

How many businesses use CRM software to enhance customer interactions?

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Abstract

Customer relations are a major concern for businesses today, much more so than in the past, as the business environment has become more competitive as a result of the growing number of players on the market. Because services are more complicated than products and more tied to the actual firm than physical products, relationships are even more important in service firms.

As a result, companies in this industry must focus even more on consumer relations. This research examined how CRM software or applications are utilized in many businesses or industries to enhance customer interactions, as well as customer demands, satisfaction and loyalty.

Keywords: Customer relations, interactions, satisfaction, loyalty, service

Introduction

Rapidly shifting customer needs and their willingness to tear up established company connections are two of the most powerful forces affecting the digital economy. As a result, customer relationship management aims have evolved to attain bigger buy volumes, increased purchase frequency, cross-selling opportunities, cost savings owing to better customer service and the extra prospect of higher prices due to decreased price elasticity. In the financial services industry, numerous shifts in client behaviour are key drivers of new business development.

Demands for ubiquitous access of information and services as well as the supply of individualised information, are some of the current trends (including personalised consulting and problem solutions specific to individual financial issues) as well as the availability of a variety of high-quality communication channels (such as mobile banking, Internet services, contact centres and so on).

Customer happiness is at the centre of marketing strategy and practise, as well as CRM implementation, from a commercial standpoint. "To the individual consumer, satisfaction is significant because it shows a positive outcome from the use of scarce resources and/or the fulfilment of unfulfilled demands". Customer service should be prioritised in strategies that sustain and grow revenues. Three persistent ingredients still contribute to successful customer service strategies: reframing business in terms of customer advantages; identifying service dimensions in order to position the organisation as a leader and lowering

expenses while enhancing service and segmenting customers based on their needs. While these three concepts are still at the heart of CRM, customer segmentation stands out as the most important and will be discussed further in this research.

The Manchester Business School's Francis Buttle identified four strategically important client groups in a CRM study: high lifetime value (LTV), benchmarks, inspirations and cost magnets. The LTV customers should be the focus of retention efforts. The current worth of potential future profit margins is referred to as life-time value. Because of their capacity to influence other customers' behaviour and purchases, the second group of customers is referred to as 'benchmarks.' Customers who inspire change in the supplier through new product ideas, enhancements, or cost reductions make up the third group, referred to as 'inspirations.' Customers in the last group, known as 'cost magnets,' absorb a disproportionately high volume of fixed expenses, allowing smaller, low-profit customers to become profitable.

Strategies for Customer Relations

The relationship-based strategy is focused on the interaction between a service provider and their customers. This entails two persons having regular interaction. The buyer and the seller will develop a relationship as a result of which the salesperson will know what the consumer wants before they meet. Customers frequently purchase from the same supplier not only because of competitive pricing or high-quality items, but also because they are treated well when contacting the company. The employees are aware of the customer and mankind values acknowledgement. Before a firm can implement a relationship-based approach in customer relations, everyone in the organization, from management to employees, must grasp what the relationship is from the perspective of its customers.

Over the years, authors have developed different techniques of exploiting relations between the companies and their customers. Buckingham created methods that aid in the development of long-term connections and, as a result, loyal customers. Many companies overlook the necessity of retaining existing customers, instead focusing solely on attracting new customers.

Building lifetime customer relations

Customers must be retained, even if a corporation may only care about its customers on a sporadic basis. The most typical challenges include being aware that customers are there all of the time and require attention. To create a lasting relationship between a company and its customers,

salespeople must understand how to treat them. To gain loyal clients, a corporation must consistently surpass their expectations. A corporation, on the other hand, cannot meet customers' expectations on every level; instead, it must prioritize what is most important to the customer. Value, service and complaint handling are the three key dimensions. Companies should be aware of which aspects of their business have the most impact on customer satisfaction, what a typical customer's lifetime value is and who is responsible for customer service.

Important factors to consider are real compliments for clients and if genuine compliments are not available, it should not be done at all. The organization must also demonstrate genuine interest in the client, which will lead to a closer relationship. Before meeting with the customer, the consultant should look for commonalities and acquire information about the client's interests. It could be the simple elements that lead to enormous opportunities, such as treating every customer as if they were the most important, being able to offer what the consumer expects and, of course, prioritizing the customer at all times. To help, this consultant should pay close attention to the customer and provide him or her undivided attention, as well as maintain a pleasant appearance and try to personalize the relationship.

Furthermore, immediately disagreeing with the customer is an easy way to ruin a relationship; rather, it is preferable to try to figure out what the client really means. When a salesperson, on the other hand, agrees with a client's notion, he or she should make it known. The ability to interpret a client's condition provides a wealth of additional knowledge as well as a closer bond. Working with a client and incorporating their suggestions into future services, as well as ensuring that the customer is aware of this, is critical in a business partnership. Despite this, comedy is always effective, but only when it is used appropriately.

In a relationship, a smile and cordial conversation are always gratifying, but the quality of the service is crucial because it will be used. Other ideas, however, contend that the parties' relationship is not the most essential aspect. Because both poor service and poor quality incur extra expenditures for both the client and the seller, increasing service levels and improving quality appears to be a win-win strategy for both sides. Improving the service quality can benefit both parties significantly. If the buyer believes that the service has higher standards and attributes, the seller has the option to raise the price above the market average.

Review of Literature

Pelham et al⁷ described that a high level of customer retention enables the firm to maintain its sales base and expand product line sales to current customers. Customer retention is considered a key contributor to increased market share, revenue growth, reduced costs and increased profits. Schneider and Bowen⁸ said that the key focus area of many organizations is identification of a link between customer

satisfaction and performance. The delivery of satisfaction is the minimum the customers expect. Hence attention began to shift towards concepts like "Customer Delight" in order to emphasize the need for organizations to go beyond simply matching a set of baseline expectations of the customers.

Galbreath and Rogers⁴ observed 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 profitable and which should be jettisoned.

Szymanski and Henard⁹ stated that firms use technology as a key tool to enhance the information flow within their various business units, helping their employees better understand the ever changing and increasing needs and wants of their customers. From a company value perspective, fulfilling customer needs are a key source of income to an organization and achieving complete customer satisfaction is the only key for the company to success.

Amato-Mccoy¹ explained that in the context of CRM technology implementation, the reviewed studies provide some evidence that CRM technology improved customer retention and sales, nonetheless, the link between improved customer retention and overall performance is not clear.

Christopher² explained that CRM systems assist companies evaluate customer loyalty and profitability based on repeat purchases, the amount spent and longevity. CRM makes it practicable for companies to find unprofitable customers that other companies have abandoned or jettisoned. Greenberg⁵ described that CRM can increase the true economic worth of a business by improving the total lifetime value of customer, adding that successful CRM strategies encourage customers to buy more products, stay loyal for longer periods and communicate effectively with a company.

Tapan K Panda⁶ explored that customer relationship management goes beyond the transactional exchange and enables the marketer to estimate the customer's sentiments and buying intentions so that the customer can be provided with products and services before he starts demanding about it. This is possible through the integration of four important components i.e. people, process, technology and data. Customer data management gives us leads about the probability of customer demand and the technology helps us in tracking the characteristics and categorization of customers depending on his past behavior. The process reorients the traditional business models to suit to the integrative approach of customer relationship management by putting emphasis on customer life time value than a products life time value. The simple strategy making through a product life cycle approach is now obsolete and it gives path to customer life time value. The concept of customer life time value helps the marketer to analyze the cost of acquiring serving and retaining a certain set of customers in the market.

Tim Coltman³ said that the first implication for managers is that CRM programs should be directed towards customer value that competitors cannot match. On this point the results are quite clear. High performing companies base their success on proactive rather than reactive orientations. CRM programs that support identification of latent or unarticulated customer demand, are well positioned to add real business value and imply a positive future for CRM software applications, data mart and data warehouse technologies. A superior CRM capability can create positional advantage and subsequent improved performance. Further, it is shown that to be most successful, CRM programs should focus on latent or unarticulated customer needs that underpin a proactive market orientation.

Analysis

Data Categorization

- For each aspect, the scores obtained on the questions under that aspect are added.
- The resulting score is converted to 100 point scale (New Score = Score*100/Maximum Score).
- Using the 25th and 75th percentile, the new score is categorized as low, medium and high.

Score	Category
$\leq 25^{\text{th}}$ percentile	Low
$\geq 75^{\text{th}}$ percentile	High
Others	Medium

- For further analysis, these new scores are used.
- With respect to each attribute, cross-tabulation was done to find the count of cases in each group.
- Chi-square test was used to test for the significance of the association between the attribute and score levels.

Tests for Association

- The null hypothesis is that there is no association between levels of CRM in the type of industry/ job position.

- Results with p-value <0.05 are considered as significant.

Ranking of Factors

- Friedman test is used for ranking of factors.
- The first two factors were selected for describing the importance of these factors in that particular area.

Comparison of Mean Scores

- Z-Test was performed to compare the mean difference between the scores of different aspects between service and manufacturing industries. Similar comparison was made between technical associates and marketing managers.

Customer Relations

Eleven items as listed below are used to measure the extent to which the different industries implement CRM applications to enhance the customer relations. Table 1 shows customer relations by type of industries.

Chi-square test shows that there is high significant impact of type of industry on the organization's relations with the customers. There is significant difference between service and manufacturing industries. It is observed that 10.9% service organizations and 29.8% of manufacturing organizations responded with low scores. Again 30.9% of service organizations and 14.5% of manufacturing organizations responded with high scores.

Table 2 shows the nature of relationship between CRM and Job position.

Chi square test indicates that there is highly significant difference between technical associates and marketing managers with reference to the customer relations maintained by the organizations. It is identified that 24.4 % of technical associates and 11.9% of marketing managers are responded with low scores. In contrast, 33.6% of marketing managers and 16.3% of technical associates responded with high scores. Customer relations are dominant at medium level. P -value =0.001 (significant at 1%).

Table 1
Customer Relations by Type of Industry

Customer Relations	Type of Industry		Total
	Service	Manufacturing	
Low	19 (10.9%)	39 (29.8%)	58 (19.0%)
Medium	102 (58.3%)	73 (55.7%)	175 (57.2%)
High	54 (30.9%)	19 (14.5%)	73 (23.9%)
Total	175 (100%)	131 (100%)	306 (100%)

Chi-square Value = 22.624

P-Value = 0.001 (Significant at 1% level)

Table 2
Customer Relations by Job Position

Customer Relations	Job Position		Total
	Technical Associates	Marketing Managers	
Low	42 (24.4%)	16 (11.9%)	58 (19.0%)
Medium	102 (59.3%)	73 (54.5%)	175 (57.2%)
High	28 (16.3%)	45 (33.6%)	73 (23.9%)
Total	172 (100%)	134 (100%)	306 (100%)

Chi-square Value = 15.947

P-Value = 0.001 (Significant at 1% level)

Table 3
Ranking of Customer Relations Factors

Factors	Mean
Competitive Advantage	7.606
Integrated Functions	7.480
Share Information	6.986
Employee commitment	6.421
Target Customers	6.419
Customer Value	6.281
Competitors Strengths	5.668
Successful Customer Experience	5.604
Customer Satisfaction	4.939
Unsuccessful Customer Experience	4.454
Value for Customers	4.137

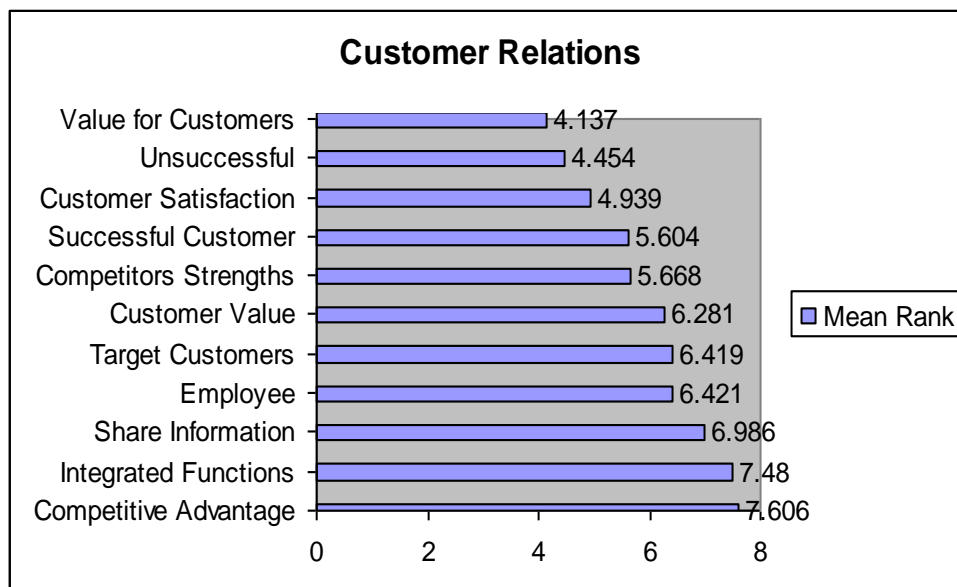


Figure 1: Ranking of Customer Relations Factors

Table 3 shows the ranking of different factors influencing customer relations (Mean ranks obtained by Friedman test). Competitive advantage, integrated functions and share information are the first three factors in that order identified by the respondents which influence the customer relations

with high mean ranking. Among the above three factors, respondents with the mean of 7.606 declared that “Competitive advantage” is the most important factor in CRM implementation.

Findings

It is observed that customer relations will be improved with the implementation of CRM in both service and manufacturing industries. Service organizations and marketing managers preferred more customer orientation in CRM implementation. Competitive advantage, integrated functions and sharing information have got highest mean ranking among eleven factors of customer relations.

Suggestions

Organizations need to continuously develop distinctive capabilities to quickly perceive, adapt and respond to ever-changing customer and business needs – ideally before their competitors are even aware of an opportunity. Agility and speed should be the essential components of customer relations.

CRM solution should provide a better platform to have a complete view of the customer. This should be facilitated by the integration of people, process and technology. In this regard, industries must endeavor to ensure full integration of all aspects of CRM applications and continuously upgrade the CRM systems. CRM project requires communication management to ensure communication processes and guidelines are in place. It determines who receives what kind of information and it should include four steps namely: communication planning, information distribution, performance reporting and administrative closure.

The factors discussed above are identified with high mean ranking which is evidence that customer orientation can be recognized as one organization specific factor that explains the difference between industries in terms of the benefits received by using CRM technology. Customer orientation is one of the organizational resources that industries can leverage to take advantage of the investment in CRM technology.

Conclusion

CRM refers to the activities involved in establishing and maintaining lucrative customer relationships by providing higher value and satisfaction. Different influencing elements in CRM adoption include competitive advantage, customer happiness, customer retention rate, customised products and a lack of capabilities. It is determined that the deployment of CRM in both the service and manufacturing industries results in the realisation of expected usefulness which are the promises of software applications before implementation.

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