

## CRM - Scope and Challenges in B-To-B Markets

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### Abstract

**The new era of business marketing is built on effective relationship management. Relationship management centers on all activities directed towards establishing, developing and maintaining successful exchanges with customers and other constituents. Nurturing and management of customer relationships has emerged as an important strategic activity in most firms. This is because loyal customers are far more profitable to keep than those customers who are price sensitive and perceive little difference among alternative offerings. Secondly a firm that is successful in developing strong relationships with customers secures important and lasting advantages that are hard for competitors to understand or copy. This paper is an attempt to understand buyer behavior, concepts of CRM and the application software used in implementing CRM.**

**Key words / phrases:** *Always-a-share Behavior, Lost-for-good Behavior, Customer facing applications, Customer touching applications, Customer Centric applications.*

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### 1. Introduction

Buyers and sellers craft different types of relationships in response to market conditions and characteristics of the purchase situation. CRM investments have to be made keeping the type of customers in mind. It is obvious that relationship building involves cost. The seller has to understand the life time value of the customer before investing in relationship building activities. CRM is not just about technology. Technology is only an aid to implement fundamental relationship marketing principles. Technology by it self cannot bring in relationship value to both sellers and buyers.

### 2. Scope & Objectives

The scope of this study is limited to conceptual understanding only and it is not based on any empirical evaluation. The objectives are

1. To understand the two continuum of buyer's behavior
2. To understand the principles of relationship marketing
3. To understand application software packages that implement CRM.

### 3. Types of Buyers' Behavior

Customers are more likely to prefer transactional relationship (Always –a-share behavior) when there is a competitive supply market featuring many alternatives, the purchase decision is not complex, and the supply market is stable. This profile fits some buyers of office supplies, commodity chemicals, and shipping services. In turn, customers emphasize a transactional orientation when the purchase is viewed as less important to the organization's objectives. Such relationships are characterized by lower levels of information exchange and are less likely to involve operational linkages between the buying and selling firms.

Buying firms prefer a more collaborative relationship (Lost-for-good behavior) when there are few alternatives, market is dynamic (for example rapidly changing technology), and when complexity of purchase is high. In particular, customers seek close relationships with suppliers when the purchase is deemed to be important and strategically significant to the buying organization. This behavior fits some purchasers of manufacturing equipment, enterprise software, or critical component parts embodied in the firm's products.

#### 4. Literature Review

ICICLE Report (2001) outlines "Indian CRM Markets". Conceptual studies to understand the scope of CRM usage in different sectors are analyzed. CRM market size, the drivers and inhibitors and the challenges of implementing CRM are analyzed.

Vikas Saraf (2003) has discussed CRM implementation issues. He concludes long-term successes of an organization depend on how successfully it implements CRM strategies.

Thompson and Maklonhave (2003) have discussed "How to develop relationship marketing strategies by implementing CRM technology in industrial markets"? Recommendations for implementing CRM in B-to-B Markets are given.

Sheen Leek and Turn bell (2004) have discussed "a conceptual model for suppliers and buyers management of relationships". Formal documented systems, personnel judgments and meetings are considered as strategic aspects of measurement of relationships. It is found that both buyers and suppliers do have their own methods for managing relationships. The methods are a combination of both formal and informal systems.

Payne and Frow (2005) have discussed a "strategic framework for Customer Relationship Management". They have developed a conceptual framework for Customer Relationship Management strategy. They have identified strategy development process, value creation process, multichannel integration process & performance assessment process as key variables in the framework.

Cao and Gruca (2005) have discussed the issue of reducing adverse selections through CRM. The authors have developed a model for adverse selection and costly screening process. They conclude the goal of CRM is to acquire right customers by reducing adverse selection.

Lynette Ryals (2005) have examined the importance of lifetime value of customer in making CRM work. The research demonstrates that CRM delivers better firm performance through measurement and management of customer relationships.

Rajagopal and others (2005) have examined customer portfolio theories and their implications in reference to marketing and purchasing perspectives. The major conceptual contributions in the area of customer portfolio and relationship management have been categorically analyzed in this paper.

Claudia Rebolledo (2005) and others have explored the role of information technologies in facilitating a relationship-mar-

keting orientation. On the basis of conceptual and empirical contributions, it is proposed that use of IT could improve customer knowledge. However it does not facilitate the acquisition of the other elements required for developing long-term relationships with customers and clients (i.e., trust commitment and personalization).

Based on the review of literature, a few of the principles in implementing CRM are discussed below.

#### 5. Principles

##### 5.1 Acquiring the right customers

Customer selection requires a clear understanding of customer needs, a tight grasp on the costs that will be incurred in serving different groups of customers, and an accurate data about potential profit opportunities. The choice of potential customers is defined by, how different customers define value.

The customer selection process should also consider profit potential. Because the product is critical to their operations, some customers place a high value on support services (for example technical services and training) and are willing to pay a premium for this support. Other customers are most costly to serve, do not value service support, and are extremely price sensitive in making product selection decisions. Because customers have different needs and represent different levels of current and potential opportunities, the "customer base should be divided into groups ranging from the most profitable, to whom the marketer wishes to develop a broader and deeper relationship, to the less profitable, to whom the firm might assign a low priority". Customer selection, therefore, must be explicit about which demands the seller can meet and leverage in dealings with other customers. Otherwise, the seller risks in serving unprofitable customers and wasting resources that might be allocated to other customer groups".

##### 5.2 Crafting the right value proposition

A value proposition represents the product, services, ideas, and solutions that a business marketer offers to advance the performance goals of the customer organization. To develop customer specific product offerings, the business marketer should next examine the nature of buyer-seller relationships that characterize the industry. "The strategies perused by competing firms in an industry fall into a range referred to as the industry bandwidth". Business marketers either attempt to span the bandwidth with portfolio of relationship marketing strategies or concentrate on a single strategy, thereby having a narrower range of relationships as compared to the industry bandwidth.

### **5.3 Instituting the best practices**

The sales force assumes a central relationship management role in the business market. Technical service and customer service personnel also assume implementation roles that are important and visible within the buying organizations. Successful relationship strategies are shaped by an effective organization and deployment of the personnel selling effort and close co-ordination with supporting units, such as logistics and technical service. Some firms divide the sales organization into units that each serves a distinct relationship category such as transaction accounts or relationship accounts. Through a careful screening process, promising transaction accounts are periodically upgraded to partnership accounts.

### **5.4 Motivating employees**

Dedicated employees are the cornerstones of a successful customer relationship management strategy. Frederick F.Reichheld notes, "Leaders who are dedicated to treating people right, drive them to deliver superior value, which allows them to attract and retain the best employees. That is partly because higher profits results from customer retention, but more important, it is because providing excellent service and value, generates pride and sense of purpose among employees".

### **5.5 Learning to retain customers**

Business marketers track customer loyalty and retention because the cost of serving a long-standing customer is often far less than the cost of acquiring a new customer, Why? Established customers often buy more products and services from a trusted supplier, and as they do, the cost of serving them declines. The firm learns how to serve them in more efficient manner and also spots opportunities for expanding the relationship. So the customer profit rate tends to increase over the life of a relationship. Business marketers earn customer loyalty by providing superior value that ensures high satisfaction and by nurturing trust and mutual commitments.

### **5.6 Evaluating relationships**

Some relationship building efforts will fail because expectations of the parties do not get Example, when the business marketer follows a relationship approach and the customer responds in a transaction mode. By isolating customer needs and associated costs of augmented service features, the marketer is better equipped to match profitably the appropriate product offering to the needs of a particular customer. The goal of relationship is to enable the buyer and the seller to maximize joint value. This requires formal evaluation of relationship outcomes.

### **5.7 Demonstrating commitment**

Relationships with customers can also be damaged by product quality problems, late deliveries, or inadequate service support. Each can pose serious threat to the relationship and signal a lack of commitment on the part of the marketer. In turn, the customer's definition of value changes over the course of relationship. As Frederick E Webster Jr.notes, "If quality is defined as meeting and exceeding customer expectations, and if the customer expectation keeps increasing as the company improves its performance and competitor's promises of superior value, continuous improvement is an inevitable requirement for survival in the customer relationship".

Business marketers should also continually update the value of their product and relationship offering. Attention here should center on particular new services that might be incorporated into the offering as well as on existing service elements that might be unbundled or curtailed. Working relationships with customer firms are among the most important marketing assets of the firm. They deserve delicate care and continual nurturing.

### **5.8 Gaining a customer relationship advantage**

A customer relating capability is best nurtured in a market driven organization and is exercised through a complex process of knowledge acquisition, sharing, and application.

### **5.9 Bench Marking**

Bench marking is a process of identifying the best in the class and adopting the best practices. Benchmarking provides superior services to customers and helps in creating value to the customers. Relationships improve and sustainable advantages will be derived.

### **5.10 Regaining Lost Customers**

In Business to Business markets, once a customer is lost for what so ever reason it is very difficult to regain the customer. The expenses involved in regaining a lost customer will be much more than acquiring a new customer. Hence losing customer is highly unaffordable to any business organization. In order to regain the lost customer extra efforts in relationship building activities have to be undertaken. Delivery and quality may have to be renegotiated from the beginning.

The above principles in implementing CRM in organisations can be effectively met by understanding and using right application soft wares.

## **6. CRM Applications**

A wide range of applications implements the three direct CRM processes-sales, marketing, and services. The applications that implement these business processes are considered "operational" applications. They are the applications

that “do” business, delivering offers, generating orders, and responding to customer requests. CRM also has analytic or decision support dimension. These applications are called customer centric intelligence applications.

### **6.1 Customer facing applications**

The Key customer-facing CRM applications are contact center, sales force automation, and the field services. These are known as customer facing, because sales, field service, and contact center representatives actually interact with the customers. Customer facing CRM applications support those staff members.

Customer-facing applications have been around for many years. For example sales force and field service automation applications were there even before we thought about CRM. Those products that do implement these applications predate CRM, but now have been repositioned to take advantage of CRM trend. For example, many of the products that implement tele-service were developed as help desk products dating back to the late 1980s. SFA applications, originally known as contact management applications have been around even longer.

Because the implementation of these applications predates CRM, they need to be upgraded to reflect a customer focus. These upgrades should give them that single and consistent view of customers and company and integrate them with the business processes that support their marketing, sales and service functions.

### **6.2 Customer touching applications**

The Key customer-touching CRM applications are campaign management, e-commerce, and self-service customer support. These are called “customer touching” because customers interact directly rather than through a company representative.

Customer-touching applications are relatively new-certainly much newer than customer-facing applications. Most date from mid to late 1990s. Campaign management was the first attempt to automate the marketing business process, allowing companies to deliver offers to more markets more cost efficiently, more effectively and more frequently. Electronic commerce was a break through application. It gave companies a new touch point and a way to expand their market reach and presence, automating completely the online marketing, sales and service processes. Electronic commerce also gave us automated personalization, a customer centric approach to treating each customer as a market of one. Self-service customer support was the next step for customer service. While contact center applications brought help desk capabilities to customers, self-service customer support ap-

plications put this functionality online, enabling customers to access it 24/7.

All customer touching applications let customers help themselves-one of the basic principles of customers.com philosophy. Customers may prefer to interact in this self service way. We can also improve the quality of the experience that we provide by balancing functions between touching and facing touch points, allocating skilled marketing, sales, and service staff to perform the highest pay back tasks or to support best customers, supporting basic tasks and less than best customers through customer self -service interactions.

However, customer-touching applications must have excellent performance and provide a great customer experience. This is not as vital for customer facing CRM applications because great sales people can insulate customers from not so great applications.

### **6.3 Customer centric intelligence applications**

Customer-centric intelligence applications are analytic applications that analyze the results of operational processing. Their results can be used to improve the efficiency and effectiveness of operational CRM applications. Customer -centric intelligence is the term we use to describe the customer focused analytic functions, but we might be calling these same applications business intelligence, decision support systems (DSS), or analytic CRM applications. The names are less important than their capabilities. This includes these high level functions.

- Data warehousing
- Reporting
- Analytic applications

### **6.4 Data warehousing and Data Mining**

Customer-centric intelligence applications depend on a data warehouse for input. The data model required for customer -centric intelligence applications is likely to differ from existing data ware house schemes in the areas of customer information, customer behavior information, and information about marketing, sales and service initiatives.

### **6.5 Reporting**

Reporting is the tried and true approach for understanding customers. We may probably have our own reports in our own favorite formats. These differences and different approaches to analysis may no longer work when we become a customer centric company. We must have a single view of our customers and provide a consistent experience to all of them. Thus we must be generating and reviewing reports on a consistent set of information through out the organization.

## 6.6 Analytic applications

Analytic applications should reflect the way in which our organizations approach analysis. Some organizations rely on statistical analysis and data mining approaches such as clustering or neural networks. Other organizations distrust everything except the empirical information in the data warehouse. We should look at analytical applications as the tool set for understanding customers.

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## 7. Conclusions

CRM is not just about technology but it involves a through understanding of the customer requirements as discussed above. Technology only supports the system but by itself it will not provide any answers.

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