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CRM IMPLEMENTATION: A DEMAND OF PRESENT MARKET

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ABSTRACT

Customer Relationship Management (CRM) is a strategic initiative of companies to defend and nurture their market position by providing superior customer value to the most valuable customers. This paper describe that effective use of CRM will ensure customer loyalty and convert them into life long consumers of the product. It increases the overall profitability of the organization.

I. INTRODUCTION

Technological advancements in the recent times have enabled business organizations to automate their processes. This has resulted in greater profits through reduction on in costs, cycle time and work force. CRM has been described and conceptualized in several ways like as a process, as a strategy, a philosophy, a capacity over a technological tool. (Zablah, 2004)[1] CRM is considered to unite the potential of relationship marketing strategies and information technology to create profitable long term relationships with customers and other key stakeholders. CRM provides enhanced opportunities to use data and information to understand customers and to create value with them. This requires a cross functional integration of process, people, operations and marketing capabilities that is enabled through information, technology and applications (Payne and Frow, 2005)[2].

In IT term, CRM means an enterprises wide integration of technologies working together such as data warehouse, web site, intranet or extranet, phone support system, accounting, sales, making and production.

CRM principally revolves around making (Kotler, 1997)[3] and begins with a deep analysis of consumer behaviour. It uses IT to gather data, which can then be used to develop information required to create a more personal interaction with customer. In long term, it produces a method of continuous analysis and refinement in order to enhance customer's life time value with the firm, (Wells, et. al 1999)[4] noted both (marketing and IT) need to work together with high level of coordinators to produce a seamless process of interaction.

Development in information and communication technology, especially in the 1990s, have helped, these large businesses recreate the personal relationship once enjoyed by the small business (Peppers and Regers, 1999),[5] Zineldin 2000)[6] the IT solutions for automating the sales process initiated the trend, which expanded to include automation of services and marketing as part of comprehensive CRM solutions. Leaving CRM vendors included Siebel Systems, SAP, Oracle, People soft, Interact commerce and E-piphany. Enterprises Resource Planning (ERP) majors like SAP, Oracle and people soft have entered the CRM market to tap the emerging opportunities.

II. NEED TO HAVE CRM

CRM has invented because customers differ in their preferences, perceptions and purchasing habits. A customer centric firm is capable of treating every customer individually and uniquely, depending on the customer's preference. A one-to-one marketing paradigm has emerged that suggests organizations will be more successful if they concentrate on obtaining and maintaining a share of each customer rather than a share of entire market.

Studies across a number of industries have revealed that the cost of retaining an existing customer is only about 10% of the cost of acquiring a new customer, so customer retention makes powerful, economic sense. This has raised the importance of customer retention. Rosenberg and Czepiel (1984)[7], for example, asserted that the cost of winning a new customer is about five times greater show the cost of retaining a current customer through the use of relationship marketing. Reichheld and Sasser (1990)[8] further outlined the economic benefits of customer retention. Their claims that 'companies can boost profits by almost 100 percent by retaining just 5 percent more of their customers' inspired a new wave of research into relation marketing. Reichheld and Sasser (1990) [9] also highlighted the importance of the life time value of the customer. This approach advocates the need to move away from a transactional view of the customer to a relationship view in order to maximise the return from a customer over a long period of time (Nicholas Alexander, Mark Colgate, 2000)[10]. Not all customers have the same value. A small percentage of customers can generate all the profit of a retail outlet. Retention and development of profitable and marginal customers become a critical success factor in information technology sector.

According to industry analysts the key drivers for implementing CRM are:

- Gaining customers confidence and loyalty,
- Providing personalized service to customers,
- Acquiring better knowledge of customers and their buying habits,
- Differentiating themselves from the competition and
- Achieving cross-selling opportunities.

Given the above drivers, CRM can remain a key strategic tool for information technology markets in gaining advantage.

III. KEY FACTORS OF THE CRM IMPLEMENTATION:

Following is the list of key factors in CRM implementation:

1. Strategy: A clearly designed and stated marketing strategy is considered as the starting point and a pivotal element of CRM. The strategy factor includes:

(a) Articulating a clear company's vision, especially as it relates to CRM;
(b) Setting specific mid-long term sales and profitability objectives;
(c) Making segmentation and targeting decisions;
(d) Deciding the level of designed customization of the offer;
(e) Making the adequate financial commitment

2. Organisational Environment: The organizational alignment and reengineering of business processes are critical in achieving the cross functional coordination required for successful CRM programs. Organisational factors can influence CRM aspects such as the relative success of CRM technology deployment effort, the extend of end –user utilization of CRM technology and the firm's ability to ultimately benefit from their CRM investments (Ryals and Knox[11], 2001; Zablah et.al, 2004[12]; Boulding et.al, 2005[13]; Chan 2005[14]; Chen and Chen, 2004[15], Werner et.al, 2004[16]). The organisational environment factor comprises:

(a) Effective communication and integration between all internal functions that influence in a more or less direct way the relationship with the customer. These include of course, the marketing and sales department, but also production, distribution and after sales functions.
(b) Alignment of all related business processes and if necessary, reengineering of these processes.
(c) Development of customer service consciousness and customer centric organization culture.

3. Multi- Channel Integration: Payne and Frow (2005),[17] Categorized the many channel options into six categories broadly based on the balance of physical or virtual contact. These include:

(a) Sales force, including field account management, service and personal representation;
(b) Outlets, including retail branches, stores, depots and kiosks;
(c) Telephony, including traditional telephone, facsimile, telex and call center contact;
(d) Direct marketing, including direct mail, radio and traditional television,
(e) E-Commerce, including e-mail, the internet and interactive digital television; and
(f) M-Commerce, including mobile telephobny, short message service and text messaging, wireless application protocol and 3G mobile service.

4. People and Management: People (both front line and back office employees) are those responsible for executing form's day-to-day CRM tasks processes and some of them interact directly with the customers. There is evidence suggesting that the ultimate success or failure of organizations pursuing a CRM vision lies in their ability to manage the 'harder' areas of technology and customer analysis, while dealing with the 'softer' aspects of staff and company structure can take longer and may be more complex (Dibb and Meadows,2001[18], Chen and Chen,2004[19]).

The people and management factors include:
(a) Training, specialized skills development of employees,
(b) Rewards,/incentives policy relative to relationship building and customer retention;
(c) Focus on change management when required (involvement, communication and re-training);
(d) Deployment of an internal marketing plan to establish a CRM consciousness; and
(e) The management of the initial CRM implementation project itself.

5. Technology: Information technology systems refer to the computer hardware and the related software and middleware used in the organization. CRM technology plays a critical role in the context of leveraging CRM- related activities and thus contributes to improved organizational performance. On the other hand, CRM technology is often incorrectly equated with CRM and it has been reported that viewing CRM as a technology initiatve a key is reason for CRM failure (Dibb and Meadows, 2004[20], Chen and Chen, 2004[21], Ryals and Payne, 2001[22], Kale, 2004[23]). The technology factor comprises:
(a) Highly integrated systems and processes;
(b) Business processes matching IT architecture;
(c)Data integration;
(d) System compatibility and adequate data quality /quantity.

IV. Conclusion

Organisations that do not implement CRM systems in support of relationship marketing strategies are at risk of being seriously disadvantaged. Customers are beginning to expect the added value delivered through tailoring products or services to individual customers or micro segments and are demanding greater participation in CRM implementation. Customers are starting to use fewer suppliers to provide a higher proportion of their needs. Customer relationship management is a prerequisite for maneuver strategy as it provides customer information proactively for making swift moves. When there is a strong info-structure available for the firm through greater access of consumer information that can be manipulated with changing time and market dynamics, it allows the marketer to make calculated judgments. Customer Relationship Management (CRM) is about building collaborative and mutually satisfying relationships with customers. It is a business philosophy that helps today's companies increase revenue, reduce costs, build and retain a loyal customer base, and find and acquire new profitable customers.

Technology supports the process through integrated systems connecting both front and back-end operations and applications to enable users to service the customer by adding value to the transactions. While CRM offers exciting opportunities to companies, it also poses numerous challenges in terms of its application in creating a sustainable competitive advantage. CRM demands careful planning and implementation, greater understanding by cross-functional teams through organizational learning, and closer interactions with end-users to ensure that the technological environment is optimized to achieve its desired objectives.

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