



Elucidation & Impact of Customer Relationship Management on Performance of a Firm

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Abstract: Customer relationship management (CRM) can help organizations manage customer interactions more effectively to maintain competitiveness in the present economy. CRM, an integration of information technology and relationship marketing, provides the infrastructure that facilitates long-term relationship building with customers at an enterprise-wide level. Successful CRM implementation is a complex, expensive and rarely technical projects. After research work we may therefore conclude that there is significant impact on Relationship Marketing – orientation to a consumer after the implementation of CRM and there is significant increase in performance of firm with implementation of CRM.

Keywords: Relationship Marketing, Customer retention

INTRODUCTION

CRM, as a new information technology (IT) concept, has dramatically increased in popularity during the last decade. Though vendors and business executives may praise CRM as the latest panacea to slumping market share, customer service as competitive advantage is as old as commerce itself.

Customer relationship management (CRM) is increasingly important to firms as they seek to improve their profits through longer-term relationships with customers. In recent years, many have invested heavily in information technology (IT) assets to better manage their interactions with customers before, during and after purchase [14]. Yet, measurable returns from IT investment programs rarely arise from a narrow concentration on IT alone, with the most successful programs combining technology with the effective organization of people and their skills

Companies that enter to compete in a new market weaken the existing and solid ones, due to new ways of doing and conceiving businesses. One of the factors that have driven all these changes is the constant change and evolution of technology. Because of this reality, the CRM concept has evolved in such a way that nowadays it must be viewed as a

strategy to maintain a long-term relationship with the customers [1]. A good customer relationship is the key to business success. Relationship building and management, or what has been labeled as relationship marketing, is a leading approach to marketing [2]. The use of customer relationship management (CRM) systems is becoming increasingly important to improve customer life time value [3]

Customer relationship management (CRM) can help organizations manage customer interactions more effectively to maintain competitiveness in the present economy. As more and more organizations realize the significance of becoming customer-centric in today's competitive era, they adopted CRM as a core business strategy and invested heavily. CRM, an integration of information technology and relationship marketing, provides the infrastructure that facilitates long-term relationship building with customers at an enterprise-wide level. Successful CRM implementation is a complex, expensive and rarely technical projects [5]

Conceptually, customer relationship management (CRM) has been widely embraced by businesses. In practice, however, examples of success contrast with anecdotes where the diffusion of CRM into organizations continues to be a slow process and/or where CRM implementation outcomes have fallen short of expectations. Successful implementation depends on a number of factors such as fit between of a firm's CRM strategy and programs and its broader marketing strategy, and intra-organizational and inter-organizational cooperation and coordination among entities involved in implementation [22].

Retention and Acquisition

Marketing operations consist of two activities: acquisition and retention of customers. In the world of mass and target marketing, the focus was on the acquisition side. On the other hand, in the world of relationship marketing, attention shifted to retention. This happened mainly because of the cost involved. In general, it is believed that "it is five to 10 times more expensive to acquire a new customer than obtain repeat business from an existing customer." As the needs of customers became diversified, conventional promotions became less efficient and drove up costs. According to the well-known empirical "Pareto principle," it is assumed that 20 percent of a company's customers generate 80 percent of its profits. Customer base is a major issue. In other words, retention of a large [3]

The Origins and Role of CRM:

CRM is based on the principles of relationship marketing which is regarded as one of the key developmental areas of modern marketing and one which has generated great research interest. We see relationship marketing as a paradigmatic shift in marketing approach, a perspective supported by several leading scholars [21]

Birth of Customer Relationship Management

In this context, CRM came into existence in the late 1990's. Although there is no clear definition of CRM, Jeffrey Peel, CEO of Quadriga Consulting, defined it as follows: [CRM] is about understanding the nature of the exchange between customer and supplier and managing it appropriately. The exchange contains monetary considerations between supplier and customer – but also communication. The challenge to all supplier organizations is to optimize communications between parties to ensure profitable long-term relationships. CRM is a key focus for many organizations now as a shift away from customer acquisition toward

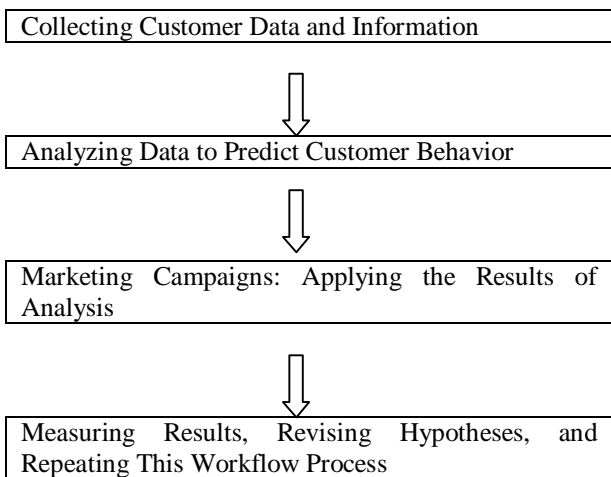
Customer - retention and churn reduction strategies dictates a need for best practice CRM processes. [3]

“[CRM]...isn't a technology. As you will see, that's true, but not strictly. I also heard that it was a 'customer facing' system. That it is a strategy and/or a set of business processes a methodology. It is all of the above or whichever you choose” [23]

CRM can be defined as a set of business, marketing and communication strategies and technological infrastructures designed with the aim of building a lasting relationship with customers, which involves identifying, understanding ,meeting their needs. [20]

Workflow of CRM

A simplified CRM workflow is as follows.



CRM STRATEGY AND IMPLEMENTATION MODEL

The model has two main components: key CRM implementation elements and core cross-functional CRM processes. As a result of this research four critical elements for successful CRM implementation were identified. A

longer list was initially developed from interviews, extensive discussions and group work at workshops and from the literature. They were interactively and progressively refined into the following categories: CRM readiness assessment; CRM change management; CRM project management; and employee engagement. We then integrated these four critical elements for CRM implementation with five core CRM processes [6]

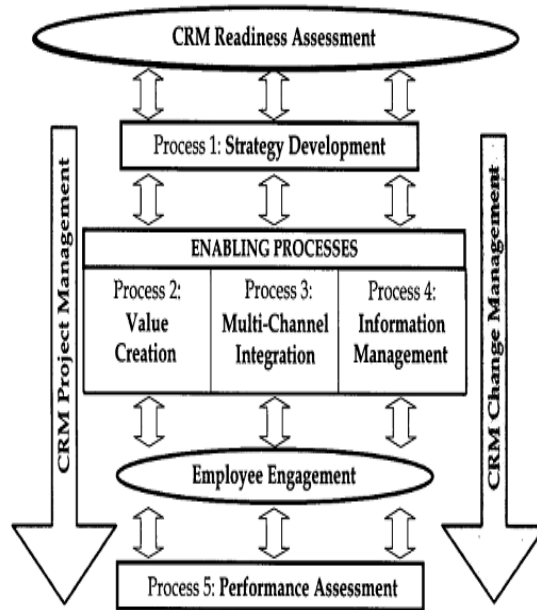


Fig 1 : CRM Strategy and Implementation

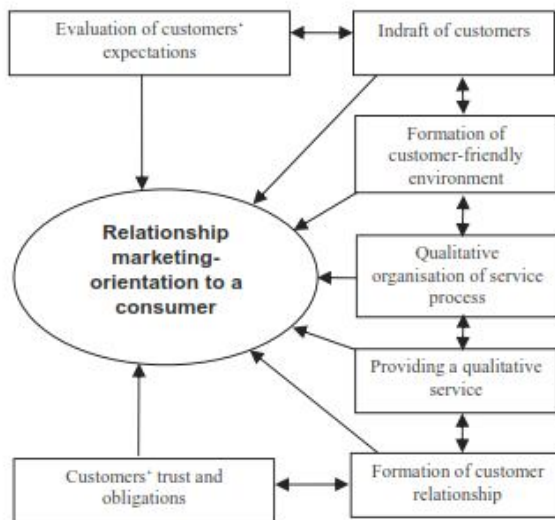


Fig 2: coherence of relationship marketing and CRM elements

[11]

Hypothesis:

H0 : There is significant increase in performance of firm with implementation of CRM.

H1 : $\mu_x = \mu_y$ mean scores before implementation of CRM & after implementation of CRM are same I.e. there is no significant impact on Relationship Marketing – orientation to a consumer change after the implementation of CRM

Methodology:

A probability sampling method by using stratified sampling was conducted in this research. From those strata samples are selected on randomly. The primary data was collected through questionnaire. . The study is based on the primary data which was collected from different parts of the country with the help of the structured questionnaire on Richter scale.

Table: 1 technical specification of the sample

Sample group	1.15 billion population
Scope of the study	National
Sample unit	Firms where CRM exists
Information collection method	Questionnaire
Sampling procedure	Random sample stratified by Region
Sample size	200 interviews

STATISTICAL TECHNIQUES USED

(1)Chi-Square Test :

Chi-Square (λ^2) test has been used to test the hypothesis at 5% level of significance.

Table: 2 table of research primary data

Industries	Increase performance	Decrease performance	Total
Small scale industries	70	30	100
Medium scale industries	50	10	60
Large scale industries	30	10	40
Total	150	50	200

Table: 3 table of expected frequencies

Industries	Increase performance	Decrease performance	Total
Small scale industries	75	25	100
Medium scale industries	45	15	60
Large scale industries	30	10	40
Total	150	50	200

Table: 4 table of CHI-SQUARE Test

observed frequencies(O)	expected frequencies (E)	O-E	(O-E) ²	(O-E) ² /E
70	75	-5	25	0.34
30	25	5	25	1
50	45	5	25	0.56
10	15	-5	25	1.67
30	30	0	0	0
10	10	0	0	0
Total (λ^2)				3.57

DEGREE OF FREEDOM = (3-1) * (2-1)

=2*1 = 2

Therefore Calculated value of χ^2 i.e. 3.57 is much less than tabulated value 5.991, it is highly in significant. Hence the null hypothesis is accepted. We may therefore conclude that there is significant increase in the performance of a firm after the implementation of CRM

(2)Paired t- test:

In this context performance before CRM implements and performance after CRM implementation are same, i.e. One not in dependent but are paired together. We shall apply paired t-test.

Table: 5 technical specification of sample

Industries	SSI	MSI	LSI
Performance before CRM existence	25	60	79
Performance after CRM existence	28	63	83

In the above table SSI =Small Scale Industries, MSI = Medium Scale Industries, LSI= Large Scale Industries

HYPOTHESIS

Ho: $\mu_x = \mu_y$ mean scores before implementation of CRM and after implementation of CRM are same .there is no significant change .after the implementation.

Assume x= before CRM existence

Assume y = After CRM existence

Alternative Hypothesis: - $\mu_x \neq \mu_y$ (two trailer)

$$T = \frac{d}{S/\sqrt{n}} \sim t_{n-1}$$

Table: 6 table of research primary data

X	25	60	79	
Y	28	63	83	
d=x-y	-3	-3	-4	
d ²	9	9	16	$\sum d^2 = 34$

$$\bar{d} = \frac{\sum d}{n} = \frac{-10}{3} = -3.33$$

$$s^2 = \frac{1}{n-1} \left\{ \sum d^2 - \frac{(\sum d)^2}{n} \right\}$$

$$= \frac{1}{n-1} \left(34 - \frac{100}{3} \right)$$

$$= \frac{1}{2} (0.67)$$

$$= 0.5 * 0.67 = 0.335$$

$$t = \frac{|\bar{d}|}{\sqrt{s^2/n}}$$

$$= \frac{-3.33}{\sqrt{0.335/3}}$$

$$= \frac{3.33}{\sqrt{0.1116}} = \frac{3.33}{0.33} = 10.09$$

DEGREE OF FREEDOM = (3-1) * (2-1)

$$= 2 * 1 = 2$$

The tabulated value of t for 2 d.f. and at 1% level of significance for a two tailed test is 9.92. Since calculated value of 't' is greater than tabulated, it is significant at 1% level of significance. Hence, the data provide evidence against the null hypothesis which may not be accepted. We may therefore conclude that there is significant impact on Relationship Marketing – orientation to a consumer after the implementation of CRM.

CONCLUSION

Customer relationship management (CRM) can help organizations manage customer interactions more effectively to maintain competitiveness in the present economy. Even it is statistically proved that implementation of CRM in the firms increase the performance. It is one of the important weapons in the present day world for acquisition and retention of customers in the competitive scenario.

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