

Review Article

Impact of Customer Relationship Management on Customer Satisfaction: A Review

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Abstract

Customer Relationship Management (CRM) has the potential for achieving success and growth for organizations. CRM enables retail sector to know their customers better and to build sustainable relationships with them. Nowadays, as the economic environment continuously fluctuates, many retail sectors are looking for strategies to be followed to satisfy their environment continuously fluctuates, many retail sectors are looking for strategies to be followed to satisfy their wide range of customers and even wider range of needs. Thus, a combination of customer delight & loyalty is essential. If you want your company to remain a market leader, focus on customer loyalty. This can be achieved by employing the mantras of appraisal, reward, and campaign. In this paper an attempt has been made to study the impact of CRM on customer satisfaction.

Keywords – CRM, Customer Satisfaction, Retail Sector, Loyalty, Strategy.

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INTRODUCTION

‘Market is a kingdom and Customer is the king’. This is a renowned maxim pursued by the Indian Companies is true spirit. With the advancement in modern technology, customers are becoming more and more informed about their need and want. Now a day’s social media is educating them and they scout around for best product, brand name, product quality, operation and service support. Marketing has thus, undergone a paradigm shift and has come up to the point of establishing relationship with customer. It is not just retaining the existing customers but even attracting new customers has become a biggest challenge. This is the main reason why companies are their focus from being product-centric to customer-centric.

Customer Relationship Management is a comprehensive strategy and process of acquiring, retaining, and partnering with selective customers to create superior value for the company and the customer. It involves the integration of marketing, sales, customer service, and the supply-chain functions of the retail sector to achieve greater efficiencies and effectiveness in delivering customer value. A satisfied customer doubles as a free advertiser for every organization. Nevertheless, customer satisfaction alone will not suffice to be successful in today’s competitive market. Marketing for retaining the existing customer is less expensive than marketing for a new one. Customer satisfaction is positively related with customer loyalty.

Literature Review

Kemrul Islam Shaon S. M. and Rahman H (2015) in their study focused on the impact of customer relationship management on customer satisfaction and customer loyalty by empirical means and reviewing past studies. The quality-of-service rendered positively affects customer satisfaction; hence implementing good CRM will achieve this. When customers become satisfied they are likely to remain loyal. Training employees for CRM is crucial, especially salespeople who deal with customers. Training program of a CRM orients salespeople so that they acquire the requisite relationship development skills and sensitivity to changing customer needs. Therefore, management needs precise and timely information to build a strong customer relationship management program.

Boris Milovic (2012) has elucidated the application of CRM strategies in several business industries. Large and small organizations were selected for the study for the quality of customer services, customer loyalty, identification of customers who are insensitive to price changes and recognize that attracting new customers is more expensive than retaining the existing ones. His main focus was on customer relationship management, business strategy, hotel industry, agriculture, banks, insurance, education, healthcare. Details of strategy in these sectors and the challenges faces in implementing them also formed part of the study.

Choi Sang Long and Raha Khalafinezhad (2012) in their article described that the Customer Relationship Management (CRM) is the complete

gamut of the interface between the organization and its customers. The aims of CRM are to increase profitability, income, and customer satisfaction. Customer satisfaction and customer loyalty are two yardsticks for every organization to measure success. Therefore, customer loyalty is the prime issue and has to be increased by positive impact of CRM strategy and customer satisfaction. The study attempted to review the effective relationship between CRM, customer satisfaction and customer loyalty of the selected organization by investigating the main elements or factors of CRM.

Dash CK et al., (2013) in their study on CRM observe that it has become part of retail business's strategy today. The challenge of CRM is not to build customer loyalty, in fact it is the reverse: to build the organization's loyalty to the customer. If a company wants to remain a market leader and focus on customer loyalty attention to be paid to appraisal, reward, and campaign. In this paper an attempt has been made to study the significance CRM in organized retail sector.

U. Dinesh kumar. et.al (2012) investigated the retail outlets of Erode city and customer satisfaction levels. Analyzing from customer point of view they also described the nature and behavior of the customers who purchase in organized retail outlets. Focal analysis was on Attitude, Behavior, Customer Satisfaction, Retail Outlets, and Word of Mouth Advertising. There seems to be a popularity of organized retailing over unorganized retail outlets see this as a threat.

C. Thirumal Azhagan et.al (2011) studied customer expectations and consumer behavior in the retail industry of Trichy. To measure service quality, they investigated the imbalance between customers expectations and perceptions towards the quality of service of organized retail sector. A better understanding of the consumer's expectations can be good enough for improving retail service quality.

Objective of This Study

The purpose of this study I as follows:

1. To determine the effect of Customer Relationship Management (CPM) on satisfaction and its impact on customer loyalty.
2. To determine the indirect effect of Customer Relationship Management (CPM) on customer loyalty through its customer satisfaction.
3. To identify areas for improved customer retention to attract new

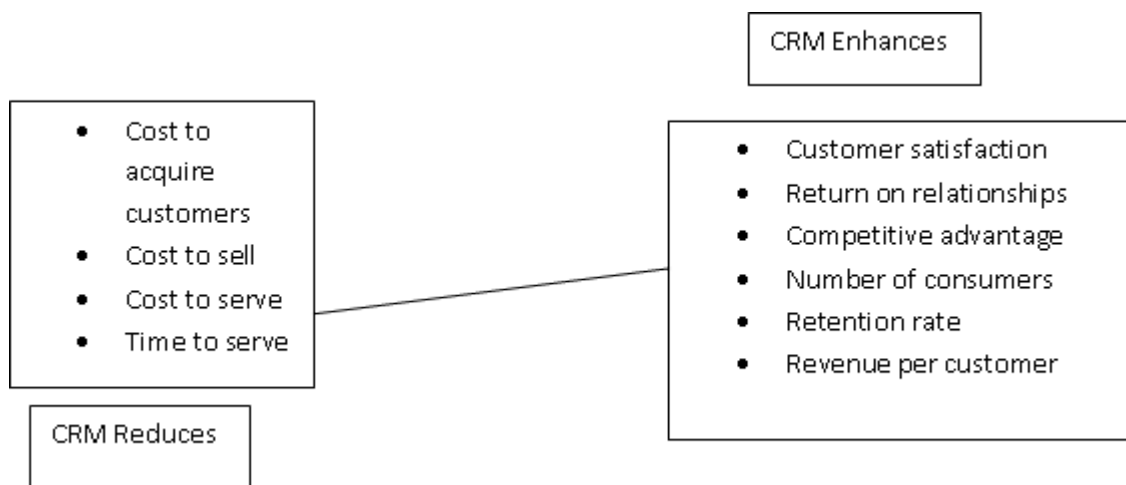
customers by offering a perfect environment.

4. To offer suggestions to the policy makers.

Benefits of CRM

The benefits of customer relationship management are many. It allows organizations not only to retain customers, but enables more effective marketing, creates intelligent opportunities for cross selling and opens up the possibility of rapid introduction of new brands and products. Keeping the customer happy is obviously one way of ensuring that they stay with organization. However, by maintaining an overall relationship with customer, companies are able to unlock potential of their customer base and maximize contribution to their business.

The following diagram shows CRM as a tool to reduce certain costs and enhance the benefits by successful implementation of the CRM philosophy



Benefits of CRM

Based on successful CRM implementations, the following benefits seem reasonable:

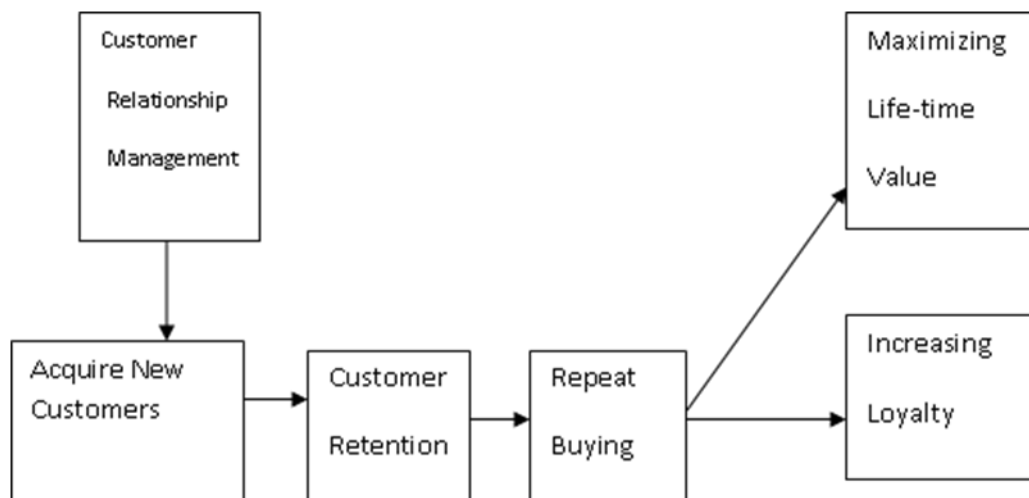
1. Better customer service: With the help of CRM, companies can know better the needs and desires of customers and serve them accordingly. This results into a better service delivery.
2. Increased sales volume: Increased sales result from spending more time with customers and gathering more and more information about their preferences on products and services.
3. Cross sell and up sell products more effectively: Knowledge about the customers needs, wants and ability to pay can help the employees earn more revenue by cross selling and up selling.
4. Improved customer satisfaction ratings: Customers will be more satisfied if he finds the company to be more responsive to their specific needs.

5. Decreased marketing administrative costs: Since the company has specified its target segment customers, it knows their needs better so it is not wasting unnecessary time and money which result into decreased marketing costs.

Thus, CRM helps companies in management of customer relationships, managing sales force effectively, match customers needs with product plans and deliveries with the main aim of satisfying the customers. Finally, it helps in reminding the customers of service requirements, periodic follow-up and alerts, which give them a sense of binding with the company.

ROAD MAP TOWARDS CRM

CRM is a corporate level strategy, focusing on creating and maintaining relationships with customers. The long-term success of an organization depends mainly on how well it attracts and retains a large customer base. Managing relationships with customers is very important for organizations since improved relationship increase business value. CRM helps in leveraging.



Basic CRM strategy

Successful organizations use three steps to build customer relationships:

- Determine mutually satisfying goals between organization and customers
- Establish and maintain customers report
- Produce positive feelings in the organization and the customers

The organization and the customers both have sets of conditions to consider when building the relationship, such as wants and needs of both parties. Organizations need to make a profit to survive and grow; customers want good service, a quality product and an acceptable price. Good CRM can influence both sets of conditions.

Customers normally become delighted when a supplier under-promises and over-delivers. To over-promise and under-deliver is a recipe for customers to become very dissatisfied. There is a Pareto's principle, which is commonly known as the 80:20 rule. Typically in any organization:

- 20% of customers account for 80% of turnover
- 20% of customers account for 80% of profits
- 20% of customers account for 80% of service and supply problems

It is important to know which customers fit into which category and then manage them accordingly. Highly satisfied customers who perceive a high value in the company's products and services

commonly make excellent advocates for an organization. So they should be nurtured and given the special treatment. Dissatisfied customers who perceive a low value in company's products and services are potential saboteurs. These customers could have little or no loyalty and may actively 'engage' against the organization. Therefore organizations should seek to rebuild relationships and trust, and a new basis for a future relationship, or manage the separation with dignity, professionalism and integrity.

Building relationship using CRM

The essential CRM focus of any organization should be on developing core competencies, and an overall strategy of building customer relationships. In this way, all efforts in the organization can be aligned to:

- Customers and the culture of exceeding customer expectation
- Understanding and managing the people impact on the culture of the organization
- Customers being recognized and treated as partners
- Service being seen as a value-adding activity
- Reward and recognition being based on customer focus i.e., 'going an extra mile'
- Evidence of corporate support for service activity

If a company wants to benefit from its long-term loyal customers, it can pass on

the financial benefits instead of passing on non-financial benefits to customers.

The transition into professionalism has made the organizations apply a number of strategies for this purpose. Some of these strategies are as follows:

- Be in touch with the customers: Whether it is an email newsletter, monthly flier, a reminder card or a greeting card, reach out to the steady customers and communicate with them regularly.
- Customer service: Go an extra mile to satisfy the customer needs. Train the staff to do the same. Customers remember being treated well.
- Employee training: Train employees in the manner that you want them to interact with customers. Empower employees to make decisions that benefit the customer.
- Customer incentives: Give customers a reason to return to your business. It can be in the form of membership discounts or free offerings that will make them feel rewarded for being loyal to the organization.
- Empathy: Put yourself in customer's shoes and try to understand and solve his problem. A patience listening can also help in retaining the customers.

However, since the cost to attract new customers is significantly more than to maintain relationship with existing ones, efforts toward building customer loyalty will certainly payoff the company in the long run. But for these programs to be effective, it is critical that the rewards

offered are highly valued by the customers.

Impact of CRM Practice On Customer Satisfaction

CRM still remain the one-to-one services provided by shopkeepers who know their customers personally'. CRM helps companies make sense of customer needs, manage these relationships more intelligently and help predict the future. The literature dealing with CRM given a lot of narrower, yet relatively tactical outcome measures and among these the most elementary criteria under consideration for this was customers satisfaction. It was clarified that CRM initiatives was relying too much on customer knowledge. The conclusion of the study says that the information received by the customer instigates retail organizations to build upon their customer satisfaction. The characteristic benefits offered by customer relationship management were the significant factors customer satisfaction and loyalty.

The Implication of CRM Practice on Customer Loyalty

The underlying assumption of CRM is that by nurturing the existing customer relationships and keeping the lucrative customers satisfied and loyal it is possible to make the business more profitable. CRM initiatives provide benefits utilizing customer loyalty and positive word-of mouth campaigns and inherent opportunities. 'Employees who deal directly with customers day after day have a powerful effect on customer loyalty'. Corporates all these days had multiple ways of getting in to CRM initiatives and ways to encourage loyalty

programs. Effective CRM regime is not just dedicated to the best customers, but also to adopt approaches that will elevate other customers to climb up the 'loyalty ladder'. 'Reliability refers to the promises, it dissatisfies customers and results in negative word-of-mouth. In contrast, when the company was able to keep its promise, it increases customer confidence in the store and creates customer satisfaction and lead to loyalty'.

The Implication of CRM Practice on Customer Retention

CRM initiatives had become a focus area for many organizations as there was a gradual shift away from merely customer acquisition to more customer retention initiatives which concludes to a reduction strategy which vouches for the need of good CRM initiatives and procedures. Although most firms use CRM initiatives for new customer acquisition, majority believe the real value of customer relationship management initiatives is customer retention. 5% increase in customer retention can generate an increase in customer net present value of between 25% and 95% across a wide range of business environment'.

Several firms fail to understand the importance of improving customer retention which is an important means to profitability. Different investigational works had guaranteed for the influences of relationship marketing and its related plans had a strong influence on the behavioural intentions and thereby customer retention. The management of retail shops is trying different methods to retain the customers. Customer retention happened to be the most significant characteristic carried out

by the firms who had a very good relation built up. It could differ how it was done and practiced across industries and organizations. Customer retention is defined as the practice of working to satisfy customers with the intention of developing long-term relationships with them. Joining hands with customers were centred on three attributes trust, care and sincerity and even by the application of CRM. It's possible to have a good rapport with the customer, take care of them and in still trust and in return the customer would be sincere to the firm.

When customers get the product or service beyond the expected level, customer prefer the same retail shop next time just by human tendency. When the retailer through services like free home delivery or loyalty programme in the form of membership card make the customer feel honoured, it will lead to customer retention. CRM initiatives identify and help to retain valued customers and it helps increase the customer base. Thereby it utilizes pricing signals to encourage less profitable consumers to become loyal and more profitable in the days to come. Higher retention leads to lower customer defection and higher profits. Lengthy customer relationships reduce acquisition and business activity costs. This can be significant when customer acquisition costs are high to acquire a new customer. Moreover business relationship that fosters customer tenure can improve the firm's efficiency in terms of profitability as purchase volume increases and relationship cost decrease. While retention based CRM programmes can provided a lot of intangible benefits, organizations can enjoy economic benefits as well.

Retaining current customers is less expensive than attempting to find new customers. There is a positive binding between retention and profitability and it's certainly a directly proportional relationship. Repeat or high-volume customers may indicate some level of satisfaction. But purchasing behavior is just one component of customer loyalty as it may reveal circumstances other than customer satisfaction.

The Latest Trends in CRM Practice in India

The Indian retail market is in cut throat competition with established Indian players and global players who have entered the market. Because of the ever increasing competition in the organized retail the Indian retail giants have resorted to new technological initiatives to retain customers. CRM techniques are helping retailers to add value to the existing customers and convert them from a casual to a loyal customer whom in turn creates a bond between the store and the customer. A variety of loyalty programmes are exercised by Indian players to implement CRM initiatives. Some of the leading player's term loyalty programme as follows

- Reliance Fresh has its initiative called 'Reliance One'
- Big Bazaar exercised EDLP effectively
- Westside provides two types of club membership named 'Club West'
- Pantaloons provides 'green card' in three categories
- Globus provides 'privilege club card'

- Shoppers stop provides the 'First Citizen Card'

Challenges facing to implement CRM initiatives

However, the same success story is not shared by most of the other retailers. A recent McKinsey study says that retailers are unable to recover the investments made in loyalty programmes. This is mainly because only less than fifty percent of customers increase their spending after enrolling in a loyalty programme. The dilemma of the practitioners has been a part in multiple deliberations with the academic community on the effectiveness of loyalty programmes in retailing. The challenges were centred on the following aspects like quality of customer data, to align the processes and people, the unavailability of skilled professionals and ascertaining the timing of customer needs. It is also challenging to put to the availed data to the best to customer preferences, to get reliable real time data spread across channels and lastly to have a 360- degree overview of customers to have an exhaustive understanding.

CONCLUSIONS

In today's highly competitive environment, an increasing number of companies have realized the importance of becoming more customer-centric. They invested a large amount of time and resources in a Customer Relationship Management, However, it is increasingly more difficult for companies to know how to retain an existing customer and even harder getting new one. It is six to seven times more expensive and time consuming to gain a new customer than to keep an existing one. Not only the price is no

longer critical, customers are changing their expectations and behavior. They can easily compare the prices and change the plan from whom to buy at a minimal cost. This puts increasing demands on companies in the area of customer care and customer service. One of the ways to retain customer base and to ensure recurring purchases is adjusting to meet customer's needs, ensuring its satisfaction – customer must be at the heart of company interests. Appropriately selected IT solution of CRM can help them. Despite this fact, the majority of companies still don't use correctly all the possibilities which CRM offering or many implemented CRM projects failed to be successful. The problem is that these failures are not recognized. It becomes a matter of fact that the implementation of CRM initiatives and programs have faced with failure over different industries and businesses. In addition, the understanding of CRM and its different aspects like definition, scope, processes, and technology is still limited and shallow. The fundamental theory of the CRM processes is very important to strengthen the understanding of CRM, before planning for the adoption and implementation of CRM initiative. The understanding of the main components of any CRM initiative is very essential for its success. People, technology, and process are the three main components of CRM.

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