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Customer Relationship Management

About the Authors

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Besides authoring four books on CRM and Retail with reputed publishers, Dr. Makkar has more than 50 publications in refereed national/international journals to her credit. She has also attended various national and international conferences/seminars and presented research papers at Universiti Malaysia Sarawak, Malaysia, IIT Bombay, IIM Ahmedabad, IIT Kanpur, IIM Kozhikode and others.

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Mr. Makkar has attended various national and international training programmes on Telecom Technologies, Telecom Management and General Management, including Management Development Programme by IIM Ahmedabad and Technical Training twice in the USA. He has authored a book on CRM with a reputed publishing house and has more than 10 publications in refereed national/international journals to his credit. He has also participated in various national and international conferences/seminars and presented research papers at IIT Bombay, IIM Ahmedabad, IIT Kanpur, IIM Kozhikode and others.

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To our dearest Aditya and Aradhya;
Your love and understanding made this possible.

To our parents;
Thanks for your continuous encouragement.

Urvashi Makkar
Harinder Kumar Makkar

PREFACE

This book is aimed at bridging the gap between the availability of theoretical knowledge in Customer Relationship Management (CRM) and application of CRM principles. Also, an effort has been made to cover all aspects of CRM and provide a quality resource and guide for both the management professionals and students of management courses.

In present-day competitive scenario, when products are perceived by the customers as value-delivery vehicle and extensions of their personality, the companies are forced to look beyond just product innovation and price leadership to retain their strategic advantage in the market. The marketers have realized that only customer orientation can help them in inculcating enduring relations which can be sustained as strategic advantage over the competitors; provided it is nurtured and managed well. Customer Relationship Management initiatives are implemented with the objective of fulfilling the customer expectations and building, maintaining and strengthening long-term relationship with them. The benefits of retaining the customers and reducing the defection rate are beyond pure business, leading to emotional bonding with the customers, which becomes the most potent weapon for success. But achieving this milestone of consumer advocacy needs clear understanding of customer behaviour, their needs and expectations during all the phases of customer life cycle.

As the interaction of the customer with the organization may happen through any one of the multiple touch points, there is need to integrate all touch points with a single source of customer information. Information technology here comes to the rescue of managing a large volume of customer data and making it available at all touch points of the organization so that customer-related transactions, including sales, marketing and service provisioning, can be efficiently executed in the organization. The eCRM systems capture the customer data and this information is used to facilitate future interactions with the customers. Though there are a number of eCRM solutions available in the market,

implementation of CRM for an organization is not just planning and execution of a software system; rather it is the change in culture and philosophy of the organization. This change in culture requires orientation of people, reengineering of processes and appropriate use of the technology. This right mix of people, processes and culture is prerequisite for CRM implementation.

About The Book

This book is designed to offer understanding of the concept of Customer Relationship Management systems and issues involved in planning and implementation of eCRM. To create the most intuitive, learning-focussed CRM reference, a lot of research work has been incorporated into the writing process to encompass the current trends. Although each chapter builds on the previous one to a certain extent, each chapter can be used as an independent reference for understanding and implementing specific concepts and issues. As the material presented follows a logical learning curve, the book can be used to have a solid foundation in basic and some advanced concepts in CRM. Further, the book can also be used as a citation by practicing management professionals for creating customer-orientation culture, envisaging and implementing CRM systems for their organizations. The readers have been exposed to a variety of corporate examples and relevant case studies in each chapter to facilitate learning of current trends and present-day issues. The book may be a preferred reading because of its illustrative style, extensive coverage of topics in their breadth and depth and self-assessment tools at the end of each chapter. We have included Further Readings at the end of each chapter to enable the readers to explore the subject matter further.

Organization of the Book

In order to have the natural progression of learning process, the book has been divided into three parts. Here is a quick look at what the readers can expect to explore in each chapter.

Part I: Prerequisites to CRM

Part I (Chapters 1 to 3) sets the stage for understanding theoretical concepts of CRM. Chapter 1 introduces the concepts and philosophy that are essential to understand CRM. The discussion on changing face of Indian market, customer-focus, voice of customer, customer ownership and customer value, customer care, touch points, moments of truth, customer loyalty and customer advocacy sets the tone to understand relationship management. This foundation for understanding CRM continues in Chapters 2 and 3. These chapters provide the detailed discussion on Value Creation, Customer Life Cycle (CLC), Customer Lifetime Value (CLV) and Relationship Marketing, which are the key facets for achieving customer focus and building, maintaining and strengthening the relationships.

Part II: Understanding CRM

Part II (Chapters 4 to 7) is geared towards offering the insights into CRM and associated concepts of customer-driven quality and loyalty management. Chapter 4 presents CRM as the system that integrates Sales, Marketing and Service functionalities of an organization and helps in implementation of the concept of Relationship Marketing. In Chapter 5, the concepts of loyalty, loyalty management and loyalty programmes have been introduced. The steps involved in planning and implementing loyalty programmes, benefits and types of loyalty programmes have been explained.

Chapter 6 presents the learning for service quality, the importance and methods of service capacity planning for an organization and service delivery systems to achieve quality parameters and standards. Chapter 7 explains in detail the concept of quality, quality management, Quality Management System (QMS), customer focus, leadership, involvement of people, process approach, system approach to management, continual improvement, fact-based approach to decision-making and mutually beneficial supplier relationship; which are the core principles and philosophy of QMS.

Part III: Planning and Implementation of CRM

Part III (Chapters 8 to 13) focuses on how to go about actually while planning and implementing CRM in an organization. It extensively focuses on the applied knowledge required for successful implementation of CRM application. Chapter 8 covers introduction and objectives of Sales Force Automation (SFA) and its features. With the help of the corporate examples, the strategic advantages and critical factors for successful SFA are also described. Chapter 9 is designed to explain the meaning, importance, scope and significance of eCRM. With insight into two commercial applications, the features and specifications of eCRM solution are explained.

In Chapters 10 to 12, the subject matter related to implementation and adoption of CRM in an organization has been explored. The issues like selection of the right application, carrying out Business Process Reengineering (BPR), and the alignment of all functional and operational areas within the organization are discussed comprehensively. These chapters will be of special significance to CRM project management team and top management desiring to bring customer orientation within the organization. In Chapter 13, while discussing the future of CRM, the essential concepts of two emerging technologies—Software as a Service (SaaS) and cloud computing—and their impact on CRM deployment are discussed. SaaS has been fast emerging as a technically sound and cost-effective medium of doing business. This paradigm shift in the business scenario has been enabled by a wide range of factors like increasing broadband penetration, superiority of web technologies and tools, lower cost of hardware installation, growing number of small to medium businesses and changing customer mindset. Besides these, new customer access technologies and the way these can be used by the companies to enhance the value to customers have been studied with the help of a range of examples in Chapter 13.

In the end, we close the text with eight corporate case studies, which can provide the realistic learning in the practical issues while implementing CRM. These cases can enhance the conceptual knowledge gained in the chapters and can prepare the readers for actual implementation of the CRM concept and philosophy.

We, who happen to partner our lives too, as a team of two authors—one from academics in management stream and other from IT profession—have tried our very best to draw from a wide variety of subject matter, sources, and personal experiences to make the text relevant and contemporary. This book has helped both of us not only to add learning in our life but also to evolve as the individuals who now value relationships more. We hope that this text remains on the cutting edge of topical coverage and updated via both current corporate examples and recent cases, to expose the readers to a broad array of important current topics. Our acknowledgements go to many researchers, practitioners and experts who have contributed to the development of this fast-growing field of CRM.

This goes without saying that we value the readers' feedback immensely and in case you would like to get in touch with us, we can be reached at urvashimakkar@gmail.com and harindermakkar@gmail.com.

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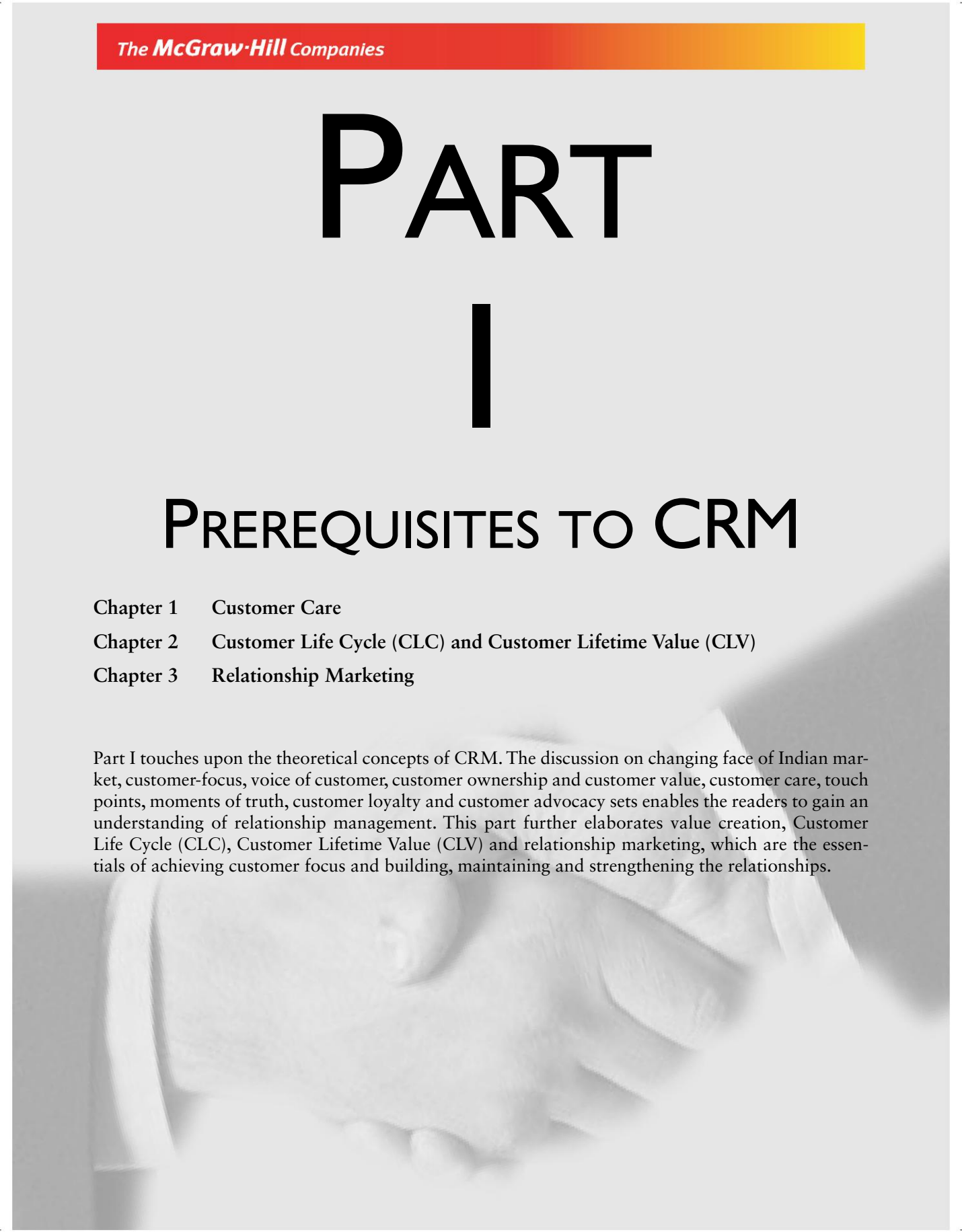
CONTENTS

PART I

PREREQUISITES TO CRM

Part I touches upon the theoretical concepts of CRM. The discussion on changing face of Indian market, customer-focus, voice of customer, customer ownership and customer value, customer care, touch points, moments of truth, customer loyalty and customer advocacy sets enables the readers to gain an understanding of relationship management. This part further elaborates value creation, Customer Life Cycle (CLC), Customer Lifetime Value (CLV) and relationship marketing, which are the essentials of achieving customer focus and building, maintaining and strengthening the relationships.



CUSTOMER CARE

Learning Objectives

After going through this chapter, the readers will be able to understand

- The changes happening in the Indian market in terms of demographic and profiles of customers, their expectations, shift of focus from product to customer
- Concepts of customer ownership and customer value
- Implementation of the three-step process of customer care involving listening, responding, and improvement
- Significance of customer loyalty and customer advocacy with the help of corporate examples
- Importance of customer touch points and moments of truth with the help of corporate examples

1.1 INTRODUCTION

The concept of having sustainable interactions with customers is not new. Companies, for ages, have been trying to establish interface with customers. However, earlier the focus was always on selling the

product/service instead of retaining the customers. The current competitive post-liberalisation scenario has compelled the marketers/organisations globally to adopt customer orientation and leave behind the obsolete concept of product focus. No organisation can afford to have 'marketing myopia' at the cost of losing precious customers.

1.2 Changing Face of Indian Market

After 1960, with the advent of motivational research for understanding consumers, organisations were compelled to shift their focus from the product to the customer. Earlier, marketers could sell any product produced without considering the customers' needs, demands, and expectations. In present times, with new products flooding the marketplace, multiple players vying for market share, and customers having highly unpredictable and constantly changing expectations, it is war-like situation in every sector to win over the customer. Marketers have very rightly realised that it is always more expensive to acquire new customers than to retain existing customers. The Indian market is now seeing better accessibility and more variety of products, a change in demographic and psychographic profile of the consumer, and an increasing disposable income of the consumers. India is set to have the maximum percentage of the world's youngest population (refer to Fig. 1.1). This change will be a big opportunity and at the same time, a challenge for the marketers. They will be juggling in understanding and knowing their customers on the one hand and creating customer satisfaction to generate loyalties on the other. The younger generation tends to experiment more in product usage patterns, as they appreciate novelty; however, loyalty amongst young consumers is a tough challenge for the marketers, a trend that is being already witnessed in the current era and will only get tougher in times to come.

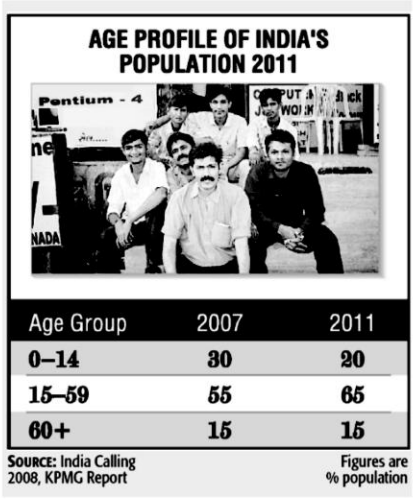


Fig. 1.1 *Age Profile of India's Population*

1.3 Shift of Focus—From Product to Customer

Today, the Indian consumers, in most product categories, are brand swingers instead of brand loyalists. They have no inhibitions in experimenting with new products in the current post-liberalised age. Table 1.1 shows the shift in buying patterns of consumers from highly conservative to exploratory and the change in an organisation's focus in dealing with customers.

Table 1.1 *Shift in Buying Patterns*

	Phase 1	*Phase 2*	*Phase 3*
Indian consumer scenario	Pre-liberalised scenario (Before 1990)	Liberalised scenario (1990–2000)	Post-liberalised scenario (Beyond 2000)
Type of buying patterns	Conservative/brand loyal	Trying out new products with caution	Exploratory/brand swinger
Organisation's Focus	Focus on selling	Product-focus, sometimes leading to marketing myopia	Customer-focus, to generate customer loyalty

This scenario has led to a clear shift in the market from Product-Focused Approach to a Customer-Focused Approach (refer to Fig. 1.2).

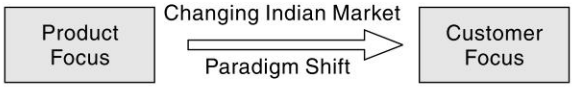


Fig. 1.2 *Product-Focused Approach to Customer-Focused Approach*

1.4 Voice of Customer

Voice of customer has prominence over product-focused fundamentals in the market. Today, marketers realise that selling their products/services will not be easy unless they cater to the needs and expectations of the highly demanding customers. This is a reason why companies are now delving into the intricacies of consumer research to know more and more about customers, their preferences, and their expectations. Using research to know the mind of the customer is a rewarding strategy. However, excessive research with a focus on only the product can lead to underestimation of needs and expectations of customers, further leading to 'market myopia'. (The term 'market myopia' was coined by Theoder Levitt for a situation where a product gets prominence over customer needs.) This is where the concept of providing customer value comes into the picture.

1.5 Customer Ownership and Customer Value

The ideal relationship between the customer and a brand is an emotional attachment where consumers '**own**' the brand or it '**belongs**' to them (refer to Fig. 1.3). The survival mantra today is not to concentrate on Return on Investments (ROI), but on **Return on Relationships** (ROR).

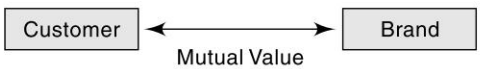


Fig. 1.3 *Customer Ownership and Value*

The real challenge that organisations face is not only to create customer satisfaction but also to create high customer value, where the customer has a strong perception of tangible and intangible benefits derived from the product. Also, the customer constantly maps in his mind a comparative analysis of benefits versus cost of the product. After all, the customers are going to spend their valuable resources in terms of time, money, and efforts, whenever they decide to purchase a product and have to be assured of certain benefits from the product/service/brand/organisation.

Customer value, which the organisation creates, results in customer ownership, or a strong emotional bonding with the product. McDonald's, Maruti, Tata in India and Disneyland in the USA are classic examples of creation of customer value and subsequently customer ownership of brands.

1.6 Customer Care

The prime reason for existence of any enterprise is its customers. Customer care is the process that seeks to acquire new customers, providing appropriate services and therefore building customer loyalty.

The customer care system has three major stages—listening, responding, and improving (refer to Fig. 1.4).

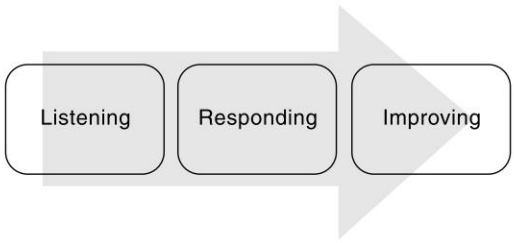


Fig. 1.4 *Customer Care System*

Organisations need to put in place a system for all these stages of interactions with the customers.

1.6.1 Listening

Organisations should have well-equipped channels of communication to listen to their customers. An extremely frustrating experience for customers is when they do not find a method of communicating their queries or grievances. Several channels and strategies, from traditional complaint centres to modern use of technology like mobiles and Internet, can help communicate with customers.

Complaint Handling Mechanism is a passive and reactive approach, where the organisation responds to a complaint from the customer. This should be converted into a proactive system, where organisations can devise innovative ways to get feedback from customers. Feedback policies should be accessible, easy, simple and widely communicated to customers.

1.6.2 Responding

Firstly, every call from customers must be acknowledged and the complaint or service request should be handled appropriately. The capability in terms of internal processes, methodology, procedures and manpower should be built up for responding to the complaint within expected time and quality.

1.6.3 Improving

Organisations need to learn from previous experiences of complaints and grievances, so that recurrence of the same problems is minimal. The customer care mechanism should provide inputs to product improvement, new product development, improvement in service delivery system, training of workforce, campaign planning, brand building exercises, and so on.

Check Your Progress-I

1. How has the Indian market changed in recent times?
2. What do you mean by 'voice of customer'?
3. What are three phases of the customer care process?

1.7 Knowing Your Customer

The foundation of any good customer care system is a good knowledge of the customers. Identifying their needs, wants and expectations and responding accordingly is crucial for customer care. This knowledge on customers is gathered by the organisations during each interaction. Such information generally comes through contact centres, sales persons and service technicians. Besides these, organisations often have special market research projects to know their existing and prospective customers. The knowledge of customers involves information in the following areas:

- What do consumers buy?
- Why do they buy?
- When do they buy?
- Where do they buy?
- How often do they buy?
- How often do they use the product?
- What are the service requirements?
- How does a customer interact with the organisation?
- What are the modifications in the product/services required by the customer?

Better knowledge of customers helps an organisation devise strategies in the following areas:

- Customer care mechanism
- Marketing communication plans
- Market segmentation
- Targeting of consumers
- Positioning of products
- New product development/product innovations
- New market penetration

Corporate Example

What the Customer Wants?

A classic customer care success story from the 1980s was the turnaround of the Swedish airline, SAS. Following a disastrous year, when SAS made a loss of $8 million, the company promoted a young marketing executive, Jan Carlzon, to the position of president. Just 18 months later, the airline achieved a gross profit of $71 million. While competitors had concentrated on cutting costs in an effort to reduce their losses, Carlzon had focused on customer care.

He started by identifying the airline's most important customers—business flyers. He then asked them what would make them want to fly with SAS, rather than a competitor. The answer was loud and clear. They wanted punctual flights. Carlzon put a monitor on his desk, showing the take-off and landing of every SAS flight around the world. He personally phoned pilots to find the reasons for any delays. Suddenly, SAS flights became extremely punctual and new customers started queuing up.

Source: http://www.icaew.com/enterprise/db/pdf/11cuscar.pdf, May 12, 2011 Published by BHP Information Solutions Ltd., Althorp House, 4-6 Althorp Road, London SW17 7ED

1.8 Customer Touch Points and Moments of Truth

Both the organisation and customer have to interact with each other. Every customer has a particular experience whenever he/she comes in contact with an organisation, its employees, its products/services or any other channel of interaction. All these interactions represent touch points (refer to Fig. 1.5). This experiences of 'touching' the brand and getting associated with the organisation creates an impact in the mind of customer. These touch points generate 'moments of truth', wherein the customer perceives the experience of interaction with organisation as either good or bad, constructive or destructive, positive or negative. It is the quality of these moments of truth that decides customers' long-term association and involvement with the brand/service. For example, a single negative experience with a crew member while using a flight of a particular airline service provider can hamper the chances of availing the services of same airline in future by the customer. The same can happen in a restaurant, where interaction with the waiter can be crucial for repeat visits of the customer.

The first touch point occurs when a customer becomes aware of the brand or the point. Multiple experiences at individual touch points create an overall impression in the mind of customers. Over a period of time, these interactions strongly bind the customer emotionally and psychologically with the brand/service/organisation. For this to happen, there should be consistency of positive experiences. Otherwise there will be a diffused perception in the mind of the customer. A large number of touch points associated with overall customer experience makes it a complex process, demanding cautious handling of each touch point by the organisation. Ensuring the integration between these touch points, so that a customer gets a uniform experience of interaction, irrespective of selected touch point, is highly essential. Multiple touch points in the form of promotional campaigns, channel partners, publicity, mailers, interaction centres (call centres, customer complaint centres, customer grievance handling centre, etc.), web interface, mobile communication, product and brand use have varied impact on customer relations, necessitating the requirement of improving continuously the quality of all these touch points. Even each employee of the organisation is also an important touch point, leaving a mark on the customer during each interaction. Few organisations have the leverage of very high number of employees, but it's up to the organisations to decide that either these employees become strength in the form of highly trained positive touch points or become a challenge because of unfriendly approach towards the customers. Hence, the employees, specifically front line staff, need to be made customer focused with the help of requisite role based training programs. While having multiple touch points, care should be taken that the service is provided to the customers from any one of the touch points during his multiple interactions, creating the single window concept. Due to the lack of integration between touch points, the customer should not be made to move from one touch point to another. Every organisation puts effort, on one hand, to increase the number of customer touch points and on other hand, to improve the quality of moments of truth. Both of these perspectives combine to create an exemplary level of customer connect, leading to repeat interactions and stronger bonds with the customers, which finally become the foundation of highly desired customer loyalty.

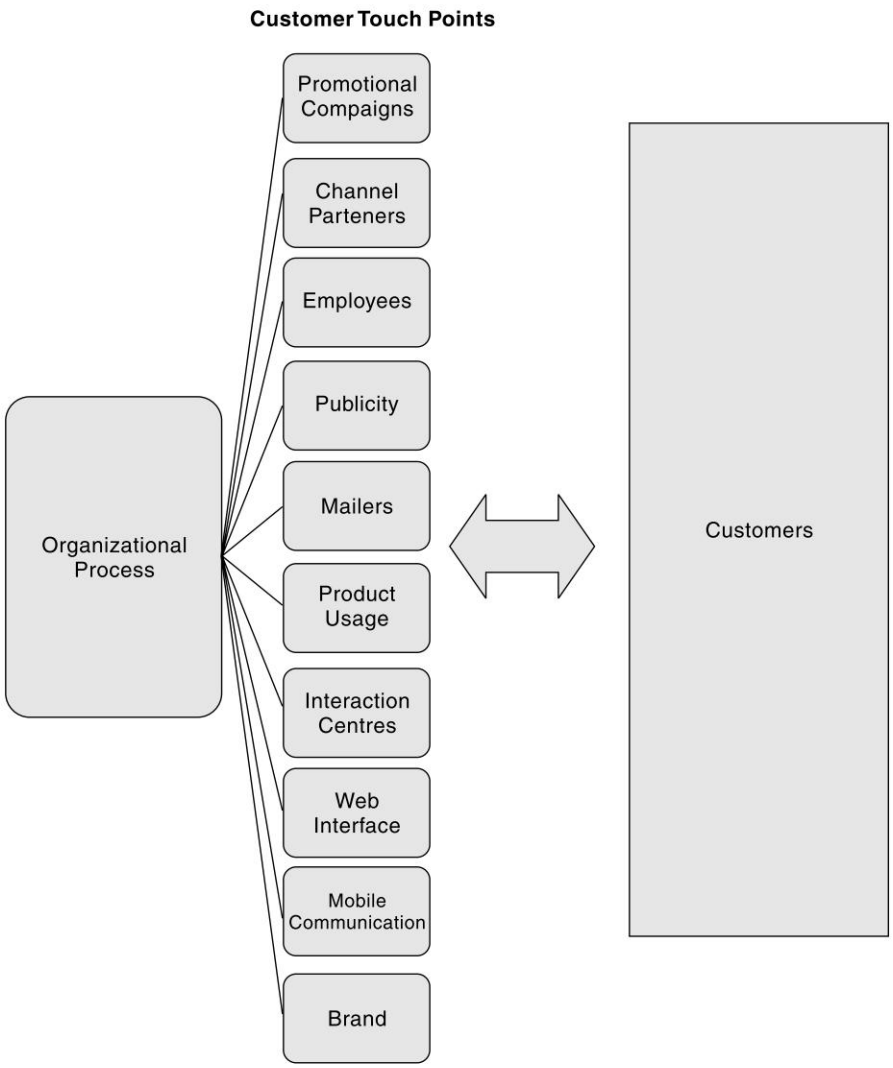


Fig. 1.5 *Customer Touch Points*

Corporate Example

Touch Points of Maruti Suzuki India

Brand Maruti Suzuki

Maruti Suzuki is itself a touch point, with all aspects of the name and product present in its logo. Brand Maruti is a legacy in India with consumers developing an emotional attachment with it. Thus, the Maruti brand is the strongest touch point of Maruti Suzuki.

Large Distribution

Maruti has the largest distribution and service network comprising over 562 sales showrooms, 600-plus dealer workshops, and 2538 Authorised Service Stations spanning across more than 1200 cities till March 31, 2007, a size unparalleled in the country. Thus, Maruti's strong network of dealers and reliable service stations that can be found everywhere is other important touch point of Maruti Suzuki, which plays a vital role in increasing the customer strength of the company.

To increase its reach in rural India, where setting up a complete dealership was not viable, Maruti opened extension counters which are operated by some dealer in the city, thereby ensuring increased customer touch points without risking the viability of the dealers.

The company has three key touch points in the distribution segment.

- **Maruti Driving School (MDS)** Maruti Driving School with advanced training methods, professionally trained instructors, state-of-the-art facilities and custom-designed courses, lets you discover the joy of everyday driving. MDS trains people to control their vehicle in virtually every situation. This makes them completely ready and confident when they hit the road.
- **Extensive Dealer Network**
- **True Value outlet**

Maruti True Value is India's No. 1 organised pre-owned car brand. It is a venture of India's largest automobiles manufacturer, Maruti Suzuki India Ltd.

In a True Value outlet, you can buy or sell used cars. With this service, Maruti expands the family of Maruti customers, providing reassurance to existing customers about resale of their cars and further emphasizes the company's commitment to enhancing customer satisfaction by continuous association during the vehicle ownership life cycle.

Promotional Touch Points

Advertisement

Advertisement is very important touch point, which plays a crucial role in bringing customers to buy Maruti products. The tagline of 'Maruti comes home' is an emotional advertisement which has been used by the company to keep the emotional touch going on to further strong the bond which consumers have with Maruti.

Website, Email, and E-Mailers

Maruti Suzuki's website is an example of what the Internet presence means to a strategic marketing programme. Here, consumers can get all the information they want related to new schemes, cars, new models and other things.

Press releases and announcements

Maruti uses press releases related to the launch of a new car, price movement, financial results, etc. as important touch points for publicity.

Auto Expo

Auto Expo is another touch point which Maruti has used to enter a new market or to target new customers. It is an important touch point because here Maruti not only interacts with Indian customers, but also with international ones. Huge banners and posters, allowing customers to have a feel of car, etc. at the auto expo are additional touch points.

Daily Tips

Maruti provides daily tips regarding dos and don'ts, fuel efficiency, how to maintain your car, traffic rules, good driving habits, etc. through messages to the customers.

Conclusion

The efforts put in by Maruti in their effective and multiple touch points have resulted in a strong emotional connect of the customers with brand Maruti. It is still the number one brand in India with more than 50 per cent of the market share. These effective touch points have made Maruti a deep brand, which is strongly embedded in the minds of Indian consumers since its inception.

Sources:

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2. http://www.marutisuzuki.com/maruti-cars-home.aspx, last accessed on May 12, 2011
3. http://www.marutisuzuki.com/newsroom.aspx, last accessed on May 12, 2011

1.9 Customer Loyalty and Customer Advocacy

The ultimate purpose of any customer care system is to generate customer satisfaction. If the customer is satisfied over a period of time and each interaction with the organisation is a satisfying experience, the customer becomes loyal to the brand and the product. A satisfied customer spreads the positive word and gets emotionally attached to the product/service/organisation.

Customer advocacy goes beyond customer satisfaction; in this stage, the customer becomes the ambassador of the product/service, which adds to the credibility and image of the organisation. Customer advocacy is the ideal stage that an organisation can dream to achieve, because here instead of promotional campaigns of the product, it is the customer who sells the products of the company by reinforcing and spreading the positivism of the product/service. Consumer advocacy is possibly the most potent and powerful marketing tool in modern times. But it demands a completely different mindset and approach from the organisations providing the product/service. Below-the-Line (BTL) activities are more effective for creating Consumer Advocacy in comparison to Above-the-Line (ATL) activities.

Value of a Loyal Customer Base

Todd Beck states that with all of the 'lip service' paid to customer loyalty in today's marketplace, one would think that organisations understand the value of a loyal customer base. In that case, why do only a few provide the kind of customer service that generates loyalty? "The challenge lies in human nature and in the ability of service providers to develop the right attitudes and supporting behaviours" (Beck, 2005). In order to "deliver service performance that inspires customer loyalty, organisations must first understand what customers really want from a service transaction. Research has shown that regardless of industry, product, age, gender or location in the world, consumers want the following four qualities" (Beck, 2005).

Seamlessness

The service provider must have the ability to manage service factors that are behind the scene and invisible to the customer, sparing customers the need to deal with multiple organisational layers or complicated procedures.

Trustworthiness

Customers wish to feel they are in capable hands and that commitments will be kept. They want and expect things to be correct the first time. Should something go amiss, they expect a quick and thorough recovery.

Attentiveness

"Customers want to be recognised quickly, politely and with respect. Although this may seem a basic tenet of customer service, attentive service—the quality valued most highly by some customers—tends to be the point at which many organisations fall short" (Beck, 2005). We know from experience that if someone tells a story about being ignored by a representative, listeners often respond with their own 'horror stories', each worse than the one before.

Resourcefulness

Providers who take a fast, flexible approach to the service interaction appeal to customers' desires for resourceful service. If needed, customers also expect prompt and creative problem-solving in the service recovery.

Source: Beck, Todd (2005), "Want loyal customers? Don't stop at satisfaction", *Customer Relationship Management*, 23(8), February, pp. 1–36

Check Your Progress-II

1. How can customer touch points result into positive Moments of Truth?
2. Why is it important to know your customer in the recent competitive scenario?

1.10 Customer Relationships

Now organisations have clearly understood the need to retain the customers, as the cost of acquiring a new customer is much more than that of retaining an existing customer. Earlier, the focus was on individual transactions; however, now the focus is on relationship marketing. The relationship is established if there is mutual value addition during different interactions. The organisations have to build up the system where they can involve the customers in repetitive contacts and transactions resulting in stronger bonding. We will discuss Relationship Marketing in detail in Chapter 3, in which the importance and significance of long-term relations with customers have been highlighted.

SUMMARY

This chapter has emphasised the importance of knowing the 'voice of customer' in the current changing marketing scenario and the importance of customer care, customer ownership, touch points and moments of truth. Terms like customer care, customer value and customer advocacy using corporate examples have also been explained. In the current competitive marketplace, creating long-term bonds with the customers is the strongest survival principle, resulting in mutual value for both companies and customers. The concept of customer care hinges around the knowledge of customers helping organisations in offering solutions for their needs and expectations in the form of products and services and ultimately resulting in win-win situation for both.

KEY TERMS

- **Voice of Customer**
  'Voice of customer' is a scenario where companies delve deep into the intricacies of consumer research to know more and more about customers, their preferences and their expectations.
- **Customer Ownership**
  The ideal relationship between the customer and a brand can be an emotional attachment with the brand, as if they '**own**' it and the brand '**belongs**' to them. This phenomenon is termed customer ownership.
- **Customer Value**
  Customer value is a scenario where the customer has a strong perception of tangible and intangible benefits derived from the product in comparison to the cost incurred in acquiring the product.
- **Customer Care**
  Customer care is the process that seeks to acquire new customers, providing appropriate services and then building customer loyalty.
- **Customer Touch Points**
  The organisation and customer both have to interact with each other. The customers get a particular experience whenever they come in contact with an organisation, its employees, products/services or any other channel of interaction. All these interactions represent touch points.

- **Moments of Truth**
  Moments of truth are the instances wherein the customer perceives the experience of interaction with the organisation as good or bad, constructive or destructive, positive or negative.
- **Customer Loyalty**
  If a customer is satisfied and each interaction of the customer with the organisation is a satisfying experience and he/she comes back to the same organisation for repeat purchases, this condition is called **customer loyalty.**
- **Customer Advocacy**
  Customer advocacy goes beyond customer satisfaction; in this stage, the customer becomes the ambassador of the product/service, which adds to the credibility and image of the organisation.

REVIEW QUESTIONS

1. 'Relationship with your customers is the key to success for any business in today's competitive scenario.' Critically analyse the statement with emphasis on changing customer expectations.
2. 'Knowing your customers can be the wisest survival principle today.' Justify the statement with the example of telecom sector in India.
3. Explain the significance of customer value creation for customer loyalty.
4. Explain the three-step process of customer care with any corporate example.
5. Explain the importance of quality of moments of truth in creating customer value.

PROJECT ASSIGNMENT

1. Prepare a detailed project on the banking sector of India, highlighting all possible touch points used by banks today. Also prepare a comparative analysis of the touch points used in nationalised banks and private banks in India.

FURTHER READINGS

- Dyche, Jill (2007), *The CRM Handbook: A Business Guide to Customer Relationship Management*, Pearson Education.
- Sheth, Jagdish N; Parvatiyar, Atul and Shainesh G (2003), *Customer Relationship Management–Emerging Concepts, Tools and Applications*, Tata McGraw-Hill.
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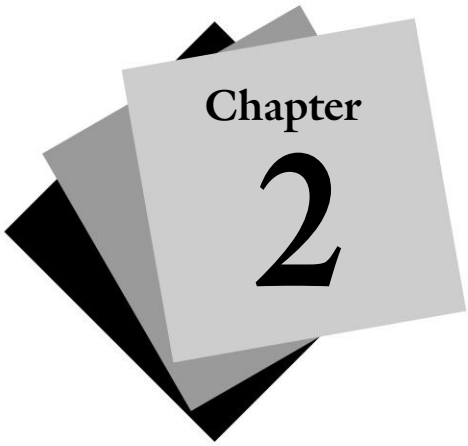


Customer Life Cycle (CLC) and Customer Lifetime Value (CLV)

Learning Objectives

After going through this chapter, the readers will be able to understand

- Importance of the concept of marketing orientation for building a mutual reward system for the customers and the organisations
- Contribution of the concept of value creation for achieving customer focus
- Different phases of Customer Life Cycle and its implication in selecting appropriate marketing strategies
- Concepts of Customer Lifetime Value (CLV) and its strategic importance
- Methods of calculating CLV and the ways to improve it

2.1 Introduction

In the past, companies have either focused on cost management or on revenue growth. The objective of cost management was to reduce the cost per unit of production, while revenue growth strives to increase sales. If a company adopts only one of these two objectives, the second one is defeated automatically. If the company focuses on revenue growth without emphasis on cost management, it will fail to maximise profitability. To gain profitability and sustainability, these two objectives cannot be mutually exclusive; instead, they have to complement each other.

Today, when companies realise the importance of a strong customer focus, they have to delve deep into the knowledge about their customers and their potential value. When companies take holistic measures to connect with their customers with the help of multiple touch points, launching programmes to generate customer loyalty, continuously knowing the 'voice of customers' with the help of marketing surveys, researches, etc., it becomes imperative for the companies to target not only the right segment of the customer but also to identify the right time to approach the customer. To increase profitability, companies have to appropriately allocate their resources and efforts and increase the effectiveness of its marketing initiatives and product strategies. For increasing effectiveness, it is important to know whom, when, what, and how to communicate and time all interactions with the customer. It is important to know the customer life cycle so as to create the capability to predict the customers' requirements of new sales and services. The knowledge of Customer Lifetime Value enables the organisation to focus the strategies to a specific segment of the customer and create a balance between efforts and returns. In this chapter, we shall study the concept of Customer Life Cycle and Customer Lifetime Value, which is the basis of many marketing strategies such as taking acquisition decisions, customer segmentation and designing loyalty programmes.

2.2 Marketing Orientation

Delivering value to the customers and profits to the organisation are the twin objectives of any marketing strategy, which must go hand in hand for the survival and success of the organisation to create and offer new products/services based on any of the prevalent approaches—production oriented approach, product oriented approach, selling oriented approach or marketing oriented approach.

A production oriented approach means that the organisation is focused in optimising its production capabilities and optimal utilisation of its enterprise resources. In this approach, the needs of the customers are taken for granted assuming that as per the capabilities of the organisation, products should be offered without much concern for customers' expectations from the product.

A product oriented approach focuses only on developing the best possible products rather than what a customer wants and expects. It emphasises only on increasing product quality and features, without any study of the requirements of different customer segments leading to 'Marketing Myopia'. This is a situation of short-sighted vision about the market where focus is only on delivering best product quality and not on customer value.

This approach is highly criticised because it generally leads to unsuccessful products, specifically in competitive markets flooded with number of players in the market.

A selling oriented approach has only a single-point agenda to sell whatever has been produced by the organisation, without much heed to customers' needs and expectations.

This approach may be a success in monopoly and monopolistic markets where the customers have limited choices. For example, in highly competitive markets like telecom, retail, banking, and insurance, companies must have a customer focus, but in sectors like the public transport system in India,

specifically Indian Railways, we may witness almost monopoly-like situation with little direct competition.

A marketing oriented approach means an organisation first listens to the 'voice of customer' and then products are offered as per the customer's expectations. The decisions taken by the organisation are centred on customers' needs and wants instead of what the company thinks is good for the customer. Such an approach is essential for success in the scenario when customers are spoilt for choice because of the availability of multiple options and moreover, customer loyalty is difficult to earn.

A number of businesses are adopting a more market-oriented approach since customers have become more demanding and knowledgeable and expect more variety and better quality. To compete and survive, businesses need to be more receptive to their customers' needs else they will lose out to competitors. There must be synergy between the business objectives of the organisation and customer focus. In fact, in marketing focus, even the objectives of the organisations are defined taking into consideration the customer's needs and wants. The super-ordination of goals of both, the customer and the organisation results in value addition for both the parties involved, which results in a mutual reward system, subsequently benefiting both (refer to Fig. 2.1). While customers get enhanced value, the organisations get not only a better corporate image but also higher profitability and sustainability. This sets the foundation for a mutually rewarding and long-term relationship with customers. It is interesting to note that in the creation of mutual reward, business ethics followed by the organisation play an instrumental role. Hence, existence of transparency in information shared with customers in the form of promotional messages, value system and ethics of the organisation lead to a win-win situation for both, the customers and the organisation.

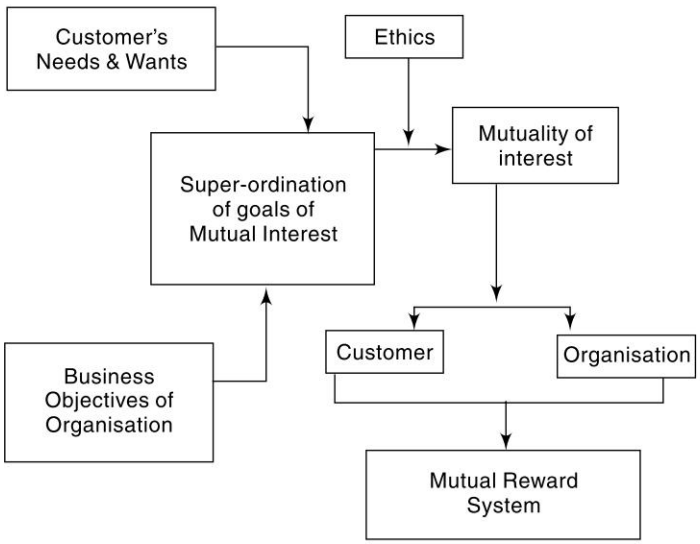


Fig. 2.1 *Mutual Reward System*

Greater the commonality between customers' needs, wants, requirements, expectations and organisation's offerings as per their ability, quality, value systems, business ethics and moments of truth, larger will be the customer relationship base. This keeps increasing as a result of increased customer interface and better value offered to them (refer to Fig. 2.2). Moreover, this base can be further

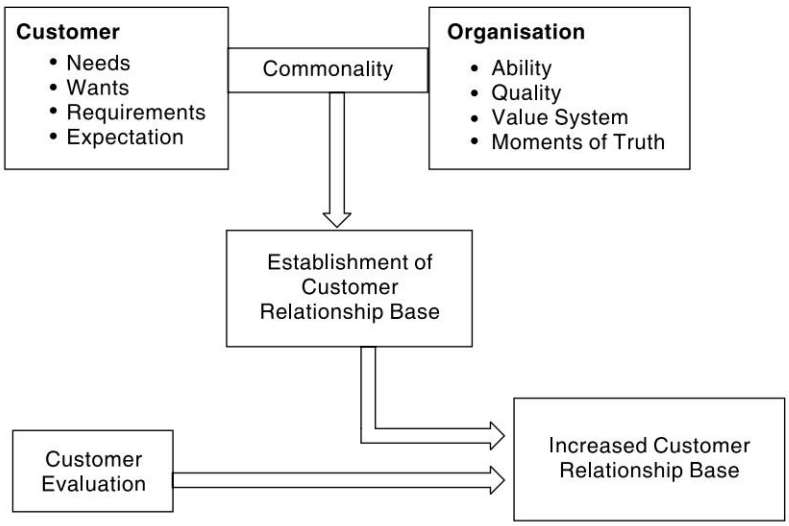


Fig. 2.2 *Marketing Orientation—Foundation for Customer Relationship Base*

enhanced by taking customer evaluation in the form of constant feedback, opinions and suggestions and implementing them for continuous value creation.

2.3 Value Creation

Value creation process is a significant component of customer focus as it translates the organisation's business objectives into action items for defining the value to be created and delivered to the customers.

The value increases with a shift in focus gradually from production orientation, selling orientation, product orientation and finally the customer focus (refer to Fig. 2.3). Customer value creation can result in a sustainable competitive advantage. Owing to its contribution to the strategic edge, there is remarkably little by way of argument among companies on what constitutes 'customer value'. Still, companies need to specify in adequate detail the value they intend to create and deliver, which subsequently, may help them to clearly identify what value is to be delivered to varied customer segments and even niche segments. The value creation process results in maximising the lifetime value of the target customer segments.

Value Creation Strategies

Product Evolution is one of the most impactful strategies for value creation. Initially, the company offers a 'core product', which fulfills bare essential and basic needs; it may be improved with additional benefits and features to make it an augmented product. As customer expectations and requirements change, what is an augmented product today may become a core product tomorrow, leading to further value addition. Hence, the concepts of core product and augmented product need continuous evolution by product innovations.

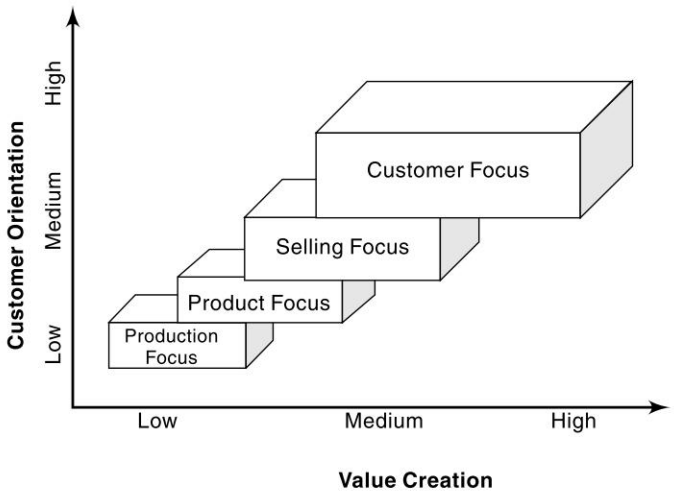


Fig. 2.3 *Value Creation and Customer Orientation*

To develop products and services that not only meet customers' expectations, but exceed them, is a certain formula for value enhancement. Every customer truly appreciates cost-effective and trustworthy products with the highest performance available in the market. A company, which customises every single feature of the product or service to satisfy the customers' exact needs for little additional cost, is truly offering higher value in comparison to its competitors. Providing exceptional value to the customers and enabling them to fulfil their needs and wants should be the mission of every company. The company can make a remarkable difference in the market with innovative products and services which enable them to maintain a long-term relationship with the customers, without any fear of customer-attrition. Value creation requires working hand-in-hand with each customer in order to understand their specific needs and to provide the best and most durable products possible, all while achieving the organisational goals of cost-effectiveness and profitability.

For example, in the mobile telecom sector, mobile phones have transformed from being just a voice-communication device with basic mobile services to becoming an essential consumer brand item, with additional benefits and services like internet connectivity, mobile banking, online games, mobile commerce, besides many value-added services (VAS) offered to the customers (refer to Fig. 2.3).

The key to success for companies, today, is their ability to innovate and create value for their customers, which is impossible to achieve without highly committed employees. After all, it is only through the employees that the value creation process is initiated and executed. For creating value, an organisation has to cultivate commitment in five key areas amongst its employees, as they are a critical resource for generating value for customers. **The Five Key-Commitments Model** talks about commitment towards Self, People, Task, Organisation and Customers (refer to Fig. 2.5). Commitment towards 'Self' involves understanding the roles and responsibilities by an employee and his very purpose of being in the organisation. Further, the employee is expected to honour his/her responsibilities and set sustainable development goals. The commitment towards 'People' means, an employee's role as a team player and as a leader to motivate others. It requires emotional intelligence and social skills on part of the employee to understand group dynamics in varied situations. Appreciating and understanding the contribution of peers, subordinates and superiors is essential to generate this commit-

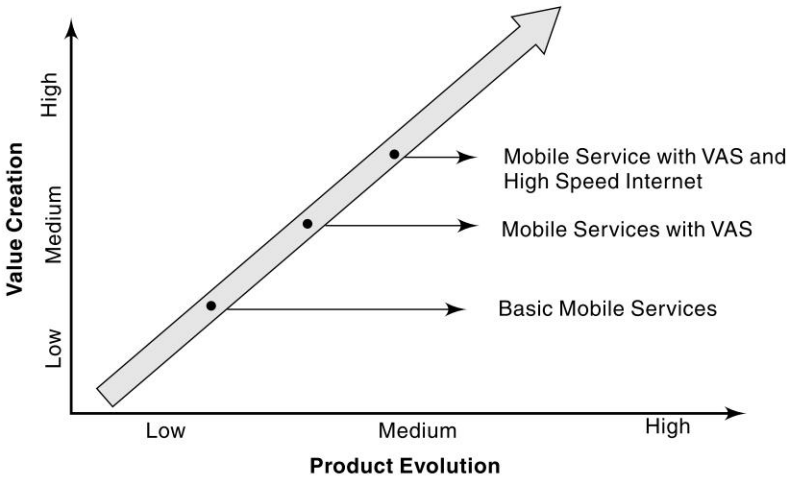


Fig. 2.4 *Value Creation as a result of Product Evolution in Mobile Services*

ment level. Next, the commitment towards 'Task' calls for understanding an employee's hierarchical position with clarity on job description and job specification. The employee needs to acquire the requisite technical, managerial, administrative and interpersonal skills to fulfil his/her commitment towards the task. In addition to these, value creation requires commitment towards the 'Organisation', which demands the employee to respect the organisation's vision, mission and goals and also, understand the role of his/her organisation towards society and the nation at large in a holistic perspective. This commitment can largely be created by top management initiatives like communicating vision and mission amongst the employees through various formal and informal communication channels, demonstrating its commitment and involvement towards social responsibility, and adherence to ethical and legal values, etc.

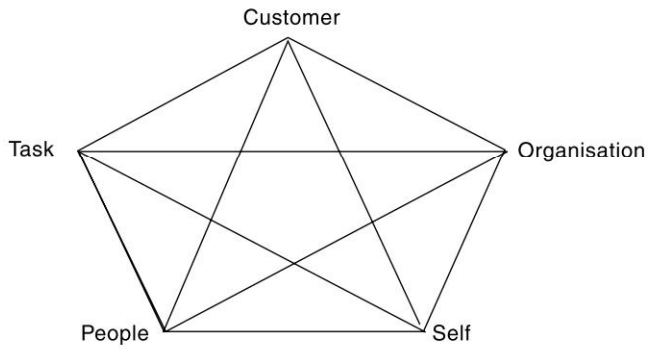


Fig. 2.5 *Value Creation using Five Key-Commitments Model*

These four commitments create the framework for the employee to fulfil his/her commitment towards the 'Customers', as these will create a conducive environment within the organisation leading to synergy and collaborative relationships. These will further enhance the quality of internal processes

and systems generating integration amongst cross-functional areas. Moreover, such a scenario will develop employees as qualitative touch points for the organisation, increasing the quality of interface with customers which results in positive moments of truth, higher value for the customers and improved profitability. The customer expects value addition from the organisation not only at the point of selling but throughout his/her association with the organisation. Value creation methods and strategies should match the expectations and requirements of the customers during different stages of their association with the organisation.

2.4 Customer Life Cycle (CLC)

Customer Life Cycle is the journey of the customer from getting attention to becoming a customer and finally being retained and associated for a long time with an organisation. The behaviour of a customer is different during different phases of this life cycle and is dependent on various exogenous and endogenous factors. An individual or organisation becomes the customer if the perception of expected value from the purchase is more than the money being paid for the product or service. However, this association will result in a relationship only if the value perceived is realised by the customer. So, the concept goes beyond selling the product or service. The experiences of the customer during multiple individual interactions for the consumption of the product/service and service requirements convert the customer into a loyal customer or a lapsed customer. If the customer is satisfied during most of these interactions, he/she may continue to use the product or subscription of service in spite of attractive campaigns by competitors. To make a customer undeterred by market conditions and continuous bombardment of marketing stimuli from competitors in the form of aggressive promotional campaigns, it is important to convert a customer into a loyal customer and subsequently turn him/her into an advocate of the organisation. We will discuss in detail 'Loyalty Management' and various programmes initiated by organisations to generate loyalty in Chapter 5.

With the CLC approach, organisations look forward not only to selling, but try to manage each and every interaction and touch point with the objective of customer retention.

2.4.1 Phases of CLC

The relationship between a customer and the organisation evolve over time. Prospects, newly acquired customers, and loyal customers do not have the same needs and requirements; and as their relationships with the organisation keep changing over a period of time, so do their expectations and behavioural patterns. The customer life cycle provides a framework for understanding and managing different stages of customers. It can be explained in four phases—reach, acquisition, conversion and retention (refer to Fig. 2.6). These phases give a framework for understanding the requirements of different strategies for interaction with customers during different stages.

Reach

Reach is defined as the process of getting attention of prospective customers. It can be gained through various promotional activities and multiple touch points. It is the first stage of interaction with the prospects, which will form the foundation of next phase of CLC. A customer visiting the website of an organisation, viewing the billboard on the roads, reading promotional SMS, or advertising of any kind are various means of expanding the reach of the organisation.

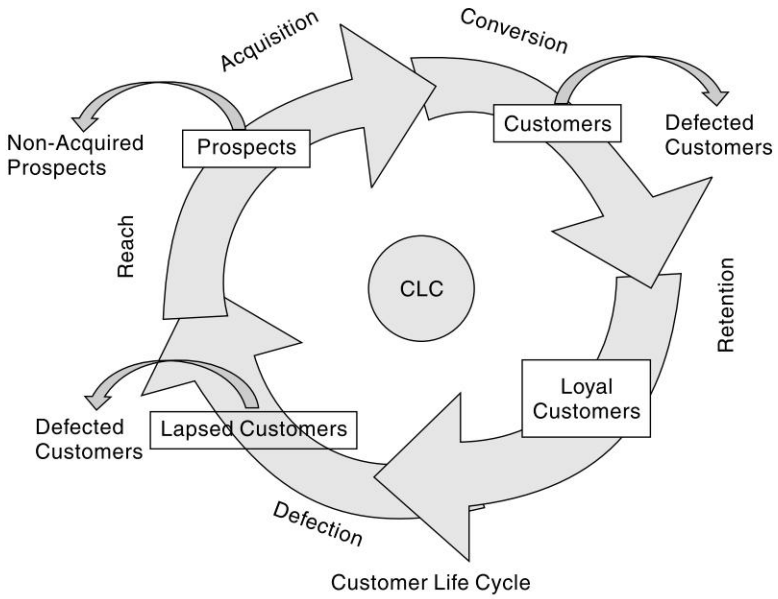


Fig. 2.6 *Customer Life Cycle (CLC)*

A variety of means are adopted to enhance reach. The market is cluttered with so many promotional messages that customers try to ignore the efforts of the company. Therefore, innovative methods of reach are required that can create a wider connect with the prospects and at the same time they are effective in arousing initial interest. Product placement in entertainment programmes like TV soaps or movies are examples of a few innovative and effective methods. Sometimes, marketers plan to launch new products through movies by weaving the story-line and script around the product in question. For example, the launch of the Alto model car by Maruti Suzuki through the movie '*Bunty aur Babli*', created instant reach. As most customers use search engines to view products on the internet, companies make efforts in optimising their websites using Search Engine Optimisation (SEO) tools so as to get and preserve good rankings in popular search engines like Google. The use of social networking sites like Facebook, Orkut, Twitter, etc. has given a new tool to marketing professionals to exploit the power of peer-to-peer communication and have a chain reaction effect to reach to the maximum number of prospects, even beyond the initially targeted customers. These sites serve as an effective platform for creating a buzz in the market with the help of promotional campaigns, especially in the case of new product launches or rebranding initiatives.

The 'Reach' can be measured through various parameters, such as:

- The number of visitors on a company's website.
- The number of reads received for a news article posted by the company in a newspaper.
- The number of viewers for an outdoor billboard.
- The number of subscribers to e-newsletter of the company.
- The number of readers of a newspaper or magazine with advertisement of the company.
- The number of mobile subscribers receiving promotional SMS.
- The number of viewers for TV advertisement of the company.
- The number of footfalls in a multi-brand retail outlet.

Each of above mentioned parameters is both, simple and complicated to assess and measure. Any mobile company can tell how many mobile subscribers will receive a promotional SMS. A magazine or newsletter will know how many readers they have and any multi-brand retail outlet can reveal the number of footfalls they receive on a weekly/monthly basis.

But no organisation can be sure of how many people read an SMS or advertisement in the e-newsletter; even if they did receive the SMS or e-newsletter, how it can be known that they even opened it? It is almost impossible to precisely work out these figures.

This is why the reach is complicated to quantify. Regardless of how potent a company's web analytics solution or other measurement tool may be, no one can know the number of people who in reality read and think about these promotional messages. Consequently, reach is related to acquisition; the number of people who read a message cannot be measured or assessed but this value can be estimated from the percentage of people the company is able to acquire.

Acquisition

If reach is explained as the probability of getting prospects' attention, then acquisition can be defined as how effectively an organisation has got this attention. Hence, acquisition is getting any response from the prospects, leading to any type of interaction, not necessarily purchase. The response of the prospect to an SMS campaign, the filling up of an online form on the website of a company, a call to the call-centre enquiring about the product features, viewing the product demo in a retail outlet, test driving a newly launched car, visiting the sample flat of a real-estate company are some examples of graduation of prospects from the 'reach' stage to 'acquisition'.

Contrary to common belief, the acquisition phase does not always result in some sort of action like purchase. Instead, acquisition is the stage where the prospect is engaged in some sort of activity, which has potential to convert the interaction into some value addition for the company. As a consequence, it can be considered an act of response. The acquired prospects have a better likelihood of being converted into actual customers, provided the touch points are capable of understanding their requirements and expectations and offering appropriate solutions.

Conversion

An 'acquired' prospect is converted into a 'customer' by the process of exchange of a product or service resulting in value addition to both. Conversion is the graduation of the acquired customers to actual customers. The interaction between an acquired customer and the organisation leads to an exchange of product or service resulting in the establishment of a relationship between the organisation and customer. Also, this phase has a definite contribution to revenue and customer base expansion.

Converting acquired customers into actual customers is the most difficult step for any marketer, as it depends on multiple factors like psychographic profile, personality factors, pre-purchase behaviour of customers and the quality of touch points. Moreover, based on the type of product, conversion phase may be demanding different strategies to be adopted, like in case of high-involvement product category, the customer needs to be persuaded more as compared to low-involvement products. Analysing and improving the processes involved in the sales path to conversion will help the company make changes to the touch points and influence marketing initiatives that will impact the customers' willingness to purchase, resulting in a higher conversion rate. This is a win-win situation because it results in customer satisfaction and increased revenue for the company.

When the market is full of multiple players and each one of them wants to capture customers, a range of effective methods are needed to convert prospects into customers. The company has to strategise its actions right from the beginning and instead of focussing on hard selling the products, needs to put the requirements of the customers first. As customers have made at least one purchase interaction with the company, it should focus on adding additional value by upselling, cross-selling and increasing retention. The organisation can increase the conversion rate by implementing effective lead management and sales management techniques. The power of testimonials for enhancing the credibility of products/services/organisations/brands in the form of certification of accredited bodies, customer feedback and referrals, distinguished brand endorsers, etc. has to be realised by the companies for conversion and subsequently leading to repeat purchases by customers. Besides, the company has to make its product offering exceedingly enticing and irresistible in comparison to competitors to encourage conversion.

Retention

The reach, acquisition and conversion phases in the customer life cycle are resource-intensive and time and effort consuming, but in the final phase, the organisation needs to focus on maintaining these relations and retaining the customers. The graduation of the customer to a loyal customer requires continued customer satisfaction over a long period of time and mutual value addition for both, the customer and the organisation. The focus during this phase is on after-sale services and understanding and fulfilling new expectations and requirements of the customers.

> "If you provide only 99% satisfaction, a million transactions mean 10,000 unhappy customers!"
>
> —Anonymous

Research has already proved that an existing customer always provides better returns than a new customer, as maintaining an existing customer is always a more cost-effective proposition than acquiring a new one. Hence, an organisation needs to be conscious of the fact that it needs to put continuous efforts to hold on to them which is not an easy task in today's exceedingly competitive environment and with far-reaching technological access to the users, which has made it possible for even the small players to challenge the big players. If a company sells a product or service and has a leadership position in the market today, someone else can make it more innovative, technologically enhanced and value-driven tomorrow. Unless the products and services offered are highly differentiated and well branded, customers will always be prone to churn.

> "It never ceases to amaze me that companies spend millions to attract new customers (people they don't know) and spend next to nothing to keep the ones they've got! Seems to me the budgets should be reversed!"
>
> —Tom Peters

A certain number of customers will always be defected during each phase of CLC due to an array of reasons such as entry of new competitors, marketing initiatives of existing players, brand-swinging behaviour of the customers, dissatisfaction with the company's products/services, impulse buying induced by tempting sales-promotional offers of the competitors, novelty-seeking behaviour of demanding customers. However, organisations will have to manage the loyalty of customers to contain this defection and churning. Loyal customers, over a period of time, will not only spread positive word of mouth, but will also serve as advocates for the products, resulting in customer advocacy.

Defection

Defection is a continuous and inevitable process of losing the customers which happens during all stages of CLC. However, the companies have to manage the defection rate and keep it under certain limits, so as to ensure the sustainability of their market share. Defection should not result in mass churn of customers to the competitors eroding the market share and challenging the very existence of the company. Defection can happen due to various reasons:

- Entry of new competitors offering products with new technology and innovative features, which generally embarks with highly aggressive promotional campaigns, and high-pitch sales promotional offers, consequently bombarding the market place with high visibility and capturing the top-of-mind attention of the customers
- Irresistible sales promotional initiatives of existing competitors
- Lack of differentiation and USP specifically in low-involvement product category
- Obsolescence of the products/services and failure of the company to match the ever-increasing expectations of the customers
- Use of new technology and product innovations by existing competitors
- Aggressive 'buying' of high-value customers by the competitors
- Brand swinging behaviour of certain customers who seek novelty want to experiment with new or different products
- Increasing shift towards impulse buying with the advent of organised retail sector and mall culture, which has encouraged customers to indulge in unplanned buying, which otherwise was not common in the traditional buying environment of *kirana* stores
- Unintentional pushing away of customers due to various reasons such as inefficient touch points, unconcerned and unfriendly employees, deficiency of complaint management system, billing disputes, ineffective processes and systems
- Intentional pushing away of the customers, specially low-value customers, by the company

> "There is less to fear from outside competition than from inside inefficiency, discourtesy, and bad service! "
>
> —Tom Peters

Therefore, the company should be aware of the reasons of defection, keep a strict vigil on the rate of defection and should be ready to take measures to counter the increase in the defection rate. Defected customers should be treated as prospects by the company and efforts should be taken to win them back.

2.4.2 Customer Life Cycle Marketing

CLC can serve as an effective platform to create marketing strategies and launch a range of marketing initiatives. The choice of marketing initiatives adopted depends on the different phases of CLC.

As the objective during the 'Reach' phase is to capture the attention of a large number of prospects, communication media with wide viewership and readership are selected. The focus of the company during this phase is on mass marketing to create maximum visibility of the products/services, and therefore, the selection of the media should be based on the impact value of the media vehicle chosen. Moreover, the frequency of communication messages needs to be high to result in top-of-mind awareness and recall.

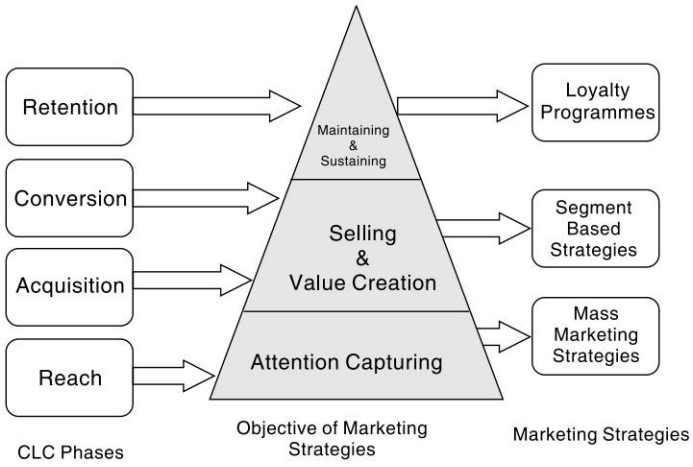


Fig. 2.7 *Customer Life Cycle Marketing*

Further, during the 'Acquisitions' and 'Conversion' phases, the customer has already shown an interest in the products/services, therefore, the most important factor at this point is the capability of the organisation to understand the actual need and requirement and offer the appropriate solution to the customer and finally persuade him/her to buy. During these phases, the company has to offer segment-based solutions as each target segment may have unique and specialised needs. For example, in the real estate sector, identifying the purchasing power of diverse customers is essential, so that they may be offered different solutions such as 2/3/4 BHKs or pent-houses or luxury villas. The success of this phase to convert prospects into actual customers depends on capabilities like quality of touch points, effective lead management, sales management and persuasiveness of the sales force.

Next, during the 'Retention' phase, improving customers' value-perception about the products/services and overall experience, thereby reducing the defection rate is significantly essential. Marketing initiatives will largely focus on loyalty programmes and retention strategies, which require continuous monitoring of satisfaction levels of customers and taking their opinion through feedback systems and periodic market surveys. Listening to the 'voice of customer' is indispensable during this phase. It is always a good idea to regularly re-evaluate existing complaint management systems, service delivery mechanism and loyalty programmes for efficiency, effectiveness and value creation.

Check Your Progress-I

1. What is CLC? Enlist its different phases.
2. Give some methods to increase 'reach'.
3. How can conversion rate from prospects to customers be increased?
4. Discuss the importance of CLC in formulating marketing strategies.

Corporate Examples

1. How Healthy Choice Increased Reach Using Facebook

Summary

Client: Healthy Choice

www.facebook.com/healthychoice

Objective: Increase the number of people connected to the company's Facebook page, increase engagement and reinforce the brand's reputation for value

Solution: Create a progressive coupon that increases in value the more people click to like the brand and sign up for the coupon, and promote the campaign through active engagement, Facebook ads and email communication

Key Lessons:

- Facebook's peer-to-peer communications can extend a campaign's reach to beyond its initial target audience
- Targeting allows companies to reach existing and potential customers simultaneously and with the same campaign
- Facebook can be an effective platform for a coupon campaign to support a new product launch

Company Background

Healthy Choice is a brand of delicious frozen food that fuels a healthy lifestyle. The meals cater to people who want healthy, fresh-tasting and convenient food at a great value. The brand has been in existence for 20 years and is owned by ConAgra Foods, owners of more than 50 different consumer-facing food products, in the frozen, snack, and ingredient categories.

Objective

The primary goals of Healthy Choice's Facebook campaign were to engage consumers and increase the number of people connected to the company's Facebook page, the free public profile that enables companies to share their business and products with Facebook users on an ongoing basis. The brand had an active, enthusiastic community of about 7,000 people, making Facebook an ideal platform to promote and trial a new line of lunch entrees.

Additionally, the company wanted to distribute coupons to its Facebook community in an effort to promote the brand's reputation for good value. "If there is one thing that we are constantly hearing from our community, both, on and outside of Facebook, it is that value is the king right now," explains Genevieve Mazzeo, Social Media Manager at ConAgra Foods. "We're looking for unique ways to deliver value to our consumers."

> "The buzz that we wanted to create, we definitely created that, and we did something different."
>
> —Genevieve Mazzeo, Social Media Manager, ConAgra Foods

Approach

Healthy Choice decided to use its Facebook page (http://www.facebook.com/healthychoice) to distribute coupons – with a twist – and promoted them through status updates, community outreach, and a Facebook ads campaign. The company offered Facebook users a 'progressive' coupon. The number of coupons was limited, but as more people signed up for the coupon on Facebook, it would increase in value, from $0.75 to $1.50 to a buy-one-get-one-free deal. This, of course, encouraged users to share the coupon with their own Facebook communities and allowed Healthy Choice to tap into the viral, peer-to-peer promotion that Facebook affords.

Using interaction tools inherent to Facebook, Healthy Choice, supported by public relations firm Ketchum, spread the news of the coupon to the existing community and to bloggers with whom the brand already had strong relationships, as well as the brand's email database. This outreach built on previous coupon giveaways executed by the brand and allowed bloggers to spread the word on behalf of the brand, while reaching existing consumers of Healthy Choice products.

Healthy Choice ran two series of Facebook ads. Starting on October 12, 2010, Healthy Choice ran both, Premium and Marketplace ads for a week and another series of Premium ads from October 20 to 22. These ads publicised the progressive coupon offer and then brought people to Healthy Choice's page, where they could click to like it and then sign up for the coupon.

Healthy Choice took advantage of Facebook's anonymised and aggregated data to target its desired audience. It reached people who might already be Healthy Choice consumers as well as those who were likely to become customers. This was achieved by using two keyword target segments: healthy

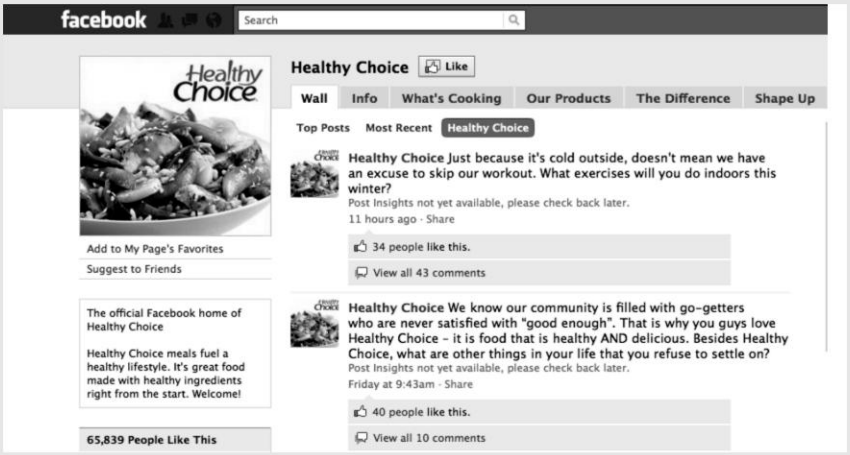
eating keywords, such as 'vegetables', 'healthy living', 'healthy gourmet' and 'salads', and convenience keywords, which included several popular, healthier fast-food brands. In addition, the company targeted women aged 18 and above and did not specify geographic location to reach as many people in its target group as possible.

When the coupon reached its maximum value, Healthy Choice changed the copy in the ads to remind people of the great deal available and encourage them to sign up.

It was important to Healthy Choice that people pass along the progressive coupon, which was designed to be shared. "That is what drives social media," explains Genevieve. "You want to be the authority and bring that valuable content to your community." On Facebook, people are able to both, indirectly and directly promote the Healthy Choice brand through their engagement with the company's page. This authentic, peer-to-peer promotion enables companies to reach more people while generating greater brand awareness and brand equity.

Results

- Approximately 6,800 people had connected to Healthy Choice's Facebook page when the campaign began on October 12 2010. At the end of the two-week campaign, almost 60,000 people had connected an increase of approximately 900 per cent.



- Users' engagement with the Healthy Choice page increased threefold. Now, each new post from Healthy Choice generates three times as many responses as it would prior to the coupon campaign.
- Healthy Choice distributed 50,000 coupons.
- The ads received 11 million impressions, in addition to 3 million organic and brand-driven impressions for Healthy Choice. The ads had an engagement rate of 0.261 per cent.
- Users were given the option to sign up for Healthy Choice's email newsletter when registering for the coupon and 60 per cent of users opted to join the mailing list. "That is above average for an email acquisition campaign and this was not necessarily designed as an email acquisition campaign. That was an unexpected and very exciting result," Genevieve explains.
- The company's progressive coupon campaign generated significant trade coverage and buzz outside of Facebook, including an article on the comeback of coupon clipping published in *Advertising Age* on November 1, 2010.

The Future

Through the coupon campaign, Healthy Choice sparked an excited and engaged conversation with its Facebook community. The company is actively continuing that conversation, listening to and responding to consumers, and leveraging that engagement to help provide better products, services and value. Healthy Choice sees Facebook as a business partner for the future. "There are a lot of exciting things that we are planning, everything from different offers to ways of sharing news with our community. We are really trying to be a partner and be present," says Genevieve. "Facebook presents an incredible opportunity for brands – it is where consumers are."

Source: http://ads.ak.facebook.com, last accessed on May 27, 2011

2. How Hyundai Increased Requests for Test Drive by 62% using Multivariate Testing

Hyundai, the Korean giant, not just makes well-engineered cars, but has a well-engineered online strategy as well. In the Dutch market, they hired Traffic4U to optimize the conversion rate on their lead-generation pages. Traffic4u is an experienced, international online marketing agency, specialising in Result Driven Online Marketing and they chose 'Visual Website Optimiser' for testing and optimisation on Hyundai.nl

What is Visual Website Optimiser?

Visual Website Optimiser is an **easy to use A/B testing tool** featuring point-and-click test designer and WYSIWYG editor for creating variations. In addition to being dead-simple **split testing software for marketers**, it also dramatically shortens time to go live with your A/B tests because of the innovative "*tag-less*" integration (not to mention it reduces your dependency on IT and web development department for uploading code snippets again and again).

Visual Website Optimiser is also a **flexible multivariate testing software** (full factorial methodology) which means that no matter what kind of testing your conversion rate optimisation project demands (A/B, split URL or multivariate), you can be sure that it is covered by the tool. Thousands of enterprises and small/medium businesses are using Visual Website Optimiser today for landing page optimisation, increasing website sales and improving conversion rates.

Source: http://visualwebsiteoptimizer.com, last accessed on May 27, 2011

In this case study, Janco Klijnstra from Traffic4U has explained how the Visual Website Optimiser has been used for increasing conversion rate by 62 per cent for Hyundai.

Hyundai has landing pages for all of their car models where people can request for a test drive or download a brochure. These landing pages mainly get traffic from paid advertising campaigns. They wanted to make the most from this traffic, hence, partnered with Traffic4U for conducting a multivariate test on all car model pages.

There were several goals for this test that Hyundai wanted to optimise:

- Primary goal was a brochure request and/or request for a test drive
- Secondary goal was a click-through from the car page to the first step of the funnel
- As a check engagement (inverse of bounce rate) was also measured

Why Multivariate Testing?

The main difference between A/B testing and multivariate testing is that in A/B testing variety of changes are done in a single variation while in multivariate testing, every change made creates a new variation to be tested. So, multivariate testing is useful if you have multiple ideas to test on a page as it tells the company exactly which changes impact its conversion rates and which don't.

Hyundai's car landing pages have a lot of different elements (car headline, car visuals, description, testimonials, etc.) so it was essential to set up a multivariate test in order to understand which elements influence a visitor's decision to ask for a test drive or download a brochure.

What was Tested?

Traffic4U setup a multivariate test and decided to create variations of the following sections of the page:

- **New (Search Engine Optimisation (SEO) friendly) text versus control text**: The hypothesis was that if they change their normal text to SEO friendly text and it doesn't impact conversion rate, they can permanently implement it for SEO benefits
- **Extra Call to action buttons versus no extra buttons**: Here, the hypothesis was that an extra call to action highlighted desired action
- **Large photo of the car versus thumbnails**: The hypothesis was that a larger photo entices the visitor and also confirms the visitors initial goal that he/she is on the right page

A total of 8 combinations (3 sections, 2 variations each = 2*2*2) were generated for this multivariate test. Here's a screenshot of the original page:

Original page

Results—Which Variation Worked Best?

The results of this multivariate test were phenomenal. One of those variations increased conversion rate (request for test drive or brochure) by 62rer cent. And there was a staggering 208 per cent

increase in the clickthrough rate (step 1 to step 2). Out of the total of eight combinations, can you guess which one increased conversions?

The combination with SEO text, extra buttons and larger images did the wonder. It's amasing how Traffic4U was spot on for all three changes. Here's how the variation looked:

Winning variation (62 per cent increase in leads)

The results of this multivariate test were so phenomenal that it won a silver award in the annual Which-TestWon awards!

Lessons learnt and value of Visual Website Optimiser

Traffic4U used a lot of heuristics and best practices experience for coming up with variations for this test (larger pictures, clear call to action buttons, etc.). This test demonstrates that doing a proper multivariate test can validate those best practices. It is also possible that adding SEO text decreased conversions at the expense of extra traffic, however, setting up a multivariate or A/B test can settle that dilemma easily.

When Traffic4U was asked about their comments on Visual Website Optimiser, here's what they had to say:

"Visual Website Optimiser was very valuable as it made it possible for us as an agency to build our own variations, test on a group of pages and measure different goals at once. Also, the Analytics plug-in was very helpful in the analysis for segmentation purposes."

This case study is an excellent example of how a large company (such as Hyundai) works with a specialised conversion rate optimisation agency like Traffic4U to use multivariate testing for increasing business metrics such as test drive requests and brochure requests. If it worked for Hyundai, it can work for any other organisation too.

Source: http://visualwebsiteoptimizer.com, last accessed on May 27, 2011

2.5 Customer Lifetime Value (CLV)

The concept of relationship marketing and its applications in the field has changed the way organisations think of customers. They strive to acquire and retain the customer for a long term. Instead of focusing on discrete interactions, the focus is on the entire life of the customer with the organisation.

This has led the organisations wanting to know the financial worth of this relationship to itself so that the decisions regarding the level of efforts to acquire and retain customers can be made. The management wants to know more accurately the ways to manage relationships with the customers and, at the same time, distinguish between a profitable customer and a loss making customer. The replacement of transaction marketing by relationship marketing has led the manager to find out new ways of finding the economic value of the customer considering both, the relationship benefits and accounting profit from the customer.

2.5.1 Definition of CLV

Customer Lifetime Value (CLV, also written as CLTV or LTV) is defined as the present value of all net payments during the complete life of the customer with the organisation. Customer relationships are considered to be investments and acquiring a customer is like acquiring a new asset, which will generate future revenue. However, relationships need to be maintained and therefore, there is a cost associated with it. Therefore, to evaluate CLV, all future revenues and costs must be assessed. Simply put, CLV is the present value of all future purchases by the customer minus the costs to be incurred by the company.

Usually CLV is calculated by assessing all future purchases and then discounting these figures to bring them to the present value. Knowing CLV can add tremendous value to marketing strategy formulation. The availability of IT tools like data warehousing and data mining has

2.5.2 Applications of CLV

Information on CLV can be an important input for marketing strategy formulation, especially in the segmentation, selection, retaining customers and in relationship management in general. Since it represents the financial aspect of return on relationship (RoR), it helps in getting better returns on marketing efforts.

(a) Allocation of Resources

By appropriately allocating resources to a particular customer or segment of customer, the organisation can be in a better position to target the customer, which will be profitable in the long run. The organisation can afford more cost of acquisition of customers with higher expected CLV.

For example, a student as a customer for a telecom operator can be a very high CLV customer, even though such customer may not be profitable in the short run. Service providers compete to offer special deals to such customers and retain them with the hope that they will generate high profits in future and will be better adopters of new technologies and services. CLV, which is the present value of all future profits from the customer, is a better guide for strategy formulation than present payoffs.

(b) Customer Selection

CLV is often used as an upper limit on spending to acquire a customer. If the expected cash flows from the relationship with the customer have a present value of Rs 1000, then the company should not spend more than Rs 1000 to acquire that customer. At the same time, the company should be ready to spend extra to acquire customers which are likely to generate bigger cash flows throughout the life of the relationship.

While the lifetime value of the acquired customer is one important factor in the acquisition decision, it need not be the only factor. The acquisition of a particular segment of customers may affect the CLV from the existing customers also. Therefore, the acquisition decision is to be based on a bigger picture of brand perception and image besides looking for CLV.

(c) Segmentation

Customers can be segmented on the basis of calculated CLV and this segmentation can be a very important criterion for various marketing and servicing initiatives. Customers can be offered specific product and price types according to their profiles based on CLV.

For example, in the banking and insurance sector, there can be specific products and services for High Net-worth Individuals (HNIs). In the telecom sector, where there is stiff competition, specific tariff plans can be offered to specific customer segments so as to propose better value and therefore, to retain customers for longer periods. Membership to loyalty programmes and discounts and benefits offered can be based on different segments. Loyalty programmes and marketing initiatives based on CLV can be sustainable and, at the same time, lucrative at the individual customer level.

(d) Merger and Acquisition

Most merger and acquisition decisions are based on the financial statement of the company to be acquired. However, financial statements have two major shortcomings. Firstly, they represent the past performance and do not assure any future prospects. Secondly, financial statements do not have, in any way, an insight into the customer base and its potential. Acquisition ultimately means the acquisition of the customer base of the company and therefore, strategic decisions based on CLV of customer base of the company can be far more accurate as it represents a true picture of the potential scenario of the company.

(e) Customer Equity

Customer Equity is the total of the discounted cash flows in future from customers and future customers within a certain planning period. It is the measure of the value potential and the capability of the company to acquire and retain customers.

$$CE = \Sigma CLV$$

Traditionally, companies measured the profitability of the company in terms of product profitability. The focus was on product and its profitability. But with relationship marketing, the focus has shifted onto the relationship between the customer and the organisation. The profitability of the company depends not on the performance of the product but on the total repurchases of the customer from the organisation. Products get developed, modified and replaced by newer products. What ultimately matters is the long-term relationship with the customer. Therefore, brand equity has given way to customer equity.

(f) Marketing Campaigns

The CLV matrix can be used in marketing decisions to make marketing campaigns focused and effective, especially in situations of limited marketing budgets. The real benefit of the CLV matrix will be realised by organisations when they calculate customer lifetime value across customers, segments, and marketing campaigns.

Marketing managers need to know the answer to the following questions to plan focused marketing campaigns:

- Which customer acquisition campaigns deserve more or less money?
- What are the demographic and behavioural attributes that define my best customers?
- How much should the company spend to retain a specific customer or segment?
- How much can the company spend to acquire a specific customer or a given segment?

CLV data can be used to answer these questions. Marketing managers can use this information to allocate resources for various customer acquisition and retention activities. Even sales pipelines can be analysed and predict which leads are likely to become valuable customers and which of them are a waste of time based on various input parameters that define the profile of the customer.

(g) CLV Based Loyalty Programmes

Loyalty programmes are marketing efforts that reward and therefore, encourage frequent buying and enhance the life of the customers with the organisation. But a loyalty programme comes at a cost. There is no purpose of rewarding a customer with low CLV. Loyalty programmes will add to the top-line and bottom-line of the company, only if they are focused towards high CLV customers (may not be currently high revenue generating).

The proposals for reward programmes for specific offers and their price generally come from product managers. But the question that remains is—which customer should be rewarded how much? A CLV-based reward system in loyalty programmes is effective simply because it hurts less when less profitable customers leave the company.

(h) Purchase Sequence Analysis

In a multi-product company, it is not easy to contemplate what product a particular customer will buy next. This is a very valuable piece of information for the company because it can then decide the message and timing of the customer-specific promotional and communication strategy. The most effective sales message is one which reaches the customer when he/she is likely to make a purchase in near future and is relevant to the product he/she wishes to buy. Companies try to predict what the customer is most likely to buy given his/her past purchases and preferences and then send appropriate marketing communication to customers. The more accurately these product recommendations match a customer's preferences, greater is a chance that the customer will make another purchase with the company. Therefore, the knowledge that when and what a customer is likely to purchase next can have a significant advantage over competition.

2.5.3 Calculating CLV

The CLTV of a customer is calculated based on the following inputs:

1. The cost of acquiring the customer
2. Periodic cost of providing the service/product

3. Retention rate or churn rate of the customer
4. Rate of discounting

CLV is calculated using the gross contribution margin per customer, however, in some instances, organisations have difficulty in assigning their costs to specific customers, and therefore, the gross contribution margin per customer is replaced by revenue per customer.

Different market segments may have very different cash flow characteristics (that is, different gross contribution margins and retention rates). Hence, it is useful to calculate CLV separately for the typical customer in each market segment. For calculating CLV, based on cash flow, organisations can be divided into two categories:

1. **Contractual Situation/Customer Retention Situation:** In these categories, customers subscribe to the product and service, and cash flows with fixed periodicity are expected from the customers. Those who do not renew the subscription are 'lost' customers. Telephone services, DTH service, car insurance, magazine subscription all fall under this category. In a customer retention situation, organisations will know when the customer has been lost.
2. **Customer Migration Situation:** In these situations, the customer purchases the company's product/service without any formal contract. It is difficult to assess the buying pattern and therefore, the cash flow from an individual customer is unknown.

Calculating a customer's lifetime value requires the cost of acquiring the customer, stream of revenues coming from the customer and computations of recurring costs of delivering services to that customer (refer to Fig. 2.8).

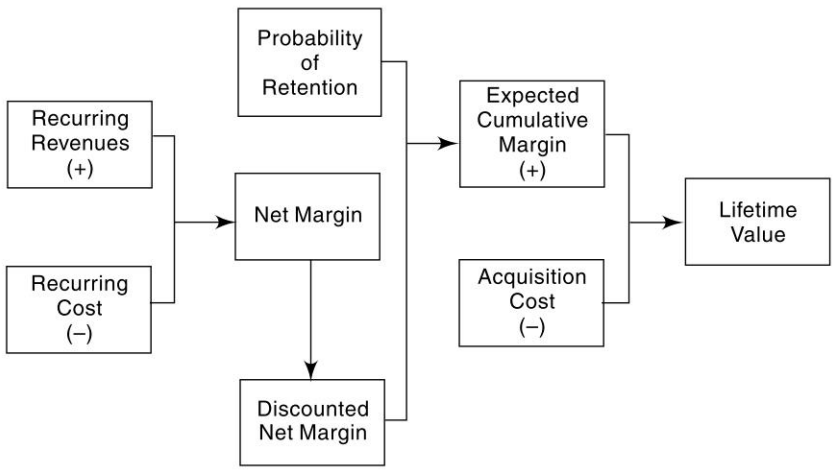


Fig. 2.8 *Computing Customer Lifestyle Value*

$$\begin{aligned}\text{CLV} &= \text{Net Present Value of all cash flows from the customer}\\ &= \text{Expected Cumulative Margins} - \text{Acquisition Cost (AC)}\\ &= \Sigma\downarrow(i = 1)^{\uparrow}n \equiv [(\text{p}]_{\downarrow}(i) \times \text{DNCF}_i) - \text{AC}\\ &= \sum_{i=1}^{n} p_i \times \text{NCF}_i/(1 + r)^i - \text{AC}\end{aligned}$$

where

p_i = Probability of retention of the customer during the period '*i*'
$DNCF_i$ = Cash Flow during the period '*i*' discounted to period 0 at '*r*' rate.
NCF_i = Net Cash Flow (margin) during the period '*i*'
= Revenue during the year – Cost of retaining during the period

Let us consider different cases to calculate CLV:

Case A

The cost of acquisition of a customer is Rs 2500 and it costs Rs 500 per year to retain that customer. The revenue from the customer is Rs 1000 in the first year, Rs 1500 in the second and thereafter it is Rs 2000 every year. If the discount rate is 15 per cent, compute the lifetime value of a customer considering the life of the customer to be five years.

Computation of CLV

Discounting Rate 15%

Year	*Customer Revenue*	*Retention Cost*	*Net Cash Flow (Margin)*	*Discounted Cash Flow*
A	*B*	*C*	*D (= B – C)*	*E*
1	Rs 1,000	Rs 500	Rs 500	Rs 435
2	Rs 1,500	Rs 500	Rs 1,000	Rs 756
3	Rs 2,000	Rs 500	Rs 1,500	Rs 986
4	Rs 2,000	Rs 500	Rs 1,500	Rs 858
5	Rs 2,000	Rs 500	Rs 1,500	Rs 746

In the above table discounted cash flow has been calculated using the formulae:

$$DCF_i = NCF_i \times DF_i$$

$$DF_i = 1\frac{**(n)}{1+r}$$

(assuming cash flows occur at the end of the year)

where r = yearly rate of discounting (in this case it is 0.15)
n = year number
DF_i = Discounting factor for year *i*
NCF_i = Net cash flow in one particular year *i* (tabulated in column "D')
DCF_i = Discounted cash flow (NPV of cash flow) for the year *i*

Here total discounted cash flow = ΣDCF_i
= Rs 435 + Rs 756 + Rs 986 + Rs 858 + Rs 746
= **Rs 3781**

CLV = NPV of all cash flow = ΣDCF_i – Acquisition Cost
= Rs 3781 – Rs 2500
= **Rs 1281**

Case B

A DTH service provider tracks customers who use its service facility. The initial cost of provisioning the service is Rs 5000 and revenue coming in is Rs 8000 in the first year, Rs 4500 in the second year margins, Rs 5000 in the third year margins, and Rs 5200 in the fourth year. Assume the discount rate is 20%. The probability of retention of the customers during these four years is 0.9, 0.8, 0.6 and 0.3 respectively. If the cost of provisioning the service is Rs 1000, Rs 1200, Rs 1300 and Rs 1400 during these four years, calculate the CLV.

We can calculate the CLV for the average customer as in case A. Here, we shall consider the probability of retention also. The probability of retention will be used to calculate the expected cash flow as given below:

Expected $DCF_i = p_i \times DCF_i$

where DCF_i = Discounted cash flow for the year i

p_i = Probability of retention during the year i

Computation of CLV

Discounting Rate 20%

Year	*Customer Revenue*	*Retention Cost*	*Net Cash Flow (Margin)*	*Discounted Cash Flow (DCF)*	*Probability of Retention*	*Expected DCF*
A	*B*	*C*	*D = B – C*	*E*	*F*	*G = E × F*
1	Rs 8,000	Rs 1,000	Rs 7,000	Rs 5,833	0.9	Rs 5250
2	Rs 4,500	Rs 1,200	Rs 3,300	Rs 2,292	0.8	Rs 1833
3	Rs 5,000	Rs 1,300	Rs 3,700	Rs 2,141	0.6	Rs 1285
4	Rs 5,200	Rs 1,400	Rs 3,800	Rs 1,833	0.3	Rs 550
Total Expected DCF:				Rs 8,918		
Acquisition Cost:				Rs 5,000		
CLV:				**Rs 3,918**		

Case C

An auto dealership tracks customers who use its service facility. New customers represent Rs 500 in first year margins, Rs 1000 in second year margins, Rs 1250 in the third year margins, and Rs 1000 in margins in subsequent years. The dealership estimates that customers defect at a rate of 20% per year. That is, only 80% of new customers continue to use the automobile dealership's services in the second year, only 60% of new customers continue to use the automobile dealership's services in the third year, etc. Assume the firm's discount rate is 20%. We can calculate the CLV for the average customer as follows:

Computation of CLV

Discounting Rate 20%

Year	*Customer Margin*	*Discounted Cash Flow*	*Probability of Retention*	*Expected DCF*
A	*B*	*E*	*F*	*G = (E × F)*
1	Rs 500	Rs 417	1	Rs 417
2	Rs 1,000	Rs 694	0.8	Rs 556
3	Rs 1,250	Rs 723	0.6	Rs 434
4	Rs 1,000	Rs 482	0.4	Rs 193
5	Rs 1,000	Rs 402	0.2	Rs 80

CLV = ΣNPV of expected cash flow
= Rs 417 + Rs 556 + Rs 434 + Rs 193 + Rs 80
= Rs 1680

Suppose there is a 5% reduction in the rate of customer defections (a 5% increase in the customer retention rate) the let us see its effect on CLV.

Computation of CLV

Discounting Rate 20%

Year	*Customer Margin*	*Discounted Cash Flow*	*Probability of Retention*	*Expected DCF*
A	*B*	*E*	*F*	*G = (E × F)*
1	Rs 500	Rs 417	1	Rs 417
2	Rs 1,000	Rs 694	0.85	Rs 590
3	Rs 1,250	Rs 723	0.7	Rs 506
4	Rs 1,000	Rs 482	0.55	Rs 265
5	Rs 1,000	Rs 402	0.4	Rs 161

CLV = ΣNPV of expected cash flow
= Rs 417 + Rs 590 + Rs 506 + Rs 265 + Rs 161
= Rs 1939

The new CLV is Rs 1939 which is 15.4 % more than the CLV with 20% defection rate. This means that in this case a 5% reduction in defection rate increases the profitability by 15.4%.

Note that in the above example, we assumed there was no acquisition cost.

Suggested Online Case Studies on CLV:

1. Case of BLUEPHONE – BT'S KILLER APP?
   FIXED-MOBILE CONVERGENCE IN THE UK
   http://www.cs.berkeley.edu, last accessed on May 25, 2011
2. Customer churn analysis—a case study
   Author Teemu Mutanen
   http://www.vtt.fi, last accessed on May 25, 2011

2.5.4 How to Improve CLV?

We have seen in case 'C' that a small increase in the retention rate can have a large impact on the CLV. This re-establishes the fact that if the customer is loyal to the brand, the company can get a better share of the wallet. The most effective way to increase CLV is to work out strategies which can increase customer loyalty. These strategies can be to innovate with the product, enhance value proposition and/or roll out loyalty programmes. We shall discuss loyalty programmes in detail in Chapter 5.

Based on their current and potential value, customers can be divided into four segments (refer to Fig. 2.9):–

(i) Low Current Value and Low Potential Value Customers
(ii) Low Current Value and High Potential Value Customers
(iii) Low Potential Value and High Current Value Customers
(iv) High Current Value and High Potential Value Customers

Customers with low current and potential value are a burden to the company as they will never have a positive contribution to the bottomline of a company. Increasing such customers will not add to the average CLV and therefore, any effort to increase customer base or retain such customers may not be fruitful. In contrast, customers with high current and high potential value are real assets to the company. Every possible effort should be taken to retain, sustain and maintain such customers even if it may require incurring higher retention cost. Customers with high current but low potential value can be converted to high potential value customers by offering additional products and services. Analysis can give insight into the additional requirements of such customers and increase the satisfaction level by giving them special attention. In case of customers with low current but high potential value, it is possible that they generate higher revenue streams in future. Special care should be taken to generate long-term relationships with them so as to retain the customers and convert the potential into real cash flows.

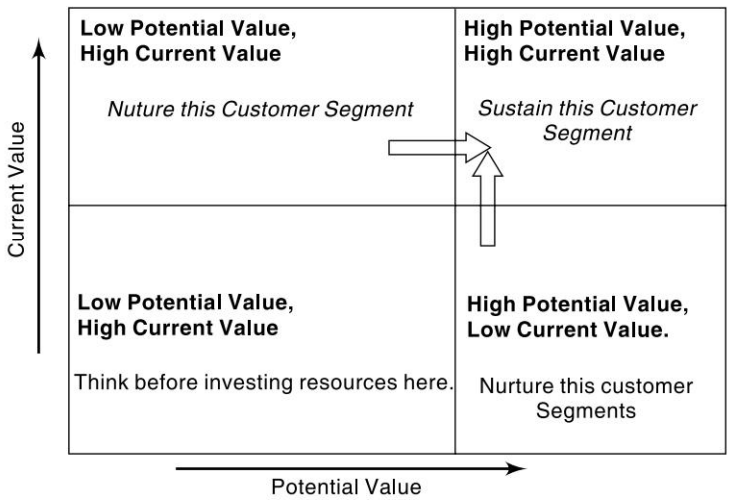


Fig. 2.9 *Relationship between Customer's Current Value and Potential Value*

Another strategy to increase CLV and customer equity is to find out **'social' customers** with high referral value who are likely to refer and recommend the products to others. Customers who are

active on social networking sites like Facebook, Twitter, Orkut, etc., have high potential value as they may virtually act as ambassadors or advocates of the products/services on such websites by spreading positive word of mouth. There will be certain special types of customers who are more likely to talk about the product to the others; these are called **'fertile customers'**. Even if the individual CLV of such customers is low, they can help generate new customers as they have a large indirect impact in increasing customer equity. The ability of one customer to generate value by reference and recommendation from the other customers is known as **Customer Referral Value (CRV).** Identifying customers with high CRV and nurturing them can have long-term positive impact on customer equity.

Check Your Progress-II

1. Define Customer Lifetime Value.
2. What are various applications of CLV?
3. Discuss the importance of CLC in relationship management.
4. How are customer equity and CLV related?

SUMMARY

In this chapter, the significance of the concept of Marketing Orientation and customer focus for creating a mutual reward system for customers and organisations has been discussed. The mutual reward system, which results in a win-win situation for both, the customer and the organisation, is centred on customers' needs and wants, instead of what the company thinks is good for the customer. A marketing oriented approach is essential for success in an ever-increasing competitive market where multiple competitors are vying to expand their customer base. Further, value creation for achieving customer focus results in retaining customers and, therefore, maximising their lifetime value. Product evolution and creating the right environment in the organisation are strategies for value creation. The Five Key-Commitments Model serves as a framework for developing commitments towards Self, People, Task, Organisation and Customers, which creates the capability of the organisation for delivering superior value to the customers and generating profits for the organisation.

The purpose of CLC is to define and understand the different phases through which a customer progresses while interacting with the organisation. Reach, Acquisition, Conversion, Retention and Defection are various phases of CLC. The marketing strategies and the associated business processes a company uses depend on the objectives during these phases of CLC, which helps in expansion of the customer base.

Customer Lifetime Value (CLV), which is the NPV of all net payments during the entire life of the customer, is gaining acceptance as a metric used to acquire, convert and retain the right kind of customers. The CLV can further be used to profile customer segments and focus the marketing strategies so as to increase the return on the relationships. In this chapter, several ways of calculating CLV, the applications of knowing the Customer Lifetime Value and methods of improving CLV have been discussed.

KEY TERMS

- **Customer Life Cycle (CLC)**
  Customer Life Cycle is the journey of the customer from getting attention to becoming a customer and finally being retained and associated for a long time with an organisation.
- **Reach**
  Reach is the process of getting attention of prospective customers and is a measure of viewership of every type of marketing stimuli (promotional messages, advertisements, online campaigns, etc.) of the company.
- **Acquisition**
  It is the measure of the 'response' of the prospects to marketing stimuli. A prospect is said to be 'acquired' if he responds to the marketing stimuli.
- **Conversion**
  An 'acquired' prospect is converted into a 'customer' by the process of exchange of a product or service resulting in value addition to both.
- **Retention**
  Customer retention is achieved through a long-term relationship with the customer resulting in reduction of the defections. It is about exceeding customers' expectations so that they become loyal advocates for the product and brand.
- **Search Engine Optimisation (SEO)**
  It is the process of improving the visibility of the company's website through search engines.
- **Marketing Orientation**
  A marketing oriented approach means an organisation first listens to the 'voice of customer' and then products are offered as per the customers' expectations.
- **Customer Equity**
  It is the total of discounted lifetime values of all existing and prospective customers.
- **Net Present Value (NPV)**
  It is the discounted value of any future cash flow at the given rate of discounting.
- **Customer Lifetime Value (CLV)**
  Customer Lifetime Value (CLV) is the present value of all net payments during the complete life of the customer with the organisation.
- **Social Customers**
  These are the customers who have high referral value by virtue of being associated with either any social networking sites or public forums. They are likely to spread positive word of mouth for the products/services.
- **Fertile Customers**
  There are customers who are more likely to talk about the product to others.
- **Customer Referral Value (CRV)**
  The ability of one customer to generate value by reference and recommendation from other customers is known as **Customer Referral Value (CRV)**.

REVIEW QUESTIONS

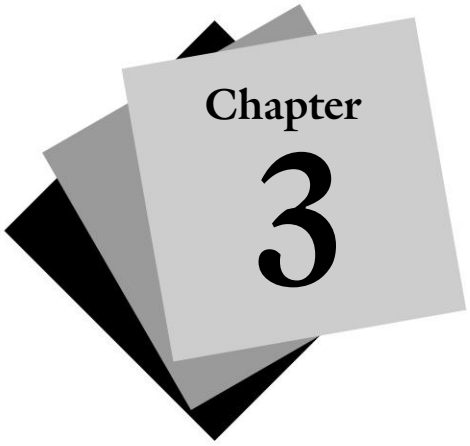
1. Discuss in detail Customer Life Cycle and its significance in the light of shift of organisations from product-focus to customer-focus. Justify your answer with the help of the example of the insurance sector in India.
2. Explain the different phases of the Customer Life Cycle and discuss various marketing initiatives needed at each phase. Illustrate your answer with the help of marketing strategies adopted by online travel and tourism websites.
3. How does marketing orientation create a win-win situation for both, customers and the organisation? Discuss with a few corporate examples from the auto sector with special reference to the E cars segment (luxury cars).
4. Define Customer Life Time Value. How is it related to relationship management?
5. Explain the different applications of CLV in marketing. Discuss how CLV can be used for formulating acquisition and retention strategies.
6. How is CLV related to customer equity? Explain the various ways of improving CLV.
7. 'Implementation of the concept of Customer Lifetime Value helps an organisation in prioritising its customers and helps as cost cutting tool'. Justify your answer with some examples from the corporate sector.

PROJECT ASSIGNMENTS

1. Analyse two Indian corporate cases to find out how social networking sites such as Facebook, Twitter, Orkut, etc. are being used to widen customer reach. Conduct a market research to analyse the effectiveness and acceptance of these sites with respect to varied demographic and sociographic profiles of Indian customers.
2. Prepare a detailed comparative analysis of marketing strategies adopted during reach and retention phases of CLC by a DTH company in India. Also, prepare a metrics containing the indicators which can be used to measure the success of these marketing strategies.
3. Compare the CLV of prepaid and postpaid mobile subscribers of a telecom operator in any one licence area (circle). Discuss strategies that can be used to improve CLV in both cases.

FURTHER READINGS

- Keki R. Bhote (1996), *Beyond Customer Satisfaction to Customer Loyalty: The Key to Greater Profitability*, Amacom Publishers.
- John A. Goodman (2009), *Strategic Customer Service: Managing The Customer Experience to Increase Positive Word Of Mouth, Build Loyalty, and Maximize Profits*, Amacom/American Management Association.
- Lake and Hickey (2006), 'Making Customer Service Happen (A Simple And Effective Guide to Achieving Customer Satisfaction While Reducing Your Costs)', Allen & Unwin.



Relationship Marketing

Learning Objectives

After going through this chapter, the readers will be able to understand

- Reasons for a shift from the Marketing Mix Approach to Relationship Marketing
- Differences between Traditional Marketing and Relationship Marketing
- Significance of Managing Consumer Emotions
- Differences between the concept of Relationship Marketing in Consumer Segment v/s Service Segment
- Significance of Relationship Marketing for Brand Building with the help of corporate example
- Concept of Customer Lifetime Value and its significance
- Concept of Service Level Agreements (SLA)

3.1 Introduction

With a revolution in the IT and telecom industry in India, the accessibility of customers to products and of marketers to customers has significantly increased. Penetration of mobiles throughout India

and availability of the Internet has brought a paradigm shift in marketing techniques. Geographical boundaries have broken down and connect with the customers is just a click away. Organisations, which earlier focused on building USPs with specialised products or price offerings, are feeling the heat as their strategic advantage is lost very quickly. Customers can now compare products and prices from various manufactures and make more informed decisions. An effective and strong relationship with customers is key to the success of any organisation. Today, there is a shift from traditional marketing to relationship marketing further emphasising the importance of strong direct connect with the customer.

3.2 From Traditional Marketing Approach to Relationship Marketing

The traditional Marketing Mix Approach emphasised the importance of four fundamental Ps of marketing i.e., product, promotion, place and promotion (refer to Fig. 3.1). Marketers attracted customers with innovations in the product, by creating a brand image by promoting the same, offering efficient sales and distribution network and offering an attractive price for the product.

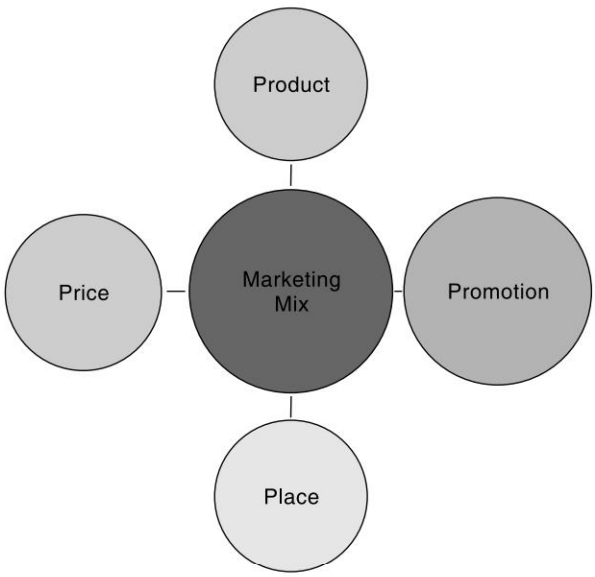


Fig. 3.1 *Traditional Marketing: Marketing Mix Approach*

The promotion was targeted towards brand management, communicating product features and price offerings through mass communication. Market research was done only to find out why products were not being sold or why the market share was falling. The only focus was to acquire new customers to increase the market share. No importance was given to retaining customers or creating sustainable relationships with them.

However in today's stiff competitive environment organisations cannot survive only on good products and price offerings. Changing market situations have made it harder to retain customers without strong relationships. Integrated Marketing Communication with multiple and highly innovative media is used by the organisations to connect with customers. Relationship Marketing is the best

answer in this scenario to be in the contact with the customers continuously and sustain relationships with them.

A good example is that of Bollywood, which contributes the biggest share in the Indian entertainment industry. Film producers are devising new methods to capture the mind share of consumers and connect with them. The innovative promotion of the movies *Lagaan, Om Shanti Om, Tare Zameen Par, 3 Idiots* and *Gajini* led to their stupendous box office success. The reason was the direct connect with the audience, resulting into a feeling of ownership of the movies and subsequently, creating customer advocacy. In the case of *Tare Zameen Par*, the connect became so strong that it generated not only a positive word of mouth, but the audience became the ambassadors of the concept of the movie and led it to its unprecedented success. The same story was repeated with *3 Idiots* and *My Name is Khan*, where the lead cast met the target customers directly through highly engaging methods.

3.3 Relationship Marketing: Organisational Pervasive Approach

Relationship Marketing is an ongoing process of continued interactions with the customer through multiple touch points and channels (refer to Chapter 1), so as to build a bond between customers and the organisation. It is not a tool or technique within an organisation, but an 'organisational pervasive approach' to establish long-term relations resulting in customer loyalty and a step ahead generating customer advocacy (refer to Fig. 3.2). Each member of the organisation, irrespective of its hierarchical level, is responsible for creating relationships with customers. It is a holistic approach comprising interrelated series of marketing efforts instead of a single unconnected event, thus, it is an Integrated Marketing Communication. The emphasis is not on acquiring new customers but on keeping existing customers happy and satisfied and resulting in an expanded customer base.

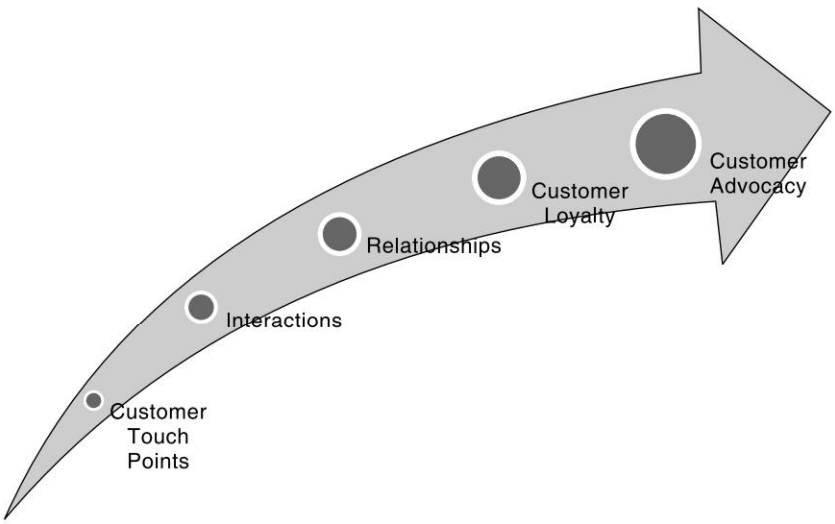


Fig. 3.2 *Relationship Marketing Approach*

Customer Touch Points, which were predominantly personal touch points, are now changing to technologically driven interactions. The customer interacts with an organisation through a variety of channels and if individual interactions have no connect between the past interactions, the customer feels the loss of identity and insensitivity in such interactions. To avoid this scenario, Relationship

Marketing focuses on the process of interaction of the customer with the organisation in totality, rather than discrete event-based interactions.

With an increased media exposure, the customer is practically bombarded with promotional messages and campaigns. As a result, the customer is disillusioned with these mass marketing campaigns. This has made marketing based on brand building only through promotional campaigns inefficient and ineffective. Also, it has forced marketers to focus on building up relationships with the customer, which are consistent and mutually rewarding. This brings a new challenge to organisations to form innovative, creative and cost-effective ways to make strategies based on relationships to retain the customers and keep them coming back. Marketing messages are framed as per the Customer Life Cycle (refer to Chapter 1), which leads to high customer retention and high profitability. The focus is on customer service and quality, using multiple inter-related series of interactions with the customers.

Table 3.1 shows the comparative difference between the traditional marketing approach and relationship marketing approach with respect to two parameters—marketing focus and customer focus.

Table 3.1 *Traditional Marketing vs Relationship Marketing*

Parameter	*Traditional Marketing*	*Relationship Marketing*
Marketing Focus	Marketing Mix Approach with emphasis on isolated multiple interactions, highlighting product quality	Integrated Marketing Communication with series of inter-related interactions highlighting customer service
Customer Focus	Acquiring new customers	Making existing customers happy and satisfied

3.4 Managing Customer Emotions: A Tool for Relationship Marketing

In relationship marketing, the ultimate objective was to achieve customer satisfaction, but today, organisations have gone a step beyond that. They try not only to satisfy customers but make efforts to generate **customer delight**, going beyond satisfaction. Customer satisfaction is when a customer gets a product/service as per expectations and perceives high value delivered to him/her. But customer delight is achieved when the customer gets some unexpected attributes in the product or service, which changes the value-perception bringing delight and excitement. Generally, customers feels satisfied if the product/service performance attributes are competitive. For example, if a mid-size car gives a high mileage as compared to competing brands in the same category, it satisfies the customer. However, if the customer gets a fancy number plate, with a customised number and specially designed car seats, he/she is likely to be delighted. Hence, delight attributes are not even known to the customer. It is the organisation, which has to create new innovative delight features constantly, since these features lose their novelty, are taken for granted and may be perceived as performance attributes by the customer over a period of time. Therefore, it is a challenging task for organisations to delight their customers constantly with continuous efforts. A step beyind is when organisations create **Customer Ecstasy,** a stage which results in extreme happiness of the customer and he/she starts owning the product and becomes highly loyal towards it. For example, home delivery of the car, doorstep services, free-of-cost insurance policies, etc. Hence, this three-step transition from satisfaction to delight

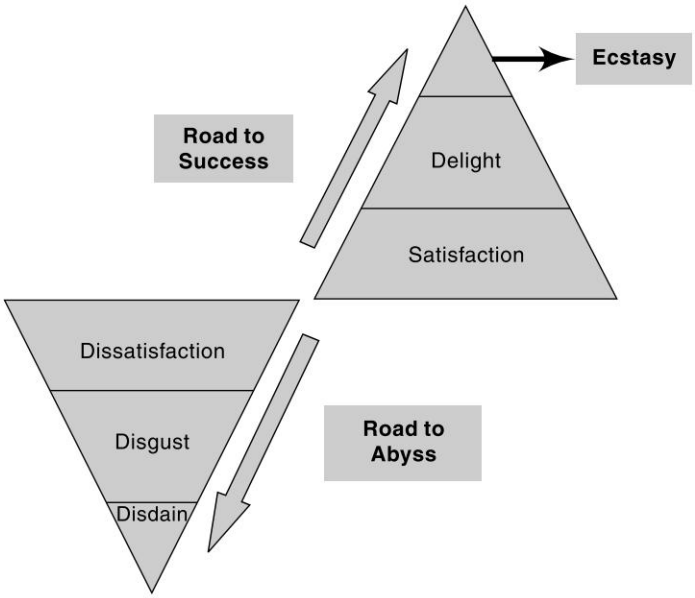


Fig. 3.3 *Managing Consumer Emotions*

to ecstasy is a sureshot road to success for any organisation (refer to Fig. 3.3). But this stage is possible only with effective relationship marketing.

3.5 Relationship Marketing in Consumer Segment vs Service Segment

Implementation and execution of relationship marketing in the consumer durables and service segments need different perspectives, efforts and strategies. These are discussed below.

3.5.1 Consumer Segment and Relationship Marketing

In case of consumer durables, relationships are created and established through brand equity, marketing communication and media. Personal contacts are rarely used to create relations. Quality and superiority of the product established in the market help the organisations establish long-lasting relations with customers.

3.5.2 Service Segment and Relationship Marketing

Although, today, the boundaries between tangible and intangible products have blurred and every product, even if it is a consumer durable, has intangibility in terms of service component, the service segment still demands higher efforts for relationship marketing. Only brand equity, marketing communication and media are not sufficient here. Effective Service Delivery Process with personal contacts is a strong tool for relationship marketing. Customer Touch Points, Moments of Truth and Customer Database Management are the most important aspects for relationship marketing.

Check Your Progress-I

1. How is the traditional marketing approach different from relationship marketing?
2. How can customer delight be created?
3. Differentiate briefly how relationship marketing is implemented differently in consumer segment and service segment.

3.6 Brand Building through Relationship Marketing

Maruti, Lifebuoy, Airtel, State Bank of India (SBI), Life Insurance Corporation (LIC) are a few examples of brands which have strong brand equity because of their effective relationship marketing, vast networks and direct connect with customers. SBI today, has the highest number of branches and ATMs, not only in India but also globally. It has one of the most extensive networks in rural areas and has generated mutual trust amongst its customers. Hence, it proves that relationship marketing is strong weapon for brand building and helps in creating positive corporate image in the market. It is a win-win approach, where both, the customers and organisations benefit equally. While customers get the best services and attention, organisations win over the faith of customers, create big brands and generate profitability.

Corporate Example

Case of Relationship Marketing in Eurostar

Eurostar is a high-speed passenger train service operating between the United Kingdom, France and Belgium, running from Waterloo and Ashford International to Paris, Lille, Brussels, Calais, and Disneyland Resort Paris. Eurostar has always been at the leading edge of innovation in the rail industry, setting new standards for travel by train. It was one of the first rail operators to introduce business lounges and a loyalty programme and has won the title of 'World's Leading Rail Service' for nine consecutive years at the World Travel Awards.

In 2006, Eurostar carried a record 7.85 million travellers and achieved record sales of £518 million. Over 70 million people have now travelled with Eurostar since services began in 1994, and the company is responsible for doubling the number of visitors from London to Paris and Brussels. On 14 November 2007, Eurostar launched services from its new terminal at St Pancras International. The completion of the high-speed line, High Speed 1, created a link to the Continent from the heart of the city and further reduced Eurostar journey time. Now, travelling from London to Paris takes only 2 hours and 15 minutes. This has boosted Eurostar's business; its customer base changed dramatically for both, out-bound and in-bound French station, Ebbsfleet International. Until August 2005, Eurostar did not pay much attention to the behaviour of individual travellers – either leisure or business—and communicated with only a small proportion of actual customers.

The Challenge

Eurostar's overall objective was to increase customer intelligence to improve relationship building and help strategically drive operations, particularly in light of the impending major UK station changes. Before the customer database project began, Eurostar held some operational data about ticket sales plus data from its Frequent Traveller programme. Marketing was based on limited analysis as direct

marketing was a general 'one-size-fits-all' operation, with the same communication being sent to the entire database. An email Direct Mail (eDM), for example, about the new Ski Service to the French Alps would be sent to a customer whether they had an interest in skiing or not. Eurostar's initial goal was to create a single customer view and associated database marketing tools to maximise the potential of its data in order to increase its understanding of, and hence significantly improve, its relationship with customers. The new approach had to underpin Eurostar's DM campaigns for which it predominantly used email due to cost, speed, and measurement benefits. The second marketing goal, ahead of changes in the service in 2007, was to profile its travellers to understand the effects these changes would have on existing and future catchment areas. The output would help drive the decision-making process not only in marketing but also within Eurostar's Business Planning, Market Research, eCommerce, Customer Service and Customer Operations divisions.

One of the key challenges these objectives presented was to overcome initial data quality issues and subsequent integration of a variety of datasets held in different countries. For example, marketing data from the last two years held in the UK, France and Belgium; inbound North American data via partner Expedia; Management Information Systems data; web data from www.eurostar.com; Frequent Travellers programme and customer contact, complaints and remarks held in London and also data from the ticket booking system. It was vital that the marketing database could work effectively cross-border between the three countries. The database also needed to be accessible to Eurostar's external partners such as advertising and media agencies.

The Solution

Eurostar decided to minimise the risk involved with the process of creating a new marketing database by securing the consultancy and software services of Occam, an Alterian partner. The project commenced in January 2005 and an initial version of the new system went live in September 2005.

The solution is a combination of Occam's core cleansing and de-duplication components, an operational data store in SQL Server and Alterian applications Data Discovery and Visualisation (DDV) and Campaign Manager – each leveraging Alterian's core Engine technology, all part of the Alterian Integrated Marketing Platform. Occam created a new customer marketing database capable of managing the large volumes of Eurostar's raw data, which grew from an initial 30,000 contacts to 18 million unique customer IDs. This significant increase in the amount of available data came from including all transactions within Eurostar's core markets over a four-year period; plus the original data sources. Occam's solution, based on Alterian technology, allows rapid and easy analysis and selection from the new database. Immediately, Eurostar was able to begin segmenting the database, providing insight to drive targeted, profitable email campaigns.

- Business travellers' behaviour (and previous journeys taken) is analysed to ensure targeted, relevant offers are sent.
- Outbound emails relating to the Ski Service to the French Alps have been reduced from 500,000 to 70,000 based on the newly available analysis.
- Potential users of the daily service to Disneyland Resort Paris were targeted by email, resulting in a 35 per cent open-rate.
- Targeted micro sites have been created on the main Eurostar website to increase data capture.

Besides enabling Eurostar to analyse data to gain customer insight, Occam also enabled Eurostar to begin to address the challenge of understanding customer journeys and translating this information into targeted marketing campaigns.

- Contacts that have registered via the website but not purchased can be emailed to 'boost' uptake.
- Customers returning for the first time are contacted to gain 'new traveller' customer feedback.

Eurostar has started feeding this new customer intelligence to its media agencies for better campaign planning. The system is a strong, strategic business tool used for significant analysis and profiling of customers within the existing catchment areas of Waterloo International and Ashford International. Occam hosts the marketing database solution on its network of secure, state-of-the-art servers, ensuring continual data security and 24-hour data access. A continual process of data quality management, performance tuning and enhancement of the analysis and campaign management capabilities is in constant operation. Web access to all data, campaign contact history and facilities is provided for Eurostar users across three countries; access permission levels can be applied on an individual basis to assure security across the system and all data. Occam provided training in the new system for all Eurostar database users, enabling them to execute extremely successful campaign selections in-house, for a range of scheduled, automated campaigns, as well as occasional campaigns run in support of a specific marketing objective. For more complex campaigns and at peak times, Eurostar relies on Occam's analysis and campaign selection expertise to execute more complex data extractions from the database. In addition to increasingly targeted email campaigns, Eurostar is now able to measure and report upon the efficacy of its entire marketing activity, across all channels. The solution enables seamless integration between email and web activities, ensuring that Eurostar's marketing activity will be supported as new technologies and channels are embraced. After just one campaign, Eurostar was able to measure and demonstrate the following increases in campaign effectiveness and response:

- Open-rates increased by 100 per cent
- Unique click-throughs increased by 50 per cent
- Average revenue increased by 400 per cent

This new ability to undertake strategic analysis has been invaluable in providing insight into customer behaviour across Eurostar's three core markets. It has been able to accurately plan and assess the huge opportunities that will arise and predict future sales volumes thereof. The database has empowered Eurostar to model its current and future customer catchment areas, insight which will underpin all relationship marketing activity during 2007.

The Future

From such measurably successful foundations, Eurostar plans to create even deeper segmentations of its business and leisure target audiences, embracing such areas as 'high-frequency, high-value travellers'; 'dormant customers' and 'one-time travellers'. This deeper insight will drive future campaigns, facilitating up-sell and cross-sell initiatives and re-educating customers and prospects in the run-up to the new station openings in 2007.

The new customer marketing database has helped propel Eurostar's understanding of its customers to a new level of sophistication within a short space of time, fast tracking both, short-term and longer-term marketing objectives. The marketing database implementation has already resulted in significant business wins for Eurostar. The benefits resulting from the effective application of marketing data analysis include:

- Complex data integration to create a single customer view of 18 million traveller records
- Dramatically increased customer intelligence
- Creation of a highly targeted and effective dialogue with customers
- Successful cross-border and inter-departmental collaboration

Eurostar, which previously relied on limited market research projects, now has a clearer picture of its customers, its catchment areas and how service changes will affect both, not only in the UK, but also prospective passengers travelling from Brussels, Paris and Lille. With this, Eurostar can continue to increase its direct marketing ahead of the challenges which the to-be-launched services by St Pancras brings.

Source: www.eurostar.com, last accessed on May 12, 2011

3.7 Service Level Agreements (SLAs)

Service Level Agreement is a tool for formalising a relationship with customers and is mainly used for enterprise customers and high value customers. The service level agreement (SLA) is a contract between a service providing organisation and its customer or between two organisations, in which one gets service from the other. It is a means to quantify and define the expectations from each other and is that part of a service contract where the level of service is formally defined. **An SLA is a formally negotiated and written agreement between two parties–the service provider and the service receiver.** As a contract that exists between customers and their service provider, it records the common understanding about services, priorities, responsibilities, guarantee, and other parameters, which are collectively called 'Level of Service'.

SLA also serves a tool to quantify the services to be delivered to customers, measure them and strive for improvement. It is often used in outsourcing agreements but nowadays, it is also adopted by service organisations to supplement their marketing strategy and build long-term relationships with customers, particularly high-value customers. Besides clarifying the operational and quality parameters, SLAs form the foundation for organisational internal processes and service delivery mechanism. Non-compliance to SLA is a loss to the service provider in terms of money and reputation.

3.7.1 SLA Preparation

Developing and documenting an SLA involves finding out key parameters that determine quality of service expected by the customer, their method of measurement and expected value. The actions and liabilities to be taken in case of non-compliance are to be clearly specified in the agreement. This process involves following steps:

1. Identifying key Service Parameters that are linked to Service Level
2. Defining Service Level Objectives
3. Defining Target Level of each parameter
4. Establishing accountability for meeting these Parameter Levels
5. Establishing Linkage of these parameters to Commercial Reward and Payment System
6. Defining Actions and Liabilities for non-compliance

A well-documented SLA should create confidence in the minds of customers that they will get an appropriate level of service. For example, it may specify the levels of availability, serviceability, performance, operation, or other attributes of the service like billing and penalties in the case of violation of the SLA.

SLAs, when not clearly understood, create hurdles in building relationships. Therefore, any ambiguity should be avoided in documenting them.

3.7.2 SLA Contents

A well-documented SLA should contain

- Scope and Objective
- Description of Service
- Service Level Matrix
- Roles and Responsibilities of Service Provider
- Roles and Responsibilities of Customer

- Performance Tracking and Reporting Method
- Escalation Procedure
- Compensation in case of non-compliance

Check Your Progress-II

1. Explain briefly the concept of Customer Lifetime Value.
2. What are SLAs and what should a well-documented SLA contain?

Corporate Example

Key Parameters and Service Level Matrix of SLA Signed by Telecom Service Provider

1. Uptime

Uptime is a measure of the time a link has been 'up' and running. It was first used to describe the opposite of downtime, or times when a link was not operational. In a majority of cases it has been observed that the non-availability of link is due to local lead problem, so suitable measures should be taken to make the link available for 99 per cent of the time.

2. Latency

Latency in a packet-switched network is measured either one-way (the time from the source sending a packet to the destination receiving it), or round-trip (the one-way latency from source to destination plus the one-way latency from the destination back to the source). Round-trip latency is quoted more often, because it can be measured from a single point. This excludes the amount of time that a destination system spends processing the packet. Many software platforms provide a service called 'ping' that can be used to measure round-trip latency. Ping performs no packet processing; it merely sends a response back when it receives a packet (i.e. performs a no-op), thus it is a relatively accurate way of measuring latency.

Where precision is important, one-way latency for a link can be more strictly defined as the time from the 'start' of packet 'transmission' to the 'start' of packet 'reception'. The time from the 'start' of packet 'reception' to the 'end' of packet 'reception' is measured separately and called 'Serialisation Delay'. This definition of latency is independent of the link's throughput and the size of the packet and is the absolute minimum delay possible with that link.

3. Packet Loss

Packet loss occurs when one or more packets of data travelling across a computer network fail to reach their destination. Packet loss can be caused by a number of factors, including signal degradation over the network medium, over-saturated network links, corrupted packets rejected in-transit, faulty networking hardware, maligned system drivers or network applications, or normal routing routines. Packet loss is to be maintained below 1 per cent, for this factor also condition of end link, i.e., local lead plays an important role. Very roughly this loss can also be calculated through ping command (by looking at the 'lost' percentage in above example). Here also point-to-point analysis has to be performed.

4. Jitter

Jitter is an unwanted variation of one or more signal characteristics in electronics and telecommunications.

Parameter Matrix

Parameters	Offering I	Offering II	Offering III
Uptime	99 %		
Latency	150 ms		
Packet Loss	1 %		
Jitter	25 ms		
Basis of Calculation	**Per Annum**	**Per Quarter**	**Per Month**
Service Window	**7 am to 10 pm** (Working day)	**7 am to 10 pm** (Working day)	**24*7** (Except National Holidays)
Premium charges for SLA (Of total billed amount)	5%	10%	15%

SLA rebates

For every 10 hours in excess of 88 hours in a year, a rebate of 2% of the rental of circuit per month
For every 10 hours in excess of 22 hours in a quarter, a rebate of 1% of the rental of circuit per quarter

SLA rebate for Latency, Packet Loss and Jitter

If Service Provider fails to meet the SLA parameters for Latency / Packet loss / Jitter for a continuous period of 30 minutes, then the customer's account shall be credited on pro-rata basis by a credit equal to 5 times the period.
Upper limit on SLA rebate
10% of the rental of circuit per month
10% of the quarterly rental of circuit
10% of the quarterly rental of circuit

SUMMARY

This chapter has given an overview of the significance of customer relations for sustainable business in the current marketing scenario. Managing customers' emotions to create customer delight and customer ecstasy has been highlighted using corporate examples. The concepts of Customer Lifetime Value (CLTV) and Service Level Agreements (SLAs) have been explained in detail with their scope and importance for relationship marketing.

KEY TERMS

- **Relationship Marketing**
  It is an ongoing process of continued interactions with the customer through multiple touch points and channels so as to build up a bond between customers and organisation.
- **Customer Delight**
  This is a stage where customer gets some unexpected attributes in the product or service, which changes the whole equation of value-perception by the customer and brings delight and excitement.
- **Customer Ecstasy**
  This is a stage which results in extreme happiness of the customer and he/she starts owning the product and becomes highly loyal towards it.
- **Customer Lifetime Value**
  The net sales achieved from the customer during entire period of his/her stay with the organisation.
- **Service Level Agreement (SLA)**
  This is a formally negotiated and written agreement between two parties—the service provider and service receiver.

REVIEW QUESTIONS

1. 'Managing Customer Emotions effectively can be a strong tool for Relationship Marketing.' Justify the statement using examples.
2. How do Service Level Agreements (SLAs) help organisations in setting their service delivery priorities? Explain with examples.
3. 'Implementation of concept of Customer Lifetime Value helps an organisation in prioritising its customers and helps as a cost-cutting tool.' Justify your answer with examples from the corporate sector.

PROJECT ASSIGNMENT

1. Prepare a detailed project on Service Level Agreement with an example. Highlight the main contents of SLA with special reference to Service Delivery Requirements.

FURTHER READINGS

- Dyche, Jill (2007), *The CRM Handbook; A Business Guide to Customer Relationship Management*, Pearson Education.
- Sheth, Jagdish N; Parvatiyar, Atul and Shainesh G. (2003), *Customer Relationship Management—Emerging Concepts, Tools and Applications*, Tata McGraw-Hill.
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PART II

UNDERSTANDING CRM

Chapter 4: Customer Relationship Management (CRM)

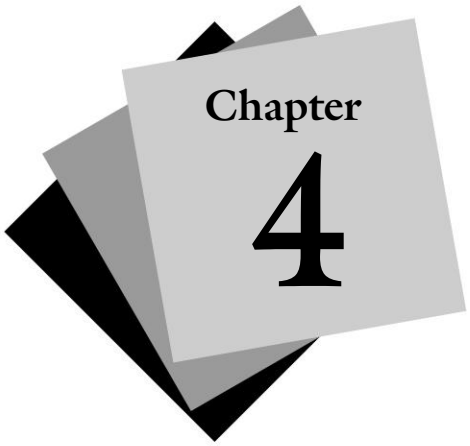
Chapter 5: Loyalty Management

Chapter 6: Service Quality and Service Capacity Planning

Chapter 7: Customer-driven Quality and Quality Management System (QMS)

Part II offers the insights into CRM and associated concepts of customer-driven quality and loyalty management. This part presents CRM as a system in four chapters and integrates sales, marketing and service functionalities of an organisation. The concepts of loyalty, loyalty management and loyalty programmes have been introduced. The steps involved in planning and implementing loyalty programmes and benefits and types of loyalty programmes have been explained.

This part further presents the learning for service quality, the importance and methods of service capacity planning for an organisation and service delivery systems to achieve quality parameters and standards. The concept of quality, quality management, Quality Management System (QMS), customer focus, leadership, involvement of people, process approach, system approach to management, continual improvement, fact-based approach to decision-making and mutually beneficial supplier relationship, which are core principles and philosophy of QMS, have been comprehensively covered.



Customer Relationship Management (CRM)

Learning Objectives

After going through this chapter, the readers will be able to understand

- Concept of Customer Relationship Management (CRM)
- Customer Relationship Framework
- Scope of CRM
- Core modules of CRM
- Various technologies used for Customer Interface
- Differences between Operational CRM and Analytical CRM

4.1 Introduction

In current times of global meltdown, companies are striving hard to survive, realising that the best strategy is to retain existing customers by developing a close and cooperative relationship with them. In Chapters 1, 2 and 3, we have discussed the significance of customer-value and customer-ownership Here, we shall further expand on the concept of Customer Relationship Management (CRM).

4.2 Definition of CRM

'CRM is the approach implemented by an organisation, which integrates strategy, business processes and functionalities to build up, to maintain and expand relationships with customers.'

CRM is a way of ensuring customer loyalty by being sensitive to the needs of consumers. It is an inherent philosophy in any organisation to create, maintain, sustain and develop the customer base and thereby, create mutually beneficial relationships with customers (refer to Fig. 4.1). The continuous expansion of a satisfied customer base is the end result of CRM.

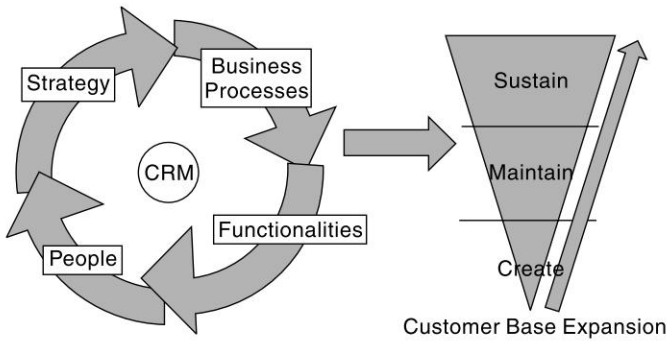


Fig. 4.1 *Integrated Approach of CRM*

Today, instead of Return on Investments (ROI), organisations stress on Return on Relationship (ROR). This requires an integration of the different functionalities of the organisation (refer to Fig. 4.1).

It is a fact that it costs five times more to attain a new customer than it does to retain current customers. As a result, organisations are putting less effort in acquiring new customers as compared to exploring new opportunities with existing customers. While return on investment (ROI) is the basic thrust for this movement, another company essential—competitive advantage—helps attain it. Ever increasing competition heightens the prospects of losing the customer base, which in turn necessitates the need for stronger customer relationships. Therefore, it's no surprise that organisations are still willingly investing in CRM applications. With integrated CRM initiatives, any company can be assured of not only creating its customer base but also maintaining and expanding it continuously with time.

In short, CRM is a comprehensive and integrated approach that provides integration of every area of business like marketing, product design, service, complaint management, etc.

To guarantee customer contentment and loyalty, organisations must continue to deliver competent, synchronised and first-rate customer service. CRM is an imperative part of this approach. But an unconnected and independent CRM application cannot deliver a 360-degree analysis of the customer, which is indispensable for exceptional customer service.

Therefore, CRM must be strongly integrated with every business process, all the functionalities of the organisation, including sales, marketing and service, that affect customers, the strategies and the people. It is not a software application to be implemented in an organisation but is specific to the way of working of an organisation and is the central theme on the basis of which all business processes are designed and all resources, including human capital are oriented to achieve stronger ties with our customers.

4.3 Customer Relationship Framework

Customer Relationship Framework is a co-ordinated approach involving the concerted inter-related steps as follows:

1. Know your customer
2. Recognise your customer
3. Value through interaction
4. Interdependence
5. Relationships

4.3.1 Know Your Customer

Before initiating a relationship, it is imperative to know the customer. If customer is interacting with the organisation, the touch points of the organisation should be capable of extracting existing knowledge about the customer at the point of interaction (Refer to Chapter 2 for details on Touch Points). If organisation is going to initiate interaction with the customer, it should have every possible information about him/her well in advance and subsequently, it should be capable of capturing more data for future use (refer to Fig. 4.2), which is possible if the system has the capability of recording information about the customer at the touch points.

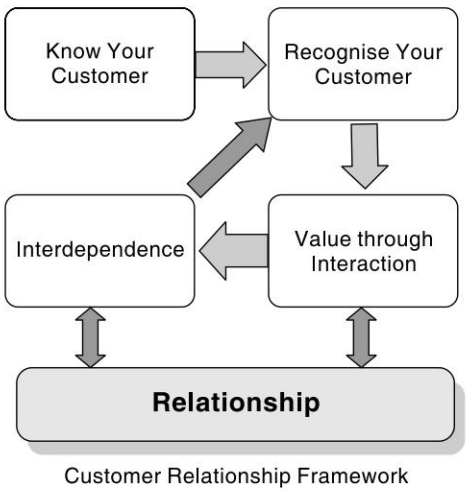


Fig. 4.2 *Customer Relationship Framework*

4.3.2 Recognise Your Customer

During subsequent interactions, an organisation should be able to recognise the customer so that each transaction is not an isolated one, but an extension of previous interaction(s). For a large organisation, there can be multiple touch points (Refer to Chapter 1). The customer may choose any of these for interacting with organisation, as per his/her convenience. The organisation will be able to recognise the customer and link the current interactions with previous interactions, only if there is a system of capturing information from all interactions into a single database and making the same available to all touch points. Practically it means that the CRM database will be the common integrated database for all service requests, order bookings, billing, etc.

There are various means and ways to recognise customers. For example,

- Calling Line Identification (CLI) is used in many call centres to recognise the calling customer and subsequently, all available information about customer and his/her previous interactions is made available to call centre agents who are generally trained to convey to the customer that he/she is already been part of the system.
- Customer mobile numbers are registered to identify and recognise the customer. For example, 'Tata Sky' uses RMN (Registered Mobile Number) and/or Customer Identity number to identify the subscriber.
- Sometimes, certain numbers associated with the product are used to recognise customers. For instance, call centres of credit card companies ask the customer to 'key in' the card number and on the basis of this, the customer is recognised in the system.
- Special serial numbers are generated and communicated to the customer during the first interaction and the same are used to recognise the customers during their future transactions. This is similar to a PNR during railway or airline reservation, docket number during fault booking in a telephone system, etc.

If the organisation fails to recognise the customer in subsequent transactions, the link will be broken and the current transaction will become isolated. That is why **'recognition'** of the customer is very important and it forms the foundation of the relationship. Organisations will have to adopt a method for the same, which is most appropriate and convenient depending on the type of product or service.

4.3.3 Value Addition through Interaction

Just having an efficient method for recognition is not sufficient; the interaction should result in some value addition to the customer. For this to happen, the customer touch points will have to be integrated with the processes and system of product and service provisioning and delivery.

Customers will come back to an organisation only if it makes it easy for them to do business. It requires either single-window-solution-frameworks or multiple touch points to be integrated with each other for flow of customer information in the right direction. Ease of interaction adds great value to customer relations. Treating each customer as a unique individual and making him/her feel important adds further value to organisation-customer interactions. More importantly, keeping promises made to customers always pays.

If a credit card holder is calling the call centre of the company to inquire about the payment details, he/she should be recognised and greeted by the agent. This will be possible only if the call centre has relevant details of the customer easily and more significantly, if that service is offered by the organisation.

4.3.4 Interdependence Resulting into Relationships

An interaction brings value addition if the customer is satisfied with the delivery of the service. Such repeated interactions create **interdependence** between customer and the organisation and subsequently results in **stronger relationships** between them.

Today, technology helps an organisation implement this integration of customer interactions, organisational processes, equipment and processes. While CRM can be implemented without technology, it is extremely difficult, especially in large organisations, to manage such integration without the use of technology. That is why, along with CRM, software and technology comes to the forefront. But, it should be noted that technology is only to help and facilitate the CRM implementation in an

organisation. It should provide solutions to what the organisation wants to implement. Moreover, CRM is an approach and a philosophy that has to be embedded in the heart and only then do the processes and systems start moving in the right direction.

4.4 Scope and Evolution of CRM

CRM started with the advent of Sales Force Automations (SFA) in the 1980s (refer to Chapter 8 for details on SFA). Meanwhile, the concept of call centres evolved. Initially, the call centres were used as an interface between organisations and customers to handle incoming calls for queries, service requests and new orders. But soon, with the integration of call centres with telecom and IT networks, these call centres were used to launch marketing campaigns. This amalgam of SFA, customer service and campaign management gave birth to CRM solutions. **As a result, CRM solutions available in the market have Customer Service, Sales Force Automation and Marketing Management as the core modules (refer to Fig. 4.3).**

Fig. 4.3 *Core Modules of CRM*

CRM has evolved over a period of time. Since lot of customer information was captured during repeated interactions with the customers, organisations started using this data for various decisions. The analysis of historic data gave inputs for strategy, marketing and sales planning and CRM matured to include Analytical CRM. The current data of prospects, customers, service requests, sales orders, service staff, sales staff, etc. used for the daily operations management of the organisation is known as Operational CRM.

It was felt that the information in CRM should drive the other functionalities in organisations as well. For example, sales orders should drive the production management, procurement, supply chain management and supplier relationship management. However, this integration is not complete without the integration of Financial Management and Human Capital Management with CRM. Software systems, which integrate the core internal functionalities and processes like Logistics, Human Capital and Financials of an organisation using shared database, are known as **ERP (Enterprise Resource Planning)** solutions. ERP solution providers started integrating CRM into ERP and today, complete business suites are available in the market (refer to Chapter 12 for details of ERP).

Organisations can either implement independent core CRM solutions and integrate the same with existing systems or opt for ERP solutions with completely integrated CRM as one of its modules. The implementation strategy depends on existing applications and tools of the organisation, type of products/services, size of organisation, its strategy based on its strengths and weaknesses.

4.5 Core Modules of CRM

As explained above (refer to Fig. 4.3), CRM consists of three indispensable modules—Sales Management, Marketing Management and Customer Service Management. Each of these modules works comprehensibly to handle and store feedback and administer customers' accounts involuntarily. The system automates and manages the customer relation operations structurally.

4.5.1 Sales Management Module

This facilitates in creating sales and closing deals. It guides organisations to prospective leads and maps out closing stages of deals. Sales functionality in CRM includes all aspects of sales management such as sales planning and forecasting, organisational and territory management, account and contact management, activity management, opportunity management, quotation and order management, billing and contract management, and incentive and commission management.

4.5.2 Marketing Management Module

The most important rationale of the marketing module is to assist the marketing team of an organisation in analysing and segmenting customers so that marketing activities can be more effective. Marketing module in CRM includes the entire functionalities that are needed for extensive customer engagement. It provides the capabilities of marketing planning, campaign management, e-marketing, lead management, marketing analysis and customer segmentation. The associated KPIs (Key Performance Indicators) can be defined and measured.

4.5.3 Service Management Module

Service functionality in CRM is the most important module as it ensures that customers get a premium level of services in order to retain them. Service in CRM offers the capability to plan and operate service administration matching the customer's revenue potential. Service requests can be handled through various channels such as interaction centres, Internet, partners and field employees.

Check Your Progress-I

1. Define CRM.
2. Name three major functionalities covered under CRM system.

4.6 Technology and CRM

CRM is not a new concept; it is something that a local grocer has been doing for years. He knows his customers, recognises them when they enter his shop, knows their preferences through previous interactions and provides customised service. But expanding the same to a large organisation was earlier not possible and it became viable with the availability of technology that can capture data from each interaction and make it available for subsequent interactions and provide back-end integration with internal processes for delivery of service.

Technology has also changed the way a customer interacts with the organisation. The touch points have grown and matured from the age-old personal contacts to interactive and technology-driven methods. Some of the technologies and technical interfaces available in the market which have been successfully integrated with CRM systems are as follows:

4.6.1 Electronic Point of Sale

Electronic Point of Sale generally refers to a terminal at bid retail stores provided with hardware and software linked to the backend system from where sales of customers are processed. The facility of billing and electronic cash registers is available at these points.

4.6.2 Electronic Point of Service (EPS)

Electronic point of service is a combination of hardware and software networked with the organisational system to provide access to the customer. Touch screens and bank ATMs are widely used examples of such interfaces. The use of ATMs to use bank facilities and background implementation of the Central Banking System (CBS) has changed the way Indians use banking services. On the one hand, these services are available anytime and anywhere to customers because of ATMs, while on the other hand, it is economical to the banks to provide services in such way by savings time, manpower and effort.

4.6.3 Web-Interface

With the penetration of broadband and internet and easy availability of computers, web-interface is proving to be most economical, convenient and accessible interface between an organisation and its customers, employees, suppliers and partners. Today, websites form the platform for not only online product information and shopping, but provide the complete service solution. All requirements of a customer can now be met through web-portals. The adoption of credit/debit cards and net-banking has made this interface more useful. Railway reservation, airline booking, online tax payments, online insurance premium and other such facilities are redefining customer behaviour and consumption patterns.

The purchaser can compare product features, price, service options and feedback of other users before making the actual purchase. The Internet and websites have intensified competition forced companies to rethink their marketing strategies.

4.6.4 From Call Centres to Interaction Centres

With the availability of telecom services and more business processes running on IT platforms, call centres have assumed significant importance as major touch points between an organisation and its customers. Typically, the call centre is a place where a customer or prospective customer can call to know about a product, its service and usage. All types of calls like queries, grievances and suggestions are handled by call centres.

There is both, inbound and outbound traffic in call centres. While incoming calls are from customers, outbound calls are made by the organisation for various purposes like lead generation, lead-follow-up, information to customers, mailers to customers regarding product updates, new product offers, market research, etc.

A call centre has a large capacity to handle calls and staff members are specifically trained to handle incoming and outgoing calls in a proficient manner. The facility of monitoring, logging and recording calls is generally made available to call centre staff. The operational staff is known as call centre agents. All seats at call centres are provided with computers linked with Local Area Network (LAN) and communication facilities of voice and data. The telecom network connectivity and computer networks are linked using the Computer Telephony Integration (CTI) technology.

These calls centres also have the facility of routing calls on the basis of criteria such as type of service, priority, escalation, language, etc. Initially, call centres were used by large service organisations as the method of handling incoming calls at one central location. But, with integration of call centres with IT facilities and back-end integration with Organisational Data Centres, they have now matured into Interaction Centres (refer to Fig. 4.4).

Now, call centre facilities are used by organisations of all sizes across sectors.

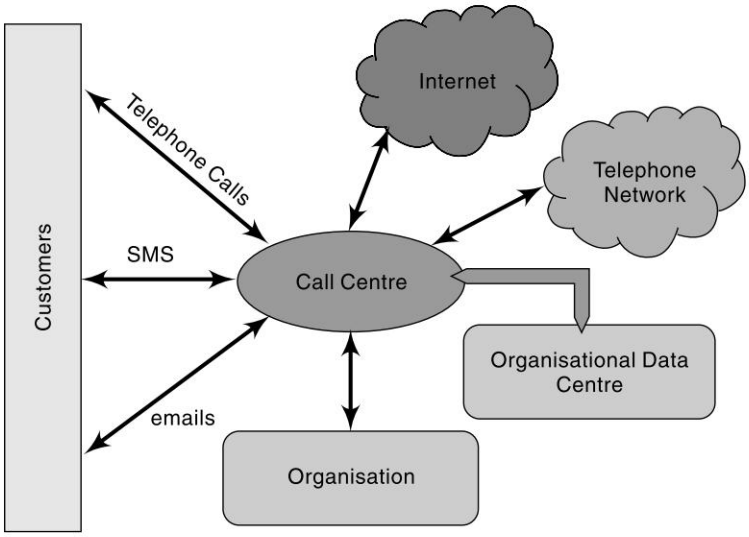


Fig. 4.4 *Interaction Centre*

4.6.5 Interactive Voice Response System (IVRS)

While dialling '139' for railway inquiry, we are greeted with a computerised message and then prompted to choose options by dialling certain digits. This technology is Interactive Voice Response System (IVRS), which can handle a number of predefined enquires automatically and even can give information to callers by getting the same from the data base. IVRS is a computer server with hardware and software for handling calls and giving recorded responses to customers/callers. Customer specific information is sourced as per the queries and embedded in the recorded voice. IVRS is also used at the front interface for call centres handling high volume of calls as it reduces cost of operation and automates the reply to a number of routine queries.

4.6.6 Mobile GPRS, 3G ...

GPRS stands for General Packet Radio System and is the data service available to 2G mobile GSM mobile subscribers by which they can use Internet facility from their mobiles. It provides connectivity with practical data rates in the range of 40–60 kbps. With the launch of 3G mobile service in India, the speed of Internet connectivity to mobile phones will increase and this will open up a new powerful interface between organisations and their customers who will have a powerful computing device always connected to the Internet in their hands and this will provide the true always-on any-time interface.

Apart from these technologies, which are bringing a revolution in the customer interface, there are various software and data-handling technologies that affect CRM solutions and these will be discussed in Chapter 9 on e-CRM.

4.7 Levels of CRM

In a CRM system, a lot of information on customers, sales orders, service requests and internal resources is available as data is captured during each interaction and process. This data can be used

by the operational staff in day-to-day operations and can be analysed and used by the senior management for taking decisions that affect the business as a whole. In the former, it is Operational CRM and in latter case, it is Analytical CRM; these are the two levels of CRM.

4.7.1 Operational CRM

Operational CRM takes care of individual transactions and is used by the operational staff. Interactions by customers are stored in the database and are used later by the service, sales and marketing staff for operational decisions. Some CRM solution providers call these reports **'dashboards'** since just as the dashboard of a car provides directions and helps the driver steer the vehicle in the desired direction, these reports give an insight into 'what is happening' in the organisation. The front office management can continuously monitor the performance against the set targets and take corrective actions. Operational CRM processes customer data for a variety of purposes such as:

- Customer Service Management
- Managing Campaigns
- Enterprise Marketing Automation
- Sales Force Automation
- Sales Management System

4.7.2 Analytical CRM

Analytical CRM is the use of analysis and reports of historic data captured over a period of time to take decisions by the senior management on 'what should happen'. Such decisions are not day-to-day operational decisions but are strategic decisions which would affect the business as a whole. CRM solutions capture a whole lot of data regarding customer and internal details of customer service, marketing and sales. The analysis of this data provides insight into customer behaviour, and his/her requirements. Also, such reports give information regarding the present capability and performance of the organisation.

Data Mining Techniques are used to extract useful information from databases to analyse customer relationship and behaviour. This helps marketers segment the customer base and fine tune future marketing campaigns, thereby increasing the effectiveness of marketing campaigns and maximising customer lifetime value by boosting sales with existing customers and managing churn. Analytical CRM also provides specialised statistics and information to sales staff regarding cross-selling/up-selling/switch-selling opportunities, customer churn, sales performance, customer trends, customer margins, and customer alignment.

CRM analytics also give an insight into customer satisfaction levels and customer loyalty. These reports can be further analysed to take corrective actions. Analytical CRM analyses customer data for a variety of purposes:

- Designing and executing targeted marketing campaigns
- Designing and executing sales campaigns
- Designing and executing customer information campaigns
- Analysing customer behaviour in order to make decisions related to product upgradation, new product development, service delivery process re-engineering.
- Management information system (e.g. sales forecasting and customer profitability analysis)
- Designing and executing sales and distribution strategies and supply chain management

Check Your Progress-II

1. List some of the technologies used for customer interface.
2. What can be the purpose of outbound traffic from a call centre?
3. List any four of the functions of analytic CRM.

SUMMARY

CRM is a system that integrates sales, marketing and service functionalities of an organisation and helps in implementation of the concept of relationship marketing. In this chapter, we have learnt about the significance, scope and evolution of CRM, the different customer interface technologies and the concepts of operational and analytical CRM.

KEY TERMS

- **CRM**
  Customer Relationship Management is an approach implemented by an organisation in which it integrates its strategy, business processes and functionalities to build up, maintain and expand relationships with customers.
- **SFA**
  Sales Force Automation is a software application used for management of sales activities.
- **Call Centre**
  The call centre is a place where a customer or prospective customer can make a call to know about product, its service and usage.
- **CTI**
  The telecom network connectivity and computer networks are linked using the technology called Computer Telephony Integration (CTI).
- **Operational CRM**
  Operational CRM takes care of individual transactions and is used by operational staff dealing with sales, marketing and service.
- **Analytical CRM**
  Analytical CRM is the use of analysis and reports of historic data of customers captured over a period of time to take strategic decisions by the top management.

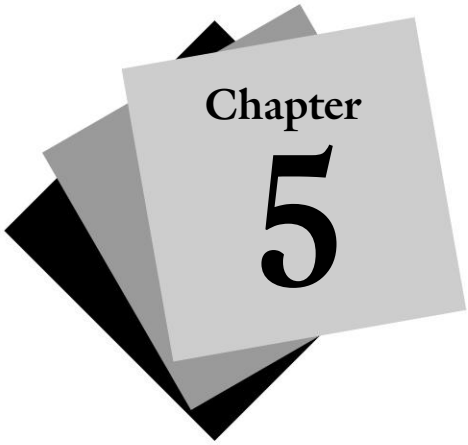
REVIEW QUESTIONS

1. Define CRM and explain its importance.
2. What is the scope of CRM?
3. What is a call centre? How it has transformed to become an interaction centre?
4. What is Analytical CRM?
5. What is Operational CRM? How has the Internet emerged as major medium of interaction between an organisation and its customers? Explain with one corporate example.

6. Explain the concept of CRM and describe its scope and evolution.
7. 'CRM is not only a software application. It is also the way of working of an organisation.' Explain with reference to any example from the service sector.
8. Explain the difference between Operational CRM and Analytical CRM. What is the purpose of Analytical CRM?

FURTHER READINGS

- Dyche, Jill (2007), *The CRM Handbook: A Business Guide to Customer Relationship Management*, Pearson Education.
- Sheth, Jagdish N; Parvatiyar, Atul and Shainesh G. (2003), *Customer Relationship Management—Emerging Concepts, Tools and Applications*, Tata McGraw-Hill.
- Nath, Dhruv (2005), *The Nuts & Bolts of CRM*, Tata McGraw-Hill.



LOYALTY MANAGEMENT

Learning Objectives

After going through this chapter, the readers will be able to understand

- Concept of Customer Loyalty
- Loyalty Management
- How to gain customer loyalty
- Design and Implementation of Loyalty Management System
- Planning and Managing Loyalty Programmes

5.1 INTRODUCTION

An organisation cannot survive only by focusing on acquiring more customers; it needs to find new ways and means of ensuring recurring purchases from existing customers to keep the cash registers ringing and to add to the Return on Investment (ROI) of the organisation. It must closely examine its engagements with customers and study customer experiences with its products and services. With this, the organisation can enhance customer value to the extent where he/she is not only ready to repurchase, but also willing to spread a positive word about the organisation, subsequently resuming the role of an advocate of these products and services. Winning over the loyalty of existing customers

is the ultimate purpose of Customer Relationship Management. For sustaining long-term relationships with customers, organisations implement special reward policies and loyalty programmes which subsequently strengthen this relationship. In this chapter, readers will be introduced to the concept of Customer Loyalty and how to increase it by designing and implementing loyalty programmes. Also, they will be exposed to examples of loyalty programmes being implemented by various companies.

5.2 Loyalty Management

Loyalty Management is a tool for rewarding customer engagements leading to long-term relationships and improved profits. Besides, they can also be highly effective in preventing customer churn in the current competitive environment. Globally, Loyalty Management has been vastly used for enhancing customer retention. As one of the researches has shown rightly, 76 per cent of US retailers and 75 per cent of US customers are making effective use of loyalty programmes. In India, this concept is still in the nascent stage but has huge potential to grow due to dramatic changes in customer perceptions and expectations. The Indian customer, today, has incomparable access to information due to increased Internet connectivity, varied media and telecom. The market has become more competitive due to heightened customer awareness, which is result of customers' exposure to global media, various modern retail formats, and multiple choices of products/brands. All these have resulted in the customer becoming more demanding and less prone to loyalty. The customer, without any second thoughts, is willing to switch loyalties to competing brands, if offered better value by them, giving rise to a new breed of customers called **'brand-swingers'**. These have no fixed pattern of loyalties and they give preference to only one aspect i.e. more value. Hence, organisations have to launch special marketing efforts to generate loyalty of existing customers and expand their customer base by adding new customers. Due to the availability and adoption of IT by the organisations, it has become possible to plan and launch various loyalty programmes.

Generating loyalty of customers is likely to be forefront top priority for any organisation's strategies. An influential and dynamic customer-retention marketing programme, specifically at the product/service launch phase, can result in rich dividends.

5.2.1 Definition of Customer Loyalty

The term 'loyalty' is used to describe the post-purchase behaviour of customers, whether they are indulging in repeat purchases of the same brand/service offered by an organisation, over a period of time. The post-purchase behaviour is the most important aspect that determines loyalty. The objective is not to just seek repurchase; but also a positive word and a strong bond between customer and product.

In the current competitive environment and economic slowdown, efforts for retaining existing customers can be the most cost-effective and wisest option to maintain market position. Only a strong loyal customer base can save organisations in the tough times. Managing Customer Loyalty is devising ways to bring customers back to the organisation i.e. to ensure repurchase. The product/service quality and value realisation by the customer are the two most important aspects, which ensure repurchase and continuity of a relationship with customer and thereby result in a higher retention rate and greater customer lifetime value.

Frederick Reichheld, author of 'The Loyalty Effect and Loyalty Rules', found that loyalty leaders grow, on an average, more than twice as fast as the industry average across a wide variety of industries. And they do it more cost-effectively. The reason for this so-called 'loyalty effect' is that loyal customers tend to spend more, cost less to serve and refer others. As a customer's relationship with the company lengthens, profits rise. And not just by a little. Companies can boost profits by almost

100 per cent by retaining just 5 per cent more of their customers (Source: www.bain.com, last accessed on May 12, 2011).

Increasing loyalty means graduation of the customer from a mere prospect for a company to a level which brings his/her support, emotional bonding, advocacy and partnership (refer to Fig. 5.1).

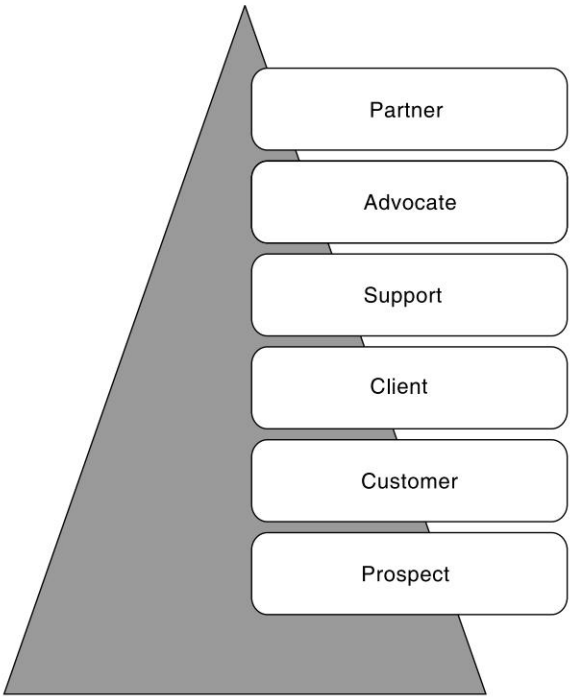


Fig. 5.1 *Graduation of Customer Organisation Relationship*

Prospect: The prospect is an individual or an organisation in the market, which fulfils the requirement of the marketer's definition of target. For example, a salesman identifies the household in one particular locality for selling a water purifier.

Customer: The prospect becomes a customer when she/he gets attracted by the offering of the marketer and buys the product/service.

Client: A customer becomes a client when she/he purchases the product or service more than once. While a customer may make the initial purchase as a trial or test, a client is one who does a repeat purchase. It is likely that the trial was a satisfactory experience for the client. For example, a mobile service subscriber of a particular operator is a client.

Support: A client becomes a supporter when she/he is satisfied with the offering and recommends it to friends, relatives and acquaintances. This positive Word-of-Mouth (WOM) has a tremendous positive impact as it draws new customer to the company. WOM is the most influential source of information in converting prospects into customers.

Advocate: An advocate is a supporter who, in addition to referrals, gives increasing sales, proactively works with the company to improve its product and services.

Customer Advocacy: It is the strongest marketing tool for an organisation where its customers become the ambassadors of the product and strongly recommend it to others for purchase (refer to Chapter 2 on Relationship Marketing for details of customer advocacy).

Partner: An advocate becomes a partner when they become actively involved in the decisions of the company. Any relationship that attempts to develop customer value through partnering activities is likely to create greater bonding between customers and marketers.

In each of the stages explained above, the level of Customer Loyalty keeps on increasing, which is characterised by heightened customer association and engagement with the products and offerings of the organisation. Over time, the customer graduates to a high net-worth individual (HNI) for the organisation, contributing to revenues and the word of mouth effect.

Check Your Progress-I

1. What is Customer Loyalty?
2. Why is retaining customers more important than acquiring new ones?

5.2.2 Customer Loyalty Management

Customer Loyalty Management is a continuous process, a programme, or a group of programmes designed with the objective of keeping a customer satisfied so that he/she will provide more business. Customer Loyalty can be achieved in some cases by offering a quality product with a guarantee/warranty. It can also be attained through various means like free offers, coupons, low interest rates on financing, high value trade-ins, extended warranties, rebates, and other rewards and incentive programmes. The ultimate objective of the Customer Loyalty Programme is to create highly satisfied customers who will be motivated to return to purchase again and persuade others to use that company's products or services.

A few corporate examples where companies use innovative methods to generate loyalty are as follows: 'Shakti Credit Card' is offered exclusively for housewives at Big Bazaar stores in association with ICICI Bank. Pantaloons offers a Green Card, which has exclusive discounts and privileges on the next purchase for regular customers. The **Kaya Skin Clinic** also offers various kinds of leverages for its loyal customers by providing them a membership card to avail of services and cosmetics competitive prices. **L'Oreal India** also has a programme wherein the customers are provided with points on their purchases, which they may use as cash discounts in subsequent purchases. Kellogs also gives points on every purchase which can be collected to get a gift hamper. **Vishal Mega Mart's** loyalty cards offer discounts on future purchases**; Subhiksha's** card has an element of excitement by offering a lucky draw every month and winners get special gifts like exclusive previews, invitations to events, etc. thereby creating an emotional bond with loyal customers.

Excellent customer service is the key element in gaining Customer Loyalty. If a customer has a problem in usage of the product, the company should take immediate necessary action to provide the service. The availability of a support system and its awareness to the customer are crucial areas to work upon. There should be a standard procedure for providing post purchase support, but at the same time, it should be flexible enough to give a personal touch to every individual case.

Stages of Association of Customer

Loyalty Management has three major stages of association of the customer with the organisation, which work in an iterative manner—customer satisfaction, repurchase and recommendation (refer to Fig. 5.2).

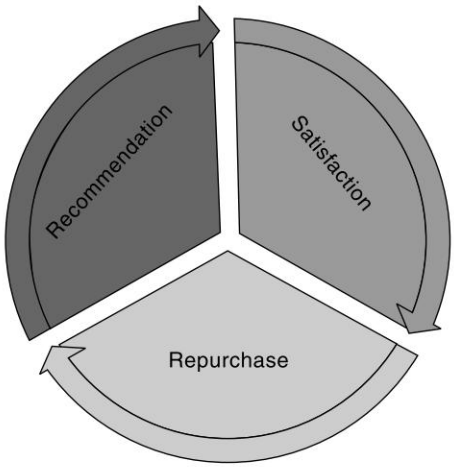


Fig. 5.2 *Stages of Association of Customer*

1. **Customer satisfaction** is the function of product/service quality, post purchase support and realisation of value of the product by the customer. Excellent product and service quality help customers realise the product's value.
2. **Repurchase:** A customer will repurchase a product or continue to subscribe to a service, if he/she is satisfied and is convinced that other alternatives in the market are not capable of providing better value.
3. **Recommendation:** The customer not only purchases the product, but becomes a patron and advocate of the product. It happens only if the product is able to generate a strong emotional bond and ownership for a prolonged period. Continued value realisation and mutual benefit are prerequisites for a customer to recommend the product to others.

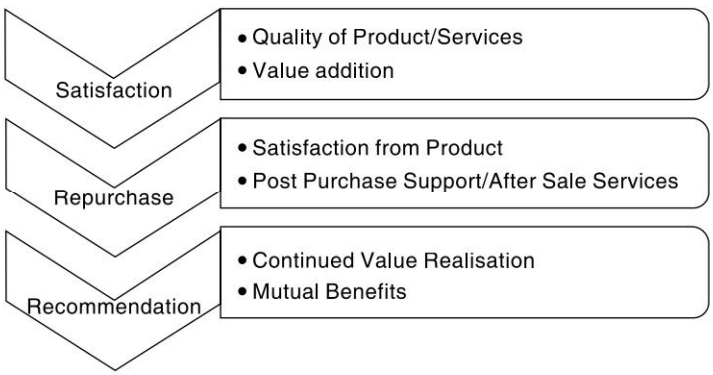


Fig. 5.3 *Prerequisites of Association of Customer*

Prerequisites of Association of Customer

For managing loyalty, organisations must start with ensuring customer satisfaction by providing quality products and after-sales service. But every satisfied customer may not come for repurchase for

reasons ranging from a lack of motivation or greater interest in competing products and campaigns. Loyalty Management is about attracting such customers for repurchase. Companies need to convert satisfied customers into advocates (refer to Fig. 5.3).

5.2.3 Ideology of Loyalty Management

Loyalty Management needs to be a comprehensive process, which makes use of customer interactions through various touch points with the organisations during different stages of a customer life cycle (CLC) to enhance customer experiences and give him/her a better value proposition. For Loyalty Management, an organisation has to study different expectations of customers at different stages of CLC. However, expectations of customers may vary from one segment to another. Therefore, customers have to be profiled based on suitable parameters like revenue generated, type of products used, their demographics, psychographics, personality factors, etc. An appropriate reward policy has to be worked out for the focussed customer segment, as shown in Fig. 5.4.

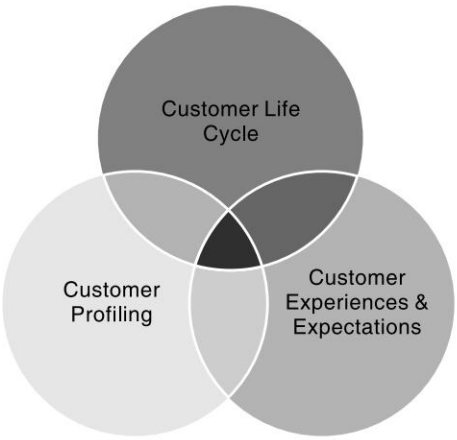


Fig. 5.4 *Ideology of Loyalty Management*

5.2.4 Architecture of Loyalty Management

The architecture of Loyalty Management requires capturing customer information at each touch point when a customer interacts with the organisation and later using this information for profiling the customers. An appropriate customer segment is selected based on the objectives of the loyalty programme. The process of designing and implementation of the loyalty programme has been discussed in detail in Section 5.3. These programmes are used to improve customer experiences and enhance the value offered. Effective execution of a loyalty programme depends on various Above-the-Line (ATL) and Below-the-Line (BTL) promotional activities including advertising, publicity, public relations and sales promotion with the help of multiple media—Internet, print, Out-of-Home (OOH), mobile phones, etc.

The success of Loyalty Management depends on integration of all these components like touch points, customer database, customer profiling and CRM solution as shown in Fig. 5.5.

Check Your Progress-II

1. What are the components of Customer Loyalty?
2. What is customer advocacy?
3. Explain in detail the Architecture of Loyalty Management.

5.3 Loyalty Programmes

Loyalty programmes are structured marketing efforts that increase retention rate and encourage repetitive buying by customers. They increase company's top-line (revenue) and bottom-line (profit) by improving retention among its customers. Loyalty programmes are systemic action plans, to measure 'as is' status and then apply new policies and procedure to not only ensure the retention of the

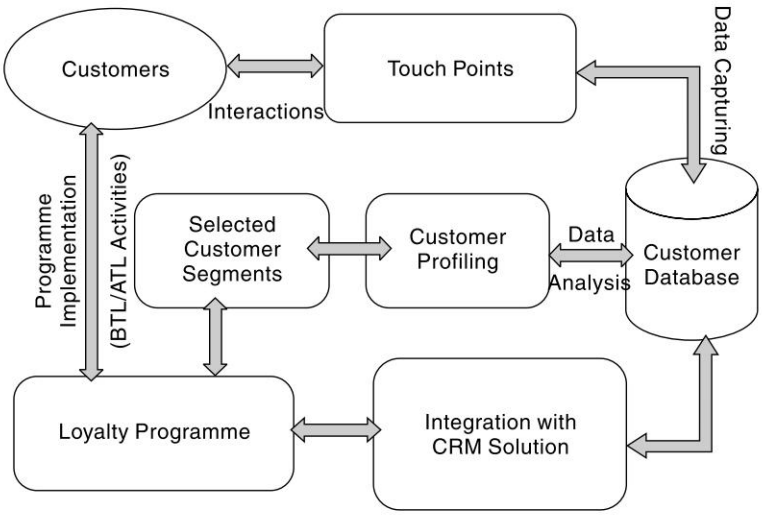


Fig. 5.5 *Architecture of Loyalty Management*

customers, but also turn them into advocates of the company. Loyalty Management is increasing the retention rate of customers, which can have a far reaching impact on the profitability.

The significance of such loyalty programmes depends on the business model of an organisation and their contribution to adding to customer value. In organisations where a customer generally spends large amounts of his/her resources in terms of time, money and efforts for each interaction or has the likelihood of associating with the organisation for a longer period (for example, in case of consulting services, wholesale and supply chain partners, B2B, etc.), losing just one customer can have huge negative impact on not only the ROI but also on the market visibility of the company. These high net worth individuals/customers (HNI) of any organisation, who add on significantly to its revenue generation, need to be treated differently. Service levels for such customer segments need to be highly customised and individualised. Loyalty programmes then focus on increasing the customer relationship through acknowledgment and appreciation using tools like unique benefits, recognition, special events and volume/quantity based discounts and much more.

A planned and well-structured loyalty programme can also help expand the account and contact management and trim down various costs. In broad-spectrum, nonetheless, loyalty programmes have less relevance for these sorts of businesses except if there is a highly competitive market with low switching costs for the customers. Customers' stakes are not very high while taking a decision to switch over to a competing product/service/brand, if it belongs to a low-involvement category. Moreover, most of such existing products have low differentiation with almost similar features and attributes offered. Hence, loyalty programmes can be an effective incentive for customers and a successful tool for organisations for not only retention, but also for expanding the existing customer base.

Business sectors like retail, telecom, hospitality, consumer software, fast moving consumer goods (FMCG) have differentiated segments of customers, based on customer profiles. Their customers have differential values—low, moderate or high, including a small group of extremely precious customers accounting for a major percentage of revenue and sales turnover and a bigger group, which has very less contribution in earnings.

For such businesses, organisations can follow two different approaches while designing their loyalty programmes.

High Net-worth Individual/Customer (HNI) Focus This model believes that the value from HNIs, i.e., the premium customer segment is added due to three areas: improved retention, decreased downward mobility of an existing HNI and increased conversion of moderate-value-generating customers to HNIs.

HNIs may add less value and subsequently less revenue by either leaving the organisation or by reducing quantum of their spending. And here comes the real challenge for the organisation; to ensure retention and adequate spending by HNIs through loyalty programmes.

Besides this, moderate-value-generating customers can be motivated to be converted to HNIs by offering customised incentives and rewarding them for their spending with the organisation. If they have the propensity and potential to be HNIs, they will gradually graduate to be so with higher and more frequent purchases.

New Customer Focus In case of customers who have a tendency to buy only once and have switching loyalties between competing brands/products, focus on a frequency-based approach can be very successful. Rewards are offered even for small purchases, so that the organisation can generate a second sale from such customers. This approach eventually leads to more frequent association of customers, finally generating stronger relationships.

For newly established and emergent businesses, this approach can be a highly effective choice as the long-term value of newly acquired customers is not yet known; hence the focus of the organisation is on repeat purchase.

Subscription-intensive businesses, including traditional print media (newspaper, magazines, etc.), telecom, DTH and other services are largely dependent on a customer base that provides recurring values on monthly/quarterly/annual basis. Unfortunately, customers can decide to switch to a competing company at any time and with abundance of choices and options in the market, they frequently do this.

The objective of loyalty programmes for such companies should be to enhance involvement, usage, word of mouth and referrals—activities that result in retention, but are not directly or indirectly tied to periodic bills of customers.

Primarily, an organisation can never take existing customers for granted, specifically in competitive environment, where customers are prone to attraction by multiple promotional and aggressive campaigns. In most cases, a well-planned loyalty programme can lead to higher customer retention, subsequently leading to better brand/product visibility, recall value and recurrent purchases resulting in higher revenues.

Benefits of Loyalty Programmes

Well-planned and effectively executed Loyalty Management Programmes enable companies to:

- Build long-term continuous relationships with customers who contribute the most to profitability and capture a larger share of their business;
- Generate sales growth by increasing referrals from customers and employees;
- Improve long-term financial performance and shareholder value.

Every company plans to grow so as to get a bigger share of the market. In times of fierce competition, a loyal customer base is among a company's most valuable weapons to avoid a shift of the customer to competitors.

5.4 Planning and Managing Loyalty Programmes

A typical Loyalty Management Programme revolves around Measure, Plan, Communicate, Do, Check and Improve Cycle (refer to Fig. 5.6).

- **Measure the current loyalty levels** through surveys and behavioural data. This needs market research through a well-structured questionnaire and internal analysis to find out where the company lacks in terms of its Product, Policies and Procedures. 'Voice of customer' through feedback from customers is needed periodically to measure current loyalty levels.
- **Benchmark current loyalty levels** against those of competitors and analysis should be done accordingly.
- **Identify the dimensions of performance of the product** that matter most to customers and track them rigorously.
- **Systematically communicate** survey feedback throughout the organisation for higher involvement of each member of the organisation.
- **Build loyalty and retention programmes** and integrate them into the company's Product, Policy and Procedures.
- **Develop new programmes** to reduce customer churn rates and to compete in the market.
- **Revise policies** that drive short-term results at the expense of long-term loyalty, such as high service fees and discounts given only to new customers, instead of customers with high lifetime value (**refer to Chapter 2 for details of Customer Lifetime Value (CLTV)** should be given preferential treatment.

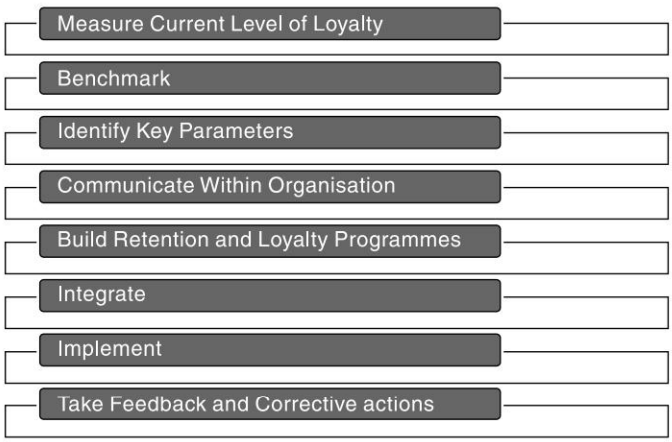


Fig. 5.6 *Steps of Loyalty Management*

An individual Loyalty Scheme is built in stepwise manner as follows:

1. **Outline objectives** of loyalty programme/scheme. They should be measurable and realistic as far as possible.
2. **Prepare budget** according to market forces, competitor's analysis, etc. and get financial approval within the organisation.
3. **Determine eligibility** for rewarding the customer as per the customer lifetime value or any other relevant parameter depending upon the objectives of the programme.

4. **Select appropriate reward methods for customers.** Care should be taken to ensure more purchase gets better tangible and intangible rewards.

   Rewards or incentives offered in loyalty programmes should be in consonance with the revenue generated from customers. No organisation can afford to reward a customer worth Rs. 1000/- if he/she generates only Rs. 2000/- annually. The organisation has to be innovative to identify low cost benefit like more value, extended term, etc., which can serve as motivation enough for customers to keep their association. At the same time, the reward policy should be difficult to replicate by competitors, as otherwise you will lose the strategic advantage. These benefits will help the organisation stand out against competitors since they will be unanticipated, valued, and hard to replicate.

1. **Explore partnerships** with others for cross-selling/upselling distribution and promotion.
2. **Design and prepare organisational structure and processes** to implement the programme including training of the staff, wherever required.
3. **Integrate the programme** with existing tariff/pricing plans, distribution networks and customer touch points.
4. **Monitor the implementation of the programme** and take corrective action to ensure its success in terms of revised service capacity planning and other measures.
5. **Take corrective action depending on feedback.** This may include restructuring and redesigning distribution networks, new partnerships with the intermediaries.

Integration of Loyalty Programmes

Special care should be taken while integrating these programmes within the organisation. The product, policies and procedures of the organisation should revolve around Customer Loyalty Management (refer to Fig. 5.7). Companies have to ensure integration of loyalty programmes with promotion management, campaign management, various sales channels, billing systems and other internal and external processes. It would be possible only if Loyalty Management Programmes are made part of the CRM platform.

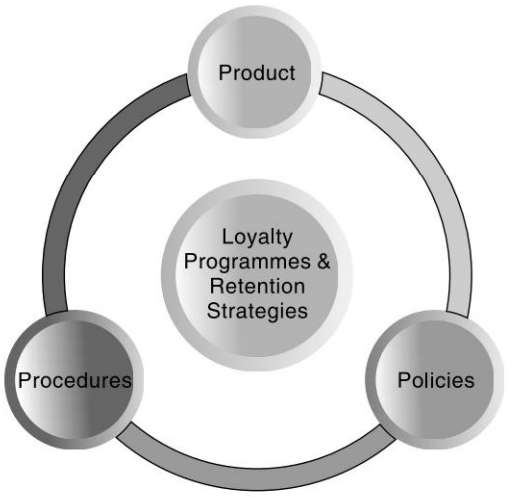


Fig. 5.7 *Integration of Loyalty Programmes*

5.5 Types of Loyalty Programmes

Loyalty programmes have inbuilt rewards or incentives that are offered not only to retain existing customers but also to attract new segments of customers. Based on the rewards and the incentives offer, some of the most common types of loyalty programmes are as follows:

1. **Appreciations:** In such programmes, customers doing repeat purchase or subscribing to a service for longer periods are given additional products/services without extra cost. For example, subscribers are given free additional 'talktime' by mobile service providers.
2. **Rewards:** In these programmes, customers are given special rewards unrelated to a company's product/service. For example, giving 'reward points' by credit card companies, which can be used by the customer to buy a variety of products.
3. **Partnership:** Companies sign special long-term agreements to benefit from each other. This provides the framework for repeated purchase from each other. Companies can even plan to do partnership with retail customers by innovating special schemes, wherein the recommendation of the customer to new customers is rewarded.
4. **Rebate:** Under such programmes, companies give preferential pricing schemes to loyal customers. For example, subscribers using more 'talktime' are given special tariff plans by mobile service providers.
5. **Affinity:** Under such schemes, companies try to earn goodwill of the customers by offering non-tangible rewards and getting involved in social responsibility.

The use of a loyalty card is very common in marketing, specifically, in the retail business. A loyalty card, rewards card, points card, advantage card, or club card is a plastic or paper card, visually similar to a credit card or debit card, that identifies the card holder as a member in a loyalty programme.

Another common tool used by e-companies to build loyalty programmes is the use of reward points. Here, customers are given some reward points on each and every purchase, the number of points being dependant on the volume and type of purchase. The customer can accumulate these points and use them for additional benefits.

It would not be an exaggeration to state that the days of traditional loyalty card programmes based purely on 'reward points' accumulation are numbered. The cost of sustaining such programmes is increasing, and these may not be effective in actually building loyalty. Once a customer starts expecting something, such schemes become part of the core product. Customers should be surprised with innovative schemes, which should truly reward a loyal customer. It has now become clear that the rewards and benefits that are not personalised (hence often unusable) cannot cultivate loyalty; they may instead only serve to irritate or anger the consumer. For most retail businesses, consumers first select stores driven by requirement and convenience. The retailer, thus, needs to rise to the occasion and make consumers aware that their specific requirements and desires are known. This is possible only if the loyalty plan can be personalised to the customer's tastes.

5.6 Reasons of Failure of Loyalty Programme

Lack of careful designing and effective execution are the main causes for the failure of loyalty programmes. Instead of adding to the top line and bottom line of the company, an unsuccessful programme will add extra burden to costs of the company. This can have a long-term negative impact as the company can fall in a trap of ever-increasing expectation of customers for incentives without any addition to the value. Moreover, it can lead to a diluted quality perception for products and offerings

of the organisation without any contribution to brand building and profits. The obstacles to making a Loyalty Programme success are

- Poor design
- Insufficient/unattractive reward policy
- Poor implementation of the programme
- Programme not communicated properly
- Programme not integrated with organisational policies and procedures

To overcome the above-mentioned obstacles, CRM solutions used by organisations should have the facility to flexibly offer different types of loyalty programmes so that the programme gets automatically integrated with the organisational policies and procedures.

Check Your Progress-III

1. What are the steps for building a loyalty programme?
2. List the various types of loyalty programmes.
3. What can be the reasons for failure of a loyalty programme?

Corporate Example

XTRAPOWER Fleet Card Programme

The XTRAPOWER fleet card programme is complete smart card-based fleet management solution for fleet operators and corporates for cashless purchase of fuel and lubes from designated retail outlet of IndianOil through flexible prepaid and credit facilities. This programme offers a range of rewards and benefits such as personal accident insurance cover and vehicle tracking facilities. In under just two years of its launch, IndianOil's XTRAPOWER fleet card has emerged as the largest fleet card in the country with the widest retail outlet coverage. Any business entity owning or operating a vehicle fleet becomes a member of XTRAPOWER fleet card programme at a nominal annual charge. Each fleet owner is issued a fleet control card and vehicle-specific fleet cards for every vehicle enrolled under the programme. For enhanced security, the fleet card fleet card transactions are authorised through a unique Personal Identification Number (PIN). Moreover, the card can help track each vehicle's movement across remote corners of the country leading to an improvement in vehicle utilisation and route compliance.

Source: www.extrapower.com, www.ioc.com, last accessed on May 5, 2011

SUMMARY

In this chapter, we have studied the concept of loyalty by emphasising the need of loyal customers for an organisation's survival in competitive scenario. Loyalty Management and Loyalty Programmes, the steps involved in planning and implementing these programmes, benefits and types of loyalty schemes have been explained with corporate examples.

The chapter has also discussed the need to integrate product strategies, policies and procedures in an organisation with loyalty programmes and retention strategies.

KEY TERMS

- **Loyal Customer**
  A customer can be said to be loyal if he/she is willing to repurchase the product/service and recommend it to other prospective buyers.
- **Loyalty Management**
  It is a continuous process of orientation of the organisation structure, policies and procedures with the objective to earn Customer Loyalty.
- **Loyalty Programme**
  The specific scheme/pricing plan/integrated efforts meant to encourage repurchase by the customer.
- **Customer Profiling**
  This is a process of segmentation of customers based on different parameters like revenue generated, type of products used, their demographics, psychographics, personality factors, etc.
- **Reward Point**
  Under certain loyalty programmes, customers are given special rewards points, which they can accumulate and use for subsequent purchase of some products.
- **Loyalty Card**
  It is card resembling a credit card and is used by retailers to identify a customer and build loyalty programmes against this ID.
- **Customer Loyalty**
  The term 'Customer Loyalty' is used to describe the post purchase behaviour of customer, wherein he/she goes in for repeated purchase. The objective is not to just seek repurchase but to get a positive word of mouth.
- **Customer advocacy**
  Customer Advocacy means recommendation by existing customers to prospective customers.

REVIEW QUESTIONS

1. Why is retention of customers more important than acquiring new ones?
2. What do you mean by Customer Loyalty?
3. 'Product quality and service are prerequisites to Loyalty Management.' Discuss.
4. What are loyalty programmes? How are they different from sale promotion schemes?
5. Enlist the various types of loyalty programmes.
6. What are the benefits of loyalty programmes?
7. 'Retention of customers in the current competitive scenario is a challenge for the organisation.' Critically analyse this statement in the light of loyalty programmes initiated by companies.
8. Discuss in detail the steps involved in the management of loyalty programmes.
9. Discuss the various types of loyalty programmes and explain their suitability with regard to different product types.

10. Loyalty programmes should be integrated within the organisation. Discuss the ways to integrate and communicate such programmes within the organisation.
11. Check on the different loyalty programmes/schemes being implemented by any retail chain in India. Discuss the effectiveness of the same and suggest ways to improve them.

PROJECT WORK

1. Compare schemes of two credit card companies in India and analyse how effective are 'Reward Points' for ensuring continuous use and retention of credit cards.

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CASE STUDY

Churn in Telecom

With more operators entering the Indian telecom market, customers stand to benefit more and more from fierce competition. Around 12-15 million new connections are added every month by mobile operators and the total number of subscribers in India has crossed 479 million (July 2009). Operators are adding on new subscribers and at the same time, it is becoming difficult for them to retain existing ones.

Most Indian cellular circles (which typically are states) have four GSM operators and sometimes up to two CDMA operators. This makes it six wireless service providers. In such a competitive scenario, it is obvious that subscribers will typically switch from one operator to another. In the growing telecom business, the primary focus of all operators is to add the numbers.

It is an accepted fact that acquiring a new customer costs significantly more than retaining an existing one. The churn is affecting profitability for operators. Since there is increased penetration in rural areas and less attractive customers are being added, the 'Average Revenue Per User' (ARPU) is decreasing. Under this condition, the churn is likely to severely affect the bottom line of telecom operators. Even if we consider a churn of 2.5 per cent, this amounts to 480 million floating customers in the market of 12 million subscribers, which is equivalent to total addition by all the operators in one

month. This huge number is attractive for operators to woo customers of their competitors, and at the same, the compensation of the same by adding new customers can be a very costly affair.

Reasons of Churn

Subscriber churn is a deterministic part of the telecom business and telecom operators have to learn to live with it. But since this churn affects the bottomlines, it is important for an operator to control it within limits. For this, reasons of the churn should be analysed and a strategy formed to retain customers.

Churning of subscribers can be due to various reasons, which can be categorised into three types:

1. Subscriber adaptation
2. Internal issues with existing service providers
3. Market environment

Customers often want to experiment with the latest equipment, new features and services. One segment of customers will always be moving from one service provider to another. At the same time, the other segment may be dissatisfied with the existing service provider due to various reasons like:

- Poor service performance and low quality of service (QoS)
- Lack of features
- Customer service and billing issues
- Lack of responsiveness

Certain customers may be attracted to other operators because of their marketing campaigns and pricing plans that are most suitable to their calling patterns. Similarly, any new operator entering the market will try to woo existing customers of incumbent operators.

MNP and Its Impact on the Churn

Another dimension to the story of churning was added by introduction of Mobile Number Portability (MNP), earlier this year. MNP makes it easier for mobile users to switch operators while retaining the same number. A change in contact number was the biggest barrier for a subscriber wanting to switch to a new operator until now.

Mobile services are a highly commoditised business in India where the primary concern of operators is to add as many new subscribers as possible. However, with a churn, they now have to focus on retention of the customers.

The Road Ahead

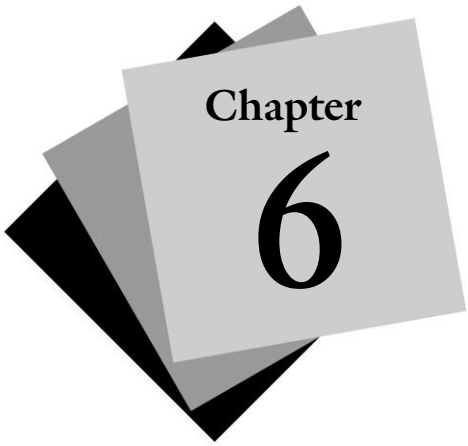
For a mobile subscriber, availability of network and voice clarity are basic and fundamental parts of the product. Subscribers also look forward to new features, better customer care and innovative services. Operators will have to chart out the retention strategy, which would revolve around creating differentiations in the market, improving the quality of service, improving customer care, launching new innovative services and offering attractive pricing packages with a focus on loyalty incentives.

Conclusion

Churn is an integral part of the telecom business, which means there is a large number of floating customers. To capitalise on this, operators have to create differentiations, focus on customer care and improve quality of service. At the same time, operators will have to think of new loyalty schemes to give incentives to loyal and high value customers.

Discussion Questions

1. What are the reasons for a churn in telecom sector? How can a telecom operator manage it?
2. Study the loyalty programmes of any two mobile operators in India. Analyse them with reference to their design, implementation and effectiveness.



Service Quality and Service Capacity Planning

Learning Objectives

After going through this chapter, the readers will be able to understand

- Relationship between Service Quality and Customer Relationship Management
- Concept of Service Capacity
- Method of Service Capacity Planning
- Queuing Theory and how to apply it for practical purposes

6.1 Introduction

The prime objective of implementing CRM is to provide the best services to customers. Generally, it has been observed that there is a mismatch between the objectives and the capacity of the organisation to provide service. In such a situation, the organisations need to review their capacity to provide the service vis-à-vis the Service Quality parameters and standards that are intended to be achieved.

This chapter will explain the methods to plan the capacity to deliver the targeted level of customer service.

6.2 Service Quality and CRM

Sales, marketing and service are three basic functionalities that are integrated within a CRM system (refer to Fig. 4.3, Chapter 4). Every organisation strives to satisfy customers by improving their products and trying to deliver the best possible service. Customers derive satisfaction from realisation of value of the product and associated service as the quality of the product or service is the most important factor in determining the value as perceived by the customer. In fact, quality of service comes from a number of factors like top management commitment, product design, employee focus, feedback mechanism and improvement plan, service delivery system, and so on. No CRM system will succeed without putting in place the sufficient capacity to deliver the service.

6.3 Concept of Service Capacity

Is an organisation equipped to provide the service as per expectations of the customer? Is the objective of an organisation to have an effective CRM in place? These are the fundamental questions that the management must answer. Breaking these further to a working level, there can be questions like: 'How many counters should a bank branch operate to provide cash withdrawal service so that average waiting time is less than 5 minutes?' 'How many agents should there be in a call centre over different periods of time?' 'How should we distribute the work between different counters in a post office to meet customer expectation and at the same time have optimal utilisation of resources?'

Service capacity is the maximum load that a service delivery utility can bear without affecting the quality standard. **Service Capacity planning is a process for determining the optimal ways to meet the service parameters with reference to the present business quality parameters and forecasted parameters.** The goal of service capacity planning is to provide satisfactory service levels to users in a cost-effective manner.

It may require implementation of certain changes in the present methodology of providing the service or augmentation of certain resources. What will a patient coming to a hospital be looking for? Here value, will be delivered through trust, faith and confidence of doctors and physical ambience. Besides this, ease of delivery of service and speed are also important. One of the important parameters to be managed in this case would be the waiting time. In fact, patients need to be segmented into different types depending upon urgency of treatment required and waiting time has to be managed accordingly. The expectation of an accident victim will be different from a patient with routine minor problems. Hospitals deal with the customers who are human beings under emotional stress and there is a strong need to bridge any gap between demand and supply of facilities.

Besides having sufficient resources to meet the demand of the service in an organisation, it is also important to know that how the present resources are being utilised. There can be various ways to increase the productivity and utilisation of resources and managing the situation in case of gaps.

6.4 Service Capacity Planning Process

Service capacity planning and optimisation is a continuous process with the objective of optimum utilisation of service resources and meeting the service delivery standards (refer to Fig. 6.1). It is six-step iterative process, involving determination of service level requirements, studying the inbound demand and then examining the service delivery process. After that, the current situation is analysed

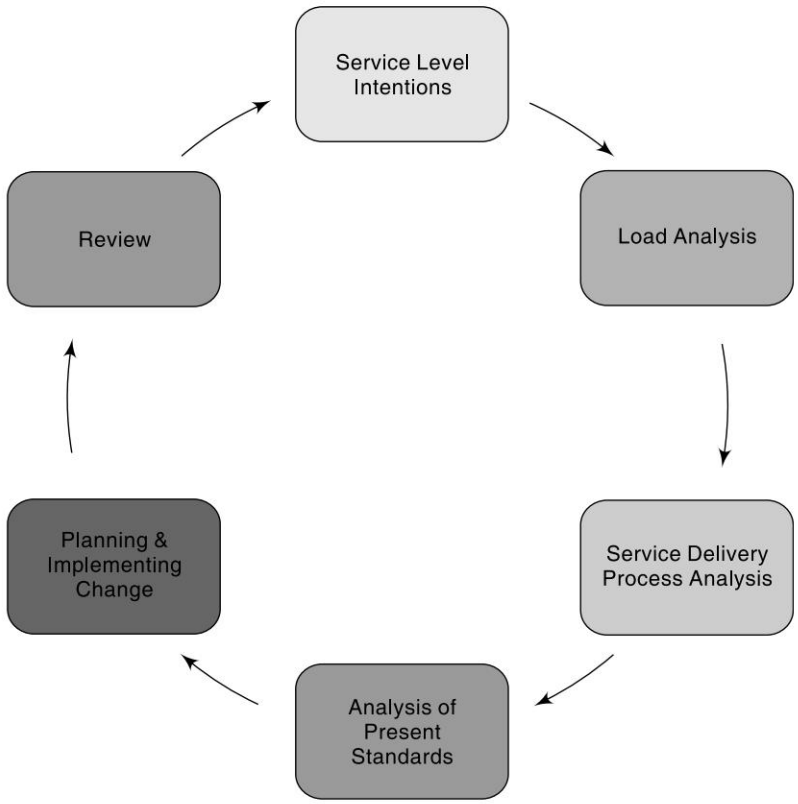


Fig. 6.1 *Service Capacity Planning Process*

leading to planning and implementing the change. Lastly, the whole process is reviewed periodically. Let us discuss each step one by one in detail.

6.4.1 Determine Service Level Requirements

The management has to firstly decide service delivery standards, which are to be met. These should not be any arbitrary standards but should be based on customer expectation. The gap between customer expectation, management perception and actual standards should be minimum possible. If we take the case of a bank, one of the Service Quality standards can be whether the management wants to deliver the new Bank Draft in 5 minutes, 7 minutes or 10 minutes.

6.4.2 Study the Inbound Demand

The next issue will be what the inbound demand is. In the same example of a bank, it means how many customers come to a particular branch for a bank draft. This inbound traffic may vary over different time periods and even different days. The granularity of this traffic analysis will help precise capacity planning. This traffic will vary over a period of time. However, the basic statistical figures like average number of persons coming for cash withdrawal over different intervals of time may from the input to mathematical tool calculating the capacity requirement.

6.4.3 Examining the Service Delivery Process

For a mathematical tool calculating capacity requirements, figures like on an average how many average customers can be served per hour may be enough for planning. However, a manager will have to look at the process of service delivery from the angle of increasing the delivery rate by reengineering the process itself. There can be various ways to increase the rate of delivery of service. Process standardisation and use of technology are some ways; use of barcode readers has increased the bill collection rate at many billing systems. Currently in the retail sector, implementation of barcode readers has resulted in highly effective and fast bill collections and also has facilitated in increasing the rate of delivery of service.

6.4.4 Analysis of Current Situation

Inbound traffic and service delivery rates are used to calculate the achievable level of service standards and actual service levels that are being experienced by the customers. As in the case of the retail sector, in a particular mall, the inbound traffic of the customers would be higher on weekends or festive seasons as compared to weekdays. Also, even on a particular day, the traffic fluctuates during different timings. These fluctuations in inbound traffic have to be managed by analysing the situation accordingly.

6.4.5 Planning and Implementing Change

The outcome of the above step will be the gap between the service being delivered and service standards. The next step will be to find out how to bridge this gap. Bridging this gap may require capacity augmentation or increase in process delivery rate. In the above mentioned example of the mall, extra billing counters will be required on Sundays and Saturdays due to heavy inbound traffic. The provision of extra billing counters has to be planned and implemented by the mall well in advance to provide smooth service delivery.

6.4.6 Review

Once the above mentioned steps are implemented, it is necessary to review the whole process periodically and take necessary steps to prevent error and to reinforce steps to improve levels of service delivery.

Check Your Progress-I

- What is Service Quality Planning?
- List down the steps in the Service Quality Planning Process.

6.5 Using Queuing Theory for Service Capacity Planning

The Queuing Theory can be applied to situations where customers arrive at a service station for a service. Arrival of customers in a queue for service is, of course, random in nature. However, there are various mathematical models to analyse the same. Queuing Theory is one of such models used for Service Capacity Planning. It is a mathematical analysis of waiting lines and queues to calculate the average waiting time and queue lengths from the information pertaining to the rate of arrival and the

rate of delivery of service. Such situations are present in our day-to-day life like waiting for payment of electricity bills, patients in hospitals, cars waiting for service in a service station, aeroplanes waiting to land at an airport, customers at cash withdrawal counter at a bank and so on. Queuing Theory is generally considered a branch of operations research because the results are often used when making business decisions about the resources needed to provide service.

Queuing Theory can be applied in variety of situations such as

- Arrival of aeroplanes at airports
- Banking services in a bank branch
- Handling customers in a telecom service centre
- Waiting of customers in restaurants, saloons, etc
- Servicing of automobiles in service stations
- Attending to patients in hospitals
- Printer queues
- Passengers at railway reservation counters
- Customers waiting at billing counters in supermarkets.

The list can be endless. All such situations can be modelled as shown in Fig. 6.2.

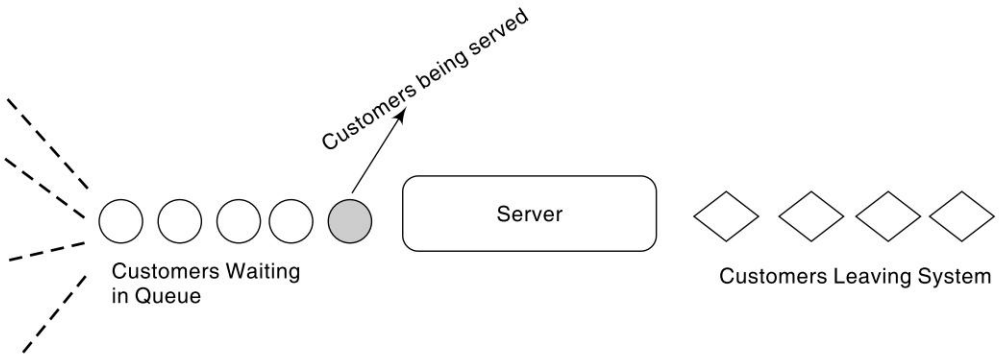


Fig. 6.2

6.5.1 Arrival System

Customers may enter the queue either from the infinite population or they may be output of another queue. The source population may be finite or infinite. For example, customers entering in a queue at a railway reservation counter may be assumed to be coming from an infinite population. The arrival of technicians at a store window for spare parts in a car repair shop is from a finite population as customers may be arriving individually or in a group. Moreover, customers may arrive in a regular interval or randomly.

For most of the practical examples, the arrival of customers can be assumed to be random coming from an infinite population. For analysis of such cases, the **arrival rate**, i.e., average number of customers coming per chapter of time, should be known. This arrival rate is generally denoted by λ.

6.5.2 Service System

There may be single or a number of servers in the system. Besides that, the speed of serving is important consideration. Based on a number of servers, there can be different models like

- Single Queue, Single Server Model

- Single Queue, Multiple Server Model
- Multiple Queue, Multiple Server Model

Customers standing in multiple queues at multiple reservation counters in railway reservation office represent the Multiple Queue, Multiple Server Model whereas customers waiting at a hair-cutting saloon with a number of hair-stylists represent a Single Queue, Multiple Server Model.

6.5.3 Queue Discipline

It is the rule of selection of customers arrived in queue for proving service. The most common queue discipline is **first-come-first-served system**. Here, customers are served in the order they enter the queue. In certain situation, the discipline could be **last-come-first-served**. However this discipline should be avoided in situations where customers or human beings are involved. Instead, this system may be used for storing and issuing inventory from a warehouse. In **service-in-random-order system,** every customer waiting in the queue has an equal chance to be selected for service. There may also be **priority system**, where certain customers might be rendered services on the basis of certain characteristics. For example, ICU services in the hospitals are rendered on 'priority basis' to critically ill patients.

6.6 Analysis of a Queue System

In case of customers coming randomly in a queue with first-come-first-served discipline, the following mathematical equations can be used to analyse the situation:

If W: Average time for a person to wait in the system (inclusive of waiting time in queue and getting the service)
λ: Number of customers arriving per period
μ: Number of customers that can be served per period
Nq: Average number of persons waiting in the queue
Wq: Average time for a person to wait in the queue

Then

$$Wq = Nq/\lambda = \rho/(\mu - \lambda)$$
$$Nq = \rho^2/(1 - \rho)$$
$$W = Wq + (1/\mu) = 1/(\mu - \lambda)$$

where

ρ = Utilisation factor = $\lambda/k*\mu$, where k is the number of counters for a service

Utilisation factor (ρ) is the fraction of time for which a server (or service utility) is providing the service. **Waiting time** (W) is the time for which a customer remains in a queue. This includes the **time in queue** (Wq) and time during which the customer gets the service. Here Nq represents the average number of persons waiting in queue. Waiting time (W) and average number of customers waiting in a queue (Nq) are the major parameters to be considered for planning the service capacity.

From the above equation of the average number of persons waiting in the queue (Nq), it is clear that if utilisation (ρ) is high, length of queue will increase and once utilisation factor is more than 70 per cent, the service will start deteriorating sharply (refer to Fig. 6.3).

The number of persons waiting in a queue can be reduced by decreasing utilisation factor, which can be achieved either by opening more servers or increasing the rate of provision of service at each server. The opening of more servers practically means opening more counters or other service delivery utilities. The rate of delivery of service can be increased in various ways such as:

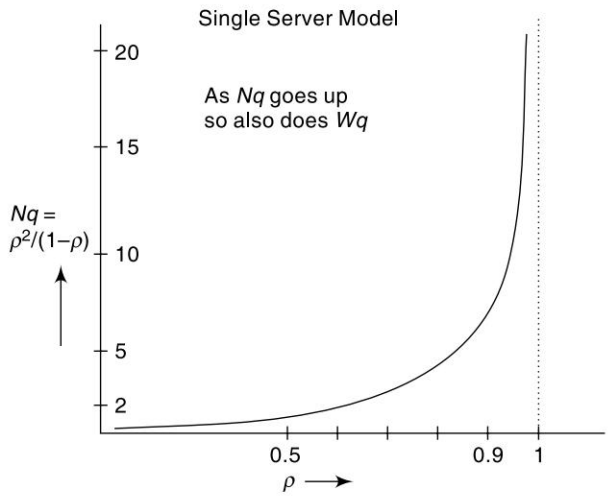


Fig. 6.3 *Single Server Model*

- Use of technology like barcode readers, etc., which can reduce manual entries by staff manning the counters
- Training of staff members to handle customers quickly
- Pre-designed forms, formats and standardisation of processes
- Giving check lists to customers and the use of display screens to provide such information
- Use of IT systems, which can provide all information to service counters accurately and quickly

This following example will illustrate the method of using this Queuing Theory in practical cases.

Example of Using Queuing Theory

Situation A

Let us examine a situation at a bill payment counter, where the average time of collection of one bill is three minutes. If, on an average, 10 customers are arriving in the system for depositing bills, then

λ : Number of customers arriving hour = 10

μ : Number of customers that can be served per hour = 20

λ : Utilisation factor = λ/μ = 10/20 = 0.5

From these, we get

$$Nq = \rho^2/(1-\rho) = 0.5$$

$$Wq = Nq/\lambda = \rho/(\mu-\lambda) = 0.5 \times 60/(20-10) = 3 \text{ minutes}$$

$$W = 1/(\mu-\lambda) = 60/(20-10) = 6 \text{ minutes}$$

It means that a customer, on an average, spends 6 minutes in the system during which he/she waits for 3 minutes and is served for 3 minutes.

Situation B

Now let us assume that there are 15 customers coming per hour instead of 10 per hour. In this changed situation, the calculations are as follows:

λ : Number of customers arriving per hour = 15
μ : Number of customers that can be served per hour = 20
ρ : Utilisation factor = λ/μ = 15/20 = 0.75

From these, we get

$$Nq = \rho^2/(1-\rho) = 2.25$$
$$Wq = Nq/\lambda = \rho/(\mu-\lambda) = 0.75 \times 60/(20-15) = 9 \text{ minutes}$$
$$W = 1/(\mu-\lambda) = 60/(20-15) = 12 \text{ minutes}$$

Now, on an average, a customer will spend 9 minutes waiting in queue and a total of 12 minutes in the system for paying the bill.

Situation C

If the arrival rate further increases to 18 customers per hour, the situation will be as follows:

λ : Number of customers arriving hour = 18
μ : Number of customers that can be served per hour = 20
ρ : Utilisation factor = λ/μ = 18/20 = 0.90

From these, we get

$$Nq = \rho^2/(1-\rho) = 8.1$$
$$Wq = Nq/\lambda = \rho/(\mu-\lambda) = 0.9 \times 60/(20-18) = 27 \text{ minutes}$$
$$W = 1/(\mu-\lambda) = 60/(20-18) = 30 \text{ minutes}$$

On an average, a customer will spend 27 minutes waiting in queue and a total of 30 minutes in the system paying the bill.

Conclusion

The relation between the utilisation factor and the number of persons is clear from this example. As the utilisation factor increases from 0.5 (Case A) to 0.75 (Case B), the average number of persons waiting in queue increases from 0.5 to 2.25. Further, as the utilisation factor increases from 0.75 (Case B) to 0.90 (Case C), the average number of persons waiting in queue increases from 2.25 to 8.1. This completely disrupts the service and the waiting time increases to 30 minutes.

Therefore, utilisation factor should be maintained taking into consideration the parameters of number of persons waiting in the queue or average waiting time.

Check Your Progress-II

1. List some situations where Queuing Theory can be applied for service capacity planning.
2. What is the utilisation factor as applied to a queue?

SUMMARY

In this chapter, the concept of Service Quality and the importance and methods of service capacity planning have been explained. We have also learnt with examples how to use mathematical Queuing Theory to plan capacity of service utilities in various organisations.

KEY TERMS

- **Service Capacity**
  It is the maximum load that a service delivery utility can take.
- **Queue Discipline**
  It is the rule of selection of customers arrived in queue for proving service.
- **Utilisation Factor**
  The fraction of time for which a server (or service utility) is providing the service.
- **Waiting Time**
  The time for which customer remains in a queue and it includes both, the time in queue and service delivery time.
- **Service Capacity Planning**
  Service Capacity is the maximum load that a service delivery utility can take and service capacity planning is a process for determining the optimal ways to meet service parameters with reference to present business quality parameters and forecasted parameters.

REVIEW QUESTIONS

1. How is service quality related to CRM?
2. What do you mean by service capacity? List the various service utilities in a post office and their major service quality parameters.
3. Explain Queue Model. How is it related to service quality planning?
4. Explain the terms Waiting Time, Queue Length and Length of Queue.

PROJECT WORK

1. Visit one local branch and collect data to study customer arrival pattern and service delivery method. Apply the queue theory and give your recommendations for service improvement.
2. Examine in detail the service capacity planning method used to decide the number of seats in a call centre.

FURTHER READINGS

- Dyche, Jill (2007), *The CRM Handbook: A Business Guide to Customer Relationship Management*, Pearson Education.
- Sheth, Jagdish N; Parvatiyar, Atul and Shainesh, G. (2003), *Customer Relationship Management—Emerging Concepts, Tools and Applications*, Tata McGraw-Hill.
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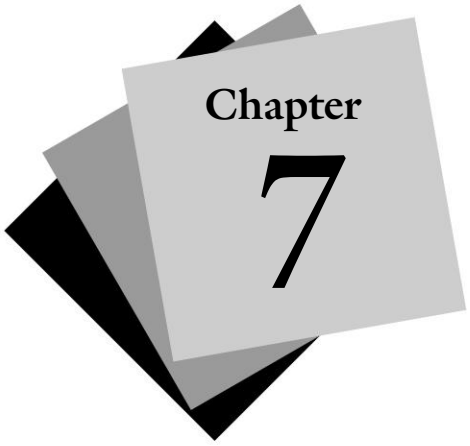


Customer-Driven Quality and Quality Management System (QMS)

Learning Objectives

After going through this chapter, the readers will be able to understand

- Concept of Quality and Quality Management
- Importance of quality in a CRM system
- Quality policy statements
- Concept of Continual Improvement
- Quality Management System (QMS) and its relevance to CRM
- QMS and its implementation

7.1 Introduction

In the earlier chapters, we have studied that the objective of CRM system is to enhance customer experience during interactions with the organisation and utilisation of the product, so that a mutually rewarding relationship is setup between the organisation and the customer. This cannot happen without the implementation of a quality management system in the organisation. Quality can be in different perspectives and contexts; it may be quality of product, quality of service, quality of a process or quality of the complete system. In this chapter, we shall understand the concept of quality and examine how it can be managed. Historically, quality has been managed through inspections. But inspections like any audit are the postmortem and therefore, have limitations. Organisations adopted concepts like Quality Control, Quality Assurance and Total Quality Management to effectively improve the quality of product. Now it has been established that quality can be managed by improving the quality of the complete system instead of a particular product. If the quality of the system is improved, then the product and services, which are the outcome of the system, will automatically improve.

7.2 Quality and its Relevance to CRM

No CRM system will serve any purpose without a focus on quality of product and service. Proactive organisations are now taking a more comprehensive and innovative approach to quality management. They have understood that CRM is the tool to generate and maintain relations and the quality of product/service is the core of this relationship. With the recognition of the importance of quality, more and more organisations are implementing formal and standardised programmes to monitor, manage and improve quality. Implementation of some industry standards like ISO 9001 have now become standard practice in a wide variety of businesses.

7.3 Understanding Customer-driven Quality

Business organisations have their own understanding of quality. For a customer-driven organisation, the quality is dependent on the customer's opinion about the product or service. So, quality is the conformance of the product to the requirements of the customer. It is the degree of excellence as perceived by the customer. All other variables like price and availability being same, the preference of the product can be the measure of the perception of the quality in the mind of the customer. Quality has no single definition and is often very abstract. While some try to equate quality with luxury and expense, for the purpose of practical management, quality must be defined in terms of parameters that can be measured and that are achievable and most importantly, the parameters should be linked to customer satisfaction. Fulfilling customer expectations plays an important role in customer satisfaction, but the voice of customers in the form of their feedback and opinions should be gathered continuously, not only to be in constant touch with customers, but also to gather data on changing customers' needs and expectations. It is ultimately the voice of the customer which should be the guiding principle for formulation of quality principles to deliver optimal quality.

Quality has to be defined such that it should ensure that products, services and solutions are designed, delivered and supported at the expected and claimed level of performance and are continuously improved to meet evolving customer requirements (refer to Fig. 7.1). Based on continuous feedback from customers, an improvement strategy should be adopted to deliver the products/services with desired quality benchmarks. Quality must encompass the concept of both, efficiency and effectiveness.

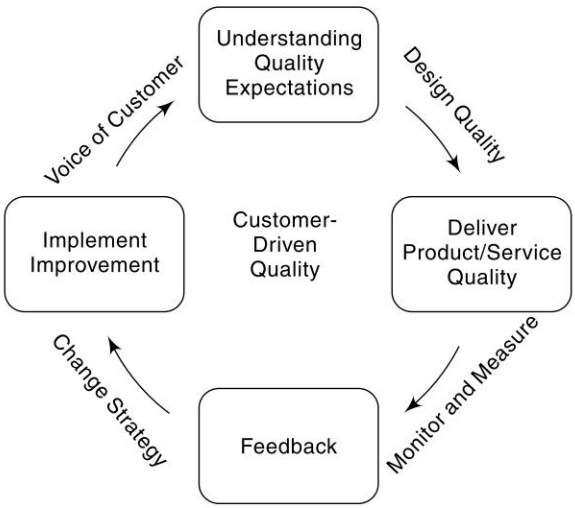


Fig. 7.1 *Customer-Driven Quality*

7.4 Quality Management

"Quality is never an accident; it is always the result of high intention, sincere effort, intelligent direction and skillful execution; it represents the wise choice of many alternatives."
William A. Foster

Quality cannot happen by itself; it is always the result of systematic efforts and therefore, has to be managed. To ensure a customer-driven quality system, products are designed based on a study of the requirements of customers, then internal and external processes are established to produce and deliver the designed products; the next step is to manage the network of processes to ensure that the desired products and services are produced and delivered in conformance to the design. This can be achieved by implementing scientific Quality Management System in the organisation.

Quality Management involves all the activities of the overall management function that determine the quality policy and objectives of the organisation and implement them by means of quality planning, quality control, quality improvement and quality assurance within the quality management system.

Similarly, the starting point for quality management is the formulation of a quality policy and a set of quality objectives of the organisation implemented within a quality management system.

7.5 Quality Policy

Quality policy is an explicit statement of the company showing its intention with regards to quality. While it is formally announced by the top management, it should be formed with the involvement of all stakeholders. A prerequisite to implement quality management is setting down of the quality policy and quality objectives of the organisation. Until the employees know what the organisation wants to do with respect to the quality of its products and services, no quality programme can be effectively implemented in the organisation.

The management of an organisation should define and document a quality policy, which should be consistent with other corporate policies within the company.

A quality policy statement duly signed by the top management puts in place the major road signs leading to Total Quality Management. The route itself would be mapped out specifically by each function, in terms appropriate to its products, customers, markets and business solutions. Commitment to a quality policy should be demonstrated by the highest level of management and it should take all necessary measures to ensure that quality policy is understood, owned and implemented at all levels of organisation.

Quality Policy Statements: Some Examples

1. Quality Policy of Kinetic Engineering Limited

' We shall strive to deliver products to meet and exceed customer expectations of quality, delivery and cost'. This policy shall be deployed through

- Continuous improvement in product quality by process control and variability reduction.
- Upgradation of manufacturing technology and skills
- Cost reduction through elimination of waste in all business processes
- Development of human resources
- Development and participation of suppliers

Source: http://www.kineticindia.com/qualitypolicy.html, last accessed on May 6, 2011

2. Quality Policy of IIT Madras

Our Vision

To be an academic institution in dynamic equilibrium with its social, ecological and economic environment striving continuously for excellence in education, research and technological service to the nation.

Our Mission

- To create and sustain a community of learning in which students acquire knowledge and learn to apply it professionally with due consideration for ethical, ecological, and economic issues.
- To pursue research and disseminate research findings.
- To provide knowledge-based technological services to satisfy the needs of society and the industry.
- To help in building national capabilities in science, technology, humanities, management, education and research.

Quality Policy

To pursue global standards of excellence in all our endeavours namely teaching, research, and consultancy and continuing education and to remain accountable in our core and support functions, through processes of self-evaluation and continuous improvement.

Core Values

In pursuit of its mission IITM will

- Develop human resources to serve the nation
- Recognise teaching as a unifying activity
- Nurture integrity, creativity and academic freedom
- Retain a willingness to experiment with new paradigms

Source: http://www.iitm.ac.in/qualitypolicy, last accessed on May 6, 2011

3. Quality Policy of Tata Projects Limited

Source: http://www.tataprojects.com/qpolicy.html, last accessed on May 6, 2011

7.6 Quality Objectives

Quality objectives are specific targets which are to be achieved within a specified time period. The achievement of these objectives is the end result of implementation of a quality management system. The quality policy depicts the intention and philosophy of the organisation, whereas objectives initiate the action items. For setting the quality objective, the first step is to identify the key performance indicators which have an impact on performance of product/service. Care should be taken that these KPIs are measurable and their targets are achievable. The organisation should achieve, maintain and continuously improve the quality of its products to meet evolving requirements of quality. The objectives should be defined and accepted pertaining to key elements of quality such as fitness for use, performance, safety and reliability. Organisation should improve the quality of its operations to meet the needs of customers and other stakeholders and quality objectives should address a continuous improvement of processes.

7.7 Quality Management System

Quality Management System is the integration of the organisational structure, procedures, processes and resources needed to implement quality management. It is the system approach to manage the quality of the whole organisation. A Quality Management System has to meet the interrelated needs and expectations of both, the customer and the organisation.

As shown in the above diagram (Fig. 7.2), organisational processes make use of supplies from internal and external suppliers to serve the needs of both, internal and external customers. For the organisation, there is a business need to attain and maintain the desired quality at an optimum cost.

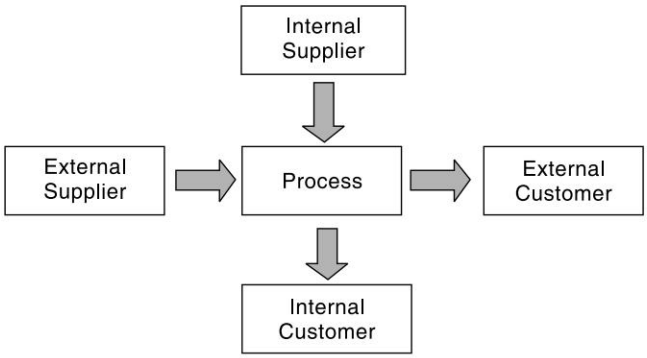


Fig. 7.2 *Relationship of Customers, Suppliers and Process*

This can be possible by efficient utilisation of technological, human and material resources available to the organisation. A successful Quality Management System should be designed to satisfy customer needs and expectations while serving to protect the organisation's interests. This system guides the coordinated actions of people, material resources and information to achieve quality objectives. Continual improvement, customer orientation and employee participation are the basic and core principles of QMS.

7.8 Quality Management System Standards

The International Organisation for Standardisation's ISO 9001: 2008 series describe the standards for QMS to address the principles and processes surrounding the design, development and delivery of a general product or service. Organisations can participate in a continuing certification process to ISO 9001:2008 to demonstrate their compliance with the standard, which includes a requirement for continual (i.e. planned) improvement of the QMS. This is a worldwide standard adopted by a large number of organisations.

The ISO 9001 is a series of standards on Quality Management System, which can be adopted by all types of organisations belonging to the government, public, private, or joint sectors, producing and supplying all kinds of goods, services and software. These standards are generic, not specific to any particular product and can be used for managing the quality of outputs of manufacturing and service industries.

To attain ISO 9001: 2008 certification, the organisation has to document its processes and systems as per the requirements of the standard, provide objective evidence that it is performing all quality-related activities as per the documented system and ensure that its management is effectively involved in the quality process by participation with suppliers and customers. A documented quality management system is designed to ensure that all mutually determined requirements are understood and consistently met and that the text of the company's internal procedures ensures that serious attention is given to customer service and product quality. The ISO 9001 standards also require that a company maintains control over its documented procedures that describe its methods for design, production, inspection, handling, storage and delivery of all materials and products, as well as defining the system that ensures continuous employee training and development. In order to obtain and maintain ISO certification, a company's quality management system has to be continually assessed by both, internal and external auditors.

7.9 Quality Management Principles

QMS principles are the spirit of the system. These are a set of comprehensive and fundamental rules or values, for leading and operating an organisation, aimed at continually improving performance over the long term, by focusing on customers while addressing the needs of all stakeholders. Quality management principles provide an understanding of and guidance on the application of quality management in an organisation.

As per the International Organisation for Standardisation, the following eight quality management principles can facilitate any organisation in creating quality work culture and successful implementation of quality management.

1. Customer focus
2. Leadership
3. Involvement of people
4. Process approach
5. System approach to management
6. Continual improvement
7. Fact based approach to decision-making
8. Mutually beneficial supplier relationship

7.9.1 Customer Focused Organisation

"Quality in a product or service is not what the supplier puts in. It is what the customer gets out and is willing to pay for. A product is not quality because it is hard to make and costs a lot of money, as manufacturers typically believe. This is incompetence. Customers pay only for what is of use to them and gives them value. Nothing else constitutes quality." —*Peter F. Drucker*

Organisations depend on their customers and therefore, should understand the current and future needs of the customer, meet all requirements and strive to exceed the customer's expectations. Customer focus means producing and supplying products and services that are liked and wanted by them and provide customer satisfaction.

Customer satisfaction is the result of a number of positive and negative factors which are experienced by the customer. The more satisfaction factors present, the higher the customer satisfaction. This can be achieved by identifying customer needs, designing a product which responds to them, produce and deliver products as per the design, ensuring after-sales service, measure customer satisfaction and improve quality to delight the customer.

7.9.2 Leadership

Leadership establishes unity of purpose and provides direction to the organisation. It should create and maintain an internal environment in which people can be fully involved in achieving the organisation's objectives. Good leadership comes from personal initiative and involvement in creating and sustaining culture, company direction, performance expectations and a leadership system that promotes excellence in performance. A leadership system refers to how leadership is exercised through the company—the basis for and the way in which key decisions are taken, communicated and implemented at all levels of the organisation.

An effective leadership system creates clear vision, figures out shared values, brings intrinsic change in the behaviour of people and motivates them to respect the requirements of customers and other stakeholders and sets high expectations of performance and continuous improvement in performance.

It builds loyalties and teamwork based on the values and pursuit of shared purposes. It encourages and supports the development of leadership skills in people, provides guidance and examples regarding behaviour and practices and avoids the chain of command that delays decisions.

Changing the culture of the organisation is one of the most critical challenges for a leader during the process of change. People may resist change and may show inertia to adopt new processes, technology or structural changes. Most of the problems faced during a change are generally due to communication. It is important to give people adequate time to understand the true need and the process of change. Leaders should promote open communication and reinforce values, directions, expectations, customer focus and a commitment to learning throughout the organisation.

7.9.3 Involvement of People

QMS involves collective decision-making and involvement of all members of an organisation. People at all levels are the essence of a company and their full involvement enables their abilities to be used for the organisation's benefit. A desire to involve people can be created by motivation and employee satisfaction. Some of the factors which enhance the desire for involvement include a good corporate culture, safe and healthy work environment, reward and recognition system, opportunities for career growth and personal development, family welfare, and social security.

Getting people involved can be achieved through an interesting work system, which can be established by proper work and job design. The basic aim of job design is to enable the employees to exercise their discretion and decision-making ability leading to flexibility and rapid response to the changing requirements of the marketplace. This can be achieved by job classification, job rotations, cross functional training, work layouts, etc.

The capability of people to perform specific tasks can be enhanced by education and training, which addresses the knowledge and skills employees need to meet their overall work and personal objectives.

7.9.4 Process approach

An organisation can be described as a number of interrelated processes or a network of processes which are managed to meet the requirements and needs of both, internal members and external customers. A clear responsibility must be established to manage the process and the interface of the

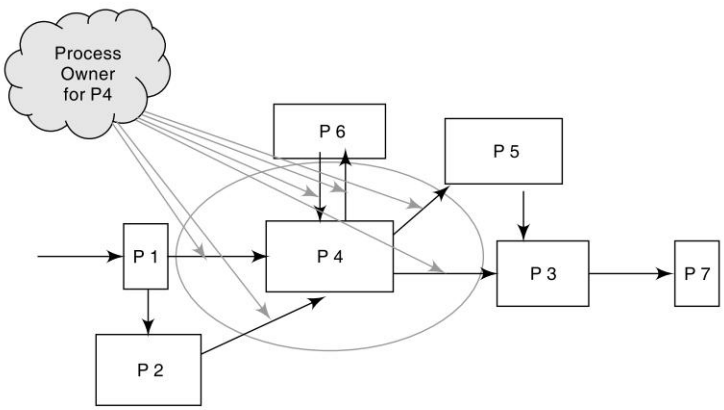


Fig. 7.3 *Process Approach*

process with functions of the organisation must be identified. For each process, there should be process owner who is responsible for the execution of the system. In turn, the system can be improved by improving the processes. From a system perspective, the inputs and outputs to the particular process should be standardised since the output of one process becomes the input of other (refer to Fig. 7.3). If every process owner ensures that the outputs are as per schedule, standard and quality parameters defined in the quality manual, the entire system behaves as desired. The process owner is also responsible for coordination with peer process owners to ensure that he/she gets inputs as defined in the quality system.

7.9.5 System Approach to Management

Identifying, understanding and managing a system of interrelated processes, for a given objective, improves an organisation's effectiveness and efficiency. A system is defined by identifying all interrelated processes and their interdependence; it can be improved by continuous measuring and evaluating all related processes. An effective system provides confidence in the organisation's capability to meet customer requirements.

7.9.6 Continual Improvement

The objective of QMS is to achieve business excellence, which is possible by implementing the concept of continual improvement in letter and spirit, a permanent objective of an organisation. In the quality system, 'Plan-Do-Check-Act' is a four-step model (refer to Fig. 7.4), which forms the basis of continual improvement. Every activity of the organisation is planned so as to ensure the availability of all resources at the time of execution. After the 'Do' phase, the outputs are checked/measured against planned parameters. In case of non-conformities, the root cause analysis is carried out and accordingly, action (act phase) and in case on compliance to the standards, after stabilisation phase, the quality objectives are reviewed and raised to move towards business excellence.

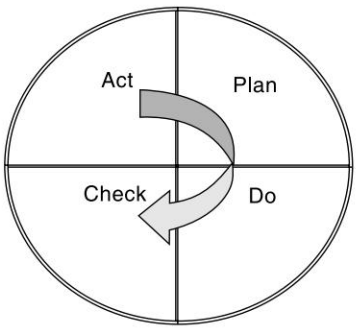


Fig. 7.4 *PDCA Cycle*

Quality improvement is a continuous activity, aiming for a higher process of effectiveness and efficiency. QMS processes of measurement and assessment through internal and external audit ensure that quality objectives do not fall below the attained level, rather they are set higher and higher (refer to Fig. 7.5).

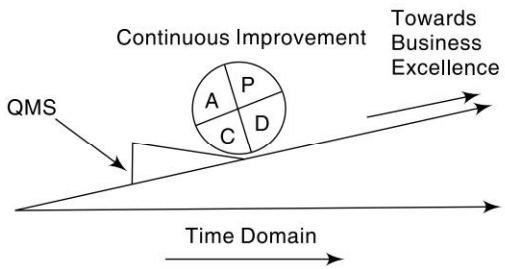


Fig. 7.5 *Continual Improvement*

7.9.7 Factual Approach to Decision-Making

Effective decisions and actions are based on the analysis of data and information. All decisions should be based on facts, gathered through collection and analysis of measurable data, instead of an individual's whims and fancy. By analysing relevant data, correct information can be generated. Decisions arrived on fact-based information can significantly reduce the risk of failures due to wrong decisions as quality decisions can be taken using correct data. Decisions and actions should be based on the

analysis of data and information to improve results. While personal experiences and opinions are important, these should be supported facts during decision-making.

7.9.8 Mutually Beneficial Supplier Relationship

No organisation can remain in isolation as a mutually beneficial relationship with its suppliers enhances the ability to create value. Continuous feedback on customer needs and requirements to sub-suppliers ensures a continuous supply of quality products and services. Based on mutual trust and open communication, partnerships for quality are established with selected primary suppliers for jointly understanding the current and future needs of the ultimate customers.

A new approach known as partnering has evolved during the recent past. Partnering is a management process that promotes successful supply chain development and execution through teamwork. It allows groups to capitalise on each other's activities and expertise in order to contribute towards common quality goals. The customer and supplier work together to accomplish a task that benefits both. Partnering creates a win-win situation for involved parties and more importantly, improves customer satisfaction.

7.10 Quality System Documentation

In order to design, develop, produce and deliver a quality product or service by an organisation, there are several individual activities performed by the personnel deployed in various functional departments of a company. All these activities are directed towards getting the desired quality in the outputs of various processes, which can meet customer requirements. These numerous individual tasks are interrelated to each other. For accomplishment of the quality objective, it is essential that there must not be any task left undone and at the same time, there should not be any duplication of efforts. All the tasks must be performed in a proper sequence and with right procedures.

In other words, the quality objectives, task sequence, task procedures and other interrelated quality assurance activities must be clearly identified, defined, documented and performed in a planned and regulated manner. This ensures continuity of the system even the persons managing the particular process change.

As per the ISO 9001 standards, "the quality system should be documented and demonstrable in a manner consistent with the requirement of the selected model". Demonstration means that the elements of a quality system are not only adequate but also ensure that the product or service conformity complies with specified requirements. Documentation means that written procedures for all aspects of the company's operations will be established and maintained. Records of all relevant dates will be kept and used to meet the objective of quality policy.

To meet the requirements of ISO 9001 quality system, all the elements and provisions adopted by the organisation for its quality management should be documented in a systematic and orderly manner in the form of written policies and procedures. The quality management system is normally documented by means of a **Quality Manual,** which states the quality policy and describes the quality management system of an organisation and may relate to an organisation's total activities or selected parts of it.

The quality manual could be supported by several tiers of documents, each tier progressively giving more details. Together, these documents define the complete quality management system.

Development of quality system documentation is one of the most important and major activities for any organisation. The quality management system document is generally prepared in four levels

or tiers (it may be three or more levels as per the need of the organisation). The four levels of documents are (refer to Fig. 7.6):

1. Quality manual
2. Quality procedures
3. Work instructions
4. Quality record

The purpose and content of these documents are briefly described here.

Fig. 7.6 *QMS Documents*

7.10.1 Quality Manual

Quality manual is a document containing the quality policy, quality objectives, organisation structure chart, responsibility matrix and depiction of the quality system of an organisation. A quality manual often explains how the requirements of a quality standard are to be met and identifies the person responsible for quality management functions. The purpose of a quality manual is to inform the employees and customers about the management policy and objectives for quality. Broadly, it states what is being done in the organisation to ensure that the products or the services being produced are meeting customers' requirements with an adherence to the defined quality policy and objectives. The quality manual must address how each element of ISO 9001: 2008 will be applied in quality management activities of the organisation. The purpose is to assure the customer, user or assessor that the organisation has taken care to incorporate all aspects of ISO 9001 standard.

7.10.2 Quality Procedures

The purpose of quality procedures is to document how the policies and objectives expressed in the quality system manual will be implemented and achieved at each functional department or divisional level. This is a confidential document for internal use of the company. Quality procedures can be developed separately for each department. Procedures relevant to all departments and activities addressed in the quality manual are prepared, describing how groups of people in the same or various departments will integrate their efforts to meet the management stated quality objectives. Generally, the procedures are documented for all activities right from receipt of an enquiry till the delivery of the product or service to customers.

7.10.3 Work Instructions

These are level three documents prepared to describe in detail how a specific activity is to be performed and define the quality standards of acceptability for the product or service. They are used by front line operators and working staff. These documents are released in the form of drawings, pictures, operation sheets, inspections, test schedules, flow charts, etc.

7.10.4 Quality Records

The purpose of quality records is to ensure and demonstrate that the product or service provided has been developed and produced in accordance with the requirements specified in quality procedures and work instructions and proves the effective functioning of a quality system. Quality records are to be generated by operating people who are involved in design, development, production, inspection,

delivery, servicing or other operations and activities. Various types of forms and record sheets can be designed to meet the production recording, auditing, inspection recording, procurement activities and specific ISO 9001 requirements.

7.10.5 Quality Audit

Quality audit is a systematic and independent examination to determine whether quality activities and related results comply with planned arrangements, whether these arrangements are implemented effectively and whether they are suitable to achieve quality objectives. Quality audits are conducted by qualified and trained auditors in a planned manner. Audit findings in the form of non-conformance are reported to the top management for initiating appropriate corrective and preventive actions. Implementation of corrective action is verified on the basis of follow-up audits by the auditor.

7.10.6 Review and Evaluation of Quality System

An organisation's management should provide for an independent review and evaluation of the quality system at defined intervals to ensure its continuing suitability and effectiveness for implementation of quality policy and achievement of quality objectives. The review should consist of a structured evaluation based on audit findings, customer complaints, market feedback, process performance, quality records and the overall performance of the quality system. Based on a management review, appropriate action should be taken to improve the quality of products, processes, facilities, systems and people.

7.11 Implementation of Quality Management System

> "Quality isn't something that can be argued into an article or promised into it. It must be put there. If it isn't put there, the finest sales talk in the world won't act as a substitute." —C.G. Campbell

Implementation of ISO 9001 quality system in an organisation can be done in various phases. The effort and time required will depend on the size of the organisation, complexity of the processes, existing level of quality management system and culture. The foremost requirement of implementation is the commitment to QMS by the top management and the involvement of all. To ensure that all employees are involved, there has to be formal and informal communication across the organisation (refer to Fig. 7.7.).

The various phases of implementation are as follows:

1. Start-up and planning
2. Documentation
3. Implementation

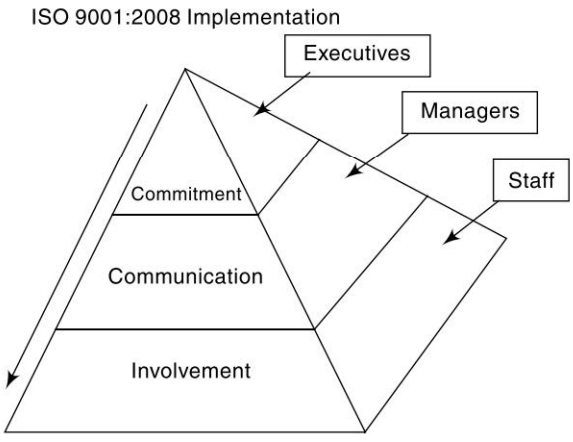


Fig. 7.7 *QMS Implementation*

4. Internal quality audit and stabilisation
5. Certification

7.11.1 Phase 1: Start-up and Planning

The most important activity for ISO 9001 implementation is to have a strong will and firm commitment from the top management which is followed by selection of a competent consultant. A Management Representative (MR) is appointed as coordinator who has to plan and take action for the implementation of the ISO 9001 quality system in the organisation under direct supervision of the top management.

Before implementing the quality system, every member of the organisation must be aware of why and how they are going to achieve the QMS standards. This is done through a series of workshops conducted to make the senior and middle management level personnel aware of the quality system and their roles and responsibilities in its successful preparation and implementation.

7.11.2 Phase 2: Documentation

The documentation starts with the formulation of the quality policy and quality objectives. The employees should be involved in this phase itself. The quality policy should be widely discussed and then adopted to ensure acceptance and commitment of all.

The preparation of the quality manual can be a time consuming process. Therefore, the actual process owners should organised in the form of teams to formulate the quality manual, which will be finally approved by the top management.

Along with the documentation activity, all the production and servicing facilities are upgraded to meet the quality requirements of the product specification. This activity is implemented and monitored under the guidance of the Management Representative.

7.11.3 Phase 3: Implementation

After the completion of the quality system documentation and upgradation of production and service facilities, all employees are retrained on the new documented quality system. They are motivated and informed about their new roles in improving quality and the benefits it will bring to them and the company. A group of internal auditors is also trained to conduct internal quality audits of the quality system. Only once all the personnel are trained, a specific date is selected for putting the new system in operation with a proper ceremony. All the work is carried out as per the newly documented procedures and no deviations are permitted from the documented procedures.

7.11.4 Phase 4: Internal Quality Audit and Stabilisation

Internal auditors are appointed and trained with the help of external trainers. An audit schedule is prepared to continuously monitor implementation of the system and progress is reported to the top management. Based on the observations of the auditor, corrective actions are taken by the concerned people to rectify the deficiencies and non- conformance identified in the processes and systems.

To ensure that the new way of working becomes a norm, the concerned people periodically review the performance of the quality system implementation. Based on the review outcome, appropriate corrective and preventive actions are taken to make sure that the new system is stable and is practiced by all employees of the company.

7.11.5 Phase 5: Certification

After a sufficient period of stable operations, the performance is reviewed jointly by the consultant, management representative and top management. Once the organisation is confident of the quality system's successful implementation, an appropriate Quality System Certification Authority is selected with the help of consultant. An application is filed to the Certification Body for the initiation of the certification process.

After examining all the documents, a final assessment of functioning of quality system is conducted by licensed auditors deputed by the certification authority.

After the quality audits and completion of satisfactory corrective actions, if everything is found in compliance with the applicable standard, a Certificate of Registration is granted. Certification is generally valid for three years, subjected to continual maintenance of requirements for certification. After the grant of registration, a surveillance audit is conducted by the certification body at least once in every six months.

SUMMARY

Organisations have to create a customer-focused orientation with emphasis on the quality being delivered to the customer. This chapter has explained in detail the concept of quality and quality management. Instead of focussing on one process or product, the quality attainment demands emphasis on all the processes in totality, so that the stated needs of customers can be fulfilled. This can be achieved by implementing the Quality Management System (QMS) principles in letter and spirit and not only for the sake of a certification. QMS principles have been standardised by the International Standards Organisation (ISO) and the latest standards ISO 9001: 2008 have been discussed in detail here, including details of the documents required, the implementation process, certification and its maintenance. Customer focus, Leadership, Involvement of people, Process approach, System approach to management, Continual Improvement, Fact based approach to decision-making and Mutually beneficial supplier relationship are the basic core principles and philosophy of QMS. If these principles are implemented in entirety and sincerity, the organisation will not only attain core competence, but also achieve competitiveness in the market in the long run.

KEY TERMS

- **Quality**
  A customer can be said to be a loyal customer, if he/she is willing to repurchase the product/service and recommend it to other prospective buyers.
- **Quality Policy**
  Quality policy is the explicit statement formally announced by the top management of the company showing its intention with regards to quality. It sets the direction for all stakeholders for the implementation of quality programmes and quality systems.
- **Quality Objectives**
  These are measurable and achievable quality targets to be achieved within a prescribed time.
- **Quality Manual**
  Quality Manual is a document containing the quality policy, quality objectives, organisation structure chart, responsibility matrix and depiction of the quality system of an organisation.

- **Quality Procedures**
  The purpose of quality procedures is to document how the policies and objectives expressed in the quality system manual will be implemented and achieved at each functional department or divisional level.
- **Quality Management System (QMS)**
  The organisation is said to implement QMS if its processes are designed to focus the company towards quality and customer satisfaction.
- **Continual Improvement**
  This is the belief that an organisation must constantly measure the effectiveness of its processes and strive to improve its quality objectives to meet customers' requirements.

REVIEW QUESTIONS

1. Explain the importance of quality for achieving effective CRM in an organisation.
2. What do you understand by Quality Management System (QMS)? Explain its basic principles.
3. 'The concept of continual improvement is the core philosophy of QMS.' Justify and explain the statement with examples.
4. Explain the procedure of implementation of ISO 9001: 2008 QMS.

PROJECT ASSIGNMENTS

1. Study the QMS implementation in any two organisations of your choice and examine the effectiveness of QMS in improving the quality of products and services.
2. 'The commitment of the top management is an essential prerequisite for the implementation of QMS.' Examine the statement to find out the role of leadership in adoption of QMS.
3. Explain the ways and means by which 'involvement of people' can be encouraged in improving the quality of the systems.
4. Differentiate between quality policy and quality objectives. Study and analyse the quality policy statements of a few Indian companies from the auto, banking and insurance, and hospitality sectors.

FURTHER READINGS

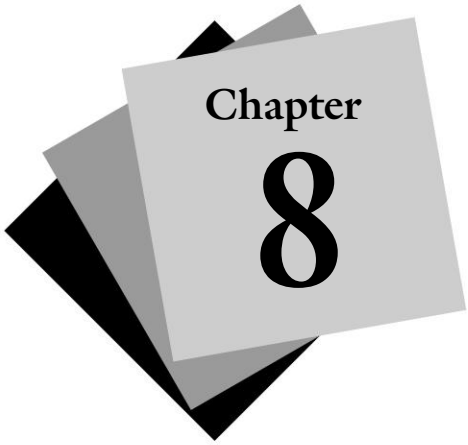
- Frank M. Gryna (2007), *Juran's Quality Planning & Analysis for Enterprise*, Tata McGraw Hill
- Mitra and Amitava, *Fundamentals of Quality Control and Improvement*, PHI
- Michael L. George, *Lean Six Sigma: Combining Six Sigma Quality with Lean Speed* (Paperback), Tata McGraw Hill
- Goldratt, Eliyahu M. and Jeff Cox (2005), *The Goal: A Process of Ongoing Improvement* (Paperback), Productivity & Quality Publishing
- Standardisation, Testing and Quality Certification *(*STQC*)*, website: www.stqc.nic.in, last accessed on May 7, 2011

PART III

PLANNING AND IMPLEMENTATION OF CRM

Part III focuses on planning and implementing CRM in an organization. It presents the applied knowledge required for successful implementation of CRM application. It first introduces Sales Force Automation (SFA) and discusses its objectives and features. With the help of the corporate examples, the strategic advantages and critical factors for successful SFA also have been elaborated. This part then moves on to explain the meaning, importance, scope and significance of eCRM in a separate chapter and provides insights into commercial applications, features and specifications of eCRM solution..

This part also explores the subject matter related to implementation and adoption of CRM in an organization and touches upon the issues that are important for bringing customer orientation within an organization such as selection of right application, carrying out Business Process Reengineering (BPR) and alignment of all the functional and operational areas. Finally, while discussing the future of CRM, the essential concepts of two emerging technologies—Software as a Service (SaaS) and cloud computing—and their impact on CRM deployment have been discussed.



CRM and Sales Force Automation

Learning Objectives

After going through this chapter, the readers will be able to understand

- Sales Force Automation (SFA) and its relation to CRM
- Objectives of SFA and desirable features in an ideal SFA
- Different facilities available in SFA
- Strategic benefits of SFA
- Factors critical for the success of SFA
- Implementation issues of SFA

8.1 Introduction

Before CRM applications came into existence, it was difficult for sales persons to manage contact details like names, addresses and phone numbers manually. They also had to keep track of the next appointment, and manage details of all previous conversations. The only option with sales persons was to keep physical diaries and manually integrate all these details into their personal calendars. The

market was soon flooded with software applications called Contact Managers, which were an integration of personal diaries and contact information. Salespersons then used these contact managers for their daily operations.

These contact managers solved the problems of individual salespersons to some extent, but organisations could not derive too many benefits out of this arrangement. They needed a solution which could help them keep track of performance of individual salespersons as well. Moreover, all information about prospective and existing customers was with the field staff and the organisation was fully dependant on salespersons to drive their sales. In case of attrition in the sales force, it led to a loss of information and ultimately a loss of customers and business. Realising the need of a new system, a number of IT companies started offering a new system known as Sales Force Automation (SFA).

With the implementation of SFA in the organisations, a lot of information regarding prospects and customers was captured and this resulted in creation of a customer knowledge bank. Once the organisations felt the need to execute marketing activities and management of services using the data available in SFA, the need to integrate marketing and service management with SFA was felt. The combination of these three basic functionalities of organisation—Sales, Marketing and Service gave birth to CRM Applications (refer to Fig. 8.1). Hence, SFA is instrumental in the evolution of CRM, which has further evolved to get integrated with modern customer interfaces like Web, Email, Mobile and Interaction Centers and into core internal business processes provided by ERP.

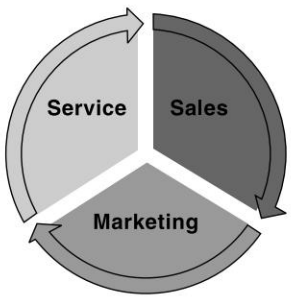


Fig. 8.1 *Core Modules of CRM*

Even today, sales forms the core of CRM, therefore, it is important to understand SFA in detail for understanding clearer picture of CRM. In this chapter, we shall discuss the facilities and features available in SFA, which are part of sales functionality provided by the CRM system.

8.2 Sales Force Automation (SFA)

With the growing size and complexity of companies, the management of sales and sales force becomes more difficult, especially when most of the salespersons operate far away from the direct supervision and contact of their managers. Consider the example of a leading life insurance company in India with thousands of salespersons; the effectiveness and efficiency of the sales force is a crucial parameter of the competitiveness of the company. The world is changing so fast that today, organisations cannot rely on obsolete and traditional tools any more in the area of sales management. Traditional tools of sales management may persist but yet need to be replaced with more efficient and techno-savvy tools to gain a competitive advantage. Providing the sales force with the right tools for being in constant connect with the customers has become necessary for survival in today's technology-reliant environment. Sales management is the most challenging task in any organisation. In these days of rigorous competition and decreasing product differentiators, it is difficult for salespersons to meet their targets. Sales management involves management of sales force, customer data and its optimum use, sales administration, task management and tracking product provisioning after obtaining sales orders. This management needs the support of a tool that can help in the day-to-day operations and at the same time give insight for planning of future activities. **SFA is a tool that can integrate technology with information and internal processes of sales organisation to coordinate all sale activities.**

Sales Force Automation is typically an IT tool that automates the sales tasks such of both, salespersons and sales managers by integrating these processes with a backend database system. The system provides the platform for effective and efficient sales operation and at the same time provides a basis for analysis of data, which is used for planning, sales forecasts and strategy formulation.

8.3 Objectives of SFA

The objective of Sales Force Automation is to coordinate sales processes to make them more efficient and improve customer interaction. SFA records the information and knowledge of all stages in sales activities and generates a knowledge bank which is used by both, sales persons and sales managers. SFA also has a contact management system which can track all contacts that are collected from customers during interactions, the purpose of the contacts and the schedule of follow-up. This knowledge bank is used by the organisation for future sales calls and sales management. At the same time, now information is not just with employee, but becomes the part of organisation and avoids duplication of effort. It can be irritating for a customer if repeated calls are received from two persons/units/channels for the same product from the same organisation. This application also includes a sales lead management system, which has the facility of lead qualification, lead assignment and tracking. SFA also includes facilities for Territory Management, Order Management and billing, etc. which are required for successful completion of the sales process. The performance of sales operation, employee-wise, territory wise or product wise can be monitored and analysed.

8.4 Features of SFA

There are a variety of SFA products available in the market providing a plethora of different features, which encompasses different activities of sales management. A flexible and mature framework of SFA generally consists of different building blocks as given in Fig. 8.2.

Fig. 8.2 *Building Blocks of SFA*

Diverse areas like Product and Customer Data, Product Provisioning, Sales Administration and Task Management can be integrated using SFA to reap maximum benefits. These building blocks of SFA provide a range of features and facilities like Account and Contact Management, Territory Management, Lead Management, Opportunity Management, Sales Process/Activity Management, Incentive and Commission Management, Forecasting and Analysis, Approvals and Workflow, Maintenance of Product Catalogue, Customer Asset Management and Partner Management. This wishlist of features and facilities may vary from one IT system available in market to another. A generalised wishlist of desirable features is given below to get an insight into the working of an ideal SFA (refer to Fig. 8.3).

8.4.1 Account and Contact Management

SFA maintains a depository of all contacts and accounts. An **account** contains a single **contact** in case of an individual customer, but in case of an organisation or enterprise customer, one account may contain multiple contacts of different hierarchical levels of the client organisation. A complete picture of accounts in terms of their purchase history, buying patterns and contact details is made available to sales representatives, account mangers and management. These accounts can be segmented into different categories as configured in the system based on different criteria like product/service types,

lifetime value, geographical distribution, and so on. The system captures, monitors, stores and tracks all crucial information of customers, prospects and partners. The system also gives the facility of maintaining the hierarchy of contacts within customer organisation, so as to have better coordination while dealing with corporate customers. The same data is used for generating sales orders, invoices or any future dealing with the customer. This helps in tracking all dealings and purchasing with the customer, so as to explore the possibility of up-selling. The referrals from customers also form part of this database. The customer category and any SLA with customer are also linked to have a complete picture of the customer profile. The contact assignment rules can also be set up for distribution of contacts to salespersons and their managers.

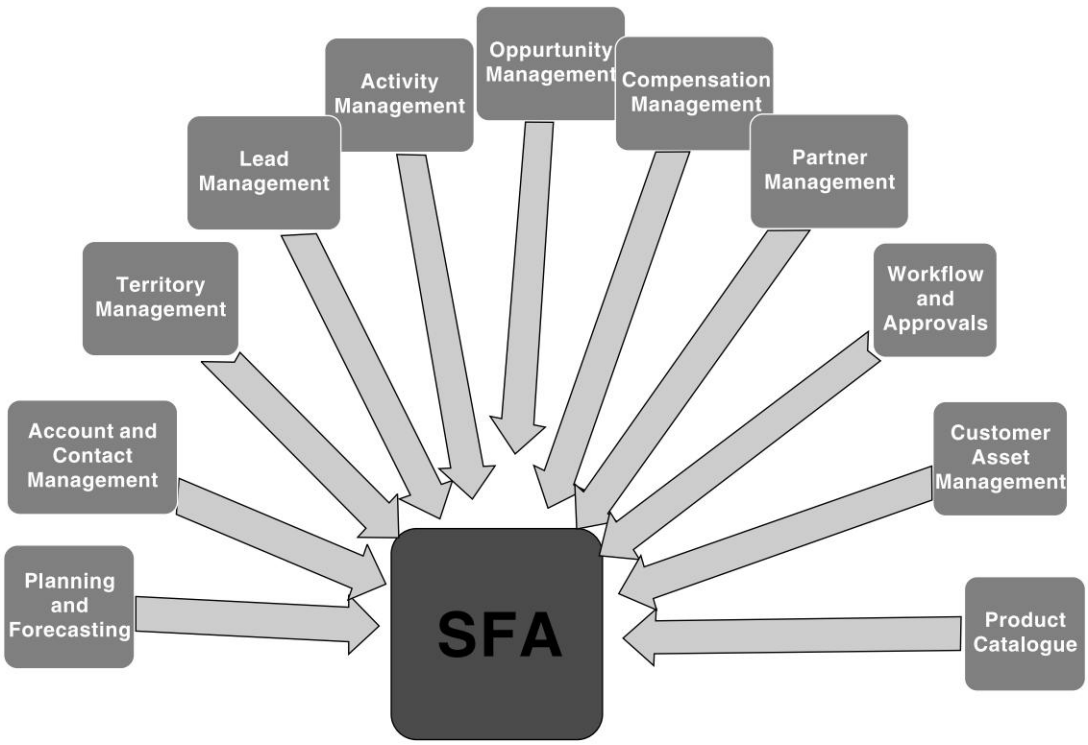


Fig. 8.3 *Features of SFA*

8.4.2 Territory Management

Time is the most valuable asset for a salesperson. Ineffective and unplanned sales territory management leads to unnecessary wastage of time and loss of opportunities, therefore, it is necessary that territories are optimally planned and allocated. In SFA, different territory and sales organisational units can be defined depending on the criteria selected by the organisation. The criteria for defining a territory can be geography, size, revenue, product/service or importance of accounts. Mapping of sales staff to different territories and organisational units can also be done effectively using SFA.

Territory Management through SFA can be a mutually rewarding exercise for both, the customer and organisation. The organisation is benefitted as it can optimally plan, maintain and analyse its territories resulting in monitoring of its sales force and covering all of its territories effectively. On the other hand, the customer gets the advantage of remaining in constant touch with the organisation.

8.4.3 Lead Management

Most SFA systems have facilities of Lead Capturing, Lead Qualification, Lead Assignment and Tracking the leads from end-to-end. Leads can be imported from other sources of data or captured using mobile SMS and Web Interface. All interactions of the prospect at company website can be used for capturing data. The leads can also be captured through call centres. The rules for lead qualification are to be defined and entered into the system, and then SFA applications can automatically qualify these leads. The leads are then automatically assigned to salespersons for follow-up. Future interactions are entered into the system by salespersons. The leads can be qualified to the next level and converted into sales opportunities and accounts. Also, sales managers can track individual leads and monitor the progress of individual salespersons. The lead management process can be modified by the administrator as per the need of the organisation.

8.4.4 Opportunity Management

With SFA, sales management gets a facility to track all sales opportunities at every stage of the sales cycle, import data of prospects from other business applications running inside the organisation, set up linkage of such opportunities with accounts, contacts, activities, and other modules to convert the opportunity into sales, track competition and eliminate any bottlenecks and hurdles.

8.4.5 Sales Process/Activity Management

SFA products will have a standard process of sales methodology. **The sequence of activities used to complete the sales cycle forms the sales process,** which can be customised as per requirements of the sales organisation. This brings uniformity as the whole organisation will follow a similar sales process. Calendar management is also part of the system where salespersons get reminders and guidance from the system for their activities.

Salespersons will have facility to enter the completion of different activities of a sale process. This ensures monitoring and compliance to a uniform methodology. Team collaboration tools are also available as part of SFA. Using such tools, the sales representatives can take help of their sales colleagues or product experts for dealing with a customer. While dealing with sophisticated products, individual selling is difficult. Managing the schedule of different individuals forming a team becomes a difficult task. SFA aids in this by providing team collaborative tools. For example, for a sales demo of a technical product to an enterprise customer, there may be a need of a team consisting of sales, product and installation divisions. Such teams can be formed using team collaborative tools and schedule calendars of each member of the team will get automatically updated by the system.

8.4.6 Incentive and Commission Management

The compensation and incentive plan can be planned, developed and managed and commission and incentives payable to individual salespersons can be calculated from the system directly. If configured, this information can be made available to the employees.

8.4.7 Workflow and Approvals

Most SFAs provide the capability to automate internal workflows and approval processes, which improves the efficiency of sales processes. This results in elimination of unnecessary delays and holding of tasks and documents at different hierarchical levels, leading to adherence to timelines.

8.4.8 Maintenance of Product Catalogue

In a scenario where companies are dealing with diversified products lines, managing highly complex product mix with differential pricing policies catering to different customer segments, it becomes almost impossible to manage and update information through physical product catalogues, which are prone to obsolescence. Moreover, market dynamics necessitate frequent additions of new features, new products and price variations. Here, SFA comes as a saviour, with the availability of **e-product catalogues,** which ensures updated, right and uniform product information across the organisation and to the customers. It also ensures increased consistency and easy access of product and pricing information to sales teams.

8.4.9 Customer Asset Management

Precise knowledge of existing products of the organisation with customers can provide precious inputs for generating leads for future up-selling and cross-selling. SFA maintains data related to past purchases of customers and tools available can be used by sales teams to extract relevant information for the same. The horizon of SFA can be broadened by having a facility to record and maintain the information of purchase of competitors' products by customers, which may be used for future sales opportunities.

8.4.10 Partner Management

The sales force consists not only of direct channel partners but also numerous indirect channels and therefore, no SFA is complete without the inclusion of channel partner relationship management into its fold. Ensuring the intensification and achievement of direct and indirect sales channels is a more serious prerequisite for constant growth of an organisation's revenues. By including partner management, SFA becomes capable of providing visibility of complete sales funnel resulting in streamlining sales function in a focussed manner.

8.4.11 Forecasting and Analysis

Sales Force Automation provides comprehensive tools for analysis of past performance, which can be effectively used for planning and forecasting. Key performance indicators like lead conversion, performance of individual salespersons and teams, time and geographical trends, variations and related statistics and information become available at the click of the mouse. This information can be used for steering operations in the desired direction and formulation of strategies for the future.

Sales organisations are required to plan and forecast sales for future periods. Since historic data is available in the system, SFA gives analytics which can be used to forecast sales and accordingly fix targets. Targets can then be assigned to different territories and to individual salespersons.

Check Your Progress-I

1. What is Sales Force Automation?
2. List any five facilities provided by SFA.
3. Explain briefly the facilities to manage leads as available in SFA.
4. Differentiate between account and contact.
5. What are the benefits of Territory Management through SFA?

8.5 Strategic Advantages of SFA

Implementation of SFA in an organisation gives strategic advantage to the organisation as Knowledge of customers which otherwise remains confined to salespersons becomes an asset to the organisation. This information can be effectively used for management of the sales process, which now becomes uniform. Dashboard reports can be used for day-to-day activities and analytic reports can be used for forecasting and planning sales activities. Routine reporting becomes automatic. Generally, more than 50 per cent of the time of the salespersons in any organisation is spent in no-value-added activities like filling sales reports, reporting booking, etc. Implementation of SFA saves time of the operational and management staff and increases productivity substantially as they can utilise their time in actual sales activities and can be the partners in value-creation for the organisation. The management too, becomes empowered with more insight into the performance of organisation. All information about customers can increase sales volumes by boosting customer satisfaction and getting more opportunities for up-selling and cross-selling.

Implementation of SFA gives a technological edge to the organisation, as salespersons remain connected to the organisation through different technological interfaces like mobile and internet even if they are physically distant physically. They get regular updates of the prospects and clients through this interface and the organisation can also be in touch with the sales force. Also, they can check stock inventory levels, information on new products, models and services anytime from anywhere. They can also seek help from the technical teams, service staff and other colleagues as per the requirements of customers.

Corporate Example

Sales Force CRM Gives Allianz the Edge in Selling Business Insurance

Challenge

- A leading UK-based commercial insurance business was managing relationships with 2,000 brokers at a local level using fragmented sales and relationship management processes across 12 UK offices.
- Allianz's aim was to increase sales growth and profitability.
- The company wanted to streamline operations to make better use of sales resources.
- Allianz wanted to move closer to the broker intermediary community.

Solution

- Allianz deployed Salesforce CRM Sales to 350 employees in 12 UK offices, creating a single, near real-time view of business insurance target audiences.
- Salesforce CRM is used across a number of disciplines, including Broker Relationship Management, Quote New Business, and Development Management.
- A real-time broker relationship dashboard spans key topics such as call planning, meeting minutes, actions, the status on large cases, and new business prospects.
- In Quote New Business, Salesforce.com Consulting has been instrumental in the development of a customised dashboard highlighting real-time issues such as quote allocation, quotes in the market, won cases, net and gross strike rates, large cases, and status on prospects.

- Development Managers can score data quality, understand the extent to which the right brokers or contacts are being visited, and the degree to which contacts are being related to opportunities.
- The team has implemented scores of unique field, tabs and custom objects, largely themselves without support from the technical department.
- Salesforce.com Consulting designed and implemented a bottom-up Net Promoter.
- Allianz deployed a scoring system which manages customer satisfaction reporting and measurement in only six weeks.

Results

- Since the implementation of Salesforce CRM, the net strike rate (opportunity conversion rate) for underwriters has risen by 17.4 per cent as compared to what it was the year before.
- The gross strike rate for Business Developers is also a 10 per cent improvement on 12 months previous.
- 'Priority 1' opportunities have achieved a gross strike rate of 22.4 per cent, which is twice the business average. And the volume of Priority 1 opportunities that have been closed has increased by 108 per month.
- As part of the bottom-up Net Promoter Scoring system, Salesforce CRM collects the data and provides a near real-time dashboard view of the situation across all 12 locations - accelerating management decision-making and enabling the company to more rapidly execute change management programmes.
- A 90 per cent log-in rate reflects the popularity and importance of the system.
- Allianz completed a highly successful six weeks roll-out to 12 offices and 350 users in the U.K.

Source: http://www.salesforce.com, last accessed on January 21, 2011

8.6 Key Factors for Successful SFA

Planning is always easier than execution and implementation. In the case of SFA, if caution is not exercised, significant issues get neglected and smaller matters that have no impact on the organisation gain prominence. For effective and smart implementation of SFA in any organisation, the following issues must be addressed:

8.6.1 Acceptance of the System by Sales Staff

The most critical factor for the success of SFA is acceptance of the system by the sales staff. The sales staff is the first beneficiary of the system, but there is a general resistance on grounds of additional data inputting work, fear of technology and fear of being monitored. The value addition of this technology must be spread through awareness programmes and the staff should be prepared to adopt the system by communicating to them the benefits of automation and a central pool of information. The prospective benefits of SFA should be listed and communicated to all employees who have to use the system. Before deploying the system, all employees should be trained and given sufficient user guidelines.

8.6.2 Design of Sales Process

The second important factor for successful implementation is a proper design of the sales process. Existing processes should be examined and analysed with reference to industry best practices. There should be consensus within the organisation for new process to be adopted. For this to happen, new process should also be widely discussed and debated before finalisation.

8.6.3 IT Infrastructure

IT infrastructure for implementation of SFA should be capable of handling the requirement of organisation. Teething problems in infrastructure and connectivity issues discourage utilisation of the system. Moreover, the integration with different customer interfaces should be properly planned and implemented.

8.6.4 Compensation Plan

The compensation plan should be linked to the quality of data entered into the system. Ultimately, customer data is the most important asset of the organisation. The compensation and commission policy should be redesigned and the use of technology should be encouraged.

Check Your Progress-II

1. List any two strategic advantages of implementation of SFA.
2. Write three points to be considered for SFA implementation.

Corporate Example

Sify Sales Force Automation

Sify SFA has been designed to manage customer interaction through the sales cycle, from prospecting through order fulfilment. Sify SFA comes in two parts— Corporate and Pharma.

- **Sify Corporate SFA** is designed for businesses that focus on sales through key account management.
- **Sify Pharma SFA** is designed to address specific needs of the pharmaceuticals businesses.

Sify Corporate SFA is a Web-based SFA solution that can help account managers—both, in office and on the field— manage their calls and access information and seek price/proposal approvals seamlessly.

Sify SFA enables managers to have access to information about the productivity and activity of the account managers at their fingertips. It improves productivity and efficiency of the sales team thereby leading to higher profitability and satisfied customers.

Benefits of Sify Corporate SFA

- It provides for a unified view of the customer / prospect to the Account Manager and Sales Managers

- Has workflow integrated so that any proposal goes through an approval cycle
- Provides for role based access to the system (Account Manager / Regional Manager /Country Sales Manager)
- Provides comprehensive reports at each of the levels
- Aids the Sales Team in managing its activities by providing for Task and Meeting Management modules
- Avoids duplication of work as it eliminates re-entering of data and all the standard calculations are performed automatically

Sify Pharma SFA is a Web-based Sales Force Automation system for the pharmaceuticals businesses wherein. Medical Representatives (MRs) can enter their reports from anywhere by using the Internet. All data is saved at the company's application server for analysis as required. Sify Pharma SFA builds a direct relationship between corporate headquarters and the remote medical representative. The company, thus, is able to keep its field force updated with respect to the information and other reports by using the document library on the portal.

Benifits of Sify Pharma SFA

The benefits of such a system will be

- Avoids duplication of work: Data once entered can be collated and reports made which eliminates the need to re-enter data and all standard calculations are performed automatically
- Enhance productivity: Faster information flow will enable to address pain areas and take corrective actions. MRs will also be able to prepare and send their reports in a more efficient manner.
- Better controls: Daily reporting of Inventory—Sample, Promotional materials will ensure better inventory control and enable the company to keep tabs on their usage. DCRs and sales reports, comparison with tour plans and deviation tracking will ensure that the Area Managers have all the information.
- A web-based application ensures that authorized users can access the information when required. This becomes more pertinent for users on-the-go.

Sify SFA—Pharma can support Medical Representatives in handling specific queries and activities with physicians, hospitals, chemists and stockiests, analyse performance of MRs, AMs, etc., review stocks and promotional activities.

Source: http://www.sifycorporate.com, last accessed on May 5, 2011

SUMMARY

In this chapter, we have discussed the introduction and objectives and features of SFA. Account and Contact Management, Territory Management, Lead Management, Opportunity Management, Sales Process/Activity Management, Incentive and Commission Management, Forecasting and Analysis, Workflow and Approvals, Maintenance of Product Catalogue, Customer Asset Management, Partner Management, Forecasting and Analysis have been explained in detail. Sales force CRM and Sify Sales Force Automation, strategic advantages and critical factors for successful SFA also have been described with corporate examples.

KEY TERMS

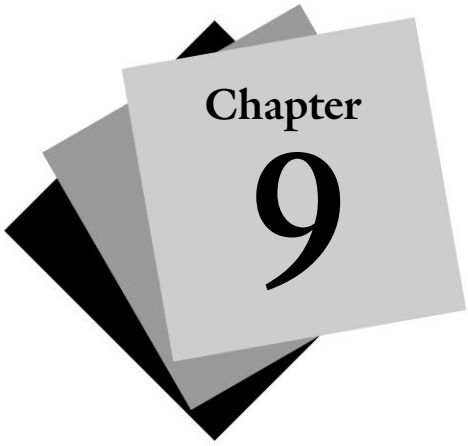
- **SFA**
  It is a tool that can integrate technology with information and internal processes of a sales organisation to coordinate all sale processes.
- **Lead**
  It refers to potential customer identified for exploring sales.
- **Sales Territory**
  It is defined area of operation for sales generation based on parameters like product category, geography, etc. and assigned to a sales unit.
- **Sales Process**
  Sales process is the sequence of activities used to complete the sales cycle forms the sales process.
- **Dashboard Reports**
  This term is used to represent as on time operational reports.
- **Analytical Reports**
  These are reports based on analysis of past data.

REVIEW QUESTIONS

1. What is Sales Force Automation (SFA)? How is it related to CRM?
2. What are the benefits of the implementation of SFA?
3. Study any SFA application to find out what features will be available in such an application.
4. What are the hurdles in the implementation of SFA? How should these be overcome?
5. Study the implementation of SFA in any organisation and get feedback from the sales staff regarding its utility.

FURTHER READINGS

- Dyche, Jill (2007), *The CRM Handbook: A Business Guide to Customer Relationship Management*, Pearson Education.
- Sheth, Jagdish N.; Parvatiyar, Atul and Shainesh G. (2003), *Customer Relationship Management—Emerging Concepts, Tools and Applications*, Tata McGraw-Hill.
- Nath, Dhruv (2005), *The Nuts & Bolts of CRM*, Tata McGraw-Hill.



eCRM

Learning Objectives

After going through this chapter, the readers will be able to understand

- What is eCRM and what are its advantages
- Ways of handling data in eCRM—OLTP and OLAP
- Some eCRM applications available in the market—SAP CRM and Oracle CRM
- The specifications expected in an ideal eCRM solution

9.1 Introduction

With increasing competition and decreasing product life cycles, there is requirement to retain customers for longer periods. To succeed organisations must have a strategic edge over competitors. This strategic advantage is a competitive edge of the company that cannot be copied by others in the short term. In the past, companies used to look for specialised products and better price-offerings for generating strategic advantage. But today, the scenario is entirely different. Things such as innovations in products, competitive pricing, promotional strategies, etc. can be easily and quickly copied by competitors in the industry. For example, the revolutionary and dynamic Indian telecom industry is witness to this trend in recent times. Today, when one mobile service provider offers a new pricing in the market, the same is immediately imitated by others and no one gets a strategic edge over the others. Similarly, a new innovative service is launched by one telecom operator and soon a variant of the

same is launched by another. Thus, to seek success, companies must look beyond traditional ways of getting a strategic edge. One such option is to use Customer Relations as a strategic advantage.

For this to happen, it is essential that each interaction with the customer or prospect is considered as an opportunity to build the relationship. The process of interaction with the customer depends on circumstances and experiences and cannot be copied by other organisations. If an organisation aims for strategic advantage in terms of excellence in the processes of interactions with customers, only then does this advantage become durable and strategic. And it can happen only by a successful implementation of CRM concepts in the organisation.

Practical implementation of CRM requires capturing of all customer information and making the same available for new interactions with customers. In a big organisation, this is not possible without the use of information technology. Only IT can help capture complete customer information, link it to internal processes of the organisation and make the same information available at different touch points to maintain consistent and uniform customer interactions. This can take place only if companies build the right tools in the form of eCRM. The use of Information Technology is becoming more and more pervasive in running such business processes in organisations. There are number of eCRM solutions available in the market that fit different industries of varying sizes. In this chapter, we will discuss eCRM and its various aspects.

9.2 What is eCRM?

Previously, eCRM was perceived as a tool for providing a Web-based interaction or using the Information Technology to capture customer information and using the same for marketing and sales campaigns. However, over a period of time, eCRM has matured to become a platform of a mutually rewarding relationship for organisations with customers. The eCRM is integration of People, Processes, Knowledge and Customers with the help of Information Technology (refer to Fig. 9.1). It is a highly effective **Strategic Advantage Tool** for any organisation.

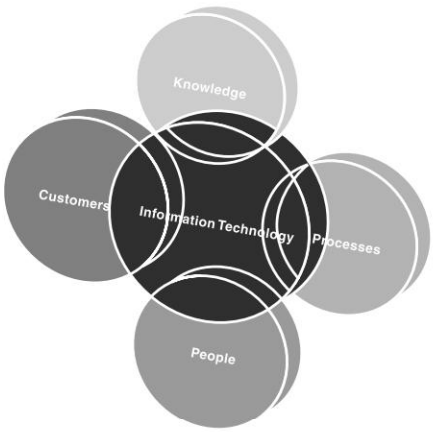


Fig. 9.1 *The eCRM: An Integration with IT*

The eCRM provides a facility to organisations to capture customer information from each interaction using IT applications into a central database system. Then, this information is used to drive internal processes of the organisation for delivery of a product and service to the customer. The same data is used for subsequent interactions with the customer. The eCRM is now implemented as an integral part of organisational business processes and covers every touch point of the customer. It is intended to cover the whole life cycle of the customer from qualification of prospects to retention over long-term basis.

9.3 Benefits of eCRM

The emergence of eCRM has led to enormous benefits to both customers and organisations. Some of these are discussed here.

One face of Customer Information

The customer gets the same information irrespective of the channel of interaction of the customer. Frontline staffers need to be empowered with information about the customer for interaction to be productive. CRM solutions help capture information from customers from all interactions and manage it to a central database. The information no longer remains confined only to the front-line staff. If everyone in the organisation is picking up information for interactions from a central database, the customer can be served with better understanding leading to smart and quick decisions.

Integration

The organisation provides multiple contact options to customers like call centres, Web, email, mobile, and personal contact centres for increasing access and reach to larger markets. With eCRM, all transactions get integrated through a common database system and details of all interactions are captured. But this is not sufficient as these interactions of the customer have to be followed by delivering the service or product. For meeting such requirements, the organisation should have the internal capability to meet commitments. This will be possible only if service delivery and sales processes are integrated with this database and contact centres. Further, for marketing functions like planning and executing marketing campaigns, distribution decisions, channel-management, pricing policies, product strategies, and so on, there is a need to have data of existing customers and sales performance. The eCRM provides this platform through which interaction channels are integrated with marketing, sales and service functionalities (refer to Fig. 9.2).

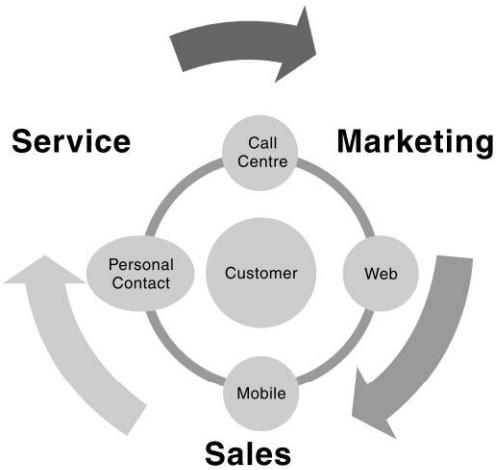


Fig. 9.2 *Integration of Interaction Channels and Business Functionalities through eCRM*

Operational Intelligence

With eCRM in place, operational staff like sales people, marketing team, technical experts and service technicians/engineers will have all the required information of the customer and details of the products being used by him, even before interacting with them. Hence, employees are now not blind fliers. For operational managers, dashboard reports, which are needed for day-to-day functions, are available through eCRM (refer to Fig. 9.3).

A **Dashboard Report** is an operational report for front-level executives and managers. It helps to visualise and keep track of performance and trends so that they can be aligned to targets and business goals. The eCRM provides very complex information quickly in a visually rich way using maps, charts, bar diagrams and other graphical methods. It helps to have an eye on operational performance and meeting the targets of Key Performance Indicators (KPIs). This leads to managing, measuring and monitoring the performance in operational areas.

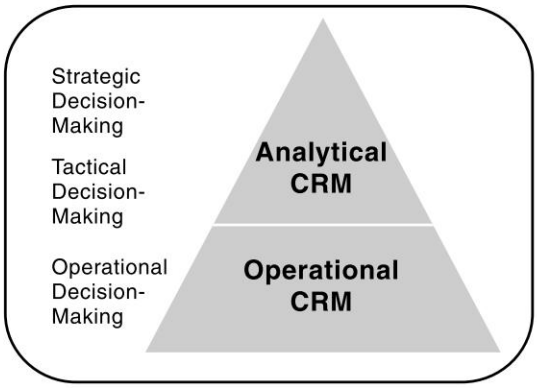


Fig. 9.3 *Analytical and Operational CRM*

Similar to a car dashboard, which guides us with directions, and leads us to our destination smoothly, dashboard reports are guiding paths for the operational staff and front-liners in an organisation, which help them to take better, logical and rational decisions to improve business performance. As we can steer our car in a desired direction using a dashboard, similarly, with information from dashboard reports, we can take corrective actions and steer our organisation in the direction aligned towards business objectives.

Analytical Intelligence

The eCRM captures information about customers and provides a whole lot of information that may be needed for various strategic decisions/long-term decisions to be taken by the top/middle management (refer to Fig. 9.3). Analytical reports generated by eCRM will be based on data captured by eCRM over a period of time. On the one hand, these reports will depict the actual customer behaviour, buying patterns, association of customers with the organisation, customer profiles, their geographical distribution, their psychographics, etc. Another aspect of these analytics will be the depiction of an organisation's performance and capability with regards to sales operations, marketing effectiveness, service delivery quality and performance. The top management can analyse capabilities of the organisation vis-á-vis customer-expectations and strategies can be formulated based on gap analysis. Decisions like marketing planning, executing a campaign, business process reengineering, product modification or any other strategic decision of the company, are facilitated by such analytics provided by eCRM. The senior management can use pervasive CRM analytics for making and execution of strategies to improve customer experience and increase customer lifetime value.

Check Your Progress-I

1. What is eCRM?
2. List the benefits of eCRM.

9.4 Data Handling in eCRM

Depending on how data is handled during transactions, IT applications can be categorised into two types:

- On Line Transaction Processing (OLTP)
- On Line Analytic Processing (OLAP)

On Line Transaction Processing (OLTP)

In OLTP, one set of applications is used to carry out day-to-day operations. These applications are generally used for operational activities of the organisation. **OLTP transactions require current exact online information from the database.** Further, individual transactions require few records from the database, hence use very small IT resources, but the total number of such transactions will be very large. The processing time is a critical parameter in such applications. For example, a sales person fetching details of a lead or updating his/her appointment schedule with a client in his/her CRM application expects a quick response from the system. Such applications will always deal with current data. OLTP data is most critical for running business processes; therefore, loss of this database can jeopardise operations of the organisations. This is the reason maximum efforts are made to ensure availability and security of the same; hence backups are taken very religiously.

On Line Analytic Processing (OLAP)

The second category of applications uses historic data created by operational applications to create analytical reports. Such applications are called **On Line Analytic Processing (OLAP).** The number of transactions in such application would be small but each transaction will be complex. OLAP data is generally used by senior management for strategic business decisions. There are technical ways of extracting a summary of data from operational data and then storing it for OLAP applications. The depository of such summary data is called **data warehouse.**

Since operational CRM is used for day-to-day operational activities, it uses OLTP database. The CRM OLTP database and other databases of the organisation are used to generate Data Warehouse and Analytic CRM extracts information from this data warehouse (refer to Fig. 9.4).

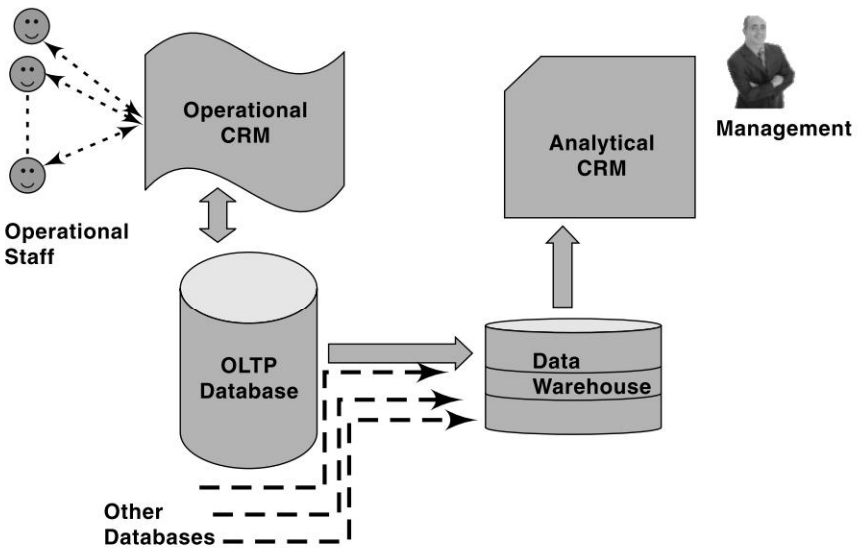


Fig. 9.4 *Operational CRM vs Analytical CRM*

9.5 ECRM Systems/Applications in Market

There are various CRM applications available in the market and they vary in terms of functionalities, capabilities, deployment strategies, integration capability and, of course, in cost.

On one end, these applications may be available as SaaS (Software as a Service), where the application and data are hosted with the vendor and enterprise can use the application by paying for subscription. The enterprise may a pay monthly fee instead of buying the application. This avoids the cost associated with management of IT infrastructure.

Applications available in the market vary greatly in terms of functionalities and integration capabilities. Some can be easily integrated with existing ERP systems, whereas others like ERP systems have CRM inbuilt.

Some of the major CRM providers are SAP, Oracle, Microsoft, NetSuite and IBM. Everyone claims to be number one. But if examined closely, they may be number one only in one particular aspect. The selection of appropriate CRM depends on the size of the enterprise, CRM requirements, existing IT systems and internal IT capabilities of the organisation.

Check Your Progress-II

1. Explain the difference between OLAP and OLTP.
2. List any two commercial eCRM applications.

Two products are discussed below to give an insight into eCRM and their capabilities.

9.5.1 SAP CRM

SAP provides a comprehensive range of enterprise software applications and business solutions to cover every aspect of the organisational business. SAP was set up in 1992 by five former employees of IBM to develop standard application software for real-time business processing. It started with offering a financial accounting system and gradually its solutions covered every aspect of the organisation's functions.

SAP Business Suite is a comprehensive family of business applications that allows companies to manage an entire value chain and most critical business processes. These applications provide users with consistent results throughout the company and at the same time give flexibility to manage dynamic market situations. SAP Business Suite is for companies that have a large number of users and processes.

Accounting, HR and Logistics are the heart of every organisation. SAP ERP encompasses all these vital business processes within a company. The key to ERP implementation is integration of different processes of an organisation by making use of a common database. SAP offers different products to different sized companies.

SAP Customer Relationship Management

SAP CRM not only covers traditional sale processes but it provides companies with customer-centric solutions that are needed to make and maintain a long-term mutually satisfying relationship with the customer. In traditional direct sales, information about the customer is typically decentralised lying with salespersons and service technicians. With SAP CRM, this information becomes centralised and can be accessed immediately.

The key capabilities of SAP CRM lie in the following areas (refer to Fig. 9.5).

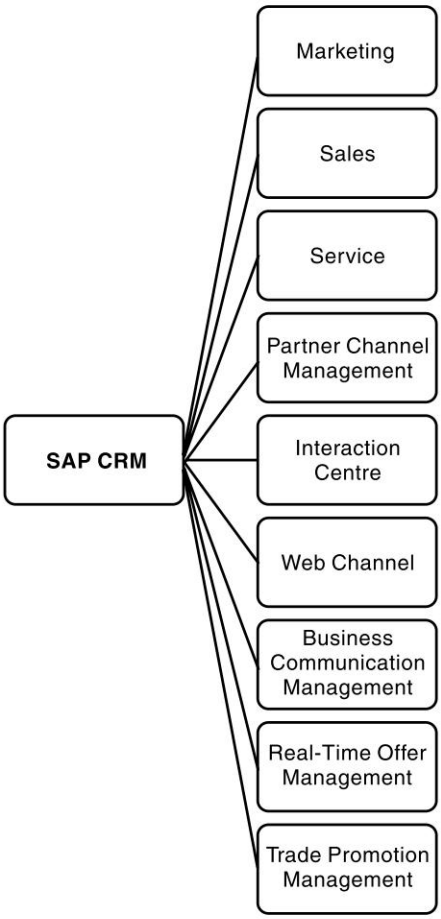


Fig. 9.5 *Key Capabilities of SAP CRM*

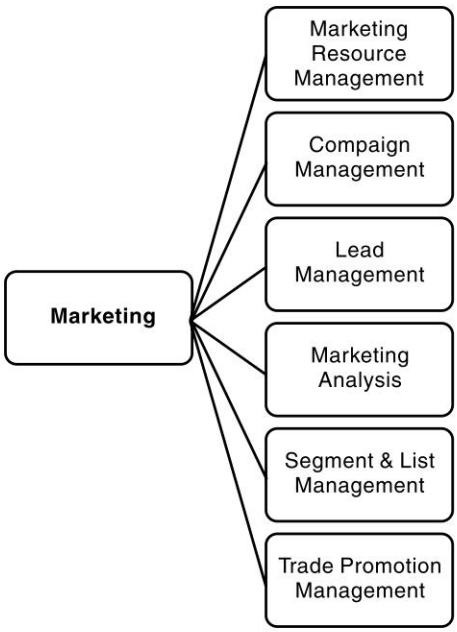


Fig. 9.6 *Marketing Functionality of SAP CRM*

Marketing

Marketing function of SAP CRM includes the entire functionalities that are needed for extensive customer engagement. It provides the capabilities of marketing planning, campaign management, e-marketing, lead management, marketing analysis and customer segmentation (refer to Fig. 9.6). Associated KPIs (Key Performance Indicators) can also be defined and measured.

Sales

Sales functionality in CRM includes all aspects of sales management such as Sales Planning and Forecasting, Organisational and Territory Management, Account and Contact Management, Activity Management, Opportunity Management, Quotation and Order Management, Billing and Contract Management, Incentive and Commission Management (refer to Fig. 9.7).

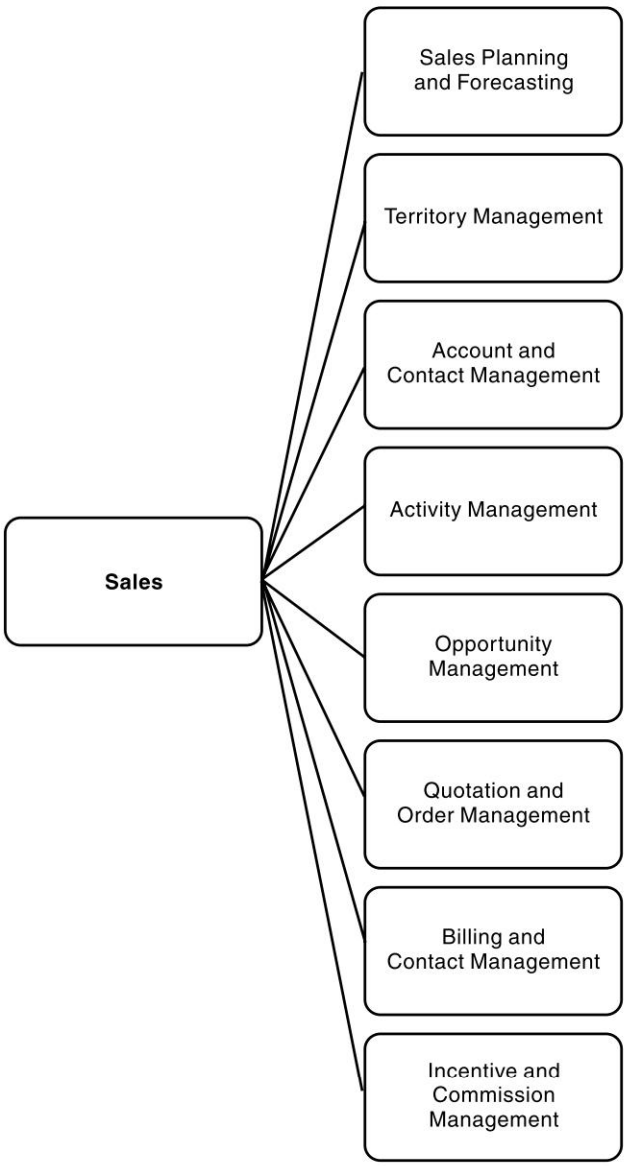


Fig. 9.7 *Sales Functionality of SAP CRM*

Service

Service functionality of SAP CRM offers the capability to plan and operate service administration matching the customer revenue potential. Service requests can be handled through various channels such as interaction centres, Internet, partners and field employees.

SAP CRM ensures integration of all tasks and channels of communication (refer to Fig. 9.8). No matter what is the channel of interaction

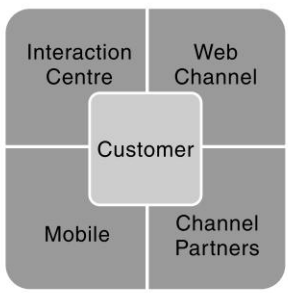


Fig. 9.8 *Customer Interaction Channels*

used by the customer, he/she will get the same information. This ensures that customers are served equally well throughout the organisation. Interaction centres, Web channel, channel partners and mobile all can be integrated for customer interaction. This empowers the front end workers with information for smart decisions.

If SAP CRM is implemented as part of SAP ERP, it gets fully integrated with all functionalities of an organisation. It provides not only the insight into the business with the help of analytics, but also provides the platform for execution.

SAP also offers tailored CRM solutions for specific industry verticals.

9.5.2 Oracle CRM

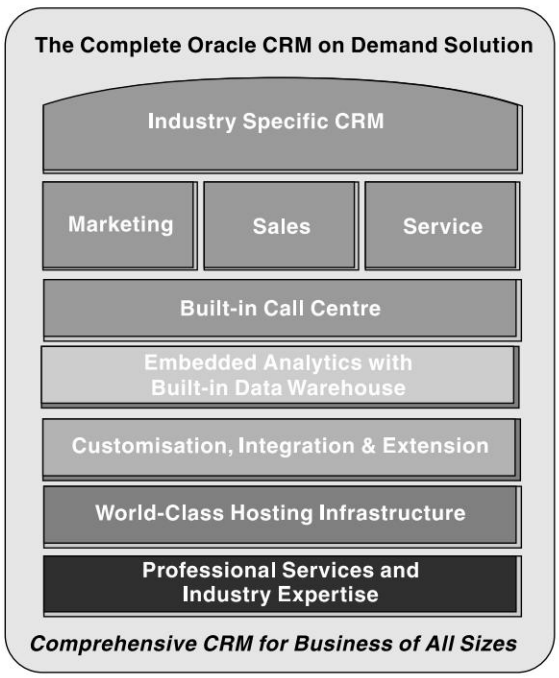
Oracle, originally a database company, is now providing a number of business applications including CRM solutions. One of the CRM products from Oracle is 'Oracle CRM on Demand'.

Oracle CRM on Demand

A very comprehensive and yet fast to deploy is CRM 'Oracle CRM on Demand'. It is available as Hosted and Managed Application and as SaaS (Software as a Service). Oracle claims to integrate this solution with all business processes and make them as scalable as required. Most hosted CRM solutions are basically sales force automation tools which capture and consolidate information; however, this application provides tools to make use of information for operational and strategic advantage.

'Oracle CRM on Demand' is the hosted solution that is capable of providing all functionalities of a CRM solution and giving analytics that are otherwise available from a data centre based CRM solution (refer to Fig. 9.9). Moreover it can be integrated with existing IT applications of the company.

Features: The following are the main features of 'Oracle CRM on Demand'.



Source: http://CRMondemand.oracle.com accessed on May 7, 2011

Fig. 9.9 *Oracle CRM on Demand*

Sales

Information is the key for Sales Management. This solution provides tools to automate and simplify all information used by sales organisations. Leads can be managed throughout the life cycle from qualification to closure. Everyone works with a single source of information and gets to know all preview interactions of the customer. Knowledge and processes of the performers can be shared with others. Sales can be analysed and forecasted easily with the help of pre-built reports.

Service

'Oracle on Demand' provides all customer and service information centrally, which helps to provide service quickly and completely.

Marketing

It provides information for management of campaigns, lead management, creating HTML and email campaigns and campaign analysis resulting in better returns on marketing initiatives.

Call Centre

Facilities available in this application help to run call centres more economically and effectively by routing calls to appropriate agents, improving call handling time, reducing call complexities and reducing costs.

Analytics

With this application, real-time dashboard reports and historic and trend analysis are made available.

Integration

Integration of CRM with backend applications is a must for extending its benefits and creating synergy. 'Oracle CRM on Demand' provides Web Services support as well as pre-built integration to Oracle business applications and other applications.

Corporate example

Aviva Uses eCRM to Insure Success

What happens when you are late for a party and the fun has already begun? You catch up, as Aviva did. Helping it was Talisma's e-CRM suite, which the insurance company used to integrate its customer-facing departments.

There has been an influx of private life insurance companies in India after the liberalisation of the Indian insurance sector. When Aviva entered the country in 2002, it was one of the last players to enter the market. The key to success, therefore, lay in knowing potential customers better, and in bringing out products and services tailored to specific customer requirements.

A Common Platform

To do this, Aviva decided to go in for an enterprise-wide deployment of an e-CRM suite even before it launched its Indian operations in June 2002. A stringent assessment exercise began during which four vendors, including Talisma, were evaluated by a team of 10 people. This team had representatives from its IT department and other customer-facing departments such as sales, marketing and customer services.

Recalls Tarun Pandey, manager, applications, Aviva, "After a thorough evaluation process, we went in for Talisma's suite primarily because it offered integration with our call centre operations, which no

other vendor was offering. The suite promised a common integrated platform for different customer-facing departments [sales, marketing and customer services] within the organisation."

The implementation of the CRM suite was a smooth affair. The exercise began in December 2001 and went live six months later. Pandey explains, "Since we went in for the CRM suite before launching our business in India, the implementation was smooth. If an organisation is already in business, the implementation exercise can be a prolonged affair."

The suite has been deployed in marketing, sales and service, as well as in the partner and sales ecosystem (comprising bank assurance partners and insurance agents). Aviva has implemented several modules of Talisma e-CRM, such as marketing, sales, servicing and contact centre. The only component it hasn't used is the chat module. Today, there are 450 personnel using the e-CRM suite at Aviva.

Multi-step Campaign

Pandey explains, "The implementation of Talisma e-CRM has helped us share real-time customer information across different customer-facing departments across locations. This has helped departments track customer details and respond to queries at short notice."

The implementation has also facilitated quick analysis of Aviva's sales and marketing initiatives, which has, in turn, helped the company modify its products and services before offering them to customers. This has helped it win more customers and retain existing ones by offering them products and services that fit their needs. It has also helped Aviva develop multi-step marketing campaigns. Based on the type of response at each stage of an advertising campaign, appropriate processes can be triggered automatically in the e-CRM suite. Aviva's entire sales and marketing operation has been integrated through this deployment. The company's customer service team has successfully leveraged the suite to provide superior service across multiple channels.

Aviva has made its mark in the Indian insurance industry in just two years. It has no doubt been aided in this by the deployment of Talisma's e-CRM suite that has helped it launch new products and services to differentiate itself from competitors.

According to Pandey, "Aviva went in for Talisma's suite primarily because it offered integration with the company's call centre operations, which no other vendor was offering."

Since Aviva was among the last entrants in the Indian market in 2002, it had to take effective steps for doing business. The problem was that as a new entrant in the market, the company knew little about Indian customers, so its first major step was to deploy the e-CRM in the whole enterprise before launching operations. The company assigned 4 vendors for this including Talisma to integrate different customer-facing department (sales, marketing and customer services) within the organisation.

This implementation of e-CRM helped in sharing real-time customer information to track customer details and respond to queries at short notice and also helped in quick analysis and decision-making. This helped AVIVA win more customers and retain existing ones. So, in just two years AVIVA made its mark in the Indian insurance industry with the deployment of Talisma's e-CRM, which made AVIVA different in launching new products and services from its competitors. The following benefits have been generated as a result of implementation of eCRM initiatives in AVIVA:

- Provides more better customer service
- Increases more customer revenues
- Discovers new customers in an efficient way
- Crosses sold/upsold products more effectively
- Helps sales staff close deals faster
- Makes call centres more efficient
- Simplifies marketing and sales processes

*Source:*www.scribd.comhttp://www.scribd.com/search?cat=solr&q=Aviva+uses+CRM+to+insure+success, accessed on May 10, 2011

9.6 Specifications of eCRM Solutions

There are a number of eCRM solutions available in the market, making it difficult to choose the one best suited for implementation in the organisation. Moreover, implementation of eCRM is not just installation of a software; its execution should lead to customer satisfaction and services. Standard eCRM solutions available in the market need to be customised to suit the requirements of the organisation. Besides this, eCRM needs backward integration with existing IT applications available in any organisation. In this activity, we provide a readymade wish list for an ideal eCRM implementation for any organisation considering that the eCRM solution covers sales, marketing and service and the system will be integrated to make provision for a billing and accounting system. The list may not be exhaustive in nature, however, efforts have been made to cover most of the desirable features of a eCRM solution.

9.6.1 CRM Sales Requirements

The requirements of CRM sales are discussed in detail below.

Generic

The system should support provisions for all touch points through which a prospect can approach the organisation—service centres, channel partners, call centre, Web, SMS, salespersons, partners, salespersons, etc. For managing System Security, the system should allow addition of Sales/Account Managers/users with their respective roles. User IDs/passwords need to be assigned to users by the administrator for security purposes. The administrator should also be able to remove any sales user from the list of Sales Users and deactivate his User ID. Sales/account users should be able to add leads/opportunities/orders across all products for all categories of customers.

The hierarchy in the sales/account manager's tree should be up to the level of the salesman. There should be a provision for difference between the retail and corporate sales users based on segmented sales account planning. The system should provide performance monitoring of individual sales managers and partners and should allow the sales administrator to determine what information is visible to sales users. It should also provide for the sales administrator to review and analyse sales activities to measure performance of sales users.

New Lead/Opportunity Creation

The system should allow creation of leads/opportunities by capturing all requirements. In case of a new lead, the sales user should be able to enter the details of the customer where all required information is captured in the lead/opportunity page. It should allow contacts to be created for each prospect with classification of role in relation to the influencer or decision-maker. The sales user should be able to make notes about the lead/opportunity and attach them alongside. A provision for attaching soft copies of documents with leads/opportunities is another must. Also, the sales user should be able to list the documents submitted by the user and be able to assign priority to leads. The system should provide features to capture information regarding competitors for the prospect and allow the import of customer/lead information from marketing firms/departments. The name of the account manager should also be attached at the time of capturing the lead.

The system should support monitoring of leads end-to-end from response receipt to conversion. The system should support segmenting data to view prospects. All existing and proposed mechanisms

to capture customer leads are to be integrated and data should flow directly to the concerned manager.

Lead/Opportunity Assignment

It should allow making a sales/account team and making it responsible for managing sales to prospects assigned to them. The sales user should be able to assign the lead to a sales representative or a sales team and/or a partner sales team. It should allow selection of sales/accounts representatives on the basis of given attributes (for example, product, technical skills and prior experience). The representative/team should be able to access the leads/opportunities assigned and must get notification regarding the same. The system should have the functionality wherein the sales representative can reject or turn back the lead assigned to him/her. Also, the sales user should be able to turn back a lead assigned to him/her in case he/she is not the right person to handle it or on account of failure of document validation or feasibility check after giving reasons for this rejection. The system should provide a list of products with their respective tariffs which can be sold to the customer. The system should be able to identify the feasibility of the order/solution before capturing the order. In case of an existing lead/opportunity or customer, queries for new products/services should also be directed to the same sales representative or the sales team who captured the lead. It should be possible to define separate/exclusive group of partners for different lines of business.

The system should support the assignment of leads to individuals to create, modify, accept and close leads and ensure that no business lead slips through the gaps and is directed towards the sales team without fail.

Quote Management

The sales user should be able to create a quote for the prospect/opportunity and an order for services when the customer decides to buy. It should allow for complex product offering-based quotations and proposal preparation based on feasibility of services; provide for sales managers to create approval cycles for quotation preparation and submission. The system should make provision for quote preparation and approval workflows across various organisation entities, allow capture of key deals or opportunity information (e.g. contact information, product mix, dates), custom-defined stages for opportunity progress to be defined and captured, monitor progress of individual opportunities from end-to-end, and identify opportunities where progress has stopped to enable action.

Real-time monitoring of custom-defined performance indicators, comparison of performance with targets/plan, custom workflow rules with triggers based on any business event or period of time, tracking of competitors, key reasons for winning or losing deals are required.

There should be a facility to create and configure sales territories and quotas associated with salespersons. The system should be able to support creation of quotes for an opportunity, creation of proposals for an opportunity basis standard template which includes company specific information and captures data from a quote. It should be possible to either print or email these proposals to a customer from within the system itself.

Lead/Opportunity Search

The sales user should be able to search existing leads/customers on the basis of search parameters. The system should trace and maintain a history of communications between customers and the sales staff, thereby offering a 360 degree view of the customer. When the sales user searches an existing lead

or customer, he/she should be able to view all products/services that the customer has already bought.

Account Management

The account management features of eCRM should be as follows:

- Manage contacts and accounts
- Management of tasks, phone calls, e-mail, appointments, etc.
- Ability to add, track, edit relationships between contacts, accounts and suppliers
- Tracking of maintenance contracts and renewal notification
- Account mapping and planning
- Key account information to be captured–telecom spend details, competitor presence, location and connectivity status, key people on customer side with contact details, etc.
- Customer interaction information to be captured on an ongoing basis (meeting minutes, etc.); entire history of customer to be accessible
- Customer-specific document management (national contracts, proposals, specific rate agreements, etc.)
- National and local views of account to be available
- Account strategy and forward activity planning

Sales Funnel Management

The sales funnel gives an overall view of sales activities across the organisation, which is in progress. To effectively manage the sales funnel, eCRM solutions should provide the following features:

- Reports around stage of opportunity, anticipated revenue and neglected leads
- Pipeline visibility for the entire team, top to bottom
- Other parameters to be monitored are
  - Win ratios per sales manager, per product, and so on
  - Time taken for crossing each sales stage (feasibility, approvals, etc.)
  - Top reasons for loss of opportunities
  - Support requisitions from various levels in the organisation
- Analysis of deals won/lost at individual or aggregate level
- Quota Management: Track sales opportunities, goal attainment
- Forecasting: Individual or roll-up forecasting

Basis of the existing pipeline and historical trending, project sales for the next month/quarter and so on with reasonable accuracy

Forecasting to be on multiple dimensions as tracked by business e.g. product wise, dimension (revenue/activations) wise, etc.

Opportunity Workflow

- Case routing: Deploy rules and escalations to ensure proper case handling
- Activity creation and assignment: Automatically create and assign activities to particular users or queues
- External callouts: Leverage external systems and third-party applications in the service lifecycle.

Sales Productivity

- Search and find: Search accounts, contacts, opportunities and any other entity in database
- Integration with MS office or other documentation system being used in an organisation: Document creation, document templates, import/export and mail-merge capabilities
- Mobility: The proposed solution should be capable of extending functionality in future both, offline and through mobile devices when desired so for the business.

Web Sales

The system should allow sales over the Web with the following features like availability of on-line product catalogues for enterprise business offerings, search tools, product comparison facilities based on user specifications, personalisation, creation of leads and ability to track the same.

Other Sales Requirements

- The sales user should be allowed a selection of only valid combination of products from the catalogue/products page.
- In case of invalid combinations, the system should give a warning to the user.
- The system should be able to give the number of leads converted to customers for a given time frame.
- Each customer should be traceable to the point where service was issued.
- The system should provide for sending notifications to the prospect/customer, providing information on the status of lead to the prospect at every stage.
- The CRM system should be capable of implementing organisation workflows.
- The system should provide feature of escalation, wherein the manager should get notified if a representative has not worked on the lead/opportunity within a specified time.
- If a sales representative is not able to work on a lead or faces a problem, he/she should be able to report it to the sales manager via e-mail or any other notification.
- The system should be able to arrange prospects /customers into groups based on some defined attributes.
- Segmentation of customers is essential and the system should allow segment indices to be defined and used to classify prospects based on enterprise business segment.
- Users should be able to access the system using thin client/industry standard browsers.
- To assign sales targets to customer and products and track performance of sales reps based on actuals versus targets.
- To create, read, and edit information on which account a sales/account rep is responsible for.
- To manage requests for literature/documentation so that reps can access information in a timely manner.
- To create detailed salesmen reports by role so that performance can be tracked and commissions distributed as necessary.
- To create reports detailing salespersons performance so that sales contests and incentives for internal sales staff can be designed.
- To create and submit forecasts in terms of win probabilities, product category-wise and value-wise to aid better control and monitoring of corporate sales process and help in network planning and purchase planning
- To record, view, and edit business customers' dedicated budgets.

- To allow all service personnel to monitor information on proposals and possible sales.
- To have auto-filling of mandatory fields from existing customer information records.
- In case of complex services, the system shall allow contract management tools.
- It shall enable specification of the Service Level Agreements and other conditions that are part of the contract.
- The contract shall be part of the sale and subsequently, when service requests are created for this customer, the system shall help ensure that contractual obligations are fulfilled.
- Reporting on contract adherence shall also be enabled.
- The system should support close looping of leads and support tracking lead source effectiveness basis campaign management, analysis, segmentation.
- Qualifying, disqualifying, closing, reactivating, and scoring leads.

9.6.2 CRM Marketing Requirements

The following are the CRM marketing requirements.

Knowledge Management

The proposed Knowledge Management System should provide a unified content repository for all knowledge management artifacts including presentations, rich media assets like video files, images, etc. It should be able to create, store, and maintain a database of solutions (e.g. FAQs, diagrams, user guides, customer collateral, etc.) besides having access to the best practices and solutions for particular services.

It must also have a repository of all information related to all products and services offered by the company including standard customer presentations, proposal templates, business case template, pricing documents, etc. The solution should enable cross-reference of documents; should support both, unidirectional as well as bidirectional linking, which will facilitate business users to locate related content more efficiently. It should enable linking of different content items in a manner such that the latest one supersedes the earlier ones. Knowledge Management solutions should also support application of metadata taxonomy based on keywords within a document.

List Management and Segmentation

The solution should enable data query and management by allowing creation of lists based on criteria and values. Users should be able to cleanse, filter, and merge such lists of customers, which help with specific marketing campaigns. It should be possible to update these lists by **data migration** enabling import/export of data across CRM systems.

Campaign Planning and Execution

The eCRM product should be capable of providing the following functions:

- Campaign definition: Ability to define multi-stage campaigns and associate with target lists within the CRM system
- Product catalogs (linked to SFA): Create price lists, discount lists, groups, and associate products with campaigns
- Collateral management: Link, manage and update documents associated with campaign target
- Offer management: Rule-based offers, basic customer information and nature of inquiry

- Tasks and activities: Assignment, monitoring and scheduling of tasks and activities
- Budgeting and approvals: Budget definition, tracking and approval process
- Campaign Management: Ability to create, copy, relate, close, launch and reactivate campaigns
- Integration with customer intelligence to devise new/innovative product offerings and campaign lists
- Ability to design and run various types of campaigns via Web, email, SMS
- Ability to run region wise, customer segment-wise campaigns

9.6.3 Business Intelligence

Analytics Dashboards

- Dashboards: Pre-configured customisable dashboards and reports required for sales, marketing, and service and order management to be accessed by users.
- Ability to set up customised dashboards around Key Performance Indicators (KPIs)
- Reporting: Create standard/custom reports to assess success of campaigns
- Drill through capability: Support full drill through within reports

Sales Performance Management

- Sales Pipeline Management: Various reports and analysis based on pipeline
- Product/Region/Geography/Company/Vertical wise, and so on
- Special reports like Top 10 deals
- Key Performance Indicators (KPIs): Central repository for defining key metrics and scorecard

9.6.4 Provisioning Requirements

Order Generation

- The system should generate order for new and additional products/service.
- Service order is to be generated for dockets on complaints and fault resolutions.
- The relevant details are to be pushed to provisioning by field service.
- Every service order generated is to be uniquely identified with an ID.
- System should allow for an integrated order entry process to be launched from within CRM.
- System should support creation of configurable orders; select a base product and the add-ons that are compatible with those products.
- System should enable creation of orders for enterprise telecom products.
- System should be able to support entry of staff in an order.

Order Execution

- System must track the status of each activity within an order passed to make provision for execution.
- It must update the status to order capture for all orders of new provisioning.
- It must update the status to support for all service orders concerning fault and complaint resolution requiring technical intervention.

Order Closure

- Order must close only after all activities required to complete an order have been completed in provisioning.
- It must keep track of all service orders raised for a given customer.
- It must keep track of all actions taken in a given order.
- Orders with their respective status must be visible in the 360 degree view
- Support personnel must have access to history of all orders of a given customer.

9.6.5 CRM—Service Support

Here we will touch upon what feature should be included in CRM to ensure smooth service support.

Request Capture

The role of the CRM system is to provide a single window for customer services like:

- Complaint booking services
- Operating procedures for various facilities
- Complaint booking services working in conjugation with fault repair facility
- Docket number generation as reference to customers
- FAQ/informational request services should be supported (product and services details, tariff plans, promotional schemes, etc.)
- The contact center should be able to integrate existing or future multimedia such as CTI / IVR, Voice, Web or email.
- It should be possible to capture and route requests received from multiple channels – call, Web self service, email, fax, SMS, direct contact, etc.
- It should provide virtual contact centre functionality so that agents can be geographically dispersed.
- Customers should be able to make contact with contact centre over the Web.
- It shall be possible for an agent to guide the customer through the Web chat, to send and receive documents and exchange text messages with each other.
- All information associated with the account should be available in a 360 degree single view so that when a customer requires status updates, they can be readily provided.
- Whenever an existing customer calls, details should be captured in the call pop-up.
- It should be possible to assign incoming requests to agents based on various parameters like availability, skill sets, customer category, etc.
- When an inbound call lands on the agent's screen, there should be an online start up script available to ensure a uniform experience for the customer for common activities like initial greetings; for special occasions, the script should be editable.
- The customer care system should have the search function in the database to determine whether the caller is an existing, former or new customer one.
- Searches shall be performed through a set of graphical user interface (GUI) screens.
- Customer care shall provide functionality to CSR to pass the lead to the account manager for updating existing account information.

- Categorisation of all iterations being held with the customer in main and sub categories should be possible and all kinds of requests—informational and commercial, and complaints should be captured in the system.
- Service complaint management functions like categorisation of complaint based on different products, billing, payments, product features, and so on.
- The agent should know what options have been selected by the customer at the IVR so that the agent is better prepared to service the customer. Also, if the IVR has already authenticated customer details, the same questions should not be repeated by the agent.
- Previous call/interaction history of the customer should be available in the system.
- It should be possible to capture the type of customer that has initiated the request. For example, Retail, SME, corporate contact, etc. It should be possible to identify requests from contacts of corporate bodies so that necessary validations can be done.
- The system should have the ability to record complaints with customer information (name, number, address, contact no., call back time/date, complaint/issue/request type, etc. and other additional details based on the type of complaint) at the call centre.
- It should be possible to prioritise requests based on the importance of the customer and severity of situation.
- The agent should be able to capture coordinates of the prospect who is calling in a prescribed format.
- All interactions held with the customer should be captured and available.
- Reassignment should be possible along with audit trail of assignments.
- Provision to resubmit the complaint/docket to the same department and section or to other departments and sections if the customer is not satisfied with proper comments.
- Number of times the docket is returned to same department/section should be reflected in the CRM against that docket.
- The system needs to be able to route the docket/case to different departments based on the type/subtype of request/complaint.
- The system should be able to auto generate a request number that can be given to the customer for follow up of his/her request. The same number should also be available on the IVRS for the customer to be able to check the status of the request.
- The system should be able to automatically alert account managers if there are a large number of occurrences of a particular complaint/fault report across branches in a user defined period.
- Provision for over-riding priority shall be provided for important numbers as well as for complaints tagged 'Immediate Attention' at the time of booking.
- There has to be a provision to capture the reasons for termination and the case must be directed to concerned persons so that preventive action can be taken.
- The system should support customer profile-based call handling.
- It should be able to maintain updated and detailed status of customer requests at all times.
- The system should be able to capture customer satisfaction ratings.
- Ability of proactive customer information and support upon systems, applications, network alerts/alarms.

Request Processing

- Escalation of complaint tickets based on severity and turn-around-time (TAT). Configurable TAT-based escalation workflows and matrix.

- Manage escalation interfaces with the network trouble ticketing system.
- The system shall allow the registration of tickets/dockets for recording and tracking the resolution of problems, complaints or queries raised by customers

It shall be possible to associate tickets/cases with any of the following objects:

- Client Services Portfolio
- Billing group
- Subscribers
- Invoices/Outstanding
- Payments
- Credit Notes/Debit Notes
- Another ticket

The system should store the following information relayed to the ticket:

- The employee assigned to it
- Status
- History of processing and changes
- Additional notes

The system should show how the specific ticket was received—phone call, e-mail, fax, personal visit, etc. The client or subscriber who initiated the ticket shall be recorded and not permitted to change at a later stage

- It shall be possible to determine the list of available ticket reasons.
- It shall be possible for the administrator to set the list of available tickler subjects.
- The system shall allow a ticket to be linked to any number of other tickets in order to display the links between problems, which have been outlined in various tickets.
- The system shall allow attachment of an unlimited number of text messages or notes to any tickets to describe the gist of the problem or the steps for solving it, etc.
- The names of employees who entered each text message as well as the date and time corresponding to the message shall be recorded in the system.
- It shall be possible to search for tickets by the words contained in the message texts.
- The ticket status shall show the current stage of handling this ticket, for example, the status Open or Running or Closed.
- Processing of the request should be based on the category/sub-category under which the request falls.
- The offered system shall allow the user to change the ticket status strictly according to procedures defined by the company.
- It shall be possible to store the history for each ticket, which shall contain all changes of ticket status, priority, categories, any change in the employee responsible for this ticket, etc. The date and time of each change shall also be logged.
- It shall also store the history of links as well as its effective period in the system for each ticket.
- It shall be possible for messages to be generated from tickets and communicated to a number of parties including customers, service providers and dealers by using any communication channel such as fax, print, email, etc.
- The system shall allow automatic notification of system users when actions assigned to tickets become overdue.
- The agents should be able to receive guidelines for addressing a particular kind of request based on request category/sub-category.

- In case of docket booking, there should be a provision to divert a docket to the correct department and section if it is wrongly booked.
- Agents should be able to search the database for informational requests based on keywords, links or any other means.
- Fields should be marked at the point of request so that further processing of the request does not happen till this information is in place.
- While capturing service requests and complaints it should be possible to retrieve product details that the customer possesses.
- Details of the request placed by customer should be captured in a free text format.
- The system should be able to suggest solutions based on category of the request or any other criteria that the user can input.
- Inbound and outbound customer care is required and both should have access to solution and troubleshooting libraries.
- For complaints which require troubleshooting, the inbound agent should try to resolve the issue; else a 'case' is generated and escalated to the outbound agent based on certain parameters.
- Knowledge Repository/Solution Library needed for Solutions Management.
- The system should be able to track all solutions that have been both, successful and unsuccessful in providing a resolution for an issue/complaint.
- Solutions should be ranked e.g. top 10 solutions/resolutions for any given issue/complaint.
- In a scenario when, after troubleshooting for a particular issue, the agent is not successful, he/she should have the option to retrieve solutions that have worked in similar kind of a complaint/fault earlier.
- All forms required to be filled for receiving new orders or any other kind of requests should be available online to agents.
- It should be possible to cater to call back requests by capturing preferred time of call and call coordinates.
- A request will involve multiple entities for completing all the steps outlined. It should be possible to assign these tasks to more than one person or a group of people for parallel or sequential completion of activities.
- It should be possible to relate requests based on various criteria and the establishment of relations should not be left purely up to the agent. Some criteria/guidelines should be provided to the agent for assigning a relationship.
- Based on error messages supplied by the customer, it should be possible to tell the customer the cause of the problem and initiate relevant action.
- It should be possible to identify at the point of request capture itself whether the product is under 'warranty' or 'guarantee'.
- It should be possible to troubleshoot for simple scenarios by taking the customer through a systematic set of questions.
- Agents should be able to send fax (using auto-fax and if that fails manually), email or SMS to customers, other team members, supervisors, etc.
- Some of the routine work related notifications should be sent automatically to team members.
- It should be possible to maintain a database of requests that can be queried based on various criteria. Specifically, it should be possible to capture requests for information on new facilities and schemes, so that if such facilities are currently not available with the organisation, decisions can be taken for their initiation based on the volume of requirement.

- Escalations based on SLAs or the choice of user should be possible for all kinds of requests. The request should stay open till the time the requisite information is not received from the concerned party.
- All information regarding bills and payments thereof by the customer should be accessible from CRM.
- It should be possible to capture details of the customer along with his/her interest in a specific product/service and create and assign this interaction as a lead to designated persons.
- Agents should be able to receive detailed feedback on the status of customer requests so that they can provide this information to the customer accordingly.
- It should be possible to book requests, complaints and demand information on mail for the client.
- It should be possible to route all mails to a defined authority who will then reroute the mails based on mail type.
- If all required details are available, the email triggers order capture or SR and an acknowledgement is sent to the customer.
- If the required details are not available, support triggers customer correspondence either through email or outbound call to gather details.
- Logs/audit trails should be maintained for both, email and chat channel.
- The system shall have the facility to enable the operators, supervisors, managers to access multiple applications on the backend.
- There must be a provision for complaint resolution guide in call centers for different types of complaints with potential resolutions.
- Ability to schedule appointments with customers.
- There should be a tight integration with other BSS applications.

Request Closure

- On completion of the request, there should be an automatic update in the open request for support agents; request for outbound calling should be queued at the outbound desk.
- The case should be closed only on confirmation by the customer that the issue has been resolved.
- Completed requests should be queued at the outbound calling desk for making confirmation/intimation calls to customers.
- Case should be closed only once a confirmation has been received from the customer that the issue has been satisfactorily resolved.
- All routine updates should be made available at the IVRS. Request statuses, number change announcements should flow to IVRS as and when these changes take effect in CRM.
- It shall be possible to send faults after the subscriber is satisfied about fault rectification to the fault history store.

Reporting Requirements

- Request Status—The status of all requests within a given timeframe, the category and subcategory of these requests
- Pending with—The time taken for resolution at each level and current area where the request is pending

- Resolution Times—-Maximum and minimum resolution times for complaints registered in a given timeframe
- Category wise—Total number of complaints in a given category/subcategory within a defined timeframe
- Frequency—Frequency of complaints/requests from a number
- Area Wise—Total number of complaints in the purview of each area
- Request Source—Number and type of requests captured per source in a given timeframe
- Agent Monitoring Reports—Escalation reports, agent-wise resolution time reports, SLA adherence

9.6.6 CRM—Product and Pricing Management

- Identify and evaluate new products/services ideas/concepts from various sources.
- Product profitability and revenue forecast
- Identify target market segments and customer segments
- Define positioning, target groups and USP
- Product configuration in the product catalogue and publish in various systems like CRM
- Single catalogue management and centralised rules engine
- Product description, unit price, unit groups, volume discounts, quantity, etc.
- The solution should support product definition and management of services
- System must provide a GUI-based toolset for creating products and offerings
- System should allow reuse of product, offering, and attribute definitions. It should allow for models or templates to be created to facilitate standard definitions
- System should allow for administrators to manage user access enabling the segregation of roles and permissions for different product management functions (i.e., defining products vs. pricing, etc.)
- System should allow users to define business rules for product dependencies, compatibilities and incompatibilities.
- System must support optional and required offering components and product 'features'
- System must support partner, channel or customer specific eligibility and compatibility rules
- System should be able to define product and offerings that are complex in nature (multi-level hierarchies, multiple products, product bundling, various pre-configurations, special rules and pricing, etc)
- System should support synchronising product catalogue with BSS/OSS systems

9.6.7 CRM—Account Management

Customer Management

- The system should support the creation of a customer record.
- Support for vertical and horizontal hierarchical relationship and should be able to support customers with multiple membership in a hierarchy.
- It must support enterprise business-oriented accounts and it shall support the following account hierarchies.
- Multiple levels of account hierarchies.
- Ability to design any level within the hierarchy as a billable entity.

- Ability to assign responsibility for charges to various levels of account structure.
- Ability to configure revenue centre in the account hierarchies.
- Ability to apply discounts on packages across various components of the account hierarchy.
- Designation of billing hierarchies to reflect any type of organisational structures of the company.
- System shall provide detailed child-parent relationships in detail with the target account.
- System shall have the capability to organise customers in billing hierarchies. Billing hierarchies may have subscriber accounts that are self-paying or child/subordinate (nonpaying), where all charges of such accounts shall be billed to the parent account. All child/subordinate accounts in one hierarchy shall have the option to have the same billing cycle as the top level hierarchy.
- System shall be able to produce summary statements for any customer who is a member of a billing hierarchy. These summary statements shall be periodic bills produced for all customers below the selected customer in the hierarchy. System shall have the similar provisions for summary statements as are available for other bills. It shall be possible to send the summary statements to single customer contact.
- The system should support the definition of customer details such as name, complete address details, credit details and customer category information.
- The system should support the customisation of BSNL-specific customer identification numbers/codes with specified formats and population rules.
- The system should support the definition of multiple contact information for a given customer and should be able to support the allocation of a customer to a business cycle through manual or automatic means.
- The system should allow the update of customer information and should have the flexibility to allow user to create a back-dated or future dated customer record.
- The system should support the creation of a customer account record as part of a system-regulated workflow.
- The system should support the creation of multiple accounts for a given customer. It must also support the definition of account details such as name, complete address details, account type and sub-type information.
- The system should support the definition of multiple contact information for a given account.
- It must support the addition of free format information (i.e. comments) to an account record.
- The system should support the definition of service details such as type of service, quality of service and other information.
- The system should be able to support the attachment of documents or images (i.e. a customer is linked to a Microsoft word document or a scanned image of the service contract) with a customer record.
- The system should support interface for retrieval of documents or images linked to a customer that is contained in an external system.
- The system should support the addition of free format information (i.e. comments) to a service record.
- The system should allow the update of service information and enable a user to create a back-dated or future dated service record.
- The system should support assigning the type of services that can be defined for an account, according to its particular account type.
- It should also support the definition of types of physical devices that can be attached to a service.

- The system should support the attachment and de-attachment of devices to a service through a system regulated workflow.
- The system should record the history of changes associated with a service and support information about a service's activation and deactivation history. It must also enable interface with a provisioning system.
- It should allow the transfer of ownership of accounts as well as services. In this case, the attached services of the accounts will likewise be transferred. The system should also have flexibility to support transfer or non-transfer of charges associated with the account/services.
- The system should support the merging of accounts.
- It must make provision for the maintenance of comprehensive history information at all levels.
- The system should support the configuration of system change alerts whenever critical changes are made (i.e. if a customer's plan is downgraded, an alert is sent to a revenue assurance personnel). The destination of the alert, and delivery method, should be configurable.

Customer Agreement or Contract Management

- The system should support the definition of contracts between customers and the organisation and should be able to reflect the same.
- The system should support the definition of contract types/categories and should be able to support unique identification codes/numbers for each contract with effective start and end dates.
- The system should integrate the contract with the discounting functions, product definition functions (i.e. customised product packages) and usage/rental functions (e.g. special plans).
- The system should support the integration of the contract generation and approval process with a sales workflow; support automatic renewal or cancellation of a contract and provide for multiple contracts for a given customer.
- The system should support the generation of contract-related reports.

Customer Hierarchies/Complex Account Creation

- The system should support the definition of hierarchical relationships between customers.
- It should support vertical and horizontal hierarchical relationships and should enable a customer having multiple memberships in a hierarchy.
- In case of multiple hierarchy memberships, it should support the definition of priorities among the hierarchies.
- The system should support the update of customer hierarchical relationships (e.g. customers moving in and out of the hierarchy).
- It should be able to support the transfer of debt/discounts, etc. within a hierarchy (e.g. the charges of fleet accounts are transferred to the corporate headquarters account).
- The system should support the application of a discount plan to the downstream members of a customer hierarchy (i.e. instead of attaching a package to each individual customer, it is instead just attached to the master member of the hierarchy).

Customer Segmentation

- Multiple criteria should be available for identification of accounts of strategic importance. For example, segmentation on the basis of customer profitability, revenue ranking, and breadth of services availed, etc.

- Priority for issues, leads, etc. should be decided based on customer category/segment. Tracking of the same should be possible.
- Customer ranking by revenue, profitability should be available.
- Planning, custom campaigns for customers in different service areas should be possible based on aggregate information from different service areas.

9.6.8 CRM—Order Entry

- Integrated Order Entry solution: The system shall include an integrated order entry process for various types of products, services, places of installation, geographic area and clients.
- The Order Entry process shall be integrated with CRM workflows.
- Integration with BSS: The Order Entry process shall be integrated with other BSS/OSS systems over integration layer.
- Default Standard Order configuration: The ability to include standard default telecom orders already configured for easier implementation.
- Complex Product Configuration: In case of complex products, the system shall provide a sophisticated product configuration tool that contains the following capabilities.
- Rules that exclude certain invalid combinations of options.
- Rules that enforce mandatory combination of options where applicable.
- Availability checks that are performed and results displayed for individual components. These components can be both, physical and logical.
- Order entry to provide mechanism to setup engineering parameters for complex enterprise solution orders.
- Order creation and history information: The Order Entry process shall contain functionality to maintain information and history of orders.
- Restrictions by customer type: The ability to assign restrictions based on business rules by customer type, to control products/services ordered by each customer type.
- Order priority: The ability of the service representative to assign and display a priority level, indicating the level of care that needs to be given to the order.
- Edition of an order and its impacts: The ability to retrieve and edit a pending order
- Customer dates: The ability to capture the customer's desired date for provisioning, appointment date, testing and service initiation.
- Manual override of contract requirements: The ability to indicate manually whether or not to send a contract associated with an order (ability to override the default sending).
- Order status: The ability to select or update the status of an order (e.g. on hold).
- Synchronisation of order dates: The ability to allow independent due dates for a move order with a resource change.
- Multiple addresses for one order: The ability to capture multiple addresses for an order (e.g., installation address, location A, location B, etc., document address).
- Billing accounts, billing required information: The ability to capture billing account and billing information required to bill the product or service.
- Order identification: The system shall generate a unique internal order ID. It shall also be able to reference an internal order ID with several external order IDs.
- Order search criteria: The ability to search and retrieve orders by multiple criteria (e.g., order reference number, project reference number, name).
- Data access for products and services: The ability to access the product catalogue.

- Provide information with order status: Provide CSRs or other entities with information regarding the order status.
- Order tracking: The ability to track all information within an order at all task levels. This may occur using a GUI interface or an external system.
- Order monitoring: The ability to monitor orders by different types of information. This may be geographical information, order type, resources allocated, etc.
- Ability for orders or order components to have dependencies: It may occur that an order or a component of an order can be installed only after the completion of a previous linked order or a component of an order.
- Time stamps for all activities: All activities within an order must have a start and completion timestamp.
- Order cancellation, rejection and amendment: The system shall provide the capability to cancel the entire order, a line item on an order. Also, the system shall provide functionality for handling rejected orders and order amendment.
- Release resources when cancelling an order: The system shall provide the capability to release any assignments or reservations when cancelling an order/order item. Release of inventory only after configurable quarantine period.
- Notify downstream systems of order cancellation: The system shall provide the capability to notify all relevant downstream systems to release resources and undo updates of cancelled orders/order items.
- Order cancellation rule definition: The system shall provide the capability to configure rules around order cancellation, e.g., a completed order cannot be cancelled.
- View orders for amendment: The ability to view all rejected orders for amendment by priority or state.
- View orders rejected by downstream systems: The ability to view order status based on rejections by downstream systems (e.g., switch).
- Searching for rejected orders by criteria: The ability to sort the rejections by multiple variables (e.g., representative, age, order type, product/service, customer, due date, market segment, priority, etc).
- Group rejected orders by rejection type: The ability to group rejected orders automatically by rejection type.
- Rejected order distribution: The ability to distribute rejected orders to different correction groups based on the type of order, the source of the order, the location of the customer, etc.
- Rejected order notification: The ability to automatically notify the person responsible for that stage in the workflow of the rejection based on business rules (e.g., for a VIP customer, trigger an individual or group who shall notify the customer of the rejection).
- Rejected order status: The ability to see the status of order-related rejections.
- Update order status due to rejection: The ability to link the rejection to the order and update the order status (e.g., put an order on hold).
- Managing multiple order amendment: The ability to recycle multiple orders in batches after correction for a particular rejection.
- Internal product catalogue: The system shall include an internal product catalogue, flexible enough to define products and services with their hierarchy of associated options, dependencies and particular features.
- Integration with an external legacy system: The ability to interface with a product catalogue residing in an external system.

- Interfaces with external product catalogues: The system must access information online and in batch mode.
- Products reuse components: The ability to reuse components and products in multiple commercial packages.

9.6.9 Channel and Incentive Management

- Sales and service compensation to in-house and channel partner workforce may vary from fixed time interval to real time. Channel partner workforce will also access the systems and the user count includes BSNL's partners.
- Channel incentives: Calculate incentives payable to channel partners across rating tiers and products.
- Sales incentives: Ability to align incentives of sales personnel with business goals.
- Service incentives: Ability to provide cross-functional incentives to encourage cooperation.

9.6.10 Customer Self-service

General

- System should provide for managing customer hierarchy. A customer should be able to manage his own account hierarchy for enterprise level assignments and billing groups.
- System should provide for managing personal information management by the customer.
- A customer should be able to manage personal information except for certain basic parameters.
- System should provide customer history; a customer must be able to view history of services, equipment, account status and tariffs.
- System should provide for Web-based interactive service offerings. The self-care software shall be Web-based to offer interactive services on the Internet. The CRM Web interface must have the facility of personalisation as desired by the user.
- The customer should be able to his/her own choose a PIN and password. Self-care software should provide registration facility to individuals by allotting unique Personal Identification number (PIN), at the same time, the customer must set a password (that may be utilised for authentication) to avail of special services.
- Password change should be possible in the system.
- User ID for Web self-service must be given to the customer only on request in the form of a check box at the time of order entry.
- If a customer sends out an ad-hoc mail, then an auto-response mail should be sent, which gives him/her a format to be filled out. When he/she returns the same, it should go as a docket in the support system automatically, as per the format.
- A unique number should be given for access to the IVRS or self-care menu from the Internet.
- Customers should be allowed to access service information and the knowledge base.
- Customers should be able to communicate with a service provider through various communication channels from a self-care perspective such as a 'Contact Us' link. Availability of integrated searchable knowledge base, troubleshooting links, FAQs, and so on.
- Customers should be able to submit and track service requests.
- Personalisation based on customer profile, preferences.

- Account enquiry and details.
- To be able to provide a single bill view to the customer for all the products and services he/she has taken. He should also have ability to view separate bills for individual or group of services. Printable pdf/Web format, bills on email, itemised bills, group bills, duplicate bills, etc., should be made available.
- View unbilled charges.
- Customers should be able to view product/services catalogue, request for quotation, etc.
- Raise/track service tickets/SR through form feature.
- FAQ and interactive basic trouble shooting support.
- Raise bill disputes at line item level.
- Raise request for refund, track them and view history of adjustments, credit/debit notes and refunds.
- Web self-care should allow customers to view usage history, purchase history, service level views, performance reports for the services availed.
- Integration with payment gateway for online payment collection.
- Web self-care module should provide a one-stop facility to corporate customers (enterprise wide access–corporate self-care) with secure access to their information including, but not limited to, bill viewing, unbilled usage viewing, bill payment, complaint booking and monitoring, general enquiry and directory enquiry, applying for and buying products and services online, updating personal information, etc. using a standard Internet browser.
- It shall be available on 365×24 basis.
- It shall be able to provide comprehensive, personalized self-care capabilities for the administrator of the enterprise customer.
- It shall support easy deployment with no need for client installation.

Account and Service Management Features

- View the posted product/service catalogue.
- Select from the various services or service features from the menu and post a request for its activation or deactivation.
- Get help in the selection of the best suited service bouquet based on various criteria. Web self-care needs to publish information either from CRM or extracts from other existing IT systems.
- View the detailed list of self provisioning features available on the website.
- Select tariff plan from the detailed list of plans available on the Web along with sample calculations.
- Update corporate information.

Electronic Bill Presentation and Payment

- Consolidated bill across multiple back-end billing systems.
- Consolidated bill exposed after necessary authentication.
- Accept payments against the bills.
- Maintain bill history.
- Generation of printable bill summaries.
- Generation of receipts against the payments.
- Past payment details.

- An interface for raising bill disputes, tracking and viewing earlier complaints, view complaint resolution information, etc.
- It shall be possible to analyse, sort and filter billing/usage information.
- The EBPP platform shall offer open integration capability (Web services, XML, API, etc.) with billing and other peripheral systems.
- Enterprise Billing Analytics like summary usage reports, etc. should form part of the same interface.
- It shall be possible to have export capabilities for bills in numerous formats PDF, Microsoft xls formats.
- The enterprise customer administrator should have the ability to set up hierarchies for budgeting purposes which may be different from the core account hierarchy.

Trouble Ticketing

- Shall offer the ability to perform self-service by the customer over the Web
- Ability to book ticket
- Ability to view ticket status and updates
- Ability to close existing ticket
- Ability to suggest solutions for incidents raised by the customer
- Shall expose tickets that may have been logged through other channels and track status of all tickets

Sales Requirements

- The product catalogue in CRM will be available on the Web for the customer administrator to place orders for new services
- The customer should be able to give requests for orders through the portal

Marketing Requirements

- It shall be able to collect lead information, track new users on the website and develop a relationship with them (i.e., ask to fill a form in order to get more information about any service or product).
- It shall allow publishing of personalised promotions, banners and notices for the customer based on the customer them (i.e., it shall be possible to send targeted, actionable and customisable messages to customers, which will enable them to receive and act upon targeted messages.)

9.6.11 Reporting Requirements

Business Intelligence Tool

- The BI platform must be a comprehensive and integrated suite of Analytical Solutions designed to bring greater business insight to the broadest audience of users allowing them to have Web-based self-service access to relevant and actionable intelligence from relevant data sources (of which they have access to). The BI platform should consist of Managed Reporting, OLAP Analysis, Ad-hoc Querying, Dash Boarding, Score Carding, Business Activity Monitoring, MS Office Integration as well as Mobile/Handheld delivery capabilities. All these need to be provided from a **Single BI Platform** and should be available as a Web application.

- The application catering to the areas of Managed Reporting, OLAP Analysis, Ad-hoc querying, Dash boarding, Score carding and Business Activity Monitoring needs to be a zero footprint application. **Zero FootPrint** also means no applets.
- **Ad Hoc Query Capability:** BI Platform must provide an Analytical Solution enabling a Web-based ad hoc Analysis Solution where the end user can interact with a logical view of information creating charts, pivot tables, reports, gauges, dashboards, etc.
- **Dashboard Capability:** End users should interact with the BI platform using rich, interactive, role-based, easy-to-understand Web-based dashboard providing access to live reports, prompts, charts, tickers, pivot tables and graphics. It should provide a dashboard facility with visual features like Metric Dials, Graphs, etc. for display and track of metrics.
- **Score carding capability:** The application needs to have the ability to build and display scorecards for metrics management like Strategy maps, Cause and Effect diagrams for Root Cause tracking.
- **OLAP Analysis Capability:** Ability to do ROLAP, MOLAP and **HOLAP** analysis, depending on the requirement, needs to be catered to by the Solution.
- **Asymmetric analysis** and **Multi-Grain Analysis** of multi-dimensional data should be supported.
- **Event Management:** The BI platform should not only focus on report collection but also provide the ability for insight-driven action. This means enabling business users to navigate quickly to troubleshoot reported issues (root cause drill downs) and to take action in response to business/functional events.
- Seamless navigation across tools with the ability to modify and extend content between tools.
- Business users should be able to **add comments, remarks on a report** and other users should be able to view this comment history so that they know the justification/history.
- Should allow end users to create their own dash boards via a simple drag and drop mechanism.
- **Single Meta Data** layer should be used by the various BI features.
- The same modelling Solution should model the business metadata layer from both, a warehouse that is in a star-schema as well as the transactional system relational tables that are not in a star-schema.
- Solution should dynamically make suggestions/recommendations of how the metadata should be best designed. For example, the solution should check the defined join paths to ensure there are no issues such as looped joins.
- **Microsoft Office Integration Capability:** Given that most users would use Office documents like word, excel and power point documents in daily operations, the BI platform must provide an ability to embed up-to-minute application data in MS office documents while preserving security policy to access data.
- All Analytical Solutions provided in this layer (described as capabilities above) must share a common service oriented architecture, common data access services, common analytical and calculation infrastructure, common metadata management service, common symantec business model, **common security model** and common administration solutions
- The BI platform should provide the ability to do analysis on both, **operational data** (OLTP systems) and **historical data** (Data Warehouse systems) specifically, for enabling advanced analysis on operational systems hosted on data centre.
- **Alternate drill down paths** should be supported. These should be created at the metadata modeling Solution.

- The presentation layer of a BI platform must be based on pure Web-based architecture based on HTML, DHTML and JavaScript. **There should be NO client downloads, no plug-incased on pure web based a No Applets.**
- **Multi-channel Report Publishing Capability:** The BI platform should provide a scalable reporting server capable of generating richly formatted reports from multiple sources (SQL server, Oracle, Informix, Sybase, Files, XML,URL, Sybase SQL Anywhere (JDBC-ODBC bridge compliance connection)), in multiple formats (word, excel, rtf, pdf and xml) published on multiple channels (email, webdav, print, ftp to file server).
- Application should support the ability to send a section of a report to a particular group of users (i.e. bursting functionality), it should integrate with LDAP automatically and must have the ability to integrate with **LDAP / ADS / any other enterprise authentication mechanism for single sign on**
- The BI solution should have a **common development and authoring environment**
- **Seamless navigation across BI tools** with the ability to modify and extend content between tools, i.e., workflow between BI components should be very strong between most tools (e.g., queries created for analysis should be formatted in the reporting module, and ad hoc queries can be opened in the reporting module, along with inter-operability between Metrics, Dashboards which are accessed by the end user from the portal.
- All BI content (saved reports, analysis, ad hoc queries and metrics) should be available as a Web service with automatic creation of the Web service. There should be no additional effort by the BI team or the application developer to create the Web service. In most modern applications, there is a demand for REST and SOAP protocols, which the BI content should support.

ETL (Extract, Transform and Load) Tool

The bidder shall quote an ETL tool for integration with the enterprise reporting software. This ETL tool shall help the reporting software in extracting information from different databases for the purpose of reporting. Some of the functions of the ETL tool for reporting are mentioned below:

- ETL tool should provide graphical interface for creating jobs without the need for writing code.
- ETL tool should provide parallelism of its own and not depend on the parallelism of the database.
- ETL tool should have balanced optimisation feature.
- It should be able to process data in-stream as it transfers from source to target.
- It should be able to directly process data efficiently from flat file without the need to load into the database.
- ETL tool should be able to run on SMP or MPP hardware.
- ETL tool should support pipe pile parallelism.
- It should support shared and local containers for re-usability.
- It should support data sets which can preserve partitioning.
- ETL tool should not require co-location of data sets in order to do its work.
- It should be able to scale with separate hardware and scalability should not be dependent on database.
- ETL should handle partitioning and parallelism independent of the data model, database layout, and source data model architecture.

- ETL tool should support impact analysis at various levels and should not be limited to Schema metadata.
- ETL tool should provide common metadata repository, administration and reporting.
- It should have the option to create shared and local containers.
- ETL tool should have parallel job range lookup.
- ETL tool should have a transformer for slowly changing dimension out of the box.
- ETL tool should have developer collaboration; it should open a read-only copy of a job in case it is locked by a user and should inform which user has locked the particular job.
- It should have a monitoring tool which has the option of showing a complete log of job execution and a scheduler to schedule jobs.
- ETL tool should be able to create sequence jobs which have options for handling conditions, errors.
- ETL tool should have more than 400 pre-built functions and routines. This complete set of data transformation capabilities should make it easy to map data from source to target and enrich it along the way.
- There should be an inbuilt robust graphical palette that can help developers diagram the flow of data through their environment via simple GUI-driven drag-and-drop design components. Using this tool, developers should benefit from a versatile scripting language, powerful debugging capabilities, and an open application programming interface (API) for leveraging external code.
- ETL tool should have an option to deploy the job created on development environment (less number of processors) to the production environment (number of processors) without making any changes to the job.
- ETL tool should have options to create intermediate datasets which preserve partitioned data.
- Explain the specification of ETL/ ELT/ ELTL functions using pre-packaged transformation objects, accessible via an intuitive graphical user interface.
- Availability of features like splitting data streams/multiple targets, conditional, splitting, union, pivoting, de-pivoting, key lookups in memory, key lookups reusable across processes, slowly changing dimensions, error handling within a job.
- The data integration suit should be enabled to solve large-scale business problems through high performance processing of massive data volumes. By leveraging the parallel processing capabilities of multi-processor hardware platforms. The tool should scale to satisfy the demands of ever growing data volumes and ever-shrinking batch windows. This can minimise the time-processing requirements and, by fully leveraging the parallel processing capabilities, linearly increase speed of data throughput for integrating massive amounts of data.
- ETL tool should provide reporting for jobs over the web browser with report templates.
- ETL tool should have a resource estimator.
- ETL tool should have a performance analysis tool which should option for static model and dynamic model.
- ETL tool should provide feature to search/find jobs in the tool.
- ETL tool should have strong feature to find dependencies of different tables, files transformers.
- ETL tool should have option to create wrappers.
- ETL tool should have transformer for Dynamic RDBMS.
- ETL tool should have data pipelining and data partitioning.
- ETL tool should be able to run any application like a C++ code or a Java code in parallel.
- ETL tool should option for RCP (run-time column propagation).

- ETL tool should provide multi-processing and not multi-threading. This is to gain unlimited parallelism and free the developers from worrying about thread-safe code.
- ETL tool should allow the developers to develop jobs in such a way that they develop sequentially but deploy in parallel in order to simplify the job development and gain maximum performance at the same time.
- ETL tool should support large volumes and scalability (30 GB/day Load to 400 GB/day Load)
- Change data capture option of Tool should provide capability to propagate changes in real time without creating any staging area.
- Should have minimal impact on source systems.
- Read the changed data from database log files of the source (Oracle, Sybase, DB2, etc.) with minimal impact on the performance of source system.
- Provide bidirectional data synchronisation capabilities.
- Support transactional integrity.
- Provide guaranteed delivery.
- Logical restart point in the case of an interruption.
- Option of data translation while reading changes from log files in real-time and sending changes to target.
- Option of creating derived fields on target while replicating data on target.
- Should have a Monitoring Dashboard and GUI tool to configure the whole CDC process.
- Support mirror continuous and periodic mirroring.
- Option to filter the rows to be replicated from source to target.
- Minimal impact on source system.
- Option to create audit trails of selected tables for traceability.
- Should support User Exits and options for detecting conflicts.
- Support mapping methods like adaptive apply, summarisation, live audit and consolidation.
- Log reader process of CDC should reside outside database memory space.
- Change Data Capture should have a heterogeneous database support.
- Capability to support different versions of database on source and target.
- Capability to support across different hardware platform on source and target.
- Basic transformation capabilities.
- Provide GUI to start/stop processes, monitor and configuration
- Data Quality tool should have a probabilistic matching engine.
- Data Quality tool should have a graphical matching specification designer.
- Data Quality tool should have a graphical match designer which displays the match statistics of data.
- Data Quality tool should have an easy-to-use GUI with an intuitive, point-and-click interface for specifying automated data quality processes—data investigation, standardisation, matching, and survivorship.

9.6.12 Data Warehouse

In case of multiple systems, it is recommended to have a DWH solution since many systems will produce, consume and need data, it is important to have a single repository of information which will reduce the load on operational systems. Many applications also mean multiple versions of data and therefore, multiple versions of information. DWH will help have a single version of truth; it will support data analytics and data mining, support cross sell and upsell. Solution providers Telecom Data

Model offer some of the best practices in the industry. Data warehouse should support shared nothing architecture and Scale Out Architecture should be able to scale beyond 20 nodes. Data Warehouse should support multiple node configurations.

Data Warehouse should support hash partitioning, range partitioning, multi-dimensional clusters, and the data compression feature of Data Warehouse should lead to storage cost savings, better performance, a compression feature (backup and data compression) and apply compression at table level to achieve maximum compression. It should be able to scale horizontally and should not have any data volume restrictions.

Data Warehouse should be able to run a particular query on multiple nodes to achieve true parallelism and should support intra-parallelism as well as inter-partition parallelism. It should have workload management feature which should not require any DBA interaction.

SUMMARY

Without the use of technology, it is practically impossible to implement the concepts of CRM in an organisation. eCRM is the practical implementation of the IT system in organisation, which provides a platform because of which philosophy and concept of CRM can survive. In this chapter, we have learnt the meaning, importance, scope and significance of eCRM. It facilitates a company to connect with its customers and partners through any process, functional system and communication medium-telephone, mobile, fax, email or Internet. eCRM gives the best results by integrating sales, marketing and customer service, resulting in in-house collaboration on precious customer knowledge. With information on two commercial applications, we have got insight into the features of eCRM. Finally, we have tried to list the most significant specifications of an eCRM Solution which can be adopted as per requirements of the organisation. The solution may be a simple solution hosted on a cloud or may involve creation of a data centre.

KEY TERMS

- **eCRM**
  It refers to the software applications used to implement CRM in an organisation.
- **OLTP**
  On Line Transaction Processing (OLTP) are the applications used for operational activities of the organisation.
- **OLAP**
  The applications used to create analytical reports from the historic data created by operational applications are called On Line Analytic Processing (OLAP).
- **Dashboard Reports**
  This term is used to represent as-on-time operational reports.
- **Analytical Reports**
  These are the reports based on the analysis of past data.

REVIEW QUESTIONS

1. What is eCRM? What is its scope?
2. What are the benefits of implementation of eCRM?

PROJECT ASSIGNMENTS

1. Study any eCRM application to find out its features and functions.
2. Study five eCRM applications available in the market to compare them and check their suitability in different types of organisations.

FURTHER READINGS

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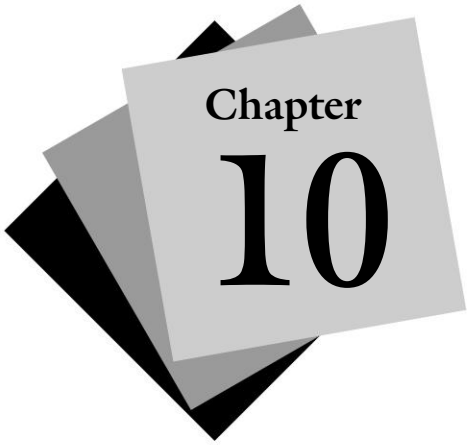


Planning and Implementing CRM

Learning Objectives

After going through this chapter, the readers will be able to understand

- How to make a CRM business plan
- Importance of Business Process Reengineering (BPR) for a CRM project
- Steps involved in CRM implementation
- Issues involved in the selection of a CRM application
- Advantages of adopting CRM within organisation
- Effective management of CRM with an organisation

10.1 Introduction

In the earlier chapters, we have examined the importance of the CRM System and various features and facilities of eCRM applications. In this chapter, we shall examine the issues related to the implementation and adoption of CRM in an organisation. CRM is not just the purchase and installation

of a software application, but demands a well-planned and structured methodology that involves the adoption of new philosophy and a change in the culture of the organisation. The process of CRM implementation may vary in different organisations depending upon the goals, business objectives, current level of training required for employees and availability of technology. A highly skilled and trained team of professionals is required to make CRM implementation a success in any organisation, as CRM is complex in nature and involves the integration of technology, people and processes.

10.2 Scope and Significance of a CRM Project

The CRM initiative of an organisation can be as simple as orientation and training of employees towards a customer focused approach with an emphasis on retaining customers. However, it can also be a complex project running over months, bringing in technology and changing the way the organisation works.

The purpose of implementing CRM is to experience the business change that it brings in. This change does not occur instantly at a single point of time, but is a gradual process, and therefore, needs to be steered in right direction. Unlike common perception, a CRM project is not meant just for the IT department; it should be part of the entire organisation. Firstly, the top management should start implementing it to set an example for the rest of the organisation.

Every organisation should start the project with a clear understanding of its objectives, its value addition to the organisation, to each unit and to every customer. An awareness of its uses will bring involvement and subsequently, commitment to the CRM project across the organisation. If done properly, it is sure to be a success.

10.3 Business Process Reengineering (BPR) for CRM Implementation

The implementation of CRM in an organisation requires highly organised and systematic changes in the processes of customer service, sales and marketing. Besides, CRM implementation is not an isolated project but is a tool of change management. The objective of CRM is to transform the focus of an organisation from product-centric to customer-centric. For successful implementation and adoption of CRM, it is imperative that all business processes are redesigned to ensure that they follow the philosophy of CRM. The Business Process Reengineering (BPR) exercise is typically carried out by documenting every **'as-is' process**, analysing the same in context with changing objectives, finding gaps and deciding the 'to-be' processes. The BPR part of CRM implementation is the most crucial as far as the success of the project is concerned. The process and methodology of BPR has been discussed in detail in Chapter 11.

10.4 CRM Implementation Process

CRM implementation involves the planning, design and implementation cycle. A CRM business plan sets the foundation for the success of CRM implementation. It outlines the goals, broad responsibilities and deadlines for steering the project. The following are the steps involved in CRM implementation (refer to Fig. 10.1):

- Analysis of the current internal situation
- The competitive situation analysis
- Definition of CRM objectives and prioritising CRM requirements
- The strategic alignment
- Financial analysis

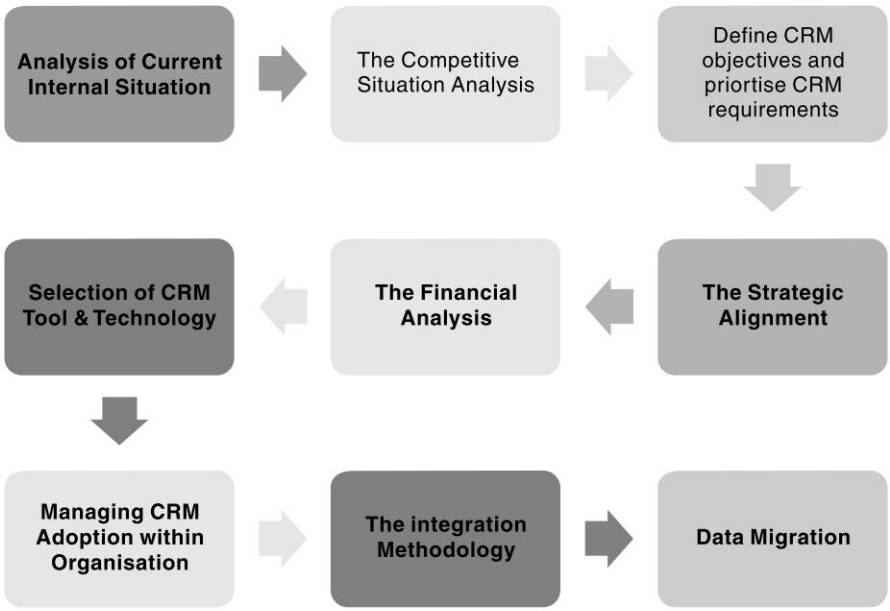


Fig. 10.1 *CRM Implementation Process*

- Selection of CRM tools and technology
- Managing CRM adoption within an organisation
- The Integration Methodology
- Data Migration

10.4.1 Analysis of the Current Internal Situation

Identify the problem areas in the present customer relationship cycle that are affecting the present **service delivery process, marketing campaigns and sales management.** Measure the existing key performance matrix with respect to these three areas.

- The key **service performance parameters** generally involve Mean Time between Failures (MTBF), Mean Time to Repair (MTTR), Number of complaints/service requests within a period and the percentage of repeat complaints.
- Key **sales management performance parameters** to be measured are lead to sales time, leads to sales conversion efficiency, number of customer referrals, repeat purchase by existing customers, etc.
- The key **marketing campaign parameters to** be measured are leads per campaign, lead capturing, lead segmentation, etc.

The existing performance matrix should be analysed to find out weak areas.

10.4.2 Competitive Situation Analysis

No organisation works in isolation but faces competition from others in the market. The performance of the organisation should be compared with that of its competitors in the same business area, its strengths and weaknesses analysed with respect to other players. It is also important to identify the parameters where competitors are ahead of one's organisation.

10.4.3 Define CRM Objectives and Prioritise CRM Requirements

Based on the analysis carried out in above steps, the organisation needs to clearly define the objectives of CRM implementation. The desired performance matrix should be finalised; existing business processes for service delivery, sales management and marketing campaign management should be analysed in order to evolve new ones and data required for running the same should be collected.

Every organisation may have different CRM objectives and within each organisation, every department, depending on its specific requirements, needs and sense of priority, will have different CRM objectives. For example, the customer care department may want to reduce the number of incoming complaints and service requests, and therefore, may want to augment the existing self-service utilities and knowledge base for customers. On the other hand, sales managers may desire to have more extensive and exhaustive dashboard reports for managing their day-to-day sales activities and operations effectively. Similarly, the marketing department may want to capture the email database of customers to launch an email campaign. It is essential to combine all these requirements into the business goals of the organisation. Optimum alignment of the organisational and departmental objectives needs to be done so that synergy is created between all departments. Based on the business requirements, priority should be given to those objectives which are critical for key business processes and are needed to combat competition. Besides this, areas which result in higher costs and missed business opportunities should also be given attention.

10.4.4 Strategic Alignment

CRM objectives should be properly aligned with the overall strategy of the organisation and the implementation of CRM should be a strategic decision, fully supported by the top management.

10.4.5 Financial Analysis

Return on Investment (ROI) vis-à-vis the cost of implementation of CRM in the organisation should be assessed. Measuring ROI of a CRM project is a complex process as the returns and benefits can be both, tangible and intangible. However, ROI of the project should be estimated for financial justification of the projects. These financial returns can be revenue enhancements like an increase in sales and margin enhancements due to customer retention and lower costs of customer acquisition and prolonged customer retention.

10.4.6 Selection of CRM Tools and Technology

There are various CRM applications and technologies available in the market and they vary in terms of functionalities, capabilities, deployment strategies, integration capability and of course, cost. While some are suitable for large organisations, others are meant for mid-size or small organisations.

CRM applications are generally complex covering many functionalities and features. However, the selection of CRM technology should be based on the need of the organisation. For example, certain CRM applications are centered around the sales function, whereas, others may be focused on customer contact management. Hence, for a call centre, the latter is more relevant while for a sales organisation, the former is better suited.

CRM products can be independent or a part of other business applications. Small organisations can opt for SaaS (Software as a Service) solutions so that they do not have to spend their resources for building up, operating and maintaining IT infrastructure. In such cases, a monthly subscription

fee needs to be paid. This arrangement avoids the cost associated with the management of IT infrastructure. However, for large organisations, setting up their own IT infrastructure is a better option.

The applications available in the market also vary greatly in terms of functionalities and integration capabilities. Some can be easily integrated with existing IT systems like ERP systems, while others may have a number of issues. While selecting a CRM System for the organisation, a study should be conducted to analyse the different IT applications into which the CRM will have to be integrated and the capability of the CRM vendor to carry out the same.

The choice of an appropriate CRM application depends on a number of factors like the size of the organisation, industry, and sector, business requirements, IT strategy and most importantly, the existing IT applications.

Some organisations may want to get the CRM applications customized as per their processes and requirements if the standard CRM application available in the market does not meet all its needs. . However, customisation comes with its own problems. Firstly, the patch work may induce certain bugs, which may go unnoticed and untested during the validation process. Secondly, with new versions or upgrades, this customisation will have to be redone. The support from application provider can also be an issue in such situations. Using the standard market product as it is and re-engineering the internal processes is a better option as the product follows industry best practices and more importantly, the application will continue to evolve as new versions and patches will be provided by the vendor.

The difference between customisation and configuration needs to be understood. A standard CRM application will have a number of options, which can be chosen as per the requirements of the organisation. It is better to choose a vendor that gives you a number of options to configure the system as per specific requirements instead of getting a customised product.

10.4.7 Managing CRM Adoption within an Organisation

The implementation of CRM within an organisation should not simply be the implementation of a software application. It is a change in the management process, a tool to shift the focus of the organisation from product-focus to relationship-focus and a tool to empower employees with more information and facilities that will help them in meeting customers' expectations.

The roadmap to the implementation of CRM should include:

1. Creating Awareness
2. Building Teams
3. Training
4. Motivating through Incentives

Creating Awareness

Communication across all hierarchical levels is vital to the success of the CRM. The introduction of CRM in an organisation should begin with awareness programmes to build readiness and a shift in the mindset within the organisation. With this, the three pillars of the organisation, i.e., **People, Processes and Information** will be transformed. People will have an initial resistance to use the new system, as they will have to change the way they have been working all along. The sales person will have to enter all details of his/her calls in the system instead of just maintaining a diary. A sales manager will have to take reports from the system instead of manual compilation while a service engineer will now have to take service requests by logging into the system or on SMS instead of written order slips from service managers. The insecurity of being monitored and a natural resistance to change can

make people reluctant and they start looking for excuses for not using the system. This can be overcome by creating awareness on the benefits of new system, which will bring new facilities to both, the employees and the management. These benefits should be repeatedly highlighted through awareness programmes. The sales person needs to know that by entering the details of a customer and calls, he/she will not have to remember the schedule and appointments manually. Moreover, he/she can get all information about the customer before a meeting.

Building Teams

CRM is a holistic approach, requiring total commitment and involvement of all employees from top to bottom. All hierarchical levels have equal responsibilities to ensure the implementation of CRM, because each and every employee of the organisation is a 'touch point', resulting in positive or negative 'moments of truth' (refer to Chapter 1 for more details on Touch Points and Moments of Truth). Hence, a strong team culture has to be developed and cross-functional teams should be formed with clear roles and responsibilities. The mechanism of coordination between teams should be worked out.

Training

If employees are not given the required training before the implementation of CRM, it will be a failure just as expecting somebody to drive a new car without prior driving lessons. Sometimes, organisations try to bypass user-training because of a tight budget, time constraints and lack of training capabilities within the organisation. However, training is important not only for increasing the user acceptance, but also for better utilisation of features of the CRM tool. It is only with proper training that a sales person will understand how to dig out details of a customer before making a call.

Motivating through Incentives

Various CRM projects fail due to lack of involvement and commitment by the users. To generate user acceptance and motivation, it is essential to provide certain incentives, either in monitory or non-monetary form.

10.4.8 Integration

Consider a situation where you have an effective CRM system implemented in your organisation, which can empower you with all the tools and technology to know your customer, run marketing campaigns, manage sales processes and delivery service whenever required by the customer. At present, you are running marketing campaigns for a recently launched product and suddenly, a customer approaches your call centre, where you have all information available. Now, the customer wants to order the new product but wants to know whether the product can be delivered by the following weekend. The problem arises if you are unsure of the delivery time and promise to check and call back. You now have to look for contact numbers of other units or departments who are responsible for production, testing, packing, transportation, and so on. If any of these are not available, the customer will be kept waiting for a response. The customer will then start exploring other options. This explains the need to integrate CRM with other functionalities of organisation. After all, an organisation does not consist only of sales, marketing and service units, but also has other important functional and operational areas like finance, HR, production, supply chain, and logistics.

A stand alone CRM cannot give the desired synergy without getting it integrated with all organisational functions. We shall discuss the integration issues and methods in detail in Chapter 12.

10.4.9 Data Migration

While implementing CRM, one must ensure that existing method of capturing customer information are not lost until better methods settle down. Besides this, there will be lots of information on customers available with different organisational units. The methodology to enter this existing knowledge asset into the system is of utmost importance. The changeover to a new system should not destroy the existing knowledge asset. If the information is in a physical form, employees should be encouraged to enter this into the system, but if the information is in the databases of other software systems, data migration methods should be carefully planned.

Check Your Progress-I

1. What is a CRM business plan?
2. List out important steps involved in the CRM implementation process.
3. What is the importance of training in the CRM implementation process?
4. How can CRM adoption within an organisation be managed effectively?

Corporate Examples

1. CRM Implementation in ICICI Bank

Bank Profile

Established in 1994, ICICI Bank is today the second largest bank in India and among the top 150 in the world. In less than a decade, the bank has become a universal bank offering a well-diversified portfolio of financial services. It currently has assets of over US$ 79 billion and a market capitalisation of US$ 9 billion and services over 14 million customers through a network of about 950 branches, 3300 ATMs and a 3200 seat call centre (as of 2007). The hallmark of this exponential growth is ICICI Bank's unwavering focus on technology.

Retail Strategy

ICICI has ambitious plans for its retail business initiatives. Its strategy revolves around intensive deployment of technology, which will help reduce cost of service, increase customer retention, help in cross selling and up selling while improving the process efficiencies. Electronic channels including the Internet, ATMs, call centres, contact enters, desktops, kiosks, mobiles and other hand-held devices can perform financial activities while ensuring that a customer has multiple options for access and transactions. The group has adopted a **'click and brick'** strategy to leverage the power of electronic channels and physical presence to ensure rapid product delivery, fulfilment of financial deals and documentation. As part of the plans, it is implementing various projects to establish world-class CRM practices, which has provided an integrated view of its customers to everyone in the organisation. The CRM at ICICI involves increased communication between the virtual universal bank and its customers and prospects, as well as within the group itself. The underlying idea is to enhance every instance of contact with the

customer. ICICI believes that a true customer-centric relationship can only be accomplished by considering the unique perspectives of every single customer of the organisation. Hence, the pressing need to put in place a technology enabled CRM solution.

CRM Roadmap

CRM at ICICI is a discipline, as well as a set of discrete software technologies, which will focus on automating and improving the business processes associated with managing customer relationships in the areas of sales, marketing, customer service and support. The organisation aims to achieve the end goal of one-to-one marketing. The CRM software application has not only facilitated the coordination of multiple business functions but also coordinated multiple channels of communication with the customer—face-to-face, call centre, ATM, Web, telephone, kiosk, bank, branch, sales associates, etc.—so as to enable ICICI to carry out cradle-to-grave customer management more efficiently. It allows ICICI to engage in one-to-one marketing by tracking complete customer life cycle history. Firstly, it has automated process-flow tracking in the product sales process, which can generate customised reports and promote cross-selling. It has also enabled efficient campaign management by providing a software interface for definition, tracking, execution and analysis of campaigns.

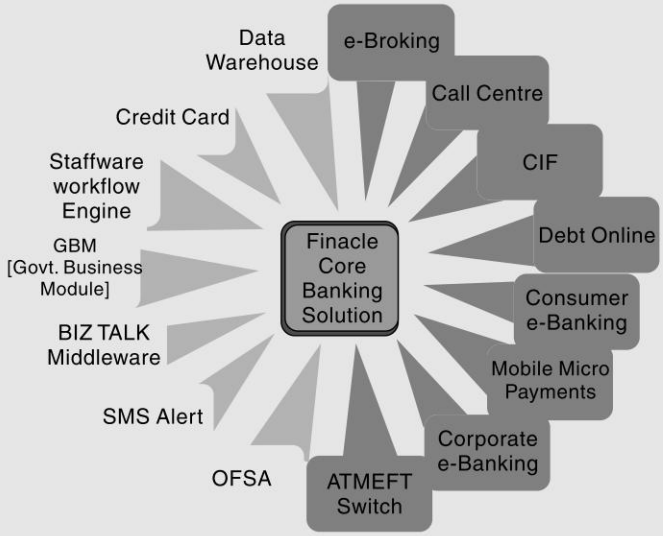
Key Business Drivers

ICICI Bank was set up when the process of deregulation and liberalisation had just begun in India and the Reserve Bank of India (India's central bank) had paved the way for private players in the banking sector, which at that time, was dominated by state-owned and foreign banks. Serving a majority of the country's populace, the state-owned banks had a large branch network with minimal or no automation and little focus on service. Foreign banks, on the other hand, deployed high-end technology, had innovative product offerings, but had a very small branch network that serviced only corporates and high net worth individuals with. Sensing an untapped opportunity, ICICI Bank decided to target India's burgeoning middle class and corporates by offering a high level of customer service and efficiency that rivalled foreign banks on a much larger scale, but at a lower cost. A crucial aspect of this strategy was the emphasis on technology. ICICI Bank positioned itself as technology-savvy customer friendly bank. To support its technology-focused strategy, ICICI Bank needed a robust technology platform that would help it achieve its business goals. After an intense evaluation of several global vendors, ICICI Bank identified Infosys as its technology partner and selected Finacle, the universal banking solution from Infosys, as its core banking platform. An open systems approach and low TCO (Total Cost of Ownership) were some of the key benefits Finacle offered the bank. Unlike most banks of that era, ICICI was automated from day one, when its first branch opened in the city of Chennai. One of the reasons to select Finacle was its future-proof technology, best-of-breed retail and corporate banking features, scalable architecture and proven implementation track record.

Solution Overview

One of the biggest challenges for Finacle was to ensure straight through processing (STP) of most of the financial transactions. With ICICI having several companies under its umbrella, Finacle needed to seamlessly integrate multiple applications such as credit cards, mutual funds, brokerage, call centres and data warehousing systems. Another key challenge was to manage the transaction volumes. ICICI underwent a phase of organic and inorganic growth, first by acquiring Bank of Madura followed by a reverse merger of the bank with its parent organisation, ICICI Limited. The scalable and open systems-based architecture enabled Finacle to successfully manage the resultant increase in transaction levels

from 400,000 transactions a day in the year 2000 to nearly 2.1 million by 2005 with an associated growth in peak volumes by 5.5 times. With Finacle, the bank currently has the ability to process 0.27 million cheques per day and manage 7000 concurrent users.



Over the years, the strategic partnership between ICICI Bank and Infosys, which started in 1994, has grown stronger and the close collaboration has resulted in many innovations. For instance, in 1997, it was the first bank in India to offer Internet banking with Finacle's e-banking solution and established itself as a leader in the Internet and eCommerce space. The bank followed it up with several other e-Commerce services like bill payments, funds transfers and corporate banking over the net. The Internet is a critical element of ICICI Bank's award-winning multi-channel strategy that is one of the main engines of growth for the bank. Between 2000 and 2004, the bank has been able to successfully move over 70 per cent of routine banking transactions from the branch to other delivery channels, thus increasing overall efficiency. Currently, only 25 per cent of all transactions take place through branches and 75 per cent through other delivery channels. This reduction in routine transactions through the branch has enabled ICICI Bank to aggressively use its branch network as customer acquisition units. On an average, ICICI Bank adds 300,000 customers a month, which is among the highest in the world.

Channels	*Share of Transactions March 2000*	*Share of Transactions March 2004*
Branches	94%	25%
ATM's	3%	43%
Internet & Mobile	2%	21%
Call Centres	1%	11%

Reaping Benefits

A powerful, scalable and flexible technology platform is essential for banks to manage growth and compete successfully. Finacle provides this perfect platform to ICICI Bank thus, fuelling its growth.

The bank has successfully leveraged the power of Finacle and deployed the solution in the areas of core banking, consumer e-banking, corporate e-banking and CRM. With Finacle, ICICI Bank is also more flexible to develop new products targeted at specific segments such as ICICI Bank Young Stars–a product targeting children, Women's Account addressing working women and Bank@campus targeting students.

ICICI Bank is today recognized as a clear leader in the region and has won numerous accolades worldwide for its technology-driven initiatives. In 2003, the bank received the best multi-channel strategy award from *The Banker* magazine and this year it was rated as the second best retail bank in Asia by *The Asian Banker* journal. The bank has effectively used technology as a strategic differentiator, thus, not only redefining the rules of banking in India, but also showcasing how technology can help in transforming a bank's business.

Integration with ERP

The integration of CRM and ERP systems provides ICICI with an integrated approach for identifying, acquiring, and retaining customers. By enabling them to manage and coordinate customer interactions across multiple channels, departments, lines of business, and geographies, CRM and ERP integration helps them maximise the value of every customer interaction, which leads to improved corporate performance.

The integration of all departments and functions of the organisation on one platform and running of one database has traditionally been unapproachable for ICICI. Each business application runs on its own system, which is optimised for the particular business unit or application. Typically, when a customer places an order, the order begins a mostly paper-based journey from the in-basket to the in-basket around the company, often being keyed and re-keyed into different computer systems along the way. The vast amount of handling and re-keying causes delays and lost orders, and multiple keying into different computer systems invites errors. Meanwhile, there is a lack of visibility to the enterprise. Integration of the CRM and ERP platforms provides multiple benefits and allows the organisation to realise the highest ROI on its IT investments.

Sources: www.infosys.com; www.icicicrm.com, last accessed on April 11, 2011

2. IT in the Indian Banking Sector—Lending the Tech Edge, Banking in the Technological Paradigm

If any industry indicates how India has transformed in the last two decades, it is banking. It wasn't too long back when one had to spend hours in a queue to get a draft or, when one ensured that there was enough cash in the wallet to see through the day. Today, most banking activities happen even as you sip coffee or take a call. ATMs (automated teller machines) are almost at your doorstep. There are more plastic cards in the wallet than currency notes. And a huge part of this change is due to the advent of information technology (IT).

However, technology alone cannot make a difference; it needs strategic thinking from the top management. The Central Bank of India chairman and managing director S Sridhar explains: "Given legacy issues in public sector banks (PSBs), we could not start from scratch." PSBs are decades old in the country and had systems and procedures in place even before the technical revolution. The challenge for such banks was to incorporate technology, which needs a change in the mindset of the employees.

On this front, banks like ICICI Bank and HDFC Bank had an advantage as their early years coincided with the advent of IT in banking. As a result, private banks were technologically savvy in the 1990s

itself. However, this posed a challenge for late entrants in the banking sector. Somak Ghosh, co-founder and group president, Yes Bank elaborates: "Since we were the last entrant in this sector, it was the necessity, which actually became the mother of innovation at our bank. We made sure that our approach to business, decision-making, the way we design our products, technology behind customer acquisition and service delivery combined together leads to a better customer experience." In nutshell, at Yes Bank, innovation didn't stop at technology per se, as the management reinvented all the processes involved in banking.

Innovation at banking becomes a trickier affair with the level of commoditisation we have witnessed. As a result, technology, systems and procedures are standard across all banks. The moot question is to bring a differentiation in such a case. Bank of Baroda Executive Director RK Bakshi says: "What can't be copied is service quality and brand. We have reoriented our brand identity." Other PSBs too have taken steps in this direction. For instance, Union Bank of India changed its logo recently apart from revamping its branches. Similarly, the biggest Indian bank, the State Bank of India recently launched an advertising campaign 'banker to every Indian' to re-affirm its status of a universal bank, which has products and services for all types of customers.

However, banking is a highly regulated industry. Moreover, PSBs have a sizeable portion of business coming from rural and semi-urban areas. So, a public sector bank has to face twin challenges of innovation and financial inclusion. Bank of India Executive Director M Narendra says: "More than 62 per cent of our branches are in semi-urban or rural areas. We focus on inclusive growth. We have adopted 200 villages for total development. Moreover, we have around Rs 30,000 crore in our portfolio of loans to micro, small and medium enterprises (MSME)." The bank has been at the forefront of financial inclusion, while reinventing its processes. For instance, it introduced the concept of 'diamond customer', aimed at clients who have been doing business with the bank for a few generations.

In fact, innovation in the banking industry is more about reinvention but most innovations are only incremental in nature and not path-breaking, which is riskier. For instance, reverse mortgage was introduced in India two years ago. But till date there has hardly been any progress on this front. For the banking sector, a better approach is total reorientation towards business processes. Somak Ghosh explains how at Yes Bank they reoriented processes. "Sector specialists were blue-sky thinkers in the backroom. We got them to the front end and told them that since they understood a customer's business, they should suggest to him a financial solution." This is a case where the backend is simply moved to the front end and this forms the core of what we know as 'knowledge-based banking" at Yes Bank.

Foreign banks have always been at the forefront of innovation and re-engineering of processes.. Deutsche Bank India Chief Operating Officer Shrinath Bolloju explains: "We have the same skill-set, same technology and identical clients in our various centres across the globe. We worked out a resilience model. So, in 2005, when New York went down due to power cut, Dublin and Bangalore picked up the load." This model has helped the bank reduce the concentration risk.

At the same time, technology solutions providers face a bigger challenge as any technological breakthrough becomes obsolete in a very short period of time. Haragopal M, global head, Finacle, Infosys Technologies, says, "It is very important for us to stay ahead of the curve. We have to start something new everyday. I ask young people what kind of Finacle they want by 2020." Bankers agree that cost control is one of the main objectives in any kind of innovation. RK Bakshi says: "Return on capital employed (RoCE) is the biggest measure. We need analytics to find out which are the most profitable segments. And how we could cut costs at the same time".

Apart from that, there are many tangible and intangible benefits of innovations like overall lifting of workforce's morale, better product visibility and operational efficiency. More than just a technological breakthrough, it's a total culture of reengineering and competitiveness, which can help in making a bank more innovative. Shrinath Bolloju says: "We have tried to build it into the DNA of our organisation. We have an annual competition among employees, wherein they come up with an idea, which can be applied to the bank."

Technology has already helped PSBs in improving the productivity. For instance, in most PSBs, the number of employees has fallen in the current decade. Most Indian banks have implemented the core-banking solution (CBS), which has dramatically automated what used to be brick-and-mortar banking. Moreover, technology has turned 'size' into an advantage from the handicap that it used to be earlier. And due to this, the gap between PSBs and their private banks has narrowed down. In fact, PSBs can use the lethal combination of technology and distribution reach to gain the market share they had lost to private banks in the previous decade. It is clear that the banking sector is poised for interesting times.

Source: The Economies Times, ET Banking Survey 2009, December 21, 2009, www.epaper.timesofindia, last accessed on February 2, 2011

SUMMARY

This chapter has focussed on the implementation of CRM in an organisation, the importance of choosing the right application, carrying out business process changes and involving everyone for successful implementation of CRM. It requires a 360 degree view of customers, organisational processes and the involvement of stakeholders. The effective implementation of CRM with the alignment of all functional and operational areas within the organisation has been explained with corporate examples.

KEY TERMS

- **CRM Business Plan**
  It is the document that outlines the goals, broad responsibilities and deadlines for steering the journey of the CRM implementation project.
- **BPR**
  Business Process Restructuring is the systematic way of redefining business processes for specific strategic change.
- **SaaS**
  Software as a Solution is the term used by the IT industry when the vendor provides the software application from its own infrastructure and the user simply uses it as a service.
- **KPI**
  Key Performance Indicators
- **MTTR**
  It is the **mean time taken to repair** a product or attend a fault of a service or the measure of speed by which a service is provided by the organisation.

- **MTBF**
  It is the mean time between two failures of a product or service or the measure of the reliability of a product or service.

REVIEW QUESTIONS

1. What is a business plan? Explain the important contents of a CRM business plan.
2. Why should BPR be a part of a CRM implementation project?
3. Consider you are the project-in-charge for CRM implementation in a large organisation with a countrywide presence. Work out the plan for creating awareness about the project.
4. Prepare a detailed project on CRM implementation in an organisation of your choice in the banking or insurance sector.

FURTHER READINGS

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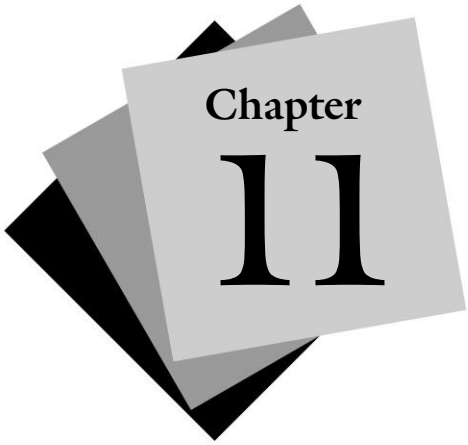

Making CRM a Success

Learning Objectives

After going through this chapter, the readers will be able to understand

- Various factors that are essential for the successful implementation of CRM
- Concepts of BPR and its relationship with CRM
- The importance of Data Quality Management for the success of CRM and the methodology of the same
- The need to secure information and implement the Information Security Management System (ISMS)
- Crucial ethical issues and permission marketing and appreciate their importance for successful CRM

11.1 Introduction

The effectiveness of CRM implementation is dependent not only on technical aspects like selection of an appropriate IT solution, sufficient IT infrastructure and technical competence of employees, but also on other factors such as commitment and involvement of the top management, reengineering and

realignment of business processes and successful transformation towards a customer-centric culture within the organisation. The purpose of a successful CRM is to generate an environment, supported by a strong IT system, which is capable of generating long-term relationships with customers. Customers interact with a business organisation trusting that the information exchanged will be safe and secure; therefore, successful CRM requires the capability of the organisation to protect the customers' data. Long-term relationships are created around trust, transparency, ethics and values. Therefore, a successful CRM requires a cultural change where the activity of the organisation is based on values and ethics so that a customer never loses the confidence in the company. Another important aspect of a successful CRM is the quality of data on which it operates. This chapter will discuss all such issues related to the successful implementation of CRM.

11.2 Success Factors for CRM

An assured recipe for the success of any organisation must have a few essential ingredients like strong customer focus, competitive process design and a highly involved, committed and motivated leadership. CRM cannot be a miracle remedy and panacea unless the CRM programme brings about a cultural change and the way employees think about their customers. The ultimate goal of CRM is to establish long-lasting relations with customers and make CRM a success for an organisation. A few significant success factors for CRM implementation in an organisation have been shown in Fig. 11.1 and explained in detail.

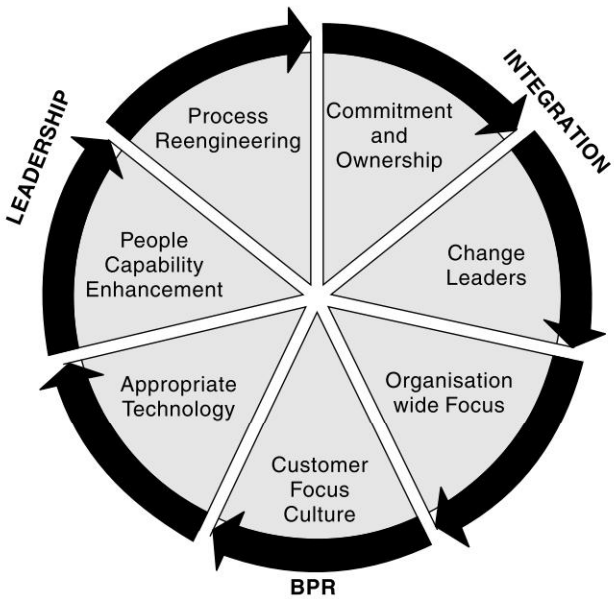

Fig. 11.1 *Making CRM a Success*

11.2.1 Top Management Commitment

The critical success factor of gaining the top management's commitment is crucial to the successful implementation of CRM. Bringing a culture change through the organisation is the prerequisite to CRM implementation and this cannot be brought about without the involvement and commitment

of the top management. Therefore, the first step towards a successful CRM plan is to get the top management to mandate and support the initiative. This will become the basis of clear, top-down communication throughout the organisation on the management's expectation of this initiative and will motivate all stakeholders. Since the scope of CRM implementation is enterprise-wide, it requires full support of the top level of the organisational structure so that goals of individual departments get aligned. Its role is essential in getting patronage of the CRM implementation and securing required budgetary support.

11.2.2 Adoption of CRM Philosophy within Organisation

A CRM-driven culture needs to be created across various hierarchical levels such that each level owns and adopts the CRM initiatives in the true spirit of providing customer satisfaction and establishing relationships with customers. Instead of being perceived as just a top management responsibility, each employee, irrespective of his/her horizontal or vertical position in the organisation's structure should feel equally responsible and committed towards promoting a customer-centric approach. Although the frontline employees are the face of the organisation and are more critical touch-points, they need to be supported by the back-end providing integration between people, processes and technology.

11.2.3 Organisation-wide Focus

In CRM projects, technology is only a tool and will have less to do with the CRM success. Therefore, it is important to focus equally or even more on involvement, communication, training and other aspects as much as the technology involved. It is essential to involve employees at several levels, focus on communication needs and conduct sufficient training of concerned employees throughout the organisation. In case these aspects are given more focus as compared to the technical systems, then CRM will have better chances of being successful. Although, CRM is, first and foremost, concerned with sales, marketing and customer service functionalities, the role of other functional areas like production, quality control, product design, finance, logistics, supply chain management, HR and others cannot be undermined. The functions and processes of all these areas also need to be integrated and associated with a customer-centred approach, making CRM all-pervasive within the organisation.

11.2.4 CRM and HR Issues

While implementing CRM in organisations, project leaders are primarily focused on following certain standard steps such as defining CRM objectives, formulation of the strategy, carrying out BPR exercise for optimisation of processes with a customer-focussed view, aligning organisational structures with newly designed roles and responsibilities, selecting the right vendor and finally implementation of the project. However, the whole project can be executed only by a team of motivated, committed and skilled manpower. Here arises the most crucial question of who will own and execute all these steps and what is the current level of readiness of human capital for such projects? Human resources from cross functional areas like marketing, sales and IT are required to be involved and trained accordingly.

It is not only the 'people factor', which is important for the success; the organisational structure, roles and responsibilities, delegation and authority need to be realigned for nurturing a customer-centric culture within the organisation. The appraisal system, promotion policies and other HRD policies should start taking into consideration various parameters related to customer service by employees. For example, Balance Business Score Card (BBSC), Group Performance Measurement

System (GPMS) and Individual Performance Score Card (IPMS) should include KPIs which are directly or indirectly related to customer service. KRAs which are related to CRM should be given more weight in the design of the performance measurement system, which will ensure alignment of HR policies with CRM initiatives.

Corporate Example

Tesco, the UK Retailer

Clear customer commitment is lived by employees in **Tesco, the UK Retailer**, because they are involved from their very first day of work. Tesco's 'Every Little Helps' is a collaborative strategy. Customers recommend how to improve the shopping experience and employees recommend ways to improve their work environment. Tesco understands that true CRM can be delivered only as a combination of sophisticated processes/customer analytics systems and people management. Its mission statement towards customers and employees is clear: "Our success depends on people: the people who shop with us and the people who work with us." And Tesco has been successful, using its strategy to become Britain's No. 1 retailer.

What do we learn from this? If CRM is to be a sustainable success in a company, CRM capabilities or values need to be present throughout the HR process of a company: recruiting, employing, developing/promoting. You have to check CRM capabilities during job interviews, reinforce them while the employee is on the job and enhance them in career development. Why?

Because you can easily train employees in technical skills but it's much harder to instil a customer-centric attitude.

Source: www.buljanandpartners.com, last accessed on May 11, 2011

11.2.5 Implement Change

The implementation of CRM involves a change and there may be reluctance and resistance to this change. This resistance can be overcome by appropriate change management strategies. CRM involves technology, processes and people, so its implementation requires changes in all these three areas. Adoption of technology can be encouraged by training. Also, the success of implementation requires that all organisational processes are customer centric. In most cases, business process reengineering is part of the CRM initiative (refer to section 11.4 for details on BPR). CRM requires a change in the organisation's culture to ensure that the value system is built around customers and relationships by providing better products and brands.

Change management is a vital part of a CRM project that leads, motivates, facilitates and enables employees to adopt new values, system, processes and technology. It consists of strategies that supports transition from 'As-Is' to 'To-Be'. The objective of change management is to remove obstacles in the adoption of a new system and steer people to unlearn the obsolete processes and values system. It takes care of knowledge dissemination, training and learning, so that people feel comfortable and are willing to use new technology and systems. The approach and methodology for such a change needs to be formulated and implemented by people's involvement.

11.2.6 Role of Change Leader

The role of change and systematic change management for CRM has been discussed. But the question is who is going to execute the change management. Change management has to be owned by the top management and implemented with the help of a change leader. These change leaders should be carefully selected/appointed by the top management and understand the change methodology and strategy.

The foremost role of the change leader is to integrate the change management plan with day-to-day operations and activities so that it is understood by the whole organisation. Besides formal plans and procedures, they should be capable of understanding and analysing the situation and dynamically modify the action plan.

The most important and difficult role of a change leader is to steer, channelise and guide people in the new direction. It involves ascertaining and establishing the skills, competencies, capabilities and training required for CRM, analysing the same against the existing set of skills and then, planning and executing the transition path, which consists of competency enhancement programs like workshops and role-based trainings. Sometimes, it may include establishing a new organisation and reporting structure. The role of the change leader is to create an environment where the new structure can be implemented with involvement and acceptance, for which effective communication both, formal and informal, is indispensable.

11.2.7 Selection of Appropriate CRM Solution

The organisation should be clear of its business needs and must opt for a CRM solution that fits its needs, and not the other way around. When choosing a CRM solution, there will be many options and implementation strategies. Every business organisation has to ensure that it selects a CRM solution that fits the organisational requirements and objectives. If this is not done, organisational goals will not be achieved and the CRM process will have catastrophic and disastrous results. In no case, should there be an effort to adjust the organisational requirements as per the CRM solution and its focus. Smaller, more manageable projects can provide swift results, more momentum, and higher end-user adoption. The user base, existing technology and IT infrastructure, integration requirements and business requirements will determine the best fit CRM application and technology.

11.2.8 Ease of Usage

The objective of the CRM system will be defeated if the CRM solution is complicated and difficult to use. The balance between features and ease of usage of the system is the key to a successful system. After all, employees using CRM have to mainly concentrate on the interactions with the system and not on searching for information from the system or inputting the information in the system. The ease of usage of the system ensures better acceptance and adoption of the system.

11.2.9 Choose the Right Vendors/Service-Provider

Selecting the right solution is important for CRM, however, the success of implementation hinges on the right vendor. Depending on the scope and implementation strategy of the project, the CRM project involves a number of vendors like application provider, system integrator, hardware vendors and software service providers. The success of the project depends on reliability, commitment and capability of these vendors. Therefore, appropriate vendor selection and contract management is the key to success.

11.2.10 CRM and its Integration within the Organisation

A CRM system does not work in isolation. It has to be integrated with business processes for its seamless operation. This is the most important and complex aspect of implementation, therefore, this aspect should never be overlooked while selecting the CRM solution and the vendor. The integration strategy needs to be worked out taking into consideration the complexity, compatibility, platform and type of systems. One of the options available is to use Application Programming Interface (API) to integrate these applications. API is a communication interface provided by an application to enable its interaction with other software systems. APIs are used to share data between different applications of the organisation. A CRM's API helps the solution provider by defining a protocol for requesting data from that application. Using APIs, the application can be integrated seamlessly without extraordinary development effort, with the rest of their business processes. Solutions without API support can be difficult to integrate with existing systems if automated information exchange across applications is required.

11.2.11 Outsource the Experts

While skill sets are analysed for executing a CRM programme, there may be lots of skill/competency gaps revealed. Technical and managerial competency enhancement, as per the requirement, may be a highly time consuming and expensive option, which the management may not be willing to adopt. Under such circumstances, the organisation should hire experts who can help in customisation, deployment, integration and/or change management. These external experts, besides providing technical capability, can also serve as change catalysts resulting in reduction of time required for CRM implementation.

Check Your Progress-I

1. How can the customer-centric CRM culture be adopted within the organisation?
2. What are the various factors that can affect the selection of an eCRM for any organisation?

11.3 Business Process Reengineering (BPR) for CRM Implementation

CRM has been popularised mainly by software vendors and, therefore, most business organisations tend to think of it only as a software implementation. However, to consider Customer Relationship Management (CRM) only as technological tool is a myopic approach ince CRM is built around customer interaction processes. Hence, before building CRM systems within an organisation, these systems should be re-engineered and transformed in order to make them effective and efficient. Business Process Reengineering (BPR) is undoubtedly the pre-requisite for using technology in building a customer-centric approach in the organisation.

The eCRM *implementation* offers an ideal opportunity to revisit and probably reengineer business processes, subsequently generating a remarkable synergy between the processes and software technology. Processes which have direct interfaces with customers are crucial for CRM strategy implementation. CRM adoption can be accelerated by improving and simplifying the processes for both, customers and employees.

11.3.1 Understanding BPR

BPR is "the analysis and design of workflows and processes within and between organisations" (Davenport, 1990).

Teng (1994) defines BPR as "the critical analysis and radical redesign of existing business processes to achieve breakthrough improvements in performance measures".

Business process is a group of interconnected tasks which are executed to provide certain output. The word 'reengineering' refers to the **fundamental** rethinking and **radical** redesign of business **processes** to achieve **transformational** improvements in performance parameters such as cost, quality, service, and speed.

The cut-throat pressure to meet customer expectations is rising at an ever faster pace. Gradual and continuous improvement of products and services is no longer adequate to continue to exist in the international marketplace, leading to a scenario which demands a radical change in the way organisations work. As a result, many business performance improvement techniques have been in vogue lately such as quality management, process improvement and reengineering methodologies. Quality management methodologies, for example, Total Quality Management (TQM), Six Sigma and process improvement techniques like the Japanese Kaizen Approach, Concept of Lean Organisation, Total Productive Maintenance (TPM), etc. emphasise on improvements in existing processes whereas Business Process Reengineering (BPR) talks about completely new processes resulting in a drastic and holistic change in performance. The radical approach to BPR (refer to Fig. 11.2) was proclaimed as the only means of rescue for organisations which are trapped in obsolete and outdated business processes.

"From a BPR perspective, the non-value adding processes should be obliterated rather than improving or automating them" (Hammer, 1990).

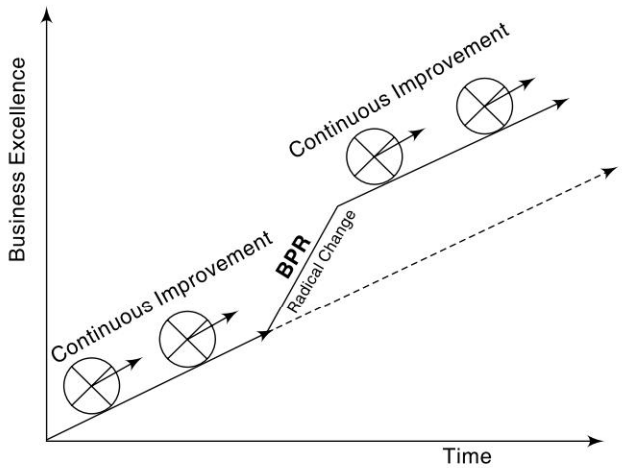

Fig. 11.2 *BPR Approach*

The objective of BPR is to streamline, reorganise and simplify processes to make them faster, of higher quality and less costly. BPR refers to a radical redesign of business processes which aims at removal of repetitive, manual and ritual tasks leading to significant costs reductions and improvement in product/service quality.

The objective of carrying out BPR as a part of execution of CRM is to integrate people, technology and organisational culture so that the organisation attains the capability to respond to a rapidly changing technical and business environment and customer. BPR is all about transformational change and it may face resistance within the organisation because of complacency and fear of the unknown. To lead this change, BPR should be backed by management commitment and implemented by a top-down approach.

11.3.2 Myths about BPR

Some common myths about BPR are given below.

Automation BPR should not be mistaken as 'automation' of existing processes. While automation increases the speed of execution of processes, it generally refers to the use of only technology to execute the existing processes. On the other hand, BPR has a wider scope and perspective.

Downsizing Downsizing refers to the reduction in cost generally by reducing the number of employees. BPR may or may not lead to downsizing. The primary focus in BPR is on improving efficiency and quality rather than merely reducing costs.

Outsourcing It involves paying some other company for getting some service provided by it instead of getting the same done by its own employees. BPR is not outsourcing, although in certain situations, outsourcing may be a component of BPR.

Continuous improvement Continuous improvement refers to the ongoing refinements in existing processes. In contrast, BPR refers to a radical and drastic change in their processes and linkages. The relationship between BPR and continuous improvement is indicated in Tables 11.1 and 11.2.

Table 11.1 *Similarities between BPR and Continuous Improvement*

	Continuous Improvement	*BPR*
Focus	Process	Process
Performance Improvement	Yes	Yes
Organisation Change	Yes	Yes
Behaviour Change	Yes	Yes
Time Investment	High	High

Table 11.2 *Differences between BPR and Continuous Improvement*

	Continuous Improvement	*BPR*
Level of Change	Incremental	Quantum Jump
Starting Point	Starting Process	Clean Slate
Participation	Bottom-Up	Top-Down
Scope	Enterprise Wide	Narrow
Enabler	Statistical Control	Visionary Leadership
Change	Slow	Drastic

11.3.3 BPR Implementation Process

Since its first manifestation in 1990, Business Process Reengineering (BPR) challenges established models of the way in which organisations should be structured and managed. Some of the essential tenets of the BPR methodology are to develop an understandable statement of organisational goals

and strategies. While this may seem like a simple task, there have been far too many BPR 'failures' when goals and strategies have not been clearly defined and stated. Secondly, business processes should be aligned with organisational goals. Even as organisational goals and strategies get clearly defined, the processes adopted may not be in harmony with the pre-defined objectives. To overcome these hurdles, it is essential to adopt a methodical and organised procedure for BPR implementation. To succeed in the reengineering initiatives, it is essential to build a clear understanding on how various activities are interlinked and coordinated while participating in the same process.

The BPR implementation process can be divided into six phases (refer to Fig. 11.3):

- Planning phase
- Analysis 'As-Is' phase
- Develop 'To Be' phase
- Implementation phase
- Monitor the change
- Project management phase

Planning Phase To strengthen the foundation of BPR implementation, the scope and objectives of the BPR project are identified during this phase. Process champions are appointed for various processes which are to be reengineered and experienced persons who are dealing with processes and understand business rules and procedures are selected as subject-matter-experts, who are to be consulted during analysis of existing process and designing of new processes.

Analysis 'As-Is' Phase Current business processes are documented with the objective of identifying process activities, workflow, decision points and the required documentation. Some BPR proponents argue against the concept of "As-Is" phase and are in favour of a 'clean slate' approach. However, the 'clean-slate' approach refuses to take into consideration the experience and expertise of the existing system and manpower. Disconnects in existing processes prevent them from achieving desired results. The objective of this phase is to identify such disjoint and inefficient processes. The current ('As-Is') processes provide a foundation upon which the future ('To-Be') processes can be developed.

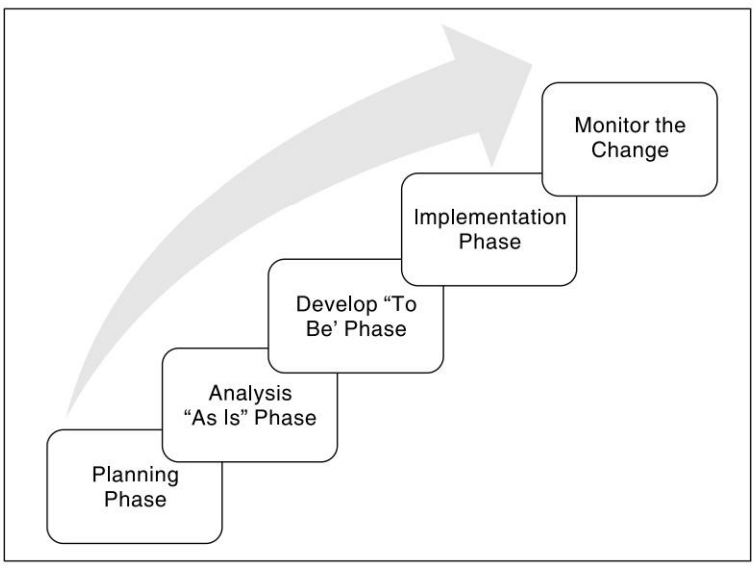

Fig. 11.3 *BPR Implementation Process*

Develop 'To-Be' Phase The 'As-Is" document is analysed to compare the processes against industry best practices and proposed eCRM default processes. Gap-workshops are carried out to identify the gaps and discuss various recommendations. Then, processes and metrics are re-designed, on the basis of which an implementation road map is formulated. These processes are then documented in the form of visual diagrams called process maps.

Implementation Phase The implementation stage is the real test of the whole BPR initiative, as it is challenged and questioned by the resistance to change. On the one hand, there would be several sections of employees within the organisation who are likely to question the very rationale of change as they are content in their comfort zones, while on the other hand, there would be a few who would create obstacles. At such a time, initial glitches can further heighten the resistance to change, giving rise to the need to mobilise and create positivism amongst not only the process champions, but all the employees.

Cultural change programmes, awareness campaigns, top management workshops, and communication workshops should be part of the implementation plan to overcome resistance and involve everyone. This will help a smooth transition. Using pilot programmes, the new system should be validated, tested and demonstrated. Training programmes for employees are conducted and the implementation plan is executed in full scale.

Monitor the Change

In this phase, the results of the BPR exercise need to be consolidated by monitoring and continuous improvements. The outputs of various processes are measured and monitored against pre-defined parameters to ensure that the new processes are properly interlinked, efficient and effective. If there is any gap in any process, it needs to be reanalysed and reengineered. Besides the measurement of results of the processes, acceptance of the new system in terms of the involvement of employees and commitment of the top management needs to be monitored with the help of periodic perception and attitude surveys. In case a need is observed, change agents should initiate corrective actions by strengthening communication throughout the organisation, revamping teams, organising training programmes and establishing a strong feedback system. Thereby, a continuous improvement system is ensured at this stage.

In order to avoid failure of the BPR process, BPR should place the customer at the centre of the reengineering effort and concentrate on reengineering fragmented processes that lead to delays or other negative impacts on customer service. The whole exercise must be owned throughout the organisation, not driven by a group of outside consultants. The information technology group should be an integral part of the reengineering team from the very start so that all aspects of practical eCRM solution are considered. The top management should demonstrate its commitment to BPR. Also, this project must not ignore the corporate culture and must emphasise constant communication and feedback to ensure the involvement of all.

Check Your Progress-II

1. What are the steps of BPR implementation?
2. How is BPR different from continuous improvement?

11.4 Data Quality Management (DQM)

Accurate information in the form of data is the pre-requisite for successful implementation of CRM. The failure of CRM initiatives can be attributed to a multiplicity of reasons. Nonetheless, one of the biggest reasons for the collapse of various CRM projects is the organisation's incapability to deal with the most essential constituent of the project, i.e., precise customer information. This leads to costly consequences in which an organisation has to compromise on the overall investment in terms of time, money and effort. This eventually results in poor customer relations, which is the most important concern of CRM project.

Ensuring accuracy and integrity of customer data is not so easy, as customers keep changing and so does their information. Besides flitting between various competing organisations, they keep changing their personal profiles and contact information. Customers' preferences, likings, disliking and needs with respect to products and services are highly dynamic and dependent on their life cycle stages. And they also expect highly customised and personalised services and offerings.

To predict and deal with these changing customer requirements and expectations, a CRM solution must project a consistent and uniform view of customers across the organisation. This can be achieved only if organisations build an all-inclusive data quality management (DQM) programme, which is capable of ensuring integrity and quality of customer information.

Integrated data quality management (DQM) is critical for ensuring precise customer information all through the organisation and can be an effective solution to all the problems stated above. The DQM programme is a comprehensive programme which encompasses four processes.

The DQM integrates an organisation's CRM objectives, technology, culture, processes and business rules to create a platform which can be used to establish comprehensive relations with customers. It is essential that organisations first identify and resolve any underlying business or cultural issues impeding customer information management. When such basic issues have been effectively addressed, an organisation can confidently implement a DQM programme, which consists of the following components (refer to Fig. 11.4):

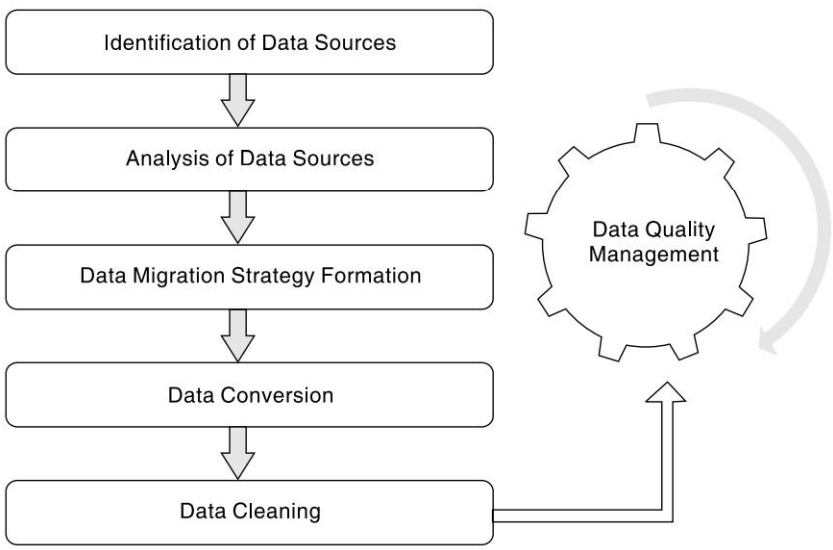

Fig. 11.4 *Data Quality Management (DQM) Process*

- Identification of data sources
- Analysis of data sources
- Formation of data migration strategy
- Data conversion
- Data cleansing
- Data quality maintenance

11.4.1 Identification of Data Sources

For implementation of CRM, data has to be migrated from existing systems or captured from offline sources. This requires consolidation of data from various source systems and databases and mapping it to the target CRM system.

The first step is to clearly identify the various sources of data since often, the missing source of data comes to the fore only at the testing or validation stage resulting in increased effort to change the whole data migration plan.

11.4.2 Analysis of Data Sources

Data migration relies on metadata (the data about data) and documentation of existing data sources. If this information is inaccurate or outdated, it will result in design specifications based on invalid assumptions about the source data. Data migration based on defective mapping specifications has disastrous effects on future processes of migration. Such data problems manifest at the testing or validation or even at the final integration testing stage. Then, the data analyst will have to go back to the specification stage resulting in wastage of time and resources.

Detection and correction of problems in source data at the initial stage itself can drastically reduce the wastage of efforts at a later stage. The CRM project can then be planned and executed with accuracy and confidence.

11.4.3 Formation of Data Migration Strategy

Organisations generally use a powerful and automated discovery and analysis tool to get a detailed description of the data's content, structure, relationships and quality. Data discovery and analysis allows organisations to understand whether their source systems are account-based or customer-based and whether customers have been properly identified as individuals or organisations. It is also important to know if there are duplicate records for the same customer, and if so, which ones should be marked for migration. Sometimes, the information has to be consolidated from these individual records to get a complete picture of the customer. Once the data sources have been analysed, the rules for migration of data from the source systems to the new CRM systems have to be formed.

11.4.4 Data Conversion

The next process is to execute the migration of data from existing systems to CRM systems for which extraction tools are used to pick up data from existing databases to a new database. Sometimes, existing databases may be quite different in nature from the new database, therefore, proper extraction tools have to be indentified and used for this process.

11.4.5 Data Cleansing

Once all data has been migrated to the new system, the next step is to cleanse the same to remove inaccuracies and inconsistencies present. Formatting errors, which can range from simple spelling errors, content errors, incomplete information or violation of data integrity rules, in customer and product information, are indentified and removed. Data quality also includes identifying the linkages of different records to get complete account information. Information of the same customer may be available with different names in different records in the migrated data. Besides this, there may be no linkage of the records which should otherwise form different customers belonging to the same account. The data cleansing stage is the most important and effort intensive. The sincerity and efforts involved in the data cleaning process will ultimately determine the success of CRM implementation.

11.4.6 Data Quality Maintenance

The story does not end at the stage of data migration, conversion and cleansing because no data can remain static, it will continue to change when CRM is eventually used for business processes. New data will be entered and existing data will be updated whenever transactions will happen at various touch-points. Therefore, automatic data integrity rules have to be defined and implemented in the system. Besides this, proper filters have to be put at the stage of data capturing so that the quality of the information captured is maintained.

It is imperative to appreciate that an organisation's DQM program is not just a subset of the CRM effort. DQM is the foundation of the organisation's CRM strategy, which must go beyond the CRM across all systems of enterprise. DQM principles have to be implemented to all systems which are feeding data to CRM and which are taking the data from CRM. This customer data repository is to be aligned with the CRM application system, and bi-directional updates between the two systems should be synchronised to ensure that the staff interacting with customers has the benefit of the latest and accurate view of the customer.

A factor most critical to the success of CRM initiatives is accurate customer data. Data entering the CRM application from every touch channel must be cleansed and filtered and this process must continue on a regular basis.

Check Your Progress-III

1. What is data cleansing? Why is it required for CRM?
2. How can the quality of data affect the success of CRM?

11.5 Securing Customer Data: Information Security Management System

In this section, we will discuss the need for securing customer data, meaning of secured information, Information Security Management System (ISMS) and Information Security Policy.

11.5.1 Need for Securing Information

The CRM system holds lot of personal and commercial information of the customers, which is most important asset for any organisation. All customer-related and other internal processes use this data. The sales, marketing and service functionalities will use this data for providing products and services

to customers and generating revenue. In case of loss of this data/information, all processes can come to a standstill, leading to disastrous interruptions and revenue losses. It takes a lot of effort to build information, but any small negligence at any level can result in loss of information. The good aspect of information is that it is easy to move and alter, but this aspect has added an insecurity dimension. It is not only the business continuity and revenue that is important, the confidence and the trust of the customer is at stake. The customer shares his/her information with the company with a belief that these details will remain confidential and will be used only for one-to-one meaningful interactions with him. Therefore, loss and theft of information will have a ruinous impact on the customer-organisation relationship.

So, it is important for the organisation to have its security policy endorsed by the top management and get it implemented. Implementation of the security policy is not just about putting up data security devices and having a tight access control mechanism; it is an ongoing process. The security mechanism is to be continuously reviewed against failures and new threats and risks, which need to be analysed and managed accordingly. The management of risk involves its acceptance, mitigation or transfer. The most important aspect is to have a security organisational set-up which will do all these activities.

Networks and information are subject to various types of attacks and various products are available in the market for securing the systems. But total security management needs a thorough understanding of the various issues involved and building up an information security management system.

11.5.2 Meaning of Secured Information

Information security ensures:

- Availability,
- Integrity
- Confidentiality of information

Availability The first issue for any security management is to ensure that information is available to the right users within reasonable time and without too much complexity. Most security attacks start with targeting the availability of information. For example, if malicious codes are present in a computer, it will become too slow. Similarly, an attack on the server can unnecessarily keep its resources busy and the server will become unavailable to the users. A common 'ping' attack can attack the bandwidth and server resources and make the whole IT system ineffective.

Integrity Once the information is available, the next issue is to determine whether the information is correct or not. The integrity of the information can be ensured by various means like proper user management, keeping transaction logs, defining business rules and checking these before getting the data populated into the database management system.

Confidentiality of Information The third issue is to ensure the information is confidential. It should not be accessible to those who are not authorised to view it. The information may be residing at some storage device or travelling over a network. Different techniques are to be applied for maintaining confidentiality of this information.

For example, a customer interacting through the website of the organisation expects that he/she should be able to use the website without too many delays and complexities; must get correct information about the product, pricing, billing, etc. and finally, all interactions should be confidential to the outside world and must be used within the organisation only for the purpose intended.

The information security set-up of any organisation has to ensure the security of all data objects and to protect the network from being a launching pad of attacks by hackers. One of the solutions to security design problems lies in the 'authentication' and 'authorisation' model, which is collectively known as **access control**. However, only access control does not provide enough security because it ignores the potential threat from insiders. The inclusive security requires setting up of the Information Security Management System (ISMS), which provides a complete security framework including the accountability of different users.

Security incidents may occur due to a lapse or negligence, but they are mainly due to malicious code attacks, system vulnerabilities and configuration errors. A system infected with malicious codes will have following symptom(s):

1. Poor system performance
2. Abnormal system behaviour
3. Unknown services running
4. Crashing of applications
5. Change in file extension or contents
6. Busy hard disk

There can be various types of malicious codes like Virus, Worms, Trojan Horses, Bots, Key Loggers, Spyware, Adware, and so on. The solution against these is to have good anti-virus software, which should be updated routinely so that it is effective against new malicious codes.

Vulnerability is mostly a weakness in the system which can be exploited by the attacker. This can be due to various protocol level vulnerabilities, errors in configurations and missing patches and updates in the system. The most common reason of vulnerability is not having updated the operating systems or applications in servers or clients.

11.5.3 Information Security Management System (ISMS)

The ISMS consists of a series of integrated processes planned and implemented to discover vulnerabilities and mitigate them so as to ensure availability, integrity and confidentiality of information. The ISMS should remain effective over a long period of time and be capable of adapting to internal and external changes. ISMS standards like ISO/IES 27001 incorporate the typical PDCA cycle of continuous improvement.

The **Plan** phase includes risk analysis, designing ISMS and selecting the appropriate risk mitigation methods. The **Do** phase is the implementation of risk mitigation control so that security threats are met. The **Check** phase means review and measurement of performance and effectiveness of information security management systems. During the **Act** phase, the inputs obtained from the check phase are used for taking corrective actions to improve ISMS. This PDCA cycle (refer to Fig. 11.5) is a continuous cycle to improve the system and its capability to create a secure system.

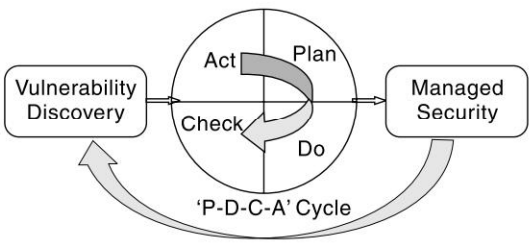

Fig. 11.5 *Information Security Management System (ISMS)*

The security of an IT system has to be properly managed by implementing ISMS, which is a systematic and system approach for managing information security and risks associated with it. This management starts with the formulation of an **Information Security Policy (ISP)**, a document with an organisation which completely defines how security of information with an organisation would be protected and kept secure throughout the life cycle of any information (refer to Fig. 11.6).

To implement the policy, an **information security organisation** is to be created, which has to ensure that security policies are implemented and are modified with new requirements from time to time.

Fig. 11.6 *Implementation of ISMS*

11.5.4 Information Security Policy

The Information Security Policy provides the directives and policies that would be followed in ICT facilities within an organisation to provide a secure computing environment for employees and the business to run. The policies are formulated around different domains of security. The suggestive list areas which should be covered by the Security Policy are shown in Table 11.3.

Table 11.3 *Domains of Information Security Policy*

Sl. No.	*Domain*	*Security Areas*
1.	**Information Classification and Control**	• Data Owners • Information Classification • Information Labelling & Handling
2.	**Physical and Environmental Security**	• Physical Security • Environmental Security • Power Supply • Cabling Security • Security of the Information System Equipment • Physical Security of Laptops • Clear Desk and Clear Screen Policy
3.	**Personnel Security**	• Security during Hiring, Transfer and Termination • User Responsibilities/Accountability • Security Awareness and Orientation Sessions
4.	**Logical Access Control**	• User Access Management • User Responsibilities • Desktop/Laptop Logical Security • Usage of Sensitive System Utilities
5.	**Computing Environment Management**	• Identification of Hardware • Emergency Procedures/Privileged Accounts • Documented Operating Procedures • Incident Management Procedures • Segregation of Duties • Security of System Documentation • Computer Virus Control • Disposal of Media • Configuration Management

(*Contd*)

(*Contd*)

6.	**Network Security**	• Network Management Controls • Network Devices • Remote Access • Network Diagnostic Tools
7.	**Internet Security**	• Internet Use • E-mail Security • Firewall Security
8.	**System Development and Maintenance**	• Controlled Environment • Change Request • Source Code Management • Version Controls • Testing • Retention Requirements
9.	**Business Continuity Planning**	• Contingency Planning • Backup and Recovery Procedures
10.	**Compliance**	• Use of Unauthorised Software • Purchasing and Regulation of Software Use
11.	**Third Party and Outsourcing Services**	• Risk Assessment • Access Control • Security Conditions in Third Party Contracts • Security Conditions in Outsourcing Contracts • Service Level Agreements

The ISP document also provides the technical solution support to the policies mentioned within the policy document. It is intended to allow policy makers and architects within the organisation to prepare solutions around various security requirements.

Caution is the word when it comes to Information Security. For CRM systems, when information is the power and wealth for an organisation, one cannot take chances with it. Therefore, it is advisable not only to secure physical access to the information, but also to manage security as an organisational initiative by implementing ISMS.

Check Your Progress-IV

1. What do you mean by secured information? What is its role in CRM?
2. What is the importance of Information Security Policy in ISMS?

11.6 Ethical Issues in CRM

Adhering to ethical values and regulatory compliance may seem costly and time consuming, but not doing so is much costlier. Hiding defects of the product, misinformation, over-projection of features, misleading advertisements and exaggeration of benefits/returns are common unethical practices adopted to lure customers, widely prevalent in the personal finance sector/insurance sector/mutual funds, where companies use ambiguous terms and conditions to secure themselves at the cost of

benefits to customers. Salespeople highlight only a few particular aspects of products, hiding the others, resulting in an inappropriate selection of products by the consumers.

These are only a few examples of unethical practices that may erupt into serious CRM problems, in which the long-term trust of customers is shattered at the cost of short-term gains, leading to devastating effects on the business sustainability. The problem can be compounded by lost customers, who would create negative word of mouth about the company or products in the market. Ethics, trust, transparency and values are the pillars (refer to Fig. 11.7) on which relationships between customers and organisations are built, which consequently result in not only a profitable business model, but also a positive corporate image.

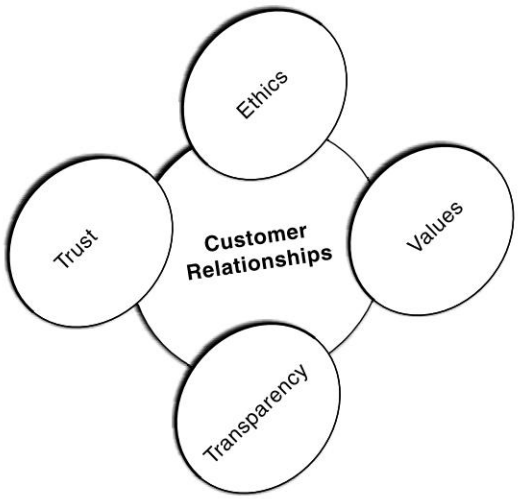

Fig. 11.7 *Pillars of Customer Relationship*

Starbucks is An Example

Getnick says the coffee company didn't force a lot of small coffee growers out of the market the way some large corporations squeeze their suppliers. Additionally, he says, Starbucks is committed to investing in its communities and to affirmative action. These policies make the company's stores welcome in most communities.

Source: mkg.unige.ch, last accessed on May 15, 2011

There is no doubt that effective marketing strategy is initiated by an effective CRM approach, but, unless an organisation's value system is not set into place simultaneously by the management, nothing can be worked out in the right direction. Organisations, which have high regard for ethical values, show superior financial results as a by-product.

In the current scenario, the importance of ethics is even greater than ever. Enhanced public scrutiny, increased social accountability expectations and high levels of consumer awareness are only a few factors, which have forced organisations to think twice before inclining towards any unethical practices. Due to the advent of web technology and online business models, today, more customer relations involve less face-to-face interactions and more of impersonal interactions, sometimes even involving textual communication.

11.6.1 Ethics in Customer Data Management

CRM involves the collection, storage, maintenance and management of customer data. This data is then used to build mutually rewarding relationships between customers and the organisation. While handling this data, care has to be taken to ensure that all data must adhere to the privacy and data protection standards. The purpose of CRM is to build honest and mutually rewarding relationships but there have been many instances when the customer data has been misused. Customers disseminate personal information during transactions with the organisation, for example, for online purchase we may enter personal information, contact details and credit card/debit card information on a

website. Even in manual interactions, a number of forms are filled up and a lot of personal information is given to the company.

There have been several instances when customers are constantly bombarded with personal calls, messages and emails by marketing companies. The data used by these companies may be illegitimate; customer data is used for profiling customers and demographic profiles are used for sending personalised mails and messages to them. Besides using the data for their own commercial uses, some companies even sell it to other companies or form data alliances.

Computing and communication technologies have seen great advances, enabling the data to be stored and manipulated very easily. There are many negative consequences of these technologies if the usage goes unregulated and misdirected. Transaction history can be used for physiographic profiles of people's behaviours and habits. Someone can take information regarding use of the product, travel bookings, shopping and financial transactions and create customised messages. This data mining can lead to infringement of privacy and cyber thefts like phishing, etc. In business there is always trust between the customer and the organisation and such incidents are a clear breach of this trust. No CRM can lead to successful relationships if there is no trust between the customer and the organisation.

Information security techniques have also advanced to such a level that the captured data can be kept secure both, internally and externally. Even in data mining, there are ways by which data miners will get no access to personal information like names, addresses and account numbers and they can still do their work. So, it is important to separate data work and the application. Organisations have to rise above the regulations and make their own standards and practices to demonstrate to consumers that theirr information is secure and protected; only this will lead to honest mutually rewarding relationships.

11.6.2 Permission Marketing

Seth Godin (1999) has proposed the idea of permission marketing, which is the opposite of 'interruption marketing', as here, a customer's permission is taken before sending him/her a certain type of information, mainly promotional messages and advertisements. Permission marketing is about creating a continuing relationship of increasing intensity and strength with customers in the most non-intrusive way and is primarily used in e-marketing by email marketers, search marketers and online marketers. In the words of Godin, permission marketing is turning strangers into friends, and friends into customers. It is just like a relationship, in which the stakes of two parties involved may be very low in the beginning with no intentions of sales, but with passage of time, they start adoring and appreciating each other, resulting in actual sales in due course of time. Hence, it is a very subtle tool for promoting products, without any rigorous or aggressive marketing efforts.

The marketing world, today, is cluttered with interruption messages and the concept of permission marketing will come as a relief to the customer resulting in deeper and stronger relationships. A customer's interest to the message is affected by its relevance and benefits to him/her. Prior permission ensures that the message is relevant and not imposed, resulting in precision targeting by the marketers, tapping the set of customers who are genuinely and willingly interested in receiving the company's information. Usually, the permission is obtained by requesting the consumer to fill out a registration form/subscription form representing interests while registering for a service. For example, a prospective customer's permission is sought for sending e-newsletters of a product/service and he/she is even authorised to 'unsubscribe', giving a feeling of control and influence to the consumer. Hence, the concept of permission marketing leads to positivism amongst consumers resulting in CRM success. The

impact and effectiveness of CRM will be enormously enhanced if this concept is used to design all customer processes and interactions.

Corporate Example

Permission Marketing

A modern version of permission marketing is this **Facebook** opt-in page, which is part of an integrated campaign with offline communications to make fans aware of the offer and driving them to the Web.

First, here is a simple example, promoted through offline communications.

Source: www.mycustomer.com, last accessed on May 12, 2011

Check Your Progress-V

1. What is permission marketing? How can its adoption help in success of CRM?
2. What are the various non-intrusive ways of seeking 'permission' for marketing? Explain with examples.

SUMMARY

Organisations which have successfully implemented CRM solutions know that the core purpose of CRM is to build relationships between employees, stakeholders and customers. Organisations that are committed to ensure productive relationships will find that appropriate CRM results in enhancing customer satisfaction, employee efficiency, and improving the top line and bottom line. In this chapter, the varied success factors required for ensuring CRM success, the role and system framework for securing customer information and maintaining its quality, Business Process Reengineering and its relevance to CRM have been discussed. Also, the significance of ethical values and the concept of permission marketing have been correlated with the success of CRM.

KEY TERMS

- **Change Leader** Leaders in the organisation who steer the organisation towards the desired change by facilitating and leading the change process.
- **BPR** Business Process Restructuring is the systematic way of redefining business processes for a specific strategic change.
- **ISMS** Information Security Management System consists of a series of integrated processes planned and implemented for discovering vulnerabilities and mitigating them so as to ensure availability, integrity and confidentiality of the information.
- **ISP** Information Security Policy is the document that provides the directives and policies that would be followed in ICT facilities within an organisation to provide a secure computing environment for employees and business to run in.
- **API** Application Programming Interface is the set of rules and specifications that is used to integrate different software applications.
- **DQM** Data Quality Management is the set of processes used to keep the data spruced up for the application.
- **Permission Marketing** Permission Marketing is the concept in which customer's prior permission is taken before sending him/her certain type of information such as promotional messages and advertisements.
- **GPMS** Group Performance Management System is a performance management system, where the performance of the group is measured against pre-defined Key Performance Indicators (KPIs). This system encourages team building and improves group dynamics.
- **IPMS** Individual Performance Management System (IPMS) is used to measure the performance of an individual member of the group against set parameters. The contribution of the individual is appraised and evaluated.

REVIEW QUESTIONS

1. What is the role of the top management in making CRM a success in an organisation? Explain how the top management can facilitate transformational change while implementing CRM.
2. 'Involvement and commitment of employees is instrumental for the successful CRM.' Justify the statement with the help of corporate examples.

3. Why is BPR required for successful CRM? Explain the process of carrying out a BPR exercise in an organisation, which intends to implement CRM system.
4. How is BPR different from the concept of continuous improvement as envisaged in the Quality Management System (QMS)?
5. 'The quality and correctness of customer information is prerequisite for CRM success.' Justify the statement and explain the steps required for maintaining data quality.
6. What is an Information Security Management System (ISMS)? Explain its significance for securing customer information.
7. 'Successful CRM implementation requires serious adherence to privacy concerns of customers.' Examine the statement in the backdrop of permission marketing concept.

PROJECT ASSIGNMENTS

1. Consider that you are the HR head of a retail company, managing multiple outlets with a country-wide presence. CRM is being implemented in your organisation and you are responsible for capability building of the employees for the new system. Work out a detailed plan for the same with various steps involved.
2. Examine the 'To-Be' document of an organisation, which is carrying out the BPR exercise. Find out the major changes proposed and critically examine them with reference to the organisation's strategy and objectives.
3. Compare and analyse marketing campaigns and product features of at least five Unit Linked Insurance Plans (ULIP) offered by different insurance companies and study the customers' awareness level with respect to their terms and conditions. Critically examine the ethical issues involved and efforts made by the companies in revealing associated risk factors.

FURTHER READINGS

- Godin, Seth (2007), *Permission Marketing: Turning Strangers into Friends and Friends into Customers*, Simon Schuster, UK.
- Schnepel, Alexander (2010), *Beverley Hope: Success Factors for E-CRM System Implementations*, Lap Lambert Academic Publishing.
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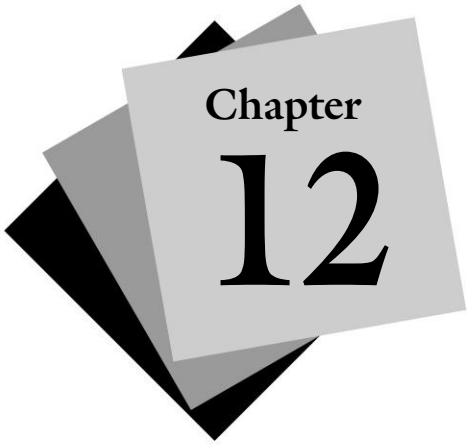

IT Solution of CRM and Its Integration

Learning Objectives

After going through this chapter, the readers will be able to understand

- The process of implementation of eCRM
- Major areas of consideration for implementation of eCRM
- Importance of integration of CRM
- Integration of CRM with SCM, SRM and ERP System
- Functions of ERP System

12.1 Introduction

The implementation of the eCRM solution in an organisation is a complex process, which needs careful planning to ensure good performance and acceptance of the solution. Knowledge of a customer's likes, dislikes, previous interactions, and new requirements helps but today, customers want more beyond individual attention and responsiveness. Chapter 10 will explain the need of integrating CRM

with other functionalities of organisation and examine the integration of CRM with Supply Chain Management (SCM), Suppliers' Relationship Management (SRM) and ERP system.

12.2 eCRM Project Implementation Roadmap

Effective implementation of eCRM project decides the success of CRM initiatives of any organisation. The eCRM project implementation generally goes through five phases—Project Preparation Phase, Business Blueprint Preparation Phase, Configuration, Customisation and Testing Phase, Final Preparation Phase and Go Live Phase. Various activities to be undertaken during these phases are broadly outlined in Fig. 12.1 and listed out in Table 12.1.

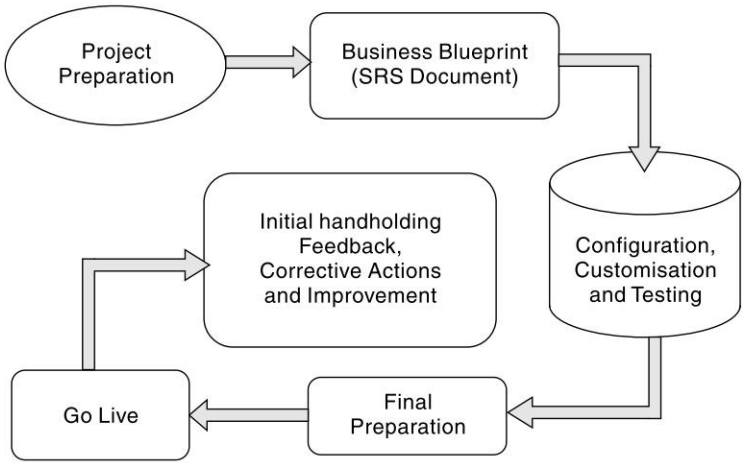

Fig. 12.1 *The eCRM Project Road Map*

Table 12.1 *The eCRM Project Implementation Phases*

1.	Project Preparation Formation of core team for Project Governance Preparation of Project milestones Orientation of Management regarding eCRM Solution and Project Awareness Manpower identification within Organisation
2.	Business Blueprint (SRS Document) Conducting training of core team Creating Team for Software Requirements Specifications (SRS) Preparation Preparing Authorisation Matrix Preparation of Business Blueprint Document (SRS) Workshop of Management regarding Blueprint (SRS) awareness and acceptance Approval of Business Blueprint Document (SRS) Identification of sources of data from existing systems Extraction of above identified master data and other required details from existing systems

(*Contd.*)

(*Contd.*)

3.	Configuration, Customisation and Testing Fine tuning of requirements for configuration Configuration on IT solution for business Writing of Reports, Layouts, Forms Creation of authorisation Matrix Unit Testing and Sign Off Preparation of Business Process Sign Off documents Customisation notes Prepare Final Integration Test Plan Conduct Final Integration Test Solve errors during Final Integration Test Acceptance testing by application provider team Acceptance testing by user organisation
4.	Final Preparation Access to the existing IT systems Master Data Preparation Decide on the fields required for master data Collect data from other existing IT systems, if required Write programs to upload data in solution fot IT Business Upload data in eCRM system End user documentation Conduct end user training
5.	Go Live Carry out live run Review of live run results Solve any configuration related problems during live run

The road map given in Table 12.1 can be achieved by careful planning and implementation of the solution within the organisation. It needs a highly structured approach with an eye on a few critical factors and key areas to make it a success. The following are the key concern areas for planning and implementing an eCRM project.

12.2.1 Estimation of Volumetric

For sizing the hardware and software requirements, various parameters that affect the dimensioning of the system should be estimated, as this information will be needed by the IT team and solution provider. These parameters, called volumetric, which include number of customers/subscribers, number of accounts, named users and concurrent users for different functions like sales, marketing, service, reports, and web portal, may affect the dimensioning of the IT solution. Besides these, certain technical parameters like percentage loading of processors, response time of the system, hard disk capacity utilisation, and type of data compression are also significant. The dimensioning of the solution affects the performance of the system; therefore, volumetric should be carefully assessed considering present and future requirements. At the same time, over provisioning should also be discouraged, as it leads to cost overrun and underutilisation of the system.

12.2.2 Planning Data Centre

Various options need to be considered by the organisation while deciding the strategy for implementation of the solution. One option is to create its own data centre and host the application in-house. The second is to outsource the IT infrastructure and host the application at third party infrastructure. Yet another option is to go for SaaS CRM solution where the entire IT hardware and software provision, operation and maintenance is done by a third party and the application is available to users of the organisation as a service on the Web.

For some organisations, it may be difficult to leave the whole control of the application and data to a third party; at such times, it's best to have an on-premise solution which will require a data centre to host the hardware and software required for all applications.

Before installation of the IT equipment, the setting up of data centre will involve:

- Preparation of the layout showing actual partition, location of the server room, workstation hall, active backup space, printer room, dispatch room, storage of tapes, UPS room, network operation centre, security monitoring room, UPS room and any other areas required for DC operation
- Site preparation with respect to partition of space, lighting, flooring, ceiling
- Provision of air conditioning considering the total heat dissipation expected
- Arrangement of electric power, electrical wiring, UPS and earthing for the data centre equipment within the data centre
- Gigabit enabled structured cabling for Ethernet Switch establishing Local Area Network within the data centre to connect all kinds of hardware resources
- Physical security arrangement

12.2.3 Computer Hardware

The requirement of the hardware needs to be assessed depending on the solution architecture, desired volumetric and performance parameters. The required hardware will mainly include servers, network elements like switches and routers, storage, security devices, etc. Computer hardware is not only capital intensive, but is prone to obsolesce. Therefore, it needs careful planning to optimise costs and ensure service and support. There can be different categories of servers. Connection or Presentation Servers for Applications, which are multi instance and scale horizontally, should be utilised as EMS, backup, help desk, EMS gateways, HTTP servers, SMTP servers, print servers, AAA servers, Logical Security Elements, DNS servers, and proxies and so on. Data centre Class Servers are used for database servers where persistent data is stored and application servers where business logic resides within which data is manipulated in response to a client's request. The core eCRM solution application runs on these servers. Here, the database and application can scale diagonally, i.e., scales vertically to an extent (based on headroom) and horizontally beyond that.

12.2.4 Software

Software applications should be near linear scalable with multi-layers and multi-tiers, distributed, component-based architecture for reusability and scalability with full support to clustered, failover and load balancing architecture. Scalability to the required throughputs should be done through configuration only. Provision should exist for online and batch methods of feeding all types of data in each application. Desirable features of the software solution are:

- All operational and maintenance activities should be done through GUI/tested back end upload tools.
- The software system should have easy integration capability by supporting industry standard open transport technologies and middleware products.
- Software systems should offer the capability to import and export information to/from external files or system.
- Software systems should have the capability to apply software or parameter changes without stopping the system.
- Software systems should support clear demarcation for the core layer and the customisation layer. All business process reengineering should be done through the customisation layer and all future versions should have backward compatibility to ensure safe upgrades.
- All the software customisation required to meet the business needs of the organisation.
- It should be possible to configure various parameters as per business needs on a template to be provided and supported by all software solutions for a majority of the requirements.
- Software systems should be able to scale both, vertically and horizontally in order to utilise inbox capability of servers (hardware) and, if required, by deploying additional servers.
- Bidder should provide operational and monitoring tools for each and every software and hardware system.
- There should be mechanism to ensure overall application data integrity.
- It should be possible to simultaneously add, update, delete, etc. the relevant information in multiple applications maintaining separate databases and tables.

12.2.5 Software Licence Issues

The organisation should carefully consider all licence issues associated with software procurement and implementation. Software licences should preferably be on a perpetual basis and the organisation must calculate the total licensing requirement of different software including RDBMS, OS, etc. as per the volumetric assessed for the solution. The licence is chargeable by vendors in different ways, some based on the number of servers on which the application is hosted, and others, on the number of CPUs on the server on which the application has been hosted. A few charge on the number of users, or on combination of the number of adapters, and so on. Details of such charging methodology should be worked out to assess the software costs. The possibility of using maximum number of freeware should be explored.

12.2.6 Database

The data of CRM application is handled by the Relational Database Management Systems. There can various options of choosing RDBMS to be used and the choice will be determined mainly by the application proposed to be used, existing RDBMS being used in the organisation, cost and licence issues. The desirable technical features of the RDBMS to be used are as enumerated **below**:

- It should be capable of working in a distributed mode across multiple servers.
- It should be able to work in a cluster mode.
- It should have features for graceful switchover and switchback between the primary and the standby databases (without any direct intervention from the database administrators).
- It should allow users to use the standby database for read-only access while the synchronisation between the primary and standby systems happen simultaneously.

- Access to all RDBMS stored procedures should be available through JDBC, ODBC, C and Active X.
- Detailed documentation should be provided for database management specific to the project and the applications deployed.
- GUI-based tools should be provided to manage, test and tune the database.
- All applications implemented should have provision for optimising the number of static connections to the database using connection pooling. All applications implemented should also optimise the duration of connection to the database by using techniques like session time out.
- The database should be able to support partitioning of tables to support linear data scalability and parallel utility processing.

12.2.7 Enterprise Management System

For overall management of the data centre components, an Enterprise Management System (EMS) is required to manage servers, desktops, data back-up, database, and network infrastructure in the data centre. A category-wise detailed list of elements to be monitored, monitoring parameters and the monitoring frequency in terms of critical, semi-critical and non-critical categories in the data centre should be prepared and EMS should be planned and installed to completely monitor and measure data centre elements. In case the operation and maintenance of data centre is to be outsourced, it should be possible to measure SLA parameters through an EMS module.

12.2.8 Storage Area Network

There will be a requirement for storage of various applications envisaged in a CRM project. Major application servers should have access to the common storage infrastructure on an external storage through a switched fibre channel Storage Area Network (SAN). The storage infrastructure software should have at least a SAN Management Software, local and remote replication software, backup software, etc. A mechanism to ensure overall application data integrity should be worked out and seamlessly implemented across the system. Online availability of the data should be ensured using SAN and the proposed solution should also include a provision for backup and DR functionality.

12.2.9 Security

To achieve the security goals for its enterprise business data centre, the organisation should aim to deploy a multi-layered detailed security system covering the data centre's physical and logical systems needs. There should be a system to regulate, detect and monitor the entry and exit of personnel and to monitor the movement of authorised personnel inside the data centre. This should be possible by providing closed circuit TV and physical access control system (Smart Card Technology). The logical security solution of the data centre should protect its individual components from outsider and insider attacks. For this purpose, a strong security and auditing system should be provided, wherein a detailed log of all transactions should be maintained. It should be built on using external components such as firewall, intrusion detection system and antivirus management system.

12.2.10 Training Requirements

The personnel identified for the implementation, maintenance and users should be provided with requisite training, which should be thorough and effective and should enable the trained personnel to

independently handle the installation, operation and maintenance of the system. Key persons can visit other organisations and learn the best practices of similar live/working IT systems in similar types of businesses, which can be useful for project implementation. The training should be provided prior to cut-over to operational use of the system and the vendor should provide initial hand-holding after cutover.

There are typically three types of training requirements:

(a) Functional and technical training for IT solution for users
(b) System administration, database management, etc.
(c) End-user training

The quantum of training required for each type, in terms of trainee-man-days, should be worked out.

12.3 Integrating CRM

The required solution for CRM needs to provide a consolidated customer view from various lines of business of the organisation. The proposed CRM should integrate various customer management systems and associated back-end systems. All customers should be able to directly access customer related data like customer order tracking, customer establishment, service request management, enterprise customer reporting (as desired by various customer), etc., through the portal. Also, Web self-care should be tightly integrated with provisioning, billing, and supply chain of other processes. Billing for customers having numerous products at different locations should be consolidated for the customer fetching data from underlying applications (as depicted **below**) and then process this data for discounting, accounting, consolidated invoicing, payments, and collection and should provide necessary inputs for billing dispute resolution. The Billing Solution should integrate with various lines of business applications using point to point integration.

Once the order is captured at the CRM, there should be provision for the orchestration, order decomposition and handover for execution through underlying service management applications. The proposed solution stack should be integrated with the proposed data-warehouse and business intelligence/reporting solution for the flow of data in order to meet the reporting and analytics need of the business that support decision-making for business growth planning and business performance monitoring.

A business requires a continuously evolving, scalable, flexible, state-of-the-art solution that will allow easy and fast access to the right information, at the right level, and at the right time. A proper data warehouse should contain historical information with the desired granularity possible and integrate several sources of information in a way which makes querying, reporting and analysis fast and efficient for enterprise business. Secured access to the complete system can be provided through the Identity and Access Management System. The Enterprise Management System should be able to manage and monitor offered servers, network elements, customer facing business application, storage, database, etc.

12.4 Integrating CRM with SCM

In the current dynamic environment, companies are looking forward to balance the push and pull of supply and demand. This requires a fully adaptive supply network driven by demand. The CRM system cannot work in isolation as CRM represents only the demand side of the value chain of an organisation. To get maximum benefits of implementation of the CRM system, it needs to be inte-

grated with other business processes within the organisation. The demand represented by the CRM system can only be effectively met if it is integrated with the supply chain of the organisation. An integrated network of purchase, production and distribution of the product/service form the supply chain of the organisation. Supply chain management enables organisations to not only improve customer satisfaction and decrease operational costs through effective and optimised forecasting, but also facilitates the planning and scheduling of the supply chain, and its linked resources such as people, networks and other assets. The scope of Supply Chain Management (SCM) is fairly vast, encompassing sales force automation, various aspects of customer relationship management, human capital management systems and enterprise resource planning. Besides, it focuses on the critical challenge of how all these technologies, processes and systems are integrated into an interconnected holistic blueprint. SCM integrated with CRM is capable of dynamically managing the internal processes of the organisation as per the requirements of the market (refer to Fig. 12.2). This integration gives enhanced visibility of the demand to the supply managers which help in alignment of supply with the demand and streamlined flow of goods and services to the customers. It also improves productivity and efficiency, because it gives the ability to the organisation to be dynamic and proactive as per the changing market situations. It further results in maximisation of revenues, minimisation of costs and improved customer services. For example, in a highly integrated CRM-SCM system, based on sales orders taken by sales persons at the front-end for a particular duration, production managers will be in a position to plan the production schedules and accordingly, other logistics will be managed. Similarly, service delivery processes can be managed effectively with the flow of information, starting from touch points like call centres to field services and inventory management in a coordinated manner. This empowers the organisation to deliver the product and service as promised, resulting in enhanced customer satisfaction and loyalty.

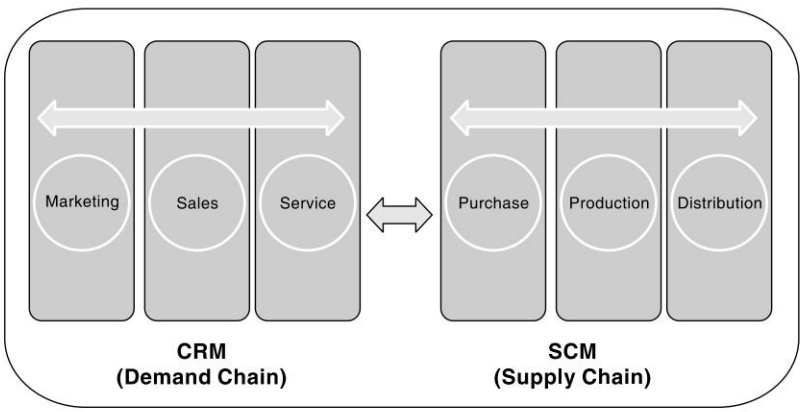

Fig. 12.2 *Integration of CRM with SCM*

The supply chain represents the network of facilities that are required for to procure raw materials, production of products and distribution of finished goods to customers. The objectives of Supply Chain Management are

- To plan timely and cost-effective replenishment of the whole supply chain
- To react timely to constantly changing business relationships, requirements of demand chain and business processes.

Benefits of integration of SCM with CRM

SCM integrated with CRM:

- Provides any time visibility to all supply and demand information.
- Ensures replenishment plans are synchronised throughout the entire supply chain.
- Provides modelling tools to help determine the best approach to reducing overall cycle time in the network.
- Supports the evolving techniques for buying and selling products and services through different channels.
- Allows automation of the business process between suppliers and customers in the supply chain.

The main objective of supply chain management is to perform Just-in-Time delivery of goods and services to all locations in the supply chain (purchase, production, transportation, storage, handling, etc.) at the lowest total cost possible. A sales person taking an order from a high value customer wants to have visibility of inventory levels and this is possible only if the CRM system is integrated with the SCM system. Similarly, a production schedule planner would like to have sales forecast report.

12.5 Integrating CRM with SRM

The materials and goods that the company receives from suppliers directly affect the services and products being offered to customers. That is why suppliers are very important in the overall value chain. CRM will be effective if the company goes beyond CRM to include suppliers also into its ambit. Companies which build collaborative relationships with their suppliers, constantly outperform those that do not cultivate such relationships. Embracing suppliers and building sustainable and workable relationships with them is far more profitable than pressuring individual suppliers for marginal cost reductions**. Suppliers' Relationship Management (SRM)** systems help to nurture relationships with suppliers. A proactive and effective SRM can fuel competitiveness of an organisation. SRM is a process which enables an organisation in identifying its most significant suppliers and integrating them in the business to generate a win-win situation for both parties involved. SRM also helps an organisation identify and fill the gaps between suppliers' and the organisation's understanding of market demand, hence aligning cohesively the organisation's requirements and suppliers' manufacturing plans together. SRM covers all the functionalities needed to manage the entire lifecycle of the suppliers. The 'best' suppliers need to be attracted to the organisation, their needs retained and developed, and relationships with 'bad' suppliers need to be terminated.

The integration of CRM with SCM and SRM completes the value chain of materials (refer to Fig. 12.3). But it is not the end of the story. No integration is complete without involving financials—the billing and revenue collections. If the management, on analysing the analytics of CRM, wants to promote a particular salesperson or wants to link pay and salaries to performance, the process cannot be completed in the CRM system itself. Therefore, it is essential to link CRM to HR and financial systems.

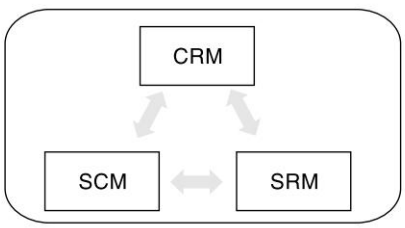

Fig. 12.3 *Integration of CRM, SCM and SRM*

In fact, a complete synergy will be seen if all the functionalities of the organisation are integrated together. The organisation can either link all the systems together or opt for a complete

system, which is capable of handling all business processes. Enterprise Resource Planning (ERP) is one such system, which can provide all the functionalities of the organisation through a single suite of applications.

Check Your Progress-I

1. What is the demand chain?
2. What is SCM?

12.6 ERP

ERP stands for Enterprise Resource Planning, but it is not only a planning software system. When the ERP concept came into the market, it was used to plan three major resources i.e. Human Resource, Material Resource and Financial Resources of the whole enterprise. Over time, it has grown into multimodal software that integrates internal and external processes of the organisation across different units and functionalities. Usually ERP systems have many components covering various units and functions of an organisation. The term ERP originally referred to how a large organisation planned to use organisation-wide resources. In the past, ERP systems were used in larger, more industrial types of companies. However, the use of ERP has changed and it is now extremely comprehensive. Today, the term can refer to any type of company, no matter what industry it falls in. In fact, ERP systems are used in almost any type of organisation.

Today's ERP systems can cover a wide range of functions and integrate them into one unified database. For instance, functions such as human resources, supply chain management, customer relations management, financials, manufacturing functions and warehouse management functions were all once stand-alone software applications, usually housed with their own database and network, but today, they can all fit under one umbrella—the ERP system.

Integration is extremely important to ERPs whose main goal is to integrate data and processes from all areas of an organisation and unify them for easy access and work flow. ERPs usually accomplish integration by creating one single database that employs multiple software modules providing different areas of an organisation with various business functions.

Before ERP systems, each unit and department in an organisation would usually have its own computer system, data and database. Unfortunately, many of these systems would not be able to communicate with one another or needed to store or rewrite data to make it possible for cross computer system communication. Once an ERP system is in place, all aspects of an organisation can work in harmony instead of every single system needing to be compatible with the other. For large organisations, increased productivity and less types of software are a result.

12.6.1 Benefits of ERP

Today, customers want prompt and effective solutions from the organisation. For this to happen, organisations should have an integrated system where information can flow from one functional area to another and processes get automated. Moreover, in this era of cost cuts, efficiency of internal systems to respond to cost management, increase in productivity and change management has assumed greater importance. The benefits of implementing an ERP system can be:

- Improvement in the information flow
- Better and timely inputs of better decision-making

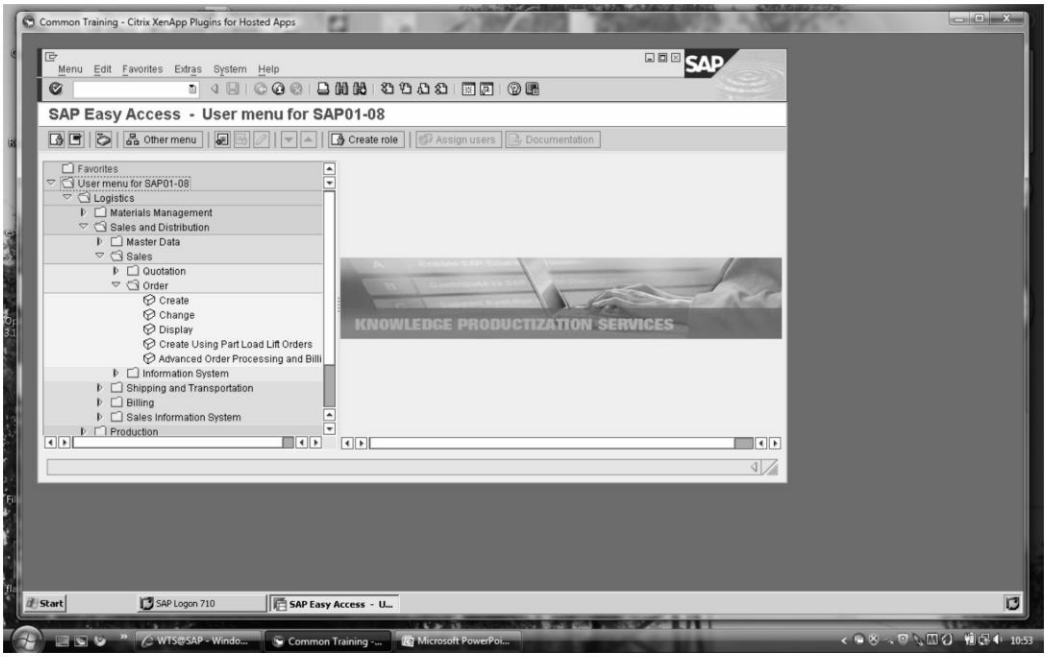

Fig. 12.4 *Screenshot of SAP ERP*

- Improvements in productivity, cycle time, financial performance and information transparency
- Driving operational excellence across organisation through process standardisation
- Single version of truth of information throughout the organisation
- Accurate and real-time information availability
- Visibility on product and service costs
- Unified platform for one integrated organisation view
- Overall improvement in the performance of the organisation
- Enhanced stakeholder participation and satisfaction

12.6.2 Functionalities of ERP

The ERP system touches upon all functions of the organisation such as finance, marketing, MM, maintenance, projects, HR, planning, and procurement (refer to Fig. 12.5). The modules that an ERP system typically has are discussed below.

ERP is a multi-module software with various modules—Finance and Management Accounting (FICO), Materials and Inventory Management including e-procurement (MM), Plant/Equipment Maintenance (PM), Human Resources Management and Administration (HRM), Customer Relationship Management (CRM), Sales And Distribution(S&D), Project Systems (PS), Production Planning (PP), Supply Chain Management (SCM), Business Information System (BIS), Business Intelligence and Analytics (BIA), Strategy Enterprise Management (SEM), Quality Control (QC), Real Estate Management (REM), etc. All these modules are integrated and make use of a common database. A brief description of some of these core modules is given here.

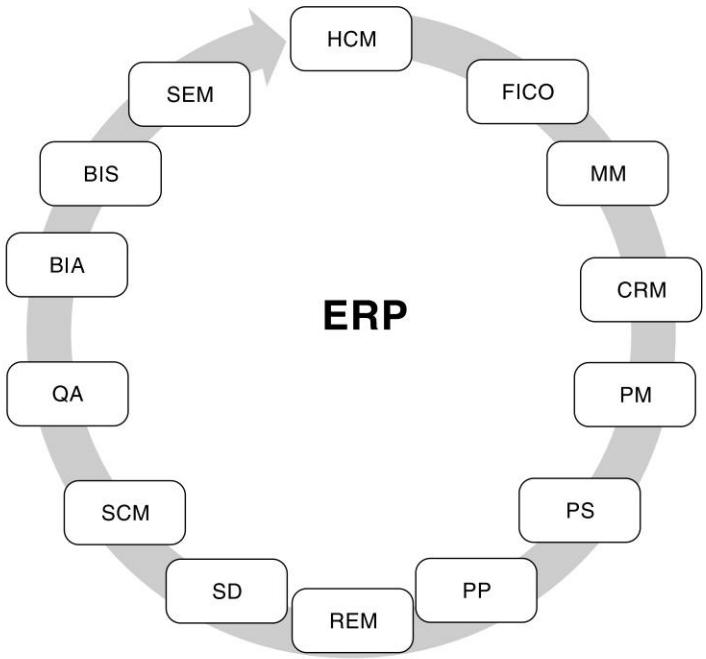

Fig. 12.5 *Functionalities of ERP System*

ERP Finance and Management Accounting Module

This is generally the core module of ERP systems. All transactions in the organisation, which have any financial implications, get integrated to this module. It can gather financial data and management accounting data from various functional departments and units, and generate valuable financial reports such as the general ledger, trial balance, balance sheet and quarterly profit and loss statements.

ERP HCM (Human Capital Management) Module

Human Capital Management is another widely implemented ERP module, which facilitates the management of human resources. The HR module maintains a complete employee database including organisational structure, position information, employment data, career history, contact information, salary details, attendance, performance evaluation and promotion of all employees. The Advanced HR module is integrated with learning management systems and knowledge management systems to optimally utilise the expertise of all employees.

ERP Production Module

This module is used for production planning and execution, which optimises the consumption and utilisation of production capacity, inventory, components and material resources using historical production data. The production is integrated with the sales and distribution module to use sales forecasting data for production planning. At the same time, integration with the MM Module ensures availability of inventory and raw material.

ERP Purchasing Module

The purchase module streamlines the procurement process of required raw materials and optimises the procurement process for best possible utilisation of resources. It automates the processes of identifying potential suppliers, negotiating price, awarding purchase order to the supplier, and billing processes. Purchase module is tightly integrated with the inventory control and production planning modules and is often also integrated with the supply chain management software.

ERP Material Management and Inventory Management Module

The inventory module facilitates processes of maintaining the appropriate level of stock in a warehouse. The activities of inventory control involves identifying inventory requirements, setting targets, providing replenishment techniques and options, monitoring item usages, reconciling inventory balances, and reporting inventory status. This module enables the integration of inventory control with sales, purchase, finance modules, which allows ERP systems to generate vigilant executive level reports.

ERP Sales and Distribution Module

The sales and management module implements functions of quotation preparation, order preparation, order scheduling, shipping and invoicing. The sales module can be closely integrated with the web portal, call centres and other touch points. Many ERP vendors offer online store front as part of the sales module. ERP marketing module along with the CRP supports lead generation, direct mailing campaign and other marketing works. Scheduling of promotion campaigns and their execution can also be done using this module.

ERP Project System Module

The project system module is used for planning, executing and monitoring of new projects, so that major objectives—time management, cost management and quality management—can be achieved. The project proposal can be planned and reviewed for administrative and financial decisions at the project initiation phase. The project can be broken down into different work breakdown structures (WBS) and various resources are assigned to all the activities of the project. The activities can be scheduled and linked to time, material and human resources. Different milestones can be defined and monitored through the system, which leads to the fulfilment of the objectives of any project management.

Plant/Equipment Maintenance (PM)

All the activities related to maintenance of assets and equipments are carried out with the help of Plant Maintenance Module. It enables an organisation to effectively manage the accounting of all maintenance activities and implementation of maintenance schedules.

12.6.3 ERP Implementation Approach

Usually, the application and data are hosted centrally in a data centre and all units of the organisation are given access through a network linking different offices to the data centre. Even partners can be given access to the ERP system which will be a centralised installation with a single database where

all units can access the central server. They will have secure access to their own set of data and processes. Generally, there will be one team of IT experts handling the data centre and another team of subject matter experts managing processes ensuring a smooth flow of transactions.

Implementation of the ERP system is a huge exercise for any organisation and is a highly focussed, resource intensive activity. ERP implementation involves different functionalities and units of the organisation. The modules represent key business functions which are covered in ERP implementation. These different modules teams, which are also Subject Matter Experts (SMEs) for particular functions, shall assume the responsibility of System Requirement Specifications (SRS) finalisation, carrying out the BPR exercise and then getting the same implemented in the ERP system.

Organisations can take this opportunity of ERP implementation as a change management tool by carrying out an extensive **Business Process Reengineering** (**BPR**) exercise (**refer to Fig. 12.6**). For this, all existing processes of the organisation are documented as '**As-Is**' document and then each and every process is referred to module teams and examined against industry standard processes. This gap analysis is examined in detail and decisions regarding different processes are taken by the organisation to decide '**To-Be**' processes. Based on the 'to-be' document, the business blue print is prepared detailing different processes and their interactions.

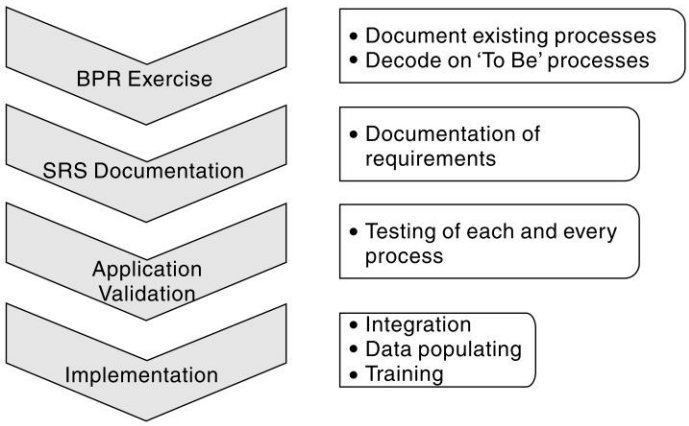

Fig. 12.6 *Implementation of ERP*

Business Blueprint (**BBP**) becomes the foundation of preparation of **System Requirement Specifications** (**SRS**). Based on SRS, the ERP, application provider, adapts its standard solution to suit the requirements of the organisation. If the organisation decides to keep any other software system, that should be properly integrated with the ERP system. Existing and new data is populated in the ERP system and the organisation can then use this system with proper training of its workforce.

Check Your Progress-II

1. What is ERP?
2. List any five functionalities provided by ERP.

SUMMARY

This chapter has explained the importance of integration of CRM in an organisation. The eCRM project implementation road map has been discussed in detail including its five major phases—Project Preparation Phase, Business Blueprint Preparation Phase, Configuration, Customisation and Testing Phase, Final Preparation Phase and Go Live Phase. Also, key concern areas like database, enterprise management system, storage area network, security and training requirements are to be managed to make eCRM implementation in an effective manner. The integration of CRM with SCM and SRM to complete the value chain, and how ERP should provide for the integration of all processes and functions of an organisation, have also been explained.

KEY TERMS

- **SCM (Service/Supply Chain Management)**
  An integrated network of purchase, production and distribution of the product/service form the supply chain of the organisation.
- **SRM (Suppliers' Relationship Management)**
  SRM systems help nurture relationships with suppliers. SRM covers all the functionalities needed to manage the entire life cycle of the suppliers.
- **ERP (Enterprise Resource Planning)**
  It is multi-module software application that integrates the processes of the organisation across different functional areas and units.
- **BPR (Business Process Reengineering)**
  BPR is the process of business transformation by redesigning its processes with the focus on improving organisational performance. BPR is also known as business process redesign, business transformation, or business process change management.
- **SRS (System Requirement Specifications)**
  SRS is an organised and well-structured collection of information that includes detailed requirements of a system.
- **BBP (Business Blueprint)**
  BBP is a comprehensive description and narrative of any organisation's business processes and system requirements.

REVIEW QUESTIONS

1. Explain the purpose and benefits of the integration of CRM with other functions of the organisation.
2. How is CRM related to SCM and SRM?
3. What is ERP? Explain the different functionalities provided by ERP system.
4. Examine the different ERP products available in the market and compare their suitability to different industries.
5. Study the implementation of ERP system in any organisation.

FURTHER READINGS

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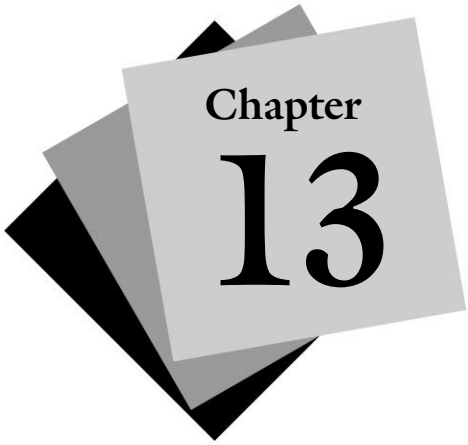

FUTURE OF CRM

Learning Objectives

After going through this chapter, the readers will be able to understand

- Various emerging technologies and their impact on CRM
- Concepts of SaaS and cloud computing and their impact on CRM
- Benefits of SasS for organisations using CRM
- Advantages and disadvantages of SaaS solution
- Effect of New Customer Access Technologies

13.1 INTRODUCTION

The purpose of CRM is to help a business develop constructive truthful mutually rewarding relationships. As CRM gets integrated with more and more business processes, it is clear that relationship management with the customer is possible only by managing relationships with all stakeholders like the employees, suppliers, vendors, investors, shareholders, intermediaries, distributors, retails, wholesales and society as a whole. Hence, CRM is now evolving into Stakeholder Relationship Management (SRM).

The use of CRM in organisations is witnessing a major change primarily due of two reasons. Firstly, with customer-focus as the core strategy of the organisation, the scope of CRM has increased manifold. CRM earlier used mainly to capture and manage sales has now become all-pervasive in the various functions of the organisation. Secondly, the paradigm shifts in core IT technologies has changed the way eCRM applications are deployed. New IT trends like the concept of data centres, virtualisation, IT Infrastructure as a Service (IaaS), Platform as a Service (PaaS), Software as a Service (SaaS) and now, cloud computing has resulted in a drastic reduction in time and efforts required in their implementation. Besides these, the pricing model of these solutions has brought eCRM within the reach of even smaller organisations, resulting in explosive implementation of eCRM across different types of businesses and industries. This chapter shall explore the new technologies that are revolutionising eCRM applications and their impact on business organisations.

The ever-increasing penetration of customer access technologies like broadband, internet, mobile phones, wireless broadband and increased computing power of customer hand-held devices like smart phones, iPhones, iPads, laptops and palmtops, have set the platform for business organisations to innovate in the way they interact with and serve customers. At the same time, the voluminous capturing of subscriber data and increased access have posed a new challenge to let this data be used only for ethical and defined purpose of business, instead of being exploited for unethical means. Today, companies are sitting on piles of personal information of customers, which is prone to be misused intentionally or unintentionally, if security issues are not properly addressed. Availability of personal information does not give any organisation the right to to intrude into the privacy of customers. It is a subjective and sensitive issue to decide where to set the boundary between legal and ethical contact with customers and unethical intrusion of their privacy. And here comes the concept of Permission Marketing, in which the organisations seeks prior permission from customers in certain non-intrusive ways before sending any information like promotional material, product information, feedback, etc. from existing or prospective customers.

13.2 Emerging Technologies and CRM

CRM systems are increasingly becoming technology intensive. With increased penetration and access to technologies like mobile, Internet, 3G and broadband, organisations have to provide access through all these technological platforms. As such, the core CRM systems with customised or tailor-made solutions for organisations are becoming dependent on enhanced Information Technologies.

13.2.1 SaaS and CRM

Software as a Service (SaaS) is an emerging technology solution to build IT applications. In SaaS technology, which is also known as 'on-demand-software', the application and its associated data is hosted centrally at a third party location and users of the organisation can use the software over the network, which is usually the Internet. Most SaaS applications are hosted at a data centre and the whole infrastructure is managed by the third party, leading to scenario where the host party is relieved from all capital investments and maintenance.

This is a new model and an innovative way of delivery of software. Generally, this software service is available on a monthly/quarterly/yearly basis and is different from the traditional model, in which a customer buys a licence and assumes the ownership of the software. Here, there is no need of hardware, installation and implementation, and as a result, no maintenance issues. The whole software management, including upgradation, running the patches, maintenance, etc. is managed by the software service provider.

With businesses growing nationally and internationally, there are difficulties in coping with increasing requirements. The technology infrastructure has not kept up with the expansion of companies and has become difficult to manage with the limited capacity of infrastructure and limited internal qualified and trained human capital. Expansion of the existing infrastructure is generally too complex and time consuming. SaaS has overcome these problems and companies using CRM on SaaS platform can focus on their core business, leaving all these issues with the SaaS provider. The number of subscriptions can be increased or decreased as per the requirements of the business.

The centralised hosting of software applications is not a new idea and has existed since the 1960s. At that time, mainframe computers were shared by large organisations like banks for database storage. This model is called Data Storage as a Service (DSaaS).With the expansion of the Internet in the 1990s and subsequent emergence of use of websites for business and customer interface, many IT and telecom companies started offering centralised hosting of a website and database. Then IT vendors came up IT physical infrastructure and platform as service to organisations (refer to Fig. 13.1). But in all these models, the focus was on providing infrastructure, and the application along with associated data was owned by the user organisation. SaaS is a novel model in which even the application is owned by the service provider and the solution is made available on subscription basis. This concept was popularised by salesforce.com and they coined the term 'End of Software' to differentiate themselves in the market.

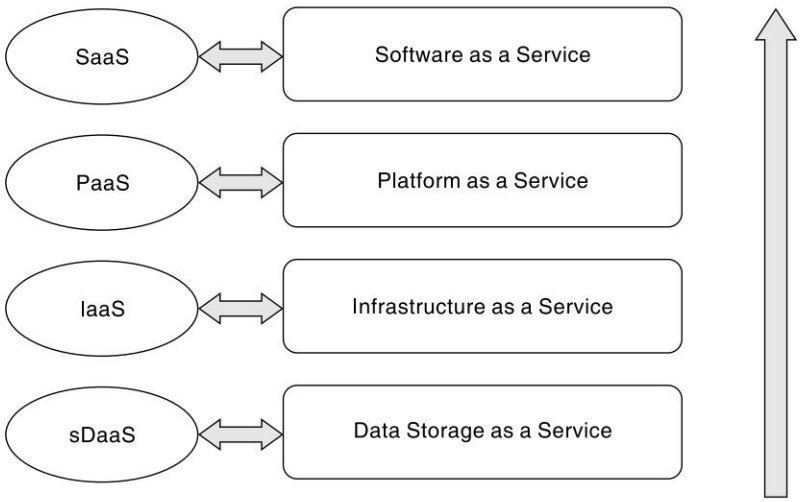

Fig. 13.1 *Models of IT as Service*

The availability of CRM solution as SaaS has two-fold impact on the adoption of CRM in organisations. Firstly, CRM solutions are within the reach of even small companies, as they need not spend crores of rupees in building their IT infrastructure as a pre-requisite for using eCRM, which was the case few years ago. Secondly, the implementation time has drastically reduced, resulting in an alignment of relationship managers with their core focus on customer satisfaction.

Major Adoption Drivers of SaaS Solution

In the current competitive environment, almost every company, irrespective of its size and product category, is willing to have some eCRM solution to fight the intense competition around. In the back-

drop of this scenario, CRM is undisputedly the most widely adopted SaaS application, making it a wave in times to come. Increasing penetration of broadband internet connections, availability of open integration protocols, increasing popularity of web applications and web development, increased security of internet protocols and the emergence of new protocols like IPv6 are major adoption drivers of SaaS Solution.

SaaS Architecture

SaaS solutions are predominantly based on multi tenant architecture. In this model, a single configuration and version of the software is offered to multiple parties for their own business. To support a large number of customers, horizontal scaling is used, which means the same application is hosted on multiple servers. Multi-tenant architecture (refer to Fig. 13.2) provides data centre infrastructure shared by many users (tenants) with provision of high security, efficiency and flexibility, high availability and service assurance. This architecture can be scaled up and down as per the requirement. Besides, it also meets the performance, security, improved quality, availability and user satisfaction requirements of individual applications required to deliver SaaS. In multi-tenant solutions, though the application is customised as per the requirements of tenants, there are limitations of the configuration.

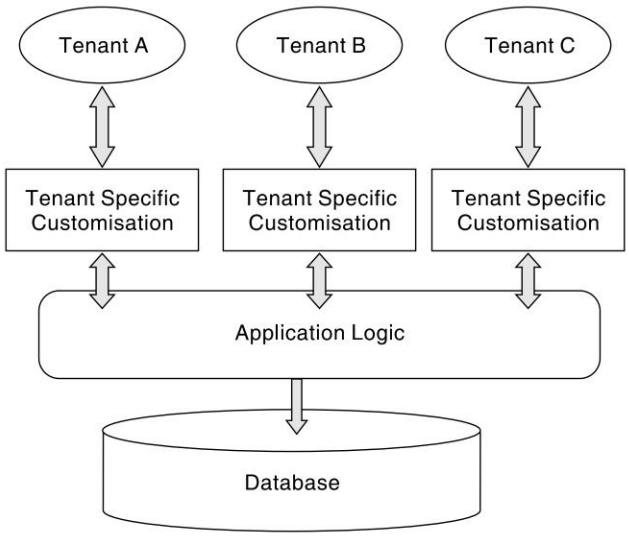

Fig. 13.2 *Multi-tenant Architecture of SaaS*

SaaS solution is also available on single tenant architecture, which is generally preferred by large organisations. It offers enhanced security, effective functionality, configurability and a customised solution.

Pricing Model

SaaS solutions are usually priced on equated period-based subscription, with no upfront capital expenditure, which makes the solution highly cost effective, especially for small and medium scale

enterprises. Some service providers even offer free service with limited functionality and scope, and service is charged only when the functionality and scope is enhanced. A major reason for the growth of SaaS solution is its capability to provide the solution at a price which is competitive to an own premise solution.

Pros and Cons of SaaS Solution

Pros:

- **Low Initial Cost:** With no upfront capital expenditure, the solution becomes an attractive option.
- **No Hardware and Software Installation:** As SaaS is a web-based solution, users have to be provided with only authentication details like password to start using the application. There is no need for costly data centres, servers and networks.
- **Accessibility:** The application is available on Internet, with no need to set up costly intranets and wide area networks. Therefore, geographical expansion of business becomes easy.
- **Highly suitable** for virtual, medium and small enterprises.
- **Setup time:** As compared to an own premise solution, no lead time is required for setting up the solution. The organisation can simply purchase the subscription, share it with users, and start using the solution from day one, provided the users have requisite training.
- **Flexibility of Contract:** Depending on the up scaling or downscaling of subscription features, the cost and other terms can be flexible, leading to more responsive services for user organisations.
- **Business Focus:** The companies can focus on their core business of dealing with their own customers, instead of grappling with IT infrastructure and its maintenance.

Cons:

- **Security Concerns:** As data is being stored on the vendor's IT infrastructure, data security becomes an issue. User organisations have no control on data, leading to dependence on trust in a third party.
- **Speed:** Since these applications are hosted on the cloud and available through the Internet, the response time dependent on the quality of connectivity of the Internet user.
- **Limited Customisation:** SaaS applications generally use multi tenant architecture, which does not allow complete customisation, which may be necessary especially for large organisations.
- **Integration Issues:** SaaS application cannot access other internal IT systems of the organisation therefore, integration is possible only through open integration protocol, which may not be always sufficient and compatible with legacy IT system.
- **TCO Over-run:** In the long run, the total cost of ownership (TCO) of a SaaS based system can exceed the cost of own premise solution, specifically for large organisations needing a large number of subscriptions.

Check Your Progress-I

1. How is SaaS different from centralised data hosting?
2. Explain the benefits of SaaS for organisations using CRM.
3. What is the pricing model of the SaaS solution and how is it different from other conventional software?

13.2.2 Cloud Computing

Business processes are supported by technology which changes so frequently that business owners have think of new ways of running their businesses. Many organisations have used the benefits of these shifts from mainframes to minicomputers and then to client-server technology. They managed to remain ahead of others by using web-hosting, centralised data centres and SaaS. The new buzz word in the field of IT is cloud computing.

Simply put, cloud computing is computing over the network enabling the delivery of IT resources over the network. Resources which can be delivered include applications and services, as well as infrastructure on which they operate (refer to Fig. 13.3). So, when IT resources are available on the internet, business organisations can purchase or subscribe to them as and when needed. This will make IT resource as a 'commodity', which can be bought at a desired time in the quickest possible time and in desired granularity. Cloud computing provides computation, application, data access, and storage services that do not require end-user knowledge of the physical location and configuration of the system that delivers the services. In SaaS, the business organisations only hire the application as a service from the third party, while cloud computing takes it to the next level where not only all IT resources are hired from a cloud, but different pieces can be hired from different cloud providers and together they are used by organisations without even knowing their physical location.

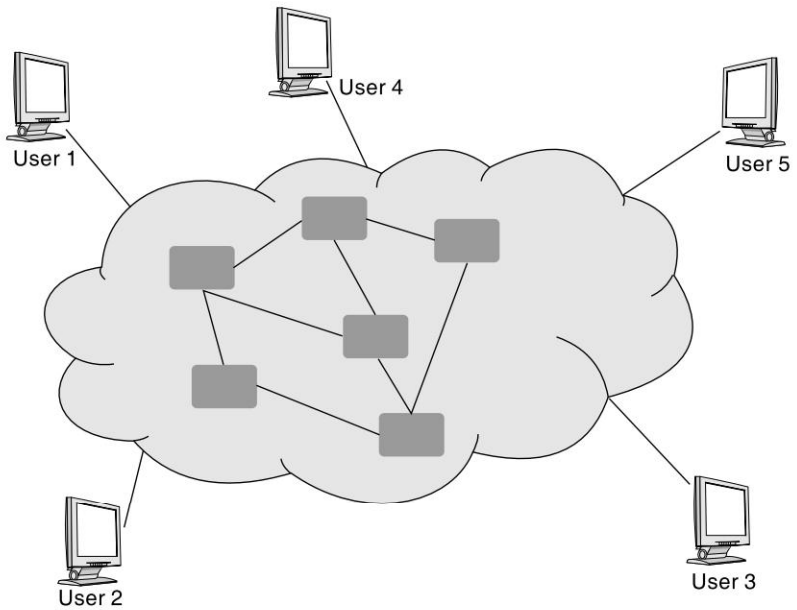

Fig. 13.3 *Cloud Computing*

Remote third party hosting, managed services and SaaS has been a part of the IT industry; cloud computing is changing the way IT is looked as a tool by business leaders. The emergence of cloud computing is being encouraged by hardware and software virtualisation, ubiquitous networks and maturing standards. Vendors are working hard to remove incompatibilities of their products to de facto standards

Cloud computing presents organisations with a fundamentally different model of hiring IT resources. They take advantage of the maturity of web applications and networks and the rising interoperability of computing systems to provide IT services. Cloud providers are experts in particular applications and services, and this expertise allows them to efficiently manage upgrades and maintenance, backups, disaster recovery, and failover functions. As a result, business organisations, which are customers of cloud services, may see increased reliability at lower TCO. With cloud computing, organisations can keep an eye on current requirements and make quick adjustments to increase or decrease capacity, accommodating spikes in demand without paying for unused capacity during slower times. Cloud computing will encourage IT service providers to increase standardisation of protocols and processes so that the many pieces of the cloud computing model can interoperate properly and efficiently.

Business agility is expected to increase as cloud computing promises to increase the speed with which applications will be deployed, increase innovation, and lower costs. This will bring forward, more intense competition in business. Large organisations, which had a strategic advantage of owning huge IT infrastructure and get an edge over others, who are building their IT tools, will now be challenged even by small organisations. The differentiator will not be having or not having eCRM solution, it will be how these tools can be used to build relations with customers. With this, the focus will shift on the quality of product and service and the ability of the company to add value to every interaction of the customer.

13.2.3 New Customer Access Technologies

IT has been used in customer access technologies for several years. The use of websites and ATMs has changed the way organisations provide service to their access. The last few years have witnessed two important trends: Firstly, broadband and mobile access has increased manifold and secondly, the computing power of devices with customers has grown immensely. So the platform is ready, which companies can exploit by innovating ways in which to reach out to customers.

The mobile revolution has already happened in India and it is now time for more developments in the field of wireless broadband. Companies have already witnessed the tremendous use of Short Messaging Service (SMS), a touch point not only for promotional activities but also to transact the business using it. Most companies have the facility of capturing new leads through SMS, by promoting their 5-digit SMS numbers. SMS has also been in vogue for getting service requests and updating customers with the status of the request. Most banks have started using SMS in an innovative way as an authentication mechanism for online transactions. The State Bank of India (SBI) uses SMS facility for sending high security passwords for authentication of online transactions and SBI credit card uses the same facility for sending immediate information to customers whenever a credit card is used for making any payment, which gives the customer a sense of security and confidence. IRCTC has launched a number of SMS based services, wherein users can inquire about their PNR status, current train running position, fare enquiry, and accommodation availability by sending SMS to 139. Even schools these days are using bulk and customised SMS services to communicate with students and their parents. The scope and pervasive utility of SMS is being recognised and businesses are innovating with these because of the ease of use and very low cost to the company. The reproduction and recall value of the information shared with customers have made this service highly effective.

In this technological age, it is impossible for a business to survive without a website, with greater chances of losing a large number of potential customers. The number of search engines is increasing

each day and if an organisation's website is not on these engines, they tend to lose customers to their competitors. A website has now become the means of generating business more than any other medium of customer interface. Customers are increasingly using websites to procure pre-purchase information while existing customers keep in touch with the latest offers or products, etc. through the website. Future eCRM solutions will have to provide flexibility and customisation to organisations so that they can innovate and make use of these new access technologies.

Today, websites are not only just a method of providing information about the company and its products to customers, but are a means of valuable interactions with customers who expect all services to be delivered through customised and personalised websites. The use of websites has been revolutionised by the financial and banking sector in India. Today, all banks offer online banking services and this adoption of Internet banking by customers is increasing rapidly because of favourable drivers like the facility of self services, ease of use, heightened awareness, accessibility, increasing knowledge of Internet and penetration, perception of it being a sign of modernity, time saving, trustworthiness, greater control over personal financial management, support of bank, economical, and compatible with lifestyle specifically for the urban literate middle class.

Another important business area where the usage of websites has been remarkable is in the travel and tourism industry, where the general public has made effective utilisation of online reservations and bookings.

With the launch of wireless broadband services, the reach of websites is shifting from desktops/laptops to handheld devices, consequently increasing the access manifold and therefore, CRM solutions will have to be closely integrated with web portals to provide enhanced service experience to customers.

Despite the emergence of new access technologies and their integration with eCRM, their adoption by customers cannot be taken for granted since it is dependent on various controllable and uncontrollable factors. The authors of this book have conducted a detailed research involving Descriptive Research to identify the various factors affecting IB adoption in India. The major objective of the research paper was to focus on various factors—key drivers and inhibitors—Influencing the adoption of Internet banking in rural and urban markets. Furthermore, it has attempted to understand the impact of demographic factors on the drivers or inhibitors in adoption of internet banking. Besides this, a comparative analysis has been done between the urban and rural population to find out the relative importance of the factors affecting Internet adoption. The research has identified the main factors responsible for recommending internet banking and predicts the future adoption of Internet banking on the basis of these factors. The whole research paper is available as Annexure I at the end of the chapter. Similarly, for each business or industry, service providers have to listen to the voice of the customer by conducting surveys or researches to create a match between customer expectations and the products/services offered, resulting in a minimal gap between the actual and expected services.

Check Your Progress-II

1. Differentiate between SaaS and cloud computing.
2. What will be the impact of cloud computing on eCRM?

Case Study

MiNC Generates Additional $13 Million in Revenue within Eight Months of Deploying Salesforce—A Case of Successful Implementation of a CRM Solution

> "Sales force is so easy to use—we required hardly any sales training and the teams really enjoy working in the browser-environment. By customising the system using the Apex platform, they are working with a system which really meets their everyday needs."
>
> —Richard Hayes
> Computer Systems Manager

Industry: Real-estate **Geographies:** UK, The Middle East

Challenges

- Capitalise on the property boom in Dubai and the Middle East
- Eliminate reliance on multiple different contact management systems
- Sales management reporting was almost non-existent
- Overcome concerns regarding data security
- Increasingly difficult to segment and target relevant groups of sales leads

Solution

Leading property-based wealth management company deployed Salesforce SFA to 20 sales professionals in Dubai and London to unify real-estate sales information, target prospects and manage multi-stage marketing campaigns.

Results

- Generated an additional $13 million in revenue within eight months of deployment
- Provided a unified, real-time view of every customer, every sales situation, and every customer engagement
- Customising the system using the Apex platform ensured the company works with a system which effectively meets its everyday needs
- Helped create, execute and manage the results of multi-stage, multi-channel marketing campaigns, aimed at luring new property buyers
- AppExchange provided near instant access to tried and tested sales applications—at no risk to MiNC
- Introduced accountability for each item of marketing spend

Dubai is experiencing large-scale construction activities with almost every corner of the city undergoing renewal. Leading property-based wealth management company MiNC is at the centre of this growth, relying on Salesforce to target, capture and retain customers for properties and mortgages in the region. MiNC has generated an additional $13 million in revenue within eight months of deploying Salesforce, which is used 95 per cent of the time by the team, and the system is tuned to meet the unique real-estate sales needs of this dynamic business. Now the London operations also decided to deploy Salesforce when they saw the results achieved in The Middle East.

Unique Developments in High Growth Areas

MiNC Property Enterprises is the UK's leading property-based wealth management company. A clear focus on unique developments in high growth areas of selected cities has secured the company's leadership position—whether in procurement, management services or investment advice. Established in 1978, MiNC has representative offices in London, Dubai and Johannesburg and an impressive portfolio of prime owned or part-owned residential properties.

The decision by the UAE government to diversify Dubai from a trade-based but oil-reliant economy into one that is service and tourism-oriented has made real estate more valuable and led to the property boom Dubai is currently experiencing. Construction programmes on a massive scale have made it one of the fastest growing cities in the world. This property boom is largely driven by large-scale projects such as 'The Palm' and 'The World'—so vast the developments can be viewed from space as the shape their name represents.

This dynamic growth, fuelled by the buoyant economy, is creating significant opportunities for real estate companies. All property sales leads, opportunities, contacts and accounts need careful management though. As MiNC expanded, the company continued to juggle multiple different contact management systems, from Outlook files, spreadsheets and paper systems, through to the information that stayed in the sales people's heads (sometimes even after they had left the company). Not the most effective way to operate a fast-growing property-based wealth management company, as Richard Hayes, Computer Systems Manager, MiNC explains.

"We had different customer databases on each laptop," he says. "Because we had so many separate instances of customer information, there was too much data repetition, reporting was almost non-existent and of course there were concerns regarding data security. Moreover, it was increasingly difficult to segment and target relevant groups of sales leads."

After a free month-long trial of Sales force, Hayes and his colleagues in Dubai were overawed by the ease-of-use, rich functionality and simple customisation of the multi-tenant on-demand business web service. "The web-based, on-demand approach had strong appeal, because it meant we didn't have to manage any software and rely on a complex IT infrastructure to support it. A single view of each customer was accessible by anyone with an Internet connection, and it gave us the opportunity to collaborate with our London headquarters on sales negotiations."

Ninety Five Per cent User Log-In Rate

MiNC deployed Sales force SFA to 11 sales professionals in Dubai to create a single view of mortgages, lettings and all the other groups of real-estate customers. A 95 per cent log-in rate is testimony to the popularity of the system. "Sales force is so easy to use—we required hardly any sales training and the teams really enjoy working in the browser-environment. By customising the system using the Apex platform, they are working with a system which really meets their everyday needs."

Sales force provides a unified view of sales leads, opportunities, accounts and contacts across the Middle East. All customer information and activities are logged in Sales force, ensuring the company has a real-time view of every customer, every sales situation, and every customer engagement. The sales team can view account history, and quickly identify leads that have (or have not) been contacted for a particular period—as well as their property line of interest. A plug-in for spreadsheets means the sales managers can run any number of spreadsheet-based dashboard reports which are based on data pulled from Sales force.

Customisation is the watchword for the business web service. MiNC uses the Apex platform to adapt multiple tabs, objects, workflows and records to meet it needs. When a customer buys a property, for example, there are often multiple stage payments to be made over a particular time period. Sales force has been adapted to manage this payment schedule, providing the team with real-time, drill-down analytical insight into the payments status. At the same time, another tab has been customised to manage the pricing information across all the property units in a single building. Sales force allows the team to then accurately track this 'custom plot objective'.

The system also enables MiNC to create, execute and manage the results of multi-stage, multi-channel marketing campaigns, aimed at luring new buyers to its flourishing property portfolio. Here, the recently downloaded Vertical Response application from the AppExchange is used intensively. For the first time, the sales team can now segment a unique group of customers—such as warm prospects resident in Dubai who attended a previous particular MiNC sales event—and send them a targeted campaign message. "It doesn't stop there," says Hayes, "We now have accountability for each item of marketing spend."

The success of the implementation has not passed unnoticed at MiNC's offices in London. In fact, the deployment has been so successful that Salesforce has also been introduced there. Hayes comments: "They loved what they saw we were doing here with Sales force in Dubai. The rich sales management functionality, simple customisation, low total cost of ownership and ease of use blend to form a compelling proposition. We can now capitalise on one united global view of our sales processes."

"The rich sales management functionality, simple customisation, low total cost of ownership and ease of use blend to form a compelling proposition. We can now capitalise on one united global view of our sales processes."

—Richard Hayes
Computer Systems Manager

Source www.salesforce.com, last accessed on May 8, 2011

SUMMARY

Innovations in IT like SaaS and cloud computing have changed the way business applications are deployed. In this chapter, the fundamental concepts of these two emerging technologies and their impact on CRM deployment have been discussed. SaaS is fast emerging as a cost-effective, technically sound and cost-effective medium of doing business. This paradigm shift in the business scenario has been enabled by the increasing broadband penetration, superiority of web technologies and tools, lower cost of hardware installation, growing number of small to medium businesses and changing customer mindset. The latter part of the chapter discusses New Customer Access Technologies and how they can be harnessed by companies to enhance the value to customers. Corporate examples and a research paper on the adoption of Internet Banking help in explaining the topic further.

KEY TERMS

- **IaaS:** IT Infrastructure as a Service
- **PaaS:** Platform as a Service

- **SaaS**: Software as a Service
- **Cloud Computing:** Cloud computing is computing over the network enabling the delivery of IT resources over the network.

REVIEW QUESTIONS

1. 'The emergence of SaaS has changed the way eCRM solutions are implemented.' Analyse the statement by comparing cases of two organisations, one having own-premise solution and the other with SaaS solution. Compare their suitability to different industries.
2. Study the features and pricing model of any SaaS CRM product available in the market.
3. What are the pros and cons of SaaS solution?
4. 'Organisations will have to use New Customer Access Technologies to sustain competition.' Critically examine the options available in the market and their impact on business processes.

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ANNEXURE I

Research Paper

Internet Banking Adoption in India: Comparative Analysis of Urban v/s Rural Scenario

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Abstract

Post-liberalisation, the Indian Banking Sector has witnessed a technological revolution in the performance and delivery of services to customers. It has been necessitated due to the stiff competition amongst banks, especially the new generation private and foreign banks. In this context, Internet banking in Indian banks is fast catching up with developments around the world.

Despite the fact that India boasts of ever-rising educational levels, increasing literacy rate, increasing telephone penetration and density, the percentage of internet banking users is not highly encouraging in comparison to other South-East Asian countries. Even within India, the **urban-rural divide** is huge, a prime concern for the growth of online banking in India. For this reason, in the present research paper, India has been chosen as a case study because of its great potential in Internet banking. In this backdrop, **the major objective** of the research paper is to focus on various factors—**key drivers and inhibitors**, influencing the adoption of internet banking in rural and urban markets. Furthermore, it attempts to understand the impact of demographic factors on these drivers or inhibitors in the adoption of Internet banking. Besides this, a comparative analysis has been done between the urban and rural population to find out the relative importance of the factors affecting Internet adoption. The main factors responsible for recommending Internet banking are identified and predictions regarding the future adoption of Internet banking on the basis of these factors have been undertaken.

The penetration of broadband and availability of PCs is the basic infrastructure for adoption of I.B. For this research paper, a pilot survey has been conducted in Delhi, NCR region and Western UP to explore all the factors which can be either inhibitors or drivers for Internet banking adoption in India in rural and urban markets. Based on this pilot survey, a highly structured, closed ended questionnaire was formulated on a Likert Scale. The primary data was analysed using statistical tools like Factor Analysis, Hypothesis Testing using Chi-Square and Multiple Regression.

Key words: Internet Banking Adoption, Drivers, Inhibitors, Rural Consumer, Urban Consumer

1. Introduction and Literature Review

Despite India's ever-rising educational levels, increasing literacy rate, greater telephone penetration and density, the number of IB users is not encouraging. Notwithstanding the large population, Internet penetration (7.0 %) and broadband Internet connections are low in comparison to other South East Asian countries. Even though India has the highest number of broadband Internet connections, it stands nowhere in comparison to smaller nations like South Korea, Japan, Singapore and Malaysia,

where Internet penetration (percentage %) is 77.3%, 75.5%, 72.4% and 65.7% respectively, while in India the number is only 7.0% (Tables 1 & 2).

Therefore, it is evident that India has great potential as far as Internet Penetration is concerned, which can be exploited by various Internet Service Providers.

Table 1 *Top 10 Asian Countries According to Internet Users*

Asia Internet Usage and Population

Asian Countries	*Internet Users, (Year 2000)*	*Internet Users, Latest Data*	*User Growth (2000-2010)*	*Users (%) in Asia*
China	22,500,000	420,000,000	1,766.7 %	50.9 %
Japan	47,080,000	99,143,700	110.6 %	12.0 %
India	5,000,000	81,000,000	1,520.0 %	9.8 %
Korea, South	19,040,000	39,440,000	107.1 %	4.8 %
Indonesia	2,000,000	30,000,000	1,400.0 %	3.6 %
Philippines	2,000,000	29,700,000	1,385.0 %	3.6 %
Vietnam	200,000	24,269,083	12,034.5 %	2.9 %
Pakistan	133,900	18,500,000	13,716.3 %	2.2 %
Malaysia	3,700,000	16,902,600	356.8 %	2.0 %
Thailand	2,300,000	17,486,400	660.3 %	2.1 %

Source: Internet World Stats: www.internetworldstats.com, last accessed on May 5, 2011

Table 2 *Top 10 Asian Countries According to Internet Penetration*

Sr. No.	*Asian Countries*	*Population (2010 Est.)*	*Penetration (% Population)*	*User Growth (2000-2010)*
1.	Korea, South	48,636,068	81.1 %	107.1 %
2.	Japan	126,804,433	78.2 %	110.6 %
3.	Singapore	4,701,069	77.8 %	204.9 %
4.	Hong Kong	7,089,705	68.8 %	113.7 %
5.	Taiwan	23,024,956	70.1 %	157.7 %
6.	Malaysia	26,160,256	64.6 %	356.8 %
7.	Brunei Darussalam	395,027	80.7 %	963.0 %
8.	Macao	567,957	49.5 %	368.2 %
9.	Azerbaijan	8,303,512	44.4 %	30,641.7 %
10.	China	1,330,141,295	31.6 %	1,766.7 %
11.	India	1,173,108,018	6.9 %	1,520.0 %

Source: Internet World Stats, www.internetworldstats.com, last accessed on May 5, 2011

- The Internet and online market in Asia continues to be dominated by the big players of North Asia (South Korea, Japan, Hong Kong, etc.), with a significant role being played by some of the South East Asian countries (Singapore, Malaysia, etc).
- In terms of sheer numbers of internet user, China (384 million) and India (81 million) maintain a real presence, despite their modest user penetration figures.

- For this study, India has been chosen for its great potential in Internet Banking (IB).
- India also fairs better in most respects in comparison to South-East Asian Countries in number of Internet users and in broadband connections.

2. Objectives

In the backdrop of emerging significance of Internet banking, the current research paper is an attempt to explore the following objectives:

- Adoption of Internet Banking (IB) by consumers and factors affecting it in rural and urban markets.
- Increase our current understanding of the critical factors that influence Internet banking acceptance for banks in India in rural and urban markets.
- Internet banking acceptance has been studied using the factors that are important from the adoption point of view, referring to the idea that consumers are using banks' information system (online banking services) directly.
- To focus on two categories of factors—key drivers and inhibitors, influencing the adoption of IB in rural and urban markets.
- It attempts to understand the impact of demographic factors—age, occupation and education on various drivers or inhibitors in IB adoption.
- The main factors responsible for recommending IB are identified from the existing users of IB and predictions regarding the future adoption of IB on the basis of these factors have been undertaken.
- The study also explores the services that are most frequently indulged in by the respondents.
- This study also helps in identifying those areas in which banks could improve or modify their services to increase the adoption rate of Internet banking.
- To identify the various key drivers and inhibitors of Internet banking adoption in urban and rural areas.
- To study the effect of demographic factors like age, occupation and education on Internet banking adoption in urban and rural areas.
- To suggest various recommendations for boosting future adoption of Internet banking in rural and urban markets.

3. Research Methodology

3.1 Research Design

This study involves Descriptive Research involving gathering of preliminary information that helps in identification of the various factors affecting IB adoption.

3.2 Data Collection Instrument

- The data for the study was gathered through an undisguised questionnaire during the period November 2010–January 2011. It was pretested several times among various faculty members as well as managers in the banking sector with special responsibility for IB in order to verify face validity of the items.

- For this study, a pilot survey was also conducted in Delhi, NCR region and Western UP to explore all the factors which can be either inhibitors or drivers for IB adoption in India.
- Based on this pilot survey and pre-tests, a highly structured, closed ended questionnaire was formulated on a Likert scale (refer to Annexure A). The primary data was collected by personally contacting the respondents from these areas.
- **Demographic Profile of respondents:** Internet banking users from both, urban and rural areas, literate and in the age group of 21–40 years.

3.3 Sampling Design

- **Simple Random Sampling without Replacement (SRSWOR)** was selected for the current paper.
- **Sampling Unit** The Sampling Unit was defined as someone who has prior experience of IB and, hence, the respondents are expected to have an opinion, as far as the inhibition/adoption of IB is concerned.
- **Sample Size** Primary data was collected with a sample size of 250 from Delhi/NCR (National Capital Region) region including Ghaziabad, Noida, Gurgaon & villages of Western UP in North India. The choice of this geographical area has been done with the assumption that Delhi in India has the maximum density of regional offices of various banks and subsequently, it may have the best population of respondents exposed to Internet Banking initiatives of various banks in rural and urban markets.

3.4 Research Model

Technology Adoption Model (TAM), Davis & Venkatesh (1996), has been adopted as Research Model base for the current research paper (Fig. 1).

- TAM is most utilised model in studying Information System Acceptance
- It has been developed by Davis (1989). McKechnie et al. (2006), which examined the factors that determine the extent to which an innovation is adopted using the TAM model.
- System use (Actual Behaviour) is determined by perceived usefulness (PU) and Perceived Ease of Use (PEOU) relating to the attitude towards use that relates to intention and finally to behaviour.
- Perceived ease of use (PEOU), defined as 'the degree to which a person believes that using a particular system would be free of effort'.
- Perceived usefulness (PU), defined as 'the degree to which a person believes that a particular system would enhance their performance'.

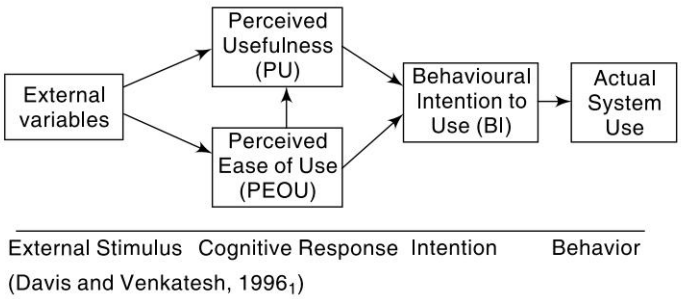


Fig. 1 *Technology Acceptance Model (TAM)*

3.5 Data Analysis and Interpretation of Results

- Data analysis was done using SPSS software.
- Factor analysis has been used to reduce the number of factors–key drivers and inhibitors, influencing the adoption of internet banking in rural and urban markets.
- Chi-Square test has been used to understand the impact of demographic factors–age, occupation and education on various drivers or inhibitors in adoption of internet banking in rural and urban markets.
- Regression Analysis has been used to identify the main factors responsible for recommending internet banking and predictions regarding the future adoption of internet banking on the basis of these factors have been undertaken in rural and urban markets.
- After establishing the correlation between dependent variable 'Likelihood to Recommend' (LTR) and Independent variables (Ease of Use, Sign of Modernity, Self-Service, Colleagues Use IB, Time Saving and Preference for In-Person Banking) regression analysis has been applied to predict the future adoption of IB on the basis of these variables in rural and urban markets.

1. Analysis and Findings

Factor Analysis, Chi-Square Tests to find the impact of Demographic Factors and Regression Analysis have been conducted separately for rural and urban population, leading to the inferences drawn as follows:

4.1 Urban Market

4.1.1 Factor Analysis—Urban Market

Factor Analysis has been used to find the key drivers and inhibitors in adoption of internet banking. It was applied on all 24 variables—14 drivers and 10 inhibitors (refer to Annexure A).

Appropriateness of Factor Analysis

For examining the appropriateness of factor analysis, the **Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy** has been used. The value of KMO measure of sampling adequacy is 0.86. This indicates the data collected is highly reliable and factor analysis is appropriate.

Bartlett's Test of Sphericity

Bartlett's test of sphericity has been used to examine the hypothesis that the variables are uncorrelated in the population. The significance value 0.000 indicates that the hypothesis has been rejected and the variables are correlated in the population.

Principal Components Analysis

In Principal Components Analysis, total variance in the data is considered. This has been used to determine the minimum number of factors that will account for maximum variance in the data. Based on this approach, we have extracted 5 factors which account for 61.509% variance.

Rotated Component Matrix

Rotated Component Matrix has been generated using **Varimax with Kaiser Normalisation procedure.** All 24 variables along with the 5 extracted factors are given below in Table 3.

Table 3 *Twenty-four Variables Along With the 5 Extracted Factors—Urban Market*

		Factors				
Variables		*1 Driver of IB —Convenience*	*2 Drivers of IB —Economic Benefits and Peer Group Influence*	*3 Inhibitor of IB—Poor Service Quality*	*4 Discarded Factor*	*5 Inhibitor of IB—Non-requirement of IB*
V1	Compatible To Bank Needs				0.547	
V2	Easy To Use	0.543				
V3	Cheaper		0.483			
V4	Self Service	0.679				
V5	Transactions Easier	0.625				
V6	Convenient to Manage Finance		0.560			
V7	Family Members Use IB		0.604			
V8	Compatible to Lifestyle		0.673			
V9	Colleagues Use IB		0.603			
V10	Control Over Finance		0.690			
V11	Sign of Modernity	0.580				
V12	Additional Benefits Offered		0.617			
V13	Encouragement by Bank		0.672			
V14	Time Saving	0.671				
V15	Security Concern				0.760	
V16	Don't Trust IB	–0.689				
V17	Privacy Concern			0.715		
V18	No Incentive for Using IB			0.686		
V29	Don't Know How to Use IB	–0.833				
V20	Bank Conveniently Located					0.593
V21	Face to Face Banking Preferred	–0.783				
V22	No Training Offered			0.729		
V23	Not Relevant					0.619
V24	My Bank Doesn't Offer IB	–0.773				

Out of the 5 extracted factors two are drivers—1st and 2nd and two are inhibitors—3rd and 5th. The 4th factor contains one driver and inhibitor each; so this factor has been discarded (Table 4).

Table 4 *Five Extracted Factors—Urban Market*

Factors	*Variables*
Factor 1 **Driver of IB – Convenience**	V2—IB is easy to use V4—IB is self service V5—IB makes conducting banking transactions easier V11—Using IB is a sign of modernity V14—IB is Time Saving V16—I trust IB services V19—I know how to use IB V21—I don't prefer personal and face to face banking V24—My bank offers IB
Factor 2 **Drivers of IB – Economic Benefits and Peer Group Influence**	V3—IB is a cheaper way to conduct banking V6—IB is a convenient way to manage my finances V7—My family members are using IB V8—IB is compatible to my lifestyle V9—My colleagues are using IB V10—IB offers greater control over my finance V12-—My bank offers additional benefits for IB users V13—My bank encourages me to use IB
Factor 3 **Inhibitor of IB – Poor Service Quality**	V17—I am concerned about the privacy of IB services V18—My bank doesn't offer incentive to use its IB service V22-—My bank doesn't offer training to use its IB service
Factor 4 **Discarded Factor**	V1—It is compatible with my banking needs V15—I am concerned about the security of IB services
Factor 5 **Inhibitor of IB – Non Requirement of IB**	V20—My bank is conveniently located V24—IB is not relevant for me

4.1.2 Chi-Square Test of Urban Population—To find the Impact of Demographic Factors on Internet Banking Adoption

Chi-Square Test has been applied for hypothesis testing for finding the Impact of Demographic Factors as follows:

- Age and Most Important Driver/Most Important Inhibitor
- Occupation and Most Important Driver/Most Important Inhibitor
- Education and Most Important Driver/Most Important Inhibitor

This has been done to understand the association between age/occupation/education and the various drivers/inhibitors in adoption of Internet Banking.

Age

H0: There is no association between age and the Drivers/Inhibitors of Internet banking

H1: There is an association between age and the Drivers/Inhibitors of Internet banking

The value of **Pearson Chi-Square**—Asym Sig (2-sided) is 0.414 & 0.230. This indicates that the null hypothesis is accepted.

Inference: There is no impact of age on the Drivers/Inhibitors of Internet banking

Similarly the following inferences have been drawn as a result of Chi- Square Test:

- Occupation and Most Important Driver/Most Important Inhibitor – **There is no impact of occupation on** the drivers/ inhibitors of internet banking
- Education and Most Important Driver/Most Important Inhibitor – **There is no impact of education on** the drivers of internet banking, but there is association between education and the inhibitors of IB.
- It is interesting to note the association between Education and Most Important Inhibitor for further analysis. It is observed that there are 3 main categories of respondents. These are First Degree Holders (46.4%), Post Graduate Degree Holders (32.7%) and who have Completed Secondary Education (18.2%). It is found that there are three different inhibitors of IB adoption for these categories (Table 5):

Table 5 *Association between Education and Inhibitors of IB-Urban Market*

Category	*Most Important Inhibitor*
Completed Secondary Education	Preference for Personal and face-to-face Banking
First Degree Holders	Privacy Concern
Post Graduate Degree Holders	Security Concern

4.1.3 Regression Analysis—Urban Market

Spearman's Correlation has been applied to check the significant correlation between Likelihood to Recommend (LTR) and all the 24 factors in the urban population. From Spearman's Correlation Analysis, it is clear that LTR (or Likelihood to Recommend) is related to only six variables namely: **Easy to Use, Sign of Modernity, Self-Service, Colleagues Use IB, Time Saving and Preference for Personal and Face-to-face Banking.** Except these, other factors have no significant influence on the explanation of Likelihood to Recommend (LTR) .

After establishing the correlation between dependent variable Likelihood to Recommend (LTR) and Independent variables (Easy to Use, Sign of Modernity, Self-Service, Colleagues Use IB, Time and Preference for Personal and Face-to-face Banking), the future adoption of IB on the basis of these variables has been predicted.

Easy To Use

Independent variable	Beta	t
Easy To Use	.385	4.336

Dependent Variable Likelihood to Recommend (LTR)

$R^2 = .148$; F = 18.804; $p \leq .05$

Linear Relationship between Likelihood to Recommend (LTR) and Easy to Use

LTR = 1.853 + 0.416 * (Easy to Use)

Similarly, correlation between dependent variable Likelihood to Recommend (LTR) and Independent variables—Sign of Modernity, Self-Service, Colleagues Use IB, Time Saving and Preference for Personal and Face-to-face Banking was found.

Independent variable

Inferences:

- **Likelihood to Recommend IB (Based on Regression Analysis)**
  - It is revealed that the variable 'Ease of Use' is responsible for 14.8% of the future adoption of Internet Banking.
  - The variable 'Sign of Modernity' is responsible for 7.3% of the future adoption of Internet Banking.
  - The variable 'Time saving' is responsible for 5.6% of the future adoption of Internet Banking.
  - The variable 'Self Service' is responsible for 5% of the future adoption of Internet Banking.
  - The variable 'Colleagues Use IB' is responsible for 4.9% of the future adoption of Internet Banking.
  - Sign of Modernity and Ease of Use have the greatest impact on the future adoption of Internet Banking as their weight ages indicate.

4.2 Rural Market

4.2.1 Factor Analysis—Rural Market

Factor Analysis has been used to find the key drivers and inhibitors in the adoption of internet banking for the rural market. It was applied on all 24 variables—14 drivers and 10 inhibitors. (refer to Annexure A). In Principal Components Analysis, we have extracted 7 factors which account for 68.63 % variance.

Rotated Component Matrix has been generated using **Varimax with Kaiser Normalisation procedure.** All 24 variables along with the 7 extracted factors are given in Table 3, Annexure A. Out of the 7 extracted factors three are drivers—1st, 3rd and 4th and 4th are inhibitors— 2nd, 5th, 6th and 7th (Table 6).

Table 6 *Seven Extracted Factors–Rural Market*

Factors	*Variables*
Factor 1 **Driver of IB—User Friendliness and Economic Benefits**	V_1—IB is compatible to my banking needs V_2—IB is easy to use V_4—IB is self service V_5—IB makes conducting banking transactions easier V_3—IB is a cheaper way to conduct banking V_6—IB is a convenient way to manage my finances V_{10}—IB offers greater control over my finance

(*Contd.*)

Factor 2 **Inhibitor of IB—Lack of Promotion**	V_{12}—My bank doesn't offer additional benefits for IB users
	V_{13}—My bank doesn't encourage me to use IB
	V_{18}—My bank doesn't offer incentive to use its IB service
	V_{22}—My bank doesn't offer training to use its IB service
Factor 3 **Driver of IB—Reliability**	V_{14}—IB is Time Saving
	V_{16}—I trust IB services
Factor 4 **Drivers of IB—Peer Group Influence and Modern Lifestyle Orientation**	V_{7}—My family members are using IB
	V_{9}—My colleagues are using IB
	V_{8}—IB is compatible to my lifestyle
	V_{21}—I don't prefer personal and face-to-face banking
	V_{11}—Using IB is a sign of modernity
Factor 5 **Inhibitor of IB—Data Protection Concern**	V_{17}—I am concerned about the privacy of IB services
	V_{15}—I am concerned about the security of IB services
	V_{24}—My bank offers IB
Factor 6 **Inhibitor of IB—Lack of Awareness/Information**	V_{19}— I don't know how to use IB
	V_{23}—IB is not relevant for me
Factor 7 **Inhibitor of IB—Convenient Location of Bank**	V_{20}—My bank is conveniently located

4.2.2 *Chi-Square Test—Rural Market to find out the Impact of Demographic Factors on Internet Banking Adoption*

Age

Association between Age and Drivers of IB: The value of **Pearson Chi-Square**—Asym Sig (2-sided) is 0.766. So, null hypothesis is accepted.

Association between Age and Inhibitors of IB: The value of **Pearson Chi-Square**—Asym Sig (2-sided) is 0.560. So, null hypothesis is accepted.

The value of **Pearson Chi-Square**—Asym Sig (2-sided) is 0.766 and 0.560. This indicates that the null hypothesis is accepted.

Inference: There is no impact of age on the Drivers/Inhibitors of Internet banking.

Similarly the following inferences have been drawn as a result of Chi- Square Test:

- Occupation and Most Important Driver/Most Important Inhibitor—**There is no impact of occupation on** the Drivers/Inhibitors of internet banking
- Education and Most Important Driver/Most Important Inhibitor—**There is no impact of education on** the drivers/Inhibitors of internet banking.

4.2.3 Regression Analysis—Rural Market

Spearman's Correlation has been applied to check the significant correlation between Likelihood to Recommend (LTR) and all the 24 factors for the rural market as has been done for the urban market. From Spearman's Correlation Analysis, it is clear that, LTR (or Likelihood to Recommend) is related to only six variables, namely: **Convenient to Manage Finance, Family Members Use IB, Compatible to Lifestyle, Colleagues Use IB, Sign of Modernity, Time Saving, Privacy Concern and Preference for**

Personal and Face-to-face Banking. Except these, other factors have no significant influence on the explanation of Likelihood to Recommend (LTR).

After establishing the correlation between dependent variable Likelihood to Recommend (LTR) and Independent variables (Convenient to Manage Finance, Family Members Use IB, Compatible to Lifestyle, Colleagues Use IB, Sign of Modernity, Time Saving, Privacy Concern and Preference for Personal and Face-to-face Banking) we will go for regression analysis to predict the future adoption of IB on the basis of these variables.

Inferences

Likelihood to Recommend (LTR) has a positive correlation with **Convenience to Manage Finance, Family Members Use IB, and Compatible to Lifestyle, Colleagues Use IB, Sign of Modernity and Time Saving**. Hence, it can be concluded that users of IB, recommend IB services based on these six main drivers. Likelihood to Recommend (LTR) has a negative correlation with Privacy Concern and Preference for Personal and Face-to-face Banking. Hence, it can be concluded that these are the main inhibitors for the adoption of IB services in rural areas. The variable 'Compatible to Lifestyle' has the highest Beta value, i.e., 0.424 which means that this factor exercises the maximum influence on the dependent variable Likelihood to Recommend (LTR). Moreover, it is responsible for 17.9% of the future adoption of Internet Banking, which is again the highest among all the eight variables.

5. Conclusion

5.1 Urban Market

- **Main Drivers for Adoption of IB**
  - It is observed that Self Services, Ease of Use, Awareness, Accessibility, Knowledge of Internet, Sign of Modernity, Time Saving, Trustworthiness, Greater Control over Financial Management, Additional Benefits, Support of Bank, Economical, and Compatible with Lifestyle and Peer Group Influence are the main Drivers of IB services.
- **Main Inhibitors for Adoption of IB services**
  - However, Privacy and Security, Web Navigation, No Additional Incentives and In-person Banking are the main inhibitors for adoption of IB services.
  - Ease of Use has emerged as the most important driver for ensuring maximum adoption of IB.

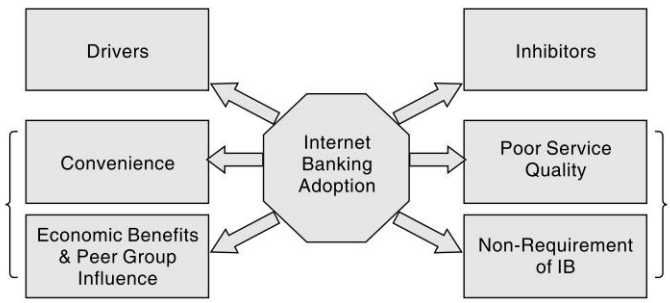


Fig. 2 *Drivers/Inhibitors of IB—Urban Market*

Based on Technology Adoption Model (TAM), the following Internet Banking Adoption Model has been developed for Urban Market (Fig. 3):

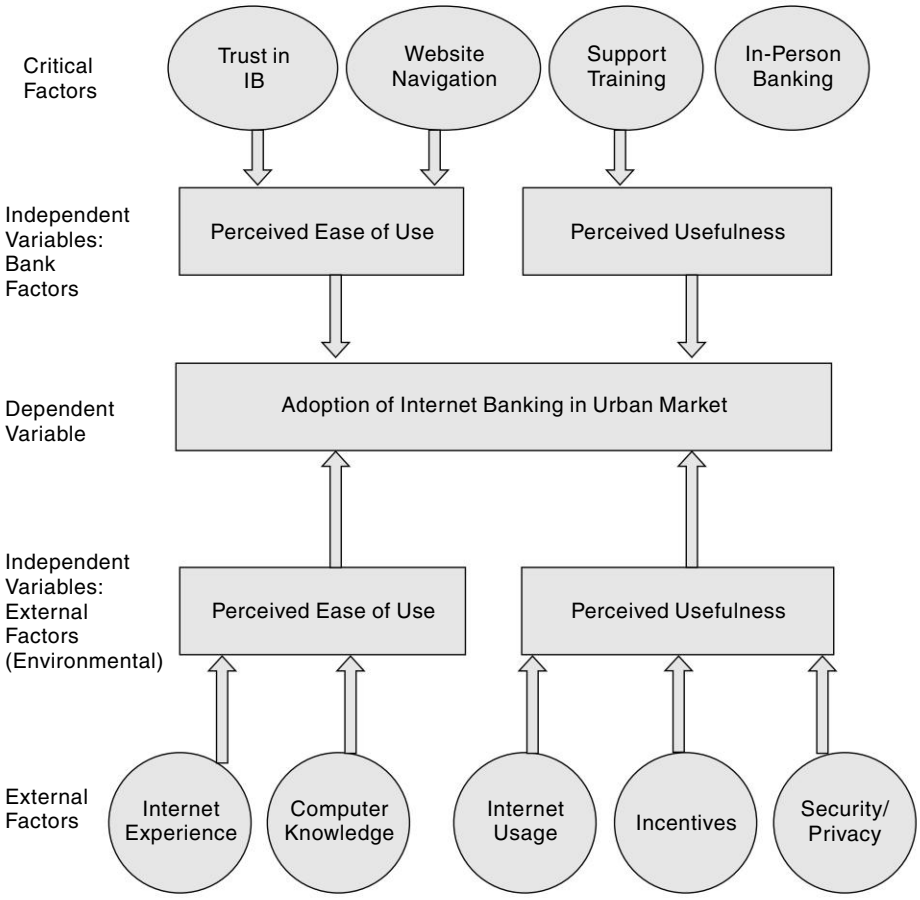


Fig. 3 *Internet Banking Adoption Model (Adopted from TAM): Factors Affecting IB and Their Relationship (Urban Market)*

- **Impact of Demographic Factors on IB adoption**
  - Age is not a barrier as far as the IB adoption is concerned.
  - Occupation is not a determinant of IB adoption.
  - Moreover, there is no association between education and the drivers of IB but there exists association between education and the inhibitors of IB.
  - Drivers of IB are not affected by the education of the respondents. Irrespective of education level, respondents may have certain motivation to use IB.
  - Inhibitors of IB are not affected by the occupation of the respondents. Therefore, respondents from any occupation spectrum may have inhibitions to use IB.
  - Drivers of IB are not affected by the occupation of the respondents. Irrespective of occupation, respondents may be having certain drivers to use IB.
  - Age has no impact on the inhibitors of IB.
  - Drivers of IB are not affected by the age of the respondents.
  - Inhibitors of IB have strong association with the education of the respondents.

- **Likelihood to Recommend IB (Based on Regression Analysis)**

It is revealed that the variables 'Ease of Use', 'Sign of Modernity', 'Time saving', 'Self Service', Colleagues Use IB' are responsible for the future adoption of Internet Banking in the descending order of weightages in the urban market.

5.2 Rural Market

- **Main Drivers for Adoption of IB**
  For the rural market, it can be concluded that **User Friendliness and Economic Benefits** (factor 1), **Peer Group Influence and Modern Lifestyle Orientation** (factor 4) and **Reliability** (factor 3) are the primary drivers for adoption of Internet Banking in rural areas.
- **Main Inhibitors for Adoption of IB services**
  However **Lack of Promotion** (factor 2), **Data Protection Concern** (factor 5) and **Lack of Awareness/Information** (factor 6) are the main inhibitors followed by **Convenience Location of Bank** (factor 7). Age is not a barrier as far as IB adoption is concerned. Occupation is not a determinant of IB adoption and there is no association between education and the drivers or inhibitors of IB in rural areas.
- **Likelihood to Recommend IB (Based on Regression Analysis)**
  LTR (Likelihood to recommend) has a positive correlation with Convenient to Manage Finance, Family Members Use IB, and Compatible to Lifestyle, Colleagues Use IB, Sign of Modernity and Time Saving. Hence, it can be concluded that users of IB, recommend IB services based on these six main drivers. Likelihood to Recommend (LTR) has a negative correlation with Privacy Concern and Preference for Personal and Face-to-face Banking. Hence, it can be concluded that these are the main inhibitors for adoption of IB services in rural areas.

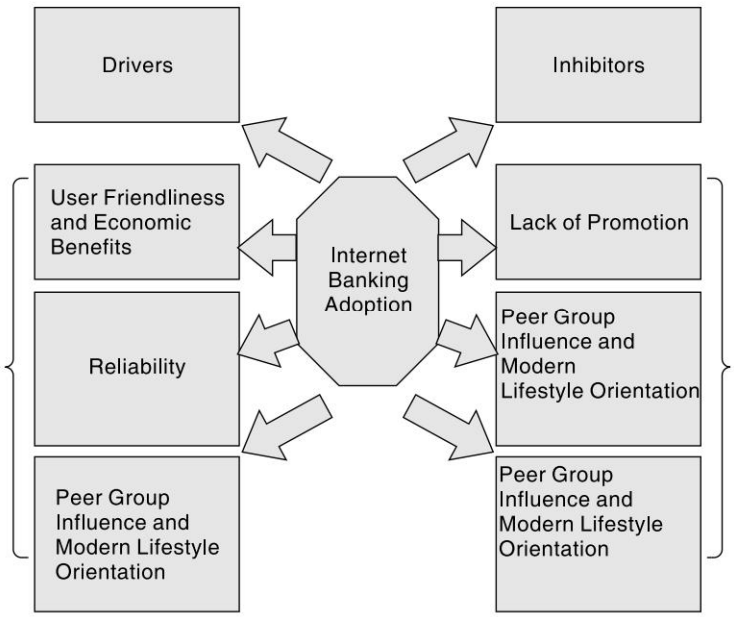


Fig. 4 *Driver/Inhibitors of IB—Rural Market*

Based on Technology Adoption Model (TAM), the following Internet Banking Adoption Model has been developed for the rural market (Fig. 5).

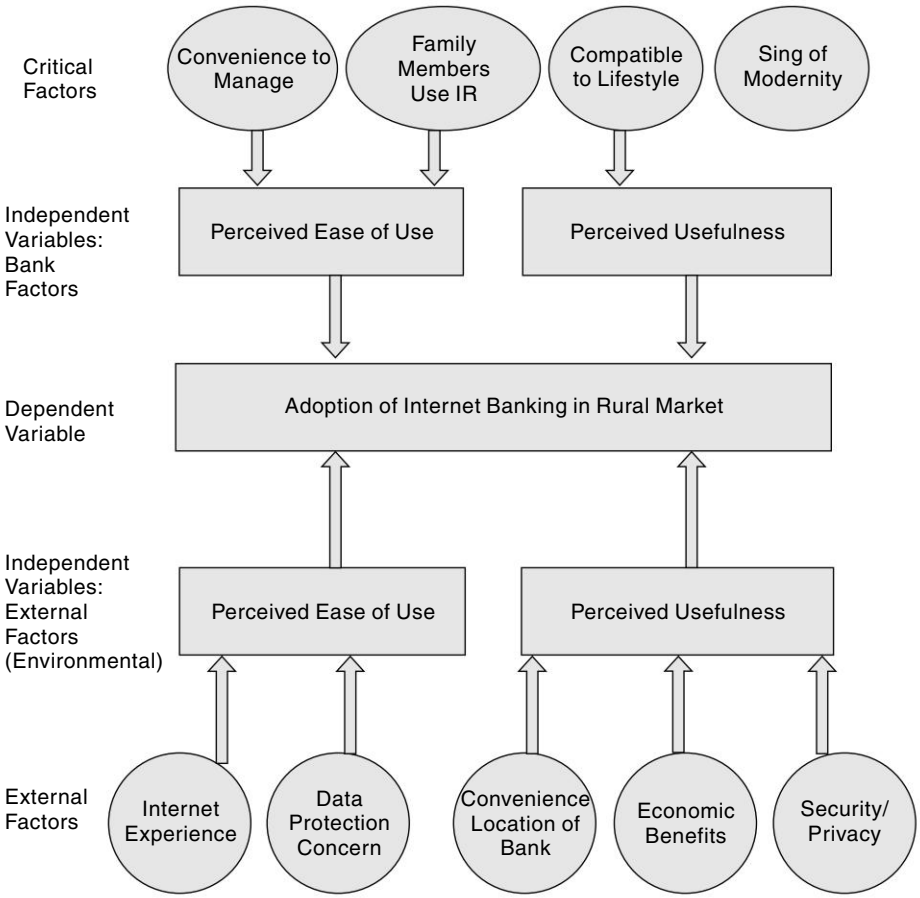


Fig. 5 *Internet Banking Adoption Model (Adopted from TAM): Factors affecting IB and Their Relationship (Rural Market)*

6. Recommendations and Conclusion

Following are the recommendations for improving the adoption of internet banking in rural and urban markets:

- Since users are concerned about the privacy of IB services, proper internal checks and security measures are required to ensure that confidential information is not improperly accessed. For this, use of latest IT software and technology is recommended.
- Banks should provide incentives for using of IB services like cash benefits on transactions. This will act as an encouragement for IB users and can go a long way in creating loyal customers.
- Proper training needs to be imparted to the IB users. Educating customers about the features, advantages and benefits of internet banking, will facilitate better user of IB services and will promote the adoption of IB services.

- Banks need to upgrade their IT infrastructure to allay the apprehension of data theft and ensure that data is kept safe from corruption and that access to it is suitably controlled. It also helps in protecting personal data. Moreover, employees should be trained to operate and manage upgraded computer systems. To reduce the disillusionment of the user and overcome conflict, IB service providers must ensure security issues and further reinforce the positivism amongst potential users who already have the compatibility for IB.
- Banks should also engage in aggressively marking the IB services to its customers who are not using IB services due to its irrelevance or the fact that the bank is conveniently located. Here, innovative marketing strategies should be used both, in online and direct marketing. In this regard, Word of Mouth marketing is very useful as persuasive tool.
- Marketers can take a very wide demographic profile of their target customers for expanding their market base and penetration amongst all age group segments.
- Marketers need not target customers based on different occupations. In other words, any customer can be targeted irrespective of his/her occupation.
- For the urban market, the marketer should target different categories of educated persons based on the main inhibitor for adoption of IB. For the rural market, marketers need not target customers based on different educational backgrounds.
- For the urban market, marketers should concentrate on the five main USPs of IB services namely Easy to Use, Sign of Modernity, Self-Service, Colleagues use IB and Time Saving. For the rural market, marketers should concentrate on the six main USPs of IB services namely Convenient to Manage Finance, Family Members Use IB, Compatible to Lifestyle, Colleagues use IB, Sign of Modernity, Time Saving.
- Marketers must remove Personal and Face-to-face Banking to make people adopt IB. This can be achieved by aggressively marketing the USPs of IB to the users of personal and face-to-face banking, which can be gradually phased out. For the rural market, they should also obliterate privacy concerns by using the latest technology.
- For the urban market, marketers should concentrate mainly on this single most important driver – 'Easy to Use' for ensuring maximum adoption of IB. For the rural market, the marketers should concentrate mainly on – 'Compatible to Lifestyle' for ensuring maximum adoption of IB in rural areas.

Despite a few limitations, the significance of the current research paper lies in the fact that it is expected to:

- Help marketers focus attention on the concerns of the customers in rural and urban markets separately regarding internet banking.
- Provide insight in formulation of the further strategies by the marketers in the banking sector enabling them to focus on customer satisfaction and providing the best services while offering an internet banking option.

7. Marketing Implications of the Paper

- By boosting the ease of use of IB services, combined with bank defined incentives, banks in India would stand a better chance of increasing the adoption rate of IB users.
- Analysis of frequently used IB services may be helpful to banks for designing their promotion strategies.

- From a management's perspective, it may be worthwhile to move these factors to the forefront of their IB marketing programmes.

8. Scope for Future Research and Limitations

- It needs to be observed that the present investigation was focused on the National Capital Region/Delhi (India) and, as a result, pertains to large Indian cities and their residents for the urban market.
- The study needs to be further extrapolated in the small towns (Tier II and III), which comprises a majority of the Indian population, to explore the factors that affect the adoption of IB in these towns.
- The current paper focused on the Retail Users of IB. The study can be expanded to the Corporate Users to understand the factors affecting adoption of IB.
- In the wake of the increasing use of Real Time Gross Settlement (RTGS) and National Electronics Funds Transfer System (NEFT), the current study can be further expanded to explore new dimensions of adoption of IB.

Questionnaire Used for Research

NAME LOCATION	

INTERNET USER : YES / NO

Demographic Profile

GENDER	***Male ( )***		***Female ( )***	
AGE	<20 ( )	20-35 ( )	36-50 ( )	> 50 ( )
EDUCATION	Completed primary education. ( )			
	Completed secondary education. ( )			
	Diploma holder. ( )			
	First degree holder. ( )			
	Post graduate degree holder. ( )			
OCCUPATION	Public ( )	Private ( )	Others ( )	

Internet Banking Adoption (Frequently used IB services:)
(Rank top 5 in order of preference.)

Statement enquiry	( )	Utility payments	( )
Loan application	( )	Debt/credit card application inquires and complaints	( )
Fund transfer	( )	Bill payments	( )
Check book order	( )	Third Party Transfer	( )
E-Shopping	( )	Trading Online	( )
Charity	( )	Reservations	( )

Frequency of IB use: (choose any one)

Daily	( )	Bi-Weekly	( )
Weekly	( )	Fortnightly	( )
Monthly	( )	Once in a while	( )

IB Access:

Home	( )	Workplace	( )
Public Internet access points	( )		

Drivers of Internet Banking Adoption

Sr. No.	*Comment*	*Please tick your choices*				
		Strongly agree	*Agree*	*Neutral*	*Disagree*	*Strongly Disagree*
1.	IB is compatible to my banking needs					
2.	IB is easy to use					
3.	IB is a cheaper way to conduct banking					
4.	IB is self service					
5.	IB makes conducting banking transactions easier					
6.	IB is a convenient way to manage my finances					
7.	My family members are using IB					
8.	IB is compatible to my lifestyle					
9.	My colleagues are using IB					
10.	IB offers greater control over my finance					
11.	Using IB is a sign of modernity					
12.	My bank offers additional benefits for IB users					
13.	My bank encourages me to use IB					
14.	IB is time saving					

Most important driver of IB (most important comment):

	Low				High
Likelihood to recommend IB					

Inhibitors of Internet Banking Adoptions

Sr. No.	*Comment*	*Please tick your choices*				
		Strongly agree	*Agree*	*Neutral*	*Disagree*	*Strongly Disagree*
1.	I am concerned about the security of IB services					
2.	I don't trust IB services					
3.	I am concerned about the privacy of IB services					

(*Contd.*)

(*Contd*)

4.	My bank doesn't offer incentive to use its IB service					
5.	I don't know how to use IB					
6.	My bank is conveniently located					
7.	I prefer personal and face to face banking					
8.	My bank doesn't offer training to use its IB service					
9.	IB is not relevant for me					
10.	My bank doesn't offer IB					

Most important inhibitor of IB (most important comment):

	Low				High
Likelihood for not recommendation of IB					

CASES

Eight corporate case studies are discussed here; these all present a real-life view of the practical issues while implementing CRM. These cases can reinforce the readers' understanding of the concepts learnt in the chapters and can prepare them for actual implementation of the CRM concept and philosophy.

Case 1: Implementation of CRM in Kingfisher International

Case 2: Customer Lifecycle Management at Sia Lifestyles Pvt. Ltd. (Sia Art Jewellery)

Case 3: Fujitsu Outsourcing: Fujitsu Siemens Computers eCRM System Solution

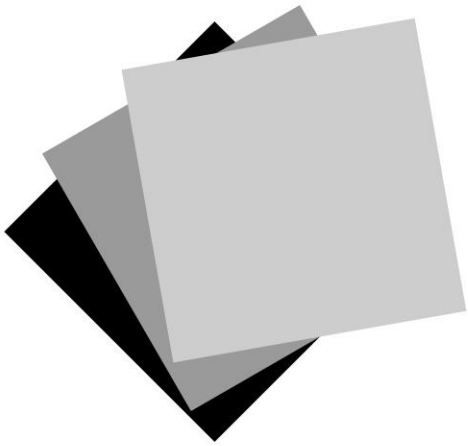
Case 4: ERP Implementation in HDIL (Real Estate Company)

Case 5: Aviva Uses eCRM to Insure Success

Case 6: Importance of eCRM in Banking Sector with the Examples of Swed Bank and SEB Bank

Case 7: Asian Paints Business Transformation by Implementing CRM

Case 8: Bharti Airtel: CRM Implication



CASE STUDIES ON CRM

Learning Objectives

After going through these case studies, the readers will be able to understand

- New perspective on how CRM fits into the bigger organisational picture
- Newly acquainted concepts of loyalty management, eCRM, sales force automation, Enterprise Resource Planning (ERP), Business Process Re-engineering (BPR), and so on
- Concepts and techniques for adopting and implementing an effective CRM solution
- CRM as a medium of value creation and customer retention, specifically in reputed Indian and global corporate houses

INTRODUCTION

To understand the benefits and process of implementation and adoption of CRM in an organisation, students are being introduced to corporate examples from different sectors. Each example highlights the specific needs, requirements and different implementation methodology of CRM. Readers are advised to analyse these case studies in detail to understand their practical implications. Besides these case studies, readers are further advised to carry out detailed comparative analysis of different eCRM applications available in the market.

After studying the Case Studies provided here, the readers will be able to understand the finer intricacies involved in CRM implementation in diverse sectors, and the rapidly changing position of CRM in the total context of the organisation with the help of various corporate examples.

Analysing a Case Study

A case or case study can be defined as a summary of a real corporate world event, whether it has happened or it is simulated.

Case studies for beginners may contain questions at the end of the example to make the task of analysis simpler, but for advanced studies, a problem has to be identified, questions have to be framed and the appropriate solution or interpretation has to be presented by the readers. All case studies come with a few questions at the end and students should do extensive problem identification before answering those questions.

Steps in Solving a Case Study

1. **Read the given case thoroughly at least thrice.** Firstly, understand what the case study is all about; next consider the important facts and events pertaining to the problem, and finally, focus on the problem area and try to answer the questions.
2. **Make a case brief** A case brief is writing the summary of the case in your own words covering critical points highlighted in the case.
3. **Identify and analyse the problem.**
4. **Find out various alternate solutions.**
5. **Evaluate each and every solution** very carefully in terms of viability and feasibility
6. **Choose the best feasible solution** amongst alternatives
7. **Present the solution**

Case 1

Implementation of Crm in Kingfisher International: Manufacturer and Distributor Improving Channel Management With Dynamics CRM

Kingfisher International manufactures and distributes testing, repair, and verification equipment for fibre optic networks in the telecom, datacom, defence, and automotive industries. The company has approximately 3,000 customers in 70 countries serviced through a network of distributors. Kingfisher customer relations were hampered by an existing customer relationship management (CRM) system that could not track multiple contacts and contracts with its larger clients, and did not integrate with its mail and accounting systems. In 2004, Kingfisher implemented Microsoft® CRM 1.2. In late 2006, the company upgraded to Microsoft CRM 3.0, integrating it with Microsoft® Dynamics™ GP and Microsoft® Office Outlook®. Kingfisher now keeps a detailed track of even its biggest and most complex customers. The company also provides a global round-the-clock customer support, and has learnt to develop sophisticated and targeted marketing campaigns using its customer contacts list.

Situation

Established in 1986, Kingfisher International (Kingfisher) designs and manufactures testing and repair equipment for fibre optic communications networks. Based in Melbourne, Australia, the company has approximately 25 local staff that service over 3,000 customers in approximately 70 countries, mostly in the telecommunications, data communications, defence, and automotive industries.

Kingfisher's customer relations needs were highly complex. Although most products were sold through distributors, the company needed to track the sales process to customers in order to make its marketing, product management, and customer service activities as effective as possible.

"Things can get very complicated," says Bruce Robertson, Technical Director, Kingfisher. "We get end users coming to us – some of the time we need to deal with them ourselves, sometimes we need to refer them to the distributor. Plus we get a lot of incidental enquiries, which we need to manage. Then we also need to do the classic sales tracking activities, which includes working out success rates for our sales guys."

The company had used customer relationship management (CRM) packages to help manage customer relations since 1991. In 2004, Kingfisher employed a CRM product based on an Advantage database. However, the system was inappropriate in two critical areas.

First, Kingfisher had a small number of very important customers, such as incumbent telecommunications companies, who bought and operated a large amount of equipment to test different parts of their networks and business. Their existing package was not optimised to deal with this scenario.

Says Robertson: "The problem with the system we were using was that there was no way of bolting the contacts to the organisation. The result was that we could have two sales guys or distributors in the same building working on different parts of essentially the same project, and even we didn't know. You simply couldn't track all the people concerned."

Beside the potential for confusion, this was also a defective way to manage a client. Without a whole client view—which included client history—Kingfisher found it difficult to know exactly

what the client's technical situation was, or how to enforce company-wide agreements, and make client contacts aware of negotiated discounts.

"If you don't have good case management, then it's very easy to not know what's going on," says Robertson.

Second, its existing CRM package did not connect with any other Kingfisher systems. In particular, there was no automatic link between customer records, emails, and accounts.

"There was no integration with email, and most of our communication happens via email," says Robertson. "Our correspondence needed tight integration; instead it was chunky. And because there was no integration with our accounting system, we had an extra administrative burden as data had to be entered into both systems if a prospect became a sale."

As the company's client base extended rapidly overseas, Kingfisher became convinced that whatever it did, the company couldn't maintain service levels without new technology.
"A bad system will always win over a good person," says Robertson.

Solution

In 2004, Kingfisher began to investigate new CRM packages that could manage its complex customer relations and integrate with existing communications and administration. They engaged Microsoft® Gold Certified Partner Professional Advantage to advise.

"The customers wanted a fair degree of autonomy with their system," says Peter Dijkema, Senior Account Manager, Professional Advantage. "They wanted to write their own reports from their database, which they couldn't do with their old system. And because of the complexity of their customer relations, they wanted the flexibility to integrate specialist third-party applications for certain types of tracking.

"If possible, they also wanted their CRM system to integrate with their accounts system, which was Microsoft® Dynamics™ GP. What they had in mind was that prospective customers and orders would flow straight through to sales in Microsoft Dynamics GP."

Professional Advantage advised Kingfisher that the initial release of Microsoft's CRM package would suit their requirements. In particular, Microsoft® Dynamics™ CRM was suited to the needs of Kingfisher's modest headcount.

"It was the right size," says Robertson. "A lot of CRM packages are designed to enable very big companies to enforce top-down arrangements, for example, call centres, where managers need to enforce certain rules.

"The Microsoft Dynamics CRM product wasn't specifically designed around policy enforcement, and this suited the way our engineers, sales engineers, and regional managers wanted a CRM system to work.

They just wanted something that was simple and straightforward to use. And the fact that we didn't care about policy enforcement also reduced implementation costs."

Microsoft CRM 1.2 was successfully implemented by the end of 2004. According to Dijkema, the Outlook feel to the CRM interface made it easier for the Kingfisher staff to learn how to use it. Although this was the first release of Microsoft's CRM applications, it resolved the need to be able to allocate multiple contacts to the same client.

Then in 2006, Kingfisher learned that the upcoming Microsoft® CRM version 3.0 was scheduled to include sophisticated marketing and sales lead tracking functionality.

"Because of their huge client base, Kingfisher was interested in the new marketing campaign tools," says Dijkema. "This would enable them to send out emails to customers with specific products, help them research the response, and calculate the return on investment."

Consequently, in late 2006 Kingfisher upgraded to Microsoft CRM version 3.0, taking the opportunity to integrate the CRM system with its mail system.

Benefits

By implementing Microsoft CRM 1.2, and then upgrading to CRM 3.0, Kingfisher developed a robust and detailed customer relationship system that could track and store all important client interactions. Kingfisher could market itself to existing customers effectively, provide fast customer support, and maintain its database efficiently.

Better Customer Service

A comprehensive view on how its customers use its products has enabled Kingfisher to refine its marketing and improve its customer service.

"We can take an organisational view of our customers," says Robertson. "This means that we know how to handle deals and discounts. We can see what they have already, so we know what is suitable for them when we get enquiries.

"A better understanding of our clients means we can also predict what problems the organisation will have. This means we can offer much better customer support. We can also look at the case history, see if problems keep recurring, and work our customer specific remedies."

Microsoft CRM 3.0 has also improved Kingfisher's ability to provide around-the-clock support for its customers.

Says Robertson: "Since CRM contains all customer details and case history, we can pass on jobs to our sales offices in the UK and US if we're needed outside of Australian business operating hours. This was impossible before, because of the paucity of information. Now we can provide 24-hour support."

Emergency Back-up

Robertson cites a recent emergency situation at one of its American partners as evidence of how much more robust Kingfisher's customer systems are.

He says: "We had a distributor in the US. One day the CEO walked out and took all the customer information with him. We got a call from his staff saying, 'We're stuffed; we don't even know who our customers are.'"

Because Kingfisher had records of all their customers in CRM 3.0, which is linked with Microsoft® Office Outlook®, it could restore the distributor's customer information and help it pick up where the CEO had left off.

"We were able to send them all their customer details in two hours," says Robertson. "This was extraordinary. But we were also able to send them all the emails that had been sent by their company to the end customers, because they are linked in CRM 3.0. This saved them."

More Efficient Team Work

Integration with Dynamics GP has reduced manual data entry requirements and allowed staff to concentrate on revenue generating activities.

"We have two or three staff less in administration, and an increased emphasis on recruiting and retaining quality staff," says Robertson. "Now we have fewer people just cranking the handles and more people delivering sales and marketing."

Microsoft's latest CRM version also helps improve the way that the staff works because it helps staff keep track of the CRM processes.

"In version 3.0, you can set up a sales lead," says Dijkema. "This initialises and assigns a whole range of activities that need to be completed as the lead becomes a prospect."

"It's a very team-oriented package," adds Robertson. "We can push activities around the organisational stack, and the person who started an action can see what happens.

"For example, regional sales managers can see if a task has been completed because they have full visibility on their jobs. Alternatively, sales managers can see who a particular job was assigned to if they think it might impact a particular customer interaction. Our team work has improved. It's a great team tool."

Marketing Campaigns

Kingfisher has taken advantage of the improved marketing campaign tools in Microsoft CRM 3.0 to increase and refine customer contact without having to employ professional marketing expertise.

"You generate a list out of your contacts and then it helps you devise a campaign. It helps you create a specific marketing activity like product-specific emails, then track the execution and assess the results," says Robertson.

"This is incredibly helpful, because good marketing people are at a premium. This tool makes it all happen. We can do more and better marketing and it simply doesn't cost much."

Adaptable and Evolutionary

Finally, one of the chief benefits to Kingfisher has been the ability to augment Microsoft CRM 3.0 functionality with specialist third-party applications.

"One of the reasons we chose Microsoft® was because it's very good for integrating additional packages," says Robertson. "We were particularly interested in a product called 'C360' which constructs a sales and marketing relationships matrix around individual clients, so that we see all the players in a particular deal.

"This facility is a definite strength, because it means we can add on the bits that really make the package fly. In fact, the ease with which we can integrate third-party software is just terrific."

Since 2004, Kingfisher has steadily evolved its CRM on the Microsoft platform, and in mid-2008, it was actively assessing the benefits of the follow-on release, Microsoft® Dynamics™ CRM 4.0.

By providing access to the CRM database through a virtual private network, CRM 4.0 would enable Kingfisher to share customer information with its worldwide network of distributors.

"Implementing Dynamics CRM 4.0 would conform to Kingfisher's policy of steadily evolving its own CRM capabilities with Microsoft's product releases," says Robertson. "As far as we are concerned, it's 'steady as she goes.'"

Source: http://www.microsoft.com, last accessed on May 9, 2011

Review Questions

1. Explain in detail what benefits Kingfisher International has derived out of CRM implementation.
2. What were the criteria considered by Kingfisher for the selection of a new CRM package?

CASE 2

CUSTOMER LIFE CYCLE MANAGEMENT AT SIA LIFESTYLES PVT. LTD (SIA ART JEWELLERY)

Beginning of the Programme in 2005

We all know that it is five times difficult to acquire a new customer than to retain an existing one. To extend the repeat purchase of a single customer, Sia started its CRM initiative in April 2005 with a direct discount system under the name 'Sia Club'. This Club was formed to reward loyal customers with a 10 per cent discount on each purchase, being issued on an initial purchase of Rs. 20,000. The supporting ERP programme was built and implemented completely in-house. Other benefits offered under this programme were fully redeemable Gift Vouchers posted to individual 'Gems' on their birthdays and anniversaries and direct mailers informing them of the latest collections and promotions. It also included free membership to *Newsia*—a quarterly in-house newsletter informing them of the latest happenings in the world of Sia. The contribution to sales from Gems Club members at this point was ~ 35 per cent of the total sale.

Renaming The Club To Provide Better Benefits in 2006

"Our main aim behind starting the Sia Club was to offer a representative of our own self, to our loyal customers—since we could not be present at all times at all stores," says Jatin Chhadva, the CEO of Sia Lifestyles, a 30-something second generation entrepreneur who, along with Vinay, his younger brother, runs the business. This thought has remained the driving force in the company with all staff trained to treat customers as as guests in their own homes.

In 2006, the programme was modified to form the 'Sia Gems Club' aligning itself with the industry standard of a point-based system. As the network expanded, the issuing limit was also reduced to Rs 3000 to enable more customers to avail of greater benefits that were offered, while *Newsia* loaded itself with more pages on general interest articles like recipes and brainteasers along with company information. In this year, there were approximately 10,000 members with the greatest proportion residing in Mumbai, followed closely by Delhi.

Consolidating The Relationship Equity: 2007

In 2007, interaction with the Gems Club members increased as a result of a direct customer relationship orientation programme held at the stores, wherein the importance of relationship building was emphasised and each salesperson was trained on customer service skills. This gave an impetus to the number of Gems Club members across India as 11 new stores followed this policy closely and nourished their customer-relationship skills. With the support of 25 per cent birthday discount in their birthday week and 50 per cent discount on repairs and maintenance of jewellery, the numbers and contribution grew till it reached 20,000 and 55 per cent overall.

Carrying on Further Benefits: 2008

2008 was a watershed year for the programme. Sales from Gems Club members constituted about 65 per cent of the sales continuously each month across 25 EBOs across the country. The Preview I"9 Days of the July Sale clocked in the highest sale recorded in the history of the chain. Birthday celebrations grew more frequent, as the staff welcomed Gems members into the store and discounts from other lifestyle brands grew more interesting.

This year, there is a further integration of Sia into the customer's closest circle—the kitty party group. This is a complete in-house initiative, spearheaded by the VP- Retail, Hitesh Chheda, who says, "Gems Club members are the dearest customers on the floor for us. They have made Sia a part of their lives. We wanted to give back the love and respect they have for the brand by choosing us over the unorganised sector, which is our biggest competitor. This led to the formation of the 'Tea Times' team, which actively seeks participation from all Gems Club members in the form of requests for kitty parties." The team organises the kitty party right from the snacks, the entertainment, the décor, and of course, the games, which include a generous helping of Sia gifts as prizes. "All this is done without a commercial angle to it though we do sometimes test the new products ready for launch by doing a small research. Members are always happy to help us as they get to see the best jewellery and the newest trends before anyone else!" he explains.

The Gems Club Membership runs at two levels—the default level (Ruby) and once a Ruby member purchases worth Rs 30,000 she advances to the next level—Sapphire where members enjoy a higher point-per-rupee spent ratio as compared to Ruby members, as well as preferential treatment like birthday bouquets and the occasional snack at the store.

Loyalty: The Mantra to Combat Recession (2009)

"During these recessionary times, it is our Gems Club members who have helped us stay afloat. They have reinforced the brand equity over; in many cases, they are actually 'textbook-perfect' customers spreading positive word-of-mouth and acting as brand custodians," explains Vinay Chhadva, COO, and over-seer of the programme.

In fact, many members now know Vinay as the ever-smiling gentleman in trademark blue jeans and white shirt at the till, overhearing customers either compliment or complain to the store manager, stepping in to cool an angry customer with consummate ease.

With an ambitious target to cross the Rs 100 crore turnover mark in the next 3 years, it looks imminently possible, and sooner, if Sia continues to have the same support of their Gems Club members. In fact, even industry veterans have been surprised at the kind of closeness shared by the CSAs (Customer Service Associates) and Gems Club members. It is only a matter of time until Sia overtakes the leaders in the customer relationship sphere.

Advantages of Implementing CRM to Extend CLC

1. **Ensuring Revenue contribution:** Over a span of 4 years, Sia has seen Gems Club percentage contribution to sales grow double to rest at the 68 per cent mark.
2. **Frequency of visits of existing members:** Newer members are acquired at Rs 3000 worth of purchase in a single transaction (however, the Average Ticket Size for new members is ~Rs 6500). These members frequent the store no less than 4 times a year–July and February during the end of season sales (EOSS), marriage season (Oct- Dec) and once during the lean season (April-Sept) where there are some special incentives and promotional offers for all.

3. **Enhancing the brand value:** Sia scores over other unorganised players who do not have an organised point system, and for whom customer relationship management extends to the occasional snack or discretionary discount depending on the level of purchase.
4. **Same experience across different locations:** A standard point-based system implemented in over 25 locations across the country ensures the same experience everywhere thus contributing to the brand equity.
5. **More receptive customer base:** It is easier to sell new concepts to old customers who have already reposed their trust and faith in the quality of Sia.

Benefits:

1. **Direct sales contribution** from the Gems Club members (driving 68 per cent of total sales revenue)
2. **Surrogate trend forecasting:** The members are well aware of the product types and categories at Sia. Hence, they provide for valued sounding boards for new initiatives in product development and testing.
3. **Positive word-of-mouth:** The members are vociferous advocates of the brand, and often bring along more friends and family members to shop with them. This, in turn, generates additional revenue.

CRM Policy at Sia

The Loyalty programme at Sia is called Gems Club.
Membership to the club is as follows:
Level 1—(entry level): The Ruby card member
Level 2—(upgraded level): The Sapphire card member.
Both cards have lifetime validity.
These cards are valid only at the SIA Art Jewellery outlets, SIA Solemates outlets and SIA franchise stores.

Benefits of the Membership to the Customers

Ruby Card	*Sapphire Card*
1. Free membership on purchase worth Rs. 3000; 100 free points on becoming a member	1. For purchases of more than Rs. 30,000 in a year, members are eligible to get a Sapphire card and 200 free points on jumping to Sapphire from Ruby
2. Get 1 point on the purchase of every Rs 25 (Till Rs. 30000)	2. Get 1 point on the purchase of every Rs 15.
3. Preview of new collection and special sale days for members before the actual sale period.	3. Preview of new collection and special sale days for members before the actual sale period.
4. Special Rewards booklet (tie-ups and offers from other brands).	4. Special Rewards booklet (tie-ups and offers from other brands).
5. Points statements and newsletters on events held by SIA.	5. Points statements and newsletters on events held by SIA.
NA	6. Get an add-on Ruby card on the purchase of worth Rs 50000 within a year.
NA	**Different gifts periodically**

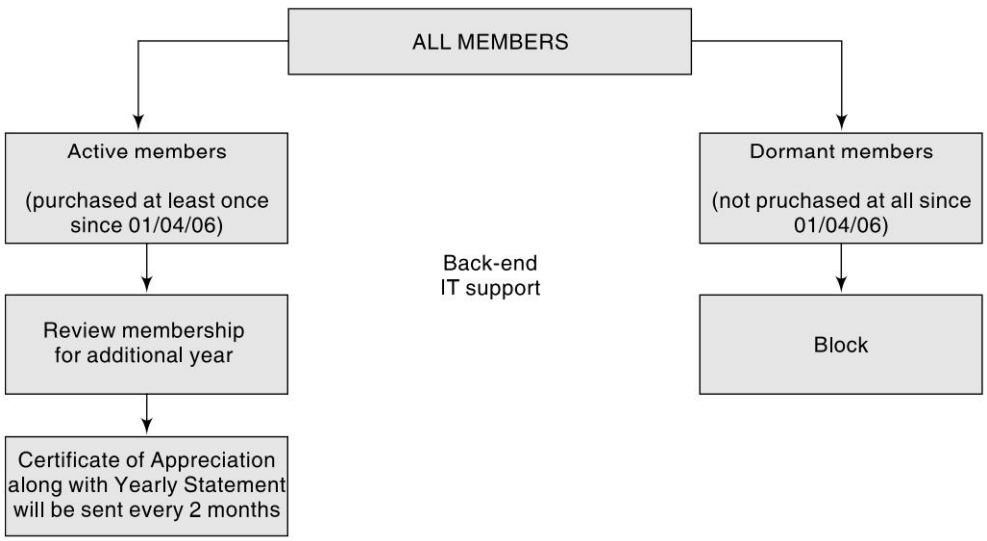
Product-Led Offers for Gems Club Members

1. 15 per cent flat discount in their birthday week (defined as 3 days before and 3 days after the birthday, valid only once on no maximum purchase cap)
2. 50 per cent discount on repairs and maintenance charges

Points to Note

1. **Issuing of Gems Club card (s) at stores:** Stores have a stock of approx. 100 Gems Club cards (Ruby) in their stock. Replenishment of these is expected when it falls below 50 (weekend) and 20 (weekday). On a purchase worth Rs 3000 or more, the customer has to fill in the Member Information Sheet (MIS) as shown below (part of the Gems Club kit)
2. **Updating card in the system:** The card is activated for redemption 48 hours from the time the MIS sheet is received at the Head Office. However, purchases can be made on the card (points accumulation)
3. **Redemption of points:**
   (a) Customer can start redeeming after accumulating 200 points.
   (b) Reward points cannot be used to purchase gift vouchers.
   (c) Points will not be credited with retrospective effect.
   (d) The physical card is must for redemption but points accumulation is possible without the physical card (on verification of address and membership number for adding points)
4. **Lost card management**
   A nominal fee of Rs. 50 is charged for a new card. Once the store manager mails the details to the CRM Department at gemsclub@siajewellery.com, action is taken within 15 working days.

Renewal of Membership at Sia Gems Club (reviewed periodically every year)



Lifetime value of a customer
Optimistic view

A. Average value of a sale per customer	= Rs 2000
B. No. of sales per customer annually	= 3
C. No. of years a customer buys from us	= 5
D. Gross Annual Sale per customer (**A * B**)	= Rs **6,000**
E. Customer Lifetime Value (**C * D**)	= Rs **30,000**
F. No. of customer referrals annually	= 5
G. % of referrals who become customers	= 2%
H. Total no. of customers from referrals (**F * G**)	= .01
I. Gross sales from referrals (**E * H**)	= Rs 3,000
J. Maximized Gross CLTV (E + I)	**= Rs 33,000**

Conclusion

1. CLC management is more than just a buzzword; if implemented seriously, it leads to great sustained profits.
2. It is the easiest way to generate positive word-of-mouth which is completely free of cost to any company.
3. Loyal customers are great company assets and can be banked upon to tide through business cycles like recession.
4. Keeping customers happy often starts with the most humble worker; in this case, the CSA (Customer Sales Associate) who deals with the customer directly.

Source: www.siajewellery.com, last accessed on May 19, 2011

Review Questions

1. How has the formation of the Sia Club helped the organisation in its CRM initiatives?
2. Analyse the value-addition to customers because of the loyalty programmes. Give suggestions to improve these programmes.

CASE 3

FUJITSU OUTSOURCING: FUJITSU SIEMENS COMPUTERS eCRM SYSTEM SOLUTION

Business Challenge

Accenture's ongoing research into the characteristics of high-performance businesses reveals that industry leaders distinguish themselves in a number of important ways. For example, they continually seek unique insights into drivers of present and future value. They are masters of action—transferring these insights into innovative product offerings and differentiated ways of working. And, perhaps most important, they tend to be obsessed with winning the battle for the customer. Against these criteria, Fujitsu Siemens Computers acts like a high-performance business. The company's 100,000-plus products and solutions, which are among the most innovative in the industry, face fierce competition from domestic and foreign technology providers. Fujitsu Siemens Computers knows that to win the battle for the customer, its product portfolio needs to be matched consistently and appropriately with customers' needs. The company has the customer as its focal point; its vision is to understand customers to serve them best. To deliver on this promise and continue to ensure the quality of service that its customers have come to expect, Fujitsu Siemens Computers recognised that it was critical to provide superior customer interactions at every touch point.

Fujitsu Siemens Computers recognised its mandate: bolster a customer relationship management focus and maximise the value of all its customer and partner interactions through integrated customer and product databases. To bring this mandate to life, the computer giant adopted a new customer-focused strategy, the centerpiece of which was a Europe-wide electronic customer relationship management (eCRM) solution supporting sales, service and marketing. Such a solution, based on applications from Siebel Systems, would:

- Create customer transparency.
- Increase customer and partner loyalty.
- Reduce non-sales activities.
- Enable the company to share all information from one information base.

Fujitsu Siemens Computers believed the eCRM capability would help expand margins, improve market penetration, increase customer and partner retention, and allow the company to focus better on high-potential customers and optimise sales opportunities.

Fujitsu Siemens Computers selected Accenture to help design and implement the eCRM solution for several reasons. Accenture has deep CRM knowledge, as well as proven Siebel expertise and an expansive reach across more than 20 European countries. This expertise would be invaluable in successfully introducing the Siebel-based eCRM solution. Additionally, Accenture suggested adopting a value-based billing approach to the project. Such an approach would create a risk-sharing tie between the two companies and link the company's investment to success metrics established upfront.

Accenture collaborated with Fujitsu Siemens Computers to analyse and diagnose the challenge, and then design the end-to-end eCRM solution. The team engaged users early on in developing the central, company-wide, international solution. Based on the latest Siebel 7 software, the Web-based solution automates core CRM processes, including sales, marketing, service and call centre. Solu-

tion components include account management, opportunity management, contact management, quote, proposal, order and forecast. The solution is seamlessly integrated with the company's back-office solutions, including SAP and the production systems. And with its Web-linked 'zero footprint' client, the solution eliminates the need to install software on individual workstations.

To enable employees and partners to use and fully take advantage of the new system, the Accenture-led team conducted extensive, tailored training for executives, account teams and system administrators. Further, Accenture worked with Fujitsu Siemens Computers to create training materials that are distributed physically to the company's locations and also available online with each release. The team collected additional data and cleaned up existing databases to facilitate data migration, and established communication channels to ensure the timely, accurate and comprehensive exchange of information between the eCRM deployment team and all target user groups.

Based on the success of the Siebel design and implementation, Fujitsu Siemens Computers recently asked Accenture to assume responsibility for maintaining the new system for five years. Under the application outsourcing arrangement, Accenture is providing first- and second-level support, deployment, application development and configuration, data management, system administration and release upgrades for all Siebel applications. This support includes technical design, coding, testing, debugging, and procedure development and modification. The Accenture team has recently launched Fujitsu Siemens Computer upgrade to Siebel v.7.8.

High Performance Delivered

With Accenture's help, Fujitsu Siemens Computers now collects relevant customer information on one, worldwide, streamlined server and database. Users can retrieve, within seconds, information on all customers and products worldwide. This means the company can more accurately segment its customers and better match services and products to customer needs—particularly those of their most valuable customers. Customers benefit, as well, from faster yet more specialised proposals from which to make their purchasing decisions.

The Siebel-based eCRM system—available to more than 2,500 internal users from sales, service and marketing, as well as more than 20,000 external sales channel partners—gives Fujitsu Siemens Computers a high degree of integration across all CRM areas and with all other systems in the company. Now, for example, when call centre representatives conduct a campaign of outbound calls to customers, they can send leads of interested customers directly to an appropriate sales person. In addition, the eCRM solution is improving Fujitsu Siemens Computers' ability to share knowledge and gain greater control within their sales processes. Both company employees and channel partners can work together seamlessly, assessing product and component information and selling across departments and teams from one system.

Already, Fujitsu Siemens Computers reports a 60 per cent increase in the speed of order processing. The outsourcing arrangement with Accenture is expected to improve service quality even further by allowing the computer giant to better concentrate on its core business. Equally important, the arrangement is expected to reduce costs by up to 33 per cent.

By linking sales, marketing and service into eCRM, Fujitsu Siemens Computers has the ability to create customer and partner transparency. This, in turn, is allows the company to break through the industry clutter, build recognisable loyalty and position itself for a market revival. Above all, the solution is helping Fujitsu Siemens Computers become a high-performance business by translating insights into action and supporting the company's goals.

Source: http://www.accenture.com, last accessed on May 20, 2011

REVIEW QUESTIONS

1. What were the objectives of implementation of eCRM in Fujitsu Siemens Computers?
2. What were the functionalities and processes included in the selected CRM solution and how was the CRM integrated into the company's back office systems?

CASE 4

ERP IMPLEMENTATION IN HDIL (REAL ESTATE COMPANY)

About HDIL

HDIL is one of Mumbai's leading real estate and construction companies, with over 23 projects successfully completed since 1996. Part of the Wadhawan Group (formerly Dheeraj Group), the company has constructed an impressive range of residential (apartments, towers and multi-purpose townships), commercial (offices and multiplex cinemas) and retail projects (such as shopping malls) across Mumbai. It now plans to initiate operations in Kochi and Hyderabad as well.

The Challenges

HDIL, a large real estate/construction company with multiple departments and branch offices, faced the following challenges that prevented it from achieving its highest business potential:

- Decentralised and inefficient methods of information entry, storage and retrieval resulted in considerable wastage of time and resources. Moreover, duplicate data entries in the LAN-based Fox Pro system by employees in different departments (for e.g.: the sales and accounts departments) resulted in redundancy and potential errors.
- Lack of reliable co-ordination between departments (for e.g.: between the architecture department and sales department) or branch offices due to processes being verbally triggered resulted in the high possibility of communication gaps and hitches in the overall workflow.
- Inadequate (manual) means of tracking customer feedback and ineffective ways of ensuring follow-ups threatened to adversely affect customer relationships and loyalty.

The Solution

In 2006, HDIL deployed **eBuild**, IMT's versatile, high-end ERP suite that has been especially developed for the real estate industry. With the implementation of this web-based business tool, HDIL experienced tangible benefits in a multitude of ways across its operations. New modules continued to be developed and integrated into the **eBuild** suite right through 2007. It now includes:

- **Architecture Module**
- **Sales Module**
- **Purchase Module**
- **Payroll Module**
- **Maintenance Module**
- **Store Module**
- **Accounts Module**
- **Engineering Module**

Each of these user-friendly and intuitive modules equipped HDIL with a powerful one-stop solution that quickly resolved the issues and challenges the company encountered prior to its implementation.

Further, **eBuild**'s in-built essential tools proved to be of immense value to HDIL's employees. The tools included an array of convenient features, such as a Stamp Duty Calculator, a Purchase Order Generator, an Automatic Receipt Generator, Employee Pay Slip Generator, amongst a host of others.

Moreover, as **eBuild** is a highly scalable system, it always remains relevant and profitable for the company. This factor served as another incentive for HDIL to deploy this unique ERP solution.

The Result

Soon after HDIL deployed eBuild, the company observed the following advantages right across its departments and operations:

A wide range of details (such as the hierarchy of a building, vendor quotations, customer bookings, invoices, receipts, payroll details, inventory details, etc.) about each project, product, customer or employee can now be

- Easily stored
- Conveniently categorised
- Quickly consolidated
- Frequently archived
- Automatically generated (where relevant)
- Instantly accessed/retrieved, all from a single centralised point.

In fact, HDIL found eBuild's Payroll Module so effective and user-friendly that it discarded its original payroll system in March 2007, opting instead for **eBuild**'s module as its primary payroll system.

The **eBuild** effectively obliterated the possibility of duplicate entries or outdated information by way of frequent updates and inter-department information collation. This has prevented any redundancy and miscalculations from occurring, thereby saving both, time and costs.

Additionally, **eBuild** has ensured that data across all the modules remains secure by carefully managing and implementing individual access rights, so that only those who have the right to access the data can do so.

- Employees no longer have to rely on verbal intimation, as interlinked information and automatic updates between the suite's various modules has dramatically simplified co-ordination and streamlined workflow between HDIL's various departments and offices.
- As the company previously encountered problems in tracking customer enquiries and recording feedback, eBuild's online Enquiry Forms and automated follow-up process proved to be an apt solution for HDIL. Comments and enquiries are now automatically categorised and archived for easy access, and the concerned people are intimated of a follow-up date 2-3 days in advance. This has ensured continued good relations and interaction with customers, allowing HDIL to enhance customer satisfaction and instil brand loyalty.

In a short span of time, **eBuild** has helped HDIL streamline an extensive range of inter-departmental operations and provided invaluable tools to manage vast and multiple types of information/documents. As a result, the company has enjoyed a noticeable surge in productivity, efficiency and revenue—not to mention, peace of mind!

Source: http://www.imtindia.com, last accessed on May 16, 2011

Review Questions

1. What were the specific requirements of HDIL for its ERP system as compared to general ERP systems available in the market?
2. What benefits did HDIL derive by deploying eBuild? Suggest upgradation in eBuild to make it more comprehensive.

CASE 5

AVIVA USES ECRM TO INSURE SUCCESS

What happens when you are late for a party and the fun has already begun? You catch up, as Aviva did. Helping it was Talisma's eCRM suite, which the insurance company used to integrate its customer-facing departments.

India has seen an influx of private life insurance companies after the liberalisation of the insurance sector. When Aviva entered the country in 2002, it was one of the last players to enter the market. The key to success therefore, lay in knowing potential customers better, and in coming up products and services tailored to specific customer requirements.

A Common Platform

Aviva went in for an enterprise-wide deployment of an eCRM suite even before it launched its Indian operations in June 2002. A stringent assessment exercise began, during which four vendors, including Talisma, were evaluated by a team of 10 people. This team comprised representatives from the IT department and other customer-facing departments such as sales, marketing and customer services.

Says Tarun Pandey, manager, applications, Aviva: "After a thorough evaluation process, we went in for Talisma's suite primarily because it offered integration with our call centre operations, which no other vendor was offering. The suite promised a common integrated platform for different customer-facing departments (sales, marketing and customer services) within the organisation."

The implementation of the CRM suite was a smooth affair. The exercise began in December 2001 and went live six months later. Pandey explains, "Since we went in for the CRM suite before launching our business in India, the implementation was smooth. If an organisation is already in business, the implementation exercise can be a prolonged affair."

The suite has been deployed in marketing, sales and service, as well as in the partner and sales ecosystem (comprising bank assurance partners and insurance agents). Aviva has implemented several modules of Talisma eCRM, such as marketing, sales, servicing and contact centre. The only component it hasn't used is the chat module. Today, there are 450 personnel using the eCRM suite at Aviva.

Multi-step Campaign

Pandey explains, "Implementation of Talisma eCRM has helped us share real-time customer information across different customer-facing departments across locations. This has helped departments track customer details and respond to queries at short notice."

The implementation has also facilitated quick analysis of Aviva's sales and marketing initiatives, which has, in turn, helped the company modify its products and services before offering them to customers. This has helped it win more customers and retain existing ones by offering them products and services that fit their needs. It has also helped Aviva develop multi-step marketing campaigns. Based on the type of response at each stage of an advertising campaign, appropriate processes can be triggered automatically in the eCRM suite. Aviva's entire sales and marketing

operation has been integrated through this deployment. The company's customer service team has successfully leveraged the suite to provide superior service across multiple channels.

Aviva made its mark in the Indian insurance industry in just two years, aided by the deployment of Talisma's eCRM suite that helped it launch new products and services to differentiate itself from competitors.

As a new, and among the last entrants in the market, Aviva's first major step was to deploy eCRM in the entire enterprise before launching operations. They assigned four vendors for this including Talisma, to integrate different customer-facing departments (sales, marketing and customer services) within the organisation.

This implementation of eCRM helped in sharing real time customer information to track customer details and respond to queries at short notice, and also in quick analysis and decision making. This helped Aviva win more customers and retain its existing ones. Implementation of eCRM initiatives in Aviva has resulted in the following benefits:

- Better customer service
- Increase in customer revenues
- Discover new customers in an efficient way
- Cross sell/Up sell products more effectively
- Help sales staff close deals faster
- Make call centres more efficient
- Simplify marketing and sales processes

Sources: www.scribd.com, last accessed on May 5, 2011

Review Questions

1. When was the eCRM system implemented by Aviva and how was the selection done?
2. How has the implementation of eCRM helped Aviva share the real time customer information across different touch points?

Case 6

Importance of ecrm In Banking Sector with The Examples of Swedbank And Seb Bank

The importance of eCRM technology in bank-customer interactions remains undisputed. Nevertheless, commentators emphasise on how customer evaluation is shaped by social and personal forces. Interaction enjoys a prime place in the banking services. However, in order to have good interactions, it is highly important that both, banks and customers actively involve themselves in the interaction. The relationship, which is maintained between a customer and the organisation, has a special place in the banking industry when compared to other industries.

The interaction process includes three major factors:

1. Information exchange
2. Business or financial (transactions)
3. Social exchange

He further explained the transaction process involves engaging both, the bank and customers. The bank should know what exactly the client wants; at the same time, the client should have enough knowledge about the bank's offerings. Social exchange involves maintaining long-term relationships with customers through confidence, trust, ethics and friendship.

Benefits of eCRM to banks:

- Relationship with customers.
- Using e-mail for business communication.
- Personalised services or one-to-one services.
- Website to market products or services.
- Transaction security.

Swedbank is the leading bank in Sweden, Estonia, Latvia and Lithuania with 16,000 employees serving 8.7 million private and 4,30,000 corporate customers. Swedbank's aim is to make their customer's day-to-day lives easier. A full range of easy-to-use and competitively priced financial services helps customers, whether they are private individuals, corporates or organisations, reach their goals. Swedbank's skills portfolio is carefully balanced to handle every requirement and situation. Being a leading bank, it offers smarter products that give more value for your money. Through their combination of branch offices and online banking, Swedbank continued to improve its accessibility on the Internet by deploying eCRM.

ECRM in Swedbank

The eCRM broadens e-services to customers through the Internet. Swedbank combines telephone banking and email banking by integrating the two with their IVR system. Swedbank implemented a sophisticated multi-channel customer system throughout multiple regions and business units. In addition to telephone and email, these also include secure email, incoming fax and IVR integration. Ninety per cent of the calls to the contact centre are self-service calls. When customers email Swedbank with questions, their average wait time has improved from 24 hours to only 4 hours. Also, their queries are now answered correctly within a shorter span of time. Customers give Swedbank a satisfaction rating of 4.4 on a scale of 1-5, Indicating they are happy with the services.

Channel integration with eCRM, the Internet is the hub of all marketing efforts in media, advertising campaigns, call centres, direct mail system, cooperations (PLS EXPLAIN), personal meet-

ings, search engines and events. The Internet is the starting point when looking for goods, services, and satisfied customers. The web page simplify action on a purchasing decision; and all marketing efforts should point to the web page.

The website www.swedbank.se provides information about the bank's services and products. Data regarding the banks activities is offered in different formats to suit the interests and needs of customers. It is updated often and all new developments and offers are immediately put on the website.

The website is easy-to-use and efficient. Customers can search for information on services and products by choosing different categories or with a keyword.

About the security of transactions on their website, Ingrid explained that all the transactions are secure with the use of a security authenticator. Transactions are recorded; the bank governs statements of transactions and their security. Customers can access their accounts with cards and personal identification numbers. Cardholders are responsible for authorised usage of the cards. In order to access their accounts, customers need to enter their personal number and a four-digit code, which is unique for each customer, and then a new code is created for the transaction. This process has to be repeated for each and every new transaction from any part of the world.

Ingrid explains that if the customer is not active on the bank's web page, the account gets automatically logged off, a safety measure to prevent from unauthorised access. If someone else tries to use the card, the card is retained after three unsuccessful attempts.

ECRM Benefits in Swedbank

The convenience and time and effort saved makes this popular with customers especially with the close attention to security measures and privacy of a transaction.

Apart from these services, the bank provides financial advice to customers about deposits and investments, shares, mutual funds, etc.

ECRM in SEB Bank

The SEB Group is a North European financial group with 400,000 corporate customers and institutions, and five million private customers. SEB has local presence in the Nordic and Baltic countries, Germany, Poland, Ukraine and Russia. Approximately half of SEB's customers use the Internet for banking transactions.

ECRM in SEB

SEB's team has set a clear target of garnering five million internet customers by 2003. The bank hopes to continue to attract high growth companies and affluent customers to its client base. SEB's vision is to be the leading e-centric, customer-driven provider of financial services. Now, e-centricity is the next target.

ECRM Benefits in SEB

The Internet has substantially improved relationships between the bank and its customers with 24-hours service and the availability of online transactions. SEB processes data in such a way that it is beneficial to both, the bank and the customers. Customer data is confidential and well guarded and the use of e- CRM has helped SEB maintain long lasting relationships with customers.

The eCRM is an inexpensive tool for marketing segmentation and communication. Payments can be safely made on the Internet. (Organisation strongly believes that there should be a physical presence of the customer to increase the conversion rate of the complex bank products such as mortgage loans, etc. SEB try to figure out the needs of its customers through observations. Organisation has been undergoing through several changes and changes have turned to be very efficient to improve the relationship with its customers, and the credit to this achievement can be given to eCRM totally.) Business communication through e-mail has helped the bank establish good relationships with customers. Also, it is more cost efficient and can be used to maintain contact with customers independent of office hours.

SEB's customers can contact the bank via their branch offices, through Internet and on the telephone 24 hours a day.

Earlier, customers had to visit the bank's branches in person but these days, the website has become the new face of communication. The greatest advantage of a website is that one can provide customer assistance 24 hours a day, 7 days a week and 365 days a year. It can be used to advertise products and services, sell, and provide customer service and product support. The website developed by SEB tries to catch the attention of customers and get the most effective sales opportunities. While customers take time to adapt to online transactions procedures such as checking their account balances, transferring money, and purchasing on the Internet, SEB makes all attempts to protect it's customers' privacy.

Analysis of The Corporate Examples (Swed & SEB)

ECRM for banks

It was found out that both banks (Swed and SEB) have maintained good relationships with customers with the use of eCRM, mainly by providing good products and services according to the needs of customers.

Swed Bank and SEB use e-mail to a small extent in order to communicate with their customers due to security and privacy reasons. It was further found that both banks haven't been using e-mail for communication on a large scale to market their products and services.

The eCRM has enabled both banks to provide personalised services and one-to-one services to their customers. Both banks have successfully implemented eCRM in order to ensure efficiency and effectiveness in their service to customers. But these services are offered only at the request of customers. Both organisations have ensured and have taken enough measures to see that the latest and updated information is available through their websites.

Websites have become the new and effective means of communication with customers giving information about their products and services.

With the implementation of eCRM and the latest technologies, banks have ensured full security for transactions by customers. Initially, convincing them to use online banking facilities was a hard task. But banks have demonstrated their ability for safe and secure transactions, which resulted in customers making full use of online services.

ECRM for Bank Customers

Almost all customers considered customers interaction and satisfaction as an important benefit provided by the banks through the usage of eCRM.

They emphasised the importance of good response to customer queries, providing assistance, exchange of business information and employees having excellent knowledge about the offerings and services of the bank.

All the customers perceived convenience factor as a vital benefit provided by eCRM. Other factors include location of the bank, friendliness of bank staff, and their services. For most, speed of processing transactions through e-response is also an important benefit.

The speed of processing transactions through e-response is also important to customers though a few were unhappy with the speed at which their transactions were processed.

The quality of the bank's products and services are another important benefit for customers.

However, the most important determinant advantages are reliability of employees of the organisation, response rate of bank personnel, and availability of the latest information technology.

Trust in the services: This is an essential benefit that improves a customer's relationships with the organisation.

The following conclusions are drawn from the above findings:

For banks:

- ECRM enables financial institutions and organisations to maintain relationships with customers.
- Less usage of e-mail for their business purposes was adapted by both organisations.
- ECRM facilitates both, personalised and one-to-one effective services.
- Both organisations ensure that latest and updated information is available on their website.
- Latest techniques and measures and eCRM were used to improve and maintain transaction security.

For bank customers:

- Customer interaction and satisfaction is found to be an important benefit provided by banks using eCRM.
- Convenience is a major benefit provided to customers.
- The speed at which the transactions have been processed and their rate of accuracy is an advantage provided by banks through the use of eCRM.
- Reliable employees, availability of the latest information technology were some of the added benefits provided by banks to its customers.
- Trust in the overall services of the organisation is an important benefit provided the customers.

Source: epubl.luth.se, last accessed on May 4, 2011

Review Questions

1. How has eCRM implementation in the banking sector helped banks have long-lasting relationships with the customers?
2. What are the multiple touch points for a bank which need to be integrated with the whole system?

CASE 7

ASIAN PAINTS BUSINESS TRANSFORMATION BY IMPLEMENTING CRM

Asian Paints Limited, India's largest paint company, has a reputation for professionalism and fast-track growth. Customers are at the core of all Asian Paints business activities. A simple but unbeatable concept of "going where the customer is" drives all its major initiatives. In 2001, Asian Paints executives realised that the firm's long-term growth depended on their ability to forge ever-closer ties to the end consumer. At the same time, the Asian Paints helpline had received calls from these consumers expressing a need for a more complete solution to their home painting needs – and Asian Paints learned that they had demanding expectations when it came to service and overall project execution. But because the company sold its products through a network of dealers, it lacked visibility into the entire painting process and the needs of the homeowner. This situation prompted Asian Paints executives to explore ways to establish a more direct link to the end customer.

Launching a Service Brand

With this in mind, Asian Paints decided to move from a strictly product-based manufacturing business to a services model. With the launch of Asian Paints Home Solutions, the firm would build a 'service brand' by offering value-added services ranging from in-person colour recommendations to *feng shui* consultations. The goal was to deliver an Asian Paints 'signature look' through the use of specific colour combinations and themes. To achieve this goal, Asian Paints needed a scalable customer relationship management (CRM) system that could map the major business processes of Asian Paints Home Solutions and provide visibility into all customer interactions. First, it required state-of-the-art call centre capabilities that would include activity management for customer calls and activity scheduling, as well as a lead management system that could prioritise and route leads for proper handling.

Developing a Customised Solution

Standardising the sales delivery processes and establishing financial controls would necessitate developing a custom solution. This solution required a secure Web interface enabling leads from the helpline to be forwarded to a home solutions service provider for handling. This service provider might be an independent home painting firm or interior designer, for example, in the Asian Paints network. The home solutions provider is responsible for using the system to perform all major tasks associated with a job: schedule appointments, record completion of site surveys, submit job estimates, order paints through Asian Paints dealers, record progress of jobs, invoice customers, and conduct customer satisfaction surveys.

The new solution would allow both, the provider and Asian Paints Home Solutions to view all customer interactions and financial information in real time. This same system would also provide updates on the status of marketing rewards programmes.

In addition, robust reporting functionality was required to generate a variety of sales, lead, and activity analysis reports. This functionality would also be used to tabulate results of the customer surveys submitted at the completion of a job.

When the time came to select a new system, Asian Paints studied the functionality of the most recent release of the SAP Customer Relationship Management (SAP CRM) application very carefully. The company was already using SAP solutions and had implemented SAP CRM in its existing call centres. Asian Paints determined that SAP CRM best met its criteria and opted to build on existing infrastructure.

The custom solution was a separate project that would require integration with the basic CRM system. The Web Dynpro development environment allowed for rapid application development as well as custom development of the user interface. And it would integrate seamlessly with SAP CRM. The architecture called for the new solution, branded 'Project Tantra', to retain the lead and opportunity management functionality of SAP CRM. Then, all process associated with sales delivery would be implemented through the custom solution. Data from both SAP CRM and the custom solution would be uploaded to SAP NetWeaver BI to generate various reports.

The implementation project launched in December 2001, and the first component, the interaction centre, went live in April 2002. All other components including the custom solution were implemented by August 2002. The project team comprised both business and IT staff, *ensuring that both business and technical requirements were addressed*.

Close collaboration between Asian Paints and SAP resulted in adherence to tight schedules. The SAP Customer Competence Centre developed prototype scenarios specific to Asian Paints, and SAP Labs made valuable contributions to the design and configuration of the custom solution. A *workshop on enterprise service oriented architecture*, held for IT staff, assisted Asian Paints in developing a blueprint of its custom solution as an extension of its existing infrastructure.

Two Asian Paints Home Solutions providers participated in a three-month pilot – an essential element of the project. Because many of the providers did not have strong computer skills, a simple, intuitive interface would be crucial for user adoption. The feedback received during the pilot was critical to the successful deployment of the solution and prevented delays when the system ultimately went live. The system initially went live in four major cities, and the remaining eight cities were added in early 2007.

Ensuring Success Through Strong Governance

Strong governance proved to be another key to success. Asian Paints established a review committee to conduct interim reviews at key stages of the deployment, which ensured that all major business and technical issues were addressed prior to rollout. Strong project management ensured that key milestones and the go-live date were met.

Supporting Service Providers with Training and Tools

Because the providers using the solution were not particularly proficient computer users, training was essential. Asian Paints organised an extensive training programme consisting of classroom sessions that included training in basic computer skills and office applications, as well as in the use of the custom solution. Since both the business processes and IT infrastructure were new to the providers, Asian Paints also established a provider support system. A front-line support person who is trained to field business questions handles initial queries. Questions of a technical nature are forwarded to an IT rep. The IT rep then replies to the front-line support person who, in turn, conveys the response to the provider. This support system ensures that any operational issues at the home solutions business level are addressed in a timely manner.

Sources: www.enterpriseinnovation.net and www.Sap.com, last accessed on May 3, 2011

REVIEW QUESTIONS

1. Identify the problems faced by Asian Paints before the implementation of CRM.
2. Discuss the implementation of CRM at Asian Paints with long-term benefits for the organisation.

CASE 8

BHARTI AIRTEL: CRM IMPLICATION

The Need For A Business Problem Solution

Bharti Airtel needed to manage more than 4 billion inbound contacts per year and approximately 30 million new subscribers, which get added annually to it. Each of the country's 28 states has its unique languages and cultures, as well as a large number of competitors in the market, with whom Airtel has to compete on the basis of balanced high-quality service with operational efficiency.

Prior to the implementation of these CRM solutions, Bharti Airtel depended on manual processes to accomplish outbound calling. **"Before we implemented CRM, we often had multiple groups such as marketing, customer service, and collections calling the same customers,"** Dr Menon explains. **"There was frequently overlap, which frustrated customers and was wasteful from a time and resources standpoint. Now, we have a single, consolidated view of the customer and the outbound process is automated for greater impact and efficiency. We can also better track results and provide a connection to a live agent when needed."**

The CRM Outbound Voice and Proactive Notification solutions are also helping Bharti Airtel better manage an ever-changing Do Not Disturb (DND) list. The penalty for violating this strict new DND listing can be fines or loss of a business license. "Obviously, scalability is our number one consideration with any new solution," Dr. Menon emphasises. "With millions of new customers every month, we have to have solutions that are expandable and extensible and give us the greatest choice in future direction. We believe we have that with CRM."

Airtel is a leading mobile telephony brand. Like any telco, Bharti considers information technology a key business enabler. "For telecom, IT is like bread and butter. We believe it plays two significant roles: it works as a support system, and it can also be a business driver. Thus, IT is very important to us," says Amrita Gangotra, Vice President, Information Technology at Bharti. Initially, when Bharti started operations, the whole system was run manually. **"At that point of time only 40 per cent of our customer issues were getting resolved-this has now gone up to about 90 per cent,"** reveals Gangotra. **"It is vital for us to manage the expectations of our customers and provide them with innovative products and services in a manner which makes them loyal,"** she explains. To achieve this, Bharti needed the right tools. **"It is this need that made us opt for a CRM (customer relationship management) solution,"** she says.

CRM as a Solution

Today, Bharti uses the Oracle CRM platform. **"As part of our vision, we intend to provide Airtel services anywhere and at any time. A customer should get the same quality of service no matter which of our call centres he contacts. This has been our vision, and because of that we have gone in for a centralised application like CRM,"** Gangotra adds. Before choosing its CRM tool, Bharti evaluated many options. It considered factors like proper workflow automation, facilitation of knowledge sharing, and integration with the billing system. After a thorough evaluation exercise,

it decided to go ahead with the Oracle CRM platform. They are using several module of Oracle based CRM and those are marketing, Knowledge management, call centre support, campaign management, planning, FAQ, etc.

Initially, they implemented CRM to overcome technical problems, with the help of other partners like Sun Microsystems, IBM and HP along with Nortel which handled the voice services. But later, the purview of this service became bigger and broader when they started using it for e-billing services, customised offers, online customer support, customised and simplified bill format, payment collection centers, networking deployment, activations and many more. Now, with the help of CRM, Airtel is able to resolve the customer problems at the rate of more than 90 per cent instead of the earlier 40 per cent. All customers get the same level of services at a reduced cost. Another fantastic service offered by CRM is the automatic escalation of problems to superior authority on breaching preset time limit.

After starting its services in Delhi, Bharti acquired many circles and sought new licences in other circles; whenever they got a new licence, they implemented the CRM tool immediately. But they had to put in a migration strategy in those acquired circles, which had an existing subscriber base. The CRM strategy at Airtel revolves around two aspects: operational CRM, which include workflow, day-to-day activities and analytical CRM that include customer information, and business development. The first is about helping their call centers in the workflow part, helping them in their day-to-day activities. The second provides the staff with the required information on customers; this is used for business development activities. Together, they help Bharti provide better services to its customers.

It is important to understand and segregate customer needs depending upon the product and services he/she is buying. **"One of the primary things that Airtel has done in this solution is the segmentation of customers. With this, Airtel is now able to give its customers more value for money."** With the help of CRM, they are able to provide customers different schemes and services depending on airtime usage. Heavy users can avail of specific schemes; for normal users, they have other plans. Apart from this, they have also managed to segregate their workflow with the help of the CRM tool.

Advantages of CRM for Airtel

Bharti now uses the overall CRM platform to provide Airtel services anywhere and at anytime. The quality of services remains the same no matter whichever call centre the customer contacts. It has now become more value derived, as it is able to provide customers different schemes and services depending on airtime usage. Bharti can also segregate its workflow with the help of the CRM tool and Airtel is now able to give its customers more value for money.

The organisation can share or distribute data at a low cost in a customised format, offering better customer services, which lead to increased customer satisfaction. With this, Airtel is able to retain its customers and transform them into loyal customers.

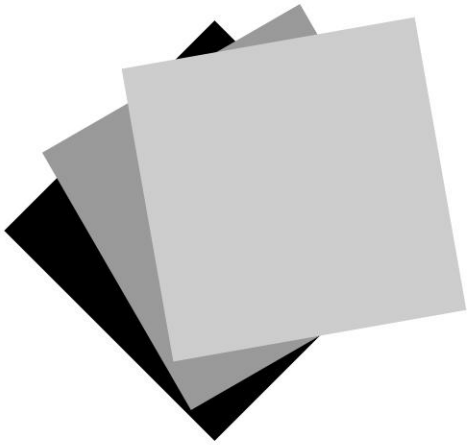
Airtel Selects Infosys to Provide eCRM Services for Future

Bharti Airtel (Airtel) has entered into an agreement with Infosys Technologies for procuring the former's recently introduced Direct-to-Home (DTH) service. Infosys will be responsible for providing a comprehensive product portfolio including devices, application server and interactive applications to assist Airtel in offering an enhanced digital experience to its digital TV subscribers.

"With such a narrow window, we have to make sure we score every time. We use CRM analysis to generate accurate information from a customer database. We are going to try and capitalise on information." - **Anurag Parashar, Head Customer Service Delivery, Bharti Televentur**
Sources: www.silicon.com; www.airtel.in; www.articlebase.com and www.expresscomputer.com, last accessed on May 10, 2011

Review Questions

1. What were the problems faced by Airtel before the implementation of CRM?
2. Discuss the importance of CRM and how it has provided a competitive edge to Bharti Airtel in today's scenario.



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