

## Title Page

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## **Abstract = CRM and 4 P's of Marketing**

The concept of CRM has evolved over a period of time through a sequence of initiatives, which have been directed towards improving business performance. In today's highly competitive business world CRM can be considered as the ultimate solution for both customers as well as organizations.

CRM considers customers not as outsiders but as insiders to the business and aims to build a long-term relationship with them. A high degree of customer contact, commitment and services are therefore essential features of CRM

CRM is an on-going process of identifying and creating new value with individual customers and then sharing the benefits of this over a lifetime of association. It involves the understanding, focusing and management of on-going collaboration between suppliers and selected customers for mutual value creation and sharing through interdependence and organizational alignment.

Marketing gurus say that STP (Segmentation, Targeting and Positioning) are part of strategic marketing and the 4ps (Price, product, place and promotion) are tactical marketing. The marketing mix is a simplification and this transactional approach is not adequate for CRM.

CRM Should Keep these 4 P's, but add 4 R's namely Relations, Retention, Referrals and Recovery and one T- Technology.

But CRM is much more than that. Customer Relationship Management involves

- ❖ Commitments to customers
- ❖ Training and empowerment
- ❖ Service standard
- ❖ Complaint management

Gordon identifies what he terms the 11 C's of Relationship Marketing (which in a sense act as a replacement to the traditional 4 P's of marketing).

- ❖ Customer
- ❖ Categories
- ❖ Capabilities

- ❖ Cost, profitability and value
- ❖ Control of the contact to cash processes
- ❖ Collaboration and integration
- ❖ Customization
- ❖ Communications, interaction and positioning
- ❖ Customer measurements
- ❖ Customer care
- ❖ Chain of relationships

The "4 Ps of CRM Success" are **Planning, People, Process and Platform** to some while it is Product, Process, Policy, and People to others. The article will discuss these aspects with Indian examples

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## **CRM and 4 P's of Marketing**

The concept of CRM has evolved over a period of time through a sequence of initiatives, which have been directed towards improving business performance. CRM is a management strategy that enables an organization to become customer-focused and develop stronger relationships with its clientele. It helps piece together information about customers, sales, marketing effectiveness, responsiveness and market trends.

In today's highly competitive business world CRM can be considered as the ultimate solution for both customers as well as organizations. It has been proved that relationships ultimately define all dimensions of an organization's competitiveness: its strategy, its culture, its tactics, its people, its market share, its growth, its profitability, and its valuation. CRM is a proactive management strategy that's driven by a focus on profit.

CRM considers customers not as outsiders but as insiders to the business and aims to build a long-term relationship with them. A high degree of customer contact, commitment and services are therefore essential features of CRM

From the time Henry Ford invented mass production our focus has been on the product. The focus was on increasing yield and reducing unit costs. The focus was on sticking to specifications of the product, and the management structures typically aligned with product lines and with product profit and loss. They are not aligned with customers and customer profit and loss.

In the last few years there has been a shift in this mindset, thanks to the phoenix like rising of Japan using quality as the main strategy with the development of TQM by Deming, Juran and others. Quality is defined, not by internal perceptions, but by the standards and expectations of the customer. Quality is conformance to customer requirements. Quality is vital to keep customers, sustain profitability and gain market share for all types of organization.

The ideas and ideals of CRM can be traced to the fundamental concept of Customer Focus of TQM. Customer is thus the business. Hence customers are the most important assets of any organization and customer focus has become the critical goal for the organization. Cost of attracting a new customer is five times that of retaining a satisfied current customer. Customer Relationships are a key aspect of retaining existing customers and winning new ones. Focusing on customer relationships is thus an investment.

CRM is an on-going process of identifying and creating new value with individual customers and then sharing the benefits of this over a lifetime of association. It involves the understanding, focusing and management of on-going collaboration between suppliers and selected customers for mutual value creation and sharing through interdependence and organizational alignment.

The customer is central to any CRM initiative. Now here we have to clearly distinguish between the customer and consumer, as we tend to use these terms interchangeably. The customer is the retailer, distributor, trade, while the consumer is the end-user of the product or service. Both need equal attention of the company. The customers' encounter with the company's employees can make or break a relationship and ultimately affect profitability as CRM goes beyond mere satisfaction to commitment.

Marketing gurus say that STP (Segmentation, Targeting and Positioning) are part of strategic marketing and the 4ps (Price, product, place and promotion) are tactical marketing. The marketing mix is a simplification and this transactional approach is not adequate for CRM.

CRM Should Keep these 4 P's, but add 4 R's namely **Relations, Retention, Referrals and Recovery** and one T- **Technology**.

But CRM is much more than that. Customer satisfaction is linked to loyalty that in turn is linked to profitability over time. Customer Relationship Management involves

- ❖ Commitments to customers
- ❖ Training and empowerment
- ❖ Service standard

### ❖ Complaint management

The CRM process framework consists of three stages: Formation, which covers purpose, programmes and partners; management and governance; and performance. Gordon identifies what he terms the 11 C's of Relationship Marketing (which in a sense act as a replacement to the traditional 4 P's of marketing).

- ❖ Customer: Relationship marketing implies that individual objectives will be formulated for each customer, and that strategies for dealing with each will be developed
- ❖ Categories: These defines the scope of product and service offerings that will be provided to the customer
- ❖ Capabilities: These are the range of capabilities that must exist within the company in order to generate mutual benefit
- ❖ Cost, profitability and value: Focus has to be on understanding and improving profitability to the customer, and then sharing this value
- ❖ Control of the contact to cash processes: To ensure that the processes perform effectively and efficiently in the mutual interest of the customer and company, Relationship Marketer needs to head the team focused on the customer
- ❖ Collaboration and integration: As the relationship marketing approach results in some degree of integration of the customer's business processes with those of the company's, it requires a collaborative approach at the highest levels
- ❖ Customization: Products or services are to be tailored to the needs and expectations of the customer, to create maximum value to the customer
- ❖ Communications, interaction and positioning: Customer relationships are based on communication. Hence communications with the customer must be highly interactive and meaningful to them.
- ❖ Customer measurements: one must have almost obsessive concern with customer measurement,
- ❖ Customer care: There must be genuine concern for the customer's business. That would ensure a relationship that creates mutual value.
- ❖ Chain of relationships: The entire chain of relationships of those involved in the creation of value from company to customer, including suppliers, intermediaries, employees, etc are to be maintained.

Customer value, customer care, and customer retention – these key business aspects of customer relationship management are the foundation of profitable retailing. The new 4 Ps of CRM is different from the traditional 4 Ps of marketing. The ability to add value and differentiate is the essence of the new 4 P's. The "4 Ps of CRM Success" are

- ❖ **Planning:** Unless you know exactly what you want to achieve with CRM and how you want to capture and use the data, you'll probably end up purchasing the wrong technology, or worse, have no program.
- ❖ **People:** It is essential that the employees and partners are involved. Staff needs to be trained in customer service skills and the purpose and functions of CRM, while preparing them for the technological changes that will occur in the way they work. It is important to get their input to determine how they see the process working.

Since the most critical aspect of CRM is the relationship with the customer, and the employees will be the ones to initiate and maintain those relationships, they must know how to interact, influence and service your customers and amongst themselves.

At the heart of an employee's ability to serve customers is information. Ironically, this is where most companies begin to handicap their customer-facing staff. Too often, they are forced to interact with customers blind to the facts that might have generated the customer's inquiry or those that might resolve it

- ❖ **Process:** The CRM process is the service map of how a customer contacts the company, how the information is captured and then processed. It shows the methodology to contact the customer repeatedly, and the plans to consolidate information from all customer touch points.

Most companies complete a process analysis from their own perspective, and then attempt to make the customer fit into that process. Instead we must ask

our current customers exactly what they need, want and expect from us. Also find out what these current customers need, want and expect. Then chart the steps in the process and share that information with everyone.

- ❖ **Platform:** It is now time to select the CRM technology platform. Several software tools and technologies claiming solutions for various aspects of CRM have been recently introduced for commercial applications. Test out the various CRM technology packages and find one that suits and works the way you do and that will be easily adapted for serving the customer.

Technology is great, and it can be an integral part of CRM success. However, there are several things that should be done before a company even considers a technology platform. Customer Relationship Management or CRM is 80 per cent internalization and only 20 per cent technology. Companies have failed to recognize that technology does not manifest customer focus. As a rule, technology does not deliver the customer experience; it just enables it.

Great sums of money are invested in collecting all different kinds of information on clients, yet many times this information is never analyzed, never used to understand the customer or provide all the benefits that CRM can deliver

The concept of CRM has taken the center stage in the business world for sustainable competitive advantage. Although CRM was supposed to transform business; its impact in India has been mixed. It has been called a strategic tool that combines business processes, technology, employees and information across an enterprise to attract and retain profitable customers.

The most aggressive investors in CRM have been the service-based industries — primarily financial services like banks, insurance companies, brokers, IT services, hospitality, consumer durables, direct marketing, retail and the telecom sector. Organizations like Standard Chartered Bank, ICICI Lombard, BPL Telecom and Air-India have successfully used these tools—and benefited. The difference lies in the way CRM has been deployed at these organizations. It is a combination of technology and process change that has worked.

At Maruti, customer complaints per 10,000 vehicles serviced is one of the most important measures of customer care and forms a significant aspect of dealer performance monitoring and rating.

**Key factors for success in Indian conditions:** Indian customers today are more demanding and look for value of money. He is more aware of his rights and his expectation has gone up too. Today a customer cannot be taken for granted. Product should have some tangible and non-tangible benefits.

**Providing customer a product, which is more acceptable to him:** A concerted effort is required by the company to make the product acceptable? Customer cannot be asked to change himself for a product. Many products fail because they are not acceptable to them. Many ayurvedic products are not getting adequate patronage because of the perception of unsure results from ayurvedic products and lack of clinical experience

**Affordability of the product:** Price can be high if the customer believes that he is not paying more. Many successful brands were built because its price was affordable in the “customer mind”. Luxury soap segment could revive because of more “free offer” to consumer and offering “better value for money”.

**Available nearest to consumers:** Distribution is the key factor for success of new or old products. Hindustan Lever, Godrej could accelerate their growth due to massive effort in making their products available.

**Awareness among consumer:** Many companies carry constant research to keep the brand alive through various activities. New activities like event management, direct to customer advertising/ promoting etc extensively used abroad are gaining support in India too.

In addition to these four ‘A’s four ‘R’ are also required. They are

**Relevance to Consumer:** Concept of unique selling point is now replaced by unique customer perception (UCP). Relevance to consumer has become important. HLL, Colgate, Godrej all have gone out to modify the product character to suit the local needs. Relevance should also bring returns to end-user. Unless he gets better return on Investment (ROI) he will not become loyal a customer.

**Returns to Consumers:** Indian consumer is more intelligent compared to others. They always calculate “Value for Money” and also evaluate even after the purchase

is over to justify the decision. It has been estimated that about 18 per cent of customer will continue to buy on impulse if it is new. But decision-making process gets delayed if investment is high.

**Response generation through promotion:** Advertisement should generate sales not awards. P&G looks at accountability today. Any money spent should generate adequate returns and response. Thus promotion plays an important role. Event management, direct to customer (DTC), relationship-marketing activities are slowly taking away the share of promotion in India like other countries

**Relationship through product and service:** Customer Relationship Management (CRM) has taken marketing to greater heights. Customer as a spokesman is becoming the key objective. Relationship marketing is a blend of product, quality and services. To achieve effective relationship marketing, all the three factors will play a role

All said and done, a customer's interpretation of their experience will be largely influenced by what they can buy, what procedures they have to follow, what rules may govern them, and what people may be reachable if and when they want personal contact. Customer experience is delivered first-and-foremost by the 'product' itself; hence it has to be good.

CRM can cut a lot of waste out of marketing programs. Data is generated every time customers contact the company and every time someone from the company contacts them. To use CRM successfully, they must shift their focus from products to customers and implement the change across the company.

CRM can also help in tackling competition by taking on new competencies, delivering value for money, institutionalizing TQM, reducing cycle time and building strong brands. In fact, CRM can help build strong Indian brands

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