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Abstract

The expression Customer Relationship Management (CRM) became a standard terminology, replacing what was widely perceived to be a misleadingly narrow term, relationship marketing (RM). CRM acknowledged that talents other than those of the marketer were necessary to create and deliver value to customers. CRM's objective was the development and maintenance of mutually beneficial long-term relationships with strategically significant customers. Today's businesses compete with multi-product offerings created and delivered by networks, alliances and partnerships of many kinds. Both retaining customers and building relationships with other value-adding allies become critical to corporate performance.

Introduction

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Paradigm Shift from Marketing Concept to Relationship Marketing Concept

Over the last decade, a major shift in the perception of the fundamentals of marketing took place. The shift was so dramatic that it could, no doubt, be described as a paradigm shift. Marketing researchers had been passionately convinced about the paradigmatic nature of marketing mix management and the Four Ps model. To challenge marketing mix management as the basic foundation for all marketing thinking had been as heretical as it was for Copernicus to proclaim that the earth moved.

Marketing, the way most textbooks treat it today, was introduced around 1960. The concept of the marketing mix and the Four Ps of marketing – product, price, place and promotion – became the marketing mantra at that time. Quickly they also became treated as the unchallenged basic model of marketing, so totally overpowering previous models and approaches. The marketing solemn hymn became the main theme and cream of all aspiring producers as early as possible for sales. Otherwise, products would become the ornaments of a godown/warehouse.

Keywords

*Customer Relationship
Management, value,
Retention*

Table No.1: Table showing the paradigm shift in marketing

Source: Evert Gummesson, "Making Relationship Marketing Operational, *IJSIM*, Vol. 5, No.5, 1994, pp. 5-20.

Tremendous researches were undertaken by various organizations trying to understand the psychology, behaviours, attitudes, perceptions and values of customers. Repeatedly, the research findings had proven that it was important to stay close to the customer, understand his needs, wants, desires, listen to the customer, remove defections, empathize with the customer and finally tag him along with the company as a delighted customer. It was proven that only that brand would emerge as a leader, which was truly customer-focused and customer-centric. Companies had to have a foresight and vision that began with the customers and ended with the customer.

Peter Drucker said, "The purpose of business is to find a customer." Theodore Levitt elaborated, "The purpose of business is to create and keep a customer". However, today business was moving towards what Jason Jennings and Laurence Houghton said, "The purpose of business is to find, keep and grow the right customer."

CRM and Small Business:

Small-scale industries (SSI) sector in India constitutes 95 per cent of the units, 40 per cent of value added and nearly 80 per cent of the employment of the total manufacturing sector, and 35 per cent of total exports of India. Independent India accorded high priority to small-scale enterprises since the beginning and hence pursued separate policies to make these enterprises viable and vibrant. Despite numerous policy measures for the past four and half decades, small enterprises have remained mostly tiny, technologically backward and lacking in competitive strength. Notwithstanding their lack of competitive strength, small-scale enterprises could survive so far due to product and geographical market segmentation, and policy protection. The economic environment is changing drastically in the recent times reducing the importance of these factors.

The Small-scale sector is one of the most dynamic sectors having product range varying from traditional

items such as pickles to modern sophisticated items of components for plane and spacecrafts. The structural transformation of Indian Economy through Information Technology, Biotechnology, Food processing, drugs and pharmaceuticals, electronics, etc. was prominently manifested through the SSI sector of the Indian Economy.

Today's small business owner is confronted with new business problems and opportunities on a regular basis. Running a company requires the ability to look outside the business for solutions, ideas, and best practices. Small-scale Industries requires less capital less technology but aimed and claimed more rapid returns without blames. They possess the techniques to release the lease as early as possible. Small-scale industries relied and alloyed their personal skill to win twin objectives of faith and confidence of customers. Small-scale industries devote themselves to identity marketing opportunity, tools and techniques involved in marketing planning, sales agents or representatives who mingle with the customers for retaining customers together with similar or uniform information.

In India, small businesses face severe marketing problems – low budgets, lack of market knowledge, low accessibility and acceptability of urban customers, inability to have an in-house R&D facility, lack of visibility and to top it all, tremendous competition from large national and international players. For such companies, customer service is the very essence of their existence and growth. Small business entrepreneurs have to ensure that their customers are pampered with good products and services. For them, customers themselves are the brand ambassadors and they were solely depended on the word-of-mouth communication in order to extend and expand the customer base.

The Ground Reality:

It is an irony of the Indian situation that there was a disturbing hiatus between what we plan and what we actually achieve. Thus, although on paper, ever since the launching of the planning era, Government of India had been actively supporting the promotion and development of SSIs, as a part of its industrial policies

and had been creating avenues in terms of institutional finance, and providing technical support and marketing assistance, in actuality, this sector had not received its due share of national resources, nor an adequate appreciation of its role in the Indian economy commensurate with its contribution to overall industrial output, employment and exports. Especially with regard to marketing assistance policies, although Government reserved several items for exclusive purchase from SSI under its Store Purchase Programmes and promoted ancillary development as part of the policy, yet in actual practice, these measures had touched only the fringe of the marketing problems faced by the SSIs.

CRM and its implication on a small business:

For small businesses, customer relationship management included:

- ♦ CRM processes that helped identify and target their best customers, generate quality sales leads, and plan and implement marketing campaigns with clear goals and objectives;
- ♦ CRM processes that helped form individualized relationships with customers (to improve customer satisfaction) and provide the highest level of customer service to the most profitable customers;
- ♦ CRM processes that provided employees with the information they need to know their customers' wants and needs, and build relationships between the company and its customers.

Focus of the paper:

The paper focuses on how small industries relate to customers; who are the key factors for sustenance and growth of any firm. Since the paper concentrates on CRM and Small Business in India, the objective of the research work undertaken is as follows:

“To understand the customer-centricity of Small Scale Industrialists in the Food Industry”

Scope of the study:

The Small scale industries have been restricted to one industry; that is the FOOD INDUSTRY. In the Food Industry also, the focus has been on those industries which are manufacturing ready to eat snacks like namkeens, biscuits, chips and other related food. The study is restricted to Bangalore city, which comprises a fine blend of many cultures and is a market that has seen a rising trend of a clan of young generation who is ready to plunge into new brands and is always ready to embrace new food categories.

Sources of Data and Methodology of Research

The study is empirical and analytical in nature. The work involved field survey and personal observations. Data has been collected from the selected sample small-scale industries in Bangalore through questionnaires and personal discussions. 150 Small Scale Industries were chosen as samples from the Food Industry for the

purpose of research. Another 128 customers were also interviewed to elicit information; based on which the research findings were acquired scientifically.

Customer Centricity and Customer Analysis: The Saga of Indian Small Scale food Industries:

The heart of CRM is the customer centricity of a firm. Customer centricity denotes how close and focused an organization is towards customers. Since we are talking about a manufacturing firm, CRM practices are quite varied from that of a service-oriented organization. However, the dedication towards customers and connecting with them is the key to success of any firm.

Customers vary a lot in terms of age, education, lifestyle, ego needs, social class, sex, buying behaviour and patterns and many other parameters. It is the order of the day to keep the customers at the heart of business and understand their types. Based on such an analysis a firm is able to bring about good products into the market, which can satisfy all the customer categories.

Every customer is different from each other. The rapid transition of India to a market economy increased the choices of products and services available to consumers, thus increasing their confusion and need for consumer education. At the same time, businesses in a global economy have to know more about consumer behavior in different societies in order to effectively market their products and services. This is very evident in India, the second most populated country in the world and the number one contributor to world population growth of potential consumers (Population Reference Bureau, 2000). A better understanding of Indian consumers' aspirations for marketing purposes contributed to meeting the needs of Indian consumers.

In order to attract and motivate the customers to buy and retain these customers for a long period in time, marketers have to design new and creative strategies to make the food products more attractive and healthy.

A small enterprise has to carve the concept of customer centricity throughout the organization and make all the levels of the organization understand that they existed because customers were happy. Or in other words, their existence was based on customer satisfaction and customer delight. In order to bring about customer centricity at the centre of the business, they had to ensure that their mission statement spoke about customers and such communication percolated right from the top management to the lowest levels of the management.

Another key strategic factor that keeps an SSI close to the customer is their level of understanding of what customer desires and how they could compete with products that are on par with the best of the leading brands in the industry.

Analysis: 1 – Customer Centricity of Small Enterprises

An analysis into whether industries placed customers on the centre stage was done through hypothesis testing.

Hypothesis Testing:

The hypothesis envisaged by the researcher was as under:

“Small Industries did not envisage customers at the heart of business.”

* Only 94 respondents had a mission statement.

Source: Primary Data

The above statistical testing was done through a Chi Square Test which proved that small industries with low turnovers did not envisage customers at the heart of business. As the company grew in size, they understood the benefits of being close to the customer and understood the customer categories so that relationships could be built to enhance customer loyalty.

Analysis: 2 – Customer Needs Assessment Techniques

In order to understand a customer, the marketer had to ensure that proper marketing research was conducted. To keep pace with the changing customer tastes and preferences, frequent product offerings had to be brought about. Assessing needs of customers were also predominantly important to understand both implicit and explicit needs of customers.

Analysis of Market Research Undertaken

Turnover-Wise Analysis Of Whether Market Research was Conducted Before the Product Launch

Source: Primary data collected by the researcher

The above analysis showed that our small-scale entrepreneurs were highly reactive rather than being proactive. Though much was talked about benefits of conducting a market research – they seldom undertook research through which they could feel the pulse of the market and also understand customer nuances. Only small industries with large turnovers showed inclination towards market research. Experience had shown them that if customer expectations and needs were not well

understood, they stood no chance in the competitive environment.

Some of the important modes adopted by the respondents to test new products when they conducted no market research were as under:

- Through sheer experience
- At the sales outlet
- Introducing a small quantity before taking up bulk production

- Introducing in the local outlets and later on moving the products to different markets
- Lab testing
- Through complaint system
- Advertisement
- Customer samples
- Information from retail outlet
- Interactions with customer

Some other reasons cited for not undertaking market research were:

- They were not a big organization; so no market research
- They were not interested in launching a new product
- Some major industries outsourced their products; hence no need for market research

· They depended on the Grace of the Almighty
They simply did not want to conduct any form of market testing.

Key Findings of The Research:

Many small-scale industries witnessed the dynamic market changes and experienced the ever-changing customer needs, behaviour and fantasies. For many businesses that were a part of the painful benefits of globalization and liberalisation, customer relationship management and customer loyalty was viewed as the only sustainable competitive advantage. Customer Relationship Management (CRM) was viewed as a business strategy that was carefully chosen and executed in order to achieve competitive superiority. There was a sea change in the way the small business activities were transacted. The traditional 4Ps of marketing had given way to the 4 Cs.

4 P's – PRODUCT CENTRIC	4 C's – CUSTOMER CENTRIC
PRODUCT: <ul style="list-style-type: none"> • Brand identity / USP • Market share PRICE: <ul style="list-style-type: none"> • Stimulus • Trial / repeat PROMOTION: <ul style="list-style-type: none"> • Awareness • Preferences PLACE: <ul style="list-style-type: none"> • Availability • Presence 	CUSTOMER: <ul style="list-style-type: none"> • Life time value • Value to customer CONTINUITY <ul style="list-style-type: none"> • Dialogue • Foundation for insight CUSTOMIZATION: <ul style="list-style-type: none"> • Needs and preferences • Customer life cycle CONVENIENCE: <ul style="list-style-type: none"> • Ease of use • Fit with life

Source: Gartner

Some of the areas where small-scale industries had taken positive steps towards adopting CRM techniques were:

- The most important parameter that sets the direction of a business entity was a Mission Statement. Having a mission statement that revolves around customers and their satisfaction was essential to make customer centricity run through out the organization. Many small-scale industries had a mission statement. That is, they had envisaged a mission statement as important but CRM at large was still the domain of the top management; with no formal communication of it to the lower rung management.
- A majority of the small-scale industries also had a Quality policy. Among the sample, it was the small-scale industries with higher turnovers that had adopted a typical quality policy. It was quite

understandable that their quality policies hover around hygiene, benchmark quality standards, purity and taste. They also had periodical checks in the traditional manner.

- The awareness of the concept of CRM was directly proportional to the turnover of the company. It meant that CRM was advocated largely by SSIs with large turnovers; and that could exactly be the reason why they were doing very well in the market.
- SSIs maintained customer relationships for the purposes of maintaining existing business, winning new customers, keeping competition in check, address operational customer-supplier problems, reduce dependency on relatively few customers and gain market share in the same order as mentioned.
- Most of the SSIs felt that “pricing” was their USP (Unique Selling Proposition). Many SSIs had used Pricing as a cutting edge to induce trial

among customers. Since customers liked trying new tastes, a low end pricing definitely attracted and stimulated the first trial. Once they liked the product, not only the customer came back for repeat purchase, they also spread the word-of-mouth to their families and friends.

- Most SSIs used business intelligence and customer analysis to identify and assess the needs of customers. Competitors also gave sufficient clues to bring about changes in the product categories. Unfortunately, very few SSIs used feedback mechanism as a part of assessing customer needs.
- SSIs predominantly depended on word-of-mouth and direct selling form of communication in order to initiate purchases with their customers. Since their budgets on marketing and advertisements were low, they focused less on advertisements and publicity. Once the brand name was built in the market, it became easier to allocate sufficient funds to have a communication strategy in place.
- As incentive schemes, SSIs used discounts, money-off coupons, catalogues, reward schemes and company schemes to motivate frequent purchases. Incentive schemes were targeted both at retailers and customers. Some of the common incentive schemes to retailers included large margins, discounts on large purchases, flexible credit terms, etc.
- SSIs had envisaged the importance of customer retention to their business. However, not many firms had a formal retention policy in place.
- Complaint tracking of customers was undertaken both directly from customers and also through retailers. However, retailers were more prominent in giving complaints to the SSIs on various issues of quality, packaging, stock outs and advertisements.
- Information technology played a small role for the SSIs for tracking and recording of complaints. Many of the SSIs with small turnovers were not inclined towards IT. They neither had a computerized system of recording complaints nor did they have a website created in their name wherein their complaints could be registered on line.

Conclusion:

In the long run, a close relationship with customers was important to success. The small-scale industries had to work hard in order to gain acceptance, prominence and loyalty from the customers. Today's consumers were

more flirtatious gazing for an increasing level of variety. Anything that stayed in the market for too long jaded them. With the dawn of every fresh day, these modern-day consumers demanded for quality and variety in product profiles that was offered as per their convenience and changing cultural needs.

The small marketers were very well aware of the concept of customer centricity and CRM. However, not many of them showed any specific strategy or a marketing strategy that supported the concept of customer at the heart of business. Pricing was the most prominently used key factor among the marketing mix. Various CRM techniques adopted by the firms hovered around sales promotion, pricing techniques and word of mouth communication as a tool to reach customer.

The small industries enjoyed a fairly good relationship with their customers; but in situations of rising competition, their proactiveness was questionable. Majority of the small industries with small turnovers found it very difficult to apprehend the underlying meaning of CRM and did not take any measures to improve their customer centricity. However, small industries with large and medium turnovers had earnestly followed the concept of 'customer at the heart of business' and had reaped benefits of it.

Benchmarking as a solution to small businesses:

Benchmarking is the continuous search for and adaptation of significantly better practices that leads to superior performance by investigating the performance and practices of other organizations (benchmark partners). In addition, it can create a crisis to facilitate the change process.

Benchmarking can somewhat philosophically be defined as follows (APQC, 1992):

“Benchmarking is the practice of being humble enough to admit that someone else is better at something, and being wise enough to learn how to match them and even surpass them at it.”

Small business is confronted with new business problems and opportunities on a regular basis. SSIs can learn what big business players already know through the process of benchmarking. The benefits of benchmarking for Small-scale industries are:

- a. Avoid mistakes
- b. Find new ideas
- c. Improve performance.

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