

CUSTOMER RELATIONSHIP MANAGEMENT

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ABSTRACT

With today's dynamic global market scenario, it is a requirement for company to improve interaction with the customer in order to retain, win and also to keep them. It is easy to retain existing customer that will become the loyal customer rather than to find new customer. Customer Relationship Management (CRM) is an integrated approach in managing relationship by focusing on customer retention and relationship management. Optimizing customer relationship requires a complete understanding of all customers as well as non-profitable; and then to organize business process to treat customers individually on their needs and values. Therefore, to manage a successful CRM implementation, a balanced and integrated approach to technology, process and people is a requirement.

INTRODUCTION

Customer Relationship Management (CRM) is a method, tool and strategy to create, develop and enhance stronger individualized customer relationship in order to learn more about customer requirements, wants, needs and expectations. Basically, CRM is a process with goal of making relationship profitable. To reach that goal, the process must touch all aspects of any organisation, from marketing to sales to customer service to engineering to manufacturing and distribution.

Consequently, marketing, sales and services must work more than a team and share information gathered so that it is widely available within the organization. At the same time, the data can be used for specific marketing services and support for sales purposes to gain more profit. Building long-term relationship with customers will offer companies a way to build competitive advantage. The idea is to have the same information available to ALL in the company so that every product and service needed by the customer is met. Furthermore, the end goal of CRM is to instill greater customer loyalty.

Nevertheless, a satisfied customer is not a loyal customer because customer can be very satisfied but yet still not be loyal! However, customer satisfaction is essential to retaining customer and staying ahead of the competitions.

Eventually, all customers will leave at some point. So, the trick is to keep them active as long as possible through customer retention program. In the retention program, the targeted customers demonstrate higher loyalty to a business. Through communication with the customers, retention program gives customers encouragement to remain active and choosing to do business with a company.

Although it sounds simple, the implementation of CRM could be painful where it requires fundamental changes in how a firm is organised in terms of people, product and culture. It needs the CEO backup, a mammoth dose of commitment and guts to lead the changes.

CRM Implementation

In implementing CRM, top management support and involvement is the key success factor. CRM initiatives require vision and culture changes that require the participation from all employees within the organisation. Each employee must understand the purpose and changes that CRM will bring. Management must show its commitment to the ongoing process changes. In addition, employee skills, knowledge and education need to be enhanced and motivated all the time. At the same time, job evaluations, compensation programme and reward system must be modified.

Since information technology would play a vital role in enabling companies to maximize profitability through more precise target market, companies must take advantage of the new era of technology. This is to enable marketing to leverage relationship through the use of technology in order to increase customer value. Organizations need to focus on delivering the highest value to customers through better communication, faster delivery and personalized products and services. Having technology that can tract and analyse

customer behavior allows companies easily identify the best customers and focus marketing efforts and reward those who are likely to buy often.

Organisations need to select an appropriate customer management strategy and then must develop suitable information technology platform to cater their requirements, now and in the future. A wide range of information technology structures starting with databases, blend with approaches such as data-mining, event-driving marketing and channel optimization are needed by using electronic commerce to integrate the CRM solutions. All these are to identify opportunities for increased profitability through enhanced customer acquisition and improved customer retention.

In developing the appropriate tool or methodology, it is worth to recognise that there are linkages between employee satisfaction, customer satisfaction, customer retention, sales and profitability (Payne). Therefore, a research methodology best known as the “service profit chain” (refer appendix 1) has been developed by faculty at the Harvard Business School to explain these linkages.

Service Profit Chain

Keeping employee motivated and satisfied with a well-designed incentives programme is a cost effective way to motivate employee to a higher level of performance which is the first link in the service profit chain. Furthermore, the key success of the service chain is to involve everyone within the company and make them feel they are part of the implementation process.

Consequently, when employees are validated in the work they are doing, it leads to employee loyalty and increased productivity. This will obviously create value and result in customer satisfaction where in the long run it will turn into customer loyalty. In order to see this happen, companies must, first, ensure employees are satisfied just because employees’ satisfaction plays a major role in the chain. The basic foundation is simple – happy employees make for happy customers who are loyal where loyal customers are far more profitable than new customers. On the other hand, take away the link; the chain will definitely falls apart. The way in which employees are treated and the level of employees’ satisfaction has an impact on customer satisfaction, retention referrals and overall profitability. It is the individual employees who are the building blocks of customer relationship.

Customer Satisfaction

Normally, customers will return to business where they feel good and where they are treated well. When all else is perceived equal, how the customers are treated and make to feel before, during and after transaction will be the deciding factor in whether the customers will return. Customers expect organisations to anticipate their needs and provide consistent service at level above their expectations. In return, customers are loyal to the organisation for longer period of time.

Relationship is built and sustained through a concentration on achieving customer satisfaction and the satisfaction is ensured only when the firm is creating value for its customer-value that extends well beyond value for money. So, to increase loyalty firm must increase level of satisfaction and sustain that level of satisfaction over time. Customers, who feel close to a firm, will generate positive word-of-mouth about that firm to others. This positive word-of-mouth communication is based on the customers’ level of satisfaction.

Communication seems to be an important tool in relationship marketing. In fact, communication is typically the biggest problem or the most common mistake that business makes which drive customers away. Companies need to be more responsive in a manner that keeping customers informed about ongoing activity to meet their requests and giving them a sense that fulfilling their requests is important. Customers are vary in their wants, needs, preferences and buying behavior. By understanding all those requests, will put the companies in a better position to meet their requirements and probably will enable companies to sell more of the their products or services. So, companies must make a point to communicate with the customers frequently.

Relationship’s Functions

In designing relationship marketing programme, companies must ensure its achievements the functions. The purpose is to add value to the service for the customers. Providing social reinforcement is the first

function, which refers to customers' esteem and affiliation needs such as sending a customer a birthday card.

The second value-added activity is reassurance that involves the concept of trustworthiness, reliability, commitment and concern such as staying in touch with customers. Sometimes, customers need help in reducing their cognitive dissonance. Companies can do so by telling customers why service is beneficial. This act constitutes as providing beneficial reinforcement, which describes the third function of the relationship marketing. The fourth value-added is solving customer problems.

In relationship marketing, the concept of customization is important because customers must feel that company is molding the service to meet their particular needs. Therefore, providing some customization of the service is the fifth function. Lastly, providing service enhancement in giving "extra" to reward customer for their loyalty is the last value-added function of the relationship marketing. It is to strengthen the bond between companies and customers.

CONCLUSION

Customers are the lifeblood of the organisations; without them companies cannot survive. What is important is that customers are satisfied so they will continue to do business with companies in the future and perhaps recommend to others. After all, it is much cheaper to please existing customers than to find new ones. Studies have indicated employee attitude towards the job and company were found to be critical to employee loyalty and behavior towards customers, whilst customer impressions directly affected customer retention and the likelihood of recommendations. Based on this findings, top management should play an active role in supporting and committing themselves in making employees part of the implementation process. CRM is a strategy and not a solution, which requires involvement and commitment of all the senior executives team with without those support, CRM project would fail. Finally, companies must develop communication that is meaningful, exciting and relevant to their customer because good communication is the foundation of any solid relationship. CRM – it is all about how you make the customers feel!

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