INNOVATIVE STRATEGIES OF CRM TO INCREASE COMPETITIVENESS - A STUDY OF INNOVATIVE PRACTICES IN IMPLEMENTATION OF CRM

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Abstract : *In recent years, organisations have begun to realize the importance of knowing their customers better. Customer relationship management (CRM) is an approach to managing customer related knowledge of increasing strategic significance. The successful adoption of IT-enabled CRM redefines the traditional models of interaction between businesses and their customers, both nationally and globally using e-CRM.*

This paper discusses the results of an exploratory survey conducted in the city of Bangalore on the best and innovative CRM practices, implemented by business organizations; it discusses CRM practice and expectations, the motives for implementing it, and evaluates post-implementation experiences. It also investigates the CRM tools functionality in the strategic, process, communication, and business-to-customer (B2C) organizational context and reports the extent of their use. The results show that only those organizations who have been innovative in their approach and those who have implemented their practices have been able to meet their CRM objective. It also gives a pointer to the emerging trends in CRM as we enter the second decade of the 21st century.

Our study highlights some of the best and innovative practices of CRM especially in branding, value addition, customer experience and personalisation using technology as a tool to reach the CRM goal of retaining customers among the selected automobile, retail and consumer electronics businesses in the Indian context. This is done by using convenience sampling and administering a questionnaire among them to find out the effect of the CRM initiatives of the 3 business sectors in India with specific reference to Bangalore. The findings highlight the positive and negative effects of the technology enabled e-CRM initiatives. The trends in innovations are identified in the framework of CRM to Customer Managed Relationships(CMR), CRM to Customer Value Relationships(CVR) and CRM to Customer Trust Relationships(CTR.)

Keywords : *branding, value addition, customer experience, personalization, strategic significance.*

Introduction : In response to the growing threat from conventional and non-traditional competitors, established manufacturing, trading and service

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organizations are using information technology and other quantitative and qualitative tools to get as close to the customer as possible. Customer relationship management (CRM) holds the promise to achieve such corporate objectives in this highly competitive arena. It involves the continuous use of refined information about current and potential customers in order to anticipate and respond to their needs and draws on a combination of business processes and IT to discover knowledge about the customers.

The philosophy of CRM is based on :

- Relationship orientation.
- Customer retention.
- Superior customer value created through process management.

IT is the enabling technology for the discovery and management of customer knowledge. CRM encompasses the management of all possible ways that an organization interacts with its customers. From receiving an order through the delivery of the products and services In its simplest form a CRM implementation may be a "Frequently Asked Questions," (FAQ) page on the company's Web site, a call-centre, an e-mail newsletter, or a customer application download facility .In its simplest form a CRM implementation may be a "Frequently Asked Questions," (FAQ) page on the company's Web site, a call-centre, an e-mail newsletter, or a customer application download facility. CRM implementations include internal systems, such as customer databases, systems for interaction with consumers, such as home banking, as well as systems directed to business customers, such as order processing via B2B portals on the Internet. CRM is becoming a priority due to very powerful economic, technological, and social forces that have effectively made the traditional business models irrelevant in the contemporary business and technological environment; thus with the growth of e-business, customers are just a mouse-click away from competitors. Satisfied customers are less expensive and can become an effective advertisement channel. Customer retention provides additional revenue. It is argued that a 5% increase in customer retention can result in an 18% reduction in operating costs. Many organizations think their customer profitability follows a Pareto type 80/20 rule: i.e. 80% of a bank's revenues can be attributed to 20% of its customers.

Acquisition of new customers is five times more expensive than generating repeat business from existing customers. Most institutions are facing strong competition, not only from existing players within the industry, but also from new entrants from other business sectors.

Objectives

a) To study the technology enabled CRM initiatives of select companies

b) To identify the best CRM practices

c) To find out the customer satisfaction of the technology enabled CRM practices

Methodology

The study is based on an exploratory survey conducted in the city of Bangalore using a simple random sampling with a sample size of 180 respondants spread over three companies.

The questionnaire was annalysed and percentage values were calculated regarding satisfaction and dissatisfaction.

A large sample test at five percent level of significance was administered to understand whether the level of satisfied consumers and highly satisfied consumers differed significantly.

The results showed that in all the three companies the proportion of highly satisfied customers was significantly greater than the merely satisfied customers.

3. Research on best practices

The authors of this paper went through the CRM initiatives of several organizations and have identified certain best practices which stand out in an economy which is still recovering from the shock of the last few years. These best practices have been divided into three main headings and each best practice has been substantiated with an example to get a better understanding of the same.

CRM Best Practices-1-From CRM to CMR

Most companies are implementing systems that let their customer service people, salespeople, technical support people, marketing people, and sometimes accounting and order management people see a combined, 360-degree view of each customer's interactions with the firm. Instead, what if a firm designed and implemented an information system that lets the customer gain a 360-degree view of the interactions that take place within the firm that impact him? This is what some firms are doing as a best practice, they are designing their CRM systems from the outside in rather from the inside out and this definitely is a best practice. Customer relationship management systems whether straight CRM (client-server heritage) or the newer e-CRM (Internet-based) variety have typically been designed from the inside out What if the company began instead by designing a customer relationship management system that lets Customers Manage their Relationships (CMR) with the company? The company takes all the information it has about customers' current relationships with it and makes this information easily accessible to the customers themselves through the Web.

This initiative was taken by Big Bazaar and its web initiative Future Bazaar in which customers using the services of E-ordering in the future bazaar web page could choose their own loyalty programme, the website allowed the user to track not only their order but their own buying pattern and decide which type of customer they considered themselves to be. The programme also allowed customers to choose their own preferred premium points at their birthday or anniversary, their own choice of gifts and

also their own loyalty grade. This initiative helped the future bazaar to become the largest supplier of goods through web marketing in 2010.

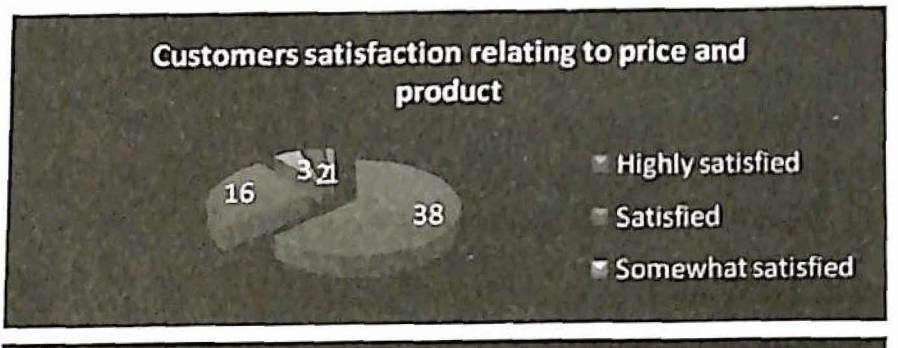
Future Bazaar was asked few relevant questions (Annexure 1) related to their customer relationships activities and the findings were as follows. They had information readily available to address their customer's queries. The customers were given information quickly and effectively. Approximately 1,500 customers register with future bazaar daily and almost 2000 customers make purchases daily. The company stated that their door deliveries to customers' purchases were always on time. However, nationally only about 300 complaints were recorded from customers annually. It is inferred that the company is positive about conducting online B2C transactions and would continue to have a web presence.

A short questionnaire was designed to address the customers and the findings were as follows:

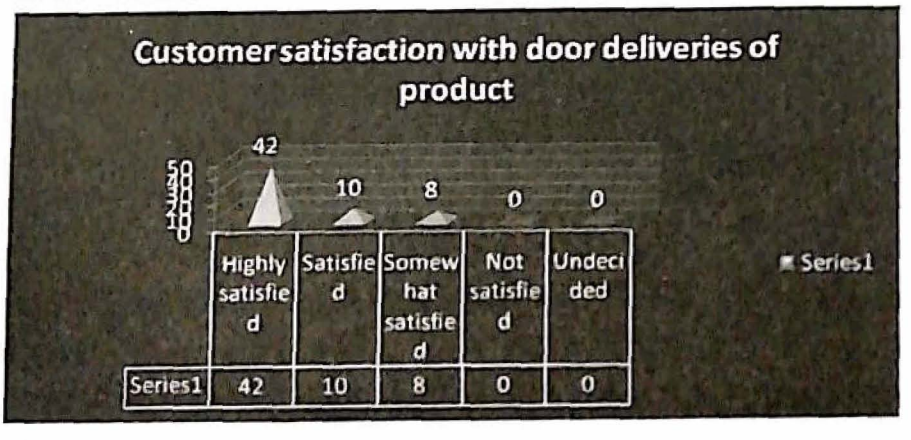
75% of the respondents were males and 25% females of whom 65% were in the age group of 18 to 30 years. 25% were in the range of 30 – 40 and 10% were in the range of 40 -50 and 5% above 50 years. All the respondents had registered with the online web site - future bazaar.

10% of respondents stated that they always make purchases from Future Bazaar while 90% respondents purchase online only sometimes. While they did the transactions 95% were highly satisfied with the products and prices offered by Future Bazaar while 5% were only satisfied.

However after administering the large sample test of proportion it was concluded that the percentage of highly satisfied customers was significantly more than the percentage of only satisfied customers.



Most the respondents were highly satisfied with the door deliveries and mentioned they would recommend to others to buy online from Future Bazaar.



It inferred from the findings that the company has high potential for attracting customers to their online B2C marketing model to conduct business.

CRM Best Practices -2- From CRM to CVR

Every customer wants a relation with the company that not only manifests in loyalty points or bonus gifts but relations that add value to his overall experience as a customer of the brand. These experiences which collectively enhance the value of the brand and the image of the company and also bring the customer into the sharp focus of the relationship cycle are called as Customer Value Relationships (CVR).

The case in point is the good life CRM initiative by Hero Honda Motors now Hero Motor Corp which launched a Customer Relationship Program in the year 2001. The program was completely managed manually and was difficult to manage and there were always challenges in ensuring authenticity of the data. This led to upgrading of the manual processes in the Passport program to an electronic platform called GOODLIFE wherein a smart card is issued to the customers. The new system began in January, 2009 and in a short span of 9 months the program was rolled out to almost 2000 touch-points of Hero Honda now Hero Motor Corp, covering all dealers and SSPs and around 4000 dealer staff were given hands on training. With the introduction of a software and online process (right from online form filling to redemption of gifts) there is complete authenticity of information captured and retrieved. The use of technology has increased management efficiency of the CRM program by providing real time information of the customers. Authenticity of information is no more questionable, the processing time has reduced from approximately three months to five days. Status of points and gifts redemption is visible to dealers as well as customers. Dealers' overhead costs have reduced because of a completely paper-less process also dealers now have access to lot more analytics to help them do undertake target marketing.

There are 5 strong dealers of **Hero Motor Cycles** in Bangalore namely Prakash Motors, Majestic Motors, Millennium Motors, Sai Motors, and Niki Motors. All of them have sub-dealers and the network sells around 5,500 two wheelers per month in Bangalore. Majority mentioned that their overall services on paid mode is less than the free services in the ratio of 40% and 60% respectively from a total inflow of 1500-2000 customers per month per dealer.

Relevant questions were addressed to the dealers and the findings were as follows:

All the dealers agreed that they had information readily available to address customer's problems and they generally take less than 5 minutes to answer to customers queries in personal visits on phone. The dealers responded that 90% of the customers visit the dealers for repeat services either on similar faults of the bike or with varied faults. It seems only 10% divert to their convenience of the home or office.

In all about 350-400 customers swipe the 'Good life' card per month in order to gain the points given by Hero Motor Corp and redeem them for gifts, discounts for services and parts. The card entails discount at select retail outlets for purchases of consumer goods and an accident life insurance for Rs.1 lakh within 3 years further, the customer need to renew it himself. The dealers mentioned that all were highly satisfied with the 'Goodlife' program which was otherwise known as the Passport program.

It is inferred that this promotional mode of offering customer and his vehicle ID on plastic cards gives an identification to the customer and the vehicle which enable him to be reckoned anywhere in India. Beyond that the entire history of the transactions made with various outlets are recorded and printed on request. This scheme has attracted all new customers and the usage is very high that sometimes there is a delay in stocking the gifts for points redeeming. However, the new customers are now put in a queue for availing the 'Goodlife' card.

The customers of Hero Motor Corp two wheelers were asked questions on their usage of the card. It was found from the all respondents in the age group of 18 to 45 that they possess the 'Goodlife' cards. They all used the card regularly and all of them strongly agreed that they benefit from the 'Goodlife' program. All the respondents were highly satisfied with the program as the concept of waiting at the mechanic shop has become a history. Today customers value their time and Hero Motors has risen to match customer expectations by building long term relations using technology to enable quick and prompt services. All the respondents mentioned that they would recommend others to buy a Hero Honda because of the 'Goodlife program' as well.

All the answers were statistically tested and the level of highly satisfied customers was significantly more than those who were only satisfied.

It is inferred from the above findings that Hero Motors Customers value such Customer Relationship programs that motivate them and it drives them towards customer loyalty.

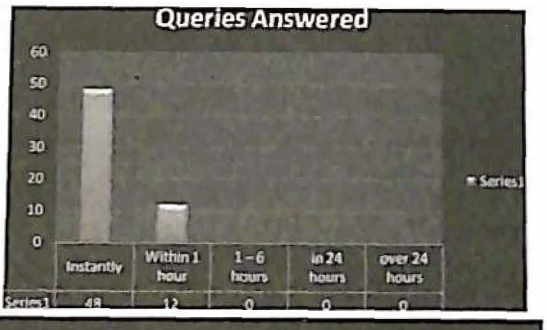
CRM Best Practices -3-From CRM to CTR

If there is one aspect of customer satisfaction and delight that binds the customer to the organization, it is the trust that the company enjoys with the customer. The customer expects the same quality and performance from the product and service again and again and this adds to a bond of trust between the firm and its customer. The CRM initiative must move from merely handling relationship to maintaining trust. This is called as Customer Trust Relationship (CTR). If the brand can handle relationships with its customers in a manner to foster more trust then the chances of the organization succeeding is very high.

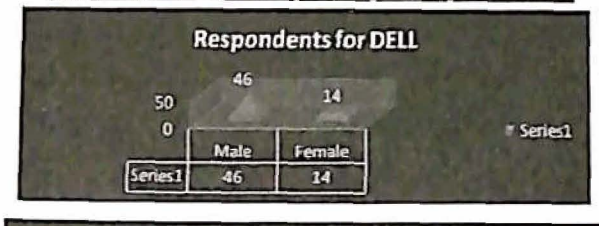
The case in point is **DELL.** Dell recovered from the 2005 Dell Hell crisis by recommitting themselves to engaging

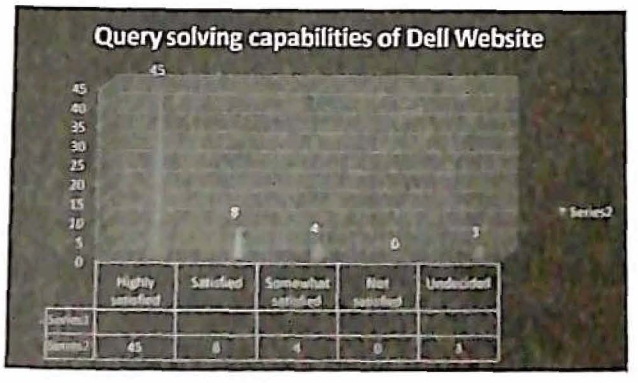
with their customers in meaningful ways. Since 2005, Dell has re-focused its efforts on supporting Dell customers on Dell Support Forum; built the Direct2Dell blog into one of the most respected corporate blogs in the world; involved customers and employees in product and process innovation on Idea storm and Employee Storm; created communities of interest around big social objects on Dell Digital Nomad, Dell Take Your Own Path and Dell Go Green; and even used social networks for commerce, especially on Dell Outlets on Twitter. While the Dell social media platforms are often cited as industry case studies, most people do not know about Dell's strong social CRM program where it works with Radian 6 to categorize social media conversations into problems (that need to be fixed), ideas (that need to be built upon) and praise (that needs to be encouraged) and escalate it to internal business unit and country teams to respond to them in real time. Most people also do not see that Dell's social media programs are supported by a strong governance system, with a dedicated social media team at the center of its hub and spoke structure, well-defined internal workflows and stakeholder roles (including the role of agencies), and well-articulated and public social media policies for its employees and community policies for the participants on its community platforms.

Similar to the above two, a survey was done with DELL and its customers. It was found from the survey with the company that they did have information readily available to address customer queries. The customers were given required information quickly and effectively.

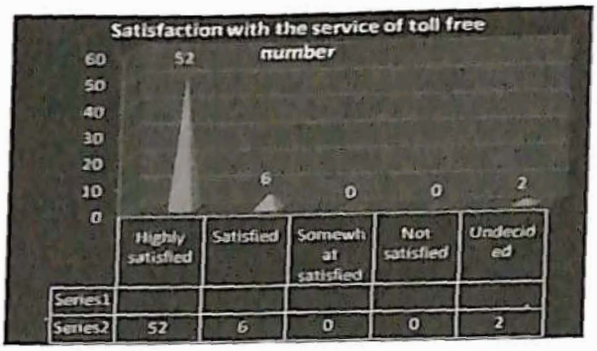


The queries were answered based on the question and 80% are answered instantly while 20% were answered within 1 hour but not beyond 24 hours.

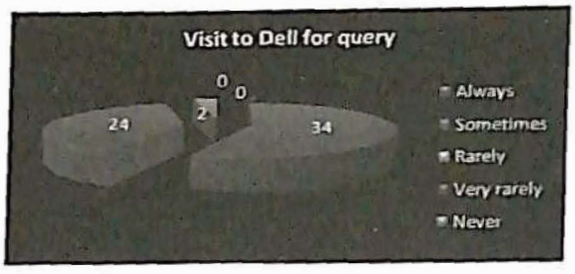




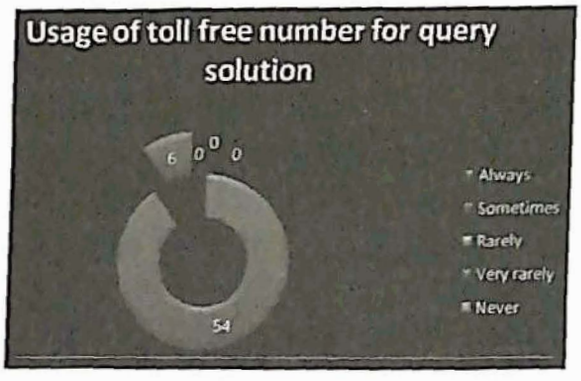
75% of the respondents were highly satisfied with the user friendly links of Dell web pages to answer to customer queries. 13% were only satisfied and 7% somewhat satisfied and 5% had not decided.



The response on the toll free number for solutions was very good as 86% were highly satisfied and 10% satisfied while 4% were undecided to comment on their experience.

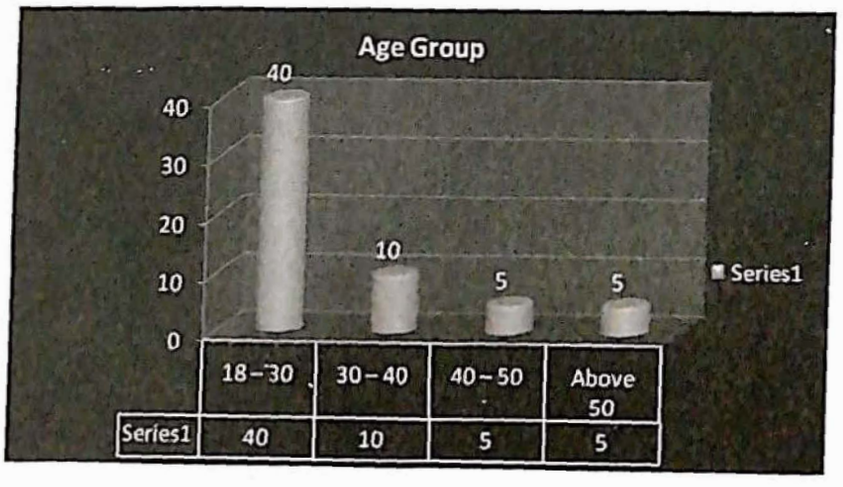


It is also found that 56% of the respondents always visit the Dell site whenever they have a query and 40% visit sometimes and only 4% rarely visit the dell site for solutions.



It is found that 90% of the respondents used the toll free number to call Dell when they had a problem and 10% called sometimes.

Thus, it is inferred that Dell users prefer to call than use the web site but there is a substantial interest in getting solutions from the web itself rather than from the toll free calls. It is clear from the customer survey that Indians are in the move to get answers for queries from the 'SELF HELP MODEL' than the 'PLEASE HELP ME MODEL' with the help of technology.



When asked about the frequency of calls, it was gathered that about 100 calls are answered from local customers in Bangalore daily. The daily hit rate of the Dell web site in India is about 20,000 hits including blogs.

It is inferred that DELL is making an attempt to create dramatic change in customer behavior in India. Indians are always habituated to get things done from others; DELL is making the customers service themselves with help of technology.

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Conclusion

The findings highlight the positive and negative effects of the technology enabled e-CRM initiatives. The trends in innovations framed in the framework of CRM to Customer Managed Relationships (CMR), CRM to Customer Value Relationships (CVR) and CRM to Customer Trust Relationships (CTR.) are validated with three distinguished companies and their customers in Bangalore. It is concluded that the customers in cities like Bangalore in India have begun to be highly responsive to technology based self services than the traditional people delegated services and the SELF HELP MODEL would be effective with the Indian urban consumers who are driven by time management.

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