

CUSTOMER RELATIONSHIP MANAGEMENT



Dr. Shashila. S
Dr. Swathi Pradeeba P
Dr. K.P. Indhuja
Dr. S. Divya

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Dr. Shashila. S

Assistant Professor & Research Supervisor
Department of Commerce
Vels Institute of Science, Technology & Advanced Studies (VISTAS)
Pallavaram, Chennai.

Dr. Swathi Pradeeba P

Assistant Professor and Research Supervisor
Department of Commerce
Vels Institute of Science, Technology and Advanced Studies (VISTAS)
Pallavaram, Chennai

Dr. K.P. Indhuja

Assistant Professor
Department of Commerce (CA)
Vels Institute of Science, Technology & Advanced Studies (VISTAS)
Pallavaram, Chennai.

Dr. S. Divya

Assistant Professor
Department of Commerce
SDNB Vaishnav College for Women, Chennai



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India, Sirlanka, Africa

Phone: +91 6384730258

E-Mail: contact@maxelo.org

www.maxelo.org

PREFACE

In today's highly competitive and dynamic business environment, organizations can no longer rely solely on product quality or pricing strategies to achieve sustainable growth. The focus has gradually shifted from transactional marketing to building long-term, meaningful relationships with customers. Customer Relationship Management (CRM) has emerged as a strategic approach that enables organizations to understand, attract, retain, and nurture customers by delivering superior value and personalized experiences. This book aims to provide a comprehensive understanding of the concepts, processes, and practices of Customer Relationship Management in a systematic and learner-friendly manner. Customer Relationship Management is not merely a technological solution but a holistic business philosophy that integrates people, processes, and technology to maximize customer satisfaction and organizational profitability. With the rapid advancement of digital technologies, data analytics, artificial intelligence, and social media platforms, CRM has evolved significantly, transforming the way businesses interact with customers. This book explores both traditional and contemporary perspectives of CRM, highlighting its strategic importance across various industries including banking, retail, healthcare, education, and service sectors. The primary objective of this book is to equip students, academicians, and management practitioners with a strong conceptual foundation and practical insights into CRM. The content is structured to explain fundamental concepts such as customer value, customer lifecycle, relationship marketing, and CRM architecture, followed by detailed discussions on operational, analytical, and collaborative CRM. Real-world examples, case illustrations, and practical applications are incorporated to bridge the gap between theory and practice, enabling readers to relate CRM concepts to actual business scenarios. This book is designed in alignment with the latest academic curricula and industry requirements. Each chapter is presented in a logical sequence with clear learning objectives, key terms, review questions, and references to facilitate easy comprehension and effective learning. The language used is simple and precise, ensuring accessibility to readers from diverse academic backgrounds.

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CHAPTER 1

INTRODUCTION OF CUSTOMER RELATIONSHIP

Introduction

Peter Drucker said, “The purpose of a business is to create customers.” Implied in his words and his work is the importance of keeping those same customers and of growing the depth of their relationship with you. Initially, new customers cost you money spent on advertising and marketing and money spent learning what they want and teaching them how best to do business with you. Customer relationship management (CRM) can be the single strongest weapon you have as a manager to ensure that customers be come and remain loyal. That’s right! CRM is the single strongest weapon you have, even before your people.

Great employees are, and always will be, the back bone of any business. But employee performance can be enhanced or hampered by the strategy you set and by the tools that you give employees to get the job done. Done right, CRM is both a strategy and a tool, a weapon, if you will. In your hands, and in the hands of your employees, CRM comes to life, keeping you and your team on course and able to anticipate the changing landscape of the marketplace. With CRM, loyal customers aren’t a happy accident created when an exceptional customer service representative, sales person or product developer intuitively responds to a customer need. Instead, you have at your fingertips the ultimate advantage—customer intelligence: data turned into information and information turned into a customer-satisfying action.

Implementing CRM is an on negotiable Strategy in today’s business environment. Whether your customers are internal or external, consumers or businesses, whether they connect with you electronically or face to

face, from across the globe or across town, CRM is your ticket to success.

Customer Relationship

- A long term relationship with customers to nurture its stability in today's blooming market.
- Customer's expectations are now not only limited to get best products and services, they also need a face-to-face business in which they want to receive exactly what they demand and in a quick time.
- CRM is a business strategy directed to understand, anticipate and respond to the needs of Man enterprise's current and potential customers in order to grow the relationship value.
- The Customer Relationship Management is the procedure that is crucial for every business.

According to Gartner“ CRM is a business strategy designed to optimize profit ability, revenue, and customer satisfaction”

Parvatiyar and Sheth (2001) defined CRM is a comprehensive strategy and process of acquiring, retaining and partnering with selective customers to create superior value for the company and the customer.

“Customer Relationship Management is a comprehensive approach for creating, maintaining and expanding customer relationships”

Comprehensive: CRM does not belong to just sales or marketing. It is not the sole responsibility of customer service group or an IT team;i.e. CRM must be away of doing business that touches all the areas.

Approach: An approach is broadly a way of treating or dealing with something. CRM is away of thinking about and dealing with the customer relationship. We can also use the word strategy because CRM involves a

clear plan. In fact, CRM strategy can usually serve as a benchmark for other strategies in your organization, because any strategy sets directions for your organization. We can also consider this from a department or are a level just a salvager organization has strategies for shareholder management, marketing, etc. Each strategy must support managing customer relationships. Thus CRM is strategic. To realize this, one can make a list of key strategies, to brief your area of responsibility. Then write down organizational approach towards customers. Compare the CRM strategies with other strategies. They should support each other. External customers are those outside the organization who buy goods and the services the organization sales. Internal customers is a way of defining another group in some organization whose work depends upon work of your group. Therefore, they are your customers. It is your responsibility to provide what they need so that they can do their job properly.

Customer relationship: Finally let us see what we mean by customer relation- ship. In today's world where we do business with individuals or groups with whom we may never meet and hence much less know in person to person sense. CRM is about creating the feel of comfort in this high tech environment.

Concept and Context of Relationship Management

Customer Relationship Management is a strategy for managing an organisation's relationships and interactions with customers and potential customers. ACRM system helps companies stay connected to customers, stream line processes, and improve profitability. Customer-relationship management (CRM) is an approach to manage a company's interaction with current and potential customers. It uses data analysis about customers' history with a company to improve business relationships with

customers, specifically focusing on customer retention and ultimately driving sales growth. One important aspect of the CRM approach is the systems of CRM that compile data from a range of different communication channels, including a company's website, telephone, email, live chat, marketing materials and more recently, social media. Through the CRM approach and the systems used to facilitate it, businesses learn more about their target audiences and how to best cater to their needs. Customer Relationship Management has become a popular name for a variety of software tools and techniques aimed at attracting and retaining customers. In general, CRM uses a centralized database to bring marketing and sales activities together in a unified approach to serving customers. One-to-one marketing and relationship marketing is to make it easier for the manufacturer to do business.

- Marketing and sales people have many opportunities to influence customer purchase decisions by the way making smooth relationship with the customer.
- The concept of relationship management with respect to the customer, to get efficiency (cost reduction) and responsiveness (instant delivery).

Categories of Relationship Marketing

It can be divided into two categories namely external and internal relationship.

External Relationship

Two major external stakeholders of a business are **customers and suppliers**.

Customer relations: It can be defined as the process by which companies promote customer satisfaction and loyalty. It involves managing

communications with customers, particularly customer's questions and complaints and solving their disputes. The ultimate goal of customer relations program is to build long term relationships. Building a strong reputation for the brand and company.

Supplier relations:

All companies tries to build a strong relationship with their suppliers. Supplier relationships are different from simple purchasing transactions in several ways. There can be a sense of commitment to the supplier. Eg: vendor (seller) sells certain items to the buyer for several times then he thinks that he will come for an ext time purchase.

Internal Relationship

It is an integrative process with in a system for fostering positive working relationship in a developmental way in a climate cooperation and achievement. Internal relationship is an ongoing process that occurs strictly with in a company or organization. Internal relationship helps to motivate and empower employees at all levels of management and its consistently deliver a satisfying customer experience.

- Features of internal relationship management
- Customer commitment is earned in a social contract
- There is a open ideas for mutual gain.
- Close partnership between suppliers and customers.
- Customers are viewed as individual people and so are value providers.
- Continuous interaction and dialogue between suppliers and customers.
- Focuses on discovering, creating and responding to customer needs.
- Relationships are viewed a sent enterprise assets.

There is a systematic collection and dissemination of customer

information (de- tailing and negotiating requirements, expectations, needs, attitudes and satisfaction)

Transactional vs Relationship Approach: As marketing has entered the 21st Century, a significant change is taking place in the way companies interact with customers. The traditional view of marketing as a simple exchange process—a concept that might be termed transaction-based marketing—is being replaced by a different, longer-term approach. Transactional marketing strategies focused on attracting consumers. The goal was to identify prospects, convert them to customers, and complete sales transactions. But today’s marketers realize that, al though it remains important, attracting new customers is truly an intermediate step in the marketing process. Marketing efforts must focus on establishing and maintaining mutually beneficial relationships with existing customers. These efforts must expand to include suppliers and employees, as well.

The concept, called relationship marketing, refers to the development, growth, and maintenance of long-term, cost-effective exchange relationships with individual customers, suppliers, employees, and other partners for mutual benefits. It broaches the scope of external marketing relationships to include suppliers, customers, and referral sources. In relationship marketing, the term customer takes on a new meaning. Employees serve customers with in an organization as well as out side it; individual employees and their departments are customers of and suppliers to one another. They must apply the same high standards of customer satisfaction to inter-departmental relationships as they do to external customer relationships. Relationship marketing recognizes the critical importance of internal marketing to the success of external Marketing plans. Programs that improve customer service in side a company also

raise productivity and staff morale, resulting in better customer relationships outside the firm.

Relationship marketing gives a company new opportunities to gain a competitive edge by moving customers up a loyalty hierarchy from new customers to regular purchasers, then to loyal supporters of the company and its goods and services, and finally to advocates who not only buy the company's products but recommend them to others. By converting indifferent customers into loyal ones, companies generate repeat sales.

The cost of maintaining existing customers is far below the cost of finding new ones, and these loyal customers are profitable ones. Effective relationship marketing relies heavily on information technologies such as computer data bases that record customers' tastes, price preferences, and lifestyles along with the increase of electronic communications. This technology helps companies become one to one marketers that gather customer specific information and provide individually customized goods and services. The firms target their marketing programs to appropriate groups, rather than relying on mass marketing campaigns. Companies who study their customers' preferences and react accordingly gain distinct competitive advantages.

History of CRM

Customer Relationship Management (CRM) is the process of managing an organization's interaction with its customers and prospects by using strategies, processes & technology to organize, automate and synchronize sales, customer service, marketing and tech support.

CRM solutions now give organizations critical data necessary to:

- Provide products and services that customers want

- Empower sales teams sell more effectively
- Improve customer retention
- Better understand their customers and
- Improve profitability

Even though CRM has been around only a few decades, the industry has come a long way in refining knowledge of customers' needs / preferences and leveraging that data to drive sales, improve loyalty and overall customer experience in different business sectors.

The CRM had a humble beginning. Few of the ways in which customer information were maintained are as below,

- 1) Address Book -Before1950's
- 2) Rolodex -1950's
- 3) Data base Marketing -Early1980's
- 4) Contact Management Software- Late1980's
- 5) Sales Force Automation -Early1990's

Address Book

An address book is a database that stores names, addresses and other contact information. Such books are used as contact guides, listing customers and their details. The best example of an address book is a Telephone directory.

Rolodex

The Rolodex is the short form of Rolling Index. It is where all the contact information of friends, family, coworkers, customers etc is kept. It was first marketed in 1958 and from then, it became a revolutionary contact management method for business people who had to maintain a lot of contacts.

Data base Marketing

Data base marketing is a form of direct marketing using data bases of customers or potential customers to generate personalized communications in order to promote a product or service for marketing purposes. The method of communication can be any addressable medium, as in direct marketing. The distinction between direct and at a base marketing stems primarily from the Attention paid to the analysis of data. Data base marketing emphasizes the use of statistical techniques to develop models of customer behavior, which are then used to select customers for communications. As a consequence, data base marketer sales tend to be heavy users of data ware houses, because having a greater amount of data about customers increases the likelihood that a more accurate model can be built.

There are two main types of marketing data bases,

- Consumer data bases, and
- Business data bases

Consumer databases are primarily geared towards companies that sell to consumers, of ten abbreviated as [business-to-consumer] (B2C) or B to C. Business marketing data bases are of ten much more advanced in the information that they can provide. This is mainly because business data bases aren't restricted by the same privacy laws as consumer databases.

The “**database**” is usually name, address, and transaction history details from internal sales or delivery systems, or a bought in compiled “list” from an other organization, which has captured that information from its customers. Typical sources of compiled lists are charity donation forms, application forms for any free product or contest, product warranty cards,

subscription forms, and credit application forms.

Sources of data

Although organizations of any size can employ data base marketing, it is particularly well suited to companies with large numbers of customers. This is because a large population provides greater opportunity to find segments of customers or prospects that can be communicated with in a customized manner. In smaller (and more homogeneous) data bases, it will be difficult to justify one economic terms the investment required to differentiate messages. As a result, database marketing has flourished in sectors, such as financial services, telecommunications, and retail, all of which have the ability to generate significant amounts of transaction data for millions of clients. Data base marketing applications can be divided logically between those marketing programs that reach existing customers and those that are aimed at prospective customers.

Consumer data

In to existing customers, more sophisticated marketers often build broad data- bases of customer information. These may include a variety of data, including name and address, history of shopping and purchases, demographics, and the history of past communications to and from customers. For larger companies with millions of customers, such data warehouses can often be multiple terabytes in size.

Business data

For many business-to-business (B2B) company marketers, the number of customers and prospects will be smaller than that of comparable business-to-consumer (B2C) companies. Also, their relationships with customers will often rely on intermediaries, such as sales people, agents, and dealers,

and the number of transactions per customer may be small. As a result, business-to-business marketers may not have as much data at their disposal as business-to-consumer marketers. For prospect data, businesses can purchase data from compilers of business data, as well as gather information from their direct sales efforts, online sites, and specialty publications.

Contact Management Software

Contact management is the process of recording contacts' details and tracking their interactions with a business. Contact management evolved into customer relationship management as a result of two key developments:

- The shift in focus from contact details to relationships.
- The move from individual desktop databases to sharing information business-wide.

Free contact management software, or packages that came bundled with other business utilities such as spread sheets, made it easy to store and retrieve contact information. But contact management tools and programmes have been integrated in to and superseded by CRM systems that can track everything from customers and sales leads to marketing campaigns and sales team performance. Putting customer relationships at the heart of the business. Every interaction with a contact can now be tracked and connected to actions and reminders for follow-ups. And doing this through a single, shareable database cuts confusion and keeps everyone in sync, automatically. CRM systems make all that contact management information instantly available to others, to the benefit of the whole organization. For example:

- Sales people and customer service teams can present a joined upper sense to prospects and customers.
- Sales managers can monitor the effectiveness so find individuals or whole teams.
- Marketers can measure the effectiveness of their campaigns.

Sales force Automation

Sales force management systems (also sales force automation systems (SFA)) are information systems used in customer relationship management (CRM) marketing and management that help automate some sales and sales force management functions. They are often combined with a marketing information system, In which case they are often called CRM systems. It includes a contact management system which tracks all contact that has been made with a given customer, the purpose of the contact, and any follow up that may be needed. This ensures that sales efforts are not duplicated, reducing the risk of irritating customers. It also includes a sales lead tracking system, which lists potential customers through paid phone lists, or customers of related products. Other elements of this system can include sales forecasting, or der management and product knowledge. More developed SFA systems have features where customers can actually model the product to meet their needs through online product building systems is advantages

The major **disadvantages** in Sales Force Management Systems are:

- Too much time spent on Data Entry
- Losing personal touch in the process of automation
- Laborious process of continuous maintenance, information updating, information cleansing and system upgrades

- Cost involved in Sales Force Automation Systems and Maintenance Difficulty in integration with other management information systems Advantages

Many organizations have found it difficult to persuade sales people to enter data into the system. For this reason many have questioned the value of the investment. Recent developments have embedded sales process systems that give something back to the seller within the CRM screens. Because these systems help the sales person plan and structure their selling in the most effective way, increasing productivity, they give a reason to use the CRM.

CRM Significance to Stakeholders

Four principal stake holders play a major role in the entire process of customer relationship management.

- Customers
- Employees
- Suppliers
- Partners

Significance of CRM

- Perpetual stream of revenue
- Positive referral creation
- Provides premium
- Helps customer retention
- Lowers cost of sale
- Helps understanding consumer behavior
- Provides opportunity to cross-sell and up-sell
- Reduces marketing time

- Channel cost rationalization
- Enables business process reengineering.

Factors Responsible for Growth of CRM

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

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. Data bases and direct marketing tools give them the means to individualize their marketing efforts. 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. The growth in service economy. Since services are typically produced and delivered at the same institution, it minimizes the role of the middlemen.

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. 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. 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.

- In the current era of hyper competition, marketers are forced to be more concerned with customer retention and customer loyalty.
- As several researchers have found out retaining customers is less expensive and more sustainable competitive advantage than acquiring new ones.
- On the supply side it pays more to develop close relationships with a few suppliers than to develop more vendors.
- In addition several marketers are concerned with keeping customers for life than making one time sale.
- The globalization of world marketplace makes it necessary to have global account management for the customers.

Growth of CRM in the Indian Market Basic Customer Database

The CRM we see today has come up after years of re-evaluation and additions. It initially functioned as a customer data base, an extension to larger ERP implementation. The primary purpose lay in doing out MIS reports, we aging the roles of reporting tools. These were used by various marketing division to recognize customer segments and target marketing efforts.

Internet

With wide spread incorporation of internet across the country and

declining price of broadband, CRM is accessible to almost every one and every where in India. This has shifted the focus from business centric market to a space that is all- encompassing; irrespective to anyone who uses.

Advent of Email Automation

Then came another, when email emerged to be the principal tool of business communications, creating a space for two goliaths to meet. Now, marketers dawned upon the importance of email automation and started implementing it into their CRM strategy. as CRM definitions evolved, the line between marketing and sales began to blur.

Inside sales

A gem of an innovation-inside sales team began to come in shape. Inside Sales came out to make more relevance to B2B, in comparison B2C. The primary role of inside sales team was to generate direct leads for the sales team, while conduct prospecting of the leads generated by marketing teams and its emergence has changed the world of CRM for good.

Telephony & CRM

The marriage of Telephony and CRM was accomplished by On Premise Tele- phony Servers. These have now being replaced by Cloud Telephony Solutions, making it crucial for marketers to apply telephony solutions for engaging with their customers.

Social CRM

As Consumers are relying on social media intrinsically, the new kid on the block is social CRM. Marketers are exploiting its capabilities to scrutinize and sway buying pat terns of buyers. E-Commerce has set the ball rolling,

with its integration of “past viewed items” with buying predictions.

Mobile CRM–Enterprise to Personal

Smart phones have been a revelation of sorts- both in terms of connectivity and incorporation of CRM. Cheap smart phones with more affordable mobile internet plans helped to take Mobile CRM to the next level. Mobile CRM has completely changed the way CRM is thought and used in India, by becoming the biggest productivity tools for sales and service teams.

CHAPTER 2

CONCEPTS OF CRM

Introduction

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. Supports a customer-centric strategy

A CRM system supports a strategy which says that the customer is at the center of everything that you do. This customer-centric strategy must be based on clear goals and a vision of what a meaningful customer experience looks like. Every time a customer comes in contact with an organization, through any of its channels, the customer has an opportunity to form an opinion – be it good, bad or indifferent. Through time, this collective set of customer experiences forms a picture in the customer's mind, which forms the image of the brand its values.

2. Centralizes all customer data

CRM software combines all sales, marketing and customer service information into one central database. With 92% of businesses collecting data on prospects and customers, having access to all data in database means fewer silos within your organization – thus helping you achieve customer centricity.

3. Customer 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.

4. Customer 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.

5. 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.

6. 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.

7. 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.

8. Customer Complaint

Always there exists a challenge for suppliers to deal with complaints raised by customers. Normally raising a complaint indicates the act of dissatisfaction of the customer. There can be several reasons for a customer to launch a complaint. A genuine reason can also exist due to which the customer is dissatisfied but sometimes complaints are launched due to some sort of misunderstanding in analyzing and interpreting the conditions of the deal provided by the supplier regarding any product or service. Handling these complaints to ultimate satisfaction of the customer is substantial for any organization and hence it is essential for them to have predefined set of process in CRM to deal with these complaints and efficiently resolve it in no time. CRM is to generate leads, convert them into contacts, capture all required details and provide service throughout customer lifecycle.

Sales Automation:

Sales automation helps an organization to automate sales process. Main

purpose of sales automation is to set standard within organization to acquire new customers and deal with existing customers. It organizes information in such a way that the business can meet customers' needs and increase sales more efficiently and effectively. It includes various CRM sales modules like lead management, contact management, Quote-to-Order management, sales forecasting.

Marketing Automation:

Main purpose of marketing automation is to find out the best way to offer products and approach potential customers. Major module in marketing automation is campaign management. It enables business to decide effective channel/s (like emails, phone calls, face to face meeting, ads on social media) to reach up to potentials customers.

Service Automation:

Service automation enables business to retain customers by providing best quality of service and building strong relationship.

It includes issue management to fix customers' problems, customer call management to handle incoming/outgoing calls, service label management to monitor quality of service based on key performance indicators.

2.Analytical CRM

Analytical CRM helps top management, marketing, sales and support personnel to determine the better way to serve customers. Data analysis is the main function of this type of CRM application. It analyzes customer data, coming from various touch points, to get better insights about current status of an organization. It helps top management to take better decision, marketing executives to understand the campaign effectiveness, sales executives to increase sales and support personnel to improve quality of

support and build strong customer relationship.

Features of Analytical CRM:

- Gather customer's information, coming from different channels and analyze data in a structured way
- Help organization to set business methodology in Sales, Marketing and Support to improve customer relationship and loyalty
- Improve the CRM system effectiveness and analyze key performance indicators, set by business

3. Collaborative CRM

Collaborative CRM, sometimes called as Strategic CRM, enables an organization to share customers' information among various business units like sales team, marketing team, technical and support team. For example, feedback from a support team could be useful for marketing team to approach targeted customers with specific products or services. In real world, each business unit works as an independent group and rarely shares customers' data with other teams that often causes business losses. Collaborative CRM helps to unite all groups to aim only one goal – use all information to improve the quality of customer service to gain loyalty and acquire new customers to increase sales.

The major areas of CRM focus on:

Generation and servicing more loyal customers.

- Expansion of customer base
- Reduction of advertising costs
- Increase in profitable customers
- Ease in introduction of new products
- Personal Information Gathering and Processing, Self-Service.

- CRM is the marketing management practice of identifying, attracting and retaining the most valuable customer to sustain profitable growth
- CRM is the process of making and keeping customers and maximizing their profitability, behaviors and satisfaction.
- Today customer demand open equal access, real time specialized information, convenient access, portability, process and logistics transparency, pricing transparency, global pricing, ability to set prices, choices of distribution channels and control over their information.
- First time customer can become a repeat customer, thereafter a client, then an advocate and finally one's partner in progress.
- Loyal customers always create a profit and also reduced operating cost, increased purchases and give plenty of referrals.
- The realistic observation on customers that it costs ten times more to sell to new customers than to sell to an existing one.
- Existing customer deliver most of the revenues.
- It's very important part of CRM is to identify the Most Valuable Customers (MVC) for the success of the business.
- A small net upward migration of customers (5-10%) can deliver a dramatic improvement in business performance.

Marketing and sales are charged with influencing customer behavior.

Five Phases of CRM

The five main phases involved in implementation of CRM project. The phases are:

1. Develop The CRM Strategy
2. Build CRM Project

3. Needs Specification and Partner Selection
4. Project Implementation
5. Evaluate Performance

1. Develop the CRM Strategy:

CRM strategy can be defined as follows:

CRM strategy is a high-level plan of action that aligns people, processes and technology to achieve customer-related goals. Situation analysis: Development of the CRM strategy starts with a situation analysis. This analysis sets out to describe, understand and appraise the company's current customer strategy. It helps to have an organizing framework to guide your analysis. Another useful framework is the customer strategy cube. This is a three-dimensional analysis of your company's served market segments, market offerings and channels (routes to market). The situation analysis answers the questions, 'Where are we now?' and 'Why are we where we are?' in terms of the three dimensions of the cube.

The goal of this audit is get a clear insight into the strengths and weaknesses of the company's customer strategy. Data can be collected from executives, managers, customer contact people and, importantly, customers. Business plans can be studied.

One of the outcomes might be a customer interaction map, that identifies all customer touch points and the processes that are performed at those touch points. Normally, the interactions that have important impact on customer experience or your own costs become primary candidates for reengineering and/or automation. The audit will serve as the start point for thinking about what you want to achieve from a CRM implementation.

Commence CRM Education:

There is considerable misunderstanding about it. If you are about to embark on a CRM implementation, it is important that all stakeholders have a clear understanding of what CRM denotes. Education has the twin benefits of allaying any fears that people might have, based on their misunderstandings, and encouraging participation from people whose jobs might be impacted. Education enables stakeholders to identify opportunities to improve their workplace. There are very few educational programmes available. The Institute of Direct Marketing offers a suite of introductory study materials, the American Marketing Association publishes a narrow range of tutorial materials, but the Chartered Institute of Marketing offers nothing. Some of the richest resources are to be found in online CRM communities – self-help groups organized around a shared interest in CRM.

Develop the CRM Vision

Your CRM vision is a high-level statement of how CRM will change your business as it relates to customers. The software-as-a-service company, sales force com, provides a number of examples of CRM visions. We will work with our members in a trust-based relationship to represent their interests and to satisfy their needs for high value, security and peace of mind in motoring, travel and home.

- a) Nurturing relationships one cup at a time. Deliver a customer experience that consistently develops enthusiastically satisfied customers in every market in which we do business.
- b) Build and maintain long-term relationships with valuable customers by creating personalized experiences across all touch points and by anticipating customer needs and providing

customized offers.

c) Nothing is more important than making every user successful.

(This is sales force com's own CRM vision.) The CRM vision gives shape and direction to your CRM strategy. The CRM vision might be senior management's perspective, based on what they learned from the education process, or it could be the product of a wider visioning process that engages more members of your company, perhaps even customers and partners. The vision will eventually guide the development of measurable CRM out comes.

Set priorities:

CRM projects vary in their scope and can touch on one or more customer-facing parts of your business – sales, marketing or service. Clear priorities for action, normally focused on cost reduction or enhanced customer experience, might fall out of the situation analysis, but more time and debate is often necessary. Priority might be given to projects which produce quick wins, fast returns or are low-cost. Longer term priorities might prove more difficult to implement. For example, you may want to prioritize a new segmentation of customers based on their potential profitability. An impediment to that outcome would be your company's inability to trace costs of selling, marketing and service to customers. You may need to prioritize the implementation of an activity-based costing system before performing the new segmentation.

Establish Goals and Objectives:

Goals and objectives emerge from the visioning and prioritizing processes. Al-though the terms ‘ goals’ and ‘ objectives ‘ tend to be used synonymously, we use the word ‘ goal’ to refer to a qualitative outcome and ‘ objective’ to refer to a measurable outcome. For example, a CRM

goal might be to acquire new customers. A related CRM objective could be to generate 200 additional leads by the fourth quarter of the next financial year. CRM goals generally cluster into three broad areas: enhancing customer satisfaction or loyalty, growing revenues or reducing costs. Measurable objectives created at this time will later serve to evaluate the performance of the CRM implementation.

Identify People, Process and Technology Requirements:

The next step is to begin the process of identifying the people, process and technology requirements for the goals and objectives to be achieved. You'll return to these matters repeatedly as the project unfolds, but at this stage you need a general idea of the changes that are necessary so that you can begin to identify costs and construct a business case. If your goal is to enhance cross-selling opportunities you might need to invest in training sales people to ask the right questions, engineering a new opportunity management process and acquiring sales-force automation software. Put together a guiding team to drive the change effort. Get the vision right and build supporting strategies. Communicate for buy-in.

- Empower action by removing organizational barriers to change
- Produce short-term wins to diffuse cynicism, pessimism and skepticism
- Don't let up, but keep driving change and promoting the vision. Make change stick by reshaping organizational culture.

Organizational Culture:

The idea of organizational culture has been around for many years. In everyday language, organizational culture is what is being described when

someone answers the question ‘ what is it like working here? ‘More formally, organizational culture can be defined as: A pattern of shared values and beliefs that help individuals understand organizational functioning and thus provide them with the norms for behavior in the organization. Essentially, organizational culture is understood to comprise widely shared and strongly held values. These values are reflected in patterns of individual and interpersonal behavior, including the behavior of the business leaders, and expressed in the norms, symbols, rituals and formal systems of the organization. A number of studies indicate that organizational culture affects business performance. Recent research has also shown that organizational culture is a predictor of CRM success. Adhocracy, one of four organizational cultures identified in the Competing Values model

Identify Project Management Needs:

CRM implementations can place considerable demands on project management skills. A CRM project plan spells out the steps that will get you from where you are now (customer strategy situation analysis) to where you want to be (CRM vision, goals and objectives), on time and within budget. The CRM programme director generally performs the project management role, but sometimes it is outsourced to a consultant. A project plan sets out the tasks to be performed, the order in which they are to be executed, the time each will take, the resources required to perform the tasks (including people and money) and the deliverables from each task.

Identify Critical Success Factors:

Critical success factors (CSFs) are the ‘ must haves ‘ that underpin project success. Critical success factors can be defined as follows: CSFs are

attributes and variables that can significantly impact business outcomes. CRM consultants and vendors offer a range of opinions on CSFs, mentioning the following: a clear customer strategy that defines your company's offers, markets and channels; an organizational culture that promotes coordination and information- sharing across business units; an agreed definition of what counts as CRM success; executive sponsorship of the CRM programmer's objectives; availability and use of pertinent, accurate, timely and useable customer-related information; a clear focus on people and process issues, not only technology; starting small with quick wins that are then promoted within the company as success stories; focus on automating processes that have major implications for costs or customer experience; engagement of all stakeholders, including end-users and customers, in programme planning and roll-out. There have been very few independent studies of CRM CSFs. Luis Mendoza and his colleagues conducted a qualitative study of CSFs that involved a panel of eight expert judges identifying 13 CSFs and 55 associated metrics covering people, process and technology aspects of CRM strategy.

Develop a Risk Management Plan :

It has been claimed that a large number of CRM projects, perhaps as many as two-thirds, fail. Of course, there can be many potential causes of failure, ranging from inadequate project management to resistance of end-users to the adoption of new technologies. At this stage, you'll be trying to identify the major risks to achieving the desired outcomes. Once identified, you can begin to put risk mitigation strategies and contingency plans in place. As you'd expect, some risks reflect an absence of the CSFs identified above. Gartner names a number of common causes of CRM failure: management that has little customer understanding or involvement; rewards and incentives that are tied to old, non-customer

objectives; organizational culture that is not customer- focused; limited or no input from the customers; thinking that technology is the solution; lack of specifically designed, mutually reinforcing processes; poor-quality customer data and information; little coordination between departmental initiatives and projects; creation of the CRM team happening last, and the team lacks business staff; no measures or monitoring of benefits and lack of testing. Risk mitigation strategies are your responses to these risks. Let's take the risk of management having little or no customer understanding. How might you respond to this? There are a number of things you could do -management could work in the front line serving customers (McDonalds 'executives do this), listen in to call centre interactions for at least one hour a week or mystery shop your own and competitor organizations.

Needs Specification and partner Selection :

Having built the CRM project foundations, the next phase involves specifying needs and selecting suitable partners.

Process Mapping and Refinement:

The first task of Phase 3 is to identify business processes that need attention making them more effective or efficient or flagging them as candidates for automation.

Business processes can be defined as follows: A business process is set of activities performed by people and/or technology in order to achieve a desired outcome. Put more simply, business processes are how things get done by your company. Processes can be classified in several ways: vertical and horizontal; front and back-office; primary and secondary. Vertical processes are those that are located entirely within a business function.

For example, the customer acquisition process might reside totally within the marketing department. Horizontal processes are cross-functional. New product development processes are typically horizontal and span sales, marketing, finance and research and development functions. Front-office (or front-stage) processes are those that customers encounter. The complaints handling process is an example. Back-office (or back-stage) processes are invisible to customers, for example, the procurement process. Many processes straddle both front and back-offices: the order-fulfilment process is an example. The order taking part of that process sits in the front office. The production scheduling part is back-office. A distinction is also made between primary and secondary processes.

Primary processes have major cost implications for companies or, given their impact on customer experience, major revenue implications. The logistics process in courier organizations from picking up a package, through moving the package, to delivering the package constitutes about 90 per cent of the cost base of the business, and is therefore a primary process. Customers may have a different perspective on what is important.

They typically do not care about back-office processes. They care about the processes that touch them. In the insurance industry these are the claims process, the policy renewal process and the new policy purchase process. In the courier business they are the pick-up, delivery and tracking processes. Secondary processes have minor implications for costs or revenues, or little impact on customer experience. Strategic CRM aims to build an organization that is designed to create and deliver customer value consistently better than its competitors. Designing processes that create value for customers is clearly vital to this outcome. 3M's mission is 'to solve unsolved problems innovatively'. It does this in part through new

product development processes that are designed to identify good ideas and bring them to the market quickly. For 3 M, the innovation process is a primary process that enables the company to differentiate itself from its competitors. Operational CRM involves the automation of the company's selling, marketing and service processes, and generally requires the support of analytical CRM.

Data Review and Gap Analysis:

Having identified processes that require attention, the next step is to review the data requirements for the CRM implementation and to identify shortfalls. Strategic CRM uses customer-related data to identify which customers to target for acquisition, retention and development, and what to offer them. Operational CRM uses customer related data in the everyday running of the business, for example in handling billing queries in the contact centre or mounting campaigns in the marketing department. Analytical CRM uses customer-related data to answer questions such as 'who are our most profitable customers' and 'which customers are most likely to churn'? Collaborative CRM uses customer-related data to enable channel partners to target their communications more precisely.

The fundamental issue companies have to ask is: what customer-related data do we need for strategic, operational, analytical and collaborative CRM purposes? .Members of the programme team should be well placed to answer the question ' what information is needed? 'For example, the programme team's marketing lead would be expected to appreciate the information needs of direct marketers running event-based campaigns. Typically, these marketers want to know response rates to previous mailings broken down by customer group, the content of those offers, sales achieved by the mailings and the number of items returned

unopened. They would also want to know the names and addresses of selected targets, their preferred method of communication (mail? e-mail? phone?), their preferred form of salutation (first name? Mr? Ms?) and the offers that have been successful in the past. In a globalized business world, it is important to respect cultural connections. At this stage of planning the CRM project, you are identifying the data that is needed for CRM purposes and creating an inventory of data that is available for these purposes. The gap between what is available and what is needed may be quite significant. A useful distinction can be made between 'need-to-know' and 'like-to-know' that is, between information needed for CRM purposes and information that might be useful at some future point. Given the costs of developing and maintaining customer-related databases, companies need to be rigorous in screening data requirements.

Project Implementation:

By now, you have developed the CRM strategy, built the CRM project foundations, specified your needs and selected one or more partners. It is now implementation time!

Refine project plan:

The first step of Phase 4 requires you to cooperate with your selected partners in refining the project plan. Remember, this was originally defined without consideration of the needs and availability of your partners. You may find that your partner's consultants are already committed to other projects and that you'll have to wait. Your partners will be able to help you set new milestones and refine the budget.

Identify technology customization needs:

It is very common that off-the-shelf technology fails to meet all the

requirements of users. Some vendors have industry-specific versions of their CRM software. Oracle, for example, offers a range of CRM suites for banking, retail, public sector and other verticals. Even so, some customization is often required. The lead developer, database developer and front-end developer, in partnership with vendors, can perform these roles. Customization needs are typically specified using a gap analysis approach. The required business process is supplied to the vendor, who(after some preparation) presents how this process is supported in the software. Any gaps are highlighted for subsequent analysis and action. This continues until all business processes have been examined. The resultant gap register is then assessed, priorities are established and customization of their software and/or modification of the business process begins. Customization raises problems of ownership of Intellectual Property that both vendors and clients will want to resolve. Vendors have invested millions, perhaps billions, of dollars to create, code, test and protect their product. The view of most software companies is that they will maintain the rights to any customized code and the right to incorporate it into future releases of the software. It is not unusual for a client's legal team to contest this position.

Prototype design, test, modify and roll-out:

The output of this customization process will be a prototype that can be tested by users on a duplicated set, or a dummy set, of customer-related data. End-user tests will show whether further customization is required. Final adjustments to marketing, selling and service processes are made at this stage, and further training needs are identified and met. After a final review, a roll-out programme is implemented. In larger companies this often is a phased roll-out. For example, a new sales-force automation system might be rolled out first to the 'champions', those identified

earlier as buying in both emotionally and rationally. A new service automation solution might be rolled out to newly acquired customers first, before the existing customer base is imported. The idea is to iron out any problems before company-wide adoption.

Evaluate Performance:

The final phase of the CRM project involves an evaluation of its performance. How well has it performed? Two sets of variables can be measured: project outcomes and business outcomes. Project outcomes focus on whether the project has been delivered on time and to budget. Your evaluation of the business outcomes requires you to return to the project objectives, your definition of CRM success and the business case, and ask whether the desired results have been achieved. If your single goal was to enhance customer retention rates, with a measurable lift from 70 to 80 per cent, and this is accomplished then your CRM project has been successful. Congratulations! However, most projects have multiple objectives and it is common for some objectives to be achieved while others are not. Lead conversion by the sales team might rise, but lead generation by campaign managers might fall short of objectives. A critical issue concerns the timing of any business performance evaluation. It can take users several months to become familiar with new processes and competent in using new technology. Periodic measures of business outcomes can be taken over time, to ensure that the programme outcomes are achieved. Ongoing training, timed to coincide with software upgrades, can enhance business outcomes.

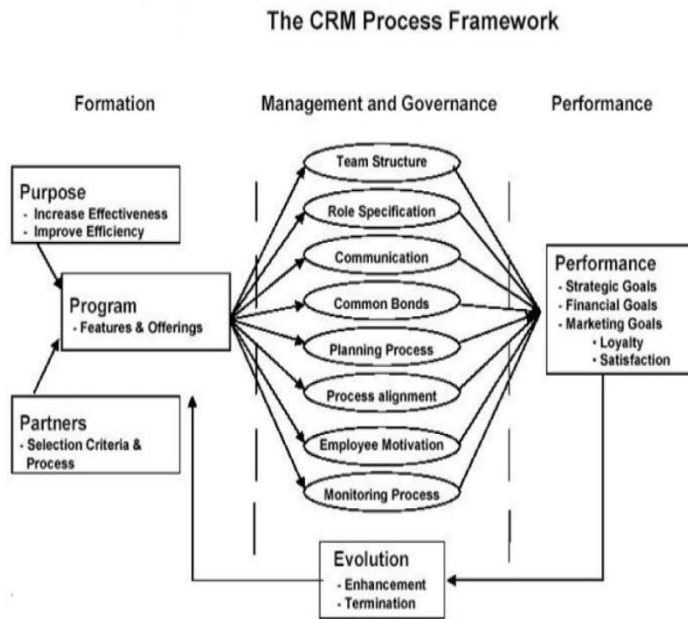
CRM Formation Process

The formation process of CRM refers to the decisions regarding initiation of relational activities for a firm with respect to a specific group of

customers or to an individual customer with whom the company wishes to engage in a cooperative or collaborative relationship. Hence, it is important that a company be able to identify and differentiate individual customers. In the formation process, there are three important decision areas: defining the purpose (or objectives) of engaging in CRM; selecting parties (or customer partners) for appropriate CRM programs; and developing programs (or relational activity schemes) for relationship engagement with the customer.

The Purpose of CRM and Its Operational Goals. The overall purpose of CRM is to improve marketing productivity and to enhance mutual value for the parties involved in the relationship. Improving marketing productivity and creating mutual values can be achieved by increasing marketing efficiencies and/or enhancing marketing effectiveness. By seeking and achieving such operational goals as lower distribution costs, streamlining order processing and inventory management, reducing the burden of excessive customer acquisition costs, and by considering the economics of customer retention, firms can achieve greater marketing efficiencies. They can also enhance marketing effectiveness by carefully selecting customers for their various programs, by individualizing and personalizing their market offerings to anticipate and serve the emerging needs of individual customers, by building customer loyalty and commitment; by partnering to enter new markets and develop new products, and by redefining the competitive playing field for their company. Thus, stating the objectives and defining the purpose of CRM in a company helps clarify the nature of the CRM programs and activities that ought to be performed by the partners. Defining the purpose also makes identifying the relationship partners with the necessary expectations and capabilities to fulfill mutual goals an easier task. Furthermore, it helps

in the evaluation of the CRM performance. The results achieved can be compared to the objectives. These objectives can be specified as financial goals, marketing goals, strategic goals, operational goals, and organizational goals.



The Strategic CRM Process

Review Corporate and Marketing Strategy

Directional statements–Commander’s intent

- Market to serve and customer segments to target
- Positioning
- Channel store ach the market
- Scale and scope of activities

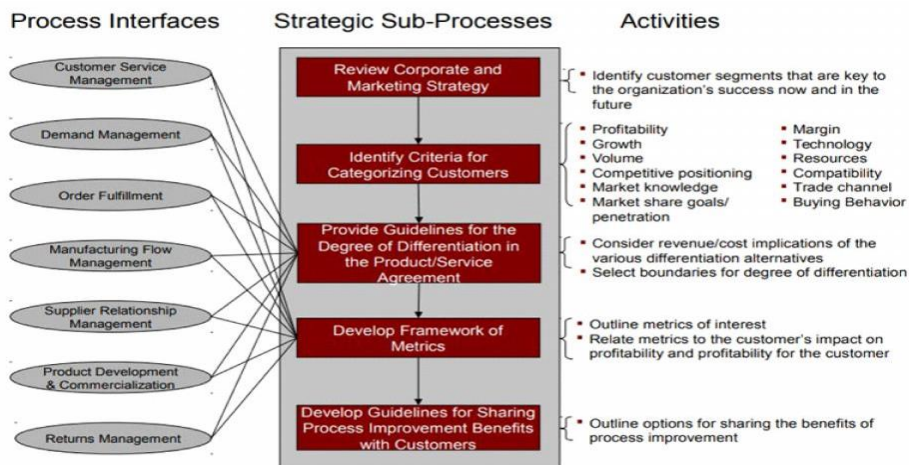
Identify Criteria for Categorizing Customers: Identify key criteria, which might include:

- Profitability

- Growth
- Volume
- Competitive positioning
- Market knowledge
- Market share goals/penetration
- Margin
- Technology
- Resources
- Compatibility
- Trade channel
- Buying behavior

Customer Profitability Reports

The best over all measure of performance for the CRM process is the profitability of customers and customer segments over time. It is important to use a contribution approach, i.e. revenue minus avoidable costs.



Using a full-cost approach can lead to the wrong decisions.

- Be sure to assign only variable costs, i.e. those costs that will disappear if the customer (or customer segment) disappears.

Provide Guidelines for the Degree of Differentiation in the Product and Service Agreement

- Consider revenue/cost implications of the various differentiation alternatives.
- Select boundaries for degree of differentiation.

Develop Framework of Metrics

- Outline metrics of interest
- Relate metrics to the customer's impact on profitability and profitability for the customer.

Develop Guidelines for Sharing Process Improvement Benefits with Customers

- Outline options for sharing the benefits of process improvements.

Customer Relationship Management Model

The need to better understand customer behavior and the interest of many managers to focus on those customers who can deliver long-term profits has changed how marketers view the world. Traditionally, marketers have been trained to acquire customers, either new ones who have not bought the product before or those who are currently competitors' customers. This has required heavy doses of mass advertising and price oriented promotions to customers and channel members. Today, particularly for the company's "best" customers, the tone of the conversation has changed from customer acquisition to retention. This requires a different mindset and a different and new set of tools. A good thought experiment for an executive audience is to ask them how much they spend and/or focus on acquisition versus retention activities. While it is difficult to perfectly distinguish the two activities from each other, the answer is usually that acquisition dominates retention.

Creating a Customer Database

A necessary first step to a complete CRM solution is the construction of a customer database or information file.’ This is the foundation for any customer relationship management activity. For Web-based businesses, constructing a database should be a relatively straightforward task, as the customer transaction and contact information is accumulated as a natural part of the interaction with customers. For existing companies that have not previously collected much customer information, the task will involve seeking historical customer contact data from internal sources such as accounting and customer service.

The database should contain information about the following:

Transactions: This should include a complete purchase history with accompanying details (price paid, delivery date).

Customer Contacts: Today, there is an increasing number of customer contact points from multiple channels and contexts. This should not only include sales calls and service requests, but any customer- or company-initiated contact.

Descriptive Information: This is for segmentation and other data analysis purposes.

Response to Marketing Stimuli: This part of the information file should contain whether or not the customer responded to a direct marketing initiative, a sales contact, or any other direct contact.

Analyzing the Data

Traditionally, customer databases have been analyzed with the intent to define customer segments. A variety of multivariate statistical methods such as cluster and discriminant analysis have been used to group together

customers with similar behavioral patterns and descriptive data which are then used to develop different product offerings or direct marketing campaigns. Direct marketers have used such techniques for many years. Their goals are to target the most profitable prospects for catalogue mailings and to tailor the catalogues to different groups.

More recently, such segmentation approaches have been heavily criticized.’’ Taking a large number of customers and forming groups or segments presumes a marketing effort towards an “average” customer in the group. Given the range of marketing tools available that can reach customers one at a time using tailored messages designed for small groups of customers (what has been referred to as “1 -to-1” marketing), there is less need to consider the usual market segmentation schemes that contain large groups of customers (e.g., women 18-24 years of age). Rather, there is increased attention being paid to understanding each “row” of the database—that is, understanding each customer and what he or she can deliver to the company in terms of profits and then, depending on the nature of the product or service, addressing either customers individually or in small clusters. As a result, a new term, “lifetime customer value” (LCV), has been introduced into the lexicon of marketers. The idea is that each row/customer of the database should be analyzed in terms of current and future profitability to the firm. When a profit figure can be assigned to each customer, the marketing manager can then decide which customers to target. The past profit that a customer has produced for the firm is the sum of the margins of all the products purchased over time less the cost of reaching that customer.

These costs include any that can be broken out at the individual customer level, through such efforts as direct mail and sales calls. Note that mass

advertising would not be part of this formula. The cost could be assigned to individual customers by computing a per customer dollar amount; but because it is the same for each customer, it would not affect the rank ordering of the customers in terms of their profitability. LCV is calculated by adding forecasts for the major parameters and discounting back. This obviously requires assumptions about future purchasing, product and marketing costs, as well as how long the customer can be expected to remain with the firm. Generally, this will result in a number of scenarios for each customer depending upon these assumptions. The LCV formula can also be used to show where additional profits can be obtained from customers. Increased profits can result from:

- increasing the number of products purchased, by cross-selling;
- increasing the price paid, by up-selling or charging higher prices; “
reducing product marginal costs; or
- reducing customer acquisition costs.

Other kinds of data analyses besides LCV are appropriate for CRM purposes. Marketers are interested in what products are often purchased together, often referred to as market basket analysis. Complementary products can then be displayed on the same physical page in a hard-copy catalogue or virtual page on a Web site.

Customer Selection

Given the construction and analysis of the customer information contained in the database, the next step is to consider which customers to target with the firm’s marketing programs. The results from the analysis can be of various types. If segmentation type analyses are performed on purchasing or related behavior, the customers in the most desired segments (e.g., highest purchasing rates, greatest brand loyalty) would normally be selected first for retention programs. Other segments can also be chosen

depending upon additional factors. For example, for promotions or other purchase-inducing tactical decisions, if the customers in the heaviest purchasing segment already buy at a rate that implies further purchasing is unlikely, a second tier with more potential would also be attractive. The descriptor variables for these segments (e.g., age, industry type) provide information for deploying the marketing tools. In addition, these variables can be matched with commercially available databases of names to find additional customers matching the profiles of those chosen from the database. If individual customer-based profitability is also available through LCV or similar analysis, it would seem to be a simple task to determine on which customers to focus. The marketing manager can use a number of criteria such as simply choosing those customers that are profitable (or projected to be) or imposing an ROI hurdle. The goal is to use the customer profitability analysis to separate customers that will provide the most long-term profits from those that are currently hurting profits. This allows the manager to “fire” customers that are too costly to serve relative to the revenues being produced. While this may seem contrary to being customer-oriented, the basis of the time-honored “marketing concept,” in fact, there is nothing that says that marketing and profits are contradictions in terms. The 80/20 rule often holds in approximation: most of a company’s profits are derived from a small percentage of their customers.

For example:

- AT&T offers different levels of customer service depending upon a customer’s profitability in their long-distance telephone business. For highly profitable customers, they offer “hot towel,” personalized service. For less profitable customers, you get automated, menu-driven service.

- The wireless provider PageNet raised monthly rates for unprofitable subscribers. Clearly, the intent was to drive them away.
- Similarly, Federal Express raised shipping rates for residential customers in expensive-to-serve areas where their volume did not justify normal rates.
- The point is that without understanding customer profitability, these kinds of decisions cannot be made.

Targeting the Customers

Mass marketing approaches such as television, radio, or print advertising are useful for generating awareness and achieving other communications objectives, but they are poorly-suited for CRM due to their impersonal nature. More conventional approaches for targeting sleeked customers include a portfolio of direct marketing methods such as telemarketing, direct mail, and, when the nature of the product is suitable, direct sales.

Writers such as Peppers and Rogers⁷ have urged companies to begin to dialogue with their customers through these targeted approaches rather than talking “at” customers with mass media. In particular, the new mantra, “1-to-1” marketing, has come to mean using the Internet to facilitate individual relationship building with customers.” An extremely popular form of Internet-based direct marketing is the use of personalized e-mails. When this form of direct marketing first appeared, customers considered it no different than “junk” mail that they receive at home and treated it as such with quick hits on the delete button on the keyboard.

Relationship Programs

While customer contact through direct e-mail offerings is a useful component of CRM, it is more of a technique for implementing CRM than

a program itself. Relationships are not built and sustained with direct e-mails themselves but rather through the types of programs that are available for which e-mail may be a delivery mechanism.

The overall goal of relationship programs is to deliver a higher level of customer satisfaction than competing. Customers match realizations and expectations of product performance, and that it is critical for them to deliver such performance at higher and higher levels as expectations increase due to competition, marketing communications, and changing customer needs. In addition, research has shown that there is a strong, positive relationship between customer satisfaction and profits.’’ Thus, managers must constantly measure satisfaction levels and develop programs that help to deliver performance beyond targeted customer expectations.

Privacy Issues

The CRM system depends upon a database of customer information and analysis of that data for more effective targeting of marketing communications and relationship building activities. There is an obvious tradeoff between the ability of companies to better deliver customized products and services and the amount of information necessary to enable this delivery. Particularly with the popularity of the Internet, many consumers and advocacy groups are concerned about the amount of personal information that is contained in databases and how it is being used.

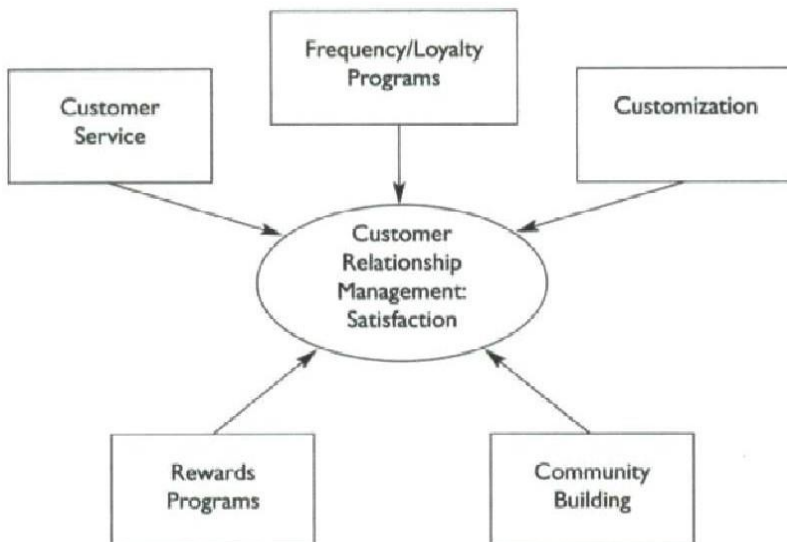
A study by Forrester Research found a continuum of privacy concerns:’’

- Simple irritation. This comes mainly from unwanted e-mails.
- Feelings of violation or “How do they know that about me?”

- ear of harm. This could come from browsing X-rated sites, booking travel that a consumer does not want others to know about, and so on.

Metrics

The increased attention paid to CRM means that the traditional metrics used by managers to measure the success of their products and services in the marketplace have to be updated. Financial and market-based indicators such as profitability, market share, and profit margins have been and will continue to be important. However, in a CRM world, increased emphasis is being placed on developing measures that are customer-centric and give managers a better idea of how their CRM policies and programs are working. All of these measures imply doing a better job acquiring and processing internal data to focus on how the company is performing at the customer level. Internal data to focus on how the company is performing at the customer level



CHAPTER 3

CUSTOMER PROFITABILITY ANALYSIS

Introduction

The essential CRM focus of any organization should be on developing core competencies, and an overall strategy of building customer relationships. In this way, all efforts in the organization can be aligned to:

- Customers and the culture of exceeding of customer expectation
- Understanding and managing the people impact on the culture of the organization
- Customers being recognised and treated as partners
- The value of relationship-building being valued
- Service being seen as a value-adding activity
- Reward and recognition being based on customer focus ie., ‘going the extra mile’
- Evidence of corporate support for service activity

Customer Profitability

A company can outperform rivals only if it can establish a difference that it can preserve. It must deliver greater value to customers or create comparable value at a lower cost, or do both. Organizations use customer profitability analysis to identify the most valuable customers or customer segments to prioritize marketing, sales and service investments. By studying profitability metrics such as lifetime value, repeat purchase rate, and churn rate, analysts can identify profitable segments, uncover defining characteristics of those segments and target similar populations for acquisition. Similarly, retention programs may be created for particularly profitable customers. Business intelligence provides the statistical and data

mining capabilities to calculate lifetime value, identify product affinities for cross-sell campaigns, and perform predictive analysis of profits resulting from additional marketing investment. Customer segments or individual customers may be further investigated through ad hoc analysis, lists of customer segments may be automatically generated, or alerting rules may be applied to customer segments to automatically notify relationship managers when profitable customers have executed a transaction. Within any given customer base, there will be differences in the revenues customers generate for the firm and in the costs the firm has to incur to secure those revenues. While most firms will know the customer revenues, many firms are unaware of all costs associated with customer relationships. In general, product costs will be known for each customer, but sales and marketing, service, and support costs are mostly treated as overhead. Customer profitability analysis (CPA) refers to the allocation of revenues and costs to customer segments or individual customers..

Customer Profitability Management

Managing profitability requires not only a customer-centric focus but also a thorough understanding and effective management of customer profitability. Customer profitability management is a strategy-linked approach to identifying the relative profitability of different customers or customer segments in order to devise strategies that add value to most profitable customers, make less-profitable customers more profitable, stop or reduce the erosion of profit by unprofitable customers, or otherwise focus on long-term customer profitability. The Customer profitable analysis and customer clarification message is discussed in this lesson. Managers are often surprised to find out that a small percentage of

customers generate substantially more than 100% of profits, and the remaining customers are either breakeven or unprofitable. Using a customer profitability management system replaces intuitive impressions of customer profitability with fact-based information and supporting analysis. The backbone of a CPM system is a costing system that is focused on tracing and causally assigning costs to each customer or customer segment without arbitrary broadly averaged cost allocations. Assigning revenues to customers or customer segments can present a few issues, but the major challenge in implementing a CPM system is the selection and implementation of an accurate and informative costing system. A costing system should not only accurately assign product costs and gross margin to customers or customer segments, but it should also assign the costs to serve.

Cost accuracy and visibility are important in CPM. Using Time-driven Activity-based Costing (TDABC) provides costs that identify resource consumption by customers or customer segments. The signals provided by the CPM system, based on full costing of traceable costs to customers and making visible business-sustaining costs, will lead management to consider strategies to increase profits. The signals do not provide answers in themselves, but they could lead to generating alternative courses of action. Decisions related to customer profitability strategies require tailor-made analysis. There are system issues that must be considered in the design and implementation of a CPM system. Awareness of the commitment of time, financial, and personnel resources required by a CPM system is critical to its success. Investments in customers should be considered in view of an estimate of customer life value. That is, in addition to current customer profits, the potential of generating future

profits from a customer should also be considered. Managing customer life value is a means to enhancing long-term profitability.

Analysis in its development has moved through three distinct phases i.e.:

1. Product or brand profitability analysis,
2. Market sector, or customer account, profitability analysis, and
3. Customer profitability analysis.

Building Loyalty Programmes: Effective loyalty programmes target both customer attitudes and customer behaviour. These programmes utilise customer profitability management to drive the desired behaviours from targeted customer segments.

Gap Analysis : Determine how the organisation's best customers are to be managed for growth. Data types gathered may include:

- (a) Customer demographics;
- (b) Purchasing/activity levels;
- (c) Customer segments;
- (d) Customer activity scores;
- (e) Profit analyses;
- (f) Recency, frequency and monetary information.

This data can be used to build profiles of the organisation's best customers and to identify gaps existing between the current and the desired positions.

Projected Earnings : Profiles for the organisation's most profitable customers may be used to project earnings based on established loyalty marketing models. The lines of business envisaged, and targeted key customer segments may also be identified.

Program Impact Assessment : Profitability goals may be set for the proposed loyalty programmes. At this point programmes may be designed

which aim at changing customer behaviour. Potential cross-selling and up-selling opportunities can be identified, along with opportunities for segment migration, customer retention and acquisition.

Building the loyalty programme : The structure, payout levels and reward systems associated with the loyalty programme may then be constructed; the intention being to drive desired behaviour from the organisation's most profitable customers.

Estimating the costs to establish proposed loyalty programmes : The costs to build, maintain and improve the loyalty programme should be ascertained.

ROI Model: This model should record investments, incremental profit expected, unredeemed rewards, and liability projections over time. By measuring ROI on an ongoing basis, organisations can ensure that their loyalty programmes continue to reward profitable behaviour. As a rule of thumb a well-crafted loyalty programme should break even in its first year and cover the set up/implementation costs. It is estimated that a well-designed programme should cover internal rates of return in the second year, and continue to improve in the third year and beyond.

Testing: Prior to the full implementation of the programme it is advisable to carry out testing using a select group of customers or special focus groups.

Customer Profitability Analysis

Customer Profitability Analysis is a management accounting method, allowing businesses to determine the profitability of each customer or segments of customers, by attributing profits and costs to each customer separately. CPA can be applied at the individual customer level (more

time consuming, but providing a better understanding of business situation) or at the level of customer aggregates / groups (e.g. grouped by number of transactions, revenues, average transaction size, time since starting business with the customer, distribution channels, etc.). CPA is a “retrospective” method, which means it analyses past events of different customers, in order to calculate customer profitability for each customer.

Reasons for introducing CPA

Management accounting systems often focus on products, departments, or geographic regions, but not on customers. As a result, companies are often unable to produce a reliable per-customer profitability figure, which leads to keeping unprofitable customers, decreasing company’s potential to make profits. The “why?” of Customer Profitability Analysis can be reduced to the simple statement that each dollar of revenue does not contribute equally to profit. Differences in customer profitability can arise from either differences in revenues and/or differences in costs. In other words, customer profitability depends not only on the revenue resulting from sold units of a product or service, but also on the ‘back end’ services provided, including marketing, distribution, and customer service.

According to Harvard Professors: Robert Kaplan (who is co-developer of activity based costing) and V.G. Narayanan, the 20-80 Pareto rule does not apply to customer profitability for organizations. The whale curve for cumulative profitability (see picture) usually reveals that the most profitable 20 percent of customers generate between 150 percent and 300 percent of total profits. The middle 60-70 percent of customers break even and the least profitable 10-20 percent of customers lose from 50 to 200 percent of total profits, leaving the company with its 100 percent of total profits. On the profitability whale curve, the difference between the

highest point of the chart and current company profitability (100% profitability) represents unrealized profit potential for the company. Typically companies have both: customers having positive impact on company profitability, and simultaneously those who erode potential profits of a company, by generating less revenue than costs - thus having a negative impact on company profitability. Often even managers who understand the issue are not able to easily distinct between customers belonging to these 2 groups. The size of customer is not a valid premise that the customer is automatically profitable, in fact the evidence suggests that even the largest customers may turn out to be the most unprofitable.

Objectives of CPA

The main purpose of CPA is to provide to organization management with the understanding of each customer profitability. Grouping this information into customer profitability segments, allows the companies to take different, targeted actions and strategies against different profitability segments, having as a target increasing the company's total profitability. Those companies that understand which customers are more profitable and which are not are "armed with valuable information needed to make successful managerial decision to improve overall organizational profitability". CPA allows businesses to take the following key strategic decisions:

- Identify customers' profiles;
- Differentiate customer service activities depending on customer profile (e.g. highly-profitable customers could receive more attention, to ensure high level satisfaction and loyalty, in order to protect continued business relations);

- Differentiate marketing strategy, depending on customer profile (e.g. implement more aggressive and expensive marketing strategies to high spenders, while limiting the marketing costs against customers, who spend little and show few signs of spending more in the future);
- Take actions, to maintain or increase customers profitability, including turning unprofitable customers into profitable ones (e.g. decreasing cost to serve, of looking for ways to increase revenue, up to ceasing business relations with unprofitable customers to cut the costs) Input information Calculation of customer profitability takes into account both revenue associated to each customer, as well as all costs which can be attributed to the customer. Revenue associated to the customer Revenue differences across customers may differ due to various reasons, including:
 - Differences in price charged for a unit a product or service to different customers;
 - Differences in volumes sold to different customers;
 - Differences in product or service specification delivered to different customers;
 - Other one-time events, such as bonus events, not directly related to a particular sale transaction.

CPA requires a company to associate all company's revenue to different customers (sources of revenue), in order to find out revenue associated to each customer. Companies most typically have no trouble finding out the amount of revenue attributed to a particular customer, thus article will not cover this aspect. Costs associated to the customer Customers differ in costs they generate by using company's resources in a different way.

These reasons may include:

- Different amounts of marketing costs may be necessary to strike a deal with different customers
- Differences in used distribution channels / logistics by different customers
- Differences in customer service required by different customers
- Differences in volume of products purchased (production of large volume of a product for a single order can be cheaper than production of the same amount, divided into many orders, requested by many customers) CPA requires the company to associate all company's costs to different customers, even if the costs are not directly related to any particular customer. Some costs can be easily associated with a particular customer (i.e. direct costs associated to all products sold to the customer), while other costs (indirect costs / overhead, such as electricity bills for running a production plant) are not easy to be associated to a particular customer. There are several cost accounting methods, which can be used for this purpose, one commonly used method is activity based costing. In order to provide the best input to further management optimization activities, it's recommended to divide the costs assigned to each customer, to different cost pools. These cost pools should be defined depending on company's business, and can include product creation, processing purchase orders, shipping, invoicing, product samples, marketing, customer service, etc.

Customer Classification Matrix

The Customer Classification Matrix (matrix of customer revenue and cost to serve) method was suggested by several literature positions. This

categorization shows there are several different ways companies can serve profitable customers. Most valuable customers are in the passive category, generating high revenue at little costs. These are the most profitable customers, which company should pay special attention to. Some customers generating high revenue, could at the same time be expensive (carriage trade quadrant) – these may be profitable, if revenue exceeds the costs to serve. There could be customers who are easy to serve, but also bring little profits (bargain basement quadrant). Finally, the last quadrant (aggressive) is listing customers generating high costs and bringing low revenue. By performing CPA, companies could assign their customer to above quadrants and apply different strategies towards each of the quadrants.

Aggressive - company could renegotiate with these customers their delivery terms / pricing / scope of services (to increase revenue), or reconsider internal processes to decrease costs of serving to those customers. Finally, a company could request an increased price for their services, ultimately losing unprofitable customers.

Bargain basement - company could focus on increasing revenue for these customers, starting with conducting research whether these customers are expecting different services, their price sensitivity, etc.

Passive - since passive customers generate most profit the company, company should consider investing their capital into better serving these customers, increasing their satisfaction and loyalty.

Carriage trade - company should focus on reducing the cost to serve, investigating cost factors and looking for ways to streamline internal processes. 4 boxes (profitability / strategy alignment)
This 4-boxes (matrix of customer profitability and strategy alignment) method was suggested by several literature positions The foundation of the

method is ability to decide, which customers are Target customers of a company (aligned to company's business strategy), and which are not. Given additionally the results of CPA (customer profitability), all customers are segmented into 4 segments, each having a different strategy to be applied to the customers:

Profitable customers in "Target" group are associated to the action "RETAIN" - company should look into the possibility of increasing business relations with those customers, as long as business model will not significantly change;

Profitable customers in "Non-target" group are associated to the action "MONITOR" - these customers need to be closely monitored, to make sure they don't fall into "Non-target" and unprofitable segment;

Unprofitable customers in "Target" group as associated to the action "TRANSFORM" - company should employ different strategies to make these customers into profitable segment, or at the very least, to bring them into break even point. The strategies to be used will differ, depending on the company customer business circumstances.

Unprofitable customers in "Non-target" group are associated to the action "REPLACE" - company should cease efforts into developing these customers. Suggested solution is to increase product or service selling prices up to the point, where the customer would either fall into "MONITOR" segment, or take their business to another provider. If that happens, company could refocus freed resources into serving the most desirable (profitable) customers.

Limitations/implementation barriers

Using CPA is associated with some difficulties & limitations:

- Most importantly, CPA is a backward-looking tool, meaning it analyses past events, providing results, based on which companies

are making their strategic choices. Past however may not always be the determinant of the future, and decisions made based on past events only, could be incorrect if market conditions, or business strategy change; The cost of acquisition and customer service may be difficult to measure;

- Performing ABC or other methods of attributing costs to customers, CPA calculations, outlining distinct strategies towards different groups of customers, communicating internally and implementing those strategies can be a large undertaking for an organization in terms of the resources used and the costs to complete the initiative, requiring specialized knowledge and appropriately developed accounting systems;
- People often feel threatened by change, do not understand it, and are opposed to it within a company (e.g. Commission salespersons will try to protect customers even though they may not be profitable to the company).

Overcoming limitations

There are various strategies which could be used to minimize limitations / implementation barriers to introduce CPA, including the following ones:

- Management needs to be sensitive to required change within the organization and be sure that employees are included in the decision and change processes. Management should seek to ensure employee buy-in, to minimize resistance towards change;
- Management needs to properly set internal incentive model, e.g. rewarding salespeople on the basis of customer profitability, as opposed to revenue generated by the customer;

- To minimize the limitation resulting from the fact, that CPA is a backwards looking tool, a company could additionally consider implementation of Customer Lifetime Value (CLV). CLV is a forward-looking customer profitability estimator, taking CPA as a starting point for calculation. CLV could be used for forecasting of future customer profitability (based not only on historical events, but also proposed marketing strategy, trends in customer behavior, etc.).
- CRM helps implement the Strategy. The success of CRM as a concept is widely seen due to the aggressive marketing of CRM solutions by the IT companies who have developed the CRM packages. This has helped the Multi National Organizations to implement standardized process of Customer management on large scale across geographies and markets.

CHAPTER 4

CUSTOMER EXPECTATION AND SATISFACTION

Introduction

Merchants and traders have been practicing customer relationship for centuries. Their business was built on trust. They could customize the products and all aspects of delivery and payment to suit the requirements of their customers. They paid personal attention to their customers, knew details regarding their customer's tastes and preferences, and had a personal rapport with most of them. In many cases, the interaction transcended the commercial transaction and involved social interactions. Even today, this kind of a relationship exists between customers and retailers, craftsmen, artisans essentially in markets that are traditional, small and classified as pre-industries markets.

These relationship oriented practices have changed due to industrial revolution. Businesses adopted mass production, mass communication and mass distribution to achieve economies of scale. Manufactures started focusing on manufacturing and efficient operations to cut costs. Intermediaries like distributors, wholesalers and retailers took on the responsibilities of warehousing, transportation, distribution and sale to final customers. This resulted in greater efficiencies and lower costs to manufacturers but brought in many layers between them and the customers. The resulting gap reduced direct contacts and had a negative impact on their relationships.

Customer Value

The terms cost and values are often misunderstood as same, though these two terms are poles apart in their meaning. The cost of a product is nothing but the amount a customer pays to the seller to avail the product.

When the customer says a product is “value for money”, it means the product delivers what it is supposed to in the exchange of a reasonable cost. The value of a product or a service is nothing but the customer’s perception of the ratio of benefits received to the sacrifices made while purchasing a product or service from a business

$$\text{Value} = \text{Benefits} / \text{Sacrifices}$$

Value is directly affected by customer’s perception, which can be altered positively by increasing benefits and decreasing sacrifices.

Customer’s Sacrifices

The customers make the following sacrifices when it comes to buying from a business “

Time

This is the time taken to physically arrive at the business outlet or to search for the required product online, and to compare various similar products with respect to specifications and costs. It also includes waiting time to avail the required product and extended time when a business delivers a product with incorrect specification.

Money

It is the primary concern. Apart from the cost of product or services the business offers, it may be the cost of Value Addition Tax (VAT), surcharge, interest on the late payments, etc. Similarly, there can be discounts for first few customers or under any other schemes.

Energy

The customers invest energy to get ready, step out for shopping, to drive or to travel from home to the business outlet. The energy also includes fuel

consumption for transport.

Emotional Costs

Purchasing a product can be a very hectic, frustrating, and at times annoying experience for the customers. Right from planning what and when to purchase, budgeting, getting ready and stepping out of the house for shopping, being through the crowd on the road, arriving at the store, dealing with the business staff who don't possess adequate knowledge of the product or schemes, paying exaggerated prices, carrying heavy packages, exchanging faulty or outdated products, etc. At times the customers need to travel in bad weather only to find out that the last piece of the required product was just picked by some other customer. While buying the product, the customer has to deal with various risks such as financial (regarding product price), physical (possibility of the product turning harmful to customer's body), and performance (possibility of the product failure).

Sources of Value

There are various sources of creating value for the products the customer purchases :

Value through Operational Excellence It involves the following

- Being innovative in product design.
- Following rigorous quality while manufacturing.
- Keeping a golden mean of price and quality.
- Handling efficient supply chains.
- Cooperating closely among suppliers.
- Satisfying customers' expectations.

Value through Product Leadership

It involves the engagement of the business in continuous product innovation for improvement, large share of investment in product research and development along with the risk. The business creates value by providing the best quality product or service solution in adequate time.

Value through Customer Intimacy

Customer intimacy is generated and developed by understanding customer requirements, offering customized products, creating best outlet ambience, the warmth and interest of business staff while communicating with customers, and putting the customer first.

Value through Marketing Mix

The marketing force of a business combines various components of marketing mix (Product, Price, Place, and Promotion) together to create the best value for the customer. In case of services, as they are intangible unlike products, three more components are considered namely process, physical evidence, and people. The marketing mix is planned such that it strikes a good balance among customer and business entities, to satisfy the both. Customer value proposition (CVP) consists of the sum total of benefits which a vendor promises a customer will receive in return for the customer's associated payment (or other value-transfer).

Customer Value Proposition

Customer Value Management was started by Ray Kordupleski in the 1980s and discussed in his book, Mastering Customer Value Management. A customer value proposition is a business or marketing statement that describes why a customer should buy a product or use a service. It is specifically targeted towards potential customers rather than other constituent groups such as employees, partners or suppliers. Similar to the

unique selling proposition, it is a clearly defined statement that is designed to convince customers that one particular product or service will add more value or better solve a problem than others in its competitive set.

A customer value proposition is a promise of potential value that a business delivers to its customers and in essence is the reason why a customer would choose to engage with the business. It is concise statement that highlights the relevance of a product offering by explaining how it solves a problem or improves the customer's situation, the specific value against the customer's needs and the difference to competitors.

The promise of value is often expressed as a solution that the business provides to help a customer solve a problem. This way of thinking about customer value proposition has been popularised by books such as the Lean Startup. It also argued that this view is simplistic as it misses the nuances of human emotions, which can have a big impact on the way customers perceive value. Customer Value Proposition is a complicated principle however, it is the main theory behind the existence and the survival of a business or a company. Value proposition means that extra values and benefits should be added to the firm's products. Due to the high rate of competition between businesses with similar products in the market, value proposition enables companies to differentiate the brands from each other helping the customers to choose the most valuable brand of product which will provide them with most benefits and advantages. Once the business receives the attention they require from their target market through the use of customer value proposition they can increase their sales and gain more profit along with the number of consumers.

Types of CVP

All Benefits - Most managers when asked to construct a customer value

proposition, simply list all the benefits they believe that their offering might deliver to target customers. The more they can think of the better. This approach requires the least knowledge about customers and competitors and, thus, results in a weaker market place effort.

Favorable Points of Difference: The second type of value proposition explicitly recognizes that the customer has alternatives and focuses on how to differentiate one product or service from another. Knowing that an element of an offering is a point of difference relative to the next best alternative does not, however, convey the value of this difference to target customers. A product or service may have several points of difference, complicating the customer's understanding of which ones deliver the greatest value. Without a detailed understanding of customer's requirements and preferences, and what it is worth to fulfill them, suppliers may stress points of difference that deliver relatively little value to the target customer.

Resonating Focus: The favorable points of difference in value proposition is preferable to an All Benefits proposition for companies crafting a customer value proposition. The resonating focus value proposition should be the gold standard. This approach acknowledges that the managers who make purchase decisions have major, ever-increasing levels of responsibility and often are pressed for time. They want to do business with suppliers that fully grasp critical issues in their business and deliver a customer value proposition that's simple yet powerfully captivating. Suppliers can provide a customer value proposition by making their offerings superior on the few attributes that are most important to target customers in demonstrating and documenting the value of this superior performance, and communicating it in a way that conveys a

sophisticated understanding of the customer's business priorities.

Customer Expectation

Customer expectations refers to the perceived value or benefits that the customers seek when purchasing a good or availing a service. They are the result of the 'learning' process and can be formed very quickly because even first impressions matter a lot. Once established, these expectations can hold significant influence in decision making processes and can be very hard to change. For example, branded items are often associated with quality. Most customers expect that well-known brands are higher quality and thus evaluate their performance higher than that of an identical product from a little-known brand. This is one of the reasons new brands find it difficult to make it to the consideration set even when they have superior products than current brands. Consider a situation where an Indian consumer is offered two choices for a mobile phone one from a well-known US brand and the other from a Chinese brand. Even if all specifications are same, it's more likely that the consumer would opt for the former because he expects US brands to be more reliable.

Types of Customer Expectations

Implicit expectations: This type of expectation is based on the existing norms of performance. They are formed by experiences such as comparison with competitors' products and alertness of their services.

Explicit expectations: These are the mental targets customers have regarding the quality of product, performance and services rendered. g. when the expectations of a customer are for a printer that prints 20 pages of quality color but the product delivered prints ten pages of quality color.

Interpersonal expectations: Interpersonal relationships are of paramount

importance in situations where products need support to ensure that they function and/or are used properly. They focus on the relationship that exists between the customer and the product or service provider.

Dynamic performance expectations: This type of expectation addresses the evolution of a product or service over a period of time. The changes that a product or service undergoes in order to meet business goals as well as customer needs and wants; falls under dynamic expectations.

Managing Customer Expectations

Most successful companies are able to keep their customers happy for a long time by properly managing their expectations. The following are some of the effective strategies they use to manage expectations.

Openly discuss solutions: in case products or services have potential, the provider needs to be fully equipped with varieties of solutions so that customers have different alternatives if they ask for the impossible. This makes customers understand the complexity of any problem and be involved directly with its solution.

Transparency and honesty: customers' ability to trust a company depends on transparency when managing customer expectations. Companies should ensure that customers have confidence in their providers by encouraging transparency and honesty when handling every situation. Customers who have a clue of what is happening will know what to expect and will be satisfied by how situations are being handled.

Provide clear timelines: customers will not raise complaints while waiting provided they know and understand why. They understand that errors and defects come up, but need the providers to be completely honest about it. They should clearly state the amount of time and work needed to

complete a task or get them a solution.

Consumer Expectations Test

In legal disputes regarding product liability, a consumer expectations test is used to determine whether the product is negligently manufactured or whether a warning on the product is defective. Under this test, the product is considered defective if a reasonable consumer would find it defective. As an example, a reasonable consumer might find exposed blades on a lawnmower, without plastic guards that could be installed for pennies, to be defective because the risk of not having the plastic guards is higher than the costs of installing those guards.

The test is mostly applied to non-complex products about which consumers might have expectations. For example, the consumer might not have specific safety expectations about the design of landing gear on an airplane except for the fact that they do not expect to crash while taking the plane. Official definition of consumer expectation test: An unreasonably dangerous product is one that is dangerous to an extent beyond that which would be contemplated by the ordinary consumer who purchases it, with the ordinary knowledge common to the community of its characteristics.

Components that Contribute to Customer Expectations

- a) Desired Service Level: This is the level of expectations customer wish for and that customer believes can and should be delivered.
- b) Adequate Service Level: Minimum acceptable level of service without dissatisfied.
- c) Predicted Service Level: Service level that customer believes firm will actually deliver.

d) Zone of Tolerance: Range within which customers are willing to accept variations in service delivery.

Factors Influencing Customer Expectations

Customers' needs and preferences as a general rule, customers expect brands to be able to help them at all times. In return for their continuous support, they want fast issue resolution and hassle-free transactions. Preferences like these can greatly affect customers' expectations from your company. Even purchasing habits can significantly influence people's expectations. For instance, millennial consumers, who are always connected to the Internet, may prefer online shopping and online payment. Thus, you should consider all these when creating and launching your business strategies.

Culture or location

Buyers' expectations vary greatly across cultures and locations. In some countries, customers don't want overly friendly or cheery customer service reps. Some customers, however, don't want to talk to agents that sound too businesslike or stiff. When interacting with a diverse clientele, consider their rules of etiquette and attitudes toward businesses, especially new market players. Other aspects such as timeliness and communication style should also be taken into account.

Substitutes

People's experience with other brands, especially with your competitors, can shape their expectations from you. They might model their preferences based on what other brands can do for them. If you can't outshine your competitors, you can't win customers over.

Feedback and ratings

These days, your customers can spread word about your brand instantly

via the web. They can post their feedback on review websites and on social media, which can really influence your brand's image and reputation. What people say about you can change or contribute to customers' perceptions of your brand. Thus, apart from ensuring consistent, high-quality performance, you should also take your online reputation management seriously. Doing so will help you build a positive identity.

Past transactions

This is arguably the strongest predictor of customer expectations. People's past experiences and transactions can greatly influence what they think about your brand. In fact, just one instance of poor customer support interaction is enough to make customers think you're unreliable. At every opportunity and touch point, aim to make customers happy. This will result in a positive customer experience.

Way of communication

How you communicate pertains to your customer service and marketing approaches combined. Are you using digital channels? What's your communication style, language, and tone of voice?

The way you talk to customers: whether in person, online, or over the phone gives them an idea about your brand's personality. Thus, make sure that the way you interact with them is reflective of your business' values and identity. Also, make sure to communicate with customers in a consistent manner, regardless of the channel used.

Delivery

What you tell your customers, whether directly or through your customer support and marketing channels, will shape their expectations. Make sure to always disseminate accurate information. If you've promised

something, be sure to follow through. Misleading or incorrect information can have disastrous consequences that may affect your corporate image.

Customer Satisfaction

Customer satisfaction is a term frequently used in marketing. It is a measure of how products and services supplied by a company meet or surpass customer expectation. Customer satisfaction is defined as “the number of customers, or percentage of total customers, whose reported experience with a firm, its products, or its services (ratings) exceeds specified satisfaction goals.”

Definition

”It is a measure of how products and services supplied by a company meet or surpass customer expectation.”

According to Hansemark and Albinsson, “satisfaction is an overall customer attitude towards a service provider, or an emotional reaction to the difference between what customers anticipate and what they receive, regarding the fulfillment of some need, goal or desire”.

”The number of customers, or percentage of total customers, whose reported experience with a firm, its products, or its services (ratings) exceeds specified satisfaction goals.”

Oliver defines Customer satisfaction as follows “Satisfaction is the customer fulfillment response. It is a judgment that a product or service feature, or the product or service itself provides a pleasurable level of consumption related fulfillment.”

Satisfaction drivers: Cumby and Barnes suggest that driver exist on five levels and, that these generally involve progressively more personal contact with the service supplier:.

1. Core Product or service

This is the basic product or service provided by the company and probably provides the supplier with the least opportunity to differentiate or add value.

2. Support services and systems:

These include the peripheral support services that enhance the provision of the core product or services. The customer may well receive an excellent core product or service from the supplier but are dissatisfied with the supplier because of inferior support service and systems.

3. Technical Performance:

The level of “customer satisfaction model” deals with whether the service provider gets the core product or whether service and the support services and systems are in place but they do not get them right on every occasion.

4. Elements of customer interaction:

This level relates to the way the service provider interacts with the customer either face-to –face or through technology based contact.

5. Affective dimensions of service:

Beyond the basic interaction of the company are the messages, sometimes subtle and often unintentional, that companies send to their customers that leave them with positive or negative feelings towards them. A considerable amount of dissatisfaction has nothing to do with core products and services. Indeed the customer may be satisfied with more aspects of interaction. The problem may lie with “little things” that may not be noticed by the staff. It is quite possible for the supplier to get things right on the first four levels and to dissatisfy the customer because of something that happens on the fifth level. This emphasize the importance of ‘critical episode’ in the exchange process Purpose “Customer

satisfaction provides a leading indicator of consumer purchase intentions and loyalty. Customer satisfaction data are among the most frequently collected indicators of market perceptions. Their principal use is twofold:”

“Within organizations, the collection, analysis and dissemination of these data send a message about the importance of tending to customers and ensuring that they have a positive experience with the company’s goods and services.”

“Although sales or market share can indicate how well a firm is performing currently, satisfaction is perhaps the best indicator of how likely it is that the firm’s customers will make further purchases in the future. Much research has focused on the relationship between customer satisfaction and retention. Studies indicate that the ramifications of satisfaction are most strongly realized at the extremes.”

On a five-point scale, “individuals who rate their satisfaction level as ‘5’ are likely to become return customers and might even evangelize for the firm. (A second important metric related to satisfaction is willingness to recommend. This metric is defined as “The percentage of surveyed customers who indicate that they would recommend a brand to friends.” When a customer is satisfied with a product, he or she might recommend it to friends, relatives and colleagues. This can be a powerful marketing advantage.) “Individuals who rate their satisfaction level as ‘1,’ by contrast, are unlikely to return. Further, they can hurt the firm by making negative comments about it to prospective customers. Willingness to recommend is a key metric relating to customer satisfaction.”

Calculating the Effect of Customer Satisfaction

Customer satisfaction is extremely important to your bottom line. If you have more customers, who spend more each month, lower customer

satisfaction has an even bigger impact on your business. Every unhappy customer is another hit to the bottom line.

Transactional satisfaction

Transactional satisfaction measures how your customers feel after contacting your business. After each reply or interaction, ask the customer how they felt about the exchange. Are they satisfied? Or could you have done more to make them happy? This gives you an opportunity to immediately reach out and rescue the situation if they are unsatisfied. In order to track your improvement over time, divide the number of Satisfied responses by the total number of responses and multiply it by 100. (ie. 82 Satisfied Customers out of 100 Total Responses = 82%) This number is typically referred to as CSAT.

Relational Satisfaction

Of course, even if you don't interact with your customers, they still have an opinion about your company. Measuring satisfaction at regular intervals instead of just after interactions is also important. Many companies do regular customer satisfaction surveys once or twice a year. It's a great opportunity to ask more targeted questions about what impacts their relationship with your company.

Methods of Customer Satisfaction

There are following methods to measure customer satisfaction:

I. Direct Methods: Directly contacting customers and getting their valuable feed-back is very important. Following are some of the ways by which customers could be directly tabbed:

- Getting customer feedback through third party agencies.
- Direct marketing, in-house call centers, complaint handling department could be treated as first point of contact for getting

customer feedback. These feedbacks are compiled to analyse customers' perception.

- Getting customer feedback through face to face conversation or meeting.
- Feedback through complaint or appreciation letter.
- Direct customer feedback through surveys and questionnaires.

Organizations mostly employ external agencies to listen to their customers and provide dedicated feedback to them. These feedbacks needs to be sophisticated and in structured format so that conclusive results could be fetched out. Face to face meetings and complaint or appreciation letter engages immediate issues. The feedback received in this is not uniformed as different types of customers are addressed with different domains of questions. This hiders the analysis process to be performed accurately and consistently. Hence the best way is to implement a proper survey which consists of uniformed questionnaire to get customer feedback from well segmented customers. The design of the prepared questionnaire is an important aspect and should enclose all the essential factors of business. The questions asked should be in a way that the customer is encouraged to respond in a obvious way/. These feedback could received by the organizations can be treated as one of the best way to measure customer satisfaction.

Apart from the above methods there is another very popular direct method which is surprise market visit. By this, information regarding different segment of products and services provided to the customers could be obtained in an efficient manner. It becomes easy for the supplier to know the weak and strong aspects of products and services.

II. Indirect Method: The major drawback of direct methods is that it turns

out to be very costly and requires a lot of pre compiled preparations to implement. For getting the valuable feedbacks the supplier totally depends on the customer due to which they loses options and chances to take corrective measure at correct time. Hence there are other following indirect methods of getting feedback regarding customer satisfaction:

1. Customer Complaints: Customer's complaints are the issues and problems reported by the customer to supplier with regards to any specific product or related service. These complaints can be classified under different segments according to the severity and department. If the complaints under a particular segment go high in a specific period of time then the performance of the organization is degrading in that specific area or segment. But if the complaints diminish in a specific period of time then that means the organization is performing well and customer satisfaction level is also higher.

2. Customer Loyalty: It is necessarily required for an organization to interact and communicate with customers on a regular basis to increase customer loyalty. In these interactions and communications it is required to learn and determine all individual customer needs and respond accordingly. A customer is said to be loyal if he revisits supplier on regular basis for purchases. These loyal customers are the satisfied ones and hence they are bounded with a relationship with the supplier. Hence by obtaining the customer loyalty index, suppliers can indirectly measure customer satisfaction

CHAPTER 5

CUSTOMER CENTRICITY

Introduction

Customer-centric is nothing new, but it is becoming increasingly important in today's age of the customer, when organizations are undergoing digital marketing transformation, creating a corporate customer culture, and managing the customer experience.

Customer-centricity needs to become a mindset across the organization with buy-in from all stakeholders, because all departments need to work from a customer-centric standpoint rather than a product-centric perspective to profit from the most valuable customers.

Customer centricity is not just about offering great customer service, it means offering a great experience from the awareness stage, through the purchasing process and finally through the post-purchase process. It's a strategy that's based on putting your customer first, and at the core of your business.

When you put your customer at the core of your business, and combine it with Customer Relationship Management (CRM), you collect a wealth of data, which gives you a full 360 view of the customer. This can then be used to enhance the customer experience.

Customer-Centric Best Practices

Organizations need to work toward being customer-centric, rather than being customer focused. Customer-centric organizations understand that not all of their customers yield profits. These organizations use customer analytics to gain a complete view of their customers in order to segment them. The customers with the highest customer lifetime value are those

who are loyal to the company and are easy to retain. Thus, companies work to acquire and then retain these customers by nurturing relationships with them and enhancing their customer experience.

Dr. Peter Fader, author of *Customer Centricity: Focus on the Right Customers for Strategic Advantage*, explains that being customer-centric means focusing marketing efforts solely on the real-world, high-value customer segment in order to drive profit.

Unfortunately, 66% of marketing leaders do not know how much their customers are worth, while companies have a potential 17% increase in sales when they identify and maximize top value customers.

Some of the best methods for achieving customer centricity include shifting to customer-centric marketing practices and efforts, using data to your advantage to take data-driven actions based on customer insights, and building your marketing, sales, and business around your best customers.

Practices to become a Customer Centric Organization

By being customer centric, you will want to anticipate customers' needs and delight them with products and services they may not have thought of, but will immediately fall in love with (i.e. the Apple iPhone or iPad). Thus, the customer centric brand creates products, processes, policies and a culture that is designed to support customers with a great experience as they are working towards their goals.

The four best practices that stand out regarding customer-centricity are :

- 1) Brands that are committed to customer centricity are passionate, and truly believe the customer comes first. They believe that without the customer, they cannot succeed in business (which is true) and want to see the world through the customer's eyes. Marketers inside customer-centric

organizations understand what customers want, and use customer data to capture customer insights and share this across the organization.

2) Brands that are committed to customer centricity focus on what the customer wants and needs, and develop products and services around that.

3) Brands that are committed to customer centricity focus on building relationships designed to maximize the customer's product and service experience.

4) Brands that are committed to customer centricity analyze, plan and implement a carefully formulated customer strategy that focuses on creating and keeping profitable and loyal customer.

Customer-Centric Characteristics

Customer-centric organizations keep the customer lifetime value of their customers at the center of their efforts. They do not focus on the average customer, attempt to acquire or retain low-quality customers, or spend too little on acquiring high-quality customers. Rather, customer-centric organizations have the following

Characteristics:

- Use customer data to better understand and segment the customer base
- Identify the best customers
- Focus on products and services for the best customers

Use Customer Lifetime Value to segment customers

- Have a commitment to customer success
- Engage with customers from the beginning
- Demonstrate customer commitment from the top-down

- Foster a customer-centric culture
- Recognize the customer across all channels
- Design processes and policies from the customer's point of view
- Measure what matters to customers
- Encourage customer innovation
- The Value of Becoming Customer-Centric

Measuring the success of customer centric organization Not every organization will have the same customer metrics to measure customer centricity. However, the two most important customer centric metrics that should be carefully monitored are churn rate and customer lifetime value.

A. Churn rate

Acquiring new customers is becoming more difficult. Therefore, more companies are investing in keeping existing customers instead of trying to find new ones. Here's why: Acquiring new customers can cost up to 5x more than keeping existing customers A 2% increase in customer retention has the same effect on profits as cutting costs by 10% On average, companies lose approx. 10% of its customer base each year (also known as customer churn) Companies with a high retention rate grow faster.

The key to success is to understand why people leave, and why people remain customers.

- To calculate the churn rate, measure the number of customers who left in the last 12 months divided by the average number of total customers (during the same period).

Customer Acquisition

Put simply, customer acquisition refers to gaining new consumers.

Acquiring new customers involves persuading consumers to purchase a company's products and/or services. Companies and organizations consider the cost of customer acquisition as an important measure in evaluating how much value customers bring to their businesses.

Customer acquisition management refers to the set of methodologies and systems for managing customer prospects and inquiries that are generated by a variety of marketing techniques. Some successful customer acquisition strategies include customer referrals, customer loyalty programs, and the like. One way to think about customer acquisition management is to consider it the link between advertising and customer relationship management, as it is the critical connection that facilitates the acquisition of targeted customers in an effective way.

Customer acquisition is the process of bringing new customers to your brand. This typically is done through marketing, and one of the goals is to maintain a consistent influx of new customers. This process almost always has costs associated with it. While there are many different ways to acquire customers, some methods can be tracked more easily than others. Ultimately, you want to do the least amount of work and spend the least amount of money to get as many customers as possible into the fold. The whole process should concentrate on following considerations:

Primarily it is important to determine and focus on psychology of customers, like how the customers feel and think and then selecting the product segment to be presented to them. Concentrating on how the customers are influenced by the surrounding environment like the business culture, technology, media etc. Analysis of customer behavior and tendency while buying specific range of product.

Studying the customer's limitation of knowledge processing power which

influence the decision making power. Finally it's very important to engage best strategies for effectively convincing new customers and improving marketing campaigns. Customer acquisition techniques change with technological changes. There is always a need to optimize and upgrade the traditional ways of marketing channels available. Exploring new methods to entertain customers is important to remain in competition and have high acquisition rate.

Customer acquisition is important for businesses of any age and size. It allows your business to

- 1) Make money to meet costs, pay employees, and reinvest in growth,
- 2) Show evidence of traction for outside parties such as investors, partners, and influencers. Being able to systematically attract and convert new customers keeps companies healthy and growing and investors happy.

As consumers move through the funnel (as part of their journey as a buyer), they:

1. Gain awareness of your brand
2. Add your product or service to their consideration pool, and
3. Make a decision to become a paying customer of your business.

To simplify the process, lead generation typically happens at the top of the funnel, lead acquisition happens in the middle, and lead conversion happens at the bottom. And customer acquisition typically refers to the funnel as a whole. For the sake of this guide, we're going to use customer acquisition in reference to the top and middle of the marketing funnel lead generation and acquisition combined. This is because the bottom of the funnel (conversion) typically requires more dedicated, customized methods to convert customers, such as lead scoring and closing tactics.

Here's another way to visualize it, in a less funnel-like fashion:

Customer Acquisition Cost the last thing a company wants to do is spend more on acquiring customers than the customers spend. The cost of customer acquisition (CAC) is the price companies pay to acquire new customers. In its simplest form, the CAC is determined by dividing the total costs associated with acquisition by total new customers, within a specific time period. The cost of customer acquisition is an important metric for companies to consider, along with the lifetime value of a customer. Companies and organizations need to get a return on investment (ROI) from marketing and sales campaigns geared toward customer acquisition. The goal is to achieve a high lifetime value (LTV) to CAC ratio. A 3:1 LTV:CAC ratio is a perfect level.

How to Calculate Customer Acquisition Cost?

High-level customer acquisition cost is calculated by dividing marketing costs associated with a specific campaign or effort by the number of customers acquired from said campaign.

This CAC formula is

$CAC = MC / CA$, where:

CAC is customer acquisition cost

MC is marketing costs

CA is customers acquired

To get a more in-depth, accurate look at CAC, you must include all costs associated with marketing spend, including everything from campaign spend to marketing salaries to the cost of the staples used to create those lengthy contracts. CA is customers acquired where the simple CAC metric might apply to a single campaign, the more complex CAC formula should

be calculated within a given window, such as one month or fiscal year. For example, if Company A spent Rs.10, 000 on customer acquisition in Q4 of 2017 and acquired 100 customers, the CAC would be Rs. 100.

Customer Acquisition Methods

All forms of advertising and marketing are designed to attract people to a product or service with the hope that they will eventually become brand loyalists. Above-the-line advertising, such as billboards, television and radio spots, posters, print advertisements, and cinema spots do a great job of getting a brand in front of millions of eyes, but they rarely close a sale or include methods to track customer conversion. In through-the-line and below-the-line advertising, the process becomes much more scientific and informative. For instance, a direct mail pack that contains phone numbers or mailing addresses provides an advertising agency with data that can help them track:

Customer acquisition has found a similar home in social media, with Facebook and Twitter in particular being proven resources for outreach. You can target customers and keep them informed of special offers or new product lines. You can make them feel valued, talk one-on-one with people, and share insights that build the brand.

Customer Retention

Customer retention refers to the ability of a company or product to retain its customers over some specified period. High customer retention means customers of the product or business tend to return to, continue to buy or in some other way not defect to another product or business, or to non-use entirely. Selling organizations generally attempt to reduce customer defections. Customer retention starts with the first contact an organization

has with a customer and continues throughout the entire lifetime of a relationship and successful retention efforts take this entire lifecycle into account. A company's ability to attract and retain new customers is related not only to its product or services, but also to the way it services its existing customers, the value the customers actually generate as a result of utilizing the solutions, and the reputation it creates within and across the marketplace. Successful customer retention involves more than giving the customer what they expect. Generating loyal advocates of the brand might mean exceeding customer expectations. Creating customer loyalty puts 'customer value rather than maximizing profits and shareholder value at the center of business strategy'. The key differentiation in a competitive environment is often the delivery of a consistently high standard of customer service. Furthermore, in the emerging world of Customer Success Retention is a major objective.

Measurement

The measurement of customer retention should distinguish between behavioral intentions and actual customer behaviors. The use of behavioral intentions as an indicator of customer retention is based on the premise that intentions are a strong predictor of future behaviors, such that customers who express a stronger repurchase intention toward a brand or firm will also exhibit stronger corresponding behaviors.

The studies point to the following general conclusions:

Customer satisfaction is a strong predictor of both customer repurchase intentions and repurchase behavior. Repurchase intentions are statistically significantly, and positively associated with repurchase behavior: as people's repurchase intention increases, so does their likelihood to actually repurchase the brand. However, the magnitude of the association, though

positive, is moderate to weak suggesting that intentions and behaviors are not interchangeable constructs to measure customer retention.

The association between different retention metrics is not always straight forward.

It can be (a) non-linear exhibiting increasing or diminishing returns, (b) Different for different customer segments), and also vary by type of industry.

Customer retention is a strong predictor of a firm's financial success, both using accounting and stock market metrics. A study of a Brazilian bank showed that bank branches that were more adept at efficiently satisfying and retaining customers were more profitable than their counterparts that did one or the other but not both.

Brand Loyalty

Loyalty is at the heart of equity and is one of important brand assets. Brand loyalty is a conscious or unconscious decision expressed through intention or behavior to repurchase a brand continually. When the consumer buys with respect to product features, price and convenience, with little concern to the brand there is likely little equity. But, if the consumers prefer the brand even at the face of competitors with superior features and offers, then brand is said to have high brand equity. Loyalty reflects the consumers' attitude towards the brand, especially when there is a change, either in price or product features. As the brand loyalty increases, the vulnerability of the customer base to competitive action gets reduced.

Strategic Value of Brand Loyalty

As per Aaker's point of view the above factors produce a strategic value to

the organization by brand loyalty of customers. **Reduced Marketing Cost :** Loyal customers minimize the cost of running business because the amount spent on getting new customers is far more than retaining present customers. The higher the loyalty, the easier it is to keep customers happy. Loyal customer becomes an advocate for the brand, without any incentive. Loyalty base of customers, act as a strong entry barrier for potential entrants by which an organization can minimize the risk.

Trade Leverage: A brand having strong loyalty base force, retailers to maintain adequate stock and allot enough shelf space to accommodate the brand. At the extreme, customer's shop choice depends on where their preferred brand is available. So, at the retail brands enjoy special recognition and treatment.

Attracting New Customers : Existing loyal customers help marketers to get more business through prospective customers. They create awareness of the brand among friends and colleagues, who develop positive attitude towards the brand by actually seeing the brand in action. Brand image is projected by these customers especially when the product requires after sales service or, prospective customers require assurance of product performance. **Time to Respond to the Competitive Threats :** Loyalty base also supports marketers against competitor's innovation by providing sufficient time for them to retaliate.

Strategies to Build and Maintain Loyalty

Retaining the customers, keeping them happy, enhancing their satisfaction level is the continuous endeavor of any organization as it cannot afford to miss any of the loyal customers. Ever changing Indian consumer, cut throat competition and emerging new technologies are the thrown challenges to develop loyalty programmes. Some of the strategies that suit

the Indian context are discussed below.

Brand Relationship Management (BRM): BRM is newly developed holistic approach to retain customers and create brand loyalty. It stands for all activities linked with ‘relational exchanges’ and ‘transactional exchanges’. It helps to establish, maintain, and develop the relationship between a brand and its consumers. Its integrated effort continuously strengthens the relationship through interactive, individualized, and value added contacts. This leads to a mutual exchange and fulfillment of promises in future. The BRM process is explained diagram matically below.

BRM focuses on generating trials and repeat purchases, builds high share of requirement (i.e. product’s market share for a specific consumer). This result in customer’s affinity towards the brand and builds brand relationship. The bond between brand and customer becomes strong and thereby leads to mutual trust which eventually results in brand loyalty.

Brand Loyalty Programs

Loyalty programs are designed to optimize every customer contact by offering an incentive to his buying behavior. Though it varies from category to category, today’s programs are mainly focused on this area. The main objective of these programs is aimed at the highest end customer’s retention. Some loyalty programs are intended to achieve new customers and maximize the use of the brand. Following are some of the popular loyalty programs designed for Indian consumers by different companies.

A. Indian Club (From Tata Indica)

Loyalty program includes 30,000-odd Indica customers from a client base

of more than 1.35lakhs. These club members are provided with several benefits such as preferential treatment and discount at retail showrooms of Titan, Tanishq, hotels attached to the Taj Group and some restaurants.

B. First Citizen Club (From Shopper's Stop)

Shopper's stop is one of the first major chains that has been working on ways to manage its customer information for competitive advantage. It started 'First Citizen Club' for regular visiting customers. Its major functions include customer information capture, intelligent warehousing and mining of transaction behavior. It emerged successfully by generating sales and continuously adding more people to it.

C. Book Reward Programs (From Crossword)

Mumbai based chain of book stores runs this programs to increase the frequency of regular customers. Crossword has developed a benefit system quite differently based on the points that members earn, which can be redeemed against purchases. Members get benefit every month. The benefit could be a free gift, a discount or an every month.

The benefit could be a free gift, a discount or an event. The idea is that the customers have to come to the store to pick up the gift.

D. Taj Inner Circle Card (From Taj Hotels): Taj hotels provide both tangible and intangible benefits to their regular customers in the form of discounts and image building.

E. Jet Privilege Program (From Jet Airways): This program is to recognize the most loyal customers and also to focus on customers who are not so frequent, but who at some point will be made most loyal. This program awards points to the customers for special discounts and packages.

F. Mobile Industry (From BPL & Orange)

Unique features of this industry is built-in barriers to switching brands as changing the brand gives the inconvenience of changing the number. In this industry, loyalty programmes are designed more towards increasing a customers usage and their tenure by offering more discounts in shops and restaurants.

G. Other Programs:

a) Rebate Program: Awards gift certificates on reaching a spending threshold. The reward can motivate incremental purchases or increase in store traffic.

b) Partnership Program: Rewards are given to partner company's customers with an expectation that they may likely become customer in future.

c) Affinity Program: It offers additional information, value added benefits to suit specific customer life styles. This helps customer to know more about the latest products and to build long lasting relationships.

The Ladder of Loyalty

The ladder of loyalty shows the different stages through which a prospect becomes a customer, a client and finally a partner.

Prospect

The prospect is an individual in a retail market or an organization in the business market, which fulfils the requirement of the marketer's definition of target. For example, a cellular service provider may segment the market and target executives in blue chip companies with a special offer.

Customer

The prospect becomes a customer when s/he gets attracted by the offering

of the marketer and buys the product / service.

Client

A customer becomes a client when s/he purchases the product or service more than once. While a customer may make the initial purchase as a trial or test, the client is one who does a repeat purchase. It is likely that the trial was a satisfactory experience for the client. In several buying situation, customers becomes client due to the nature of the product or service. Prospects may spend a lot of time and efforts in searching for information, making comparisons and then making the selection. After all the efforts, once we open an account, take an insurance policy / a club membership / a telecom service is brought, the customer continues patronizing the service provider. It does not mean that this customer is a long term loyal client. Many a time it is the sheer inertia that makes customer continue in a relationship. Therefore in this categories, the customer and the organization are likely to have an association of a longer duration. However, in many buying situation like retailing, hospitality, airlines or fast moving consumer goods, customer can switch after trial, i.e. testing it and then decide to use a competitor's offering. The nature of the product or service does not ensure repeat purchase. It is a customer's satisfaction with the first purchase and consumption that determine repurchase. Customers can also become client when organization cross sell multiple products to an existing customer.

Supporter

A client becomes a supporter when he satisfies with the offering and recommends it to his friend, relatives and acquaintances. This positive Word -Of – Mouth (WOM) has tremendous positive impact as it helps the company get new customer. WOM is a most influential source of information in converting prospects into customer.

Advocate

An advocate is a supporter who, in addition to referrals that gives increases sales, proactively works with the company to improve its product and services. While developing new products software companies regularly depend on the feedback from the lead users of their clients during the Beta test phase. So is a case in new product development situation in several industrial firms, who set up the prototype in their client's premises for usage and feedback, which helps in improvement. In this situation, the level of interaction between the customer and the company is at a much higher plane. There is sharing of vital information and the comfort level as well as the confidence between the parties is high.

Partner

An advocate becomes a partner when they become actively involve in the decisions of the company. Any relationship that attempts to develop customer value through partnering activities is likely to create greater bonding between customers and marketers. In many cases, there are joint investments resulting in a structural bonding. Examples include the kind of relationship that exist between Procter and Gamble and Wal Mart, the worlds largest retailers.

CHAPTER 6

STRATEGY DEVELOPMENT

Introduction

The strategy development process is deservedly the first process to be considered in the CRM Strategic Framework. It not only shapes the nature of the key CRM processes but, more importantly, it defines the overall objectives and parameters for the organization's CRM activities.

Industry Analysis Model

The industry dynamics in which the firm operates are commonly analysed using a framework such as Michael Porter's five forces model, so that all known forces and not so well understood contingencies are brought into consideration. Consideration of these 'forces' should be augmented by a more contemporary analysis. Porter's model of industry analysis is an important aid to understanding the competitive characteristics, identifying the key factors for success and determining the profit potential in an industry. In undertaking an analysis of any industry, he proposed that its characteristics and long-term prospects should be analysed in terms of five dimensions: the nature and degree of competition, the barriers to entry to that business, the competitive power of substitute products, the degree of buyer power, and the degree of supplier power. However, as U.S. professors Stanley Slater and Eric Olson have observed, industry dynamics have changed in subtle and not so subtle ways over the past two decades: 'We have moved closer to a global marketplace in many industries; technology has advanced rapidly and in unforeseen ways; deregulation has opened the door for aggressive forms of entrepreneurship; and the Internet has created an entirely new way to do business'. They suggested augmenting Porter's five forces model to reflect

these and related developments. Newer thinking suggests we should supplement Porter's analysis with a consideration of: competition and networks; deeper environmental analysis; and the impact of disruptive technologies.

1. Potential entrants

Two factors determine how strong this force will be: the existing barriers to entry and the likelihood of a strong competitive reaction from established competitors. The threat of entry tends to be low if barriers to entry are high and/or aspiring new entrants can expect extremely hostile retaliation from the established firms within the industry. If the threat of entry is low, profitability of the industry tends to be high.

2. Buyer power

The bargaining power of buyers is high if a number of factors are present. These include: if the products that a company purchases form a large proportion, in terms of cost, of its own product; if the buyer group is operating in an industry of low profitability; if the products supplied are undifferentiated and it is easy for the buyer to switch between suppliers at little cost; if the products are purchased in large volumes; or if the buyers have the potential to integrate backwards. Such conditions of high buyer power will result in lower industry profitability.

3. Supplier power

Similarly, the bargaining power of suppliers can be high if there are relatively few suppliers; if the industry is not an important customer of the supplier group; if the supplier has the potential to integrate forward into the customer's business; if there are few or no direct substitutes for the product; if the industry is dominated by only a few suppliers; or if the

suppliers products are sufficiently differentiated so that the firm being supplied the goods cannot easily switch to another supplier. Conditions of high supplier power lead to reduced industry profitability.

4. Threat of substitutes

In many product areas it is possible to identify products which can serve as substitutes. In industries ranging from telecommunications to car making, the threat of substitution is present. The higher the threat of substitution, the lower the profitability is likely to be within the industry because threat of substitution generally sets a limit on the prices that can be charged. The factors which influence the threat of substitution include the substitute product price-performance tradeoff and the extent of switching costs associated with changing from one supplier to the supplier of the substitute. If the threat of substitution is low, industry profitability will tend to be high.

5. Industry rivalry and competition

The degree of industry competition is characterized by the amount of rivalry between existing firms. This can vary considerably and is not related necessarily to whether or not the industry is highly profitable. Intense rivalry can exist if there is slow growth within the industry; if competitors are evenly balanced in size and capability; where switching costs are low; where there is a high fixed cost structure and companies need to keep volumes high; where exit barriers are high such that unprofitable companies may still remain within the industry; and where competitors have different strategies, the result of which is that some firms may be willing to pursue a strategy that results in considerable conflict within the industry. A common outcome of this is price wars. A high degree of rivalry depresses industry profitability.

6. Environmental analysis

This analysis, known as a PEST analysis, involves a review of political, economic, social, technological and environmental issues. Managers should develop a detailed list of major factors under each of these headings. PEST analysis encourages managers to review broad environmental influences on the enterprise. PEST analysis helps understanding of the competitive dynamics of your industry and should lead to the identification of opportunities and threats facing your business.

Generic Strategies Framework

Once the industry structure has been analysed, an enterprise can consider the appropriate strategy to compete within it. A number of natural or generic strategies that can be adopted by an enterprise have been proposed by various writers. One approach, also developed by Porter, suggests that a choice of one of three generic strategies is appropriate for a given business. These include a cost leadership strategy, a differentiation strategy, or a focus strategy. These three strategies include:

Cost leadership strategy

A cost leadership strategy requires a company to set out with the objective of being the lowest cost producer in the industry. Companies must seek economies of scale, proprietary technology not available to other firms, preferential access to raw materials and cost minimization over a wide range of areas.

Differentiation

With a differentiation strategy a firm seeks to be different within the industry it is operating in by being unique on some dimension or set of dimensions of value to buyers. The company seeks one or more

dimensions to differentiate itself on and, as a result, hopes to earn a premium price for its products or services.

Focus strategy

A focus strategy involves concentrating on a particular buyer group, geographic area or product/market segment. By selecting a particular segment or group of segments the company attempts to tailor its strategy to serving the needs of its segment better than the competition. It is essentially a strategy of gaining competitive advantage in the target segment because the company is not likely to enjoy competitive advantage across the market as a whole. A focus strategy may emphasize differentiation or cost advantage. The dilemma facing managers is to choose the best strategy. In particular, how should they choose between cost leadership and differentiation? Conventional strategists have suggested that attempting to follow more than one generic strategy at the same time is inappropriate as firms which attempt to do this become ‘stuck in the middle’, a situation where they fail to achieve a strong competitive position on any dimension. More recently, examples of companies which have successfully adopted more than one of Porter’s generic strategies have been used to illustrate how hybrid strategies can be adopted.

Market Leader Framework

A further framework of generic strategies has been developed by U.S. consultants Michael Treacy and Fred Wiersema. Their ‘disciplines of market leaders’ framework suggest three broad business strategies:

- a. operational excellence
- b. product leadership
- c. customer intimacy.

Treacy and Wiersema called these three routes to success ‘value disciplines’ (Figure below). Based upon their research they suggest that marketplace success is usually based upon what kind of value proposition the companies pursued – best total cost, best product, or best total solution. Their work is especially useful as it is supported by many examples. They state ‘by operational excellence, we mean providing customers with reliable products or services at competitive prices, delivered with minimal difficulty or inconvenience. By product leadership, we mean providing products that continually redefine the state of the art. And by customer intimacy, we mean selling the customer a total solution not just a product or service’.

While these three ‘disciplines’ or ‘generic’ strategies should not be assumed to be mutually exclusive, it will more often be the case that companies have different strengths – or weaknesses – in each of the three. While a strong position in each of these markets should be the aim of any business it is suggested that the activities within the business should reflect the chosen underlying generic strategy. Thus choosing one discipline to emphasize does not imply ignoring the others; as suggested by Figure above the business chooses one dimension of value upon which to base its market reputation.

Customer Strategy

The other half of the strategic equation is deciding which customers the business wants most to attract and to keep and which customers it would prefer to be without. The significance of being clear on who is the target customer base (and who is not) is that every organization possesses weaknesses as well as strengths. In an environment of increasing competition, few firms can successfully be ‘all things to all people’. Thus

determining a distinctive customer strategy and directing all efforts to maintain and develop it is the only way for a business to survive and indeed thrive. For businesses that sell directly to final consumers, the answer to the question ‘who is the customer?’ may seem straightforward. However, many companies, in at least parts of their business, sell their products and services through some form of intermediary. In such case the issue ‘who is the customer?’ becomes more complicated. The ‘customer’ may include three broad groups: direct buyers, intermediaries and final consumers.

Market Segmentation

In both business-to-business and business-to-consumer markets, market segmentation is essential for the successful development of a customer strategy. Once companies understand the distinctive characteristics of their segments they can adopt a much more targeted approach to their customers. As the previous section suggests, in intermediated businesses segmentation often needs to be undertaken at the distributor, intermediary and final consumer levels. Market segmentation involves dividing a total market up into a series of sub-markets (or market segments) based on customer characteristics.

A market segmentation exercise involves the following steps:

- a. defining the relevant market to be addressed
- b. determining the criteria for market segment viability
- c. considering the alternative bases for segmentation
- d. choosing specific segments to focus on.

Criteria for market segment viability

The identification and selection of particular market segments for

targeting with a distinctive offering may depend on many factors, but particularly on the size of the segment, its special needs, the extent to which these needs are already being met by the company or by competitors and whether the company has the resources available to meet the service requirements.

There are various widely accepted criteria for determining if a market segment is viable:

- The segment must be measurable in size and characteristics
- The segment must be meaningful. It must be capable of generating sufficient
- Long-run profit to merit separate marketing attention
- The segment must be reachable within budget confines
- The segment must be durable over time; if the distinction between segments is likely to diminish as the service matures, then it is not suitable for a segmented marketing approach.

Companies may wish to develop their own criteria according to their specific circumstances.

Considering the alternative bases for segmentation

Markets may be segmented in many ways, but the following categories are the most important in B2B and B2C segmentation. These categories include both traditional forms of segmentation such as demographics and more contemporary value, or needs-based, segmentation.

i. Business-to-business market segmentation

Segmentation by industry type The segmentation of markets on the basis of Standard Industrial Classification (SIC) is quite widespread, but only partially useful. Sometimes these segments are thought of as ‘vertical’

markets and defined around business sectors such as the construction industry or the telecoms industry. The problem with this type of segmentation is that it provides no guide as to how the behaviour of buyers might differ simply because they happen to be in different industries.

ii. Segmentation by service

This approach is concerned with how customers respond to service offerings. Companies can offer a range of different service options and provide different service levels within those options, giving them considerable scope to design service packages appropriate to different market segments. If a supplier measures the perceived importance of different customer service elements across market segments, they can respond to that segment's identified needs and allocate an appropriate service offering to it.

iii. Segmentation by value sought

Different customers may respond differently to the seller's 'value offering'. Knowing what customers value and what weight they put on the difference elements of a value proposition can help a company develop more targeted solutions. It is critical to have a deep understanding of the motivations behind the purchase decision.

iv. Business-to-consumer market segmentation

Geographic segmentation

This approach differentiates customers on the basis of where they are located. So customers may be segmented into urban, suburban or rural groups, for example. Customers are commonly segmented by postcodes, which might also represent different groups in terms of relative wealth,

and socioeconomic and other factors. Demographic and socioeconomic segmentation Demographic and socioeconomic segmentation is based on a wide range of factors including age, sex, family size, income, education, social class and ethnic origins. So it is helpful in indicating the profile of people who buy a company's products or services. Psychographic segmentation Psychographic segmentation involves analyzing lifestyle characteristics, attitudes and personality. Recent research in several countries suggests that the population can be divided into between ten and fifteen groups, each of which has an identifiable set of lifestyle, attitude and personality characteristics.

Benefit segmentation

Benefit segmentation groups customers together on the basis of the benefits they are seeking from a product. For example, car buyers seek widely varying benefits, from fuel economy, size and boot space, to performance, reliability or prestige.

Usage segmentation

Usage segmentation is a very important variable for many products. It usually divides consumers into heavy users, medium users, occasional users and non-users of the product or service in question. Marketers are often concerned with the heavy user segment.

Loyalty segmentation

Loyalty segmentation involves identifying customers' loyalty to a brand or product. Customers tend to be very loyal, moderately loyal or disloyal. These groups are then examined to try to identify any common characteristics so the product can be targeted at prospectively loyal customers.

Occasion segmentation

Occasion segmentation recognizes that customers may use a product or brand in different ways depending on the situation. For example, a beer drinker may drink light beer with his colleagues after work, a conventional beer in his home and a premium or imported beer at a special dinner in a licensed restaurant. We would advise both B2C and B2B companies to categorize markets according to value preferences or benefits sought, at least initially, when undertaking market segmentation. If organizations understand what different customers value and how this influences their purchase decisions, then they can subsequently see if those value preferences correlate with other segmentation criteria.

Focusing on customer strategy

Customer strategy involves taking the business strategy and identifying which customer the enterprise needs to focus on. It starts with a definition of the target market to be served and how it plans to serve this market.

In an intermediated market, the enterprise recognizes that it may have a number of customer groups and each of these needs to be fully considered. Regardless of whether the customer group comprises distributors, intermediaries or final consumers, an effective customer strategy requires each group to be segmented in an appropriate manner. Customer strategy is not only concerned with which customer segments to serve but also what products and services to sell to them. Although the latter is primarily a concern of product policy and marketing planning some brief discussion should be made here. Product and service options for a company can be conveniently divided into existing products and services and new products and services. When these options are placed in a matrix with present and new products on one axis and present and new markets or customer

segments on the other this gives rise to the following four broad product/market options:

- concentrating on marketing existing products or services to existing markets
- developing new products or services for existing markets
- developing new markets or customer segments for existing products or services
- diversifying into new products for new markets or customer segments.

Each of these broad customer strategies represents a number of specific opportunities.

A final issue to consider under the heading of customer strategy is the need for creativity and innovation. In an era of unparalleled change and ‘hyper-competition’ managers need to pay special attention to this, as the traditional approach of identifying and responding to new customer needs is not enough. Figure ABOVE illustrates the dangers of an approach that is highly dependent on traditional market research as a source of new initiatives. Here the value opportunities are greatly restricted. Companies such as 3M and Sony rely just as heavily on their own creativity and intuition with respect to new market developments as they do on customer research. Customers often cannot clearly articulate their future needs. Companies who do not think outside their traditional mindset will find their customers going to those who do.

CHAPTER 7

CRM MARKETING INITIATIVES

Introduction

The concept of managing relationships with customers is not new. Companies have been interfacing with customers since the beginning of trade. However, the focus has always been to sell the products or services, as opposed to focusing on Customer Retention. Competition, driven by globalization and the Internet, has changed the face of business. Customers now have a variety of choices and, most importantly, they are becoming far more knowledgeable and demanding. The power has truly shifted to the customer. With this scenario, most companies realize that they need to treat their customers with more care. Companies are now desperately searching for different ways to manage customer relationships effectively, not only to acquire new customers, but also to retain the existing ones. According to a Harvard Business Review Study, some companies can boost their profits by almost 100% by retaining just 5% or more of their existing customers.

One - to - One Relationship Marketing

It is an approach that concentrates on providing services or products to one customer at a time by identifying and then meeting their individual needs. It then aims to repeat this many times with each customer, such that powerful lifelong relationships are forged. As such it differentiates customers rather than just products. One to One Marketing is more than a sales approach. It's an integrated approach that must permeate all parts of an organisation: marketing, sales, production, service, finance, etc. In fact, One to One Marketing needs to become the guiding vision that drives the whole company. One to One Marketing recognises that lifetime values of

loyal customers who make repeat purchases far exceed that of fickle customers who constantly switch suppliers in search of a bargain. This is particularly true within financial services where the customer acquisition costs are very high. For example, in the general insurance industry acquisition costs can be equal to 2 to 3 years profit, yet many customers are switching suppliers every year! Further, with the introduction of Data Mining, many companies are now realising that just 20% of their customers provide 80% of the profits. Worst, many of the remaining 80% of customers are lost-makers.

Need for Relationship Marketing

When offerings from various companies are nearly at par in terms of quality and performance, it is the personal equation between a buyer and seller, which often tilts the scale in favour of the seller.

Personal Touch

In 1985, the FMCG giant Nestle had only 20% of the baby food market in France. They regularly mailed information on childcare to young mothers. Qualified dieticians were employed to help mothers chalk out a nutrition schedule for their children. By 1992, its share shot up by 40%.

Cementing Bonds

Birla Super Shoppes seeks to build relationships by offering free consultancy to cement buyers such as masons, civil engineers and contractors. Each Super Shoppe has a civil engineer and a taskforce to assist him. Travelling to the customer's site to give a demonstration or solve their problem helped them to build relationships with the customers.

Banking on Relationships

ANZ identified a gap between what customers expected (in the form of

advisory services and investment banking) from the bank and the perceived delivery. It is for this *crème de la crème*, that the Captain Grindlays Club was formed. The bank pushes the whole customer-bank relationship beyond the ordinary functional spheres of banking, to something more one-to-one and exclusive.

Customer Database

Maintaining a customer database is an important way to keep up-to-date on customer information and data. A database provides access to clients, builds loyalty, and encourages repeat business. The customers of a business are the most important asset a company can have. Depending on the type of industry, a company may sell to the same customers over and over. There are other types of businesses that sell to a customer once or infrequently and are constantly looking for new customers. For instance, a surgeon may do a surgery on a person one time, and that patient may never require another surgery. On the other hand, a dentist sees their patients once or twice a year on an ongoing basis. The way they interact with their customers will be different because of the need of their services.

As a result, the way a company uses customer information can be very important.

A customer database is the collection of information that is gathered from each person. The database may include contact information, like the person's name, address, phone number, and e-mail address. The database may also include past purchases and future needs.

Advantages of Customer Database

A. For Customers

- Send timely reminders of needed services: doctor's/dentist's

appointments, oil change/tune up, “your letterheads/memo pads will be depleted soon. Order now with the attached reply form...”

- Send customers’ kids birthday cards, if you can get that on your database.
- Invite customers/prospects to a product demonstration or educational seminar (Free to customers, small fee for prospects.)
- Using careful segmentation, send:
 - Information about price changes
 - Information about product changes
 - Product samples to customers.
 - Newsletter

B. For Business-to-Business

- Case studies of successful implementation of your product. IT companies include
- case studies of solutions developed for their clients in their sales brochures.
- Send press releases on new product announcements to customer/prospect segments. Include information for requesting product brochures.
- Reprints of your ad campaign with note. (In case you missed our ads when they ran in ... xyz ... and ... abc ..., we’re sure you’d want to see them.)
- Contests (customers only). Integrate with sales incentive contest for sales.
- Send them a copy of the annual report.

One-to-One Marketing - The Technologies

One to One Marketing exploits the new technologies, especially the interactive ones:

Internet, interactive TV, web-TV, kiosks, fax, e-mail, voice mail, personal data assist, mobile phones, smart phones, etc., all allow personal messages and encourage customer feedback - and at a time and a place that suits the customer. Exploiting these technologies requires a range of appropriate support technologies, such as: customer information system, rules based systems, e-commerce systems, data mining tools, component based IT systems, enterprise repositories, object technology systems to mention a few. But these new technologies can do far more than simply provide new distribution channels to customers, or to support relationship management - important though these issues are in these competitive times. Interactive mediums, together with the support technologies outlined, can herald a new era of Mass Customization.

Cross and Up Selling

Cross selling and up selling are two of the best ways to develop your customer base and increase your average customer value. Cross selling is the strategy of selling your customers a wider range of your products and services. This can be done by identifying which products to target at which consumers based on their past purchases and behavior.

To do this you need to understand :

- Demographics such as age, income, family composition
- Product history
- Responses to previous campaigns/offers

All this information can then be combined to build a propensity model for your different products to be used in campaign selections. Up selling

means driving more value out of the customer by making sure they make use of your service more often or upgrade to a higher value product. This would be done using the same techniques as for cross selling. Only by understanding more about your customers can you hope to target them with the right product proposition at the right time. This tactical activity can be a key tool in retention by deepening the customer relationship as they have an increasing number of products from you.

How to Up-Sell, Cross-Sell and Optimize

There are five ways to do this -

- Offering a greater quantity for a slightly higher price - For example, giving a three for-the-price-of-two discount or a 'large' portion for a 'medium' price, such as a case of wine for the price of 10 bottles.
- Offering complementary products - For example, promoting accessories for electrical goods, such as batteries, tapes and carry-cases.
- Offering related products - For example, offering a discount on boots when a customer buys a winter coat, or swimwear with summer clothes.
- Offering a premium product - For example, ensuring that customers can't visit your site without being aware of the existence (and the advantages) of your highest-quality, big-ticket products.
- Rewarding loyalty - For example, offering a virtual discount voucher redeemable the next time your visitors your site, or if they refer you to friends and family.

Repeat Nature Businesses - Baby Supplies

If a customer regularly buys a particular product, then it's highly likely he

is also buying related or complementary products (nappies with baby toiletries, for instance). If you offer a discount on these related products, you are not only increasing your sales, but helping the customer to streamline his shopping at the same time. Likewise, a drinks retailer could offer regular customers a special discount on premium products, such as champagne or related products such as glasses and cocktail access.

Single Purchase Businesses - Furniture, hi-fi, Computer

Because customers will only visit for a one-off purchase, the objective here is to ensure they spend as much as possible while they are there. There are a number of ways to do this. You could offer competitively priced product 'bundles' such as the PC/ printer/scanner/software combos offered by computer retailers. You could also highlight special offers on related products, such as half-price speakers with every stereo, or you could upsell visitors to buy the premium products, for example, by offering a free carrier or tie with your designer label.

Another important point to make is that when it comes to major purchases, your customers need the decision-making, specifying and purchasing system to be as stress-free and as positive as possible. Therefore, you'll need to give them a first-class service throughout and present your credentials impeccably. Plenty of top brands lose out to smaller competitors simply because the site didn't have the same level of quality, choice or service.

Random or Infrequent Repeat Businesses
Books, Music, Clothes

The objective in this case is two-fold: one - to encourage visitors to come back again more quickly than they might otherwise have done and two - to get people to spend more while they are there. We have covered the second point in the section above, but to encourage visitors to come back again, you could, as with the repeat purchase scenario, offer loyalty discounts and incentives. Likewise, you could draw attention to the rest of your product range or offer volume

discounts such as two CDs for the price of two. Cross-selling and upselling are established methods of improving your sales and increasing customer loyalty. Upselling is the practice of offering customers a product in addition to the product they are currently purchasing. Cross-selling refers to selling items that are related or can be integrated with the item being sold. Both techniques can increase sales volume and provide a valuable service to your customers.

Many product types and Web sites lend themselves perfectly to cross-selling. For example, if you sell digital cameras, it makes perfect sense to offer related products to your customers: photo printers, paper, or other accessories. Selling consumable items such as paper and printer cartridges can also encourage shoppers to return to your store time and again, creating a long-term relationship. That can mean big profits over time. But you do not have to restrict your offerings to related items. You can upsell your customers by offering them nearly anything in addition to the item they are already interested in. While not necessarily relevant, as in cross-selling, upselling can still save your customers money. By combining shipping on multiple items, your customers can still come out ahead. You can also encourage them to purchase additional goods by offering free shipping or discounts on orders over a certain amount. If a customer's order totals Rs. 2500/- and shipping is free on orders over Rs. 3000/-, they may look around for something else.

Customer Retention

Customer Retention marketing is a tactically-driven approach based on customer behavior. It's the core activity going on behind the scenes in Relationship Marketing, Loyalty Marketing, Database Marketing, Permission Marketing, and so forth. Here's the basic philosophy of a retention-oriented marketer:

A. Past and Current Customer Behavior is the Best Predictor of Future Customer Behavior. Think about it. In general, it is more often true than not true, and when it comes to action-oriented activities like making purchases and visiting web sites, the concept really shines through.

Active Customers are Happy (Retained) Customers; and they Like to “Win.” They like to feel they are in control and smart about choices they make, and they like to feel good about their behavior. Marketers take advantage of this by offering promotions of various kinds to get consumers to engage in a behavior and feel good about doing it. These promotions range from discounts and sweepstakes to loyalty programs and higher concept approaches such as thank-you notes and birthday cards. Promotions encourage behavior. If you want your customers to do something, you have to do something for them, and if it’s something that makes them feel good (like they are winning the consumer game) then they’re more likely to do it. Retaining customers means keeping them active with you. If you don’t, they will slip away and eventually no longer be customers. Promotions encourage this interaction of customers with your company, even if you are just sending out a newsletter or birthday card. The truth is, almost all customers will leave you eventually. The trick is to keep them active and happy as long as possible, and to make money doing it.

Marketing is a conversation, Marketing with customer data is a highly evolved and valuable conversation, but it has to be back and forth between the marketer and the customer, and you have to LISTEN to what the customer is saying to you. For example, let’s say you look at some average customer behavior. You look at every customer who has made at least 2 purchases, and you calculate the number of days between the first

and second purchases. This number is called “latency” - the number of days between two customer events. Perhaps you find it to be 30 days. Now, look at your One-Time buyers. If a customer has not made a second purchase by 30 days after the first purchase, the customer is not acting like an “average” multi-purchase customer. The customer data is telling you something is wrong, and you should react to it with a promotion. This is an example of the data speaking for the customer; you have to learn how to listen.

Retention Marketing Requires Allocating Marketing Resources: You have to realize some marketing activities and customers will generate higher profits than others. You can keep your budget flat or shrink it while increasing sales and profits if you continuously allocate more of the budget to highly profitable activities and away from lower profit activities. This doesn't mean you should “get rid” of some customers or treat them poorly.

Sales Force Automation

Sales force automation is 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 management systems (also sales force automation systems (SFA)) are information systems used in customer relationship management (CRM) marketing and management that help automate some sales and sales force management functions. They are often combined with a marketing information system, in which case they are often called CRM systems.

Identifiable sales force management processes

- Setting targets and objectives based on inputs (usually via a command center)
 - Assigning factors responsible for achieving objectives
 - Control processes for ensuring objectives are being achieved within
 - a given time frame
 - a given constrained context (customers and/or markets)
- System management to handle uncertain environments

The process usually starts from specific sales targets. The command center analyzes the inputs and outputs established from a modeled control process and the sales force. The control process enables the sales force to establish performance standards, measuring actual performance, comparing measured performance against established standards and taking corrective action. The sales managers adjust their actions based on the overall process.

Aside from the control process, the following metrics are implemented:

- Time management – Accurately measures the tasks and the fraction of time needed for each task.
- Call management – Plan for customer interaction accounts for the fraction of command center reps that comply with the process and have successful calls.
- Opportunity management – If the process is followed correctly then a sales opportunity exists. The fraction of command center reps that use the tools, comply with the objective are all measured.

- Account management – For multiple opportunities with a customer the account is measured by the tools, process, and objectives.
- Territory management – For monitoring the account, the territory is measured by the number of account reps and prospective versus active customers.
- Sales force management – Process includes training, IT systems, control, coaching, and is shared across several people and departments.

Five major activities are involved in staffing a sales force. They must be divided into related steps. The first step is plan the recruiting and selection process. The responsibilities associated with this step are generally assigned to top sales executives, the field sales manager or the human resources manager. The company wants to determine the number and type of people needed, which involves analyzing the market and the job and preparing a written job description. The qualifications of the job must be established to fill the job. Second, the recruiting phase includes identifying sources of recruits that are consistent with the type of person desired, selecting the source to be used and contacting the recruits. You need to weigh out the options and evaluate its potential effectiveness versus its costs. Third, select the most qualified applicants. The selection phase has three steps, in the planning phase there may be qualifications specified and in the first step it is necessary to design a system for measuring the recruits against the standards from the planning phase. Then the system must be put into effect with the new applicants and then making the actual selection is the final step.

The fourth activity is to hire those people who have been selected. Just

because one makes an offer doesn't mean that the job is done. One must convince a recruit that the job offers everything that they need and want to get them to join a company or at least consider it. The fifth activity is to assimilate the new hires into the company. This is done by placing them under direction of an employee in the firm and possibly giving them a mentor to help them feel comfortable working in the firm and going through the training programs.

Components of sales-force automation systems

Sales-force automation systems vary in their capabilities. They can vary depending on what information an organization needs. The application also has implications based on an organization's size, organization rollup, demand of new system, sales processes, and number of users.

Advantages

1. To the Marketing Manager

- Understanding the economic structure of an industry
- Identifying segments within a market
- Identifying a target market
- Identifying the best customers in place
- Doing marketing research to develop profiles (demographic, psychographic, and behavioral) of core customers
- Understanding competitors and their products
- Developing new products

Establishing environmental scanning mechanisms to detect opportunities and threats

Understanding one's company's strengths and weaknesses

- Auditing customers' experience of a brand in

- Developing marketing strategies for each of one's 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 brands should be in the future, and providing an empirical basis to write marketing plans regularly to help get there
- Providing input into feedback systems to help monitor and adjust the process

Call Centre

Customer satisfaction and loyalty have become key objectives for organizations as they recognize that long-term customers cost less to service and are more likely to spend more with the organization. The call center is the place where many of these objectives are carried out one contact at a time. A call centre is often operated through an extensive open workspace, with work stations that include a computer, a telephone set/headset connected to a telecom switch, and one or more supervisor stations. It can be independently operated or networked with additional centres, often linked to a corporate computer network, including main frames, microcomputers and LANs. Increasingly, the voice and data pathways into the centre are linked through a set of new technologies called computer telephony integration (CTI). Most major businesses use call centres to interact with their customers. Examples include utility companies, mail order catalogue firms, and customer support for computer

hardware and software. Some businesses even service internal functions through call centres. Examples of this include help desks and sales support.

Outbound basic dialing

Not all predictive dialer solutions require customer data (usually referred to as ‘call records’) in order for them to work. At the most basic sense, these call records are simply a list of phone numbers to dial, however in practice companies will also provide with those phone numbers information such as the customer name, address, account number, and other information about why an individual may be being called. This data has two basic uses:

- The dialer uses the phone number(s) provided to make the actual calls
- to populate the ‘screen pop’ that is displayed to the agent when the call is connected (so that the agent knows who they are talking to and what about)

A few features available in this system.

1. Automatic call distribution
2. Interactive voice response (IVR)
3. Predictive Dialing.

The main objectives are

1. Customer satisfaction
2. Business process analysis
3. Employee development and welfare
4. Increase in revenue
5. Analyzing future trends

6. Cost Reduction.

Classification of Call Centers

1. Inbound / Outbound
2. International / Domestic
3. In-house / Out-Sourced

Call Center Development Process

1. Select a Location for the call center where there is an educated work force.
2. Select the underlying technology component.
3. Decide which channels to support on the call center. (Mail, Chat, Web Forms, Text Chat, VOIP)
4. Select the software solution, that meet requirements and will integrate with existing systems.
5. Integrate system when feasible.
6. Determine service level agreement and business processes.
7. Hire and retain staff.
8. Finalize the budget
9. Establish measurement and performance processes.
10. Establish on – going policies for training and updating CSR.

CHAPTER 8

CRM IN DIFFERENT SECTORS

Introduction

The service sector is receiving much deserved attention resulting from its inevitable role in a country's economic development, where it is mainly focusing of developing an inbound relationship with the customer, which helps in terms of retaining the customer. Because service is an “intangible good” include attention, advice, experience, discussion. The scope of CRM in service sector is vast where it includes Government, health care /hospitality education, banking, insurance, financial, legal, consulting, news-media, hospitality(restaurants, hotels, casinos), tourism, retail sales etc.,

CRM in Banking Sector

Increased competition in the banking market, reduced customer loyalty, easiness in switching between banks for customers and changing customer trends lead to banks to find a solution to attract and retain customers to increase their profit. The following are the impediments to CRM implementation services.

Technological issue

Most of the officers perceive the technology limited to record the information and transaction about the customers. The use of technology in further sophisticated information processing and dissemination is no done. There are multiple integration channels that simultaneously use the latest technologies in customer interface, service, and sales.

People issue

It means the lack of knowledge and skills in converting data to customer

knowledge. There is lack of motivation to utilize the potential of CRM software solution. There are less or insufficient decision-making authority and inadequate performance management parameters. In order to use the concept of CRM towards the customer centricity, sufficient decision-making power it requires to provide the customized, responsive and proactive services.

Process issue

As CRM is an organizational wide strategy, so the complete process requires being aligned in appropriate manner. The CRM implementation demands a change in organizational culture in terms of shared values, vision and mission. The success of CRM software lies in the ownership by all the departments with marketing in the strategic role to combine all efforts towards better customer service.

Benefits of CRM in the Banking Sector

The CRM software is the most important business management tool for the banking industry. For any service-based organization, an apt customer relationship management is the primary determinant & capable of changing the face of the company. The great solutions can help any industry in marketing new customers, dealing closures and also to facilitating the outstanding support service. Following are the few key benefits of CRM software in the Banking industry:

Improved customer retention

To increase new customers is a difficult job for banks. In this tough market environment, retaining existing customers is also a difficult job. Retaining the existing customers becomes an important part to have a grip in this competitive market. The customer's retention can be accomplished

by enhanced customers satisfaction and loyalty.

Boosted sales

Sales have become a crucial part of banks with an increase in the evolution of CRM. CRM software implementation assists banks in sales management with the sales modules. It also helps to identify and convert the leads into prospective customers and assist in the acquisition of new customers with the help of past track records.

More effective Marketing efforts

CRM services make the efforts of marketing department more productive & effective. It generates the report highlights that customers touch and data points, purchase behavior, engagement channels and much more. It also helps marketing team in exploring new marketing opportunities for engagement and retention.

Increased productivity

Having the entire data of the customers on a single screen, bankers can now spend more time on strengthening their customer relationship rather than spending time on gathering and organizing the data. It increases the productive by reducing cost with the help of minimizing or eliminating repetitive tasks.

Personalized Relationships

The ultimate objective of CRM software is to handle the customers on a personal ized level, as apparent identity. It is quite difficult to keep the track records and follow up on each individual customer data and look at the trends. It also helps to overcome the difficulties by letting bankers provide personalized services to every customer.

CRM in Insurance Sector

To maintain competitive edge and viability, insurance companies are focusing intently on delivering superior customer service. Key aspects which an insurance industry needs to include are-

- Providing a unified enterprise customer view
- Retaining customers with great services
- Controlling costs as the insurance company in question expands With the increase in the number of insurance companies in the market and consumers are becoming more aware of different policies. Insurance companies have realized the importance of CRM. The cost of attracting a new customer is five times more than that is incurred to make an existing customer happy. Therefore, to survive in the market, insurance companies need to implement CRM in their organizations. This is the key to success in the industry. The organizations can succeed who have been able to build a base of their loyal customers, because a loyal customer advocates the companies' products much better than the organization itself. The basic existence of the organisation lies in the hands of its customers. It can be easily concluded that for success, it is necessary to implement CRM in the right manner.

Importance of CRM in Insurance Sector: Many customers of Insurance companies are not aware of the policies and services to be rendered by the company. So there should be a relationship between the customer and the company. CRM helps the organisation to knowledge the customers on behalf of the organisation. Then only they become loyal to the organisation. Most insurers understand the CRM business proposition and have undertaken significant initiatives, there has been limited success to date.

Premium related services rendered by CRM

Life insurance premium has to be paid by the policy holder for a period of 5 years to 30 years. This period is depending on the term of the policy taken. In order to pay the premium in time, the company follow some CRM tools to help the customer. Customer service in insurance organizations is with strange constraints, which may not be very relevant in the other areas of services organizations. In some cases, it can go up to an entire life time of the client, if he or she is looking at backing up the risk coverage during the active working period with a reasonable and decent pension package.

Premium payment reminders

Sending reminders to the customers by mail is the oldest method followed by the organisation. Nowadays the insurance companies send reminders through e-Mail, SMS as per their customer's wish. The companies provide the facility to the customers to remit the premium not only in their office branches but also through new mode of payments such as service centres, net banking, mobile apps and bank accounts. Providing such user friendly services, the customers feel the service experience better.

Grace Period

The grace period for insurance policy means giving extra time to pay their premium, generally, 30 days for quarterly, half yearly and annual mode. For monthly payment mode, 15 days given as grace period. If the policyholder fails to pay the premium within the grace period, the policy will automatically lapse which means the policyholder no longer has the life protection of the policy. Providing grace period is also one of the CRM tool.

Premium related services rendered by CRM There are some other services also provided by the Insurance companies using CRM as a tool.

Duplicate policy

If the original policy is lost, it is not easy to get a duplicate policy because there is a chance of misusing the original policy against the company. So the company take several precautions before issuing a duplicate policy. A duplicate policy confers on its owner the same rights and privileges as the original policy. Issuing duplicate policy is also one of the CRM tool.

Alterations in policy

Nowadays a policy can be altered so easy. Topup facilities for sum assured are available. Like that, the reduction of sum assured also available. Mode of payment of premium is also changeable like monthly mode into quarterly or annually. Alterations In policy include conversion of whole life policy into endowment plan, alteration from without profit plan to with profit plan, correction in name, settlement option of payment of sum assured by instalments, grant of accident benefit, and etc. However, no alteration is permitted within one year of the commencement of the policy with some exceptions.

Policy transfer and change of address

Life insurance contract is long term process. So the address change of policy holder is inevitable. CRM helps the customer to apply and getting change in the address. As a result of address change, the policy records also to be get transferred from one branch to another. Today, all the branches are inter-connected through networking facility. So, the transfer of policy record from one branch to another is not necessary.

Maintenance of records

A policy holder may make modifications in the policy any time during the policy period. So it is vital to update and maintain the records of the policy holders. In early days, the policy holders have to contact their branches for every detail they want. But today, using effective CRM, it is easy to get any information they want.

Revival of policy

All life insurance companies provide the service of revival of the lapsed policies. Arrears of the unpaid premium with interest should be paid to revive the policy. If a revival of the policy is effected within 6 months of the first unpaid premium, no personal statement regarding health is required and the policy is revived on collection of delayed premium with interest. Providing such facility of revival gives policyholder the opportunity to bring the customer upto date and avail the benefits of the insurance policy.

Assignment and Nomination

A life insurance policy is easily assignable to another person. If a policy owner wants to donate his life insurance policy to some other person, he can easily transfer his ownership rights of the policy. But once the transfer is made, if the assignor wants to cancel it, then the assignee would re-assign it to the assignor. Life insurance policies insist their customers for nomination. Even though nomination is done at the time of purchasing the policy, nomination can also be made thereafter by means of an endorsement on the policy itself. Change and cancellation of nomination may be made any number of times by the life assured before the date of maturity of the policy.

Settlement related services

These are the essential services rendered by life insurers to their customers. A policyholder can terminate the contract whenever he wishes to, for any reason.

Surrender of a policy

Insurance companies provide policyholders the option of surrendering their insurance policies. Minimum three years, the premium have to be paid, the policyholder can surrender the contract for a guaranteed surrender value. In case of surrender, generally the policy has to be cancelled.

Paid up assurance

At least three years, the premium has to be paid and subsequent premiums are not paid, the policy will not lapse but will be converted into a paid-up assurance. The amount of claim will be available either on maturity of the policy or on death whichever is earlier.

Claims settlement

The settlement of claim is an important aspect of service to the policyholders. Life insurance companies have to give emphasis on expeditious settlement of maturity as well as death claims. They should provide proper guidance to their customers on the procedure for registering a claim and early settlement thereof. IRDA has given regulatory guidelines to insurance companies to make a speedy claim settlement. Introduction of CRM systems helps in web based loss filing and checking the claim status.

CRM in Hotel Industry

Customer satisfaction plays an extremely important role in any business. It is the customer's feedback about a product or service that determines its success and translates into profit for the company. This is especially true for service based industries like hotel, tourism or transport industries. All successful businesses in the world today thrive on customer relations rather than the quality of their products alone. It is crucial to identify, create and maintain a dedicated customer base in today's competitive market. Customer Relationship Management (CRM) not only builds a comprehensive database containing all information pertaining to the customers, but it also facilitates the company's long term growth by forging strong ties with the customers.

Customer Service in the Hotel Industry

In the hotel industry, it is not just the core customer services like pricing, quality and delivery that matter; it is also the friendly approach, the prompt problem-solving, and the flexibility in options that make a big difference. It is this extended customer service that gives a company an edge over others as it increases the customer's perceived value towards its services.

CRM is essential in the hotel industry as it helps a company exceed its customers' expectations by enhancing the aesthetic value of its services and providing the opportunity to build effective interpersonal relations.

Advantages

1. One-stop Database – A CRM Software contains all relevant data pertaining to its customers which are constantly updated to accommodate any changes. This facilitates for quick identification of data regarding the customer which aids in faster problem solving.

2.Enhances Sales Productivity – Repetitive sales tasks like sending bulk e-mails and generating reports can be automated, thanks to CRM. The CRM mobile access allows sales teams in the hotel industry to have ready access to their customers’ preferences which helps them to create more lucrative offers for their clients.

3.Customer Retention – While competition and product dissatisfaction account for only 9% and 14% of customer loss respectively, 69% of customers move away from one company to another due to the lack of personal bond with the company. As Rob Yanker of Mckinsey & Company puts it, “Winning back a lost customer can cost up to 50-100 times as much as keeping a current one satisfied.”

4.Winning Strategies – CRM employs strategies like cross-selling that involves offering customers services that augment their original purchase and develop their interest in other products of the company. Offering upgrades or extra services, for example, sightseeing packages come under the category of up selling. CRM strategies also include benefits like a two-day all-inclusive package at a discounted rate for its loyal customers. All these schemes increase the company’s sales while making the customers’ purchase experience more meaningful.

5.Customization – CRM software allows the hotel industry to customize products according to the target audience. While for certain customers, value for money is the priority, for many others luxury and overall experience matter the most.

6.Increases Referrals – With its focus on customer satisfaction, CRM creates a good referral base as contented customers give favourable reviews which in turn solidifies the company’s reputation.

7. Better Customer Support – CRM builds an effective customer support system that is fast and provides assistance to clients through phone, chat, e-mail and even in person.

CRM is not effective when used as a strategy or software; it needs to be adopted as a company philosophy for the best results.

CRM in Retail Sector CRM is an iterative process that turns customer data into customer loyalty through four sequential activities shown in the CRM Model. CRM is a new phenomenon in retailing industry. It is only the big retailers who have understood the potential and installed CRM systems to identify and track customer purchases and take appropriate management decisions, especially on managing customer relationships.

Now, organized retailers like Big Bazaar, Westside, Shoppers' Stop, etc., have started concentrating on providing more value to their valuable customers using targeted promotions and services to increase their share of wallet, i.e., the percentage of the customers' purchase made from these retailers with these customers. Almost all of them have started Loyalty Programs, i.e., frequent shoppers program in order to reward the existing customers. These programs help the retailers in increasing the number of footfalls as well as enhancing their sales revenues and profits. For example, Shoppers' Stop, one of the leading apparel retailer in India, had net sales of Rs. 1.6 Billion, increasing net profits by 96% with the company's loyalty program, First Citizen Club (a CRM program) accounting for 63% of the sales. (Source: Economic Times, August 12, 2006).

Customer relationship management role is the becoming very important tool for Fast moving consumer goods (FMCG). Fast moving consumer good means providing excellent quality products with very low cost. In

fact Fast moving consumer goods are very small like soft drink company coca- cola they sell the soft drinks in large amount then the profit will be automatically large.

Objectives of FMCG CRM:

- Sales & marketing Automation: Fast CRM for FMCG Companies in India automates complete sales and marketing activities in a single system & leads to high performance and profitability by giving you everything you need to sell effectively.
- Distributor & Retail Management: The web based CRM software help companies to optimize distributor and retails data and their communication with sales and support staff.

Primary and Secondary .: Sales Representatives placed any locality are required to submit their Monthly Sales and Stock Closing Reports to their Head offices on a daily basis. With the use of CRM sales automation, the process of submitting Monthly Sales and Stock Closing Reports to the Headquarters has become online. With the presence of the Pharma CRM, the Sales Representatives get their Primary Sales and Opening Stocks from the organization and they have to just fill in the closing stock on the given form.

Daily Call Reports: Daily call report helps managers to view each activity of sales representatives. Dedicated reports includes details of customer meetings, products, gifts and samples issued, retailer visits, next follow up, additional reports, etc. Managers can define the targets & track Performances of sales executives. Competitor Analysis: In contrast to situations where a person consuming a good is also the person choosing and paying for the good, the industry is characterized by a more complex

structure of decision making and payment.

MIS Reports: In business time is money. MIS & analytics can be considered as a very good data mining tools. Information as MIS & Dashboards graphs make the data available in more concise for sales force automation.

Features of FMCG CRM

- Efficient Inventory Management
- Streamlined Sales Process
- Strategic Product Distribution
- Better Visibility on Secondary Sales.
- Enhanced Automation of Downstream Distribution Process.
- Reducing Communication Gaps across all Levels.
- Lesser Inventory Handling Times
- Faster Stock Replenishment causing Opportunity and Revenue Gains
- Accurate MIS Reports for Management.

CRM in Manufacturing Sector

Any company to be successful must understand the needs of the customers and that too in depth. All these years the manufacturing industry was not very much aware of the importance of customer relations and the customer did not figure much in the picture. This was because they required the input from the customer only in the initial stage for specifications.. There was no specific purpose to ignore the customers but the lack of initiatives was more out of ignorance about the changed conditions around the business. Earlier manufacturing was associated with huge machinery processes and all factories were engaged mainly in the manufacturing of

the product. The customers were taken care of by some other agency.

Manufacturers today have starkly realized the importance and the inevitability of being customer centric. They have realized that the core of a business is the customer and the customer can make or break the organization. Customer emotions have an important role to play in any buying decision, whether the product is a consumer product or an industrial product is immaterial. The same logic applies in the case of repeat purchase as well. Positive feelings on the part of the customer will create a sort of emotional bond which has a strong influence on the buyer's decision. The changed mindset is crucial to handle the global customer of today who is choosy and demanding and needs to be satisfied on many fronts .An effective and successful business is possible only if the business is in touch with the customer and his psychology in making a business decision.

Advantages of CRM to the manufacturing sector :

- Achieving customer satisfaction -In the past customer experience was not given enough attention, but the latest offerings from CRM identify and solve the problems that crop up and also see that the service cost per customer is reduced. The employees are provided with the tools and resources to take the required decisions.
- Improvement in product- Customer feedback and suggestions are keenly studied and improvements are incorporated in the product design.
- Help sales- The sales department benefits out of sales analysis that indicates the products that are in demand and that are not, the reasons behind it, the changes in trends and buying factors etc

which translate in improved sales revenues.

- Adapting for success- The new CRM solutions help the organizations deal with the perpetually changing internal and external environment of the organization .They do not cater to the requirements of only a few departments but the whole organization by incorporating flexibility as and when required and thus create value for the customer.
- Maintaining the competitive edge- Tackling competitors is very difficult. How ever, identifying the competitive edge which is tricky and time consuming is facilitated by the CRM solutions.
- Increased customization- The new CRM solutions are open ended and accommodative that incorporate the changing needs quickly and cost effectively , making the organizations more innovative. Large organizations increase their cross selling and up selling opportunities , enable the staff to face the customers much more prepared by collecting information of the past track record and experience etc. and thus close the sales deals faster.

Customer retention- All the above activities result in increased customer retention. The customer is more pleased with all the attention showered on him ,improving the relations and creating loyalty on his part. Manufacturing industry was traditionally considered to be product centric in nature but ,of late, there are distinct signs that the industry is shifting towards being customer centric. . This change is because of the realization of the obvious facts that the customer is the heart of the business process and that the product profitability alone can no longer be the sole consideration for a business, if it has to survive long. Manufacturers are

fast accepting the fact that in order to boost sales and increase profits they need to make the customer the focus of their attention and pay more attention to customer satisfaction.

Role of management in successful implementation of CRM :-

The management should seriously consider the following for successful CRM.

- The management must define customer relationship in a way that can be measured and therefore managed.
- The top management has to be actively interested in the performance improvement of CRM.
- The organization should adopt a plan to improve performance in a systematic way. The organizational plans should define the targets against which progress can be measured.
- The organization should have an effective performance feedback system for all levels. The organization should explicitly measure performance against plan.
- In CRM, the people are a major factor in achieving success; they need to be motivated to ensure that they work from the bottom of their heart.
- The organization should go in for implementing technological applications of CRM only after it has ensured that the organization as a whole and its employees are ready for it. Readiness on the part of employees implies that they are technically trained to effectively handle the new technology and readiness on the part of organization implies finding out whether the organization really

needs the tool i.e. whether it is suitable for the operations of the organization, whether the basic preliminaries of customer segmentation, customer profiling etc are done before going into CRM application.. It should not be a case of running before walking.

- It is necessary that all transactions must be looked at as relationship building opportunities .Increased productivity and proper utilization of information technology helps retain customers and ultimately brings sustained profitability. The use of IT for better customer focus must result in increased revenue, market share and profits with reduced costs and improved efficiency.

CRM in Hospitality Sector

CRM in Hotels and Resorts determine which customers patronise the same hospitality brand on a regular basis.

- Catering to valuable guests
- Better customer data yields benefits
- New directions online

Catering to valuable Guests

- Not all frequents guests are alike and some are much more valuable than others in terms of profitability
- The key to identify frequent customers who book premium high profit accommodations and who patronize other profit generating resources
- The CRM technology can reveal frequent customers who provide the maximum Potential Better customer data yields benefits

- A well grounded CRM program should be built on generating high quality consumer information for designing promotion activities
- An enhanced reward program may need to be supplemented with other CRM tools and projects

CRM in Telecom Sector

- The beneficiaries of the competition being consumers the telecom players in today's environment are required to design and deploy customer centric strategies not only to grab a share in the market but also to sustain in the market in the long run.
- Well defined CRM strategy
- Competitive Analysis
- Error Free order entry and validation
- Value based customer service differentiation
- Smarter acquisition• Proactive Churn Mitigation
- Migrating prepaid customer to post paid subscriptions
- Knowledge management
- Real time retail channel management
- Billing Management.

Predicting customer behaviour for improved sales efforts

- Profiling – Building an appropriate profile of the customer
- Modelling – Using data mining on the profile information and conduct analysis
- Scoring – Use of predictive analytics to score the existing customers

CHAPTER 9

PERFORMANCE ASSESSMENT

Introduction

The performance assessment process is the final process in the Strategic Framework for CRM. The purpose of this process is to ensure that the organization's strategic aims in terms of CRM are being delivered to an appropriate and acceptable standard and that a basis for future improvement is firmly established.

As emphasized throughout this book, CRM breaks with traditional management practice in that it involves the whole organization and emphasizes avoiding functional divides. In so doing CRM embraces a new logic for commercial relevance: business success ultimately derives from the creation of customer value, which is achieved through the skilful management and development of customer relationships involving all key stakeholders. Market leaders will be those who can demonstrate an unflinching ability continually and consistently to deliver products and services that fulfil customers' needs and expectations and can do so in a manner that highlights organizational competencies and cost effectiveness. This is a tall order and demands the coordinated effort of all company members and partners throughout the supply chain.

Likewise, the evaluation and enhancement of performance needs all the required information to be supplied in a timely and accessible manner by the information management process. This requires the adoption of a more inclusive and comprehensive perspective. We believe that concerns about the effectiveness of CRM solutions are a key factor driving companies to consider CRM in this broader context of business strategy and to monitor CRM performance more carefully against specially selected criteria.

Key Drivers of Shareholder Results

To achieve the ultimate objective of CRM – the delivery of excellent shareholder results through an increase in shareholder value – an organization must maximize the main sources of revenue, profit and growth within the context of both business and customer strategy.

The four main elements are :

- building employee value
- building customer value
- building shareholder value
- reducing costs

The linkage model suggests that an improvement in leadership and management behaviour has a positive impact on employee attitudes and employee satisfaction. The more satisfied and motivated an employee, the longer they are likely to stay with an organization and the better they will do their job. This will have a positive effect on customer satisfaction, so customers will stay longer and generate higher sales for the company. The result is stronger profitability and increased shareholder value. This model provides a key logic to the broader perspective of CRM.

Employee value

In addressing CRM performance it is tempting to focus immediately on standards for CRM, metrics and key performance indicators (KPIs). However, the need first to focus on the drivers of shareholder results should be emphasized. John McKean in his book *Information Masters*⁴ made a critical observation that typically 92 per cent of the historical investment in CRM expenditure goes into data and technology, but these aspects only represent 25 per cent of the competency determinants for

success. Organizations need also to make sure the other most critical elements that represent 75 per cent of the competency determinants for success, such as people, processes, organization, culture and leadership actively support CRM activities in a relevant manner. McKean's research indicates that a total of 60 per cent of the competency determinants for success involve people, organization, culture and leadership. Thus the people element is absolutely critical in making CRM work.

Employee value needs to be considered from two perspectives –

- the value employees deliver to the organization and
- the value the organization delivers to employees.

Customer value

Customer value is concerned with both the value the organization receives from the customer and the value the customer receives from the organization. The value the organization receives from the customer is determined by the profits obtained from the customer over the lifetime of their relationship with the organization, or their 'customer lifetime value' and the economics of customer acquisition and retention. The value the customer receives from the organization is defined by the perceived benefits of the offer made to the customer, which extend beyond the core product or service. These higher level benefits, or 'added values', emanate not from basic product features but from intangible factors, such as the provision of better customer service or association with a quality brand image. A number of measures are used to monitor this aspect of customer value including customer retention, customer acquisition costs, customer satisfaction and customer profitability. The nature of 'the offer' a company makes to its customer – Customer value is an inherent part of the product or service offer which the company can actively manage to benefit

the customer. Customers do not buy goods or services, but rather a bundle of benefits in the form of product features and added value. This total offering – or ‘the offer’, as it is commonly called – represents the value that customers get when they buy goods or services. The use of relationships and branding to increase customer value – Building better relationships with customers through offering superior customer service is one way of securing competitive advantage. The use of customer service as a more important competitive weapon derives from increasingly sophisticated customer requirements and the demand for ever-higher standards of service. Developing greater customer involvement with the company’s products is a good way to use the brand to enhance customer value.

Shareholder value

The growing power and influence of financial analysts has driven many company boards to regard the creation of shareholder value as their primary business objective. However, the emphasis is frequently placed on quarterly results rather than the longer term. Balancing long-term and short-term returns and communicating this balance to shareholders, is therefore becoming a priority. Shareholder value is created by achieving a favourable rate of return on capital invested. This can be accomplished in a number of ways. Ian Cornelius and Matt Davies⁵ have summarized the five principal strategies that can lead to the creation of shareholder value. These are :

1. Increasing the return generated on existing capital invested
2. Investing more capital where the rate of return exceeds that required
3. Divesting assets which generate a return lower than that required, thus releasing capital for more productive use

4. Extending the period over which returns above the required rate are generated

5. Reducing the cost of capital.

These strategies require a ‘value based management’ approach that emphasizes creating and maximizing the wealth of shareholders in every aspect of the business. Such an approach involves measuring and managing the following key financial variables, or ‘value drivers’:

- The opening amount of capital invested
- The rate of return generated on capital
- The rate of return that investors require
- The growth in the value of capital invested
- The time horizon over which returns are expected to exceed those required by shareholders.

Cost reduction

Cost reduction can represent a good source of increase in profits and shareholder results.

Opportunities for cost reduction lie in :

1. Exploiting economies of scale
2. Benchmarking best practice within and outside the industry
3. Outsourcing non-core activities
4. Leveraging shared activities across the organization
5. Improving CRM efficiency and effectiveness.

Better information management can be a primary source of cost reduction in CRM.

For example, one large US investment bank found they could redeploy 45 per cent of their staff in marketing, sales and service because the time

required to undertake these activities was significantly reduced through gaining a higher level of information competency.

Developing Appropriate Standards and Metrics

Despite the increasing focus in businesses on customer-facing activities, there is growing concern that the standards and metrics generally used by companies for assessing CRM performance are not as advanced as they should be. In particular, more detailed standards, measures and KPIs are needed to ensure CRM activities are planned and performed effectively and that a feedback loop exists to maximize organizational learning and improvement. As shown in the Strategic Framework for CRM, assessing CRM performance involves a consideration of the contribution and The performance assessment process interaction of multiple processes. The five interrelated and cross functional processes common to all commercial organizations are:

- The strategic development process
- The value creation process
- The multi-channel integration process
- The information management process
- The performance assessment process.

These processes centre on how the organization delivers value to the customer while enhancing the value received by the company in terms of shareholder results. While these processes have universal application, the extent to which they are emphasized will vary according to the situation of the organization concerned. Companies need simultaneously to consider what standards and metrics should be used by them and what their CRM priorities, given their specific circumstances are. Organizations can benefit

from first learning about existing standards and metrics used by other organizations before reinventing what others have already done.

The QCi Customer Management Assessment Tool (CMAT)

CMAT™ is a proprietary assessment tool for understanding how well an organization manages its customers. It is carried out by trained assessors who are experienced CRM practitioners within QCi Assessment Ltd,⁹ a specialist CRM consultancy, or one of its partner organizations.

The model is based on the following elements:

1. Analysis and planning
2. The proposition
3. People and organization
4. Information technology
5. Process management
6. Customer management activity
7. Measuring the effect
8. The customer experience.

Each of these elements is further sub-divided into component parts.

For example, ‘people and organization’ covers:

- organizational structure
- role identification
- competencies definition and gap analysis
- training requirements and resources
- objective setting and monitoring
- supplier selection and management.

CMAT uses over 250 questions to assess the organization’s performance. Each question in the assessment is based on known and demonstrable

good practices from the clients of QCi and from accepted industry benchmark organizations. A ‘scoring based on evidence’ approach is taken to answering each question and a broad range of people, from senior directors to operational level practitioners, are interviewed. The approach is specifically designed to identify clear plans, real delivery and an identifiable effect of each of the practices questioned. In this way the all too common gap between senior management perception of the situation and the ‘front line’ reality is often identified.

Customer Operations Performance Centre (COPC) Standard Other standards focus on particular aspects of CRM in more detail. One such approach is the COPC Standard developed by users of customer service centres, call centres and fulfilment services in the USA. It was initiated by representatives of a number of leading companies – including American Express, Dell Computer Corp., Microsoft, Novell and L.L. Bean – in response to their concerns about the performance of call centre providers. The developers of this standard believed that improvement standards could help augment service quality within a service environment, just as has been seen in manufacturing industries that employed similar quality measures. Although some service providers used existing standards such as ISO 9000, these were orientated towards manufacturing industries and failed to give the operational benefits that were needed in service businesses.

The COPC-2000 standard¹⁰ is awarded to companies successfully completing a formal audit measuring the effectiveness of their internal customer-facing operations. Among its aims is to distinguish between excellent service providers and those that are mediocre, enabling companies who are outsourcing call or service centres to use this

information before they make their purchasing decision. The standard includes developing process specifications based on customer requirements, so service delivery processes are customer and not operationally driven.

The COPC standard is based on a number of well-recognized criteria used in the Malcolm Baldrige Quality Award. There are four key areas used within these standards. Performance standards, includes customer satisfaction, product and service quality, employee satisfaction and supplier performance Processes, includes process control, supplier management, internal quality audits and product development People, includes recruitment and development, compensation, recognition and the work environment of employees Planning and leadership, includes leadership, planning and performance review. Although COPC does not set specific performance objectives that every call centre must meet, it does require that all performance metrics are tracked by linking them to customer satisfaction drivers. This information is then used to improve overall call centre performance.

Metrics

The identification of appropriate metrics is another challenge for companies seeking to evaluate and enhance their CRM performance. The main problem lies in determining the critical measures of CRM related activity that are most appropriate to the organization and managing them effectively. It is important at this stage to note the distinction between metrics and KPIs. Metrics involve all those CRM-related activities that should be measured. Key performance indicators are the high-level measures that are critical to the success of the business and that should be monitored closely by the Board and top management.

We consider four main categories of CRM metrics are especially important – customer metrics, operational (employee and process) metrics, strategic metrics and out put and comparative metrics. These key metrics represent the ‘vital statistics’ of healthy CRM, signaling the strength or weakness of the underlying CRM processes. Other more specialized metrics may also be needed to meet specific company requirements. In any event, these CRM metrics should be applied regularly to provide an overall appraisal and monitoring of CRM effectiveness.

Customer Metrics

Customer Metrics measure both the value delivered by the organization to the customer and the value delivered by the customer to the organization. They are focused around measures of customer attitude and behaviour.

Customer Metrics are used to measure :

1. Customer acquisition and customer retention rates
2. Customer satisfaction measures
3. Customer lifetime value
4. Customer experience within channel and across multi-channels
5. Customer complaints and seriousness of them
6. Segment and micro-segment profitability
7. Share of wallet’
8. product density (number of products and services used by a customer)
9. customer recommendation and advocacy measures
10. increase in customer value through cross-sell and upsell.

People and process metrics

People and process metrics focus on how well the organization’s resources are managed to optimize CRM at an operational level. People metrics are concerned with standards used to monitor the skills and motivation of

employees in delivering the customer experience. Process metrics reflect the efficiency of the organization in delivering CRM, including cost savings secured through process enhancement.

People metrics are used to measure :

1. Employee performance against customer service standards
2. Employee satisfaction
3. Employee attitudes and motivation
4. Employee productivity
5. Staff absenteeism
6. Employee retention and employee tenure
7. Recruitment costs.

Process metrics are used to measure :

1. Customer service levels
2. Order fulfilment
3. Supplier performance targets
4. Variation within key customer processes
5. New product/service development targets
6. Time to market
7. Process improvement targets.

Strategic metrics

Strategic metrics measure the organization's success in achieving its business objectives within the strategic approach to CRM that has been adopted. They measure, for example, the extent to which the business strategies meet the required shareholder value targets and strengthen the organization's position in the marketplace.

Strategic metrics are used to measure :

1. Shareholder value added/market value added
2. Profitability and cash flow
3. Returns on net assets, sales, CRM investments, etc.
4. Growth rates
5. Expense ratios
6. Market positioning
7. Innovation
8. Brand equity
9. Specific targets for other stakeholders.

Output and comparative metrics

Output and comparative metrics measure the output of the organization's CRM strategy, especially in relation to competitor activity and recognized best practice. These comparative measures are frequently more important than absolute measures. Sole reliance on internal metrics can be dangerous for they provide an isolated and insular view of the situation. For example, a market share of 20 per cent may be advantageous if the largest competitor has a market share of 10 per cent; however, it may be risky if the two largest competitors have market shares of 30 per cent each. Similarly, high levels of service quality and customer satisfaction are generally only beneficial if they are higher than those of the competition.

Output and comparative metrics are used to measure:

1. Relative profitability
2. Relative market share
3. Relative customer satisfaction
4. Relative customer retention
5. Relative employee retention and satisfaction
6. Relative product or service quality

7. Cost reduction
8. Improvements in employee value (in terms of employee retention and satisfaction)
9. increased competitive differentiation.
10. Lifetime value (the contribution to company profits over the duration of the customer relationship. Measuring lifetime value is particularly important as less valuable customers using other channels can be moved to improved levels of profitability through using the web channel)
11. Loyalty value (this includes visitor frequency, visit duration, number of pages viewed per visit, time elapsed between the user's first visit and most recent visit)
12. Freshness factor (how often content on a web site is reviewed and renewed versus how frequently users visit the site).

Key Performance Indicators (KPI)

As noted above, it is necessary to make a distinction among the metrics outlined above. Some of them will be relevant at an operational level and some important at a strategic level. The latter metrics are the key performance indicators that are critical to the success of the business and which need to be monitored regularly at Board level. Tim Ambler, a leading researcher on performance metrics, made the following comment about high-level KPIs. 'Large companies have too many measures ... Ten to 20 external metrics, plus two to five for the internal market (employees), are enough for the Board of a large company. Metrics and managing for value, taken together, give the Board the information it needs. Decisions regarding which CRM metrics and high-level KPIs should be adopted for measuring the effectiveness of CRM processes and activities should not be taken casually. Using the wrong measures or

measuring the wrong things is clearly self-defeating. Many companies will therefore need to establish a formalized system for monitoring CRM performance in order to ensure that the right metrics are used to manage activities at operational level and the right The balanced scorecard One of the most popular attempts to provide cross-functional measures is the balanced scorecard approach developed by Robert Kaplan and David Norton.¹⁵ Their approach advocates the combination of four different perspectives of performance:

1. The customer perspective, which focuses on how the customer sees the organization
2. The internal perspective, which identifies what an organization must excel at the innovation and learning perspective, which focuses on how an organization can improve and create value and the financial perspective, which considers how an organization appears to its shareholders.

The 'balanced scorecard' has become an important part of many organizations' CRM activities as it contains a customer outcome dimension. However, the mixed focus of the scorecard approach can lead to inadequate levels of customer-responsiveness and lethargic change-management initiatives. The developers of this model also point out that companies need to create their own unique scorecards which reflect the nature of their own businesses and key priorities. In the same way, CRM performance measurement needs to be approached in an appropriately tailored way.

CHAPTER 10

ROLE OF INFORMATION TECHNOLOGY IN CRM

Introduction

Technology plays a vital role in every aspect of business world. Communication between the company and the customers become easier and faster. It is also important for the customers to have established good communication with the company so that their needs would be catered properly. The utilization of technology in communication is one way to become progressive and to become aware of what is today's latest trend.

Technology and CRM as partners would result to a successful and productive type of business. It would also help companies to be more updated so that they would be able to beat the competition and make their company one of the best. Technology integration has many effects for the betterment of CRM.

e-CRM

- e-CRM is the application of CRM to an e-business' strategy
Includes the personalization and customization of customers' experiences and interactions with the e-business
- Relationship between merchant and customers is distant
- Less expensive to keep customers than to acquire new ones
- Repeat customers have higher lifetime value than one-time buyers
– A customer's lifetime value is the expected amount of profit derived from a customer over a designated length of time
- Evaluate the potential to profit from a customer
- Tracking and Analyzing Data
- Employ tracking devices

- Personalize each visitor's experience
- Find trends in customer use
- Measure the effectiveness of a Web site over time
- ID cards
- An ID card enables information to be sent to your computer from a Web site such as the numerical address of your PC on the Internet, your browser and your operating system
- Click-through banner advertisements
- Click-through advertisements enable visitors to view a service or product by clicking the advertisement
- Advertisers can learn what sites generate sales
- Tracking and Analyzing Data

Web Bugs, or clear GIFs

- A type of image file embedded in an image on the screen
 - Site owners allow companies, especially advertising companies, to hide these information-collecting programs on various parts of their sites
 - Every time a user requests a page with a Web bug on it, the Web bug sends a request to the Web bug's company's server, which then tracks where the user goes on the Web.
- Log-file analysis
 - Data mining
 - Customer registration
 - Cookies

- When visiting a site, you are submitting a request for information from the site's server and the request is recorded in a log file
- Log files consist of data generated by site visits, including each visitor's location, IP address, time of visit, frequency of visits and other Information
- Log-file analysis organizes and summarizes the information contained in the log files
- Can be used to determine the number of unique visitors
- Can show the Web-site traffic effects of changing a Web site or advertising campaign
- Customer Registration
- Requiring visitors to fill out a form with personal information that is then used to create a profile
- Recommended when it will provide a benefit to the customer
- When customers log on using usernames and passwords, their actions can be tracked and stored in a database
- Require only minimum information
- Give customers an incentive to register
- Free-trial run or a free demonstration to familiarize the user
- After customer registration, send an e-mail including customer usernames and welcoming them to your Web site Cookies
- A text file stored by a Web site on an individual's personal computer that allows a site to track the actions of a Information collected is intended to be an anonymous account of log-on times, the length of stay at the site, purchases made on the site, the site previously visited and the site visited next
- Does not interact with other information stored on the system
- Can only be read by the host that sets them on a person's computer

- Cookies Benefits
- Record passwords for returning visitors
- Keep track of shopping-cart materials
- Register preferences
- Assist companies in address target markets with greater accuracy
- Negatives
- Customer privacy
- Can be misleading to site that places cookie on a computer
- Different people may use the same computer to surf the Web, and the cookie will not be able to differentiate the users
- Personalization
- Uses information from tracking, mining and data analysis to customize a person's interactions with a company's products, services, Web site and employees
- Allaire, Blaze Software, NetGenesis and Personify
- Establish relationships that improve each time visitors return to site
- Customers may enjoy individual attention and become more loyal
- Personalization
- Collaborative filtering
- Compares ratings of a present user's interests and decisions with those of past users to offer content relative to the present user's interests
- Rules-based personalization
- The delivery of personalized content based on the subjection of a user's profile to set rules or assumptions
- Intelligent Agents
- A program that can be used on the Web to assist a user in the completion of a specified task, including searching for information and automating tasks

- Can be used as personalization mechanisms by providing content related to the user's interests
- Can observe Web-surfing habits and purchasing behavior to recommend new products to buy or sites to visit
- Can help e-businesses offer a level of customer service similar to person-to person interaction
- Personalization vs. Privacy
- Some people feel personalization represents invasion of privacy and others may not be aware that data is being collected and personalization is occurring at a site
- Marketers must be discrete about the way they use personal information gained from data research
- Personalization Consortium
- An alliance of major Web sites attempting to accommodate those individuals
- Released a study suggesting that most users actually prefer to have their information stored and actions tracked
- Contact Centers
- Traditional call centers house customer-service representatives who can be reached by an 800 number
- Call center, e-contact center or multimedia contact center
- Purpose is the same to provide a personal customer service experience that is individualized to each customer's needs and questions
- Allow customers with Internet access to contact customer service representatives through e-mail, online text chatting or real-time voice communications
- Integration of all customer service functions
- Change the culture of customer service representatives

- More technically knowledgeable to handle all forms of contact
- Provide a highly personalized experience that satisfies customers
- New forms of contact can decrease costs
 - Outsource contact center services
- May be appropriate if a company cannot afford to implement a contact center due to the costs of equipment, office space, service representatives and technical support.
- Stream International, Inc. Sitel Corporation and TeleTech
- e-Mail
- E-mail can provide a less expensive customer service solution
- Customers can use e-mail to ask questions or comment on your company's services or products
- Only appropriate if you have resources to handle demands
- Customers may be not be willing to wait long for an e-mail reply
- Ideally, a response to a customer's e-mail inquiry should be completed within forty-eight hours
- Online Text Chatting
- Provides a real-time form of communication between customers and service representatives
- Service representatives may be able to handle more than one text chat at a time
- Customers can continue to view the Web site as they chat with a service representative
- Voice Communications
- Internet provides another channel for human-to-human voice communication
- Voice over Internet Protocol (VoIP)
- Quality of transmission yet to match regular telephone

- Many companies are using PC-to-phone communication because it is of higher
- Partners can include resellers, distributors and businesses that improve your product or service
- Integrating systems to combine selling, buying and marketing operations of partners will streamline processes and provide technical conformity
- Channel Wave Software, Inc., Allegis and Partnerware
- Complete e-CRM Solutions
- Solutions, software or services that use and integrate all the tools of CRM provide a single view of a customer
- Costs include the price of the software or service itself, the integration into the current system, the maintenance of the system and employing the service representatives
- Solutions will continue to become more efficient
 - E.piphany
 - eGain
 - Siebel Systems
 - Kana Communications
 - Oracle Systems

CHAPTER 11

ELECTRONIC CRM

Introduction

E- CRM is the electronic based version of CRM. The user of an E- CRM solution uses the sources of the internet to increase the relationship with the customer. E-CRM provides a company to conduct interactive, personalized and relevant communication across the globe with their customers by utilizing both the traditional and electronic channels. It adheres to permission based practices, respecting individual's preferences regarding how and whether they wish to communicate with you; and It focuses on the understanding how the economics of the customers relationships affects the business.

- Web based CRM can easily handle the relationships between
- Central sales management,
- Regional sales office,
- Customer care,
- Sales,
- Sales distribution,
- Regional sales team etc.

e-CRM

E-Commerce actually began in the 1970s when larger corporations started creating private networks to share information with business partners and suppliers. This process, called Electronic Data Interchange (EDI), transmitted standardized data that streamlined the procurement process between businesses, so that paperwork and human intervention were nearly eliminated. EDI is still in place, and is so effective at reducing costs and improving efficiency that an estimated 95 per cent of Fortune 1,000

companies use it. Today, electronic commerce increasingly refers to business conducted over the Internet. EDI, for example, is being brought to the Internet and allowing companies to save money by eliminating the old system's expensive private networks and by expanding reach to include more businesses on the supply chain. Other business-to-business transactions are simply moving to the web without using the standardized forms required by EDI. More recently, brand names like Barnes and Noble, the Gap, and Wal-Mart and Indian companies like BPB publications and rediff on the net have set up shops on the Net, and many experts believe that these and other brand names will be able to establish long-lasting presence on the Web. Today, all a person needs is a computer, a browser, and Internet access, and he or she can buy flowers, airline tickets, and even a car. The web communities built around these portal sites with content have been effectively targeted to sell everything from event and movie tickets to the grocery and computers. Indian businesses trying to get into e-Commerce maybe frustrated, since in India RBI does not allow credit card information to be taken over the Internet without a legally binding signature. The Indian government now recognizes digital signature for customer verification over the Internet.

EVOLUTION OF E-CRM

Customer Support – A Historical Perspective The Customer is King. This mantra, although used for a long time, has not been put into practice until recently. Forget the notion of royal treatment; customers were not even treated with dignity by most organizations. As recently as the 1970s and 80s, the concept of customer support meant that organizations were doing a favour by answering a few questions for the customer on the phone – after putting them on hold for an hour! Standing in line to buy something

was common and expected. Remember when the customers had to go to the airports to buy tickets only because the airlines kept them there? Organizations simply lost touch with the realization – which they existed because of these customers.

Evolution of Customer Relationship

The 1990s brought two new concepts that challenged the prevailing business landscape: deregulation and the Internet. These forces brought down the barriers of entry resulting in an environment of intense competition. Stores faced competition from on-line start-ups. Traditional bricks-and mortar banks fought for customers with online or virtual banks. Airline tickets were increasingly purchased from the convenience of our home. The explosion in information allowed consumers to compare features, and prices across multiple providers. Products became commodities and prices could not be lowered further to ensure survival. Customer service became the only major differentiator in many cases. Customers received what they have always deserved – respect. The customer was now truly the king. Business customers, although always treated with more respect than individual consumers, were more or less ignored in the early stages of the Internet boom. The emphasis focused on expanding the consumer base regardless of positive cash flow, revenues, and margins. The demise of many dotcoms brought an epiphany. Companies realized that they needed to focus on their enterprise customers. The advent of e-CRM applications was the first big step toward providing better support to the strategic business customers. Although these solutions provided automated self service to customers, they still treated all customers the same. Furthermore, the focus of these applications is more on improving call centre productivity. Clearly, these

applications add value and help many organizations execute their CRM initiatives. However, they are not effective in meeting the needs of an organization's strategic enterprise customers. Each enterprise customer has its own needs and craves personalized support.

Definition of e-CRM

CRM is a fundamental facet of an organization, encompassing the philosophy and mission of organized business that is engaged with a well-knit customer-focused knowledge base and pervasive communications. It is more than software or process, and equal to a culture of gaining and keeping value customers, delivering the inimitable benefits. E-CRM can contribute incontrovertibly to an organizational transformation into a real time enterprise for customers, while harnessing the power of technology in a rapidly changing competitive landscape.

The major benefits that accrue are new sales and account opportunities, quicker, smarter decision-making, and better efficiencies leading to significant improvement in customer service.

Some of the core benefits of e-CRM are given below:

1. Extended customer relationships,
2. Competitive services delivering high value,
3. Improved product and service delivery processes,
4. Better customer knowledge and insight, and
5. Smooth, efficient customer service.

E-CRM is operational by integrating sales, marketing and customer service functions, allowing for internal collaboration on valuable customer knowledge and empowering to connect to customers and partners through any process, functional system and communication medium – telephone,

fax, e-mail, internet and mobile. To take the best decision possible, engage the entire top management, and evolve an informed and dynamic project group (relevant functional leaders) to deliver a reasonable business case with clearly identified roles, responsibilities and diligence perspectives, with lucid time lines.

Scope of e-CRM

The scope of e-CRM encompasses:

1. **Sales:** Supports key functions such as contact management, opportunity management, forecasting and 360-degree view of all customer accounts and interactions. Automate and organize sales force activities for focused selling and closing.
2. **Marketing:** Detailed schedules and tasks, maintaining contact lists and activity logs, automation association with leads, accounts or contacts, managing product and resource information, marketing alerts, etc.
3. **Channel Management:** Supporting key functions as campaign management and analysis, and customer demographic analysis.
4. **Customer Service:** Provides an efficient workflow and easy access to information while synchronizing customer data across all communication channels.
5. **Partner Management:** Tracks and analyses sales made by partners and track contacts associated with dealers, distributors And other channel partners.
6. **E-Business:** Creation and customization of customer centric web pages, enabling customers to generate and track support requests from the company's website.

CRM vs. e-CRM

The points stated below differentiate between CRM & e-CRM.

1. E-CRM is not just customer service, self-service web applications, sales force automation tools or the analysis of customers' purchasing behaviours on the internet.

2. E-CRM is all of these initiatives working together to enable an organization to more effectively respond to its customers' needs and to market to them on a one-to-one basis.

3. E-CRM is integration between the traditional CRM and e-Business application. This small 'e' should be a gigantic 'E' because this technology, when properly used, can have a significant impact on industries and the structure of businesses. Essentially, the 'e' enables an organization to extend its infrastructure to customers and partners in ways that offer new opportunities to learn customer needs, add value, gain new economies, reach new customers, and do all of this in real time.

4. E-CRM is all about strategy and therefore requires the direction and engagement of senior management to be successful. Senior management must have a broad understanding of the capabilities of these technologies and then translate them into specific opportunities that leverage competitive advantage.

5. E-CRM is different from traditional concept of customer service. For example, the traditional customer service concept works as follows:

- (a) Customer has a problem with a product or service late in the evening.
- (b) Customer has to wait till company offices open the next day. He is upset because he cannot resolve the problem immediately.
- (c) Next day when he contacts the company, the Customer Service Representative assists the customer in resolving the complaint. Sometimes

resolution of complaint can take days, as the Customer Service Representative may not have the desired information or necessary technical skills to resolve the problem. Customer is not happy.

6. On the other hand, e-CRM is proactive and provides easily accessible data for real time decision-making. e-CRM would tackle the above situation as follows:

- (a) Customer has a problem with a product or service late in the evening.
- (b) Customer does not have to wait till morning to have his problem resolved. He visits company's website for assistance and checks the Frequently Asked Questions (FAQs). He is able to resolve his problem. Customer is happy.
- (c) In case, he is not able to resolve his problem, the customer clicks the "Help Now" button and a Customer Support Representative.
- (d) The Customer Support Rep accesses the knowledge base and conveys the desired information to the customer to resolve his problem. Customer is happy.
- (e) The details of the interaction are recorded in the customer history, so it is available to any Customer Service Rep who has any interaction with the customer in future.
- (f) Knowledge base is updated with relevant information from this interaction. An email is automatically sent on behalf of the President of the company to the customer asking him if he was satisfied with the resolution of the problem.

Determining what types of e-CRM tools to implement depends on how a company anticipates customers' needs. For example, a customer purchased something from the Web site and needs to know how to return

merchandise, will it be necessary to offer a customer service representative to answer the question? Or with the use of the latest e-CRM technology to provide the customer with an instant answer and save on the cost of having a person answers a simple question? Automatic response technology is an example of an e-CRM tool that helps effectively and efficiently communicates with customers and builds close relationships with them. By doing so, a company gains customer loyalty.

To ensure that the website is customer's preferred place a business must provide effective customer service.

1. ***Knowledge of Warehousing:*** Capturing customer information is the key to managing customer relationship. Software that can consolidate customer information into a single database would provide your business with important analysis for customer tracking and analysis.

2. ***Data Resourcing:*** Using data from multiple resources, including customer information databases, e-CRM focuses on building a real time customer profile for each customer. Your customer agents can target market selective based on what it knows about a particular customer.

3. ***Categorizing or Segmenting Customers:*** Customer information collected in databases is presented in formats that can be easily analyzed. Reports track customer service issues and assist in e-marketing campaigns. Your company can use data gathered by these tools to segment your customer base into several groups or categories.

4. ***Delivery Options:***(a) ***Self-hosted Applications:*** The software is hosted by the e-business. The vendor will teach users how to put the software to use. ***Downside:*** it costs more, you have to maintain the applications yourself and implementation time is usually longer. ***Upside:*** you have absolute control and customization power.

(b) *Application Service Provider (ASP)*: The vendor will host the software and system. *Upside*: You don't have to do much implementation and don't have to know how to use the system and deployment is faster. *Downside*: changes and customization are more difficult to make, reporting capabilities are limited and there is the perception that there's less security.

(c) *Outsourced Model*: Similar to the ASP option. A company with limited resources and capabilities will utilize outside businesses to fill in the gap. *Upside*: you don't have to hire additional employees and commit to complicated and expensive applications. *Downside*: less control.

Challenges in e-CRM

1. **Security**: A sense of security needs to be established and customers must be able to select a mode of payment and the software must verify their ability to pay. This can involve credit cards, electronic cash or purchase orders. Specialized software such as cyber cash and Microsoft-wallet can verify the purchaser and the purchase. E-CRM software usually works with the Secure Sockets Layer (SSL) developed by Netscape or the Secure Electronic Transaction (SET) technologies for encryption of data transmission. The more support by an e-commerce package, the better for the security.

2. **Digital Certification**: The method used to establish identity is based upon an object called digital certificate. A digital certificate simply ties together a public key with say the name and address of the customer or merchant. The trick is that these certificates are signed by a trusted third party, in much the same way that the passport is signed by the government that issues it. Verisign, a spin off from RSA data security is in the business of issuing these certificates which they called Digital IDs. Currently these

are digital IDs are not recognized by the Indian government.

3. ***Future Trends in e-CRM:*** The forces that determine the web's winners and losers are just taking shape and technological advances could add even more uncertainty. On the downside, some experts predict that it will be increasingly difficult for smaller companies to establish their presence. Public companies and traditional brand name retailers have deep pockets and a name recognition that will make it difficult for smaller sites and mom and- pop shops to attract customers, thereby forcing them to compete with the big firms. On the upside, nearly all experts believe that overall e-commerce will increase exponentially in coming years. Business to business transactions will represent the largest revenue. Online retailing will also enjoy a drastic growth. Areas expected to go include financial services, travel, entertainment and groceries. And for those considering opening a virtual storefront, forthcoming technology and standards agreements will make it easier to create a site, to protect it against payment fraud, and to share information with suppliers and business partners.

Features of Effective e-CRM

Any e-CRM is the customer-facing Internet portion of CRM. It includes capabilities like self-service knowledge bases, automated e-mail response, personalization of Web content, online product bundling and pricing, and so on. The web-based e-CRM gives Internet users the ability to carry on with the business through their preferred communication channels. It also allows the business to offset expensive customer service agents to add value to its ability to improve customer satisfaction and reduce costs through improved efficiency. However, an e-CRM strategy deployed alone can also backfire and this actually may result in decreased customer

satisfaction. If the customer's interactions through electronic channels are not effortlessly integrated through traditional channels the customer is likely to become extremely frustrated. Also, if the basis for the content being served to the customer does not consider all the data gathered for the business, the customer is likely to be served in that way. Therefore, it is imperative that e-CRM be installed in conjunction with traditional CRM and that the two function together. Otherwise, the result of e-CRM might actually prove negative.

Designing e-CRM

Some CRM companies have Web-enabled their existing application and called it "Internet ready". Others have redesigned it from the bottom so that it is referred to as a Web application, rather than a client/server application that can be viewed on the Web. These are the fundamental architectural differences. Mere accessibility from a browser does not turn a CRM application into e-CRM. For technology to fulfill the promise of making the desired customer activity possible, the invisible technical details really matter.

Application Servers

Application servers drive the pure Internet CRM applications. The applications servers that are often found in three-tier architectures, which are not created just for the Internet client/server architecture, which is, in fact, why the three-tiered approach was fashioned. But they are the best contemporary architecture for the Internet. The application servers provide pre-constructed Web pages to a Web server that delivers them to the users through their queries.

Web Browser

This model preserves the fundamental value of the Internet as a communication medium, and provides a common platform for independent access to data anytime and anywhere. There is no program or application code that needs to reside on the user's PC; therefore, users gain immediate access to the application with the right URL with security authorization. It's just like using Web browser to view any other Web page; click on the right link and one can see the information. People soft/Vntive CRM 8.0 is a good example of this. The people soft Internet Architecture consists of the following principles. Applications are based on standard Internet protocols and languages such as HTTP and HTML. Internet applications can easily be accessed from a Web browser. The Internet applications user's experience is maintained through the look, feel, and usages paradigm. It is not "Windows 98 on the Web". Here is where the key difference lies. No client software is installed with pure Internet applications, the browser is the client. The architecture is as multi-tier, server-centric model, featuring separation of presentation, business logic, and data management functionality. If one is not familiar with Internet – centric application and interface and opens Microsoft Word 2000, it' s just a routine thing. There is nothing interesting or special about it. But if one is loading Internet Explorer 5.5 and onto the Web, one thinks about the fact that one is loading up the Internet connection. It is not part of the desktop. With Internet-centric applications, the browser is no different than the Word 2000 interface. It is just part of the landscape, not like walking. This works particularly well when using a broadband Internet connection such as T1 or T3 line, cable modem, or DSL that allows to be up and run the Internet 24 hour a days, seven days a week with a ground-up e-CRM application, it is as universal as the desktop is

from wherever one is connected.

Application Codes and Applets

By contrast, CRM Web-accessible application is not nearly at the same level of business utility because they are not purely data driven. These systems rely on application code applets or controls that must be downloaded and installed on users' systems to enable them to communicate with the CRM database. This can defeat platform independence and present logistical challenges to the anywhere-anytime promise afforded by the Internet. Requiring codes to be installed on each user's system is invasive. It increases the challenge and cost to manage and maintain, and it may not even be feasible to do so in all cases. If a sales executive forgets to bring a laptop along, the sales executive may not be able to convince the Internet café in the area to allow access to the latest pipeline. The partners, too, may not appreciate having to install "system" on their system to work with the organisation. If it's important to connect the employees with customers, partners, and suppliers, it is more important to understand the limitations that Windows 98 or any package on the Web can impose on the business processes. The pure Internet application usually rests on any server with the browser as client. The Web-enabled client/server application needs downloaded applets and applications to the desktop to carry out a specific function. With the feel of the browser as the client, is easy to feel that access anywhere and anytime is true because all functions are transparent and accessible. When you load and unload applets each time you need a specific function, you feel less in control of your Internet CRM destiny.

E-CRM and Portals

With the emergence of the Internet, enterprise portals took on a whole different meaning. They have now become the gateways to entire Web-

based communities and customer activity. As portal is a gateway to an array of services to an optimal community. It is a centralised entry point, usually centred on a Web server that links multiple information and interactivity sources, and allows a personalized view of any or all of the services according to the requirements of the user who is entering. The personalization is accessible through a password and user ID. Each user has a different view of the array of information, goods, and services available to them. This is any easy going concept that personalizes the view of each person using the portal. Yet the collection of goods, services, and information is universal and available on multiple servers sitting behind the portal doors. This way, thousands of users can get what they need, with all the universal links available to all people and with workflow and security built in. Probably the best example of a portals-building product is 'Plumtree', a corporate portal 4.0 tool, released at the end of 2000. Plumtree's tools allow the creation of interlinked portals combined with devices portal add-ins in multiple locations, through the use of their portals and massively, by letting a portal user access multiple portals, increasing the selections of good, services, information and portals. One has to decide the benefits to an organisation. As a good CRM portal aggregates all relevant customer information within a single application or desktop in a format that is customized and personalized for the department or individual interacting with the data. An ideal portal doesn't just provide access to customer data, but becomes a knowledge base that is tailored to the needs of each different audience, with Web content, third-party applications, reference materials, and detailed customer information. Portals thus contain anything within or outside of the enterprise that customer-facing groups can utilise, to enhance their understanding of a customer's experience and needs. Several things are important for a highly

successful CRM portal strategy; the system should be the architect around the customer, instead of around specific job functions. By putting the customer at the applications core, no matter who is viewing, using or sharing the information, companies are assured a sample customer interaction process. Deploying a CRM portal solution only in one department or one business unit will not yield the same results as an enterprises-wide solution, which gives every front-office employee access to the critical customer data and knowledge base. A thin-client or Web-based portal system saves millions of dollars in time, employee turnover, and other costs by greatly reducing system implementation and management time. While there is still a need for client/server technology, and onyx still supports it, the future is on the Web where installations, upgrades, and expansions can be managed from one location, on one server, and all end users need to gain access is a browser. Different audiences require different views and different types of information, making it absolutely necessary to provide the right content and structure to each.

Basic Requirements of e-CRM

A company can approach e-CRM from different evolutionary paths, but they all need to proceed toward the same objective of optimising the value of customer relationships.

1. ***Electronic Channels:*** New electronic channels such as the Web and personalized e-Messaging have become the medium for fast, interactive and economic customer communications, challenging companies to keep pace with this increased velocity.
2. ***Enterprise:*** Through e-CRM, a company gains the means to touch and shape a customer's experience across the entire organisation, reaching beyond just the bounds of marketing to sales, services, and corner offices

– whose occupants need to understand and assess customer behaviour. An e-CRM strategy relies heavily on the construction and maintenance of a data warehouse that provides a consolidated, detailed view of individual customer behaviour and communication history.

3. **Empowerment:** In this new age, e-CRM strategies must be structured to accommodate consumers who now have the power to decide when and how to communicate with the company and through which channel, which ability to opt for or out of. Consumers decide which firms earn the privilege to “talk” with them. In light of this new consumer empowerment, an e-CRM solution must be structured to deliver timely, pertinent, and valuable information that a consumer accepts in exchange for his or her attention.

4. **Economics:** Too many companies execute communication strategies with little-effort or ability to understand the economics of customer relationships and channel delivery choices. Yet customer economics drives smart asset allocation decisions, directing resources and efforts of individuals shall provide the greatest return on customer communication initiatives.

5. **Assessment:** Understanding customer economics relies on a company’s ability to attribute customer behaviour to marketing programs. A company should evaluate customer interactions along with various customer touch-point-channels and compare anticipated ROI against actual returns, through customer analytical reporting. Evaluation of results allows companies to continuously refine and improve efforts to optimize relationships between companies and their customers.

6. **Outside Information:** The use of consumer-sectioned external information can be employed to further understand customer needs. This information can be gained from sources such as third-party information

networks and Web-page profiler applications, under the condition that companies adhere to strict consumer opt-in rules and privacy concerns.

Three Dimensions in e-CRM

E-CRM must address customer optimization in three dimensions *viz.:*

1. Acquisition getting (increasing number of new customers);
2. Expansion (increasing profitability by encouraging customers to purchase more products and services); and
3. Retention (increasing the amount of time customers stays).

While acquisition and retention are fairly well understood, customer profitability through expansion requires some scrutiny. Since expansion presents enormous untapped value; an e-CRM strategy must be able to identify the expansion potential for each customer.

CHAPTER 12

TRENDS IN CRM

CRM stands for “Customer Relationship Management” and is a software system that helps business owners easily track all communications and nurture relationships with their leads and clients. A CRM replaces the multitude of spreadsheets, databases and apps that many businesses patch together to track client data. The result: organization, efficiency, better time management, and impressed clients. Client management platforms like CRMs connect all the data from your sales leads and customers, all in one place. A CRM consolidates all communications (form fills, calls, emails, text messages, and meetings), documents, quotes, purchases, and tasks associated with each lead and client. Your entire team can access those details at the right time—to close a sale or deliver outstanding service. CRM, or customer relationship management, solutions are software applications designed to help businesses manage their interactions with customers and potential customers. CRM solutions can help businesses to improve customer satisfaction, increase sales and revenue, and streamline business processes.

Some common features of CRM solutions include:

Contact management: The ability to store and organize customer contact information and track communication history.

Sales management: Tools for managing sales processes, including lead and opportunity management, pipeline tracking, and forecasting.

Marketing automation: The ability to automate marketing processes such as email campaigns, social media advertising, and lead generation.

Customer service and support: Features for managing customer service

inquiries and support tickets, tracking customer feedback and sentiment, and measuring customer satisfaction.

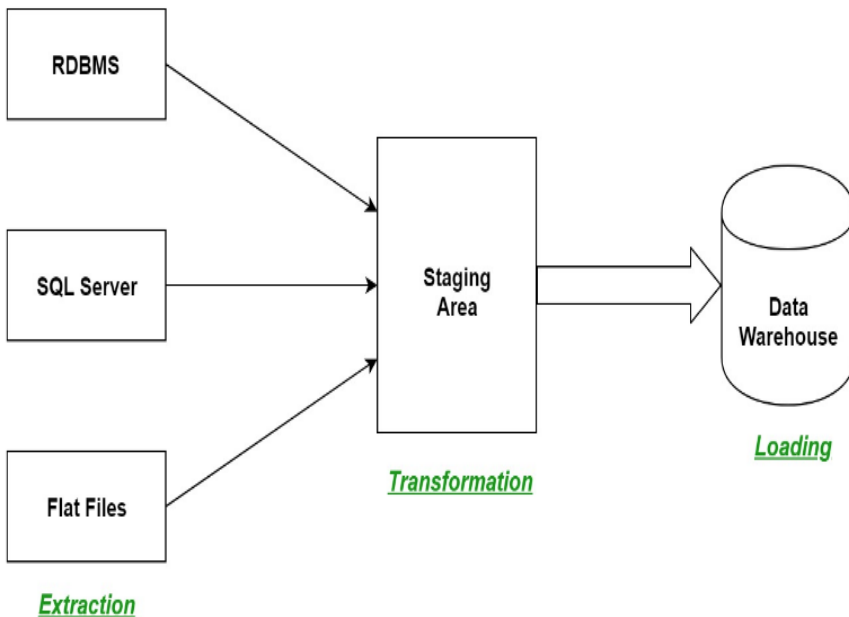
Reporting and analytics: Tools for generating reports and analyzing customer data to gain insights into customer behavior and preferences.

There are many CRM solutions available on the market, ranging from simple, low-cost options to more complex and feature-rich platforms. Some popular CRM solutions include Salesforce, HubSpot, Zoho, and Microsoft Dynamics. The choice of CRM solution will depend on the specific needs and budget of the business.

DATA WAREHOUSE:

A data warehouse is where data can be collected for mining purposes, usually with large storage capacity. Various organizations' systems are in the data warehouse, where it can be fetched as per usage.

Data warehouse process



Data warehouses collaborate data from several sources and ensure data accuracy, quality, and consistency. System execution is boosted by differentiating the process of analytics from traditional databases. In a data warehouse, data is sorted into a formatted pattern by type and as needed. The data is examined by query tools using several patterns. Data warehouses store historical data and handle requests faster, helping in online analytical processing, whereas a database is used to store current transactions in a business process that is called online transaction processing.

FEATURES OF DATA WAREHOUSES:

Subject Oriented: It provides you with important data about a specific subject like suppliers, products, promotion, customers, etc. Data warehousing usually handles the analysis and modeling of data that assist any organization to make data-driven decisions.

Integrated: Different heterogeneous sources are put together to build a data warehouse, such as level documents or social databases.

Time-Variant: The data collected in a data warehouse is identified with a specific period.

Nonvolatile: This means the earlier data is not deleted when new data is added to the data warehouse. The operational database and data warehouse are kept separate and thus continuous changes in the operational database are not shown in the data warehouse.

APPLICATIONS OF DATA WAREHOUSES:

Data warehouses help analysts or senior executives analyze, organize, and use data for decision making.

It is used in the following fields:

- Consumer goods
- Banking services
- Financial services
- Manufacturing
- Retail sectors

Data warehouses are central repositories that store large amounts of data collected from multiple sources within an organization. This data can be used for analysis, reporting, and decision-making purposes. Here are some common applications of data warehouses:

Business Intelligence: Data warehouses are used for business intelligence purposes, such as trend analysis, forecasting, and customer segmentation. By analyzing historical data, organizations can identify patterns and trends, which can help them make informed decisions.

Decision Support: Data warehouses are also used for decision support systems, which provide executives with the information they need to make strategic decisions. By providing timely and accurate data, data warehouses help executives to make informed decisions.

Data Mining: Data warehouses are used for data mining, which involves analyzing large datasets to identify patterns and relationships. Data mining can be used to identify customer behavior patterns, market trends, and other insights that can be used to improve business performance.

Customer Relationship Management: Data warehouses are used for customer relationship management (CRM) purposes. By storing customer data in a data warehouse, organizations can gain a better understanding of customer needs and preferences, which can help them improve their products and services.

Supply Chain Management: Data warehouses are used for supply chain management purposes. By storing data related to inventory levels, sales trends, and production schedules, organizations can better manage their supply chains, which can lead to improved efficiency and reduced costs. Overall, data warehouses provide organizations with a centralized location for storing and analyzing large amounts of data, which can be used for a variety of purposes to improve business performance.

ADVANTAGES OF DATA WAREHOUSING:

Data warehousing has numerous advantages, including:

Centralized Data Storage:

Data warehousing provides a centralized location for storing data from multiple sources. This makes it easy to access and analyze large amounts of data in one place.

Improved Data Quality:

A data warehouse provides a platform for data cleaning, integration, and transformation, which helps to improve the overall quality of the data.

Data Consistency:

A data warehouse ensures that all data is consistent across the organization. This means that everyone has access to the same data, which helps to prevent discrepancies and inconsistencies.

Better Business Decisions:

With all the data in one place and in a consistent format, business users can analyze the data more easily and make better-informed decisions.

Faster Query Response:

Data warehouses are designed for fast query performance, which means

that users can get answers to their questions quickly.

Scalability:

Data warehouses can scale to handle large amounts of data and support an increasing number of users as an organization grows.

Historical Analysis:

A data warehouse allows for historical analysis, which means that users can analyze data over time to identify trends and patterns.

Cost Savings:

By providing a centralized location for data storage and analysis, data warehousing can help organizations save costs on hardware, software, and personnel. Overall, data warehousing provides numerous benefits to organizations, including improved data quality, faster query response times, better decision-making, and cost savings.

DATA MINING:

In this process, data is extracted and analyzed to fetch useful information. In data mining hidden patterns are researched from the dataset to predict future behavior. Data mining is used to indicate and discover relationships through the data. Data mining uses statistics, artificial intelligence, machine learning systems, and some databases to find hidden patterns in the data. It supports business-related queries that are time-consuming to resolve.

ADVANTAGES OF DATA MINING:

Fraud Detection: It is used to find which insurance claims, phone calls, debit or credit purchases are fraud.

Trend Analysis: Existing marketplace trends are analyzed, which

provides a strategic benefit as it helps in reduction of costs, as in manufacturing per demand.

Market Analysis: It can predict the market and therefore help to make business decisions. For example: it can identify a target market for a retailer, or certain types of products desired by types of customers. Data mining is the process of extracting useful and relevant information from large datasets. In the context of customer relationship management (CRM), data mining can be used to analyze customer behavior, preferences, and other important data points to improve marketing, sales, and customer service strategies. Some of the advantages of using data mining in CRM include:

Improved customer segmentation: Data mining can help identify groups of customers with similar characteristics and behavior patterns. This allows businesses to tailor their marketing and sales strategies to specific customer segments, resulting in higher conversion rates and customer retention.

Better customer targeting: By analyzing customer data, businesses can identify which customers are most likely to respond to a particular offer or campaign. This allows them to target these customers more effectively and increase the chances of a successful sale.

Enhanced customer experience: By analyzing customer feedback and behavior, businesses can identify areas where customers are experiencing problems or dissatisfaction. This allows them to take corrective action and improve the customer experience, resulting in higher customer satisfaction and loyalty.

Improved product development: By analyzing customer feedback and

purchase behavior, businesses can identify patterns and trends in product preferences. This can inform product development strategies and help businesses create products that better meet customer needs.

Increased sales and revenue: By using data mining to identify the most profitable customer segments and targeting them more effectively, businesses can increase sales and revenue. Overall, data mining can provide valuable insights into customer behavior and preferences that can be used to improve CRM strategies and drive business growth.

CHAPTER 13

SALES FORCE AUTOMATION

Introduction

Any sales team in a company today, has to deal with various constraints. They need to continuously be in touch with their office, for updates on availability, prices and schemes for the products they sell. While this external reliance is a bottleneck, even the information obtained is not always accurate. Sales Force Automation enables a highly mobile sales force to increase productivity on the field, react faster to customer requirements and access and update sales related information anytime, anywhere. SFA is often used interchangeably with CRM; however, CRM does not necessarily imply automation of sales tasks. Sales Force Automation (SFA) contains multiple aspects of sales functionality, including sales activities, opportunity & pipeline management and forecast capabilities. Sales Force Automation is frequently combined with marketing tools to help facilitate the lead to opportunity (sales) flow. SFA enables you to analyze the entire sales cycle and successfully manage your sales pipeline—from first contact to final sale.

Overview of Sales Force Automation

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 apply the status of orders, inventory and products and other related information and can be 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 Gold Mine Software's Gold Mine. Sales automation software is sometimes called sales automation software, and sometimes called Customer Relations Management (CRM) software.

Sales Force Automation Solution

Nowadays there is a variety of software and solutions available for sales force automation that can help small, mid size, and large enterprises to meet and surpass their sales targets and initiatives. All the information provided by such solutions can help businesses to analyze their sales and

pinpoint future trends and courses. SFA packages typically include a Web-ready database, an e-mail package, and customizable templates. A three-tiered architecture is typically used to separate the database, server, and application to reduce programming demands on clients.

Benefits of Sales Force Automation Software

1. Personalized Software: You can get sales force automation solutions that are customized according to your specific business. These solutions are completely configurable to meet your individual business and sales automation needs.

2. Complete Sales Solutions for Executives and Employees: Sales force automation software can help executives to define and set individual sales goals, share sales and advertising information, analyze results and reports, and predict future courses.

3. Sales employees can benefit as the solutions make it easy for them to obtain leads, supervise their databases, set reminders for schedules and appointments, and save numerous notes, orders, and applications.

4. Swift Launch and Incorporation: Most sales force automation software can easily be incorporated into your unique sales programs and can be configured according to your special needs. As a direct consequence of this, your sales team can be fully functional in weeks rather than months or even years.

5. Provides Control: By using sales force automation software, managers can find out how their sales team is doing at any given time and also take care of any possible problems before they get out of hand. Sales representatives can quickly be brought up to date by providing all the necessary sales information in one common place.

6. Safeguards Data: All sales force automation systems have built-in security tools that help to safeguard all your data, statistics, and solutions. Advanced technology in security enables complete protection of client and company data. Along with this, these systems have data encryption and user authentication facilities that help to back up the saved data and also prevent unauthorized use of your sales solutions.

Features of SFA

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. App Exchange Applications

Thus the advantages of sales force automation can be summarized as:

For the Organization

Speedy and hassle free launching of sales teams in the most organized and efficient manner.

Advantages to Sales People

Proponents claim that sales force automation systems can improve the productivity of sales personnel. The additional tools could help improve sales staff morale if they reduce the amount of recordkeeping and/or increase the rate of closing. This could contribute to a virtuous spiral of beneficial and cumulative effects. These sales force systems can be used as an effective and efficient training device. They provide sales staff with product information and sales technique training without them having to waste time at seminars.

- Better communication and co-operation between sales personnel facilitates successful team selling.
- More and better qualified sales leads could be automatically generated by the software.
- This technology increases the sales person's ratio of selling time to non-selling time. Non selling time includes activities like report writing, travel time, internal meetings, training, and seminars.

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, macro environmental 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.

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:

- 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

Strategic Advantages

Sales force automation systems can also create competitive advantage. Here are some examples: As mentioned above, productivity will increase. Sales staff will use their time more efficiently and more effectively. The sales manager will also become more efficient and more effective. This increased productivity can create a competitive advantage in three ways: it can reduce costs, it can increase sales revenue, and it can increase market share. Field sales staff will send their information more frequently. Typically information will be sent to management after every sales call (rather than once a week). This provides management with current information, information that they will be able to use while it is still valuable. Management response time will be greatly reduced. The company will become more alert and more agile. These systems could increase customer satisfaction if they are used with wisdom. If the information obtained and analyzed with the system is used to create a product that matches or exceeds customer expectations, and the sales staff uses the system to service customers more expertly and diligently, then customers should be satisfied with the company. This will provide a competitive advantage because customer satisfaction leads to increased customer loyalty, reduced customer acquisition costs, reduced price elasticity of demand, and increased profit margins.

ABOUT THE AUTHORS



Dr. Shashila. S, completed Ph.D in Commerce from Vels Institute of Science, Technology and Advanced Studies (VISTAS), Chennai, Tamil Nadu, M.Phil in Commerce from Madras Christian College affiliated to University of Madras, Chennai, M.Com from Madras Christian College affiliated to University of Madras, Chennai, B.Com from Madras Christian College affiliated to University of Madras, Chennai. She also holds a Diploma in Computer Application with 12 years of academic experience. She is currently working as Assistant Professor in the Department of Commerce at Vels Institute of Science, Technology & Advanced Studies, Chennai. She also worked previously in New Prince Shri Bhavani Arts & Science College, Chennai. She also has 12 years of experience in research and has various published papers in various journals, attended International Conferences and presented papers and published one book in and around places in Academic Institutions. Her aim

and objective is to make the student to equip themselves with the knowledge of their interested subjects to utilize the same to lead their future by converting the raw materials into finished products. She also attended various National and International Conferences and presented many papers in National and International Conferences. She has attended many Workshops, Faculty Development Programmes (FDP), Seminars, Exhibitions, Entrepreneurship programmes & Webinars etc., and also organized many Industrial Visits. Her interest of Study includes Human Resource Management, Finance, Marketing and Organisational Behaviour.



Dr. Swathi Pradeeba P serves as an Assistant Professor and Research Supervisor for School of Arts and Humanities, Department of Commerce, Vels Institute of Science, Technology and Advanced Studies (VISTAS) and Holding an M.Com, M.Phil., from Thiruvalluvar University, B.Ed., from Tamil Nadu Teacher Education University and Ph.D. from Vels University, she has 7 years of teaching experience in Commerce. Her achievements, including guiding 4 Ph.D. Research scholars and publishing in Scopus-indexed, UGC Care Journals showcase his dedication to research and academia. Additionally, winning awards like the Best Faculty Award and Education Excellence Award, further highlight her significant contribution to the educational field. Her work, particularly in guiding B. Com projects, Mentoring and Guiding to few Students Start-Ups in Tamilnadu adds real-world value to her academic profile.



Dr. K.P. Indhuja is an Assistant Professor in the Department of Commerce (CA) at Vels University, Pallavaram, Chennai, with over two years of experience in teaching undergraduate programs. She holds a Ph.D. in Commerce from Vels University. Her research interests include Corporate Social Responsibility (CSR), Employee Engagement, E-Banking, Online and Digital Marketing, Work-Life Balance, Green Marketing, Entrepreneurship, Artificial Intelligence, and Consumer Behavior. She has published and presented research papers in Scopus-indexed and UGC CARE-listed journals, as well as at various international conferences. Dr. Indhuja also actively mentors student research projects focusing on digital marketing strategies, social media branding, and technology-enabled business models.



Dr. S. Divya is an Assistant Professor in the Department of Commerce at SDNB Vaishnav College for Women, Chennai, with over seven years of experience in teaching undergraduate and postgraduate commerce programmes. She holds a Ph.D. in Commerce from the University of Madras. Her research interests include employee engagement, digital banking, entrepreneurship, digital marketing, artificial intelligence, and consumer behaviour. She has published and presented research papers in Scopus-indexed and UGC CARE-listed journals, as well as international conferences. She actively mentors student research projects focusing on digital marketing strategies, social media branding, and technology-enabled business models.



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