

## CUSTOMER RELATIONSHIP MANAGEMENT SYSTEMS – A STUDY OF SELECT ORGANIZED RETAIL COMPANIES OF NCR REGION

**MS. SHRUTI SHARMA\*; DR. ATUL DHINGRA\*\***

\*Research Scholar,  
Haryana School of Business,  
Guru Jambheshwar University of Science & Technology,  
Hisar.

\*\*Professor & Head,  
Department of Business Management,  
CCS Haryana Agricultural University,  
Hisar.

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### ABSTRACT

Customer relationship management is a corporate level initiative, focusing on creating and maintaining relationships with customers. Manual as well as computer based steps are taken by the organizations to reap the benefits of CRM initiatives. Several commercial CRM software packages are available which vary in their approach to CRM. However, CRM is not a technology itself, but rather a holistic approach to an organization's philosophy, placing the emphasis firmly on the customer.

Undoubtedly, CRM has generated value for many companies in the past several years. However, the value that's been delivered is not up to the mark in comparison to what is possible to achieve. As economic uncertainty continues and customers become more demanding, organizations simply must find ways to improve the chances that their new CRM initiatives succeed.

This research work is an attempt to understand the importance, significance and usage of CRM systems in select retail companies of Delhi-NCR region.

A pre-field study of retail sector with a focus on customer satisfaction, application of information technology and major business applications has been conducted first. Following this, a detailed study has been conducted using structured questionnaire. Factor analysis was then used to generate findings and draw conclusions.

**KEYWORDS:** Customer Relationship Management (CRM), Enterprise Resource Planning (ERP), Service, Quality.

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### INTRODUCTION

Customer relationship management is a corporate level initiative, focusing on creating and maintaining relationships with customers. Manual as well as computer based steps are taken by the organizations to reap the benefits of CRM initiatives. Several commercial CRM software packages are available which vary in their approach to CRM. However, CRM is not

a technology itself, but rather a holistic approach to an organization's philosophy, placing the emphasis firmly on the customer.

When managing the transition to a customer-centric organization, it is mandatory to develop the capabilities to acquire the necessary resources, knowledge, and tools to meet customer's requirements with the appropriate products and services. For organizations, today, decisions on technology choice, keeping customers in mind, have become important and have long term consequences. Technology acts as a major factor in attaining a competitive edge over competitors.

Regardless of the technology platform selected by a firm, modern integrated CRM systems typically combine various information sources: account plans, the company's marketing programs, and competitive and market information. CRM systems also have multiple users, those for whom the database provides continuous value in helping to formulate selling and buying strategies. These users include the sales team, third party suppliers (including service organizations, component and sub-assembly providers), corporate managers and customers.

As far as shopping at retail outlets are concerned, consumers have considerable choice in selecting a retail outlet. While buying a product from a retail store, customers take into account the price of the product and service provided at the outlet. The first factor is relatively easy and simple to control but customer service is probably the most important and the hardest to provide. These two factors/objectives can be attained through technology called Customer Relationship Management (CRM) Systems. Customer relationship management (CRM) system covers methods and technologies used by companies to manage their relationships with clients. Information stored on existing customers (and potential customers) is analyzed and used to achieve desired objectives. Automated CRM processes are often used to generate automatic personalized marketing, based on the customer information stored in the system.

Retail industry in India is at the crossroads. It has emerged as one of the most dynamic and fast paced industries with several players entering the market. But because of the heavy initial investments required, break even is difficult to achieve and many of these players have not tasted success so far. India's vast middle class, at the same time, is key attractions for global retail giants wanting to enter Indian markets. CRM systems, therefore, becomes sine-qua-non for each organized retail chain.

Critics, however, have observed that the implementation of a CRM solution is not sufficient to create a true learning organization. Rather, organizations need to think across organizational functions to truly benefit from CRM. This requires thinking across departmental boundaries in order to concentrate on adding value to the customer. There is the need for marketing to act as an integrating function in coordinating the organization's interaction with the customer. If properly implemented, the organization's CRM system is uniquely well positioned as a knowledge management tool, able to serve as the value creating interface between the firm's functional units (including those linked by an ERP) and its customers.

## REVIEW OF LITERATURE

More and more researches are being conducted on CRM and CRM systems now-a-days. Results and contributions of few of them are discussed below:

A recent IT innovation that is enhancing organizational performance through providing end-to-end connectivity is Enterprise Resource Planning (ERP) Systems. ERP software, which attempts to integrate all departments and functions across a company into a single computer system, is one of the fastest growing segments in the software market, and one of the most important developments in information technology in the last decade. A survey by AMR Research (2003) of 800 U.S. companies showed that ERP was commanding 43% of the companies' application budgets with ERP systems installed in almost half of these companies.

Bingiet al. (1999) identified critical issues believed to impact an ERP implementation. For example, commitment from top management, reengineering of the existing processes, integration of the ERP with other business information systems, selection and management of consultants, and employee training on the new system must be considered to ensure successful implementation.

As stated by Mendoza et al. (2006) the CRM concept has evolved in such a way that nowadays it must be viewed as a strategy to maintain a long-term relationship with the customers. Michael et al. (2005) suggested that companies have to move in accordance to the customer behavior if they want to thrive in coming world. They have to come along with new customer loyalty programmes and build more comprehensively among partners and vendors, enabled by technology, to bring mutually beneficial relationships.

According to Peppers and Rogers (1999) In some organizations, CRM is simply a technology solution that extends separate databases and sales force automation tools to link sales and marketing functions in order to improve targeting. Other organizations consider CRM as a tool specifically designed for one-to-one customer communications, only responsibility of sales/service, call centers, or marketing departments.

Goldenberg (2000) said attempting to connect the customer with the product can be achieved by automating a series of processes within the organization that allow the creation of that connection. Ciborra and Failla (2000) said it is apparent that the CRM concept has a technological component, but evidently involves other aspects of the organization.

Although as per Rudolph (1999) the technological component is present, it is important to understand that the organization must be viewed from a systemic perspective. So Light (2001) stated that this confusion about the definition of CRM is also a likely contributor to the problems faced by organizations. They need to understand the theoretical and practical implications of the business perspective of CRM before initiating a CRM system project. CRM systems must be considered as, potentially, a key component of the operation of a CRM strategy – not the only component.

## RESEARCH METHODOLOGY

A pre-field study of retail sector with a focus on market structure and distribution of CRM packages and major business applications was undertaken using secondary data. This helped in providing an insight into prevalent CRM packages, their usage, and also challenges faced by organizations with respect to these. Secondary information pertaining to CRM, supply-side information on markets, etc. was collected from companies' web-sites, AMI archives and reports from other sources including media.

This study employs a multi-method approach, including small group in-depth interviews of organization's management teams and CRM user and nonuser surveys. The group in-depth interviews served as bases to effectively frame the research problems. The user and non-user surveys provided the scaled data for analysis and testing hypotheses.

Organized retail companies were selected using judgment sampling. In-depth group interviews were then conducted in these seven selected retail companies. These interviews lasted between one and three hours at the host firm's offices and/or over the telephone. Subsequently, e-mail messages were exchanged with these respondents for the clarification of their comments and responses. Seven organized retail organizations included Shoppers Stop, Wills Lifestyle, Westside, Big Bazaar- Pantaloons, Central Mall, Reliance fresh, Café Coffee days.

The in-depth group interviews were arranged by invitation. These voluntary participants were requested to provide the necessary access, on a strictly confidential basis, to company personnel, relevant records and current and historical activities. Group interview participants were selected based on their expertise as reported by the host firm. Participants were not compensated; rather, the firms were provided with a summary report of the research findings. These interviews were conducted with a small number of managers (generally between three and five) from each firm. Whenever possible, participants were selected for a range of organizational functions and expertise related to the specification, development, implementation and use of CRM systems.

Two sets of questionnaire were made. Set 1 pertained to the parameters related to the results of CRM initiatives taken by the company and set 2 pertained to the parameters related to the method of implementation and accuracy required while implementing CRM at a company. Respondents were asked questions in five major areas: (1) the characteristics of the organization; (2) the form and extent of the firm's CRM implementation; (3) the perceived success of CRM system implementation with regard to customer retention and a range of other firm performance criteria; (4) the existence and form of the firm's customer communities; and (5) the relationship of the firm with its customers. Where ever appropriate, five-point Likert-type scales were used (e.g., 5=strongly agree to 1=strongly disagree).

The degree of a firm's customer knowledge management has been determined by: (1) the level of the sales managers' understanding of reporting capabilities, and their encouragement of the use of knowledge management systems by sales personnel; (2) salespersons' information gathering skills, including skills in the areas of (a) data gathering, (b) business data privacy handling, (c) questioning, and (d) data mining; (3) the degree of salesperson autonomy in decision making; and, (4) salespersons' effectiveness in customer pre-approach and presentation

The discussion included both close ended and open ended questions. The questionnaire form was given and was filled by various executives at managerial level and sales level. They were asked about different ways of implementing CRM and how the results of CRM initiatives are analysed.

## ANALYSIS OF DATA

An effective CRM must facilitate the development of a knowledge orientation in each of the firm's stakeholders. Organizational knowledge orientation means that (1) only best available

practices are used, (2) everyone works from the same active best practice template, (3) best practices are copied as closely as possible (4) adopted practices are tested and adapted only after good results are achieved, and (5) best practice templates are kept in mind after their adoption by the organization.

Factor analysis was employed to identify latent variables and to determine the relationships of individual items to their posited; underlying structures. Principal factor analysis (PFA or factor analysis) was used to verify the one dimensionality of the measures.

An inference of convergent validity can be based on the significance of coefficient loadings and their magnitudes as a set of latent constructs. The factor analysis of all 30 respondents, including both CRM users and non-users, employing the firm's CRM system has identified factors important to clients, promote a consumer-oriented philosophy, use customer-based measures, develop end-to-end customer management processes to serve customers, provide customer support (including handling complaints), and track all aspects of sales.

At the initial stage of analysis, exploratory factor analysis was conducted using the Principal Component Approach with a varimax rotation. In this study, the result of Bartlett's test of sphericity and KMO indicated that the data are appropriate for factor analysis. In the analysis only the factors having latent roots or Eigen value greater than 1 were considered significant. Total four factors were extracted during this stage of exploratory factor analysis. Variance extracted was also calculated. Variance extracted estimates show how variances are measured compared to random measurement error. All variances extracted were above 0.50, which means more than half of the variances for the specified items were accounted for by the construct.

#### IN SET I

The results of factor analysis, employing Varimax rotation, of the data from 30 respondents, indicating current CRM use, are presented below. The analysis of the proposed items yielded four factors, including "improved customer profiling and segmentation" (Factor 1); "improved profits," (Factor 2); "improved loyalty" (Factor 3); and "improved understanding of customers" (Factor 4).

Components	Factor 1	Factor 2	Factor 3	Factor 4
improve overall company profit	-.087	.602	.529	.071
increase greater loyalty from customers in terms of frequent visits	-.078	-.057	.868	-.226
improve position in market place as a leading edge competitor	-.047	.206	.724	.132
improve business intelligence capabilities in terms of tracking customers	.374	.748	.065	.155
improve quality of strategic and marketing decision making capabilities	-.025	.948	.059	-.063

improve understanding of customer wants and desires	.109	.064	-.048	.942
improve customer profiling capabilities	.778	-.047	-.265	-.020
improve customer retention statistics	.698	.202	.296	.190
streamline and make business processes more effective	.785	-.071	-.025	.274
improve abilities to target specific segments	.734	.288	-.185	-.270

## IN SET II

The results of factor analysis, employing Varimax rotation, of the data from 30 respondents, indicating current CRM use, are presented below. The analysis of the proposed items yielded four factors, including “customer knowledge orientation” (Factor 1); “customer relationship orientation,” (Factor 2); “customers’ community orientation” (Factor 3); and “internal and external organizational alignment” (Factor 4).

Components	Factor 1	Factor 2	Factor 3	Factor 4
the development of detailed account plans is a high priority	-.193	.440	.391	.790
your firm's customers are willing to share sensitive operational information with the firm.	.881	.122	-.187	.043
sharing information with customers is considered important	.231	-.011	.729	-.373
marketing database are kept up to date	.185	.687	-.221	-.241
important external vendors and service providers are treated as members of your firm's organization	.267	-.109	.762	.267
customers have a significant level of input to firm's marketing strategy	.732	.054	.024	.531



managers utilise marketing information from internal databases	.518	-.586	-.234	.180
the accuracy of information in the marketing databases is actively important	.610	.099	.184	-.571
there are methods for resolving differences between your firm and its vendors and service providers	.476	.601	-.157	.081
performance based vendor and service provider reward systems are utilized	.398	-.503	-.061	-.181

## FIRM PERFORMANCE AND CRM IMPLEMENTATION LEVEL

A significant relationship has been established for CRM use and the year-over-year change in firm performance in terms of overall profitability, sales force productivity, customer retention, average account sales and average account gross margins. This is further confirmed by the reported association of the latent construct, customer knowledge orientation, with the mean of the year-over-year organizational performance variables.

As many of the in-depth group interviewees made clear, the firm's customer-centeredness is closely associated with the breadth, depth and quality of customer information sought and collected by the firm. A number of respondents pointed out that firms are increasingly focused on understanding their business customers' needs and wants through empirical and inferential means. The CRM system may be viewed as an amorphous data management tool that serves the customer information requirements of a wide range of managers across a myriad of value-added functions. This is supported by the more than 60% of survey respondents who identified their system as serving more than a purely sales management function.

There is no ambiguity concerning the potential value of a CRM system to the respondent population. There is clear support for the contention that CRM use, in B-to-B markets, is associated with firm performance improvement in overall profitability, sales force productivity, customer retention, average account sales and average account gross margins. Since these are the criteria most frequently emphasized by in-depth group interview participants.

Furthermore, this research clearly indicates the benefits of higher order CRM systems, those with integrated account planning, account management and management reporting capabilities. Firms employing higher order CRM capabilities had a statistically significant performance improvement over users with less evolved systems, as reported.

## CONCLUSIONS

Undoubtedly, CRM has generated value for many companies in the past several years. However, the value that's been delivered is not up to the mark in comparison to what is possible. As economic uncertainty continues and customers become more demanding, organizations simply must find ways to improve the chances that their new CRM initiatives succeed.

The implementation of a CRM solution is not sufficient to create a true learning organization. Rather, organizations need to think across organizational functions to truly benefit from CRM. This requires thinking across departmental boundaries in order to concentrate on adding value to the customer. There is the need for marketing to act as an integrating function in coordinating the organization's interaction with the customer. If properly implemented, the organization's CRM system is uniquely well positioned as a knowledge management tool, able to serve as the value creating interface between the firm's functional units (including those linked by an ERP) and its customers.

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