

## Customer relationship management: A tool for effective marketing

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### Abstract

Customer Relationship Management is directly related to satisfaction of customer needs. CRM takes care of expectations of the customers and about what and how a product is presented to the customer. CRM is the system that integrates management of customer groups, establishment and management of marketing companies referring to marketing concept, especially relationship marketing. Making a practical definition, CRM is “The ability of an organization to effectively identify, acquire, foster and retain loyal profitable customers.”

Customer relationship management is a business and marketing strategy that analyses about consumer’s needs and behaviour in order to create an effective relationship between an organization and its consumers. CRM is a combination of process, applications and commitment of management activities to develop high quality of customer service, and customer maintenance. This paper focus is to discuss the positive and negative impacts of customer relationship management (CRM), as a marketing strategy for an organization. The paper further explains the behaviour of consumers toward organizations and the emergence of electronic commerce that brought a positive change towards business in a global market.

**Keywords:** IT, CTI, SCM, Banking, Customer Relationship Management (CRM), Supply Chain Management

### 1. Introduction

In twenty-first century, an intense competition in business world is due to new technologies and innovations, globalization and internationalization of markets, the companies are realizing that there is no better Competitive advantage than customer loyalty. CRM (Customer Relationship Management) has now become the most important tool. CRM is a systematic business approach using information and ongoing dialogue to build long lasting and mutually beneficial customer relations. CRM mainly is a concept that has been around for a long time but until today, it was usually ignored as marketing/sales, people tried to build a personal relationship with customers. The ultimate goal of a CRM system is to increase profit and help to build a flourishing scope for business. CRM broadly believes in sustainability of business in this innovative world. CRM greatly improves

efficiency and effectiveness of marketing department. Apart from marketing, CRM covers product development and resource planning department; all these are essential for prosperous future of a company. CRM plays very important role in flourishing the marketing department of a company. CRM helps in customer retention and sustainability. IT (Information Technology) plays very important role in CRM. Synchronizing a company’s marketing efforts with the overall company strategy can be extremely time consuming. The competition and data analysis required can be more easily accomplished with the implementation of a proper CRM system. Product development and improvement is essential for a company to establish a sustainable and competitive

#### 1.1 Concept of CRM



Fig 1

Customer Relationship Management (CRM) is directly related to the satisfaction of customers’ needs. CRM takes care of expectations of customers and what and how a product is

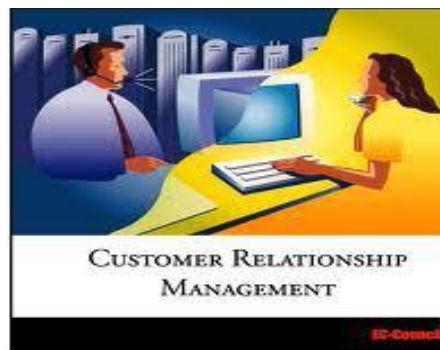


Fig 2

presented to the customer. CRM is defined as a system that comprises large amount of customer data and presents it in a suitable manner. This information helps in retaining old

customers and developing new potential customers. CRM plays a vital role in effective decision making in marketing management. CRM really improves the efficiency and effectiveness of marketing department of an organization.

Business in today's changing world of modern technology. CRM and product development groups are related through the generation of ideas for improvement and new product introductions. A strong and capable IT group is mandatory to build a sound CRM system helps to support marketing department. The IT group is responsible for maintaining and managing the integrity of a CRM database. CRM has the potential to add value to the marketing department of an organization.

### 1.2 Significance of the study

In competitive times the challenge is to keep the customers in fold. Companies/organizations lose many loyal and profitable customers due to absence of CRM. There has been a great urgency of CRM in marketing management as best as possible to compete well in today's innovative business world of high technology. So to create new customers and to retain old (loyal and profitable) customers, it is very much urgent to implement CRM in marketing management. To survive in today's tough competitive business environment, CRM is very much necessary. CRM leads to customer retention, customer loyalty, customer satisfaction, and word of mouth publicity. Furthermore to say, as CRM put in practicality produces new customers and retain old customers, leads to increase in sales and profits of organization that further leads to growth and development of the organization/business. The major importance of CRM is that it also leads to good public image of the organization without which no business is possible. Lastly it is very much right to say that CRM is deciding factor for tomorrow's business.

### 1.3 Objectives of Study

- To study the positive and negative impact of CRM in Marketing.
- To know the significance of CRM in marketing.
- To realize the importance of CRM in the present scenario of globalization.
- To ensure the role of CRM in retaining old customers and attaining new customers in this tough competitive business world.
- To highlight the role of CRM in marketing management.
- To make aware that CRM significantly affects a company's public image.

### 1.4 Brief History of CRM

The Computer Telephony Integration (CTI) system started in 1996, when telephone number display service was introduced in Japan. CTI is called the predecessor of CRM. Computers were connected with telephone and customer information was displayed on a database when call from customer was received. Before the word CRM came into existence, CTI was synonymous with customer care.

CRM's first generation was developed during 1998-2000. Email and web are new channels which were used to connect customers with companies. The goal of the first generation was to strengthen customer – Company relations for each channel.

CRM's second generation came into existence during 2000-2002. The companies realized that they should manage their customer information independently for each channel. The companies came into the point that they should build synthetic relations with customers that further lead to present a clear image to their customers. Now we are in 21st century it is a time of innovative hi-tech world. Various internet channels have been established and spread through the world. Now this is electronic era in which e-CRM has its own place. In the first half of 1990, many dot com companies in US began selling its products online.

CRM's third generation came into existence when flow of CRM joined with supply chain management (SCM), in which customer area and back office became united. The third generation of CRM makes it possible to synthetically use various customer information collected in a company in order to do effective marketing, effective production and customer service activities.

### 1.5 Benefits of CRM

CRM is the process or method used to know the customers' needs and buying behaviours. The sole aim of CRM is to develop strong and deep relationships with the customers, so as to benefit the business as well as the customers. According to the concept "Customer is the King" – the needs and desires of the customers hold a vital place in the minds of the business and businessmen. CRM is considered as a process that brings together pieces of information related to sales, customers, marketing effectiveness, market trends and responsiveness. Many benefits of CRM include.

1. **Benefits of CRM Systems for a Customer:** Customer gets an offer in an appropriate form when it is necessary and what is necessary. He/she gets served, feels important, gets informed in time and lastly gets a possibility to choose a service channel (self-service, full service).
2. **Benefits of CRM system for an Employee:** The system has to be friendly. It creates the feeling of self-control, a possibility to show oneself as leader and sound competition emerge.
3. **Cost Decrease:** Increased total effectiveness, an automated process of sales, service and marketing companies, and decreased cost of customers' management, automated routine work – all come under cost decrease benefit of CRM.
4. **Customer Loyalty:** CRM helps to select the most useful clients of the company. Companies most frequently patronize their main customers and use systematized media of customer's stimulation and loyalty development.
5. **High Profit:** Collected data about consumers becomes known and it determines the profit process for the company. At present, most companies recognize evident benefit of CRM and almost every company either uses certain CRM technologies supporting their business, or evaluates specific benefit of CRM technology and plans its future realization.
6. **Better Identification of Customer Needs:** The process of CRM helps to identify the customers' needs and requirements in a more effective manner. Businesses are able to deliver better products and services to their customers.
7. **Improved Sales:** CRM helps to identify and anticipate the needs and desires of the customers in a better way and

prior to those business that do not have an effective CRM. This leads to increased sales, as companies that have an efficient CRM bring innovative and beneficial products into the market.

8. **Enhanced Cross-selling:** Effective CRM helps to increase the selling of other products that are directly or indirectly related to the main product. The business can highlight and suggest substitutes and enhancements of the main product that is desired by their customers.
9. **CRM helps to categorize the customers:** An effective process of CRM helps to categorize and differentiate between the customers that are profitable for the business from those who are unprofitable for the business.
10. **CRM enhances Customer Satisfaction:** Effective CRM aids to enhance customer satisfaction towards the business and its products. Satisfied customers can be successfully retained for long time periods without making such effort. This ensures good reputation of the business both in the market place and in the minds of the customers.

### 1.6 Strategy for CRM Implementation

CRM can be implemented within a company independent of company's size or amount of goods or services selling; both within small and big companies that value quality of the customer's service, his/her loyalty, less sensitivity for price changes and that recognize, that to attract a new customer is much more expensive than to sustain the present one. To implement CRM in an effective way, an integration of firm's resources is required. Further, marketing capabilities of marketing people are also required to deliver added value to the customers. CRM is enabled through information, processes, technology and applications. A company that is looking to implement CRM in an effective way in this competitive hi-tech world must align its business processes cross functionally in the best possible way to allow increased customer focus with an aim to deliver added value to customers.

### 1.7 Steps to implement CRM

- Develop a CRM framework.
- Align current business processes.
- Design new cross functional business processes.
- Develop functional specifications (client side services).
- Develop technical specifications.
- Match technical specification to the available technology (system/software etc.).
- Product configuration.
- Data migration and integration.
- Staff training.
- Creation of business plans and strategies beginning with most profitable projects.

### 1.8 Findings

- CRM is an effective tool to satisfy the needs of external as well as internal customers leading to customer loyalty.
- In the globalize business, CRM can significantly affect a company's public image.
- Appropriate and reasonable CRM can increase profits and market share.
- CRM is the best and most appropriate source to enhance sales on the global level.

- CRM acts as an effective tool to minimize the risk of customer loss in this tough competition.

### 2. Conclusion

Building relationships with customers becomes necessity in the present scenario of globalization and internationalization of markets. Based on different analysis, the system of CRM enables to determine the best strategies and their effective implementation that company should apply for particular customer groups. CRM is the system that integrates management of customer groups, establishment and management of marketing.

- CRM should be implemented after creating a customer strategy/marketing strategy.
- Before implementing CRM software, a company should formulate appropriate strategy and clarify the purpose of strategy.
- Regular communication with the old customers should be there so as to retain them and then convert into lifelong loyal customers.
- Company should establish contacts with individuals who have a real interest in the company and products.
- To make CRM effective and successful, there should be full cooperation and co-ordination of various wings.

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