

Research Paper **D****Strategic CRM In B2B****Dr. Mallika Srivastava**

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Every company is located in a network of other companies, organizations, groups and individuals, the performance of which determines the success or failure of any organization. The most important network constituency are their suppliers and partners from whom they purchase goods and services to use in the creation of their own product or services which is then offered to their customers. The business market generally consists of fewer but larger buyers than the consumer market. The consumers in the consumer market might have similar needs, transaction size is small, products can be mass produced and entire sales efforts are focussed on end users where as in business market customers often need customized products and services and usage of the product determines its value. The entire process is very lengthy and complicated. Thus managing individual customers in business market is tough but has become an imperative in business market today. Also as competition as intensified in business markets customers are demanding more service and support. The focus on developing individual relationships is important for the business markets so that each customer becomes a loyal customer and loyalty offers various advantages to the companies.

Buyer Seller Relationship

Many of the leading business firms succeed by providing superior value to customers, by satisfying their needs of even the most demanding customers, and understanding the factors that influence the individual customer profitability. Compared with customer market customer profitability is important in the business market because major budget is being allocated to the key accounts or business accounts. The ability of the company to create and maintain relationship with these valuable customers is a durable basis of competitive advantage. The new era of business marketing based on the relationship management. The distinctive feature of business market is buyer seller relationship. These relationships provide stability, security and continuity and create challenges in sustaining relationship. The focus is on establishing, developing, and maintaining successful exchanges with customers and other constituents. Managing customer relationships has become an important strategic priority in most organizations.

Types of relationships

Every buyer seller relationship has a range or spectrum, ranging from transaction exchanges to collaborative exchanges. The one end of the spectrum is the Transactional exchange which focuses on the timely exchange of basic products for highly competitive prices. It includes one-time-only exchanges with economy and necessity as the main motivational factor. The customers engaged in such relationship are less likely to be loyal to a particular supplier and may switch suppliers. In business

market there are chances that a supplier can convert such transactional relationship to a committed relationship by giving attractive combination of product, price and support services.

Moving ahead in the spectrum, relationships become closer and based on value additions. This is the value added exchange, where the focus is on complete understanding of the needs of the customer and fulfilling such needs better than the competitors. These types of customers may not be committed and show their loyalty towards two or more suppliers.

Last in the spectrum is the collaborative exchange where the focus is on complete collaboration and integration of supplier with customer or channel partner. The supplier's purpose of partnering is to build strong social, economic, service, and technical ties over a long period of time with the intent of lowering the cost and increasing the value. Such customers are hard core loyalist and work towards bringing their capabilities together for mutual benefit.

Managing buyer seller relationship

Buyer and seller relationships have become an integral part of business-to-business operating strategies over the decade. The fact that buyers and sellers have relationships is nothing new. Relationships between buyers and sellers have existed since ancient times when humans began trading goods and services. These relationships developed with time as the buyers and sellers developed trust and friendships supported by quality products and services. Today these relationships have become "strategic" and the process of relationship development has become an imperative as companies strive to create relationships to achieve mutual benefits. A relationship is considered to exist when the exchanges are analyzed in connexion with situations happened in the past and with those that will occur in the future. Their outcome lies in the economic and social links created between the two partners

Creating Value in Business Markets

The challenges offered in B2B markets differ from those in B2C markets in addressing these issues. These challenges relate to the fact that most B2B markets (relative to B2C markets) are characterized by a far fewer buyers who buy in much larger quantities, often involving many more stakeholders in the purchasing process with purchase cycles that can take months or years. Indeed, in many B2B markets a mere handful of firms account for half or more of a supplier's sales, wielding influence that only big retailers exert in the B2C marketplace. As a result, firms in business markets tend to rely heavily on direct channels and favour the sales force over more impersonal communications media in their marketing mix. In addition, the variety and number of purchase influencers, make the purchasing process both complex and challenging to assess. In particular, the tools and knowledge needed to calculate, create, and claim value in business markets need to differ from those used in consumer markets.

An important phenomenon related to creating value in buyer-seller relationships is that many buyers are developing single source suppliers because of the pressure to increase quality, reduce inventory, develop just-in-time systems, decrease time to market and increase overall value. The ultimate goal in developing these capabilities is to reduce costs. These cost reductions can be obtained through one of two models.

In an adversarial model, buyers pit suppliers against each to achieve lower costs. In a cooperative model, both parties achieve lower costs through working together to lower both buyer's and seller's operating costs. This reduction is accomplished through better inventory management and elimination of unnecessary tasks and procedures. But not all suppliers will be appropriate partners for the cooperative relationship. The suppliers can be categorized for in -depth relationship based on the value addition that the supplier will do to the product that the buyer is producing and degree of operating risk involved in using the particular supplier. Operating risk could be the risk that a buyer will have to incur due to suppliers failure to adhere to quality, on time delivery etc. The scale is inverted with low operating risk at the bottom and high operating risk at the top.

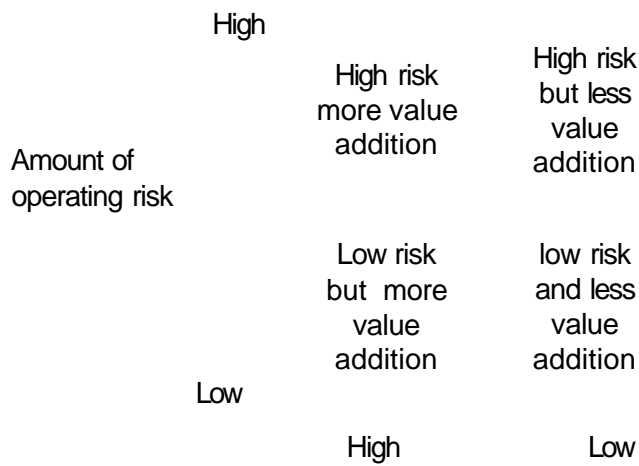


Figure 1 Value added by the seller

A supplier who adds value to a buyer's product increases the eventual value added at the market level. These value added purchases tend to impact operating costs and/or the ability to achieve higher level of market price.

Managing and building relationship is tough, but has become an imperative in today's competitive scenario. It has been found in many research works that though many sellers are working towards creating value for their buyers but are not able to communicate such benefits to them. They also do not focus on individual relationships which lead to more loyal customers. If these benefits are communicated effectively to the prospective buyers it would increase the value and ultimately lead to more loyal customers. Most of the sellers assume that the buyers will automatically grasp the benefits offered by him. Some of the benefits which need to be effectively communicated to the buyers are:

Tangible financial benefits need to be focused in communications as it can be easily communicated and verified also. For example a supplier to automobile company can use standard measures like horsepower and torque to claim that its engines are more powerful than competitors. This can be easily validated by using automobile for loading extra load and moving faster.

Certain non tangible benefits can be easily conveyed but buyers cannot validate. In case of sales software, the application might help the buyer in estimating the extra revenue generated by using the application, but this value addition cannot be validated.

There are some tangible non financial benefits that is difficult for the sellers to quantify but can be easily perceived by the buyers. These benefits could be like corporate reputation, Brand name, innovation capabilities like Apple.

Non tangible and non financial benefits are not easily quantified or validated by neither buyer nor seller. These are the benefits which can be experienced like good behaviour of the staff, delivery of the product on holidays to keep the production line on for the buyers. These benefits increase the value of the product or service being offered by the seller and helps in increasing long term loyalty of the buyers.

Creating CRM Strategy In Business Markets

In today's highly competitive environment finding competitive edge is a critical success factor to survive. All the companies are trying to achieve the same goal of increasing profit by acquiring and retaining the most valuable assets that is customers. In order to achieve this, during the last few years, customer relationship management (CRM) has emerged as one of the most important areas in marketing and in the overall management of the firm. To go a step further in the creation of added values, some companies are also taking in account their customer's customer expectations and try to offer services which can help them increase their end service or product delivery, for example Federal Express allows its customer's customer to track the order through their website. This proactive engagement and collaboration with partners is essential to enhance overall demand network capabilities, as well as end-customer value.

The basic idea behind CRM is that if a seller can create a strong and trusting relationship with its buyers, then these buyers are more likely to perceive value in the relationship and may create a long-term revenue stream for the seller. The buyer also benefits because of the seller's earnest attempts to satisfy the needs of the buyer by becoming a dependable and high-quality supplier. Companies now recognize that CRM can contribute to a value-creation strategy because of the advantages associated with being a trusted participant in the network or set of strategic alliances that are maintained in a CRM relationship.

As a result, the use of CRM strategies and tactics now serve as one of the major driving forces behind many companies' efforts to create superior value for their customers and generate a long-term revenue stream for them. Since the creation of a superior value for customers is needed to generate and maintain a sustainable competitive advantage many companies now view their CRM activities as an important part of their arsenal of competitive weapons.

At the same time that CRM has emerged as a major trend in the business world, companies have also increased their ability to organize, store, process, and analyze data from their own internal business activities as well as from external sources. Improved computer technologies, combined with more powerful software, provided by companies who specialize in CRM applications, have resulted in an ability to use data in ways never before possible in developing competitive strategies. This data-processing capacity has fuelled the CRM movement

The promise of customer relationship management is captivating, but in practice it can be disastrous. When it works, CRM allows companies to gather customer data swiftly, identify the most valuable customers over time, and increase customer loyalty by providing customized products and services. It also reduces the costs of serving these customers and makes it easier to acquire similar customers down the road. But when CRM doesn't work it can lead to debacles.

-What Customer Relationship Management Really Comprises_____

Executives often mistake the easy promise CRM software for the hard reality of creating a unique strategy for acquiring, building relationships with, and retaining customers. This chart highlights the five imperatives of CRM and where technology fits in.

CRM Imperative

Acquiring the right customer	Crafting the right value proposition	Instituting the best processes	Motivating employees	Learning to retain customers
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You Get it When.

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|--|---|---|--|---|
| <ul style="list-style-type: none"> • You've identified your most valuable customers. • You've calculated your share of their wallet for your goods and services. | <p>You've studied what products or services your customers need today and will need tomorrow.</p> <p>You've surveyed what products or services your competitors offer today and will offer tomorrow.</p> <p>You've spotted what products or services you should be offering</p> | <p>»You've researched the best way to deliver your products or services to customers, including the alliances you need to strike, the technologies you need to invest in and the service capabilities you need to develop or acquire.</p> | <p>You know what tools your employees need to foster customer relationships.</p> <p>You've identified the HR systems you need to institute in order to boost employee loyalty.</p> | <p>You've learned why customer defect and how to win them back.</p> <p>You've analyzed what your competitors are doing to win your high-value customers.</p> <p>Your senior management monitors customer defection metrics.</p> |
|--|---|---|--|---|

CRM Technology can Help.

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|--|---|---|--|--|
| <p>Analyze customer revenue and cost data to identify current and future high-value customers.</p> <p>Target your direct marketing efforts better.</p> | <ul style="list-style-type: none"> • Capture relevant product and service behavior data. • Create new distribution channels. • Develop new pricing models. • Build communities. | <p>> Process transactions faster.</p> <p>> Provide better information to the front line.</p> <p>> Manage logistics and the supply chain more efficiently.</p> <p>> Catalyze collaborative commerce.</p> | <p>Align incentives and metrics.</p> <p>Deploy knowledge management systems.</p> | <p>Track customer defection and retention levels.</p> <p>Track customer service satisfaction levels.</p> |
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Source: Adapted from Darrell K.Rigby,Frederick F. Reichheld, and Phil Scheffer," Avoid the four Perils of CRM," Harvard Business Review 80(January-February2001):p.106 (Figure 2)

Case: CRM initiatives in Business Markets: Indian Context

Electric Power continues to remain one of the major concerns to the economy with a vast demand supply gap and a significant part of rural India lacking access to electricity. Progress in this core sector has not been in proportion to economic growth as a result of under-investment and lower five-year plan emphasis. However, the Tenth Plan is expected to accrue much larger investment from both the public and private sectors on all the three segments namely generation, transmission and distribution. With the advent of private players in this sector the trend is gradually shifting from product centric to customer focused organization.

NTPC: National Thermal Power Corporation

NTPC Limited is the largest thermal power generating company of India. Within a span of 30 years, NTPC has emerged as a truly national power company, with power generating facilities in all the major regions of the country. NTPC's core business is engineering, construction and operation of power generating plants and also providing consultancy to power utilities in India and abroad. NTPC has set new benchmarks for the power industry both in the area of power plant construction and operations. It is providing power at the cheapest average tariff in the country. With its experience and expertise in the power sector, NTPC is extending consultancy services to various organizations in the power business.

Key customer driving growth: Since NTPC's core business is engineering, construction and operation of power generating plants and also providing consultancy to power utilities in India and abroad, so its customers are mainly state electricity boards, power distribution companies, bulk electrical power consumers, power utilities etc.

Customer collaboration initiatives: To capture and keep the customer the company provides them with uninterrupted and cheap power supply. They do not believe in advertising and promotion schemes. Rather they believe in having customer dialogue and customer involvement for managing customer perception. To get closer to the customer the company organizes road shows, provides incentive for prompt payment of dues etc.

Value creation process: NTPC does not exactly have any loyalty programme. But they are trying to incorporate free training programs, customer meets etc to improve customer confidence, satisfaction, engagement, enablement and empowerment. By establishing captive power plants for some enterprises, giving training to all power generators and distributors and raising awareness about power consumption they are creating value for the customers. To build relationship with customers they are having continuous dialogues and provide consultancy to the customers to improve its performance. In the case of NTPC retention is 100% as it is seller's market presently.

CRM Technology: To facilitate the entire process of relationship building the company has developed its own CRM tool.

CRM assessment: During the relationship building process the level of integration among the departments was not satisfactory. The sharing of information among the departments was not as required. Also the support from the top management was not very encouraging which led to dissatisfaction among the employees. And the expectations of the employee towards CRM not met completely. Thus for them top management commitment, internal communication about CRM, organization wide support, training and know how are the critical success factors for successful CRM

Future priorities: Customer loyalty programme and email, direct mail, websites are the highest priority factors for developing relationship with customers. Other factors like sales force automation, service and support, interactive communication optimization are also important factors. Whereas enhanced strategic commitment, campaign management, change management and support are the least priority factors.

II)RPG Transmission Ltd

RPG Transmission Ltd. is a prominent player in Power Transmission, Railway Electrification and Telecommunication Tower market. It is the proud recipient of ISO 9001 and ISO 14001 RPG Transmission Limited (RPGT) has vast experience in design, construction and erection of high voltage AC and DC Transmission Lines. It has a state of art plant with an installed capacity of 48000 MT per annum, equipped with highly productive CNC machines and Galvanizing plant with auto- feed chain conveyor system that is largest and unique in Asia.

Key customer driving growth: Biggest customers of RPGTL for transmission line business are Power Grid Corporation of India and MPSEB amongst various Electricity Boards. ABB-Alsthom, Escotel, MTNL, BPL and Bharti telecom Ltd. are majors among telecom sector customers. They also export to Middle East, south East Asia and Africa.

Customer collaboration initiatives: Since most of the customers of RPG are government, the relationship is driven by quality and timely output and smart tendering procedure. RPGT is committed to provide quality product and services to the customers. The unit also takes care of its employee with transparent and uniformly applied management policies. The company does not believe in having advertisements and promotion schemes. But they do provide technical assistance to their customers.

Value creation process: They do not have any loyalty programme for the management of customer confidence, satisfaction, engagement and empowerment. But they try to meet the deadlines and reduce time overrun to create value for the customers. The relationship programme is primarily driven by financial and technical bid in response to tenders. The company is trying to expand its horizon by exploring the untapped overseas market.

CRM Technology: RPGT does not believe in having and CRM tool for maintaining relationship. Instead they do project costing to understand individual customers contribution to profitability.

CRM assessment: Since its relationship building process is led by quality and service so the support by the marketing management and finance and top management was satisfactory. But the support by IT department and production was not that good. The employees were not provided any training for such activities. The employees were not satisfied with how the issues and conflicts tackled related to service. Thus for having better service facility in the organization the organization wide support, top management commitment and customer orientation are the most critical factors.

Future priorities: To overcome its drawbacks in delivering best quality and service to its clients the company would like to focus on change management and support, enhanced strategic commitment, sales force automation, interactive communication optimization and emails.

Supplier Relationship Management

CRM is a business philosophy that touches upon many independent parts of the organization To increase customer acquisition, increase customer satisfaction and retention, and the company profit, it is necessary to develop a customer centric business model linking back and front office around the three pillars that are Sales, Marketing and Services. To be usable, a CRM solution needs to be technically

integrated and therefore requires consistent shared customer repository to exchange data between all three areas and analytic capabilities to optimize customer value. But satisfying customers is not the only factor to ensure a prosper and competitive company. Procurement represents the single largest expense at most organization. Developing relationship with the best suppliers is therefore a must that helps ensuring timely delivery, product quality and best prices. The Gartner Group gives the following definition of a SRM: "the practices needed to establish the business rules, and the understanding needed for interacting with suppliers of products and services of varied criticality to the profitability of the enterprise" SRM can be summarized as the next generation of e-procurement or more specifically an integrated solution "that bridges product development, sourcing, supply planning, and procurement across the value chain"

The philosophy of SRM means to support the company-supplier relationship during its entire lifecycle that includes attracting new and best suppliers by doing business with them. Supplier's retention and development is also a part of SRM philosophy. SRM's goal is to help the company to be a better purchaser by supporting and developing its understanding of suppliers. Same as for CRM, technical integration is a key requirement. In fact, many software companies also integrate the supplier's CRM and the buyer's SRM. This certainly helps to develop the relationship and speed information exchange. More or less SRM and CRM are addressing the same issues but from an opposite perspective, i.e. buyer vs. seller.

Case: SRM at Toyota

Few companies have established themselves in managing their supplier relationship just as successfully as Toyota. The world's biggest auto maker has developed long term, collaborative and close partnerships with its key Japanese suppliers over a period of several decades. In its European operations, like those of North America, SRM is also a major focus area.

At Toyota they consider nearly all their suppliers as strategic and approach them with the same core beliefs (summarised by the "Toyota Way" in purchasing). But in terms of the depth of activities, especially in the area of research and development, toyota can certainly draw a line between their strategic co-development partners and the other suppliers.

In practice, the concept of SRM is defined by the methodology and the set of tools that they deploy in order to develop a collaborative way of working with their vital strategic suppliers, so that both partners get the most out of the relationship. Some of those are hard tools - KPIs, for example (that they use with all their suppliers) - while others are soft and more exclusive tools, such as regular executive top-to-top reviews. Of the total 250 European suppliers, about half are non-Japanese companies, and of those about 15% are classed as strategic potential or actual co-developers. For those, they not only have more frequent senior-level review meetings, but they also invest time in things like technical R&D shows, where they discuss the latest thinking and ideas together, and participate in conferences for their own (and their second-tier) suppliers.

At Toyota they believe that doing business, using a long-term, non-opportunistic philosophy, is an activity that takes place between human beings at the end of the day. Top-to-top regular, transparent connections are key. Even bad news or difficult decisions can be accepted most of the time, if enough

time is taken to explain honestly the background and impacts. What must be avoided is the feeling that one partner is trying to maximise the benefit of the relationship to the detriment of the others. Such an opportunistic approach would break the mutual trust for an indefinite time. In the same way that they see some of their partners as strategic, Toyota want to be seen as a strategic customer. And to reach this they want to be perceived as loyal and reliable.

Source: <http://srm.stateofflux.co.uk/research/srm-case-studies/toyota/>

Summary

Managing and building relationship is tough, but has become an imperative in today's competitive scenario. It has been found in many research works that though many sellers are working towards creating value for their buyers but are not able to communicate such benefits to them. They also do not focus on individual relationships which lead to more loyal customers. If these benefits are communicated effectively to the prospective buyers it would increase the value and ultimately lead to more loyal customers. In today's highly competitive environment finding competitive edge is a critical success factor to survive. All the companies are trying to achieve the same goal of increasing profit by acquiring and retaining the most valuable assets that is customers. In order to achieve this, during the last few years, customer relationship management (CRM) has emerged as one of the most important areas in marketing and in the overall management of the firm. To go a step further in the creation of added values, some companies are also taking in account their customer's customer expectations and try to offer services which can help them increase their end service or product delivery. As a result, the use of CRM strategies and tactics now serve as one of the major driving forces behind many companies' efforts to create superior value for their customers and generate a long-term revenue stream for themselves. Procurement represents the single largest expense at most organization. Developing relationship with the best suppliers is therefore a must that helps ensuring timely delivery, product quality and best prices. Supplier Relationship Management has emerged as a practice that is needed to establish the business rules, and the understanding needed for interacting with suppliers of products and services of varied criticality to the profitability of the organization. SRM is the next generation of e-procurement or more specifically an integrated solution that bridges product development, sourcing, supply planning and procurement across the value chain.

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