
Customer Relationship Management in the Service Sector - An Overview

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Abstract

The author has made an attempt to explore in depth the role of customer relationship management in the service sector. During the past decade services have increasingly assumed an important role in the Indian economy and virtually all companies view service as critical to retaining their customers to-day and in the future. The only factor, which gave companies the competitive edge, is the long-term relationship with customers, not just loyalty schemes, a help desk, or collection of customer data without undertaking detailed segmentation. CRM focuses more widely on the customers and on the entire functions connected with value creation and delivery chain of the service organizations. This is possible through the integration of four important components i.e. people, process, technology and data. We need to recognize that computers and packages are only the tools and it is up to us to decide our purpose and make use of mix of tools.

Introduction

With the business world becoming more and more competitive and customers becoming more and more demanding day to day, it has become essential for the companies to deliver the maximum value to their customers, Mahatma Gandhi, Father of the nation, once said:

The customer is the most important visitor to our establishment.

He is not dependant on us. We depend on him.

He does not disturb us in our work. He is the purpose of it.

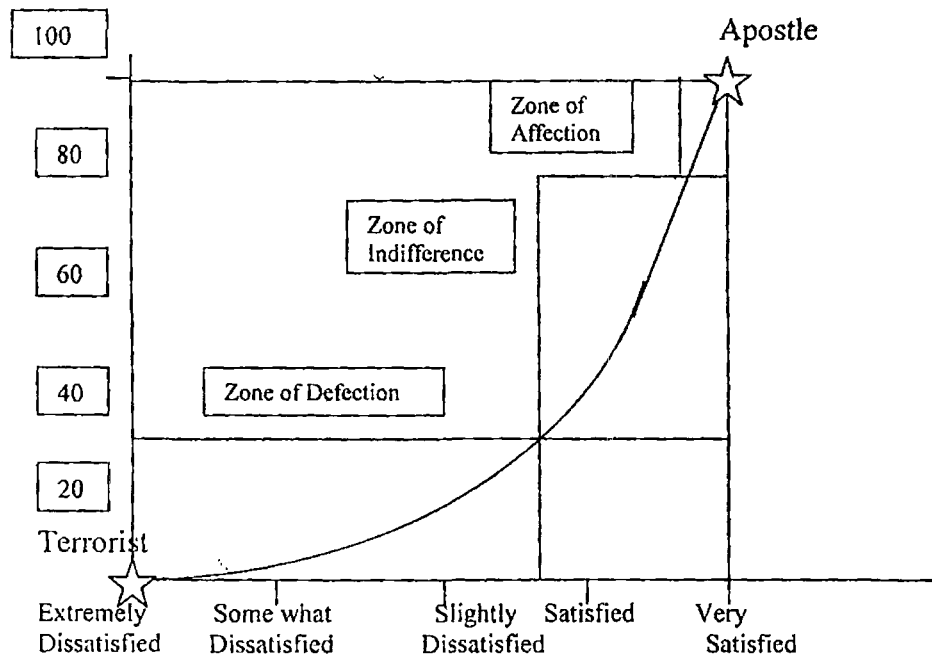
He is not alien in our business. He is the part of it.

We do not do him a favour when we serve him.

He does us a favour by making it possible for us.

Indian companies are facing the toughest competition in decades, and things are only expected to get tougher in the years to come. The customers are becoming more educated and demanding. What is acceptable today may not be acceptable tomorrow, and with the plethora of brands and products in the market place, customers can choose, from a wide array of goods and services, and that too in a variety of ways (Mckenna, 1988). In present markets, if sellers fail to deliver desirable product and service quality, they will quickly lose their customers to competitors, which really is a costly affair because it costs five times more to attract a new customer and sixteen times more to get him to the same level of profitability (Sellers, 1989). On the other hand, by reducing customer defections only by five per cent, companies can improve profit anywhere from twenty five per cent to eighty five per cent (Reichheld and Sasser, 1990).

Fig :1



SATISFACTION MEASURE

Source: J.L.Heskett, W.E.Sasser, L.A.Schlesinger, 1997, The Service Profit Chain, Free Press, NY

There is an important relationship between customer satisfaction and loyalty. This relationship is particularly strong when customers are very satisfied. Typically, an apostle customer care would enhance customer loyalty in the organization. Thus organizations that simply aim to satisfy customers may not be doing enough to engender loyalty - they instead aim to more than satisfy or even their customers.

Now a days, the companies are making their purpose and mission customer-oriented after realizing that out of several strategic alternatives, the route to long-lasting sustainable success lies in the adoption of total customer focus. Globalization and deregulation, combined with advances in information technology, have radically changed the managerial context of

service industries. Though the origin of customer relationship management was initially in the industrial context, the service industry is also focused on maintaining and enhancing customer relationships.

WHY FOCUS ON SERVICE SECTOR

The fast growing service sector is emerging as the most prominent industry in the world. In India the contribution of this sector is over fifty five per cent of its national income. In this new business climate, the customer is more often the purchaser of a service than a product. Speed and quality are the acid tests of customer satisfaction. In this age of globalization, the service sector has to come up to the international standards, as the customers are not Indians alone as

people and organizations from all over the globe use the services. This sector has again peculiar features of :

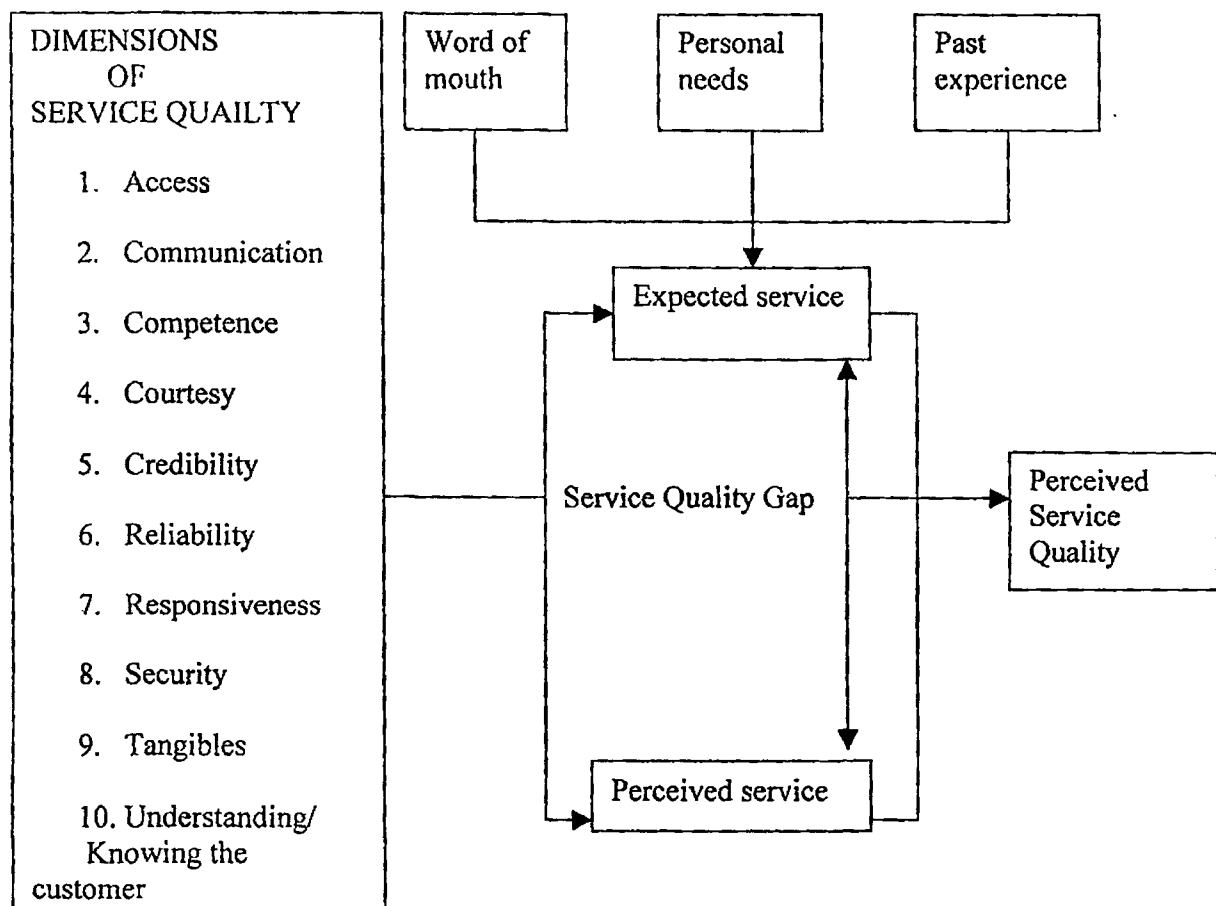
- i) High degree of intangibility, as service can only be experienced;
- ii) Inseparability, because neither it can be produced at one place and transported to another place nor can it be experienced before it is purchased;
- iii) Heterogeneity due to difficulty in standardization, since requirements of each customer are different from others;
- iv) Perishability, as the supply of services cannot be stored.

Success of a service provider is depends on long-term relationship that developed between the provider and the customer. Customers who have developed a relationship with a service business expect to receive satisfying delivery of core service. There exists different types of relational benefits through effective customer relationship management.

Customers realize that there is often a feeling of comfort and security in having developed a relationship with the service provider. These feelings of reduced anxiety, trust, and confidence in the provider appear to develop overtime only after a relationship has been established between the customer and the service providing organization.

Fig:2

DETERMINANTS OF PERCEIVED SERVICE QUALITY: A MODEL



There are likely to be different events in the customer relationship, characterized by differences in many key aspects :

- Different expectations and competencies
- Different opportunities to offer loyalty rewards

That is, the translation of successful relationship and customer satisfaction into increased business success. For example, all airlines may claim about ensuring that the baggage arrives correctly. But when there is a mishap, the superior airline gets back on track faster, has friendlier claim procedures, its staffs know what to do and so on. So, it is not only the process, at least having one in the first place, but also the policies and standards that are key to success.

An Insight into CRM

Today's business are facing fierce and aggressive competition while operating in both domestic and global market. This diverse and uncertain environment has forced organizations to restructure themselves in order to enhance their chances of survival and growth. The restructuring efforts have included, among others, the emergence of the "new paradigm" which is commonly known as relationship management. Customer relationship management (CRM) - an

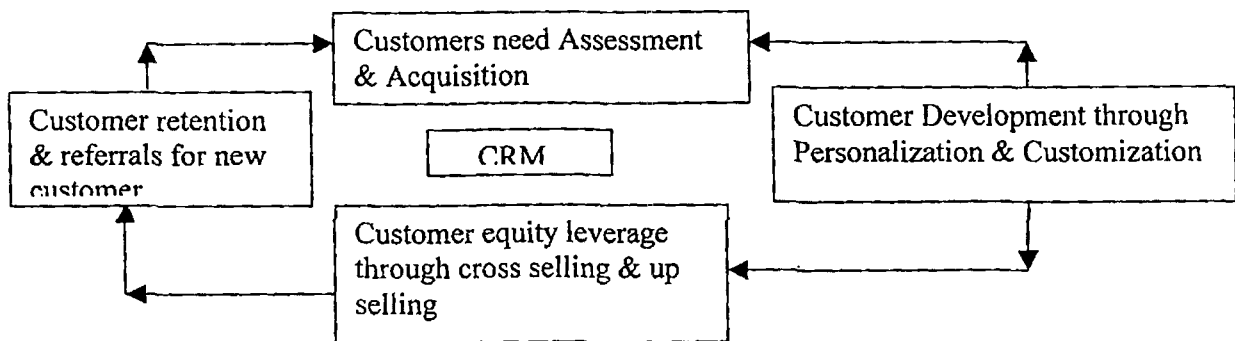
extension of relationship marketing, takes the argument of relationship marketing to its logical conclusion - the lifecycle profitability (Baron, 1997, Brown, 2000). CRM integrates the emerging information technology (web, telecom, computing etc) with the relationship marketing and customer retention (Gordon, 1998, Anton, 1999). It is a business strategy that believes that the entire business must be reengineered to attract, serve and retain the customers and IT must be used to transit the customers into the most profitable customers. The essence of CRM is the 'track and profit' from the retained customers into the business portfolio. Thus CRM is a customer-focused strategy that mandates a fine coordination between people, process and technology. The whole mode of CRM revolves around the customer life cycle comprising at the following four steps:

- Current acquisition through referrals
- Customer development through personalization
- Leveraging customer equity through cross-selling & up-selling
- Customer retention & referrals

CRM normally gets its customer through referrals. In essence technology forms the backbone of CRM today.

FIG :3

CUSTOMER LIFE CYCLE MANAGEMENT



Source (1999) Dr.M.J.Xavier, Marketing New Dimensions and Challenges

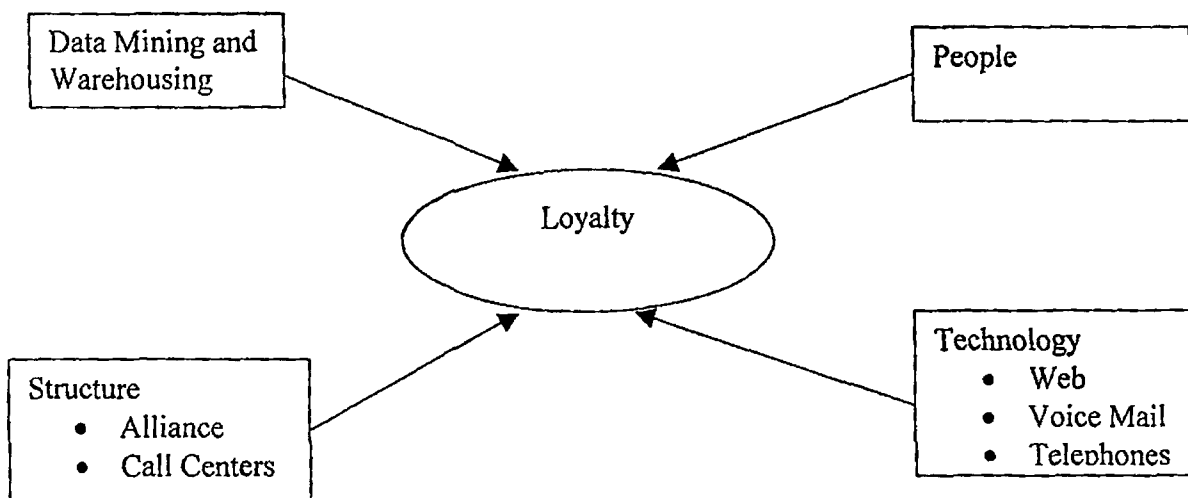
The main thrust here is to maintain data base about the customer, understand it and then develop personalised products for each customer. This all happens through a constant interaction and a continuous dialogue with the customer or prospects. The relationship with the customer is like an invisible thread, which builds a bond between the individual customers and the organization. Managing relationship is very difficult and complex.

CRM - Process

The process consists of the following :

- i) Creation and management of data mines and warehouses
- ii) Development of appropriate organization structures
- iii) Investment in technology
- iv) People development

Fig :4



Source (2002), Peeru Mohamed,H, Sagadevan,A, Customer Relationship Management, Vikash Publishing, New Delhi

Data Mining is the process of extracting and presenting new knowledge, previously undetectable, selected from data bases for actionable decisions. CRM data warehousing and mining must be integrated to the goals of right customer identification and their sharp profiling (Boar, 1995). Many CRM efforts fail because the sales revenue data is stored separately from customer support and client history data (Barquin & Edelsteen, 1997). What is required is to devise a database that pulls information from every department from sales to customer support, and create a unified report (Berry & Linoff, 1999). Any business that is serious about CRM ought to seek out software systems mining and its application in designing products for achieving optimum customer satisfaction.

CRM includes the following :

- i) Maintaining customer information database
- ii) Planning & designing individualistic products
- iii) analyzing formal & informal feedback
- iv) Conducting customer satisfaction survey
- v) Organzing communication and customer education programme
- vi) Event management for customers
- vii) Auditing and regaining 'lost customers'

Limitation of CRM

- Human beings are emotional and not morons. Organizations have to recognize this and understand customer needs beyond the obvious. Efforts should be such that it touches the heart and mind of the customers.
- Not all employees may have the right attitude towards CRM if they are convinced about the

need to track customers and their buying pattern. Very often, discussion on awareness creation and the logic behind CRM are restricted to senior and top management. The assumption that the emerging from out of such exercise would disseminate to others down the line through further workshops is not always true. Since people at lower levels handle the bulk of implementation of CRM, it becomes a mechanical exercise.

- Understanding the buying process of customers in service sector is very crucial for completing a sale. This involves a number of processes such as information collection, actual buying, delivery, payment, consumption, post sales service and so on. Lack of sensitivity towards the role of these processes was one of the major reasons why a large number of CRM initiatives failed. A full-fledged CRM should try to capture the requirements of customers at every stage with collection of information till the disposal of waste.
- Most CRM approaches collect data on the past buying behaviour of customers and project it as the possible behaviour in future too. This could be a dangerous assumption in a number of cases. Customer wants to change based on criticality of function and level of dissatisfaction the customer has with the existing options (Ramachandran 2001). Since criticality itself is a function of the mix of needs and changing life style, it is very difficult to assume that a computerized database about one person would be relevant for future behaviour too. Customer wants are dynamic and organizations need to understand their latent wants in as clear a term as possible. An analysis of the success and failure of products in the market would show that one of the key reasons determining their performance is the maturity of latent want. It is very difficult to assume that CRM database can provide answers to such questions, except some trends. Indeed, we need to recognize that CRM can create patterns of behaviour, which have not been noticed by customers themselves.

Conclusion

The best CRM programme in any business begins as

a small effort and gradually becomes as important task of the decision makers of the organizations. CRM is a concept, which can only be operationalised through a number of tools. It is the efficient and effective synthesis of a number of customers feed back tools integrated into a CRM framework that will provide rich data to develop long term customer relationship. However, it is important that CRM remains just that, instead of replacing the human face of the company, which is the basis of all relationships. After all customer relationship is about trust and loyalty, human values which any statistical tools or techniques cannot replace.

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