



## **A STUDY ON ACTUAL BENEFITS OF CUSTOMER RELATIONSHIP MANAGEMENT**

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### **Abstract**

CRM describes a fundamental business strategy to deliver services and products consistently across an entire customer relationship rather than just within a particular product or business unit. This article describes the actual benefits of CRM implementation in organisations. The benefits are applicable to both customers and business. It ranked various benefits according to the respondents preference. The study compares the benefits among service and manufacturing industry. Customised products identified as the most preferred benefit.



## Introduction

CRM is an integrated strategic approach to capture a disproportionately high share of value from current and potential customers by using proprietary customer information effectively. CRM describes a fundamental business strategy to deliver services and products consistently across an entire customer relationship rather than just within a particular product or business unit.

CRM begins with in-depth analysis of customer behavior and attributes to achieve complete knowledge of the customers, their habits, desires, and their needs. It then applies this knowledge to the formulation of marketing campaigns, strategies, and treatment plans. However, managing the relationship also implies customer interaction. Therefore, CRM also encompasses enabling a network of "touch points" by which the organization can establish, cultivate, and maintain long lasting and mutually beneficial interactions with the customer. These are the two cornerstones of CRM--the knowledge or customer information platform and the customer interaction platform.

## BENEFITS OF CRM

**Business:** Business benefits obtained from CRM practice include the ability to allocate costs appropriately as a result of analyzing customer data; customer insight for guidance in developing needed services; and significant increases in customer profitability. This is mostly due to improvements in the processes of customer acquisition, cross-selling and up-selling, credit & risk and debt recovery and customer retention (Forsyth, 2001). Another key benefit of adopting CRM is found in the improvements of traditional marketing programs. By using the enhanced customer data, marketing staff can efficiently identify profitable customer segments, prepare high-value programs that effectively target services to customers and increase customer loyalty.

**Customer:** Customers receive better service and are provided with adequate information to make sound investing decisions. Due to recent changes in legislation and the deregulation of financial services industries.

Great organizations offer more than a portfolio of products, technologies or services. Instead recent research has shown that relationships concerning how organizations interact with suppliers and buyers deliver value above and beyond what a customer actually pays for (Vandenbosch and Dawar 2002). For example, today's customers want to be able to go to an online CD store and have the store know their music tastes so that they can provide intelligent recommendations. When shopping for a new PC, customers want to know that if they need service or technical support that they will have someone who will be able to answer their questions without needing them to describe the inner workings of the computer they have just purchased. These types of scenarios are the very type of high-value relationships that is driving recent interest in CRM technology.

Effective CRM is based on distinguishing customers by using their account and transaction histories to determine their preferences and the level of service they require. The ability to effectively segment, target and service customers relies on decision support systems that provide detailed, accurate information about a customer and their relationship with the company (Kalakota & Robinson, 2001, p 186). CRM can help a company identify the



customers who are worth keeping (Miller, 1999) or keep track of when customers contact the company, regardless of the contact point (Kalakota & Robinson, 2001, p 178). This ensures a consistent user experience across all the points of contact is maintained and reduces problems associated with 'islands of information' between business units. The result is that service across all points of contact are similar, existing customers remain loyal and new customers are attracted by the high-quality service (Miller, 1999). The futuristic movie, *Minority Report*, presents a world where everyone can be instantly recognized by retina scanning technology and linked to a database of their personal information. A customer walks into a clothing store only to be greeted by a holographic image of a sales assistant enquiring about their satisfaction with their last purchase and offering a new product. People are recognized by one-to-one interactive advertising billboards and addressed by name as they are offered various products and services. Whilst this level of pervasive technology may not be within reach of marketers at present, an Answer sets survey of 1000 sales and marketing professionals in 1999 revealed that 77% of respondents believe that one-to-one marketing will be available by 2004 (Miller, 1999). If a firm can integrate CRM technology with all of its customer touch points, then all customer interactions can be recorded and a vast array of data can be collected about individuals. Data warehousing allows customer preferences and buying habits to be traced and opens up new, targeted marketing opportunities. The US retail chain, Safeway has a customer loyalty scheme which makes use of its ABC discount card and has allowed them to build a database of ten million customers and their complete transaction histories (Miller, 1999). Safeway are using this data to send targeted messages via direct mail, receipts and even on the multi-media scanners that are in operation in some stores. Safeway are leveraging their CRM data warehousing infrastructure in order to create innovative advertising opportunities at the checkout, the focal customer touch point of the organization, through custom receipts and multi media displays. The CRM technology has allowed Safeway to seamlessly integrate new advertising opportunities into the work processes that occur at the checkout. Since an inherently large part of any CRM implementation relates to Information Technology (IT), we can rationalize that CRM is a technological solution to customer relationship problems.

### ACTUAL BENEFITS

Eight items represent the actual benefits that the industries received in implementing the CRM applications. The items are customer retention rate, increase customer satisfaction, customer perception, sales to existing customer, accuracy of response, reduced service costs, speed of response, reduced selling costs and new customer opportunities.

The following table shows the nature of relationship between actual benefits and type of industry.

**Table : Actual Benefits by Type of Industry**

Actual Benefits	Type of Industry		Total
	Service	Manufacturing	
LOW	69 (39.4%)	18 (13.7%)	87 (28.4%)
MEDIUM	87 (49.7%)	66 (50.4%)	153 (50.0%)
HIGH	19 (10.9%)	47 (35.9%)	66 (21.6%)
TOTAL	175 (100%)	131 (100%)	306 (100%)

Chi-square Value = 39.140

P-Value = 0.001 (Significant at 1% level)



Chi square test shows that there is high significant impact of type of industry on the organization's actual benefits received through the use of CRM technology applications. There is significant difference between service and manufacturing industries. It is observed that 39.4% service organizations and 13.7% of manufacturing organizations responded with low scores. Again 10.9% of service organizations and 35.9% of manufacturing organizations responded with high scores.

P-value = 0.001 (Significant at 1%).

The following table indicates distribution of responses and relationship between actual benefits and job position.

**Table: Actual Benefits by Job Position**

Actual Benefits	Job Position		Total
	Technical Associates	Marketing Managers	
LOW	62 (36.0%)	25 (18.7%)	87 (28.4%)
MEDIUM	77 (44.8%)	76 (56.7%)	153 (50.0%)
HIGH	33 (19.2%)	33 (24.6%)	66 (21.6%)
TOTAL	172 (100%)	134 (100%)	306 (100%)

Chi-square Value = 11.196

P-Value = 0.04 (Significant at 5% level)

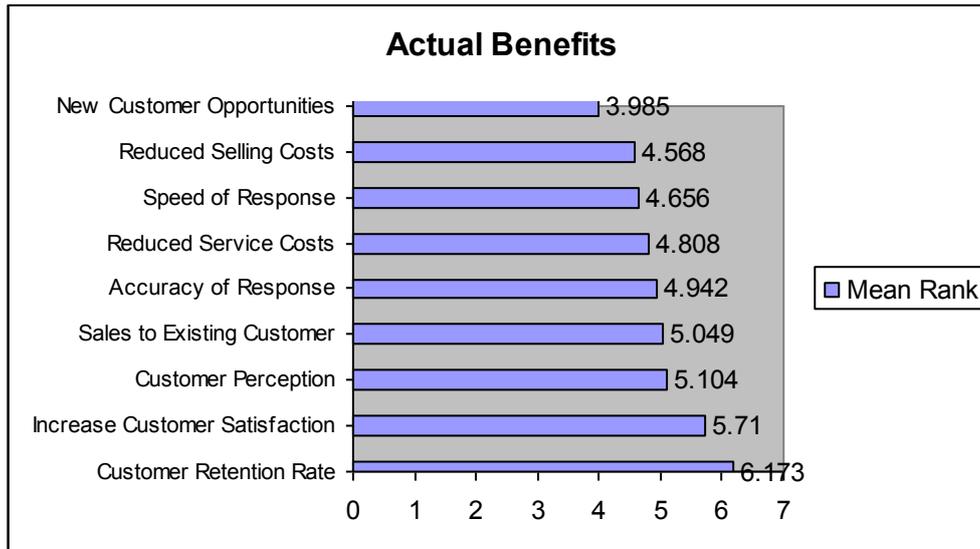
With the help of Chi square test it can be observed that there is highly significant difference between technical associates and marketing managers with reference to the actual benefits received through the use of CRM technology applications. The responses of marketing managers are more than the technical associates. It is found that 19.2 % of technical associates and 24.6% of marketing managers are responded with high scores. It also observed that 36.0% of technical associates and 18.7% of marketing managers responded with low scores.

P-value = 0.001 (Significant at 1%).

The following table shows the mean ranks of factors associated with Actual benefits.

**Table: Ranking of Actual Benefits factors**

Factors	Mean
Customer Retention Rate	6.173
Increase Customer Satisfaction	5.710
Customer Perception	5.104
Sales to Existing Customer	5.049
Accuracy of Response	4.942
Reduced Service Costs	4.808
Speed of Response	4.656
Reduced Selling Costs	4.568
New Customer Opportunities	3.985



**Figure. Ranking of Actual Benefits factors**

Customer retention rate, increase customer satisfaction and customer perception are the factors noticed by the respondents which influence the organization's actual benefits received through the use of CRM technology. Customer retention rate with the highest mean of 6.173 is identified as most important factor among the actual benefits.

### USEFULNESS

Twenty three items indicates the extent of usefulness of CRM that the industries received through the implementation of CRM. The items are Customized Products, Customer Loyalty, On time Delivery, Old Customer Retention Rate, Decisions, Team Spirit, Review IT Priorities, Market Share Gain, Access to Critical Information System, Use of IT System, Create Client Information, Documentation, Participation, Resolve Customer Request, Innovative Products, Retrieve Customer Records, More Functionality, System Modifications, Addressing Customer Transactions, New Customer Retention Rate, Customer Service Tasks, Anticipation of Customer Needs and Convenience.

The following table shows the usefulness and type of industry.

**Table: Usefulness by Type of Industry**

Usefulness	Type of Industry		Total
	Service	Manufacturing	
LOW	43 (24.6%)	33 (25.2%)	76 (24.8%)
MEDIUM	60 (34.3%)	83 (63.4%)	143 (46.7%)
HIGH	72 (41.1%)	15 (11.5%)	87 (28.4%)
TOTAL	175 (100%)	131 (100%)	306 (100%)

Chi-square Value = 36.794

P-Value = 0.001 (Significant at 1% level)



Chi square test shows that there is high significant impact of type of industry on the organizations how they perceive the actual benefits received through the use of CRM. There is significant difference between service and manufacturing industries. It is identified that 24.6% service organizations and 25.2% of manufacturing organizations responded with low scores. Again 41.1% of service organizations and 11.5% of manufacturing organizations responded with high scores.

P-value = 0.001 (significant at 1%).

The following table shows the nature of relationship between usefulness and job position.

**Table: Usefulness by Job Position**

Usefulness	Job Position		Total
	Technical Associates	Marketing Managers	
LOW	47 (27.3%)	29 (21.6%)	76 (24.8%)
MEDIUM	70 (40.7%)	73 (54.5%)	143 (46.7%)
HIGH	55 (32.0%)	32 (23.9%)	87 (28.4%)
TOTAL	172 (100%)	134 (100%)	306 (100%)

Chi-square Value = 5.777

P-Value = 0.056 (Not Significant)

Chi square test indicated that there is no significant difference between technical associates and marketing managers with reference to the organizations how they perceive the actual benefits received through the use of CRM. The marketing managers responded more than that of technical associates. It is found that 27.3 % of technical associates and 21.6% of marketing managers are responded with high scores. Again 32.0% of technical associates and 23.9% of marketing managers responded with low scores.

P-value = 0.056 (Not Significant).

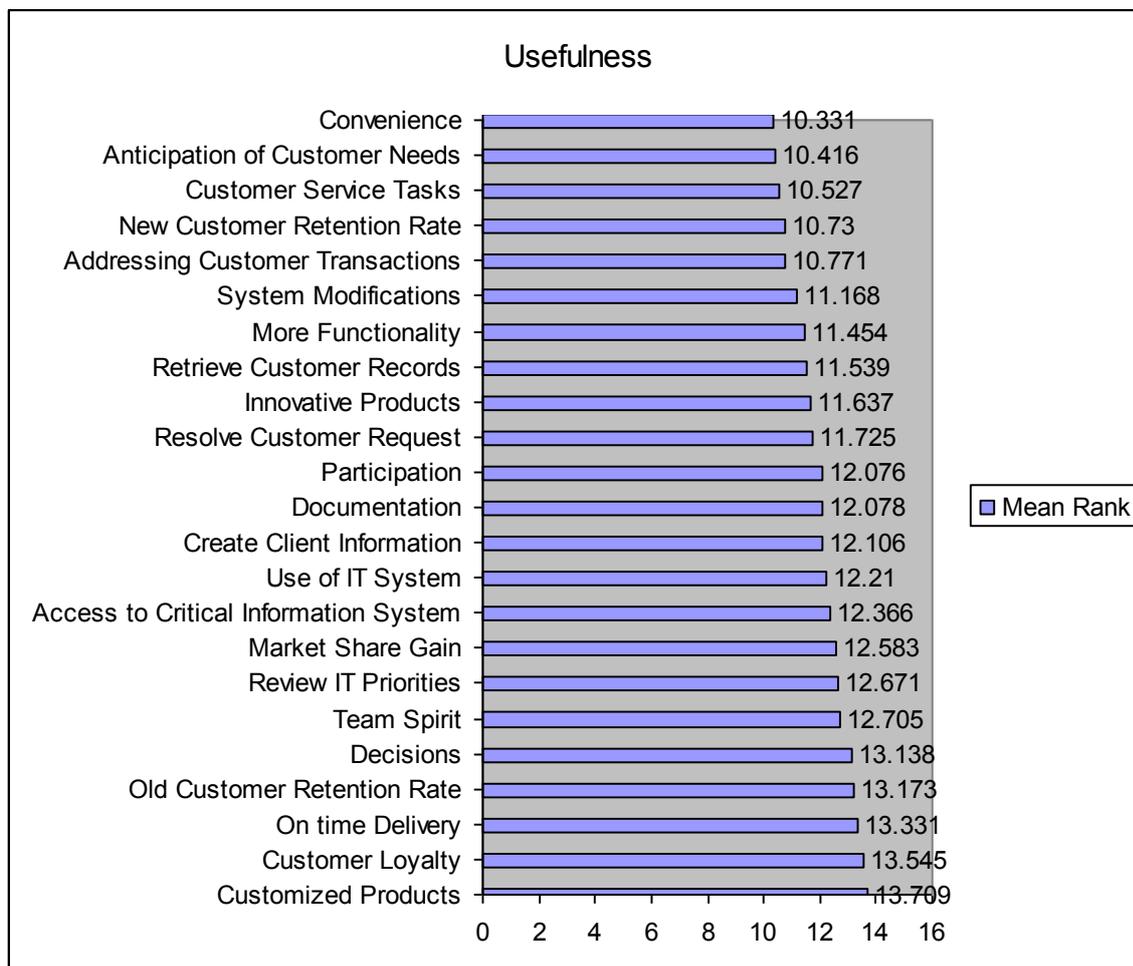
The following table shows the mean ranks of factors associated with Usefulness.

**Table: Ranking of Usefulness factors**

Factors	Mean
Customized Products	13.709
Customer Loyalty	13.545
On time Delivery	13.331
Old Customer Retention Rate	13.173
Decisions	13.138
Team Spirit	12.705
Review IT Priorities	12.671
Market Share Gain	12.583
Access to Critical Information System	12.366
Use of IT System	12.210
Create Client Information	12.106



Documentation	12.078
Participation	12.076
Resolve Customer Request	11.725
Innovative Products	11.637
Retrieve Customer Records	11.539
More Functionality	11.454
System Modifications	11.168
Addressing Customer Transactions	10.771
New Customer Retention Rate	10.730
Customer Service Tasks	10.527
Anticipation of Customer Needs	10.416
Convenience	10.331



**Figure. Ranking of Usefulness factors**

Customized products, customer loyalty and on time delivery are the three main factors identified by the respondents influence the organizations in perceiving these factors the actual benefits received through the use of CRM. With a mean of 13.709 Customized products is referred as one of the most important factor among the usefulness factors in CRM implementation.



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