-known companies have fashioned mission, values and vision statements that claim to begin and end with their customers. These carefully crafted proclamations are not only informative but also valuable because they serve to remind companies of their high calling and to help them measure how far from their standards they have strayed. An organisation must identify the factors responsible for driving customer loyalty since these factors might enable the organisation in managing customer loyalty more effectively and efficiently:

**1. Trust**

Trust in a relationship imparts confidence. The importance of trust in a business relation can be gauged from the following points:

- (i) Customers expect a fair and honest treatment without exception.
- (ii) Customers feel more secured and relaxed in a trusted environment.
- (iii) Customers prefer to be retained by an organisation that retains its employees.
- (iv) Customers expect consistent and predictable patterns of employee behaviour any unexpected change in behaviour must be delightful instead of disturbing.

**2. Concern for the Customer**

Expressing concern for the customer's interest is another driver of customer loyalty. This requires an empathetic communication while exhibiting the company's marketing plan and execution and may call for the following expression by the company:

- (i) Honest concern for and appreciation of the customer's needs, wants, and desires.
- (ii) Genuine efforts to exceed customer expectations.

**3. Regularity of Contact**

New age customers are more demanding which makes regular interaction and frequent communication with them even more important. Increased communication is crucial to sort issues that arise between parties involved in a transaction. It also provides an opportunity to express happiness and allows one party to appreciate the value of the other. Consistent and regular meetings of both the stakeholders in the relationship are also an important driver in loyal relationships. This would increase communication which leads to a feeling of ownership and belongingness. The benefits of communication are:

- (i) Personalised and consistent contact is highly valued by customers. Regular and personalised contact is likely to make customers more open and responsive of any marketing messages from the company, consequently, reducing the advertising costs while increasing revenue,
- (ii) Such contact in all forms (written, verbal, face-to-face) should be event-driven and value added; anything that does not seem to be value added is perceived to be adding pressure.

**4. Ownership Benefits**

Benefit in the relationship is an important driver in customer loyalty formation. For sustenance of a loyal relationship, the interest of both parties needs to be served.

- (i) While being in a consistent relationship with the company, a customer would require a certain set of benefits and privileges which make him feel a special

affiliation. Special privileges such as frequency programmes, access to areas of the facility that are normally unavailable, exclusive lounges or meeting places, partnering opportunities with both for-profit and non-profit organisations are some ways of imparting this feeling.

- (ii) Recognition of individual customers and genuine expressions of appreciation for consistent stay with the company are important.

### 5. Convenience to the Customer

Care and concern for the interest and well-being of the customers includes ensuring a convenient consumption experience by walking a mile extra such as providing them quicker billing cycles in an organised retail store and a waiting lounge in a bank.

- (i) Deference for customer's time is important. A company that can provide valuable information in order to help customers to make an informed decision in the least amount of time has high chances of earning their loyalty.
- (ii) Customers tend to opt for shopping and purchasing processes that are hassle free. The company that develops processes that not only streamline the customer's experience but also make it enjoyable are likely to capture more business.

### 6. Consistency of Performance

Another important driver in loyalty is the consistent delivery of all promises in anticipation of which the customer has entered into the relationship. The organisation must inculcate processes that enable all employees to deliver a consistent message of care and competence whenever customers interact with them. This philosophy must run through all levels of the company, at all times, in all ways and with all customers.

### Q16. What are the Factors Affecting Customer Loyalty Formation.

Ans :

(Imp.)

The major factors that influence consumers' loyalty - not only to retailers but also to suppliers in all sectors, including business to business (B2B) - the six key areas of focus identified can be summarised as follows :

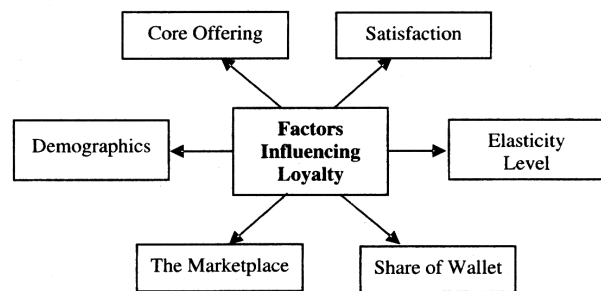


Figure : Factors Affecting Customer Loyalty Formation

#### 1. Core Offering

The companies that boast the highest levels of fiercely loyal customers have built that loyalty not on card programmes or gimmicks, but on a solid, dependable, core offering that appeals to their customers. These companies have focused intently on what they know appeals to the type of customers they want to attract, and have determinedly concentrated on delivering what is expected every time. North American retailer, Nordstrom, is well known for the loyalty of its customers. It built this loyalty by understanding what its customers wanted and then empowering its employees to deliver those needs consistently.

Clearly, the data from a good loyalty programme should help the exhorter to improve this core offering by tailoring and moulding it more closely to the customers' needs and desires. Elements of the core offering that have a large role in building customer loyalty include:

- (i) **Location and Premises** : It clearly plays a part in engendering loyalty. The

Three Ls of retail - "Location, Location and Location" - are undoubtedly important, and attractive and functional premises are equally so.

- (ii) **Service** : Whether selling services or products, the level of service perceived by the customer is generally key to generating loyalty. It can be argued that some customers buy only on price, so all that is necessary to retain their loyalty is consistently low prices. To certain extent that is true. But in most cases, any loyalty shown will be only to the prices instead of the business. Should a competitor offer even lower prices, those customers are likely to defect. Companies that have adopted a policy of Every Day Low Prices (EDLP) can be more vulnerable to competition than those who have built their customers' loyalty on superior products or service.

- (iii) **Product or Service** : The products or services offered must be what customers want. The days when businesses could decide what they wanted to sell or supply, and customers would buy it, are long past. The customers' needs and wants are now paramount. If organisation do not meet them, someone else will.

## 2. Demographics

According to Jan Hofmeyr and Butch Rice, developers of The Conversion Model (which enables users to segment customers not only by their commitment to staying with a brand but also to segment non-users by their openness to switching to the brand), more affluent and better educated customers are less likely to be committed to a specific brand. They say that the commitment of less affluent consumers to the brands they use is often unusually strong - possibly because they cannot afford to take the risk of trying a brand that might not suit them as well. They also suggest that younger consumers are less committed to brands than older consumers.

## 3. Marketplace

The marketplace is a key factor in the development of loyalty. The elements most closely involved are:

- (i) **Opportunity to Switch** : If the number of competing suppliers is high and little effort is required to switch, switching is clearly more likely. Conversely, the more time and effort invested in the relationship, the more unlikely switching becomes. The level and quality of competition has a significant effect on how easy it is for a customer to switch from any one particular supplier. When competitors are offering very similar products at similar prices, with similar levels of service, some means of useful differentiation has to be found in order to give customers a reason to be loyal.

- (ii) **Inertia Loyalty** : This is the opposite of ease of switching. Most banks enjoy a high level of inertia loyalty simply because it is often so difficult and time-consuming to change to a new bank and transfer direct debits and standing orders.

## 4. Share of Wallet

As markets become saturated and customers have so much more to choose from, share of wallet becomes increasingly important. It is cheaper and more profitable to increase company's share of what the customer spends in their sector, than to acquire new customers. After all, that is what loyalty is really about. Totally loyal customers would give organisation a 100% share of their spending in organisation's different sector.

## 5. Elasticity Level

Elasticity expresses the importance and weight of a purchasing decision - effectively the level of involvement or indifference. This applies to both the customer and the business:

i) **Involvement** : The customer's involvement in the category is important as the more important company's product or service is to the customer, the more trouble they have probably taken in their decision to do business with organisation, and the more likely they are to stick with what they have decided. Most customers would be highly involved in the category when choosing a new car, a new jacket, or a bottle of wine. However, when choosing a new pair of shoelaces, involvement is not usually high. Businesses dealing in commoditised products and services cannot expect high involvement and need to earn loyalty in other ways.

ii) **Ambivalence** : The customer's level of ambivalence is also important. Few decisions are clear cut. There are usually advantages and disadvantages to be balanced, and vacillation is unstable. Again, One can see that the more commoditised a product or service, the more difficult it is to cultivate loyalty. It is only when points of differentiation are introduced that the customer has a valid reason for consistently preferring one particular supplier.

## 6. Satisfaction

Clearly, satisfaction is important; indeed essential. But, taken in isolation, the level of satisfaction is not a good measure of loyalty. Many auto manufacturers claim satisfaction levels higher than 90 per cent, yet few have re-purchase levels of even half that. The situation is stacked against the business if customer satisfaction levels are low, there will be very little loyalty. However, customer satisfaction levels can be quite high without a corresponding level of loyalty. Customers have come to expect satisfaction as part and parcel of the general deal, and the fact that they are satisfied does not prevent them from defecting in droves to a competitor who offers something extra.

The point is that, while high levels of customer satisfaction are needed in order to develop loyal customers, the measure of customer satisfaction is not a good measure of the level of loyalty. The two are not measuring the same thing.

## Q17. Explain the Significance of Customer Loyalty.

*Ans :*

Customer loyalty may be a one-time program or incentive, or an ongoing group of programs to entice consumers. Buy-one-get-one-free programs are very popular, as are purchases that come with rebates or free gifts. Another good incentive for achieving customer loyalty is offering a risk free trial period for a product or service. Also known as brand name royalty, these types of incentives are meant to ensure that customers will return, not only to buy the same product/services again and again, but also to try other products or services offered by the company.

Different customers have different benefits from their purchases. Therefore, customer loyalty depends on the benefits one is receiving from purchases. The benefits are viewed from two viewpoints:

### 1. For Customers

The benefits of customer loyalty can be described as:

(i) **Price per Customer** : Retaining an existing customer base is cheaper and ultimately more profitable than targeting and acquiring new ones. Even offering an upsell or introducing a loyalty programme, such as the new printed.com rewards programme, will prove to be more cost effective than trying to engage a new market. If individual work hard to build and nurture a loyal customer base, he will be rewarded by their frequent and increasing business - in both amount and quantity.

**(ii) Insulation from Price Competition:**

The internet has enabled a price competition movement that has caused businesses to be recklessly competitive with their prices. Maintaining and nurturing an existing customer base allows individual to enjoy a certain level of security from this rat race - a customer with a purchase history is less likely to be enticed by a few pounds.

**(iii) Reduced Marketing Spend :** In creating a loyal customer tradition, individual will inevitably lower the marketing spend. As the loyal customer base grows, individual will be required to spend less money on bringing in new markets. If individual is providing a great service, the customers are going to talk about it and, there is no greater advertising than positive word-of-mouth from satisfied customers.

**(iv) Economic Benefits :** The economic benefits of high customer loyalty are measurable. When individual consistently deliver superior value and win customer loyalty, market share, revenues and profitability all go up, and the cost of acquiring new customers goes down.

**(v) Increase the Frequency of Purchase:** A clear and structured new customer induction scheme will boost customer loyalty and retention, increase the frequency of purchase and raise the dollar value of each transaction and increase referrals.

**(vi) Others :** Customer loyalty is very essential for the growth of organisation because loyal customer:

- (a) Purchase products and services again and again over time.
- (b) Increase the Volume of their purchases and buy beyond traditional purchases, across product-lines.

(c) Refer company's products and services to others.

(d) Become immune to the pull of the competition.

(e) Give the benefit of the doubt to the company when something goes wrong.

**2. For Marketers**

The following are the significance of customer loyalty for marketers:

**(i) Repeat Business :** Loyal customers, almost by definition, will purchase goods or services again and again of a particular company over time. Depending on what type of business they have and what the sales cycle is like, company may end up selling more to one loyal customer in a year than it might to even 10 first time customers.

**(ii) Greater Volume :** As company build relationships with their loyal customers, it will become increasingly easy to sell to them in higher volumes. This may happen naturally, or company may choose to incentives the process for customers. In any case, higher volumes mean greater sales, which translate to higher overall profits.

**(iii) Cross-Selling Opportunities :** Customers who exhibit brand loyalty have a relationship with business. They trust business to provide quality products and customer service. This creates a great opportunity to fulfil more of business customers' needs than the traditional ones company currently meet. Company can make sales to loyal customers across product lines and thus increase their overall sales volume without needing to focus so much on attracting new customers.

- (iv) **Protects Business from the Competition** : The more loyal a brand's customers tend to be, the safer business will be from the draw of the competition. Establishing strong brand loyalty can make business practically immune to competitive forces. This is especially important in places where new players enter the market place often.
- (v) **Word-of-Mouth Marketing** : Loyal customers can also bring new customers. Customers that have great relationships with businesses tend to talk about it. Happy and satisfied customers who keep coming back to their brand are very likely to refer others who may need that product and/or services.
- (vi) **Benefit of the Doubt** : Sometimes company gets an order wrong, do not meet a deadline, or are not able to deliver on promises made to customers. In today's economy, it is even easier for little hiccups such as these and others to take place in business.

These types of mistakes can damage business' reputation in the eyes of a new customer. A scheduling error can make firm seem disorganised and unreliable. This is a very easy way to lose customers. The good news is, loyal customers are much more likely to give the benefit of the doubt and/or overlook errors. If company maintain the level of customer service and quality that it takes to achieve brand loyalty in the first place, their customers will be willing to forgive when bad things happen.

## 2.7 CUSTOMER LIFETIME VALUE

**Q18. Discuss about Customer Life Time Value.**

*Ans :*

**(Imp.)**

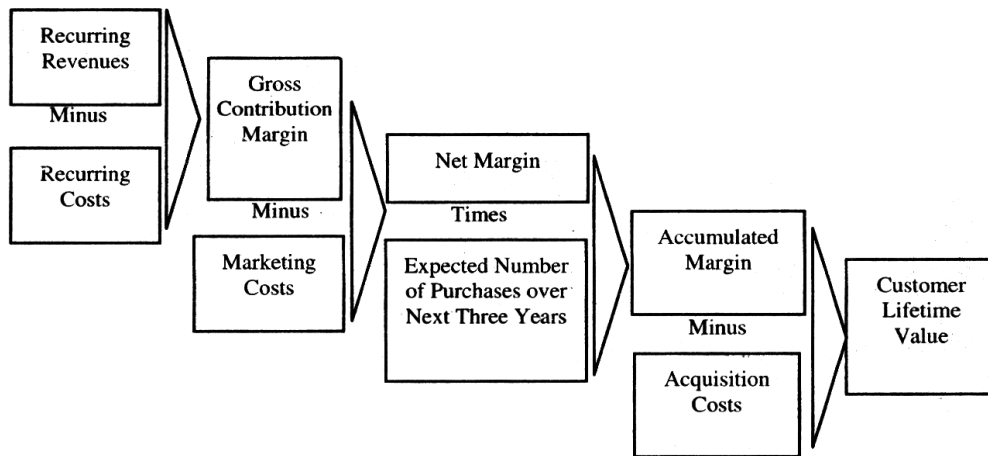
Customer Life Time Value (CLTV), which is also known as Lifetime Customer Value (LCV), is a measure of a customer's, or customer segments, profit-generation for a company. Lifetime value is the present day value of all net margins earned from a relationship with a customer, customer segment, or cohort.

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.





**Fig. : Customer Life Time Value**

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

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**

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.

**Q19. What are the issues involved in calculating CLV? Discuss the applications of CLV.**

*Ans :*

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

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 comes 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 CUSTOMER EXPERIENCE MANAGEMENT

**Q20. Define customer experience management. State the elements of customer experience management.**

*Ans :*

Customer acts as the lifeblood of every company. They are regarded as the essence of the

demand driven economy. The customers are very important for the survival of the organizations. They are considered as the most valuable assets of the organizations. So, the whole organization should be customer-centric.

Though every organization is aware of the universal importance of the customers, the actions of the most firms do not match with it. In spite of spending billions of dollars on advertising, customer satisfaction and CRM programme, many firms fail to give importance to customers.

For becoming a customer-oriented organization, the firms should deliver the right customer experience. The firms can have growing customer demand if they focus not only on products but also on the total experience. Starbucks, became a global business leader by focussing on the coffee category as well as by providing an experience which involves service, ambience, product naming and smell. Such type of customer experience management is very important if the firms want to become successful in offering real value to their customers.

Customer experience management is highly customer-centric and makes use of systems, technologies and simplified processes for enhancing the customer's experience with the company. While customer relationship management systems is internally or operationally centric which collects and uses customer data for marketing and cross-selling of products.

"Customer Experience Management", described that the customer experience includes three key elements which are as follows,

#### Elements

##### 1. Brand Experience

Brand experience deals with static design elements which includes the "look and feel" of logos and signage, packaging and retail space. It also involves messages and images in advertising, collaterals, websites and design and experiential features of the product.

##### 2. Customer Interface

The customer interface includes all the dynamic exchanges and contact points at which the firm makes the face to face contact with customers in a store, in a sales visit, at a hotel in or a customer event. It also includes automated interactions like e-commerce or an ATM machine and mediated human interactions like call centres, e-mail or instant messaging.

##### 3. Innovation

Innovation consists of all the elements which enhance the personal lives of end customers and work life of business customers. Innovation signifies the commitment which a company has towards the customer. It ranges from new products to small innovations in design to fresh marketing campaigns and customer events.

#### 2.9 CUSTOMER PROFITABILITY

##### Q21. Explain the concept of Customer Profitability.

*Ans :*

The organizations should be feasible and should remember that they are taking a business decision while offering value to the customer. Before making any investment in the customer, the firm should consider the value of the customer to the company and the return which will get from the customer. For avoiding any failure, the firms should measure the value which they receive from their customers (i.e., customer profitability) and should use it in decision making.

Hence, the organizations have to manage the following two sides of customer value,

1. To offer value to their customer which is strategically regulated by customer experience management and
2. To receive value from their customer which is strategically measured by customer profitability.

### Customer Classification on the Basis of Customer Profitability

The customers are classified into four types on the basis of their value to the company. Every customer needs a different strategic approach from an organization. The following are the different types of customers which are classified on the basis of customer profitability.

1. The first type of customer gets high value from the products and services of the Company and offers high value in terms of high profit margins, loyalty and retention. The firm builds a mutually beneficial or win-win relation with such type of customers. The organizations must recognize and try to acquire such type of customers.
2. The second type of customer is the 'lost cause' who receives less value from the products and services of the company. If these customers offer any marginal value to the firm, then it can be to allow for economies of scale. The firms must make reducing investment in such type of customers. A study conducted by US banks in early 90's concluded that only 30% of the customers were profitable in long run and the remaining 70% of customers demolished value. If a firm recognizes its own 'lost cause' customers, then it should transform them into profitable customers or dismiss them.
3. The third type of customer is the customer who gives high value to the firm but does not receive much value from the services of the firm. Such type of customers can be either new large customers who are not getting a good customer experience or old customers who are taken for granted. These customers are likely to suffer from defection till the company invests in effective products, additional services and a better customer experience.
4. The fourth type of customer is the customer who receives superior value from the products and services of the firm but gives

less value due to their large size or competition intensity. In a shopping mall, such type of customers only visit the mall and do not purchase anything.

The above study explains how the firms waste their time, efforts and money by offering high value to low value customers without measuring customer profitability. However, after recognizing the high value customers, the firms should have knowledge about how to offer the right customer experience to them for retaining old customers, acquiring new customers and extending the margins which they are generating per customer.

#### ➤ Customer Profitability as a Strategic Measurement Tool

The present value of the current and future profits produced from a customer is called "Customer Lifetime Value" (CLV). The customer lifetime value emphasizes mainly long-term customer relationship and assures that the firm does not spend more on a customer than its worth. Though widespread databases and sophisticated models can be used for evaluating customer lifetime value, Sunil Gupta and Donald Lehmann of Columbia Business School created a simple and accurate formula for estimating it. The research conducted by them found that customer lifetime value is a product of the annual margin of a customer and a "margin multiple". The margin multiple relies on the cost of capital and the customer retention rate of the company which is in the range of 1 to 4.5.

**Example:** The multiple of a company whose customer retention rate is 90% and cost of capital is 12% is 4. If the annual margin from the customer of this company is \$100, then the CLV is \$400. This means that the company must not spend more than \$400 for acquiring this customer.

The firms can make use of CLV for formulating the strategies for customer acquisition, customer retention and customer expansion.

➤ **Customer Profitability and Company Value**

Customer profitability gives an estimation of firm value which helps in connecting marketing investment and shareholder return. The customer based valuation assumes that if the customers are the key profit makers of a firm, then the lifetime value of every customer can be estimated and the current and future customer base of a company must offer a good proxy for its market value.

Gupta and Lehmann conducted a study and found that a 1% improvement in customer retention enhances the value of the firm by 5%. Whereas a 1% improvement in the cost of the capital of company increases the value of firm by only 0.9%. These metrics create a framework for managers for connecting the investment in customers with the value of the firm.

The customer profitability as a strategic measurement tool provides a measure of the value of the firm and the drivers of that value.

➤ **Customer Experience Management (CEM) and Customer Profitability Management (CPM)**

Senior executives make use of CEM and CPM for maximizing the growth. Customer profitability measurements help in maximizing CEM investments in customer acquisition, retention and expansion for targeting the right customers. Customer profitability monitors the financial value which the customers offer to a firm, while CEM strategically guides to increase that value and to specify the customer experience aspects affecting the customer profitability aspects.

Thus, for attaining growth, the companies should recognize and increase customer value which the firm offers to the customers and which it derives from them. This is possible through CEM and CPM. So, the use of these two models together, helps a firm to obtain the benefits of both the sides of customer value.

## Short Question and Answers

### 1. Explain the concept of customer value.

*Ans :*

Value creation refers to a strategic process to control a product, service or a business unit's growth and competitive share. It is developed on a core foundation of market research implementing advanced techniques known as Customer Value Analysis (CVA).

The literature on both marketing and quality focuses on the significance of customer value. Customer Value Management (CVM) is famous methodology used for addressing critical business issues. It is used by leading companies in many industries in the world. CVM is the outcome of customer value-added techniques and economic value comparisons, it facilitates targeted improvement of customer service where it can have large business benefits. In order to develop a direct link for ratings of product and service to market share, customer value added analysis make use of competitive market research techniques along with econometric modelling.

The concept of customer value is becoming more and more popular as an important strategic factor in acquiring a competitive advantage. It is also observed as a crucial building block in the development of relationships.

Perceived value implies an all inclusive evaluation by the customer relating to the utility of a product depending on "what is got and what is given". Value exist in the balance between functional solution attained by the customer and sacrifice of customer to obtained the solution.

### 2. Define 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 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 inturn 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.

### 3. Define customer satisfaction? State the factors affecting customer satisfaction.

*Ans :*

Customer satisfaction, a business term is a measure of how products and services supplied by a company meet or surpass customer expectation. It is seen as a key performance indicator within business and is part of the four perspectives of a balanced scorecard.

Customer satisfaction is an overarching concern for marketing professionals. Simply put, customer satisfaction is how happy a customer is with a product or service, both in the product's performance as well as the company's delivery of the product to the market. One commonly used measure of customer satisfaction is the 'gap model'. The gap model is defined by the following equation:

$$\text{Customer Satisfaction} = \text{Delivery} - \text{Expectations}$$

Delivery refers to the customer's perception of the actual delivery of the product or service. Expectations refer to the customer's expectations about that product or service. Thus customer satisfaction is the difference, or "gap," between what the consumer expected and what he or she received.

**4. Importance of customer satisfaction ?**

*Ans :*

Building strong relationships with customers and providing satisfaction to them, can have many benefits for the business owner, aside from simple profits:

**1. Customer-Oriented Management**

During the course of a customer satisfaction analysis, customer shares their goals, needs, and wishes. The company is thereby given the opportunity to adjust what it has to offer to the expectations and perceptions of the customer.

**2. Comparison with the Competition**

Customers are also an excellent source of competitive intelligence. They can keep everyone informed of what competitors are doing, and better still, anyone do not even have to pay them in order to acquire this information.

**3. Comparison Over Time**

It is important for a company to not only use satisfaction studies to ascertain possible sources of satisfaction or dissatisfaction, but to also use them for analysing and deriving possible strategies for action. Via regular studies, comparisons can be derived with regard to product and service quality over a given time period.

**4. Profit from Specific Insights**

Through innovation and strategic changes, the rapid and early attainment of customer satisfaction can be an advantage. By goal-oriented teamwork, products and services can be developed or directly adjusted to the expectations of potential customers.

**5. Loyalty**

A highly satisfied customer often becomes loyal customer. The term brand loyalty is used to describe the behaviour of repeat purchases, as well as those that offer good ratings, reviews, or testimonials. Brand loyalty

describes the tendency of a customer to choose one business or product over another for a particular need.

**6. Reduced Costs**

A highly satisfied customer costs less to serve than a new customer. Because retaining the customer requires less cost than procuring the new customers. A highly satisfied customer is willing to pay more for the product or service. A highly satisfied customer tells their family and friends about the product or service.

**5. Define customer acquisition.**

*Ans :*

Customer acquisition is the process of acquiring new customers for business or converting existing prospect into new customers. The importance of customer acquisition varies according to the specific business situation of an organization. This process is specifically concerned with issues like acquiring customers at less cost, acquiring as many customers as possible, acquiring customers who are indigenous and business oriented, acquiring customers who utilize newer business channels etc.

**6. Define Customer Retention.**

*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.

**7. Define customer loyalty.**

*Ans :*

**Meaning**

The term customer loyalty is used to describe the behaviour of repeat customers, as well as those that offer good ratings, reviews, or testimonials. Some customers do a particular company a great



service by offering favourable word of mouth publicity regarding a product or services, telling friends and family, thus adding them to the number of loyal customers. However, customer loyalty includes much more. It is a process, a program, or a group of programs geared toward keeping a client happy so he or she will provide more business.

Customer loyalty can be achieved in some cases by offering a quality product with a firm guarantee. Customer loyalty is also achieved through free offers, coupons, low interest rates on financing, high value trade ins, extended warranties, rebates, and other rewards and incentive programs. The ultimate goal of customer loyalty programs is happy customers who will return to purchase again and persuade others to use that company's products or services. This equates to profitability, as well as happy stakeholders and it can be easily achieved by developing and maintaining a customer loyalty programme such as green card in case of Pantaloons.

### Definitions

- (i) **According to Cunningham** "Customer loyalty is the proportion of purchases of a household devoted to the brand it purchased most often".
- (ii) **According to Ball et al.**, a quick observation of customer loyalty is repeated purchase. In practical terms, firms want repeated purchases mainly because such behaviour in consumers can:
  1. Apparently show the customer preference for a brand or product;
  2. Reflect a customer's purchase intention; and
  3. Presumably secure profitability by increasing market share.

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

*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."

### 9. Define customer experience management.

*Ans :*

Customer acts as the lifeblood of every company. They are regarded as the essence of the demand driven economy. The customers are very important for the survival of the organizations. They are considered as the most valuable assets of the organizations. So, the whole organization should be customer-centric.

Though every organization is aware of the universal importance of the customers, the actions of the most firms do not match with it. In spite of spending billions of dollars on advertising, customer satisfaction and CRM programme, many firms fail to give importance to customers.

For becoming a customer-oriented organization, the firms should deliver the right customer experience. The firms can have growing

customer demand if they focus not only on products but also on the total experience. Starbucks, became a global business leader by focussing on the coffee category as well as by providing an experience which involves service, ambience, product naming and smell. Such type of customer experience management is very important if the firms want to become successful in offering real value to their customers.

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**10. Customer Profitability.**

*Ans :*

The organizations should be feasible and should remember that they are taking a business decision while offering value to the customer. Before making any investment in the customer, the firm should consider the value of the customer to the company and the return which will get from the customer. For avoiding any failure, the firms should measure the value which they receive from their customers (i.e., customer profitability) and should use it in decision making.

Hence, the organizations have to manage the following two sides of customer value,

1. To offer value to their customer which is strategically regulated by customer experience management and
2. To receive value from their customer which is strategically measured by customer profitability.

### *Choose the Correct Answer*

1. The concepts used for evaluating customer acquisition activities are [c]  
(a) Acquisition Cost (b) Acquisition Rate  
(c) Both (a) and (b) (d) None
2. A good complaint management system should be \_\_\_\_\_ : [d]  
(a) Visible (b) Accessible  
(c) Responsive (d) All the above
3. CRM is \_\_\_\_\_ oriented. [c]  
(a) Customer (b) Performance  
(c) Transaction (d) None
4. Greeting, header, footer, signature and body are components of \_\_\_\_\_. [a]  
(a) E-mail (b) File  
(c) Document (d) Problem
5. \_\_\_\_\_ makes use of systems, technologies and simplified processes for enhancing the customer's experience with the company: [b]  
(a) Enterprise Marketing Management (b) Customer Experience Management  
(c) Customer Value Management (d) Customer Relationship Management
6. The major activities/involved in customer centric business are \_\_\_\_\_. [d]  
(a) Listening and learning organization (b) Benchmarking practices  
(c) Respond to information (d) All the above
7. The factors influencing customer expectations are [d]  
(a) Individual Background (b) Individual Psychology  
(c) Service Benchmark (d) All the above
8. In \_\_\_\_\_ strategy, retention probability is high and time to recoup acquisition investment is long. [c]  
(a) Pay as you go (b) Full throttle  
(c) Slingshot (d) Divest/restructure
9. In \_\_\_\_\_ level, the firm plans to build long term relationship with customers by building social and interpersonal relationship. [b]  
(a) Financial bonds (b) Social bonds  
(c) Customization bonds (d) Structural bonds
10. \_\_\_\_\_ is a famous method used for addressing critical business issues. [a]  
(a) Customer Value Management (b) Enterprise Marketing Management  
(c) Customer Relationship Management (d) Customer Experience Management

## *Fill in the blanks*

1. \_\_\_\_\_ refers to a strategic process to control a product, service or a business unit's growth and competitive share.
2. The costs which are related to acquisition of a new customer is \_\_\_\_\_.
3. In \_\_\_\_\_ strategy, the retention probability is high and time horizon to recoup the acquisition investment is low.
4. \_\_\_\_\_ is calculated by dividing the fraction of prospects acquired by total number of prospects targeted.
5. A standard or reference point for the ultimate satisfaction of the customer is \_\_\_\_\_.
6. The degree to which the customers are satisfied with the products and services offered by a business is known as \_\_\_\_\_.
7. Enterprise marketing management is the most significant dimension of \_\_\_\_\_.
8. \_\_\_\_\_ deals with series of activities like preparation of questionnaire, conducting of survey and assessing the result/outcome.
9. \_\_\_\_\_ is the real value of a customer which helps to evaluate the potential of an organization to invest to acquire/retain customer.
10. \_\_\_\_\_ gives an estimation of firm value which helps in connecting marketing investment and shareholder return.

### ANSWERS

1. Value creation
2. Customer acquisition costs
3. Full throttle
4. Acquisition rate
5. Customer expectation
6. Customer satisfaction
7. Customer relationship management
8. Customer satisfaction measurement
9. Customer lifetime value
10. Customer profitability

## UNIT III

### PLANNING FOR CRM

Steps in Planning – Building Customer Centricity, Setting CRM Objectives, Defining Data Requirements, Planning Desired Outputs, Relevant issues while planning the Outputs, Elements of CRM Plan, CRM Strategy: The Strategy Development Process.

#### 3.1 PLANNING FOR CRM

**Q1. Define customer centricity ? State the various pillars of customer centricity.**

*Ans :* (Imp.)

##### Meaning

Customer centricity is an approach of doing business that focuses on providing a positive customer experience in order to drive profit and gain competitive advantage. Companies that are customer centric put their customers at the center and make decisions that ensures their customers are happy.

##### Pillars

The 7 Pillars of Customer Centricity :

##### 1. Experience

Make the customer experience easy, enjoyable and convenient. Companies that excel in customer experience make their customers so happy that they want to share their positive interactions with your brand.

##### 2. Loyalty

Reward and recognize customers in a consistent way that is relevant to how they want to be rewarded. Loyal companies reward shoppers in ways that are meaningful to customers.

##### 3. Communications

Personalize the message to customers, based upon what they buy, and in a way they like.

Highly communicative companies provide tailored, relevant communications based on customer preferences.

##### 4. Assortment

Have the right products and a strong variety to meet customers' needs. Companies shouldn't necessarily have the widest selection of products, but they should stock the ones their customers want.

##### 5. Promotions

Leverage promotions on the items that are most appealing and often purchased by current customers. Companies with successful promotions programs promote the products that matter the most to customers.

##### 6. Price

Provide prices that are perceived to be in line with what the customer is looking for on the products they purchase most often. Brands don't have to be the price leaders, but they do need to have pricing that customers perceive as fair.

##### 7. Feedback

Hear and recognize customer concerns. Companies that rank high in customer feedback have a two-way conversation and emotional connection with their customers.

##### Customer Centric Business

The primary objective behind the Customer Centric Business is to Create Value for Customers,

which results in an organizational success both in short run as well as in long run. It is used for sustaining the competitive advantage in long run.

Customer Centric Business refers to a way through which companies designs and delivers the different or unique experience to acquire, retain and enhance the value of customers. CEO plays a key in accomplishing both short-term and long-term business performance which is not only advantageous to customers but also to the employees and stake-holders of the organization.

In customer Centric Business the successes of any organization depends on the effective management their relationship or experience with customers. The next challenge is to achieve Competitive advantage, which inturn helps in achieving sustainable business performance that every firm desires for delivering the effective performance, organizations must have the capability to influence the behaviour of customers which involves the attracting of new customers, retention of existing and old customers and exchanging the customers that they will remains their key customers in long-term by creating trust among company's brand. This enables the customers to excetively use the companies products and services.

### 3.1.1 Steps in Planning - Building Customer Centricity

**Q2. What are the steps involved in planning of CRM?**

*Ans :*

#### Step 1: Understanding the Customers

In business, everyone like to have special attention recognition and special treatment from their relational partners. In customer centric Business, Understanding the customer is a fundamental prerequisite for producing and delivering differentiated products to them. Before producing differentiated products organizations need to perform in- depth analysis of customers which enable them to identify create and deliver the products with desirable attributed that are considered as "valuable" by the customers.

The organization who are aware of the preferences, desires, needs and requirements of their customers will succeed in differentiating themselves from others creation of true value.

Customer orientation is about implementation and delivering the promises made by the organization to their customers. Each interaction between customer and organization creates value either positive or negative: Generally, the organizations are computing for products and prices but with the help of a well-designed and consistent customer initiative the basis for competition can be changed to total value.

It customers have positive experience with the organization, then it will make him more loyal which intum helps the organization to grow.

#### Step 2: Aligning Organizational Capabilities

After knowing customer needs, preferences and their peculiarities organizations must reformulate and realign their strategic approaches other capabilities in order to (optimize) their delivery value.

#### Example

One of the challenges which every organization has to accept is to satisfy its customers by providing them with the desired products service this is possible only when organization understands the different ways in which the customer experiences the services provided by the organization.

Organization undergoes various stages is building customer relationship where in not only the customer expectations but also the values allocated to the organization at each stage differs from one another. So, organizations should toy to allocate best possible resources to nurture and serve the desired and profitable. Customers.

In a customer life cycle, each stage is characterized by distinct wants, needs and priorities etc. which must be considered by the organizations for twising or making on organization to be a good customer centric business organization.

Every organization must delivers good experience to their customers by determining the

strength of each touch points i.e., mass media (like-print, audio, video) internet call center, E-mails exhibitions etc. All such touch points are called as senses of organizations as they enables the organization to efficiently reach its customers.

### Step 3: Empowering Employees

The last step towards the establishment of a customer-centric organization is to empower its employees to take immediate actions whenever it is required. Customer centricity initiates with the interaction improvement of customers which acts as a medium for building customer relationship.

Before empowering, organizations must teach business skills to their employees :

If employees are able to determine the relationship between their performance and outcomes then they can take better decisions with not only helps improving the customer experience but also in the efficiencies of bottom- line process such as Total Quality Process value-chain process.

In a customer-centric business three types of service-empowering trainings are given to the employees which are as follows :

- (a) Orientation programme, where training is given to the employees to impart knowledge about corporate vision and culture.
- (b) To develop skills for knowing and understanding the customers.

Instead of storing the customers information in central system, KMS (knowledge management system) should be adopted which helps the employees in making informed decisions. This system is advantageous to both customers and organization.

Providing/Delivering Good Customer service is the responsibility of each and every individual of the organization (i.e., the person who packs ships, designs, produces markets, serves etc. but it is n't those who directly interacts with customers (or customer facing staff).

Building customer-based business is possible only.

- (a) When organization has set pre-determined its goals.
- (b) When they define their customer relationship objectives and prioritizes them on the basis of business strategies.

Organizations must put all the goals, rewards and measurement together to cultivate good attitude and behaviour among employees.

For adopting Customer Centric Business, employees must have behavioural knowledge perquisite for people management operational knowledge (for performance management) and enabling knowledge (for continuous improvement).

Finally, organizations adopt Customer Centric Business for increases profits, Customer loyalty and achieving growth. Customer Centricity helps is achieving brand image and maintaining good customer relationship which are the main assets which every organization wants to have.

### Q3. Explain the Challenges of Customer Centric Business Strategy.

*Ans :*

(Imp.)

Following are the three different challenges which are commonly faced by various financial services firm while implementing Customer Centric Business Strategy:

#### 1. Identifying the Stake Holders

Successful execution of a customer centric strategy is a biggest challenge of any financial services firm which is mainly dependent on the role played by each state holders. Hence the people execution of a strategy involves not only the identification of various state holders but also with their understanding of roles that needs to be played while executive the strategy. CEO and Board of directors while formulating solution existing problem. Seek solutions to the problems related to the

market which needs to be compared With managers of operational business unit whose perspective of seeing the problem is different from that of senior management.

The groups which are identified consists of only few state holders involved in the implementation the Customer Centric Business strategy. In this strategy, it is to be noted that for solving same problem different incentives are gives to different customer groups.

Finally, as IT organizations are designed to serve operational business unit, they are so much engaged in solving lay-to-day problems rather than implementing the corporate vision by allocating required resources.

## 2. **Maintaining Effective Communication between the Stake Holders**

Many organizations face difficulty in transforming the vision in to actions.

Following are the three complications with company faces under this challenges :

- (a) Corporate visions is usually passed down to the IT organizations through the operational business units. So, there may be a chance for misinterpretation or total loss of message during the process.
- (b) As organizations are becoming larger in size, it becomes difficult to get consensus (agreement from all the employees on how to achieve the desired set vision.
- (c) Even after getting Consensus It Organizations may face difficulty in translating corporate vision into technical terms.

For instance, incase of financial service firm if its objectives is to reduce the number of default payments. Explaining how this objective is important to an IT organization is also an another challenge for such firms.

It organizations can contribute more towards the customer centric vision of the company only when company spends more time on classifying the problem to these organizations (IT organization).

## 3. **Designing Data Architecture**

Designing data architecture is the third challenge which IT organizations are facing. Data architecture is about organizing data which can be converted into information by asking light questions. Data must be organized on the basis of vision. Another crucial task for any organization is to clearly communicate the pre set vision across all the functional departments.

Data architectures are created by IT organizations in order to support functional specifications which are passed-down. So, the same elements can be seen in the operational business units. It is very difficult to bring all these elements together as different businesses have their own way of using them.

Consolidating (pulling all the data together) may lead to duplication is various companies. After figuring out data sources the following decisions need to be taken.

- (a) Which model should be used for storing data (i.e., whether to use data-relational model, star schema data model or any other model for storing).
- (b) How to present data to the users? Whether to use Customer-built applications or off the shelf tools.
- (c) Reports should be web enabled or not?

The hurdles in adopting Customer Centric Business Strategy are even more challenging than that have been faced by the IT organizations. IT organizations can succeed is implementing this strategy by overcoming the challenges, by minimizing conflicts within the organization' and finally by reducing implementation time.



### 3.2 SETTING CRM OBJECTIVES

#### Q4. Explain the mechanism of Setting CRM Objectives.

*Ans :*

The objectives of CRM generally differs from one company to that of another due to their different vision, mission and the goals. The objectives related to CRM in the company can "be achieved if the company identifies the areas which need to be improved and by using SWOT analysis. For successful implementation of the CRM initiative, the company has to clearly state the objectives and develop a coherent vision related to CRM. Objectives stated forms the basis for the company to define the data requirements and the other essential aspects to be focused to achieve the objectives of the company. For formulation of the CRM strategy the objectives play a key role.

The following are the CRM objectives,

- (a) Increased customer satisfaction.
- (b) Enhanced customer loyalty.
- (c) Enhanced customer retention.
- (d) Increased sales to existing customers cross- selling and up-selling.
- (e) Better segmentation and targeting of customers-campaign management.
- (f) Focusing on individual customers and the life-cycle-personalization.

A company can attain multiple objectives of CRM depending upon the resources it posses and the investment. In the views of Gordan, the four essential CRM strategic capabilities are,

- i) Technology
  - ii) People
  - iii) Process and
  - iv) Knowledge and insight.
- i) **Technology** : This element helps in desired functionality for the CRM' practice.

- ii) **People** : They are the asset for the company skills, abilities and attitudes of the people are responsible for the CRM initiative.
- iii) **Process** : The process which the company incorporated for assuring the fulfillment of CRM objectives that consists of transactional interactions with customers.
- iv) **Knowledge and Insight** : It is the responsibility of die company to identify the right approaches in order to facilitate stronger and deeper customer relationships with the right set of customers. This approach in turn helps the company in gaining knowledge and in sight for enhancing the customer value to a greater extent. The company should always strive on enhancing the customer satisfaction and retention by following the CRM objectives. Successful implementation of CRM objectives in the company helps in identifying.

### 3.3 DEFINING DATA REQUIREMENTS PLANNING DESIRED OUTPUTS

#### Q5. Describe the Data Requirements in customer relationship management.

*Ans :* (Imp.)

CRM initiatives can be successful if the right data has been collected, analyzed and used for determining the cause of CRM. Hence, the company should take maximum care to ensure that data requirements are defined correctly and accurately.

#### Source of Data Requirements

Data requirements can be classified into internal and external sources.

#### (a) Internal Sources

The internal sources are used for collecting transactional data. It consists of,

- (i) Customer contact sources-call centres, service centres, e-mails, websites etc.
- (ii) Sales orders and history of transactions, payments etc.

- (iii) Personnel-Comments and inputs on customer, their preferences etc.
- (iv) Reports-It deals with customer complaint history, taking inquiries from customers, reports generated by ERP systems etc.
- (v) Research-customer focus group interviews, surveys etc.

**(b) External Sources**

The external sources are also used for collecting data for successful implementation of CRM initiative. They are,

**(i) Intermediaries**

It include the transactional data generated by the various intermediaries Which are in direct contact with customers.

**(ii) Suppliers**

It includes the transactional data generated by way of interactions with supplier.

**(iii) Competitor Data**

It deals with competitors strategies and offerings with respect to product features, customer service etc.

**(iv) Research Reports**

Research reports include published research reports sponsored by government or private agencies which significantly indicates demographic analysis or trends in consumption of various products.

**(v) Media Reports**

It includes various media reports related to relevant industry analysis, analyst articles and so on. The following table shows some possible data sources which are based on various CRM objectives. Data source and SRM objectives.

CRM Objectives	Possible Data Sources
1. Cross-selling and up-selling	Sales data, history of customer transactions, customer life cycle data.
2. Enhanced customer retention	Sales data (recency, frequency and value) customer inquiries, customer complaints, customer exist interviews.
3. Enhanced customer satisfaction	Customer complaints, customer exit interviews, sales and service persons comments on lost customers.
4. Personalization	Sales data, customer life cycle data, customer order history, sales persons comments on customer preferences.

### 3.4 RELEVANT ISSUES WHILE PLANNING THE OUTPUTS

**Q6. Describe the relevant issues while planning the output of CRM implementation.**

*Ans :*

#### Relevant Issues While Planning the Outputs

The following are the issues emerges while planning the output.

1. The outputs should be available at the right time as per the need but at times it does not happen leading to unavailability of outputs.
2. The formats in which the outputs are made are not available for the users.
3. Adhoc queries are not in accordance with the plans which in turn lead to interrupt the process.
4. Some times gathered data are not utilized properly for generating output.
5. If CRM initiatives are not carried out properly then the project cannot generate desired output.
6. It is also important for the project that the departments should work collectively. Lack of cooperation among departments lead to project failure.
7. If the process is not carried out as per strategic planning then it results in project termination.

To overcome the above issues the following aspects should be taken care of by the top management. They are,

#### (a) Choosing the Champion

It is the responsibility of the top management to choose the champion. The chosen champion must possess the qualities like,

- (i) A strong believer in the CRM philosophy.
- (ii) Should possess burning desire to succeed, against all the difficulties.

- (iii) He should possess leadership orientation in terms of handling the team.
- (iv) Able to manage the task efficiently
- (v) Should possess knowledge regarding CRM process and aware of the pitfalls as well.
- (vi) Should possess orientation towards IT and the various technologies that are being used.

#### (b) Choosing the Team

Depending upon the criticality of the project the team should be selected. The team selected becomes responsible for the success of the project. The team plays a crucial role toward fulfillment of the project objectives. Sometimes implementation of the project in CRM does not go as per planning, in such case the team should manage all the difficulties properly for project implementation.

#### (c) Decision Making Unit

DMU is an acronym for 'Decision Making Unit'. The next step after selecting CRM champion and the team is creating 'Decision Making Unit' (DMU). This unit helps in taking relevant decision depending upon the situation and they consist of decision makers. The critical aspect of DMU is empowerment. The DMU should always help the other departments by taking final decision in order to carry out the implementation of the project successfully. If the DMU cannot take decision then they can transfer to the board for their consent. The DMU should consider norms and policies for efficient functioning of the team and the achievement of the CRM objectives.

#### (d) Ensuring CRM Orientation

The departments need to work collectively to ensure CRM orientation. The departments should work in such a way that the CRM initiatives can be successfully implemented by fulfilling CRM objectives.

### 3.5 ELEMENTS OF CRM PLAN

#### Q7. What are the elements of CRM Plan?

*Ans :* (Imp.)

The following are the elements of CRM plan. They are

##### (i) Objective

The objectives of the company should be stated clearly in order to achieve the CRM initiative. Measurable targets need to set and it helps in gauge the progress of the CRM initiative,

##### (ii) Data Requirements

A relevant (data is usually required for analysis towards the fulfillment of desired objectives. Prior to making decisions on data analysis the sources should be clearly identified and the way in which data is generated should be considered.

##### (iii) Data Analysis

Development of data gathering and collating plan helps in utilising gathered data as per the format. The data gathering in the system require careful consideration towards technology aspects. The desired analysis is checked in order to find out feasibility by considering the chosen technology and tools.

##### (iv) Outputs and the Usage

The chosen CRM tool is used for data analysis. The purpose of using chosen CRM is to facilitate desired outputs available whenever they are needed. The outputs are utilised to serve the purpose of CRM initiatives and to carry-out the process efficiently. The aspects given due preferences are better segmentation, predicting next purchases of customers, campaigns-offers to prospective customers based on their profiles, cross-selling and up- selling campaigns etc. The CRM initiative can be successful if data analysis are used properly to carry out the process efficiently, the top management appoint a person as a champion to hold after CRM cause. The responsibility of selected person

is "Own the CRM initiative". The selected person then becomes responsible to identify the causes and to improve the CRM process to carry out its functions effectively.

##### (v) Checking the Progress

Eventhough planning is there in every stage, a reality check on the progress of the CRM initiative facilitates whether the project is on track or it require corrective measures. A reality check helps decision makers to take corrective actions immediately so that the process is not disrupted. In the CRM planning stage, suitable milestones are designed to ensure measurement of the progress of the project through set milestones.

### 3.6 CRM STRATEGY

#### Q8. What is CRM strategy and its applications ?

*Ans :*  
**CRM Strategy**

A CRM strategic plan is essential to build an effective relationship between customers and management. It segregates all objectives into small constituents which can be controlled easily. However, firm need to allocate at most two months duration for an efficient CRM strategic plan beyond which it would lead to wastage of time and resources. A strategic plan is prepared by considering firm's objectives, end-users requirements, firm's present circumstance, competitors position.

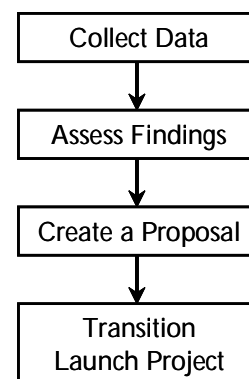


Fig. : Strategic Planning Process

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 communicate 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.

#### CRM Applications

CRM applications enables a firm to build an effective business strategy, thereby satisfying customers and yielding more profits. Some of the CRM applications are listed below.

#### 1. Gathers Sales, Marketing and Customer Support Operations

CRM applies suitable tools to accomplish the following goals.

- (i) To record the business data safely and to update frequently.
- (ii) To increase employee performance.
- (iii) To market the products effectively so as to increase sales.
- (iv) To reduce costs.
- (v) To maintain individual customer preferences so as to render specialised service.

By integrating all the aforementioned factors, firms can satisfy customers, gain loyalty which in turn increases customer retention ratio.

#### 2. CRM Software Application can be Web-hosted or On-premise

- (i) A web-hosted CRM software application is applicable for small and medium-sized Operations. It neither requires any maintenance nor it is expensive as on-premise CRM. To avail this service user need to make payment on a monthly basis and is delivered through internet.
- (ii) Big organisations opt for on-premise CRM applications. Usually it is an in-house CRM solutions which can operate the whole organization and maintains secrecy. User can purchase this software by paying a lumpsum amount. It is costly and need high degree of maintenance.

#### 3. CRM Enterprise Applications Enhances Business Processes and Increases Relationships with Customers

CRM applications consists of various suitable tools to operate the business process smoothly by interacting with each other. It focuses on all aspects i.e. employees performance, process of sales and marketing, cost reduction and customer satisfaction. The ultimate aim of CRM applications is to gain maximum profits by rendering maximum service.

**Q9. Discuss about Strategy Framework for CRM.***Ans :* (Imp.)

The CRM strategy should be incorporated in to a strategic framework in order to serve as a guiding tool to be considered for the CRM initiative. In 2005, payne and frow conducted research to develop a strategic CRM processes can be classified in to five points. They are

1. The strategy development process
2. The value creation process
3. The multi-channel integration process
4. The information management process and
5. The performance assessment process.

**1. The strategy Development Process**

This stage starts with the critical aspects like review of the company's vision and industry and the competitors. To carry out strategic analysis disruptive technologies by christensen and overdorf are applied to the process. In this stage strategic planning for the entire process is made and at each stage planning is carried-out in accordance with the data and requirements.

**2. The Value Creation Process**

The company should always strive towards creating value to the products/services offered to the customers. The value offered to the customer are judged by the company in terms of Co-creation of values through customers. The company also judges the value received from the customers in terms of the life time value of the customer, the profitability offered by the customer etc.

**3. The Multi-Channel Integration Process**

Under this process, the channels are considered from the customers view point by the company. The source of customer access in this process is hybrid channel. The company tries to integrate multi-channels so that the customer experience is standardized across various channels.

**4. The information Management Process**

Information management process also plays a key role in the CRM process. Information management system comprises of the data repository to receive all the data that is gathered and analysed. IT system consists of hardware, the software and the middleware, tools for analysis and the front and back office applications. These elements support the ongoing activities for successful completion of the process.

**5. The Performance Assessment Process**

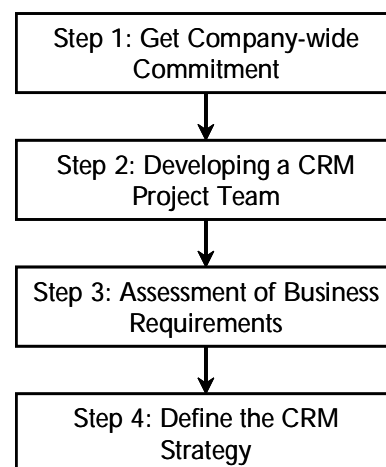
The performance assessment process includes two critical elements. They are,

- (i) Shareholder results and
- (ii) Performance monitoring (Enhancement of customer retention, satisfaction levels etc). Cross-functional indicators like balanced scorecard are also used for performance measurement.

**3.6.1 The Strategy Development Process****Q10. Discuss the strategy development process.***Ans :* (Imp.)

A strategic framework of CRM comprises five stages. Among them, the first stage is 'The strategy development.

The following figure depicts the various steps involved in developing a CRM strategy.

**Figure: CRM Strategy Development Process**

A description on each is given below,

### Step 1: Get Company-wide Commitment

A company comprises various departments (like marketing and sales department, finance department manufacturing department) and distribution department and strategic CRM is concerned with all these departments. The support and contribution from all these department is very essential while developing the company's CRM strategy. The participation of various departments of the company in the development of CRM Strategy results in wider cooperation and acceptance to new system.

The characteristic features of company-wide commitment are,

- Top-down management commitment
- Bottom-up buy in form users of the system.
- Committed full-time project team members.
- Allocation of budget for the complete solution.

In order to get support from all the departments of the company, developers of CRM strategy should gives up- to-date information to the departments regarding the progress taking place at the development and implementation stages and focus should be laid on the positive outcomes of the CRM strategy.

### Step 2: Developing a CRM Project Team

The next step in developing a CRM strategy is developing a CRM project team. The team members of the CRM project are entrusted with the responsibility of taking important decisions make suggestions and communicate the advantages and details of the CRM strategy to the whole company. An effective CRM project team must contain representatives from the following groups.

A brief description on each is given below.

#### ➤ Information Services/Technical People

CRM strategy is developed on the basis of the assessment of the company information and due to this reason active participation from information services is very essential. Computerization of CRM processes need active participation of technical personnel.

#### ➤ Representatives from Finance Department

Assessment of the CRM strategy from financial perspective is also essential. Members of the finance department can assess the CRM strategy with regard to operating costs, system expansion costs, high sales productivity and return on investment projections.

#### ➤ Representatives from Sales, Marketing and Services Department

After the development and execution of the CRM strategy, members of sales, marketing and service departments use the CRM system. A CRM strategy is said to be successful when its users are completely satisfied and have no problem in using the CRM system. Members of the sales, marketing and service departments assess the usability of the CRM strategy based on three criterias such as efficiency, effectiveness and satisfaction.

#### ➤ Management of the Company

Management of the company is required to supervise, motivate and play a leadership role in each and every step involved in the development of CRM strategy. Participation of management is very essential in situations where significant changes are required to made in organisational processes, organisational structure, roles and responsibilities.

#### ➤ CRM Experts from Outside

In case of absence of CRM experts and unavailability of technology within the company, CRM experts are acquired from outside. CRM experts acquired from outside assist is determining the business needs of the

company and help in budding a project team. These CRM experts work along with the team to evaluate, change and finalize the functional specifications.

### Step 3: Assessment of Business Requirements

A CRM strategy will be effective, if it is developed on the basis of the company's business requirements. Analysing the business requirements of the company involves assessment of present business situation and pinpointing the problem areas. Doing this is very essential for the development of effective CRM strategy. Group of sessions and surveys are required to be undertaken during this step. Organisation-wide goals and department wise objectives should be into consideration. All the ideas received from the participants should be assessed with due care. Ideas which are not practical can be excluded at the time of development of CRM strategy.

Information pertaining to specific problem areas should be collectively to determine specific goals and set company-wide objectives. After collecting information, the below listed down steps are required to be undertaken,

1. Determine the supporting services and products,
2. Plan the present work processes, interfaces and dependent activities.
3. Evaluate the prevailing capabilities, technologies and attributes.
4. Have discussion on the vision and operational plan for the business
5. Specify the business requirements of the company.
6. Build extended business processes and workflows.
7. Trace the gaps in the implementation of technology.
8. Plan the implementation of business processes.

9. Introduce new technology and develop its implementation process.,
10. Build a conceptual design and develop a sample plan.

### Step 4: Define the CRM Strategy

The last step in the development of CRM strategy is defining the CRM strategy. While defining the CRM strategy, the five areas have to be taken into consideration. They are

#### 1. The Value Proposition

CRM strategy aims at retaining the important customers and the objective behind customer retention is to create, communicate and provide value propositions which meet or exceed the expectation of customers.

#### 2. Customer Strategy

A customer strategy describes how a company develop and manage customers portfolio. A customer portfolio comprises customer segments, who are segmented based on their actual or perceived attributes.

#### 3. Business Case

The business case for CRM helps in knowing whether the company will be successful in meeting its expectations from its investments. A business case is said to be effective if it links delivery of customer value with the creation of shareholder value. This linkage indicates good return on investment.

#### 4. Enterprise Transformation Plan

Enterprise transformation plan includes transformation of business process, transformation of the organization and so on.

#### 5. Other Stakeholders

Other stakeholders also play an important role in defining the CRM strategy.

### Q11. Explain about Customer Life Cycle.

(OR)

Describe various Customer Life Cycle.



*Ans :*

Customer Life Cycle is used to describe the phases through a customer goes. Here are the important stages of a customer life cycle:

**1. Reaching**

It is the phase where a business communicates with its target customer. It is mainly done through advertisements.

**2. Acquisition**

Attracting and influencing the target customer. The marketing team decides the scope of the target audience and convinces the customers about the benefits of its products/services.

**3. Conversion**

It is when customers decide to purchase a product or service.

**4. Retention**

In addition to flawless products/services, the business offers some extra facilities to the customer such as priority treatment, beautiful store ambience, free parking, etc., to retain existing customers.

**4. Inspiration**

To inspire a regular customer into a loyal one by establishing a sound relationship. When a business puts efforts on providing polite and quick service, personal attention from the staff, knowledgeable sales staff, then the customers are automatically inspired to buy a product/service from a particular vendor.

## Short Question and Answers

### 1. Define customer centricity.

*Ans :*

Customer centricity is an approach of doing business that focuses on providing a positive customer experience in order to drive profit and gain competitive advantage. Companies that are customer centric put their customers at the center and make decisions that ensures their customers are happy.

### 2. Customer Centric Business

*Ans :*

The primary objective behind the Customer Centric Business is to Create Value for Customers, which results in an organizational success both in short run as well as in long run. It is used for sustaining the competitive advantage in long run.

Customer Centric Business refers to a way through which companies designs and delivers the different or unique experience to acquire, retain and enhance the value of customers. CEO plays a key in accomplishing both short-term and long-term business performance which is not only advantageous to customers but also to the employees and stake-holders of the organization.

In customer Centric Business the successes of any organization depends on the effective management their relationship or experience with customers The next challenge is to achieve Competitive advantage, which inturn helps in achieving sustainable business performance that every firm desires for delivering the effective performance, organizations must have the capability to influence the behaviour of customers which involves the attracting of new customers, retention of existing and old customers and exchanging the customers that they will remains their key customers in long-term by creating trust among company's brand. This enables the customers to excetively use the companies products and services.

### 3. CRM Objectives.

*Ans :*

The objectives of CRM generally differs from one company to that of another due to their different vision, mission and the goals. The objectives related to CRM in the company can "be achieved if the company identifies the areas which need to be improved and by using SWOT analysis. For successful implementation of the CRM initiative, the company has to clearly state the objectives and develop a coherent vision related to CRM. Objectives stated forms the basis for the company to define the data requirements and the other essential aspects to be focused to achieve the objectives of the company. For formulation of the CRM strategy the objectives play a key role.

The following are the CRM objectives,

- (a) Increased customer satisfaction.
- (b) Enhanced customer loyalty.
- (c) Enhanced customer retention.
- (d) Increased sales to existing customers cross- selling and up-selling.
- (e) Better segmentation and targeting of customers-campaign management.
- (f) Focusing on individual customers and the life-cycle-personalization.

**4. Data Requirements in customer relationship management.***Ans :*

CRM Objectives	Possible Data Sources
1. Cross-selling and up-selling	Sales data, history of customer transactions, customer life cycle data.
2. Enhanced customer retention	Sales data (recency, frequency and value) customer inquiries, customer complaints, customer exit interviews.
3. Enhanced customer satisfaction	Customer complaints, customer exit interviews, sales and service persons comments on lost customers.
4. Personalization	Sales data, customer life cycle data, customer order history, sales persons comments on customer preferences.

**5. What are the elements of CRM Plan?***Ans :***(i) Objective**

The objectives of the company should be stated clearly in order to achieve the CRM initiative. Measurable targets need to set and it helps in gauge the progress of the CRM initiative,

**(ii) Data Requirements**

A relevant (data is usually required for analysis towards the fulfillment of desired objectives. Prior to making decisions on data analysis the sources should be clearly identified and the way in which data is generated should be considered.

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The chosen CRM tool is used for data analysis. The purpose of using chosen CRM is to facilitate desired outputs available whenever they are needed. The outputs are utilised to serve the purpose of CRM initiatives and to carry-out the process efficiently. The aspects given due preferences are better segmentation, predicting next purchases of customers, campaigns-offers to prospective customers based on their profiles, cross-selling and up- selling campaigns etc. The CRM initiative can be successful if data analysis are used properly to carry out the process efficiently, the top management appoint a person as a champion to hold after CRM cause. The responsibility of selected person is "Own the CRM initiative". The selected person then becomes responsible to identify the causes and to improve the CRM process to carry out its functions effectively.

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The CRM strategy should be incorporated in to a strategic framework in order to serve as a guiding tool to be considered for the CRM initiative. In 2005, payne and frow conducted research to develop a strategic CRM processes can be classified in to five points. They are

1. The strategy development process
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## 7. CRM Applications

*Ans :*

### 1. Gathers Sales, Marketing and Customer Support Operations

CRM applies suitable tools to accomplish the following goals.

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By integrating all the aforementioned factors, firms can satisfy customers, gain loyalty which in turn increases customer retention ratio.

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- (i) A web-hosted CRM software application is applicable for small and medium-sized Operations. It neither requires any maintenance nor it is expensive as on-premise CRM. To avail this service user need to make payment on a monthly basis and is delivered through internet.
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### 8. Customer Life Cycle.

*Ans :*

Customer Life Cycle is used to describe the phases through a customer goes. Here are the important stages of a customer life cycle:

- i) **Reaching:** It is the phase where a business communicates with its target customer. It is mainly done through advertisements.
- ii) **Acquisition:** Attracting and influencing the target customer. The marketing team decides the scope of the target audience and convinces the customers about the benefits of its products/services.
- iii) **Conversion:** It is when customers decide to purchase a product or service.
- iv) **Retention:** In addition to flawless products/ services, the business offers some extra facilities to the customer such as priority treatment, beautiful store ambience, free parking, etc., to retain existing customers.
- v) **Inspiration:** To inspire a regular customer into a loyal one by establishing a sound relationship. When a business puts efforts on providing polite and quick service, personal attention from the staff, knowledgeable sales staff, then the customers are automatically inspired to buy a product/service from a particular vendor.

### *Choose the Correct Answer*

1. All the business processes that the company performs should be aligned to enable [ a ]  
(a) Customer-centricity (b) Customer-satisfaction  
(c) Customer-relationship (d) All of the above
2. The use of \_\_\_\_\_ is CRM should be done to ensure quick and easy processes as well as utilize the power of automation. [ b ]  
(a) SM (b) IT  
(b) SR (d) E-crm
3. The segmentation is used in CRM to find out the [ c ]  
(a) Product quality (b) Product purchase  
(c) Key customers (d) Key areas
4. One of the following is the element of external processes [ a ]  
(a) Access to third-party information (b) Data organisation  
(c) CRM planning (d) Data mining
5. \_\_\_\_\_ cluster focuses on processes relating to the management of a company's customers including the acquisition of target customer group. [ b ]  
(a) Innovation (b) Customer management  
(c) Operations management (d) Regulatory and social
6. The critical elements in the CRM plan includes [ d ]  
(a) Objectives (b) Data requirements  
(c) Data analysis (d) All of the above
7. "DMU" stands for [ a ]  
(a) Decision making unit (b) Distribution making unit  
(c) Decision maker unit (d) Decision merger unit
8. The data requirements consists of \_\_\_\_\_ sources [ b ]  
(a) Five (b) two  
(c) Seven (d) Eleven
9. One of the following is the element of prioritizing key customers. [ c ]  
(a) Identifying profit/losses (b) Identifying internal and external processes  
(c) Identifying your key customers (d) None of the above
10. The next purchase of the customers may by predicted using the analysis [ d ]  
(a) Pricing preference analysis (b) Customer satisfaction analysis  
(c) Click stream analysis (d) Product affinity analysis

## *Fill in the blanks*

1. Project team identifies firm's opportunities, threats and strategies which effect CRM program in the stage of strategic planning.
2. A web-hosted CRM software application is application for \_\_\_\_\_.
3. The \_\_\_\_\_model aims to measure two dimensions of a departmental focus towards its customers which involves strategic and operational aspects.
4. \_\_\_\_\_ cluster provides a company with opportunity of being a good corporate citizen, advocating on behalf of customers, supporting worthy causes and providing a voice in the community.
5. The first and foremost feature of customer-centric business is \_\_\_\_\_.
6. CRM Grid model is based on \_\_\_\_\_
7. Under CRM Grid quadrant \_\_\_\_\_represents low customer focused strategic features and low customer oriented processes.
8. The three critical steps to customer centric business organisations are \_\_\_\_\_.
9. A \_\_\_\_\_ business define its mission as creating meaningful value for customers leading to sustained competitive advantage.
10. A \_\_\_\_\_plan is essential to build an effective relationship between customers and management.

### ANSWERS

1. Assess findings
2. Small and medium-sized operations
3. CRM Grid
4. Regulatory and social
5. Quality
6. Strategic management theory
7. IV
8. Know your customer, align organizational capabilities and empower your people
9. Customer-centric
10. CRM strategic

## UNIT IV

### CRM AND MARKETING STRATEGY :

CRM Marketing Initiatives, Sales Force Automation, Campaign Management, Call Centers. Practice of CRM. CRM in Consumer Markets, CRM in Services Sector.

#### 4.1 CRM MARKETING INITIATIVES

**Q1. What are the marketing strategies of CRM? Explain.**

*Ans :* (Imp.)

Companies simply don't purchase CRM products to automate campaign management without a clear view of what they want to do. After all, companies devoid of a marketing vision rarely have sufficient budget for CRM software. Those who do, have a variety of tactics in mind for increasing customer value and loyalty.

Several marketing initiatives have been used for the implementation of CRM. Some of them includes :

##### 1. Cross-Selling and Up-Selling

Cross-selling is the act of selling a product or service to a customer as a result of another purchase. The example of new mothers purchasing products for their babies at the same time they buy clothes for themselves is an example of cross-selling. Cross-selling is all the rage nowadays, because selling more services to an existing customer increases revenue from that customer and costs less than acquiring a new one.

Likewise, companies are frantically looking for opportunities to up-sell, or motivate their existing customers to trade up to more profitable products. The youthful voice at the drive-thru window predictably asking, "You wanna super-size that?" is the best quotidian example of up-selling.

The art of cross-selling and up-selling is understanding which products will increase, rather than decrease, a customer's overall profitability. Simply cross-selling a customer an unprofitable product might actually render that customer less profitable than he was prior to the sale.

Cross-selling done correctly means selling the right product to the right customer. It also means understanding that not every customer is a good candidate for cross-selling. For instance, credit card customers have proven to be poor cross-selling candidates because favorable interest rates and low fees—not the card itself or even the issuer—are the dominant determinant of consumer response to credit card offers. Understanding the ways by which customers evaluate how and whether to respond to such promotions is critical. Not surprisingly, the desire to improve cross-selling business practices accounts for much of the popularity of CRM marketing automation technologies.

##### 2. Customer Retention

In 1996, author Frederick Rekh held wrote that U.S. corporations lose half their customers every five years. Indeed, banks and telephone companies were already in the throes of analyzing customer attrition to understand why customers were leaving for competitors.

Understanding that customers have left, and knowing specifically who, is non-trivial. Understanding why they have left is even

more difficult. Harder yet is stemming the tide of customer attrition by applying this knowledge to business tactics that encourage customers to stay.

Although this business tenet hasn't arrested the frenzy to acquire new customers, it has resulted in millions of dollars being spent to analyze not only why customers leave, but also which customers are the most desirable and thus worth keeping. In the 1980s, companies began focusing on who had left. In the 1990s, they began applying characteristics of customers who had left to existing customers, thereby pinpointing those customers who might be leaving next. Reducing customer defections by even a fraction has been proven to increase profits exponentially.

Currently, companies are using sophisticated predictive technologies that compare like attributes of similar customers to delineate customers who are "likely to churn." and they're simultaneously personalizing tailored marketing interactions designed to motivate those customers to stay.

The trouble with customer retention strategies is that, once you've identified customers who might leave, how do you keep them? Despite sophisticated churn prediction products, most companies still don't really know whether product give-aways and add-on perks—whose initial cost outlay often exceed the resulting revenue contribution—really result in profitability. Will the cost of the free mobile phone be recouped in the customer's service spending? How often are customers continuing their digital cable subscriptions after the first 3 (free) months? Will that first-class upgrade ensure that a given customer will fly with you again?

While they figure out the best way to keep customers who are on the brink of leaving, companies are working on designing marketing campaigns to bump low-value customers to a higher value band rather than

allowing them to churn by default. Churn prediction is one of several uses of technology and data that aid marketing in predicting customer behavior.

### 3. Behavior Prediction

Although not so much a marketing practice as a marketing enabler, behavior prediction helps marketing departments determine what customers are likely to do in the future. Using sophisticated modeling and data mining techniques— we'll discuss some of these in more detail in Chapter 6—behavior prediction uses historical customer behavior to foresee future behaviors. This analysis includes several variations:

- **Propensity-to-buy analysis.** Understanding which products a particular customer is likely to purchase.
- **Next sequential purchase.** Predicting what product or service a customer is likely to buy next.
- **Product affinity analysis.** Understanding which products will be purchased with other products. Also known as "market basket analysis," it can be viewed as examining products in a shopper's basket to understand possible product associations.
- **Price elasticity modeling and dynamic pricing.** Determining the optimal price for a given product, often for a given customer or customer segment.

### 4. Customer Profitability and Value Modeling

Calculating overall customer profitability was nirvana for financial institutions in the late 20th century. But it wasn't easy. These businesses first had to understand the costs of their various products, then roll those products up to the account level, and then associate a single customer with multiple accounts and perhaps with a household. The extensive processing and detailed data



required to calculate customer profitability combined with the high cost of specialized profitability-modeling products kept it out of reach for even mid-market banks until recently. For the first time companies could quantify that price-sensitive customers—those who bring in paper-thin margins—might never recoup their value, irrespective of their purchase volume, yet certain low-volume customers were nevertheless highly profitable.

But profitability is only a piece of the revenue puzzle. A customer can be unprofitable but could have referred three high-value customers to your firm, thereby rendering himself very valuable. Despite not being currently profitable, recent college graduate shows several signs of emerging profitability and thus might be considered valuable over her lifetime.

Different companies in different industries will have different value metrics. Customer value is a pregnant phrase, variously referring to a customer's lifetime value (LTV), potential value, or competitive value (also known as wallet share). Many firms have formalized the practice of value modeling, allowing them to score a customer based on her relative worth to the company over time. The score is then used in a variety of ways to tune communications with that customer.

## 5. Channel Optimization

The main purpose of the marketing automation is to provide right product/service to the right customers through the right marketing channel with the advent of internet, there is a drastic increase in the preferences of the customers.

**Example:** "A customer who is availing the services of net banking refer to get information about the new product/services through e-mail along with the regular statements. However, banking customers have a wide

range of choices for selecting the preferred channels which would be used for delivering the products to the customers.

## 6. Personalization

The individualized content which is delivered on a website is known as personalization. Personalization includes target marketing, tailored email campaigns or customized banner advertisements. With the help of personalization the firm can identify the customer or prospect as an individual and can distinguish its interactions.

## 7. Event Based Marketing

"Relationship with edge is also known as entity relationship. It has certain features that are found to be significant from the perspectives of Information Technology (IT). Relationship recognizes the way in which two entities are linked and communicates with each other. In business, relationship between the entities are represented by a line. Whereas, in case of physical databases, a 'unique key' is used to establish relationship between the two entities. Usually, there exists three different types of relationships as follows,

- (i) One-to-many relationship exists where a single entity is dependent on the group of entities having similar features.
- (ii) One-to-one relationship requires at least one entity on each end of the relationship.
- (iii) Many-to-many relationship is a two-way type in which both the entities are found to be independent.

## 4.2 SALES FORCE AUTOMATION

### Q2. What do you understand by Sales Force Automation?

*Ans :*

(Imp.)

Sales force automation refers to automating all the actions related to sales of an organization or business. This is a coordination of applications that

chiefly center on scheduling and contact management. Sales force automation actions are usually incorporated with other systems that supply the status of orders, inventory and products and other related information and can be a part of a bigger program of customer relationship management. Abbreviated SFA, a technique of using software to automate the business tasks of sales, including order processing, contact management, information sharing, inventory monitoring and control, order tracking, customer management, sales forecast analysis and employee performance evaluation.

Sales force automation helps by making all business actions pertaining to sales, automatic. These actions include:

- Keeping a track of orders.
- Metering out of orders.
- Contact management.
- Sharing sales information and statistics.
- Screening and control of inventory.
- Analyzing future sales patterns and behavior.
- Evaluating performance of employees in sales.

In short, sales force automation can help you to control your entire sales process from head to toe.

Sales Force Automation (SFA) software is a type of program that automates business tasks such as inventory control, sales processing, and tracking of customer interactions, as well as analyzing sales forecasts and performance. Businesses may have a custom version developed specifically for their needs, or choose from among the increasing number of sales automation software products, such as Interact Commerce's ACT! and GoldMine Software's GoldMine. Sales automation software is sometimes called sales automation software, and sometimes called Customer Relations Management (CRM) software.

**Q3. What are the important features of Sales Force Automation?**

*Ans :* (Imp.)

The underlying features of Sales Force Automation are as follows:

1. Sales Management
2. Lead Management
3. Opportunity Management
4. Account and Contact Management
5. Activity Management
6. Approvals and Workflow
7. Territory Management
8. Partner Management
9. Analytics and Forecasting
10. Reports and Dashboards
11. Customizable Forecasting
12. Data Quality Management
13. Sales Information
14. Product Catalog
15. Document Management
16. Contract Management
17. Email Templates
18. Asset Management
19. Desktop and Mobile
20. Mobile CRM Solutions
21. Microsoft Outlook Edition
22. Word and Excel Integration
23. Customization and Integration
24. AppExchange Applications

**Q4. Discuss the advantages and disadvantages of Sales Force Automation?**

*Ans :*

**I) Advantages to the Sales Manager**

Sales force automation systems can also affect sales management. Here are some examples:

- The sales manager, rather than gathering all the call sheets from various sales people and tabulating the results, will have the results automatically presented in easy to understand tables, charts, or graphs. This saves time for the manager.
- Activity reports, information requests, orders booked, and other sales information will be sent to the sales manager more frequently, allowing him/her to respond more directly with advice, product in-stock verifications, and price discount authorizations. This gives management more hands-on control of the sales process if they wish to use it.
- The sales manager can configure the system so as to automatically analyze the information using sophisticated statistical techniques, and present the results in a user-friendly way. This gives the sales manager information that is more useful in:
  - (a) Providing current and useful sales support materials to their sales staff.
  - (b) Providing marketing research data: Demographic, psychographic, behavioural, product acceptance, product problems, detecting trends.
  - (c) Providing market research data: Industry dynamics, new competitors, new products from competitors, new promotional campaigns from competitors, macroenvironmental scanning, detecting trends.
  - (d) Co-ordinate with other parts of the firm, particularly marketing, production, and finance.
  - (e) Identifying your most profitable customers, and your problem customers.
- Understanding the economic structure of your industry
- Identifying segments within your market
- Identifying your target market
- Identifying your best customers in place
- Doing marketing research to develop profiles (demographic, psychographic, and behavioral) of your core customers
- Understanding your competitors and their products
- Developing new products
- Establishing environmental scanning mechanisms to detect opportunities and threats
- Understanding your company's strengths and weaknesses
- Auditing your customers' experience of your brand in full
- Developing marketing strategies for each of your products using the marketing mix variables of price, product, distribution, and promotion
- Coordinating the sales function with other parts of the promotional mix (such as advertising, sales promotion, public relations, and publicity)
- Creating a sustainable competitive advantage
- Understanding where you want your brands to be in the future, and providing an empirical basis for writing marketing plans on a regular basis to help you get there
- Providing input into feedback systems to help you monitor and adjust the process

### Disadvantages

Detractors claim that sales force management systems are:

- difficult to work with
- require additional work inputting data
- dehumanize a process that should be personal

### II) Advantages to the Marketing Manager

It is also claimed to be useful for the marketing manager. It gives the marketing manager information that is useful in:

- require continuous maintenance, information updating, and system upgrading
- costly
- difficult to integrate with other management information systems
- **Loved by the Sales Force:** Reps need solutions that make their jobs easier, not more complicated. SFA gives them fast access to data – on-line, off-line and via mobile devices – and links easily to popular tools like Microsoft Office and Outlook. The user interface is simple and intuitive. This is the one SFA solution every sales rep will love and use.
- **Critical for Sales Managers:** Managers need visibility into the activities of their reps and insight into where they stand with their pipelines. The solution provides powerful opportunity management, forecasting, reporting, and customization capabilities, so sales managers can be confident their teams are producing at their full capacity.
- **Trusted by Executives:** Executives need accurate information so they can evaluate their company's past performance while looking ahead to the future. They want to answer critical business questions quickly without sifting through reams of data. With the powerful analytics and customizable dashboards that SFA provides, executives have the real-time information they need to be effective.

**Q5. Explain about various SFA Functionalities.**

*Ans :*

**1. Lead Management**

It allows companies to keep better track of leads by ensuring they do not get cold. This can reduce or eliminate the need for manual routing and lead assignment duplication, clearly defines opportunity assignments, and is able to automatically assign leads to the correct individual based on territory, product expertise, or user defined rules. Thus, SFA

allows for automatic load levelling across sales territories, and better relationships between team members. For example, with automatic lead management, you can set security controls that ensure teams or partners can access only their own leads, increase lead conversion rates, and improve sales response times.

**2. Opportunity Management**

It allows sales teams to work better as units by standardising sales methods and systems, identifying bottlenecks, and tracking deal closures. It also allows employees to focus their resources on strengthening key partnerships and dominating key competitors instead of competing with each other. More organised sales teams allow managers to delegate tasks and set-up automatic reminder e-mails for themselves and their team.

Most importantly, the opportunity management feature allows companies to centrally track custom information like partner and customer communications and milestones while simultaneously monitoring myriad sales processes like sales channels, service effectiveness, or product lines.

**3. Account Management**

This system ensures that your company is able to attain full knowledge of your customer accounts. Accurate knowledge of customer account equals better collaboration amongst your sales teams and retains lasting customer relationships. Additionally, account management allows a company to define and evaluate all those involved with the account, from the Project Manager to the executive sponsor. With account management, one can set-up online access to all customer account information, like organisation charts and current partners across the entire company. No one is left in the dark and everyone knows the account status and history. It offers sales representatives and managers a complete view of the customer

relationship including contacts, contact history, completed transactions, current orders, shipments, enquiries, service history, opportunities, and quotations. This allows sales representatives and account managers to keep track of all their obligations in respect of every account for which they are responsible, whether this is an opportunity to be closed, an order or a service enquiry.

#### 4. **It Territory Management**

On demand, advanced territory management capabilities allow to adjust to rapid changes within your company. An easy point-and-click interface ensures your company can automatically route accounts and opportunities to the correct territories. A solid territory management system also decreases lag time in lead assignments by ensuring a lead never gets cold; lead assignments are easily queued and automatically sent to the correct territory. In essence, territory management allows companies to easily monitor, set-up, gather, transfer, assign, re-assign, and change accounts across territories.

#### 5. **Contract Management**

Contract management functionality enables representatives and managers to create, track, progress, accelerate, monitor, and control contracts with customers. Contract management helps manage a contract's lifespan by shortening approval cycles for contracts, renewing contracts sooner, and reducing administrative costs. The software may use security controls to ensure only approved people have access to contracts. This SFA feature improves tracking and management of contract information such as value, conditions, terms, evaluations, and more.

Traditionally, most companies have had to build, buy, and sustain an IT software system all on their own; however, this leads to extremely high maintenance fees and myriad other costs. Today, the advent of

automated salesforce technology allows businesses to subscribe to already built, on-demand, customisable services that provide everything a traditional IT software does and more.

#### 6. **Activity Management**

It keeps sales representatives and managers aware of all activities, whether complete or pending, related to an account, contact or opportunity, by establishing to-do lists, setting priorities, monitoring progress, and programming alerts. Activities include, e.g., preparation of quotations, scheduling of sales calls, and following-up enquiries.

#### 7. **Contact Management**

Contact management functionality includes tools for building, sharing and updating contact lists, making appointments, time setting, and task, event and contact tracking. Contact list data includes names, phone numbers, addresses, preference data, and e-mail addresses for people and companies, as well as a history of in-bound and out-bound communications.

#### 8. **Document Management**

Companies generate and use many documents as they sell to customers, e.g., brochures, product specifications, price lists, competitive comparisons, and templates for preparing quotations. Document management software allows companies to manage these documents, keep them current, and ensure that they are available to representatives and managers when needed. Some systems allow all documents to be 'attached' to the account or contact, thus, facilitating faster and fuller recall of past interactions.

#### 9. **Event Management Software**

This software enables representatives and managers to plan, implement, control, and evaluate events such as conferences, seminars, trade shows, exhibitions, and webinars,

whether run solo or jointly with customers or other partners. Some events, such as conferences, can be very complex and involve many stakeholders, such as sponsors, exhibitors, security partners, police, accommodation partners, travel partners, catering partners, lighting and sound contractors, speakers, invitees, and the general public.

Event management software contains a range of tools that can be useful to sales managers and others organising events. These include an event calendar, online registration, partner management tools, event reports and analytics, attendee communication and management tools, badge creation, activity lists for exhibitors, and venue management tools.

#### 10. Incentive Management

It is an issue for sales managers who use commissions to lift, direct, and reward sales representatives' efforts. In many companies, commissions are calculated using standalone spreadsheets. When part of a salesforce automation solution, incentive management eliminates the need to re-enter or transfer data from spreadsheets, leading to better visibility, accuracy, and higher efficiency. Incentive management applications can be linked into back-office payroll applications that automate payment.

### 4.3 CAMPAIGN MANAGEMENT

#### Q6. Discuss about Campaign Management System.

*Ans :*

(Imp.)

Campaign management encompasses the multitude of campaigns that are planned and executed through different channels so that a continuous marketing communication flow is created. Sometimes these campaigns are devised in the morning and executed that very afternoon. By continuously measuring the effect of every contact (customer touchpoint) and making

adjustments, the dialogue may be continually refined. This puts the organisation in a better position to market its goods and services and develop relationships with the right customers. The goal of campaign management is to interact with prospects and customers at the right moment, with the right offering and the right message communicated through the right channels.

#### Example 1:

An insurance company can maintain a database with names and addresses of all the policy holders of above 1,00,000/- which helps the managers to offer them value added policies by transferring them to query and then to customer database of the insurance company.

The automation of campaign management software is the combination of principles of target marketing. Segmentation and communicating with customers which helps the company in saving costs and time. A company can reveal the customer preferences and their behaviours and also can frame one-to-one marketing only by maintaining an effective customer database. The campaign management life cycle of some of the companies such as exchange and prime response include the following components,

- Campaign definition
- Planning
- Customer segmentation
- Scheduling
- Response management
- Opt-in Vs Opt-out processing.

Majority of the campaign management products help the users in defining the work flow and scheduling the campaign. This helps a marketer in defining specific/critical tasks, costs and returns and testing the different scenarios on different customer segments scheduling and product offers. These products will reduce the marketing life cycle and encourage the companies to be customer oriented rather than market oriented. Most of the marketers are launching the campaigns parallelly rather than the serially.

**Example 2**

A telecom company has launched single, monolithic customer calling campaign with specific features such as voice mail, caller id, call waiting and other offers which leads to an significant increase in customer response rates. The profitability of the company has been increased with the use of quality improvement programs and number of automated marketing campaigns.

The companies that are benefited by the campaign management products include,

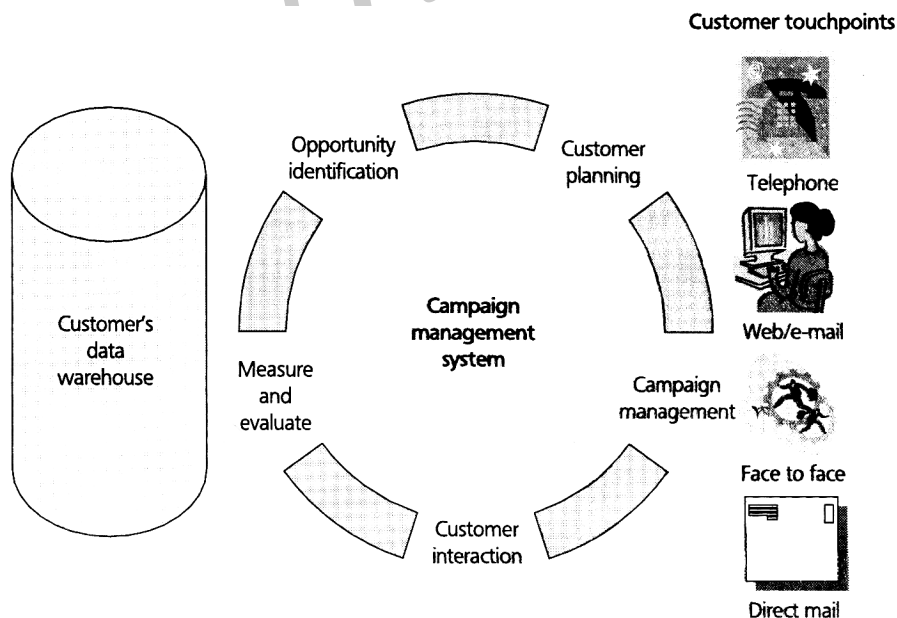
- i) An outdoor products catalog company has increased it's catalog revenues by 500%.
- ii) An online brokerage firm has gained 32% customer response rates.
- iii) An E-trailer.

Mostly the campaign marketing targets the smaller group of target segments but time being companies have been trying to widen the scope of campaign marketing by increasing the number of campaigns in order to enhance strong relationships with customers. They have been engaged in framing new campaigns by analysing the performance of the present campaign in order to enhance the customer response rates and profits. For this closed loop campaign management will serve as a best CRM practice.

**Q7. Explain the functionality of Campaign Management System.**

*Ans :*

Campaign management systems are developed to achieve the aforementioned goal. Data warehouse tools such as OLAP only satisfy part of this requirement. They help provide an answer to a selection question, but do not support the entire contact cycle. They help find an answer to the question of who should be approached for a specific campaign. Campaign management systems, on the other hand, are characterised by the following functionalities:



**Fig. : Campaign Management System**

- **Opportunity identification:** The identification of contact opportunities on the basis of events involving the supplier, the customer or those occurring in the environment.

- **Relationship planning:** Indicating how the relationship with customers should be further developed in terms of the communication.
- **Campaign management:** The selection of contacts, the development and the implementation of the campaign.
- **Customer interaction:** Supporting the contacts that follow the sent messages.
- **Measuring and evaluating:** What are the effects of the campaign and do they satisfy the goals?

#### (i) Opportunity identification

Opportunity identification an analysis is performed to determine who should be approached at a certain time with a certain marketing communication message. Are the (potentially) most profitable customers the ones to be approached? Are certain events involving the customer to be played upon; will customers who are going to move be approached with a mortgage offer, for example? Or is the introduction of a new product the occasion for the contact?

For example, a new model of a certain car has just become available, and the manufacturer would like to give the owners of the current model (provided it is two years old or more) the first opportunity to see it when it is presented in the showroom. Or perhaps a cruise line would like to make a special offer to regular customers who live less than 50 kilo-metres from the harbour for the cruise set to sail that next week which is not yet fully booked.

#### (ii) Customer Planning

The relationship planning functionality demonstrates many similarities with opportunity identification. Contact opportunities are now also placed within the context of relationship planning. It will be determined what the opportune time is to approach a customer with the particular offer.

The cruise line wants to exclude customers who have already taken a trip in the previous two months. The salesperson who is involved in negotiations might consider it desirable if no further offers for comparable or different types of products are sent to the prospect during the period concerned. And the organisation that has created a communication calendar to reinforce and perpetuate the relationship with the customer during the first two years prefers only to deviate from this within certain limits.

#### (iii) Campaign Management

Within the framework of campaign management, the campaign is designed. Readymade templates are used to generate the campaign. The system supports the development of different types of campaign, varying from the 'single shot' to the 'wave', and to the 'longitudinal'. The progress of the contact cycle may be shown in an easily created tree structure.

This tree indicates who will receive a reminder, which channels will be used to receive the response and how this will all be followed up. Selections may be entered and the company may determine how many people satisfy the criteria. Using certain instructions, arrangements may be made so that people who satisfy certain criteria are selected real-time for a certain period. In order to prevent a person or organisation from receiving more than one communication message at a certain time, rules may be set up for prioritisation and exclusion.

These rules indicate which campaign is considered to be important and which may be sent in a specific situation and which may not. In addition, customers who have indicated that they do not wish to receive any information from the supplier or those with a history of delinquent payments may be excluded. The addition of several control addresses may prove useful for being able to monitor the execution of the campaign.



**(iv) Customer Interaction**

For each of the selected groups, it will be specified which communication message they will receive. It is also determined how the response will be measured. The goal of the customer interaction functionality is to initiate and support the contacts which follow the communication message. The system can arrange for the recipients of the message to be called or to arrange for those recipients who are interested to contact the call centre themselves, on their own initiative, and make sure that they will speak with an agent who is well informed about the campaign and the fact that the caller has been approached.

**(v) Measure and Evaluate**

The results of a campaign are continuously measured thanks to the measuring and evaluation functionality. In this way, a good insight may be gained into the progress of the campaign. The actual results may be measured against the goals at various times throughout the campaign.

**Q8. How to select a Campaign Management System.**

*Ans :*

"Campaign management systems are sold on the market by various suppliers. Whereas one system might be adept at generating campaigns on the web 'real-time', another may be more capable of supporting processes in the call centre. Functionality - and prices - vary. In selecting a system and a supplier, the following elements should be taken into consideration

- Functionality of the system:
  - Can the system support different types of campaigns?
  - How does the system support different aspects of the campaign management?
  - How does the system link up to the data warehouse and the customer touch points?

- How does the system link up to the back office?

- User friendliness: how much training is necessary to use the system and how much time is needed to develop and send a campaign?
- Market position of the supplier: does the supplier belong to the category of companies which will still be around five or ten years down the line?

Content management is interesting for companies with a great deal of content (Dekker and Hiemstra, 2002). Publishers have large quantities of information that they would like to distribute and reuse on the basis of target groups and perhaps even of personal needs. Since the 1980s, they have invested in data structures. Even production companies such as Philips or Sony have large quantities of content with instruction manuals, background information on artists and so forth. Nowadays, they would also like to publish this documentation via different media.

A content management system makes it possible for web publishers to maintain their websites easily and in a structured manner.

Finally, it offers advantages to those companies who wish to manage all data and documents in a structured way, organisation-wide and make this information available through different channels. Business plans, brochures, sales texts, reports and annual reports are very accessible thanks to 'enterprise content management'.

The functions that a content management system should fulfil are :

- Authoring: adding and changing content in an automated digital environment.
- Workflow management: management of the steps that are taken between authoring and publishing. For example: who has to have viewed and approved a certain block of information before it may be published, and which blocks of information will be published on one page or in one brochure?

- **Storage:** placement of content in a digital warehouse.
- **Publishing:** publication of the content. This usually occurs in HTML websites, but PDF documents, WAP pages etc. are also becoming more common.

A content management system makes it possible for data from different sources to be combined, while the publications receive a consistent appearance. To achieve this, a strict separation between content and design is ensured.

In order to ensure careful management of the data, management procedures and authorisations must be established. Old versions of documents must be saved in order to be able to trace unwanted changes and reverse them. Metadata will have to be automatically retained during the input of new data. Content managers will have to be able to implement changes without having knowledge of Internet technology. The application will have to support the cooperation among several people in different departments at different geographical locations

#### 4.4 CALL CENTERS

**Q9. Define Call Center. Discuss the the basic terminology used in Call Center.**

*Ans :*

##### Meaning

A call centre is the 'place' where a large number of people handle the incoming as well as outgoing telephone conversations of a varied nature with their customers and/or prospects. The centres are supported in these efforts by a switchboard equipped with call-centre functionalities such as automatic call distribution (ACD) and call queuing facilities. They can also input the caller's details into the system and may (via scripts) receive support in their dialogue. Depending on the functionality of the call centre, IT will play either a small or a very large role in the daily operations.

##### Terminology

**Call centre:** Collective term for a telephone interchange.

**Customer care centre:** An in-house call centre, whose objective is to supply the specific customer group of a company with information, advice and service. Often uses free numbers or service numbers.

**Contact centre:** Large customer care departments which handle a combination of incoming and outgoing telephone, e-mail and fax traffic, produce correspondence in which information and service are provided and commercial options are utilised.

**E-centre:** Collective term for centres specialised in the processing of e-mail.

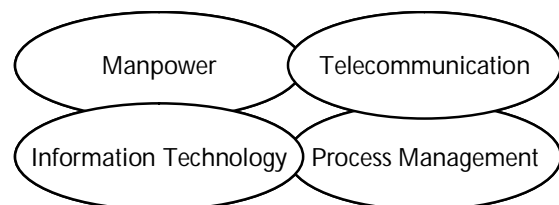
**Q10. What are the elements of a Call Center.**

*Ans :*

(Imp.)

##### (i) Manpower

Manpower (human resources) includes the recruitment and selection, hiring and training of personnel. Manpower perhaps represents the most important element in a call centre; after all, it is the people who are responsible for the quality. Reduction in staff turnover and absence due to illness are important challenges for many call centre managers.



**Fig. : Elements of a Call Centre**

##### (ii) Telecommunication Module

The telecommunication module comprises the telephone switchboard, the systems used for routing the calls to the proper persons and voice response systems. The organisation of rescue and relief operations during emergencies is also considered to be part of this element of the call centre; this involves the organisation of temporary solutions for emergency situations in which the switchboard is out of operation due to computer failures, fire and the like. The choice may be made to have the calls handled by an external call

centre or to relocate this operation to another location where a substitute call centre may be set up within a short period of time. Or the company may choose to answer the telephone and assist callers as much as possible, to manually register data and, in many cases, to call back at a later time.

### (iii) Information Technology

The information technology component must make it possible to:

- identify callers;
- register customer contacts and payments in the database;
- gain access to information within the right time period and at the right workplace;
- organise the fulfilment: the automatic electronic generation and issue of documents such as order confirmations, appointment confirmations, etc.;
- manage the workflow: manage processes and issue the status (for example, what is the status of the processing of an order?);
- generate management information on the productivity of the personnel, the number of calls completed, the realised turnover, etc.;
- record quality measurements and to distribute them;
- provide the back office with information on the processing of orders and the like;
- give electronic training programmes;
- support control activities involving the information system.

### (iv) Process Management

Process management focuses on the management of the contact cycle. Important points of attention include capacity planning and quality management. The first must

ensure that a call centre can handle the volume of calls; the subject of the second is the quality of the contact. In this part of the book dealing with operational CRM, we concentrate on the process management, and technology and manpower are a given.

### Q11. What are the different types of Call Centres?

*Ans :*

(Imp.)

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 fee 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.

### Q12. What are the different types of call centers technologies ?

*Ans :* (Imp.)

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 receives 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 is 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.

In fact call centres are not considered as a complete CRM practice as they result in high levels of customer dissatisfaction.

### Q13. Do you consider a call centre belonging to a company that implements a CRM strategy to more of a cost centre than a profit centre? Explain your answer.

*Ans :*

The ultimate quality of a call centre relies to a large extent on the quality of the work-force. It is not the technology, but the people that work with it that make the difference. Call centres face several challenging human resource issues. Many are known for rather high illness and labour turnover rates; it

seems to be hard to bind people to the organisation and the work in a call centre for more than one to three years. In circumstances in which the scripts are detailed, there is a continuously high workload and the receivers are not always pleased with the conversation, the work in a call centre will become dreadful in due course and drive agents away. The consequence is that a lot of effort has to be put into the hiring and training of people; investments are made that have to be earned back in a short timeframe.

Rather than accepting these effects, it is better to put efforts into offering perspective, pleasure and challenge in the work. This already begins during the hiring phase. Solicitors have to be able to get a proper understanding of the work in a call centre; it is a way to avoid disappointment later on. Furthermore it has to be clear from the start what competencies they need to have or build; among them the service orientation, communication and listening skills and the discipline to update the communication history. Management has to invest in the proper training and education, the enabling technology and workplace as it contributes to the agent's satisfaction and productivity.

Further, call centres managers should give priority to building an appealing team spirit, allowing for personal initiatives and the development of agents. It is known that agents that can use their knowledge of the customers and the products in the conversation build more pride in their work. They feel and perceive their contribution to the success of the organisation and the satisfaction of the customers. Together they can form a strong team of individuals that is allowed to learn and to share their best practices.

Several companies also have positive experience with involving the agents in developing the performance measurement system. In this way they are actively involved in the process of evaluating and improving their work. They are addressed as professionals in whose opinion the company is interested and they are made responsible, together with management, for improving the quality of their work.

#### **Q14. State how customer satisfaction for call centre is measured.**

*Ans :*

Measuring customer satisfaction for call centre is 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 outline or virtual help centre.

It can also be reduced by answering some of the customers questions on-line. For this it has to operate 24 hours a day and seven days a week.

1. The percentage of calls that agent resolves the callers issue without having to escalate, transfer or return the call.
2. The percentage of calls answered within a specified time.
3. The accuracy of information provided by call centre representatives.
4. Degree of satisfaction of the customer based on the voice, information given.
5. Efficiency of call centre in terms of cost, call per shift, time taken for each call, converted calls per shift etc.
6. Response of callers to create the profitable consumers.
7. A measure of an agents degree of compliance with their assigned schedule.
8. The concrete steps taken to meet each target by call centre.
9. Call centre should follow bench marking, evaluating and decision making by managers with accurate data.

### **4.5 PRACTICE OF CRM IN CONSUMER MARKETS**

#### **Q15. What are consumer markets in CRM? How do you develop business relationships in such markets ?**

*Ans :*

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 about the product
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 goals of CRM are :

- i) To build financial relations with the customers to stop their interest to opt for competitor's products aid
- 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 string and long term relations with customers.

#### Q16. What are the steps in Consumer Buying Process ?

*Ans :* (Imp.)

Consumers involve in purchasing/buying process to understand the marketing environment and to make purchases. The consumer buying decision process helps in solving those problems that could be resolved through purchase, the consumer passes on a sequence of stages to arrive at a decision.

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 mis-perceptions 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.

**4.6 CRM IN SERVICES SECTOR****Q17. Write about CRM practice in Indian Service Sector.**

*Ans :* (Imp.)

In service sector, firms need to offer superior customer services to gain competitiveness. It is not possible to differentiate the products based on the quality, price, distribution and promotion. However, the firms are offering products with best quality at differential and competitive prices, but a firm can differentiate itself from competitors by emphasising on the customer services. The following are the different customer centred initiatives that are adopted by different service industries in order to improve customer relationships.

**1. In Banking and Finance Industry**

Earlier banking activities were very time consuming sometimes require a whole day but with the recent advancements they are at the finger tips of the customers. The banks should not be maintained as a separate working place but with efficient and attractive infrastructure consists of air conditioned rooms, specific colour themes, furnishings, brochures etc. Each and every thing should be planned in detail to show out the significant changes in the banks. The drastic increase in the competition due to the entrance of number of private sector banks and foreign banks has resulted in the increased emphasis of banks on customer service for their survival.



**Customer Service initiatives**

The following are the recent customer service initiatives that are introduced in banking sector.

- (i) Increase in the working hours of the banks both public and private sector banks.
- (ii) Increased focus on the technology based customer support to facilitate customers with anytime anywhere banking through ATMs, online banking, phone banking, etc.
- (iii) Changing the bank premises and infrastructure by using air conditioning, colourful themes, prominent locations and other modern facilities such as SBI's uniform design, structure, colour painting all over their branches.
- (iv) Increase in the customer's access with the higher management.
- (v) Offering coffee shops and parlours in the premises of branches and other value added services.

**Example**

ABN arrow banks,

The primary objective of a bank is to attract and involve the customers in banking activities at their branches by creating a pleasant and ambient environment.

**Example**

HSBC offers coffee shops and vegetable cakes at their branches and created homely environment by organising number of programs including Dandia week, Parsi New year, Women's day and Diwali. This has resulted in an increase in its dividend share and the number of loyal customers. HSBC follows ethical measures to attract the customers to meet their needs, facilitate easy access, to ensure them a pleasure in banking and to gain their satisfaction and loyalty by offering number of value added services. It has also introduced specific space for NGO's in their branches, offering free booking and payment services, supersewa.com and etc.

**Retail Banking initiatives in Public Sector Banks**

Recently public sector banks also recognised the significance of customer service in the success of banking sector and new has been engaged in offering number of services to gain customer satisfaction and loyalty (i.e., customer delight). Public sector banks have established separate branches for the convenience of retail customers.

**Example**

SBI, Punjab National Bank, Bank of Baroda have established personal and retail banking branches.

Public sector banks also emphasise more on creating ambient and attractive infrastructure to attract the customers and also offering value added services as similar to private sector banks.

**Customer Centric Communication in Banks**

Though the customer services incur additional expenses to the banks they adds value to their products and services and helps them in gaining competitive advantage. The banks are now highlighting their customer service focus in advertisements.

**Example**

Global Dust Bank, Andhra Bank (we are best in service), SBI (your friend your life), ICICI (Hum Hain Na) etc.

All these aspects resulted in the shift of bank's view of customer focus and facilitates the banks in building customer loyalty.

**2. In Hospitality Industry**

Hospitality industry is one of the service industry which is associated with high degree of perishability of services. Since many years it has been focussing more on improving customer relations through offering value added services to their customers. According to the research of American express the strong driving force for changing life cycle expectations of Indians, consumerism has been encouraging the hospitality service providers to

identify the factors that drives the customer needs and decisions. Thus, the hospitality industry require customised services to meet their customer's expectations.

### CRM Initiatives

Recently, there has been a shift in the focus of CRM from free offers such as discounts, free dine etc., towards offering the best quality services to their customers along with their loyalty schemes.

### Customer Centric Initiatives

It became a challenge for hotels and restaurants not only to attract the customers but also to satisfy them in order to build customer loyalty. For this they have offered number of variety programs such as,

- (i) Moments, cam services by Meridian hotels which is a reward and customer recognition programme.
- (ii) Action-packed holiday packages by Taj hotels for Women and senior citizens.
- (iii) Special packages and discount offers for senior citizens (above 65 years).
- (iv) Offering personalised cards to facilitate them to avail free benefits, discounts, special offers etc.
- (v) Offering tailor made services for the celebrity guests.

### Technology Initiatives

Most of the hospitality firms are now emphasising more on creating database infrastructure to maintain the complete information about their customers. This will helps the company in providing more effective and better quality services, creation of centralised database facilitates the hotels that are widely dispersed to maintain customer database and habits.

Some software companies are now designing tailored software programs for maintaining CRM database in hotels.

### Example

Amatco offer 25 different databases and hosting services which helps its clients to emphasise

more on their core business. The clients of Amatco include shire group. Amatco also offers separate property management, reservation systems and point based customer loyalty programs for shire hotel group. These programs help the shire group in maintaining accurate and relevant customer data.

### Customer Issues

The major issue related to customers in hospitality industry is "customer frustration" in filling the check in forms every time. Some hotels such as Hilton is now engaged in introducing check in kiosks and some others are offering internet access to their guests for their convenience to check mails etc.

### 3. In Aviation Industry

Aviation is one of the important services industry in which the degree of customer satisfaction depends on the extent of use of service dimensions. The line of services a offered by aviation industry include ease of ticket booking, cancelling and mode of payment, baggage deposit and retrieval, in-flight services, food and entertainment, flight timings etc. In India aviation industry has intensified competition with changing Indian economy. This has resulted in increased emphasis of firms on service offerings for their survival and growth.

### Customer Service Initiatives

A company should first determine the trade-off between the customer expectations and the extent to which the firm can meet the customer expectation within their business limitations. In aviation industry, the service parameters are very strict, even a Slight differentiation may leads to loss of customer's trust and loyalty.

The various customer service initiatives adopted by Indian airlines industry include,

- (i) Dissemination of accurate information related to the various offers and services of the airlines through their own website.
- (ii) Offering online booking and cancellation services which will reduce the cost and time for the company and in turn reduces the price of ticket and customer dissatisfaction.

- (iii) Offering toll free telebooking services and free home delivery of tickets.
- (iv) Flexible pricing of tickets.
- (v) Offering concessional prices to different customer segments including students, senior citizens, physically challenged etc.
- (vi) Provide special care to minors, senior citizens, PH at check-ins.
- (vii) Providing mobile alerts regarding the arrival and departure schedule and delay of flights.
- (viii) Offering free baggage porter services and trolleys.
- (ix) Some airlines also offer e-check in facility to premium customers.

#### Customer Loyalty Programs

Most of the airline companies such as Jet privilege and Jet airways are introducing loyalty programs to attract the customers every time and rewarding the most loyal customers. These programs of jet privilege has categorised their customers into five levels: Jet Blue, Jet Blue Plus, Jet Silver, JP Gold and JP Platinum. Under these program's airline companies offer number of services to their loyal customers such as free cancellations, booking even before 24 hours, priority in waiting lists, air miles offer, special discounts on boarding and hosting services.

#### 4. In Retail Industry

Since many years there has an increase in the growth of retail industry in India with the entry of corporates such as Reliance, Tata group, Birla's, BPG, Raheja, Adani, Future group etc., at different market levels and investments. They have increased their scope of retailing in different forms such as hyper markets, super markets, convenient stores, specialised stores, etc.

#### Example

Big Bazar, Spencers, Reliance fresh, Shopper's stop, Pantaloons etc.

This has resulted in intensified competition in the retail industry among multi-brand stores in the local market.

#### Customer Service, initiatives

Retail companies should frame effective customer centric marketing design and CRM practices. In retail industry, the CRM should not be a comprehensive practice, CRM programs are restricted to some loyalty programs which leads to limited offers on high purchases. As the retail companies does not have proper control on the product and price the CRM is not considered as a complete one. However, retailer can control the processes, physical evidences and people rather than product and price. The retailers often use top class ambiance, attractive packages and several other attributes to make the purchase a pleasant and comfortable feeling to customers. ,

Recruiting the employees that have complete knowledge about retailing and importance of customer service in their growth. This also adds value to their services and enhance the growth of the firm.

**Q18. Write in detail about the various CRM initiatives adopted by State Bank of India.**

*Ans :*

#### Introduction

Since many years State Bank of India (SBI) has been considered as the India's largest commercial and retail bank. It was established as Bank of Calcutta in 1806 and was promoted to State Bank of India under SBI Act, 1955. It offers a combination of traditional, developmental and diversified banking operations. SBI is considered as a pioneer in banking sector which contributed more for the growth of Indian economy through its innovations and developments. SBI has introduced number of innovations according to the changing economic scenario of the country.

#### CRM Initiatives of SBI

SBI has developed a number of CRM programs in order to strengthen their relationships with customers as they have recognized the significance of customer services in banking sector. SBI has segmented its branches according to the nature and type of target retail customers. The segments include,

- (i) Corporate account group
- (ii) Treasury branches
- (iii) SSI branches
- (iv) Commercial branches
- (v) NRI branch and
- (vi) Network branch.

In order to improve CRM in retail banking, SBI has establish separate PBBs called personal banking branches all over India. Currently SBI has 75 PBBs across the country.; The customized products offered by PBBs include

- (i) Savings account
- (ii) Current account
- (iii) Loans
- (iv) Mutual funds
- (v) Insurance.

The following are the various CRM initiatives that are adopted by SBI for an effective CRM.

### 1. Customer Relationship Schemes

The various customer relationship schemes of SBI include,

#### (a) Personal Banking Branch

Establishment of uniform PBBs all over the country and offer standardized products and services to all their customers. PBBs will appoint a relationship manager to a group of top accounts in terms of value and business to manage their customers effectively. Relationship managers will offer different services of the bank under one roof, thus facilitates and promotes cross and up selling.

#### (b) Customer Relationship Committee Meetings

These meetings have to be conducted in every month and at each branch of SBI. Each of the staff member of this committee are assigned with five

customers of different target segments such as high network individuals, pensioners, retail and industrial loan customers etc. At every meeting, the committee should conduct a special customer relationship programme. These meetings discuss on the customer complaints and suggestions to improve the customer services of the branch. It also includes the discussions on follow up actions need to be followed by the bank.

#### (c) Customer Relation Cell

A separate customer relation cell has been maintained at the corporate office of the bank to frame the customer relationship programs according to the customers expectations in order to enhance the customer satisfaction.

#### (d) Bank Clubs

All the local head offices are supposed to form a bank/board club with the staff and customers as members. The club members are required to frame strategies to enhance the banks performance and productivity in terms of service quality.

#### (e) Customer Councils

Customer council is an advanced concept introduced by SBI to promote communication between staff and customers. Every branch with more than 100 staff needs to establish customer councils with members of 3-6 customers and bank staff. They used to meet once in a quarter to discuss on the activities/ strategies to develop their customer services.

#### f) Other Schemes

- (i) Arranging meetings with pensioners, a group of customers to give suggestions and complaints for the development of CRM.

- (ii) Banks also introduced community service banking for schools and colleges and also organized or sponsored sports meets, college functions, scholarships to merit students etc.
- (iii) Greeting customers on special occasion and to remind them the important dates in history of the bank.
- (iv) Every branch with more than 20 employees should establish a help desk to clarify the doubts of customers and facilitate them to feel convenient in the bank.
- (v) Offer help line centres to address the queries of customers.
- (vi) Every month, the circle management committee members, DGM and AGM are supposed to meet the customers to address their complaints and receive suggestions for the betterment of banking services.
- (vii) In September 2006, SBI became a member of Banking Codes and Standards Board of India (BCSBI). Hence, should follow the standards and code of practices throughout its branches and needs to appoint code compliance officers at each office to address the complaints and to minimize them.

## 2. Customized Offers

SBI offers personalized and customized services and products to their target customers which include,

### (a) Cash Management Product

CMP is the best cash management solution that is completely based on technology to facilitate the high value customers with high speed credit

transaction. It also facilitates liquidity management through generating customized MIS reports. The value added services offered under this category include direct debit facility, RTGs transactions, bulk drafts painting, dispersed direct credit etc.

### (b) Customer Identification

All the branches of SBI are supposed to identify and distinguish their target customers, such as profitable and HNI customers in order to offer tailor made services. Customers are categorized and served based on their value and business at each branch.

### (c) SBI Plus Schemes

The number of schemes that are introduced by SBI include,

- (i) Justice plus → Judges and court employees
- (ii) Police plus → For employees of police department
- (iii) Teacher plus → Employees of teaching profession
- (iv) Doctor plus → For doctors and other medical practitioners
- (v) Other loan schemes to offer discounts to their customers on loan interest, margin and processing fees.

### (d) SBI Credit Khazana

It is the housing loan scheme offered by SBI to its loyal customers. It offers low interest rates and margins for different loans such as car loans, education loans, personal loans etc.

### (e) SBI Cash Plus

It is an international ATM cum debit card which facilitates the customers to withdraw cash anywhere in the world from Mastero ATMs. This is customized for their premium customers.

#### 4. Complaint Handling Mechanism

Grievance handling mechanisms are significant in maintaining strong customer relations and to develop the customer services. The initiatives that are adopted to address the complaints include,

##### (a) Complaint Cum Suggestion Box

Each and every branch of SBI arranges a complaint box to receive complaints and suggestions from customers.

##### (b) Display of Notice

Every branch needs to maintain a notice in which anyone can list out the services that they are expecting from the banks.

##### (c) Disposal of Complaints

Every branch needs to file the complaints in a book and acknowledge them within 24 hours. They need to forward a copy of the complaint to the concerned authority for approval and immediate follow-up actions. The bank needs to settle the complaints within 21 days.

##### (d) Complaint Register

A complaint register has to be maintained at each branch to record the complaints need to be monitored by branch inspector to reduce the frequency of complaints.

##### (e) Customer Service Audit

At the end of each quarter, each branch needs to send the customer service audit report to the concerned authority for evaluation of performance.

banking sector to survive in an intensified competitive market with emerging opportunities. The objectives behind the use of technological initiatives by SBI are,

- (i) To improve operational efficiency of the bank
- (ii) To meet the changing customer's expectations
- (iii) To gain competitive advantage in the dynamic and competitive environment.

Technology driven CRM practices facilitate the bank in improving customer relations and to cope up with the rapid changing dynamic environment. For the successful implementation and remarkable performance of SBI in utilizing technology systems for its operations, IDRBT 'Institute for Development and Research in Banking Technology' has presented the "Special Award for Excellence in Banking technology".

#### Technology Based Schemes of SBI

##### (a) Website Redesigning

By using advanced technology, SBI has redesigned its website to provide lot of information about all the branches and the wide range of products and services. This leads to an increase in the viewers from 0.8 million/month in 2000 to 7.5 million/month in 2003. The features of this website are,

- (i) It reduces customer effort as customers can access their accounts by just a mouse click.
- (ii) It provides reliable and accurate information about the profile of all branches, products and services offered, tenders, newsletters, annual reports, application forms, EMI and maturity value calculators etc.
- (iii) It also provides helpline facility, e-poll facility and citizen's charter.

#### Q19. Explain the technological based offers adopted by SBI ?

*Ans :*

##### Technological Initiatives of SBI

State Bank of India has recognized the great need for technology based CRM initiatives in the

**(b) On-line SBI**

It offers internet banking to both retail and corporate customers for their convenience. It facilitates the customers in recognizing the right products through the bank website.

**(c) INFINET**

SBI has introduced reliable INFINET (Indian Financial Network) to automate the reconciliation of accounts, cash management and electronic payment systems and to improve their customer services.

**Technological Initiatives**

Following are some of the technological initiatives that are introduced by SBI to enhance its customer services :

**1. Core Banking Software**

SBI in, collaboration with Tata consultancy services and other consulting services companies has customized and implemented the centralized core banking system i.e., B@NCs-24. It is one of the largest revolutionary projects that has been implemented in 50 branches all over the country. The project covers the activities of procurement, supply and installment of hardware and software of core banking, customization of the software, implementation in all the branches- testing the software, training the employees on the software and providing technological support to the branches in case of any complaints.

**Features**

The features of centralized core banking system include,

- (i) This system can be performed effectively on any platform ranging from windows to mainframes and on any database platform such as oracle, DB<sub>2</sub> and INFORMIX.
- (ii) It is successful in 64 systems and has performed 1500 transactions per second.
- (iii) It facilitates 24x7 access, assisting different channels of distribution.

- (iv) It maintains, a centralized database of all ... branches and associated banks.

**Advantages**

The following are the advantages of centralized core banking solutions.

- (i) This system has transformed the distributed computing to centralized one.
- (ii) It facilitates processing of on-line and realtime transactions.
- (iii) It supports all the delivery channels.
- (iv) Core banking solution is a combination of automated treasury and risk management systems.
- (v) It facilitates the bank to improve the abilities in data warehousing and data mining.
- (vi) It is easy to implement in all the branches across the country and abroad.

**2. Branch Computerization**

SBI has computerized all its branches in order to enhance operational and customer service efficiency. SBI has computerised 80% of their branches such as NRI branches, commercial, personal banking, and industrial finance branches.

The services that are offered to customers through computerization of the branches include,

- (i) Setup Of customer enquiry terminals to clarify the customers queries on accounts.
- (ii) Provide printed statement and passbooks
- (iii) Fast access to instruments
- (iv) Increase in the timings/working hours of bank
- (v) Offers telebanking services and remote login facilities at selected branches.
- (vi) Provide fast access to remit and withdraw the deposits.

### 3. Automated Teller Machines (ATMs)

Use of ATMs reduces the customers effort to arrive at banks every time! It reflects the use of advanced and sophisticated technology for banking operations.

- (i) ATMs offer services like cash deposits, transfers, withdrawal, check deposits etc.
- (ii) In addition, ATMs also answer the customer queries on accounts and also provide information about other products and services.
- (iii) It provides printed account statements.
- (iv) It reduces the operational costs for banks as the costs of transactions in ATM is less than the branch transactions.
- (v) Customers can use the ATMs of associate banks with same ease.

SBI has the largest and wide ATM network with over 1700 ATMs all over the country. It has 800 VSATs, ISDN and leased lines. SBI is now trying to expand its network with 1500 branches MI over the country in over 52 cities.

### 4. Channel Banking

Channel banking is an emerging and dynamic banking technology that facilitates easy and fast access for customers at any time and any where in the country. It offers the following two important services,

- (a) Phone banking
- (b) Internet banking,

#### (a) Phone Banking

It offers the following services to customers,

- Customers can gain access to their accounts with just one button click through telephone.
- Access 24x7 services at anywhere in the country.

- It can clarify the queries of customers regarding their account details, balance enquiry, any service requests etc. It provides information about the various products and services, interest rates, draft issue charges etc.
- It also offers voice mail facility for its customers to send voice message to the managers.

### 5. Internet Banking

Internet banking facilitates customers access to banking operations through internet from their home or office. It provides the Customers with number of benefits such as,

- 24 x 7 access to his accounts
- Answer to the customer queries
- Printing statement of accounts
- Customer can get approval for service requests
- Facilitates payment and depositing options. SBI is now offering internet banking service at 321 branches all over the country.

### 6. Other Technology based Services

The number of technology based services that are offered by the SBI include,

#### (i) STEP

- State Bank Electronic Payment System Steps, helps in faster remittance and transfer of funds.
- Electronic Nostra Account Reconciliation (ELENOR) facilitates the bank in fast and accurate reporting and reconciliation of accounts.
- SBI has introduced e-realization in October 2001 to speed up the accounts reconciliation process.

All these are developed and successfully implemented in the SBI branches with their own experience.



**(ii) SBI Connect**

SBI connect is based on Wide Area Network (WAN) which facilitates transfer of data, voice and video. SBI connect networks totally 5794 branches of SBI and 4995 branches of associate banks.

**(iii) SWIFT**

SWIFT is Society for Worldwide Inter Bank Financial Telecommunication. It facilitates fast, secure, reliable and accurate transfer of data related to funds and also automated bilateral exchange of keys. More than 302 forex branches are offering SWIFT connectivity which has been introduced in 265 domestic branches from 2002.

**(iv) MICR Cheque Processing System**

SBI has more than 20 in-house MICR cheque processing centres to ensure quicker and accurate cheque clearances using electronic systems for recording.

**(v) Video Conference**

SBI launched the largest video conference network across the country in 2002. This application results in reducing time for banking operations and facilitates integration between operational and strategic planning to reinforce its leadership in customer service, market share, profits, technology based products and services.

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## Short Question and Answers

### 1. Sales Force Automation?

*Ans :*

Sales force automation refers to automating all the actions related to sales of an organization or business. This is a coordination of applications that chiefly center on scheduling and contact management. Sales force automation actions are usually incorporated with other systems that supply the status of orders, inventory and products and other related information and can be a part of a bigger program of customer relationship management. Abbreviated SFA, a technique of using software to automate the business tasks of sales, including order processing, contact management, information sharing, inventory monitoring and control, order tracking, customer management, sales forecast analysis and employee performance evaluation.

Sales force automation helps by making all business actions pertaining to sales, automatic. These actions include:

- Keeping a track of orders.
- Metering out of orders.
- Contact management.
- Sharing sales information and statistics.
- Screening and control of inventory.
- Analyzing future sales patterns and behavior.
- Evaluating performance of employees in sales.

### 2. Campaign Management System.

*Ans :*

Campaign management encompasses the multitude of campaigns that are planned and executed through different channels so that a continuous marketing communication flow is

created. Sometimes these campaigns are devised in the morning and executed that very afternoon. By continuously measuring the effect of every contact (customer touchpoint) and making adjustments, the dialogue may be continually refined. This puts the organisation in a better position to market its goods and services and develop relationships with the right customers. The goal of campaign management is to interact with prospects and customers at the right moment, with the right offering and the right message communicated through the right channels.

### 3. Customer Planning

*Ans :*

The relationship planning functionality demonstrates many similarities with opportunity identification. Contact opportunities are now also placed within the context of relationship planning. It will be determined what the opportune time is to approach a customer with the particular offer. The cruise line wants to exclude customers who have already taken a trip in the previous two months. The salesperson who is involved in negotiations might consider it desirable if no further offers for comparable or different types of products are sent to the prospect during the period concerned. And the organisation that has created a communication calendar to reinforce and perpetuate the relationship with the customer during the first two years prefers only to deviate from this within certain limits.

### 4. Define Call Center.

*Ans :*

#### Meaning

A call centre is the 'place' where a large number of people handle the incoming as well as outgoing telephone conversations of a varied nature with their customers and/or prospects. The centres are supported in these efforts by a switchboard equipped with call-centre functionalities such as automatic call distribution (ACD) and call queuing

facilities. They can also input the caller's details into the system and may (via scripts) receive support in their dialogue. Depending on the functionality of the call centre, IT will play either a small or a very large role in the daily operations.

### Terminology

**Call centre:** Collective term for a telephone interchange.

**Customer care centre:** An in-house call centre, whose objective is to supply the specific customer group of a company with information, advice and service. Often uses free numbers or service numbers.

**Contact centre:** Large customer care departments which handle a combination of incoming and outgoing telephone, e-mail and fax traffic, produce correspondence in which information and service are provided and commercial options are utilised.

**E-centre:** Collective term for centres specialised in the processing of e-mail.

### 5. Inbound Call Centres

*Ans :*

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.

### 6. Outbound Call Centres

*Ans :*

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.

### 7. Computer telephony Integration (CTI)

*Ans :*

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.

**8. Automated Call Distributor (ACD)**

*Ans :*

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.

**9. State how customer satisfaction for call centre is measured.**

*Ans :*

- (i) The percentage of calls that agent resolves the callers issue without having to escalate, transfer or return the call.
- (ii) The percentage of calls answered within a specified time.
- (iii) The accuracy of information provided by call centre representatives.
- (iv) Degree of satisfaction of the customer based on the voice, information given.
- (v) Efficiency of call centre in terms of cost, call per shift, time taken for each call, converted calls per shift etc.
- (vi) Response of callers to create the profitable consumers.
- (vii) A measure of an agents degree of compliance with their assigned schedule.
- (viii) The concrete steps taken to meet each target by call centre.
- (ix) Call centre should follow bench marking, evaluating and decision making by managers with accurate data.

**10. Channel Optimization**

*Ans :*

The main purpose of the marketing automation is to provide right product/service to the right customers through the right marketing channel with the advent of internet, there is a drastic increase in the preferences of the customers.

**Example**

"A customer who is availing the services of net banking refer to get information about the new product/services through e-mail along with the regular statements. However, banking customers have a wide range of choices for selecting the preferred channels which would be used for delivering the products to the customers.

### *Choose the Correct Answer*

1. A contact centre is cc unit that is integrated from two perspectives i.e., . [ b ]  
(a) E-mail and operational (b) Internet and statistical  
(c) Fax and theoretical (d) Media and Functional
2. The three entities of call centre system are [ a ]  
(a) The caller, the CC and the bank (or) financial service provider  
(b) The receiver, customer service representative (CSK) (or) Media  
(c) The sender, help desks (or) call centre  
(d) None of the above
3. CRM marketing initiative includes [ d ]  
(a) Cross-selling and up-selling (b) Customer Retention  
(c) Behaviour predication (d) All the above
4. \_\_\_\_\_ is a part of campaign management. [ d ]  
(a) Open-loop campaign management (b) Medium-loop campaign management  
(c) Small-loop campaign management (d) Closed-loop campaign management
5. Call centers are also known as [ b ]  
(a) Consumer centres (b) Contact centres  
(c) Communication centres (d) Service centers
6. A successful CRM initiative makes use of [ b ]  
(a) Flexible management system (b) Robust measurement system  
(c) Rigid operational system (d) All the three above
7. An effectiveness of marketing communication programmes is improved by [ c ]  
(a) Consumer relationship management (b) Call center  
(c) Sales force automation (d) Contact center
8. \_\_\_\_\_ means stocking same shelves across all stores with similar products and alerting the perspective customers in the same way. [ d ]  
(a) Product marketing (b) Target marketing  
(c) Direct Marketing (d) Mass Marketing
9. The act of selling a product (or) service to a customer as a result of another purchase is known as [ a ]  
\_\_\_\_\_  
(a) Cross selling (b) Up-selling  
(c) Marketing (d) None of the above
10. Sales force automation includes \_\_\_\_\_ [ d ]  
(a) Sales process/activity management (b) Contact management  
(c) Lead management (d) All the three above

## *Fill in the blanks*

1. In CRM \_\_\_\_\_ is used for referring several ways in which customers and firms interact with each other.
2. EPOS stands for \_\_\_\_\_.
3. The \_\_\_\_\_ of the contact centre is as an active salesman.
4. \_\_\_\_\_ products facilitate the user in explaining a workflow involving a schedule for the campaign.
5. Services sector is also referred as \_\_\_\_\_.
6. \_\_\_\_\_, is a computerised phone system that responds to the caller with a voice menu and connects the call to next available CSR.
7. \_\_\_\_\_ facilitates in automating and optimizing sales processes to shorten the sales cycle and to increase sales productivity.
8. SFA products represents a sales methodology known as \_\_\_\_\_.
9. An organizational division (or) its intermediary which acts as a link with customers is called as \_\_\_\_\_.
10. \_\_\_\_\_ deals with all the corporate functions which are required to contact customers directly (or) indirectly.

### **ANSWERS**

1. Touch points
2. Electronic point of sale
3. Customer service representative
4. Campaign management
5. Tertiary sector
6. Automated call distributor ACD
7. Customer case systems
8. Sales process management
9. Call centre
10. CRM

## UNIT V

### CRM PROBLEMS IN IMPLEMENTATION :

Issues and Problems in Implementing CRM, Information Technology Tools in CRM, Challenges of CRM Implementation. CRM Implementation Roadmap, Road Map (RM).

#### 5.1 CRM PROBLEMS IN IMPLEMENTATION

**Q1. Describe the various phases in CRM planning and implementation.**

*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.

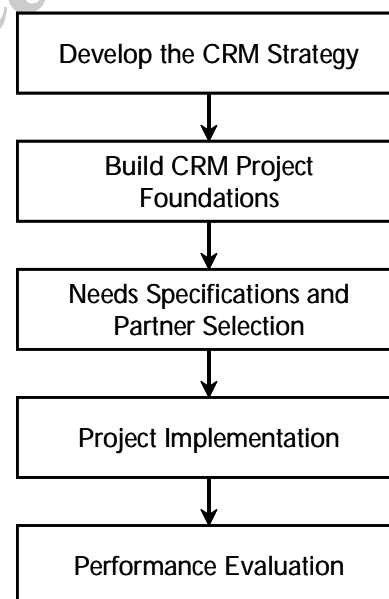
The process of CRM planning and implementation may vary in different organisations depending upon their goals, business objectives, current level of training required for employees and availability of technology. A highly skilled and trained team of professionals is required to make CRM planning and 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.

#### Phases

There are five major phases of a CRM implementation and various tools and processes that can be used within those phases in order to ensure that the CRM projects delivers what is expected of them. These five phases are explained below:



**Fig. : Phases in CRM**

#### 1. Develop the CRM Strategy

CRM strategy is a high-level plan of action that aligns people, processes, and technology to achieve customer-related goals. CRM strategy starts with:

- (i) **Situation Analysis** : It is a three dimensional analysis of the company's served market segment, market offerings, and channels. Basically situational analysis answers the questions - 'where are we now?' and 'why are we, where we are?'
  - (ii) **Customers or Segments** : Customers or segments, i.e., which segments do company target? And which segment one serves? And other questions related to current customer segment and the future strategies that would be adapted for segmenting the customers.
  - (iii) **Market Offering** : Market offering, i.e., which products do one offer? Along with the branding strategies and other aspects related to it.
  - (iv) **Channels for Distribution** : The direct and the indirect channels of distributing the offering are being decided upon and their relative effectiveness is being measured.
  - (v) **Commencing the CRM Education** : It enables the stakeholders and the IT people to identify opportunities to improve planning and Implementation their marketplace.
  - (vi) **Developing a CRM Vision** : It is a high-level statement of how CRM will change the business as it relates to customers.
  - (vii) **Setting Priorities** : Setting priorities for action which could be on cost reduction or enhanced customer experience as the situation demands.
  - (viii) **Goals and Objectives** : These emerge from visioning and prioritising process is being set forth. Generally CRM goals cluster into 3 broad areas - enhancing customer satisfaction, growing revenues, and reducing cost.
  - (ix) **Identifying the People, Process, and Technology Requirements** : Identification of people, process, and technology requirements for the goals and objectives to be achieved.
  - (x) **Develop a Business Case** : A business case is built around the cost and benefits of the CRM implementation.
2. **Build CRM Project Foundations**
- This phase includes following steps:
- (i) **Identify Stakeholders** : Stakeholders could be senior management, users of any new system, marketing staff, salespeople, etc.
  - (ii) **Establishing the Governance Structures** : Placing the governance structure in place to ensure that project roles and responsibilities are properly defined and allocated.
  - (iii) **Identify the Change Management Needs** : Firstly centralising data that is presently kept on individual's representatives' computers and making that information available to everyone in the team. Then is developing the idea of the organisational culture which is the values that are reflected in patterns of individual and interpersonal behaviour, including the behaviour of business leader.
  - (iv) **Identify the Project Management Needs** : It spells-out the steps that will get one from where one is now to where one wants to be on time and within budget.
  - (v) **Identifying the Criteria Success Factors** : These are the attributes and variables that can significantly impact business outcomes and include defining a clear customer strategy that defines the company offers, an organisational culture that promotes coordination, and information sharing across business unit.



- (vi) **Developing a Risk Management Plan** : This plan includes identifying the major risks to achieving the desired outcomes as once identified, then the organisation can begin to put risk mitigation strategies and contingency plans in place.

### 3. Needs Specifications and Partner Selection

This phase has following aspects:

- (i) **Process Mapping and Refinement** : It include identifying business processes that need attention - making them more effective or efficient, as a business process is a set of activities performed by people and technology in order to achieve an desired outcome.
- (ii) **Data Reviewing and Gap Analysis** : Using data to identify which customers to target for acquisition, attention and development, and what to offer them.
- (iii) **Specifying the Initial Technology Needs and Finding-Out the Research Alternative Solutions** : These could be gathered by visiting vendor website, joining online communities as [www.customerthink.com](http://www.customerthink.com) or attending physical or virtual exhibitions.
- (iv) **Hosted or On-Premise CRM** : It is an important decision as to how to access CRM functionality, which could to done on the company's own servers or it can be accessed from another party's servers via the internet. The former is called On-Premise CRM.
- (v) **Calling for Proposals** : For this a detailed request for proposal is supposed to be written including company background, instruction to respondents, company visions, and strategy, etc.
- (vi) **Invite Potential Partners** : To respond to the RFP in three there and six potential technology vendors are typically invited.

- (vii) **Revised Technology Needs Identification** : The proposals from technology vendors for identifying opportunities for improved CRM performed that one might have ignored.

- (viii) **Assess the Proposals and Select One or More Partners** : Basically this task is performed by an evaluation team formed for this purpose.

### 4. Project Implementation

Under implementation, the steps are :

- (i) **Refining Project Plan** : It requires cooperation with the selected partners, as if properly done then it may be possible that the partners will help one to set new milestones and refine the budget.
- (ii) **Identifying the Technology Customisation Needs** : This is specified using a gap analysis approach, which includes identifying the gap between the required business process and the software support in the same context provided by the vendor and the if any gap are found then they are highlighted for subsequent analysis and action.
- (iii) **Prototype Design, Test, Modify, and Roll-Out** : The output of customisation process will be a prototype that is tested by users on a duplicated set. End-users tests will show whether further customisation is required. Final adjustment to processes is made and further training needs are identified and met.

### 5. Performance Evaluation

Under it two sets of variables are measured which are as follows :

- (i) **Project Outcomes** : They focus on whether the project has been delivered on time and to budget.

- (ii) **Business Outcomes** : It requires one to return to the project objectives, the definition of CRM success and the business case, and ask whether the desired results have been achieved or not.

**Q2. What are the elements of a CRM program implementation ?**

*Ans :* (Imp.)

The various requirements or elements of a CRM program are as follows:

1. Providing scripting
2. Automate workforce management
3. Providing on demand customer files
4. Implementation of web-based service
5. Web live-chart service
6. Outbound message management ,

**1. Providing Scripting**

The first and the foremost requirement of a good CRM program is providing scripting to Customer Sales Representative (CSRs) and telesales staff.

**2. Automate Workforce Management**

Automate workforce management is essential in the CRM program in order to optimize the customer support.

**3. Providing On-demand Customer Profiles**

Providing on-demand customer profiles to CSRs is also essential in the CRM program.

**4. Implementation of Web-based Self Service**

FAQ's and web based self services implementation is required for easy collection of related information throughout the world this information is useful in effective performance of CRM operations.

**5. Web Live-Chat Service**

Offering web live-chat service and support helps the CSRs to satisfy customer in the best possible manner.

**6. Outbound Message Management**

CRM program needs outbound message management support for smooth and healthy functioning of its operations.

**5.1.1 Issues and Problems in Implementing CRM**

**Q3. "Various technical, organizational and human related issues need to be considered while implementing CRM". Elucidate.**

**OR**

**Discuss the various issues involved in the implementation of CRM.**

*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 organisational 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 firm 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.

**5.2 INFORMATION TECHNOLOGY TOOLS  
IN CRM**
**Q4. What are the technological benefits in implementing CRM ?**

*Ans :* (Imp.)

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.

Customer relations' management is important to every company and often CRM implementation

must be used to either create or improve the current system. CRM implementation is not always an easy process and will take a lot of work on the part of everyone within a company. It is important that CRM implementation start with careful planning, which includes having a strategy for CRM implementation, setting-up a team for CRM implementation, and creating a schedule to follow for CRM implementation. Also an important part of planning for CRM implementation is analysing what kind of CRM one already have in place, identifying company needs, and deciding on training and support for the CRM implementation.

The technological benefits in implementing CRM are as follows:

**1. Improved Use of Mobile Access Devices**

This benefit is important given that each of us have a different technology assimilation learning curve that impacts our future use of equipment and technology. To determine this benefit, consider measuring the comfort level over time of field personnel who use the mobile devices.

**2. More Up-to-Date Information and Easy Access to Information**

Up-to-date information and easy access are subjective measurements made by end-users. To determine this benefit, therefore, consider measuring the timeliness of needed information and the ease of accessing this information based on end-use standards.

**3. Improved Responsiveness to Customer and Prospect Requests**

Link a go to person (manager, sales representative or customer service representative) to each customer request and work until the request gets resolved. To determine this benefit, which may be tied in with customer service, consider measuring the time it takes to respond completely to a customer or a prospect request.

**4. Improved Understanding and Better Control Over Expenses**

CRM can assist in this effort, assuming sales, marketing and customer care expenses are tagged to individual sales personnel and/or accounts. To determine this benefit, consider measuring expense per sales and marketing personnel and/or per account.

**5. Improved Communications within the Company**

As more and more personnel spend time in the field with customers and prospects, there is a growing need to secure effective communications between personnel. To determine this benefit, consider measuring the time spend giving and getting information between the field and regional or head quarters offices.

**Q5. Explain about Information Technology Tools in CRM.**

*Ans :*

**Technology Tools for CRM**

The different kinds of technology tools used in CRM are as follows :

**1. Web-Based CRM Technology**

It consists of websites that allow users to purchase and utilise customer-centric tools for automating and organising customer service and support tasks directly through a web browser. Advantages of this method include the CRM technology being readily available and relatively easy to use. A disadvantage is use of the CRM technology being dependent on an internet connection. For example, Salesforce.com and Microsoft Dynamics CRM Online.

**2. Software CRM Technology**

It entails computer programmes that must be installed on servers and computers throughout a business before a business can use them. One advantage is not having to

rely on being connected to the internet to use the tools. One disadvantage is possibly buying and instituting CRM software that may not be suitable for the needs of a business. For example, Act! and GoldMine.

### 3. **Bespoke CRM Technology**

It allows for a business to direct a CRM company to tailor made a suite of web-based and software CRM tools to fit the specific needs of the business. An advantage is the business and CRM provider work together to create and maintain the CRM database. Disadvantages comprise both a lengthy time and monetary commitment for the business.

### 4. **Social Networking CRM Technology**

With the growth of social media, a number of social networking websites are also being used for CRM purposes, as businesses seek quicker and cheaper methods for reaching a growing people market. For example, LinkedIn, Twitter, and Facebook. Social network technology allows enterprises to search for relationships to accounts and contacts in their CRM system. The impact of leveraging these trusted relationships results is tracked in the CRM system and creates a rigorous means of measuring a company's relationship capital.

### 5. **Technology - Present Technologies (RFID, POS)**

The top technology changing the landscape today is RFID or radio frequency ID tags. With major businesses like Wal-Mart, Target, and FedEx are behind it. RFID allows things and people to be self-identifying - barcodes taken to the next level. "When push comes to shove, CRM comes down to one thing, the ability to identify that customer, identify the transactions the organisation had with that customer, and relate all of that to provide a more positive experience for that customer."

### 6. **Call Centre Technologies**

Call Centre helps in automating the operations of in bound and outbound calls

generated between company and its customers. These solutions integrate the voice switch of automated telephone systems with an agent host software allowing for automatic call routing to agents, auto display of relevant customer data, predictive dialling, self-service Interactive Voice Response systems, etc. These Systems are useful in high volume segments like banking, telecom and hospitality.

### 7. **Customer Service Helpdesk**

Customer care applications help the company in automating the customer support processes. They enable it to deliver high quality service to the customer problems, enquiries, suggestions, etc. They also help in directing these queries to appropriate employees within the company. They maintain information regarding status of customer inquiries and store all support calls and related communications to final resolution, continually updating the database accordingly.

### 8. **Salesforce Automation**

Customer care systems help in automating and optimising sales processes to shorten the sales cycle and increase sales productivity. They enable the company to track and manage all qualified leads, contacts, and opportunities throughout the sales cycle including customer support. They improve the effectiveness of marketing communication programmes for generating quality leads as well as greater accuracy in sales forecasting. The internet can be used by the company in imparting proper training to its salesforce.

### 9. **Data Warehousing**

A data warehouse is an implementation of an informational database used to store shareable data that originates in an operational database-of-record and in external market data sources. It is typically a subject database that allows users to tap into

a company's vast store of operational data to track and respond to business trends and facilitates forecasting and planning efforts.

#### 10. Data Mining

Data mining involves specialised software tools that allow users to sift through large amounts of data to uncover data content relationships and build models to predict customer behaviour. Data mining uses well-established statistical and machine learning techniques to build models that predict customer behaviour.

#### 11. OLAP (Online Analytical Processing)

OLAP is also known as multi-dimensional data analysis, offers advanced capabilities in querying and analysing the information in a data warehouse. In some CRM initiatives, OLAP plays a major role in the secondary analysis that takes place after initial customer segmentation has occurred. For example, in CRM - based campaign management systems, OLAP is an excellent tool for analysing the success or failure of the promotional campaigns.

#### 12. Decision Support and Reporting Tools

Web enabled reporting tools and executive information systems are used to deploy the business information that has been discovered. This enhanced customer knowledge is distributed to executive decision-makers as well as to the operational customer contact points. Applications equipped with some of the same sophisticated modelling routines developed in the data-mining phase are applied to individual contacts in real time.

#### 13. Electronic point of Sale (EPOS)

The main benefit of EPOS and retail scanner systems is the amount of timely and accurate information they deliver. Advances in the technology have significantly aided the scope for data analysis. In addition to the original scanner-related data on sales rate, stock levels,

stock turn, price and margin, retailers now have information about the demographics, socio-economic and lifestyle characteristics of consumers.

#### 14. System Integration with ERP

While CRM solutions are front-office automation solutions, an ERP helps in automating business functions of production, finance, inventory, order fulfilment, and human resource giving an integrated view of business. It is necessary that the two systems (CRM and ERP) integrate with each other and complement information as well as business workflow. This integration helps companies provide faster customer service through an effective network, which can direct all customer queries and issues through appropriate channels to the right place for speedy resolution. This also enables the company in tracking and correcting the product problems reported by customers by feeding the information into the R&D operation via ERP.

#### Q6. Explain the role of technology in CRM ?

*Ans :*

The role of technology can be understood by following points :

##### 1. Data Consolidation and Analysis

The backbone of every CRM system is the customer database. Data must be consolidated into one database to allow sales and customer service professionals immediate access to comprehensive data. Applications offer specific functions that refine the raw data into meaningful information that provides sales and customer service professionals with the information they need to personalise customer transactions. Any raw data collected during these transactions can be incorporated into the existing customer database.

##### 2. Customer Identification and Retention

CRM technology can utilise data gathered from the Internet to identify potential

customers and customise the company's offerings to their particular needs. Data from search engines, surveys and e-commerce is analysed to determine what products and services are most appropriate for individual customers. Providing personalised sales offerings facilitates making the initial sale as well as engendering loyalty from existing customers.

### 3. Cross-Selling Opportunities

CRM technology gives support personnel the opportunity to contribute to company sales. The delivery of pertinent information to customer support personnel enables them not only to more effectively resolve customer issues, but also to offer personally tailored product offerings during the service transaction. Cross-selling capabilities can also be incorporated into automated devices and websites, providing additional avenues of profit during those transactions.

### 4. Portability

CRM technology can distribute customer information to portable devices such as PDAs to give sales and customer service specialists a great deal of mobility. When they're not tied to a physical call center, service personnel can resolve customer issues on site while using the information provided by CRM technology to identify product offerings specifically tailored to that particular customer.

### 5. Improved Forecasting

The consolidation and steady acquisition of customer data that CRM technology provides offers organisations valuable forecasting information. Analysis of customer data can identify both short- and long-term trends in customer activity that can be used to generate custom product and service offerings. The more accurate forecasting that is enabled by CRM technology's data collection and analysis functions improves an organisation's decision-making capabilities by removing a considerable amount of guesswork.

## 5.3 CHALLENGES OF CRM IMPLEMENTATION

### Q7. What are the Challenges of CRM Implementation ?

*Ans :*

#### 1. Defining Clear Objectives

The organization should have a clear set of objectives which it would like to achieve through the CRM. These objectives need to be listed and defined as measurable metrics. Without doing so, the company can't assess the benefits or the ROI of the CRM system.

#### 2. Appointing a Core CRM Team

The CRM initiative is not an IT project. A core CRM team should be formed in addition to the participation from Top Management, Senior Executives, Customer Service, IT and end-users. Only after the requirements are clear should they be handed over to IT for implementation.

#### 3. Defining the Processes

It is important for the processes to be clearly defined and enforced in order to set up the CRM project for success. One good practice is to create a central repository, accessible to all, which stores all the process definitions. This allows the document to be available for referencing by anyone using the system.

Key processes that need to be defined from the start are Change Management process, Feature Re-evaluation process, etc. Also, clear security measures with access management need to be in place to make sure that important data is not accessible by those who shouldn't be accessing it.

#### 4. Managing the Application

Once the CRM has been rolled-out, it is important to re-align the work culture of the teams around it. The business operation should properly map with the CRM application. This also means that end users

should perform day-to-day operations through the CRM application by default and not optionally.

### 5. Finding the Right Partner

The rate of CRM success considerably goes up with the right solution partner. Ideally select a partner who can do both, strategy & implementation. It is important that your partner shares the risks of your CRM implementation. Working with a vendor who understands local work culture, technology limitations and listens to the employees, are ideal.

#### 5.3.1 CRM Implementation

#### Q8. Describe the Implementation process of CRM.

*Ans :*

(Imp.)

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 carryout 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 seperate team of database administrators and data "Extraction" Experts.

#### 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 dont'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 have 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.

For prioritizing a CRM project. The customer-support vice president and a call-

centre director requires clear understanding about the CRM project. This could be attained through the information provided by the Consumer Service Representatives (CSRS).

While prioritising the CRM activities, each CRM requirement or a set of CRM requirements act as an individual CRM project as follows:

In figure, the first three elements constitute separate projects while the remaining three aspects are combined to form a web-related development requirement, a separate project. These aspects have been integrated based on the challenges countered in the identification of the web-development staff within the company and also on the estimated complexity emerged during the development phase.

Even though project 1, 2, and 3 exists as a separate project, they are interrelated and helps in leveraging the existing set of skills and technologies.

The scope and the success of a CRM project relies on the ability of CSRs and the development staff who accurately estimate the value-to-complexity ratio. Because the prioritisation of CRM process is directly proportioned to the value-to-complexity ratio, i.e., the higher the value and lower the complexity, the CRM process could be easily.

For identifying the scope of each CRM project, it is essential to understand the following aspects :

1. Unique set of technologies involved in the process of CRM implementation.
2. Estimate the number of staff required to carryout a project.
3. Skills required to implement the project.
4. Supplementing the existing consultants having the in-house skills.
5. For releasing the first application, it is essential to provide the realistic time frame,
6. Identifying the organisational limits and the potential problems.

For the Successfully identifying the scope of a CRM project, it is necessary to prepare an accurate project plan specifying the tasks, requirements, technologies, resources and so on, However, the entire process goes in vain if the firms are incapable of thoroughly scoping the IT projects.

#### 5.4 CRM ROADMAP

**Q9. Describe the concept of CRM Roadmap.**

**(OR)**

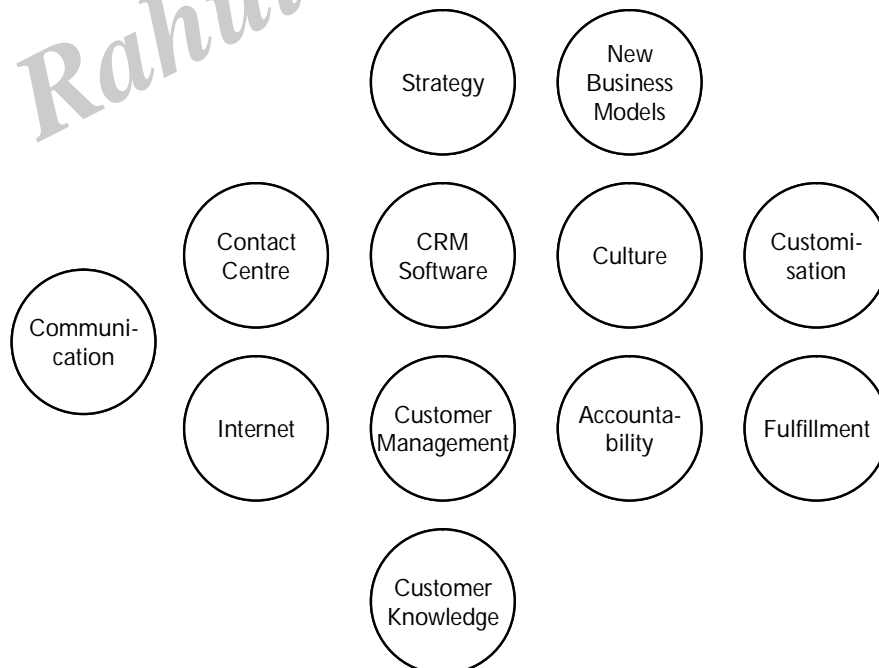
**Explain the range of CRM.**

*Ans :*

**(Imp.)**

CRM can have an extremely large range. It presents a summary of projects which may be performed within organisations under the CRM umbrella. In order to transform a product-oriented organisation into a customer-oriented one, many sub-projects are necessary. Investments must be made in the front office in order to facilitate contacts by telephone and the Internet, among other activities. The style of communication will have to be adjusted. The persuasive style will have to be replaced by the dialogue form; instead of selling, we will now have to help prospects make purchases. This involves an adjustment that cannot take place without the implementation of cultural and organisational structural changes. Knowledge of customers will have to be developed and used in the development of a relationship.

The manner in which initial contacts are expanded to become close relationships will have to be planned. A policy that had targeted the stimulation of transactions will have to make room for relationship marketing. Promises that have been made within that framework will have to be followed up in a reliable way (fulfilment). Plans to invest in the ability to supply customisation will have to be tailored to the relationship policy. Ultimately the activities will not be without consequences for the business model. By supplying customisation and having the intention to develop relationships, charter agreements become more popular, the urgency to experiment with 'pay-per-view' price models grows, etc.



**Fig. : Overview of CRM Projects**

In the meantime, the return on the activities and investments (the accountability) will have to be monitored. The transition from a product to a customer-oriented organisation with a customer intimacy strategy can be plagued by difficulties. In the transitional phase, the influx of new customers can decrease from the moment the communication style changes.

The advantages that customer retention and relationship development are expected to bring are also not immediately forthcoming. After all, investments have been made in the future of the relationship. The management that bears the financial responsibility can run into problems as a result. Pressure may be placed on these individuals to deviate from the planned path and to seek safety once again in transaction marketing, as a result of which the CRM strategy dies an early death. Longer-term commitment from the top is, as such, indispensable.

### **1. The CRM vision**

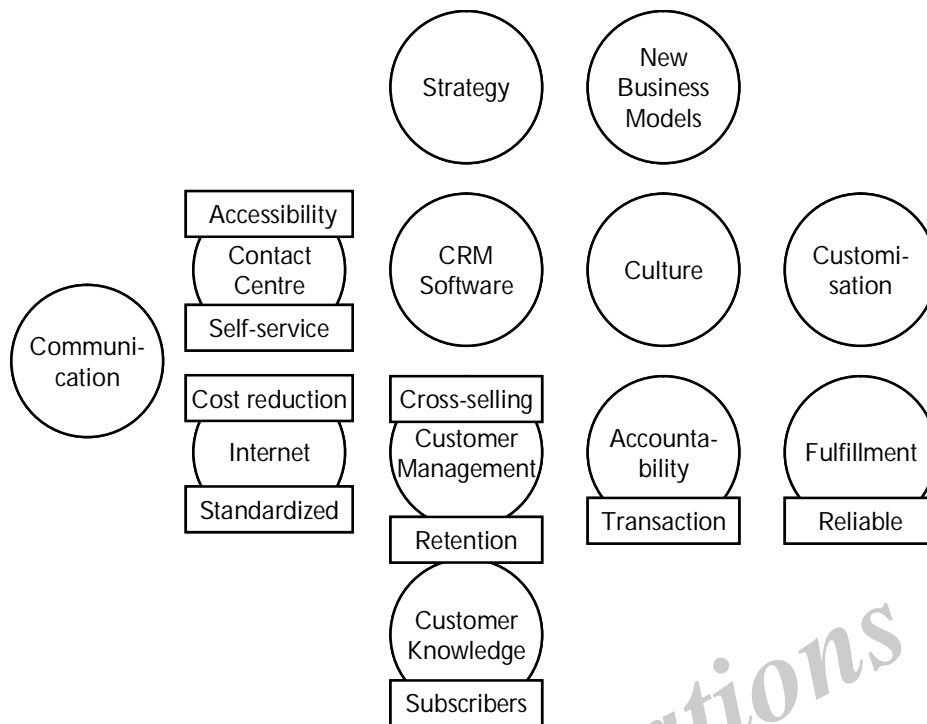
Formulating and disseminating a vision of CRM is crucial to avoiding getting lost in this expansive field. A vision will reflect the organisation's ambition: how will it ultimately deal with customers? It reflects the final situation that the organisation strives to achieve and to which it is committed, due in part to its pattern of values and norms.

It may involve a vision of an investment fund to make financial markets accessible for private individuals with limited knowledge and ability to invest. It may be its ambition to support customers and guide them in the way they prefer in the management of their capital. By being the best listener among the service providers, it can utilise its expertise to help private customers become stronger in a turbulent financial climate.

### **2. CRM strategy**

The realisation of a CRM vision requires a strategy that provides an indication of the concrete goals and how these are going to be realised. The choice of strategy provides a direction to the CRM functionalities that a company would like to develop. An organisation with an operational excellence strategy that invests in CRM systems will not supply customisation nor will it expend efforts to develop customer knowledge. Its customer strategy will also demonstrate more characteristics of transactional than relationship marketing. The contacts will have to be efficient yet effective; self-service solutions are therefore likely to be encouraged.

The concrete (financial) objectives constitute part of the strategy. The careful specification of these objectives can contribute towards the success of a CRM project. It requires the organisation to lay a clear link between the efforts and the results to be achieved. A compulsion arises to search for possibilities which allow benefits to be derived from CRM during the interaction with prospects and customers.



**Fig. Relevance of CRM projects in the context of an operational excellence strategy**

The company which employs the operational excellence strategy will have to specify in concrete terms how the costs of order processing, resolving complaints and the like should decline over time. The desired revenues which are to be generated from cross-selling and the increase in turnover per customer will also have to be specified. During the CRM project, it will have to be monitored whether the efforts yield the desired results for the costs budgeted for this purpose.

### 3. Embedding in the organisation

Achieving the relevant objectives is dependent upon the proper embedding of CRM in the organisation. CRM has far-reaching effects for the organisation. Ultimately, the structure and the position of many managers change. Horizontal connections between departments and business units are created in order to arrive at a customer-oriented organisation. The IT department comes to fulfil a more infrastructural function and will integrally support the business processes. Knowledge of individual customers must be built up and exploited. Experiments are employed to find the most effective and efficient relationship strategies.

Current situation	Medium term	Long term	
Financial perspective	Turnover	Cumulative turnover over total period of custom	Lifetime value (profit contribution of the customer during period of custom)
Customer perspective	Average customer satisfaction	Individual customer satisfaction	Individual customer commitment
Process: communication	Primarily one-way; from business unit	Communication attuned between business units	Dialogue conducted through multi-channels

Learning and growing: customer knowledge	Customer knowledge distributed within organisation	Shared customer information	Integrated customer knowledge; everyone has the same image of the customer
Learning and growing: organisation (1)	Product-oriented	Market-oriented	Customer-oriented
Learning and growing: organisation (2)	Market is divided up into product groups	Market segments are identified	Individual customers and customer groups are identified

**Fig. Objectives of the CRM process within the four perspectives of the balanced scorecard**

**Q10. What are the emerging trends in CRM.**

*Ans :*

**(Imp.)**

A CRM solution is not a stand-alone solution that could be implemented in isolation to the enterprise information system. It marks a shift of focus from product centric planning to customer centric planning. A prudent CRM strategy is essential for a successful adoption of CRM. Some of the critical success factors that must be evaluated are:

- (i) **Identify the mission, objectives and goals:** Technology has radically changed the business environment. A detailed business strategy analysis lays the foundation for engineering an information system for the enterprise that will fulfil the current and the future needs of the organization.
- (ii) **Identify and prioritize what functions need to be automated:** A CRM automation audit shall help create a roadmap to complete automation. There may be processes that are inefficient and automating them without re-engineering is not a desirable solution.
- (iii) **Gain top management support and unequivocal commitment:** No CRM strategy can ever succeed unless the top management is totally committed to its success.
- (iv) **Employ technology smartly:** Technological obsolescence is a real threat. A long term vision and prudent planning is a must. As a thumb rule, look for open architectures, scalability, and integration into existing systems, reliability, and support, etc. Evaluate options and take an informed decision. Keep in mind that it may be too expensive to reverse this decision.
- (v) **Involve users early:** Involve the likely users early in the process. They know their needs best and can best help define the new system, for they are best aware of the old one. It is important to make them participate in the process and 'own' the solution.
- (vi) **Prototype the solution:** Deploy the solution on a smaller scale and test all the functions, instead of jumping to the 'big leap'.
- (vii) **Training:** The paramount importance of training cannot be over emphasized. This is one of the single most prevalent reasons for failures/incomplete success. A smart manager would realize that training costs more than the combined hardware/software cost over the solution lifecycle.
- (viii) **Allocate responsibility:** It is important to ensure maximum uptime and reliability of the system so that the users may not lose faith. Make one department/person responsible for the CRM system.

(ix) **Cross department management team:** Form a committee with people from sales, marketing and service departments apart from the information systems department to monitor the CRM project.

(x) **Keep the employees motivated:** Technology usually breeds fear and insecurity. It is desirable to 'sell' to system internally before implementing it to avoid non-co-operation/resistance.

Enterprise managers are more obsessed with the product. However, experience shows that even the best product fails to meet the desired end goals if the implementation is improper or the training inadequate. Rushing to implement a CRM system without a prudent evaluation and audit usually results in failure. The choice of an experienced and able consultancy organization is usually very critical.

**Q11. Explain the factors influence the future of CRM.**

**(OR)**

**Where will the focus within CRM lie in the next several years? Comment.**

*Ans :*

**1. Technological Progress**

Technology is described as an autonomous factor that determines progress. It is difficult to undo inventions as long as no superior substitutes have come along to take their place. This applies to the invention of gunpowder, the steam engine, electricity, but may just as easily apply to the Internet and the telephone as well. It is therefore difficult to imagine a society without the Internet; even if it had been developed by coincidence or with completely different intentions from those for which we are currently using it.

**2. Consumers Change**

Consumers are becoming more critical and independent, but also place higher demands on convenience. Organisations should be available for their customers and answer their questions at the time and place of the customers' choosing. Many waiting periods are quickly considered to be long and annoying. Questions to which people used to look for answers in product descriptions, brochures and the like, are now expected to be answered via a single telephone call or Internet visit. Many organisations have witnessed a substantial growth in the information exchange with their customers and will at the very least have to develop facilities to meet this growing need efficiently.

**3. Customers in the business-to-business and government markets change**

The changes taking place when it comes to customers' needs and demands are not limited to the consumer markets. In the business-to-business markets, there is a call for an orchestrated customer-supply approach in which members of the decision-making units at the customer's, supplier's, and involved intermediary's organisations are constantly apprised of their contacts with one another and gear and integrate their business processes to those of the others. Governments also strive to improve their relationships with their citizens and to make the governmental apparatus more accessible.

**4. Commitment from the Industry**

System integrators, consultants, CRM software developers and users have invested a great deal in CRM systems. Many millions, perhaps even billions, of euros are involved. The survival of large, established companies is dependent upon the successful use of the systems. The commitment from the parties involved is large as a result; they will do whatever it takes to achieve success.

**5. Realism is on the Rise**

The hype is now over and realism is growing. The number of managers that proclaim that people should 'participate in CRM' in order to remain on top of the latest developments is decreasing. Declarations will be made in a more studied manner on the basis of business cases, strategies, and change and implementation projects.

**6. Experience is Growing**

On the basis of the irreversibility of technological innovations, the involvement of stakeholders as well as the customers, the IT industry, the organisations that use it and the growing experience, we can, in all likelihood, conclude that CRM will not disappear from management's agenda any time soon. Perhaps the term 'CRM' will gradually disappear, but this will hardly affect the direction that has already been taken in terms of thoughts and actions.

Rahul Publications

## Short Question and Answers

### 1. What are the elements of a CRM program implementation ?

*Ans :*

The various requirements or elements of a CRM program are as follows:

1. Providing scripting
2. Automate workforce management
3. Providing on demand customer files
4. Implementation of web-based service
5. Web live-chart service
6. Outbound message management.

### 2. Technology Tools for CRM

*Ans :*

The different kinds of technology tools used in CRM are as follows :

#### i) Web-Based CRM Technology

It consists of websites that allow users to purchase and utilise customer-centric tools for automating and organising customer service and support tasks directly through a web browser. Advantages of this method include the CRM technology being readily available and relatively easy to use. A disadvantage is use of the CRM technology being dependent on an internet connection. For example, Salesforce.com and Microsoft Dynamics CRM Online.

#### ii) Software CRM Technology

It entails computer programmes that must be installed on servers and computers throughout a business before a business can use them. One advantage is not having to rely on being connected to the internet to use the tools. One disadvantage is possibly buying and instituting CRM software that may not be suitable for the needs of a business. For example, Act! and GoldMine.

#### iii) Bespoke CRM Technology

It allows for a business to direct a CRM company to-tailor made a suite of web-based

and software CRM tools to fit the specific needs of the business. An advantage is the business and CRM provider work together to create and maintain the CRM database.

### 3. Role of technology in CRM ?

*Ans :*

i) **Data Consolidation and Analysis:** The backbone of every CRM system is the customer database. Data must be consolidated into one database to allow sales and customer service professionals immediate access to comprehensive data. Applications offer specific functions that refine the raw data into meaningful information that provides sales and customer service professionals with the information they need to personalise customer transactions. Any raw data collected during these transactions can be incorporated into the existing customer database.

ii) **Customer Identification and Retention:** CRM technology can utilise data gathered from the Internet to identify potential customers and customise the company's offerings to their particular needs. Data from search engines, surveys and e-commerce is analysed to determine what products and services are most appropriate for individual customers. Providing personalised sales offerings facilitates making the initial sale as well as engendering loyalty from existing customers.

iii) **Cross-Selling Opportunities:** CRM technology gives support personnel the opportunity to contribute to company sales. The delivery of pertinent information to customer support personnel enables them not only to more effectively resolve customer issues, but also to offer personally tailored product offerings during the service transaction. Cross-selling capabilities can also be incorporated into automated devices and websites, providing additional avenues of profit during those transactions.



**4. Challenges of CRM Implementation ?***Ans :*

- i) **Defining Clear Objectives:** The organization should have a clear set of objectives which it would like to achieve through the CRM. These objectives need to be listed and defined as measurable metrics. Without doing so, the company can't assess the benefits or the ROI of the CRM system.
- ii) **Appointing a Core CRM Team:** The CRM initiative is not an IT project. A core CRM team should be formed in addition to the participation from Top Management, Senior Executives, Customer Service, IT and end-users. Only after the requirements are clear should they be handed over to IT for implementation.
- iii) **Defining the Processes:** It is important for the processes to be clearly defined and enforced in order to set up the CRM project for success. One good practice is to create a central repository, accessible to all, which stores all the process definitions. This allows the document to be available for referencing by anyone using the system.  
Key processes that need to be defined from the start are Change Management process, Feature Re-evaluation process, etc. Also, clear security measures with access management need to be in place to make sure that important data is not accessible by those who shouldn't be accessing it.
- iv) **Managing the Application:** Once the CRM has been rolled-out, it is important to re-align the work culture of the teams around it. The business operation should properly map with the CRM application. This also means that end users should perform day-to-day operations through the CRM application by default and not optionally.

**5. CRM Roadmap.***Ans :*

CRM can have an extremely large range. It presents a summary of projects which may be performed within organisations under the CRM umbrella. In order to transform a product-oriented organisation into a customer-oriented one, many sub-projects are necessary. Investments must be made in the front office in order to facilitate contacts

by telephone and the Internet, among other activities. The style of communication will have to be adjusted. The persuasive style will have to be replaced by the dialogue form; instead of selling, we will now have to help prospects make purchases. This involves an adjustment that cannot take place without the implementation of cultural and organisational structural changes. Knowledge of customers will have to be developed and used in the development of a relationship.

The manner in which initial contacts are expanded to become close relationships will have to be planned. A policy that had targeted the stimulation of transactions will have to make room for relationship marketing. Promises that have been made within that framework will have to be followed up in a reliable way (fulfilment). Plans to invest in the ability to supply customisation will have to be tailored to the relationship policy. Ultimately the activities will not be without consequences for the business model. By supplying customisation and having the intention to develop relationships, charter agreements become more popular, the urgency to experiment with 'pay-per-view' price models grows, etc.

**6. Factors influence the future of CRM.***Ans :*

- 1. **Technological Progress:** Technology is described as an autonomous factor that determines progress. It is difficult to undo inventions as long as no superior substitutes have come along to take their place. This applies to the invention of gunpowder, the steam engine, electricity, but may just as easily apply to the Internet and the telephone as well. It is therefore difficult to imagine a society without the Internet; even if it had been developed by coincidence or with completely different intentions from those for which we are currently using it.
- 2. **Consumers Change:** Consumers are becoming more critical and independent, but also place higher demands on convenience. Organisations should be available for their customers and answer their questions at the time and place of the customers' choosing. Many waiting periods are quickly considered to be long and annoying. Questions to which people used to look for answers in product descriptions, brochures and the like, are now

expected to be answered via a single telephone call or Internet visit. Many organisations have witnessed a substantial growth in the information exchange with their customers and will at the very least have to develop facilities to meet this growing need efficiently.

3. **Customers in the business-to-business and government markets change:** The changes taking place when it comes to customers' needs and demands are not limited to the consumer markets. In the business-to-business markets, there is a call for an orchestrated customer-supply approach in which members of the decision-making units at the customer's, supplier's, and involved intermediary's organisations are constantly apprised of their contacts with one another and gear and integrate their business processes to those of the others. Governments also strive to improve their relationships with their citizens and to make the governmental apparatus more accessible.
4. **Commitment from the Industry:** System integrators, consultants, CRM software developers and users have invested a great deal in CRM systems. Many millions, perhaps even billions, of euros are involved. The survival of large, established companies is dependent upon the successful use of the systems. The commitment from the parties involved is large as a result; they will do whatever it takes to achieve success.
5. **Realism is on the Rise:** The hype is now over and realism is growing. The number of managers that proclaim that people should 'participate in CRM' in order to remain on top of the latest developments is decreasing. Declarations will be made in a more studied manner on the basis of business cases, strategies, and change and implementation projects.
6. **Experience is Growing:** On the basis of the irreversibility of technological innovations, the involvement of stakeholders as well as the customers, the IT industry, the organisations that use it and the growing experience, we can, in all likelihood, conclude that CRM will not disappear from management's agenda any time soon. Perhaps the term 'CRM' will

gradually disappear, but this will hardly affect the direction that has already been taken in terms of thoughts and actions.

## 7. CRM strategy

*Ans :*

The realisation of a CRM vision requires a strategy that provides an indication of the concrete goals and how these are going to be realised. The choice of strategy provides a direction to the CRM functionalities that a company would like to develop. An organisation with an operational excellence strategy that invests in CRM systems will not supply customisation nor will it expend efforts to develop customer knowledge. Its customer strategy will also demonstrate more characteristics of transactional than relationship marketing. The contacts will have to be efficient yet effective; self-service solutions are therefore likely to be encouraged.

The concrete (financial) objectives constitute part of the strategy. The careful specification of these objectives can contribute towards the success of a CRM project. It requires the organisation to lay a clear link between the efforts and the results to be achieved. A compulsion arises to search for possibilities which allow benefits to be derived from CRM during the interaction with prospects and customers.

## 8. OLAP

*Ans :*

OLAP is also known as multi-dimensional data analysis, offers advanced capabilities in querying and analysing the information in a data warehouse. In some CRM initiatives, OLAP plays a major role in the secondary analysis that takes place after initial customer segmentation has occurred. For example, in CRM - based campaign management systems, OLAP is an excellent tool for analysing the success or failure of the promotional campaigns.

## 9. Data Warehousing

*Ans :*

A data warehouse is an implementation of an informational database used to store shareable data that originates in an operational database-of-record and in external market data sources. It is typically a subject database that allows users to tap into a company's vast store of operational data to track and respond to business trends and facilitates forecasting and planning efforts.

### *Choose the Correct Answer*

1. CRM roadmap implementation strategy consists of the following number of steps [ a ]  
(a) Seven (b) Five  
(c) Six (d) Ten
2. The CRM solution's components are [ c ]  
(a) Sales and marketing applications (b) Marketing and CSS applications  
(c) Sales, marketing and CSS applications (d) None
3. Bill Inmon proposed the following approach: [ b ]  
(a) Dimensional approach (b) Normalised approach  
(c) Both (d) None
4. The firms usually goes for integrations of \_\_\_\_ [ d ]  
(a) Sales area (b) Marketing area  
(c) Customer Service and Support (CSS) (d) All
5. The following are required for effective implementation of CRM: [ d ]  
(a) Effective database management (b) Database construction  
(c) Datamining (d) All
6. e-CRM stands for, [ d ]  
(a) Emerging CRM (b) Evolving CRM  
(c) Existing CRM (d) Electronic CRM
7. Voice portals is based on the following: [ a ]  
(a) Voice XML (b) Voice HTML  
(c) Voice DHTML (d) Voice USB
8. The following is the main repository of a firm's historical data : [ b ]  
(a) Data management (b) Data warehouse  
(c) Datamining (d) Data analysis
9. OLTP is, [ b ]  
(a) Offline transaction processing (b) Online transaction processing  
(c) Ontime transaction processing (d) Official transaction processing
10. CRM implementation suffers from the following issues: [ d ]  
(a) Technical issues (b) Make or buy issue  
(c) Organisational issues' (d) All

### *Fill in the blanks*

1. Building a \_\_\_\_\_ is the founding step towards gaining competitive advantage.
2. \_\_\_\_\_ is the main repository of an organizations historical data.
3. The two popular approach of data warehousing are dimensional approach and \_\_\_\_\_
4. \_\_\_\_\_ is the world leader in providing CRM solutions and software application for customer data integration.
5. Cost effectiveness, enhanced customer interaction, lower marginal cost, adaptivity to new technology are some advantages of \_\_\_\_\_
6. \_\_\_\_\_ refers to the long term initiative of the firm aimed towards integrating organizational processes to customer system.
7. \_\_\_\_\_ seeks to establish relationship between variable items of database to exposed patterns.
8. OLTP stands for \_\_\_\_\_.
9. The first step in CRM roadmap implementation strategy is \_\_\_\_\_.
10. A good database system acts as a \_\_\_\_\_ of the firm.

#### ANSWERS

1. Comprehensive customer database
2. Data warehouse
3. Normalised approach
4. Siebel incorporation
5. e-CRM
6. CRM strategy
7. Comprehensive customer database
8. Data warehouse
9. Link analysis
10. Online Transaction Processing

FACULTY OF MANAGEMENT  
BBA III Year V - Semester(CBCS) Examination  
Model Paper - I  
**CUSTOMER RELATIONSHIP MANAGEMENT**

Time : 3 Hours]

[Max. Marks : 80

**PART - A (5 × 4 = 20 Marks)**

**[Short Answer Type]**

**ANSWERS**

**Note : Answer any Five of the following questions.**

- |   |                   |
|---|-------------------|
| 1. Define CRM.  | (Unit-I, SQA-1)   |
| 2. What are the benefits of CRM?  | (Unit-I, SQA-4)   |
| 3. Discuss about Customer Life Time Value.  | (Unit-II, SQA-8)  |
| 4. Importance of customer satisfaction.   | (Unit-II, SQA-4)  |
| 5. Define customer centricity ? State the various pillars of customer centricity. | (Unit-III, SQA-1) |
| 6. CRM Applications   | (Unit-IV, SQA-7)  |
| 7. Customer Planning  | (Unit-IV, SQA-2)  |
| 8. What are the elements of a CRM program implementation?                         | (Unit-V, SQA-1)   |

**PART - B (5 × 12 = 60 Marks)**

**[Essay Answer Type]**

**Note : Answer all the questions using the internal choice.**

- |   |                    |
|---|--------------------|
| 9. (a) Explain the concept of emergence of CRM practices.   | (Unit-I, Q.No.4)   |
| OR  |                    |
| (b) Describe the framework of CRM.  | (Unit-I, Q.No.8)   |
| 10. (a) Define customer expectation and what are the factors influencing customer expectation and issues? | (Unit-II, Q.No.2)  |
| OR  |                    |
| (b) State the various trends in customer retention.   | (Unit-II, Q.No.12) |
| 11. (a) What are the steps involved in planning of CRM?   | (Unit-III, Q.No.2) |

OR

- (b) Describe the relevant issues while planning the output of CRM implementation.

**(Unit-III, Q.No.6)**

12. (a) What are the marketing strategies of CRM? Explain.

**(Unit-IV, Q.No.1)**

OR

- (b) What are the different types of Call Centres?

**(Unit-IV, Q.No.11)**

13. (a) Describe the various phases in CRM planning and implementation.

**(Unit-V, Q.No.1)**

OR

- (b) Describe the concept of CRM Roadmap.

**(Unit-V, Q.No.9)**

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FACULTY OF MANAGEMENT  
BBA III Year V - Semester(CBCS) Examination  
Model Paper - II  
CUSTOMER RELATIONSHIP MANAGEMENT

Time : 3 Hours]

[Max. Marks : 80

**PART - A (5 × 4 = 20 Marks)****[Short Answer Type]****ANSWERS****Note : Answer any Five of the following questions.**

- |   |                   |
|---|-------------------|
| 1. Features of CRM.   | (Unit-I, SQA-2)   |
| 2. Collaborative CRM.   | (Unit-I, SQA-7)   |
| 3. Define customer satisfaction? State the factors affecting customer satisfaction. | (Unit-II, SQA-3)  |
| 4. Explain the concept of customer value.   | (Unit-II, SQA-1)  |
| 5. Strategy Framework for CRM.  | (Unit-III, SQA-6) |
| 6. Customer Centric Business.   | (Unit-IV, SQA-2)  |
| 7. Define Call Center.  | (Unit-IV, SQA-4)  |
| 8. Role of technology in CRM.   | (Unit-V, SQA-3)   |

**PART - B (5 × 12 = 60 Marks)****[Essay Answer Type]****Note : Answer all the questions using the internal choice.**

- |  |                     |
|--|---------------------|
| 9. (a) What are the Factors responsible for CRM growth?                                  | (Unit-I, Q.No.6)    |
| OR   |                     |
| (b) What are the benefits of CRM?  | (Unit-I, Q.No.9)    |
| 10. (a) Define customer satisfaction. State the factors affecting customer satisfaction. | (Unit-II, Q.No.3)   |
| OR   |                     |
| (b) Discuss about Customer Life Time Value.  | (Unit-II, Q.No.18)  |
| 11. (a) Define customer centricity. State the various pillars of customer centricity.    | (Unit-III, Q.No.1)  |
| OR   |                     |
| (b) Explain about Customer Life Cycle.   | (Unit-III, Q.No.11) |

12. (a) What do you understand by Sales Force Automation? (Unit-IV, Q.No.2)  
OR  
(b) What are consumer markets in CRM? How do you develop business relation-ships in such markets? (Unit-IV, Q.No.15)
13. (a) Explain about Information Technology Tools in CRM. (Unit-V, Q.No.5)  
OR  
(b) What are the emerging trends in CRM. (Unit-V, Q.No.10)

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FACULTY OF MANAGEMENT  
BBA III Year V - Semester(CBCS) Examination  
Model Paper - III  
**CUSTOMER RELATIONSHIP MANAGEMENT**

Time : 3 Hours]

[Max. Marks : 80

**PART - A (5 × 4 = 20 Marks)****[Short Answer Type]****ANSWERS****Note : Answer any Five of the following questions.**

- |   |                   |
|---|-------------------|
| 1. What are the objectives of CRM?        | (Unit-I, SQA-3)   |
| 2. What is customer profitability?        | (Unit-I, SQA-10)  |
| 3. Define Customer Retention.             | (Unit-II, SQA-6)  |
| 4. Define customer experience management. | (Unit-II, SQA-9)  |
| 5. Customer Life Cycle.                   | (Unit-III, SQA-8) |
| 6. What are the elements of CRM Plan?     | (Unit-IV, SQA-5)  |
| 7. Outbound Call Centres.                 | (Unit-IV, SQA-6)  |
| 8. Technology Tools for CRM               | (Unit-V, SQA-2)   |

**PART - B (5 × 12 = 60 Marks)****[Essay Answer Type]****Note : Answer all the questions using the internal choice.**

- |  |                    |
|--|--------------------|
| 9. (a) Explain various steps involved in CRM process.  | (Unit-I, Q.No.7)   |
| OR   |                    |
| (b) What are the future trends in CRM?   | (Unit-I, Q.No.14)  |
| 10. (a) Define customer acquisition. Explain the process of customers acquisition.               | (Unit-II, Q.No.6)  |
| OR   |                    |
| (b) Define customer experience management. State the elements of customer experience management. | (Unit-II, Q.No.20) |
| 11. (a) Explain the mechanism of Setting CRM Objectives.   | (Unit-III, Q.No.4) |
| OR   |                    |

- (b) What is CRM strategy and its applications? (Unit-III, Q.No.8)
12. (a) Discuss about Campaign Management System. (Unit-IV, Q.No.6)
- OR
- (b) Write in detail about the various CRM initiatives adopted by State Bank of India. (Unit-IV, Q.No.18)
13. (a) Describe the Implementation process of CRM. (Unit-V, Q.No.8)
- OR
- (b) "Various technical, organizational and human related issues need to be considered while implementing CRM". Elucidate. (Unit-V, Q.No.3)

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