Literature Review

Review of Literature on CRM:

Customer Relationship Management (CRM) has become one of the most dynamic technology topics of the millennium. According to Chen and Popovich (2003), CRM is not a concept that is really new but rather due to current development and advances in information and enterprise software technology, it has assumed practical importance. The root of CRM is relationship marketing, which has the objective of improving the long-term profitability of customers by moving away from product-centric marketing.

Bose (2002) noted that CRM was invented because the customers differ in their preferences and purchasing habits. If all customers were alike, there will be little need for CRM. As a result, understanding customer drivers and customer profitability, firms can better tailor their offerings to maximize the overall value of their customer portfolio (Chen and Popovich). The attention CRM is currently receiving across businesses is due to the fact that the marketing environment of today is highly saturated and more competitive (Chou et al., 2002). According to Greenberg (2004), CRM generally is an enterprise-focused endeavor encompassing all departments in a business. He further explains that, in addition to customer service, CRM would also include, manufacturing, product testing, assembling as well as purchasing, and billing, and human resource, marketing, sales and engineering. Chen and Popovich (2003) argued that CRM is a complicated application which mines customer data, which has been retrieved from all the touch points of the customer, which then creates and enable the organization to have complete view of the customers. The result is that firms are able to uncover and determine the right type of customers and predicting trend of their future purchases. CRM is also defined as an all embracing approach that seamlessly integrates sales, customer service, marketing, field support and other functions that touch customers (Chou et al., 2002). They further stated that CRM is a notion regarding how an organization can keep their most profitable customers and at the same time reduce cost, increase in values of interaction which then leads to high profits.
The modern customer relationship management concept was shaped and influenced by the theories of total quality management (Gummesson) and by new technological paradigms (Zineldin, 2000). There is however, a perceived lack of clarity in the definition of customer relationship management, although all accepted definitions are sharing approximately the same basic concepts: customer relationships, customer management, marketing strategy, customer retention, personalization (Zineldin 2000).

However, while academics debate the subtitles of various definitions, the practitioners have developed a wealth of applicative papers analyzing the concrete challenges and opportunities of implementing the systems (Bacuvier et al. 2001). CRM in some firms is considered as a technology solution, considering of individual databases and sales force automation tools and sales and marketing functions so as to improve targeting effort. Peppers and Rogers (1999) argued that other organizations view CRM as a tool, which has been particularly designed for one-to-one customer communications, which is the function of sales, call centres or the marketing departments. Accordingly Frow and Payne (2004) added that CRM stresses two-way communication from the customer to the supplier to build the customer over time. The two-way communication has been enhanced greatly by advances in technology particularly the Internet.

In term of information technology (IT), CRM means an enterprise –wide integration of technologies working together such as data warehouse, web site, and intranet/extranet, phone support system, accounting, sales, marketing and production. Kotler (2000) assured that CRM uses IT to gather data, which can then be used to develop information acquired to create a more personal interaction with the customer. In the long-term, it produces a method of continuous analysis and reinforcement in order to enhance customer’s lifetime value with firms.

Goldenberg (2000) believes that CRM is not merely technology applications for marketing, sales and services but rather when it is successfully implemented ; it enables firms to have cross-functional , customer-driven , technology-integrated business process management strategy that maximises relationships. Chin et al (2003) stated that that due to many technological solutions available for CRM automation, it is often misconstrued as a piece of technology. But they maintained that in recent times many companies have realized the strategic importance of CRM, and as a result, it is becoming a business value-effort rather than technology- centric effort.
Using information technology as an enabler, CRM strategy leverages key functional areas to maximize profitability of customer interactions (Chen and Popovich, 2003). It has been recognized that technological advancements and innovations, keen competitive marketing environment, coupled with the internet are main drivers of present and future customer profitability which makes it possible to appropriately and proportionately allocate firm’s resources to all functional areas that affect customer relationship (Chou et al, 2003).

For customers, CRM offers customization, simplicity and convenience for completing transactions irrespective of the kind of channel of interaction used (Gulati and Garino, 2000). Many businesses today realize the importance of CRM and its potential to help them achieve and sustain a competitive edge (Peppard, 2000). This view was further boosted by Bose (2002) that as a result of changing nature of the global environment and competition, firms cannot compete favorably with minor advantages and tricks that can easily be copied by competing firms. The implementation of CRM is an enabled opportunity to rise above minor advantages with real focus on developing actual relationships with customers. Firms those are most successful at delivering what customers want are the more likely to be leaders of the future.

Benefits of CRM

According to Chen and Popovich (2003), CRM applications have the ability to deliver repositories of customer data at a much smaller cost than old network technologies. Throughout an organization, CRM systems can accumulate, store, maintain, and distribute customer knowledge. Peppard (2000) noted that effective management of information has a very important role to play in CRM because it can be used to for product tailoring, service innovation; consolidate views of customers, and for calculating customer lifetime value.

CRM systems assist companies evaluate customer loyalty and profitability based on repeat purchases, the amount spent, and longevity. Bull (2003) added CRM makes it practicable for companies to find unprofitable customers that other companies have abandoned. This position is supported by Galbreth and Rogers (1999) that CRM helps a business organization to fully understand which customers are worthwhile to acquire, which to keep, which have untapped potential, which are strategic, which are important, profitable and which should be abandoned.
Greenberg emphasized that CRM can increase the true economic worth of business by improving the total lifetime value of the customer, adding that successful CRM strategies encourage customers to buy more products, stay loyal for longer periods and communicate effectively with a company. CRM can also ensure customer satisfaction through allocation, scheduling and dispatching the right people, with the right parts, at the right time (Chou et al., 2002).

According to Swift (2001), companies can gain many benefits from CRM implementation. He states that the benefits are commonly found in one of these areas:

i) Lower cost of recruiting Customers
ii) No need to acquire so many customers to preserve a steady volume of business
iii) Reduced cost of sales
iv) Higher Customer Profitability
v) Increased Customer retention & Loyalty
vi) Evaluation of customers Profitability

Curry and Kkolou (2004) refer to the major benefits and reasons for adoption of CRM which include: customers from the competition will come prefer the organization; a simplified, customer – focused internal organization will simplify the infrastructure, shrinking the work flow and eliminating non-productive information flow; and profits will increase from satisfied customers which will lead to more compact & focused company.

There are some companies that adopt CRM systems just because it is the most advanced technology and they think they should have it since their competitors have it (Chou et al, 2002). Some statistics that motivate this behavior are resumed as follows:
a) By Pareto’s principle, it is assumed that 20% of a company’s customers generate 80% of its profits.

b) In industrial sales, it takes an average of 8 to 10 physical calls in person to sell to a new customer, 2 to 3 calls to an existing customer.

c) It is 5 to 10 times more expensive to acquire a new customer than obtain repeat business from existing customer.

d) A typical dissatisfied customer tells 8 to 10 people about his or her experience source. Getting to “know” each customer through data mining techniques and a customer-centric business strategy helps the organization to proactively and consistently offer and sell more products and services for improved customer retention and loyalty over long periods of time. *Peppers and Rogers* (1999) refer to this as maximizing “lifetime customer share”, resulting in customer retention and customer Profitability.

Like any other new function, CRM too has its own drawbacks and challenges. Any organization that seeks to implement CRM may focus on value creation and on a continuous stream of profits. They will give up their myopic fix that CRM is the fixed responsibility of marketing or IT department. The firms will realize that in order for CRM to contribute to corporate renaissance, the CRM responsibility must rise to the level of CEO. CRM will be more strategy driven, and thus be able to concentrate on what customer expects from relationships. The ‘final take’ for the CEOs will be that CRM is and can be a vehicle for cultural integration in the organization. In short, a true CRM encourages a relationship view of the world that goes beyond the customers, includes multi –members and facilitates corporate renaissance.

Two trends have brought CRM to the forefront, explains Boston University professor *Tom Davenport*, who directs Andersen consulting’s Institute for Strategic Change. First, as global competition has increased and products have become harder to differentiate, “companies have begun moving from a product-centric view of the world to a customer-centric one,” says *Davenport*. Second, technology has ripened to the point where it is possible to put customer
information from all over the enterprise into a single system. “Until recently, we didn’t have the ability to manage the complex information about customers, because information was stored in 20 different systems,” says Davenport. But as network and Internet technology has matured, CRM software has found its place in the world. Many companies are turning to customer-relationship management systems to better understand customer wants and needs. CRM applications, often used in combination with data warehousing, E-commerce applications, and call centers, allow companies to gather and access information about customers’ buying histories, preferences, complaints, and other data so they can better anticipate what customers will want. The goal is to instill greater customer loyalty.

**Types/Variations of CRM:**

Types of CRM can be broadly understood by looking at the two different ways of categorization. These two types of categorization are as follows:

1. Proactive versus Reactive CRM
2. Operational, Collaborative and Analytical CRM

**Proactive versus Reactive CRM:**

When company responds to the recommendations/suggestions/complaints/requests of the customers, it is called reactive CRM. Contrary to this, it is called Proactive CRM when a company anticipates and responds to customers’ need of itself. In constant changing market situations, proactive companies take stock of their customers’ future needs and provide value to customers through their offerings.

Such Proactive CRM practicing companies are generally those which increase the level of personalization and practice one to one marketing as shown below:
Operational, Collaborative and Analytical CRM:

Operational CRM:

There are various ways through which a customer can approach the business. This interaction is direct with company and its employees. The junction where this interaction happens is called touch point. Usually transactions like sale, payment, information seeking, queries, suggestions, and complaints happen at these operational touch points. That is why it is also called front office CRM.

The customer can approach / be approached through the following ways:

- Face to face: Interacting while selling, serving customers by way of organizing events, promotions etc.
• Database driven: In this interaction contacting customers is through Telephone/Email/Mail/Fax/Loyalty programs/Cards/ATMs/SMS.
• Mass Media: when the contact is through public broadcasting. The contact is public in nature and people at large are contacted. For example public advertising and public relations campaigns.

**Collaborative CRM:**
Jill Dyche defines Collaborative CRM as a specific functionality that enables a two way communication between a company and its customers through a variety of channels to facilitate and improve the quality of customer interaction. (Dyche 2002)
The essence of collaborative CRM is to manage partners of the firm. These could be channels, agents and other business stakeholders but not direct customers. The focus is on maintaining relations with partners to facilitate coordination in business.

**Analytical CRM:**
Also known as back office or strategic CRM. This type of CRM is characterized by presence of designations like business analysts. The objective of analytical CRM is to find out various taste, preferences, and activities of the customers so as to customize solutions for them. The basis of this data is captured customer interactions at various touch points. Extensive use of MIS and technology is done in Analytical CRM.
The relationship between three is shown in figure below:

Organizational CRM

Collaborative CRM

Analytical CRM

Analytical Business Intelligence
CRM & eCRM:

The ability of the customers to take care of themselves through online or the firms being able to take care of its customers through internet outlines the basic difference between CRM & e CRM. As far as concept, methodology and process are concerned there is hardly any difference between CRM & e CRM. But there is lot of difference when it comes to execution as the communication media is different.

eCRM is the customer facing internet portion of the CRM. It contains capabilities like self service knowledge bases, automated email response system, personalization of web contents and online pricing. Though eCRM increases efficiency by way of reducing cost, an increased dependence only on e CRM can backfire. A dissatisfied customer wanting to meet an employee of the company, might get frustrated in an e CRM setup. Therefore, it is prudent to have a mix of web and traditional channels in CRM.

Ever changing customer interaction channel that constantly keep companies on its toes. Various web applications have to keep itself abreast with the changing needs of the customers. This drives eCRM.

The declining cost of internet has increased affordability and accessibility. The speed and convenience of internet has further added to growth of eCRM.

The companies have realized that there is need to customize. The customers are not interested in mass mails.

The realization among companies that retention is more economical & feasible than new customer acquisition.

Past Survey-Facts

Growth Strategies International (GSI) performed a statistical analysis of Customer satisfaction data encompassing the findings of over 20,000 customer surveys conducted in 40 countries by Infoquest.

The conclusions of the study were:
b) A Totally Satisfied Customer contributes 2.6 times as much revenue to a company as a Somewhat Satisfied Customer.

c) A Totally Satisfied Customer contributes 17 times as much revenue as a Somewhat Dissatisfied Customer.

d) A Totally Dissatisfied customer decreases revenue at a rate equal to 1.8 times what a Totally Satisfied Customer contributes to a business.

e) By reducing customer defection (by as little as 5%) will result in increase in profits by 25% to 85% depending from industry to industry.

An important facet of CRM is “customer selectivity”. As several research studies have shown not all customers are equally profitable (In fact in some cases 80% of the sales come through 20% of the customers). The company must therefore be selective and tailor its program and marketing efforts by segmenting and selecting appropriate customers for individual marketing programs.

**Customer Relationship Management in Higher Education**

Past research has shown that consumers were reluctant to complain about poor professional service, such as education, but the same consumers are becoming increasingly more value conscious. There is mounting pressure from the customers of higher education, ie; students, parents, alumni and employers, to close the widening gap between their expectations of institutional performance and the actual performance (Brigham, 1994; Gronhaug and Arndt, 1980; Quelch and Ash, 1981). This indicates how important it is for institutions of higher learning to actively monitor the quality of their services and commit to continuous improvements in an effort to respond to the needs of the institutional constituencies.

As Darlaston-Jones et al. (2003) explained students are becoming more conscious of their customer rights and of gaps between their expectations of service delivery and the reality of that service. For example, in 2003, Darlaston-Jones et al. noted that the Australian universities have undergone a major transition in the past decade as they have moved from public to a greater
emphasis on private funding, and re-invested themselves as business enterprises. Furthermore, students are viewing themselves as consumers and are demanding value for money in their education.

Service is an intangible activity that is the main objective of transaction that serve to meet the needs of customers. Service quality is an ability of an organization to meet or exceed customer expectations. Since education service has very particularly characteristics, the 'SERVQUAL' model can be adapted according to the most important determining factors: Reliability, Tangibility, Responsiveness, Assurance and Empathy as proposed by 'Parasuraman', Zeithmal and Berry (1985). In this competitive market, satisfaction with services may make the difference (Parasuraman, Zeithmal and Berry 1996).

Higher education in India has a serious quality problem. In current competitive academic environment students have many options available to them. Therefore it is important to study factors that enable education institutions to attract and retain students. Higher education institutions which want to gain competitive edge in future may need to begin searching for effective and creative ways to attract, retain and foster stronger relationship with students. Therefore, it is necessary to invest in CRM for improvement.

**Relationship Marketing in Management Education:**

The FAU's College of Business is a leading regional business school, offering a diverse set of management education programs, including a Virtual MBA and a Ph.D. in business administration. It offers bachelors, masters and doctoral degrees and other executive education opportunities. The school needed to create a consolidated view of its students to employ more effective marketing and recruitment efforts, as well as to increase visibility into the recruitment and admissions efforts. After teaming up with Intelliworks and its CRM software, the admissions and recruitment process worked as a whole instead of fragmented operating silos, and it saw a 30 percent rise in graduate business college admissions. "With the increasing number of universities initiating executive education programs, FAU needed to stay competitive," said Vegar Wiik, program director at FAU.
Higher-education institutions need to successfully recruit, retain, inform and service students and alumni to be competitive in a market where the competition from other institutions is intense. They have even coined their own term - "student lifecycle management" - to refer to the process of following students from prospect to alumni and supporting them all the way.

Thulasi Kumar, director of information management and analysis at the University of Northern Iowa, says his administration relies on the power of predictive analytics to more accurately determine enrollment figures for the coming semester and school year. "By more accurately predicting return enrollment of students, we have better control on budgets and expenses," Mr. Kumar said. "Just as important, we use the predictive technology of SPSS to take proactive measures to ensure the majority of our students return to campus in the fall. That's what's important to the university and at the top of the list for parents and students as well." Mr. Kumar said there are two major obstacles to the implementation of CRM in higher education.

If we discuss about Pune city, the following points are highlighted, which require management colleges to focus on CRM.

- More number of institutes vying for less number of students
- Institutions need to establish itself as a Brand to attract more number of students
- Not only profitability but service is the goal of education
- Students’ life cycle management is the buzzword
- Predictive technology helps in better control & budgeting.
- Creating a long term relationship with students is a win - win for both
- There is a need to understand the behavior of the students