



## REVIEW AND COMPARATIVE ASSESSMENT OF CUSTOMER RELATIONSHIP MANAGEMENT MODELS

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### Abstract

Customer relationship management refers to the activities directed towards establishing, developing and maintaining the successful relations with the customers. It is a strategy that puts customers first and an integrated approach to identify, maintain and build up a network with individual customers and continuously strengthen the relationship for mutual benefit for both sides. The relationship with customer will enhance the business benefits. Previous studies state that it takes seven times more money to acquire a new customer than to retain one. Thus customer relationship has become an important tool for improving the business bondage and sustainability of any organization. This article reviews the previous literature studies; it also compares and contrasts the models that are designed in the field of CRM.

**Key Words:** Customer Relationship Management, CRM Models, CRM Process Frame Work, Comparative Assessments.

### Introduction

Customer relationship management has vast applications. CRM is mainly used in four major sectors like consumer goods, telecom service providers, commercial banking, pharma and health care. Each and every sector requires distinct set of CRM activities. The consumer goods segment the application of CRM is subdivided in to category management, promotion management, demand planning and interactive selling.

In telecom services, the application of CRM is in the form of blended sales and service contact center, competitive pricing analysis, integration with billing system and churn management.

In commercial banking the CRM should serve the purpose of contact center, profitability analysis and integrated target market analysis and data mining.

In case of pharma and health care the CRM is used for contract management, marketing analysis, disease education system and knowledge management system.

Thus each and every segment uses CRM for their benefits and the context of usage differs with the type of industry.

**Table 1: Customer Relationship Management in Various Sectors**

Consumer Goods	Telecom Service Providers	Commercial Banking	Pharma and Health Care
Category Management	Blended Sales and Service contact center	Contact center	Contract Management
Promotion Management	Competitive pricing analysis	Profitability Analysis	Marketing Analysis
Demand Planning	Integration with billing system	Integrated target marketing	Disease education system
Interactive Selling	Churn Management	Data Mining	Knowledge management system

### Methodology Adopted

The methodology adopted in this article is comparative analysis of the CRM models presented so far. The study presents different viewpoints of the research works done in Customer Relationship Management. The article also presents the key points in each model and compares them with one another highlighting the major contribution done in the field.

### Models and Process Frame Work of Customer Relationship Management

#### Parvathiar and Sheth CRM Process Frame Work

Pravathiar and Sheth (2000) (Parvathiyar & Sheth, 2000) developed a four stage CRM process frame work as shown in Figure 1. The four stages as explained by the authors are

1. Customer relationship formation process.
2. Relationship management and governance process.
3. Relational performance evaluation process.



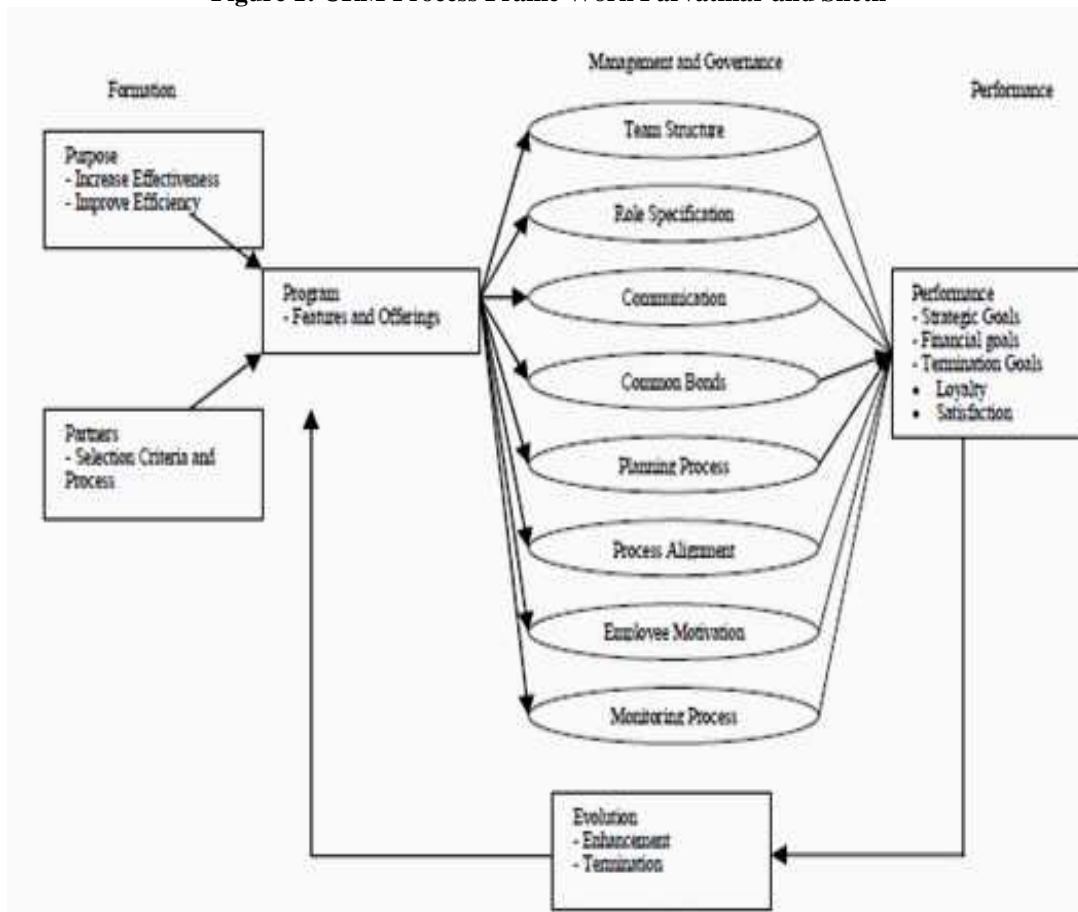
#### 4. CRM enhancement / termination process.

Parvathiar and Sheth mentioned that the CRM formation process consist of the decisions related to initiation of relational activities for an organization with specific group of targeted customers or an individual customer.

Once the relationship is formed the next stage for the organization starts that is relationship management and governance. In this stage the organization maintains the relationship with the customers. The building blocks of the second stage are team structure, role specification, communication, common bonds, planning process, employee motivation, monitoring process. The third stage in CRM process frame work is performance evaluation. The CRM is evaluated based on whether programs are meeting expectations and assessed based on the parameters like sustainability, profitability, customer loyalty and customer satisfaction.

The fourth stage is CRM enhancement/ termination process. Based on the relationship performance the customers/ organization will decide whether to enhance or terminate the relationship. Thus Parvathiar and Sheth developed a process frame work for CRM.

Figure 1: CRM Process Frame Work Parvathiar and Sheth

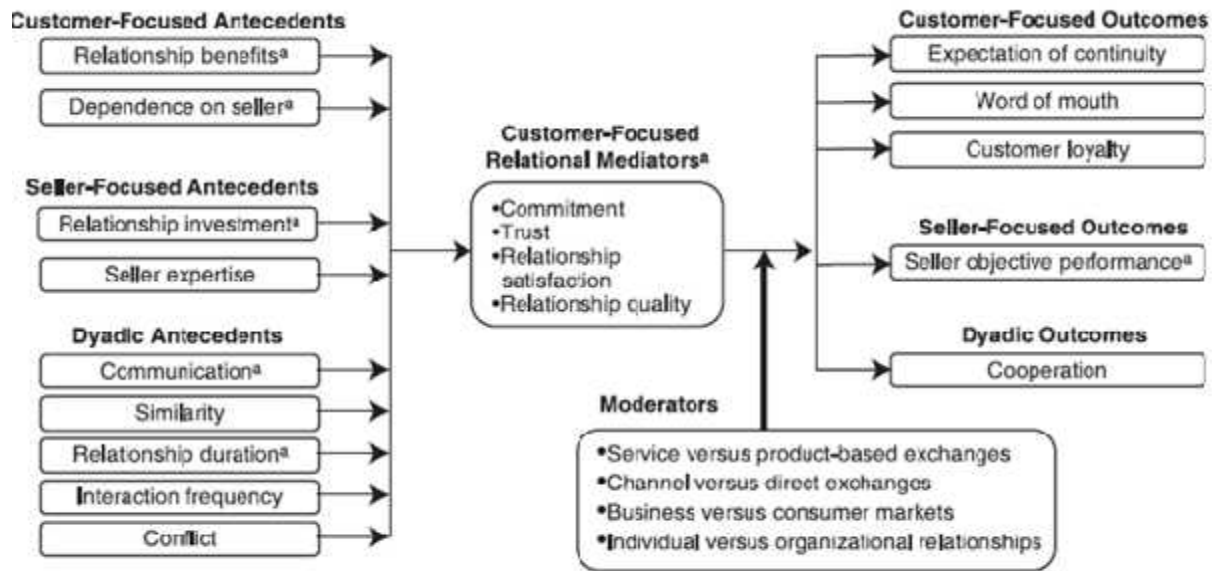


#### Robert W Palmatier Meta Analytic Frame Work

Robert W Palmatier (2006) analyzed the mediating effects of commitment, trust, and relationship satisfaction and relationship satisfaction with customer/ seller focused antecedents and customer and seller focused outcomes. The customer focused antecedents include relationship benefits, dependence on sellers; the seller focused antecedents include investment in relationship marketing and experience of the seller. The dyadic antecedents include communication, similarity, relationship duration, interaction frequency and conflict. The customer focused outcome includes expectation of continuity, word of mouth, customer loyalty. The seller focused outcome includes, the actual performance and the targeted performance of the seller. The dyadic outcome includes the cooperation between the customer and the seller. Thus a holistic model was developed moderating effect of service vs product based exchanges, channel vs direct exchanges, business to business vs business to consumer markets and individual vs organizational relationships.



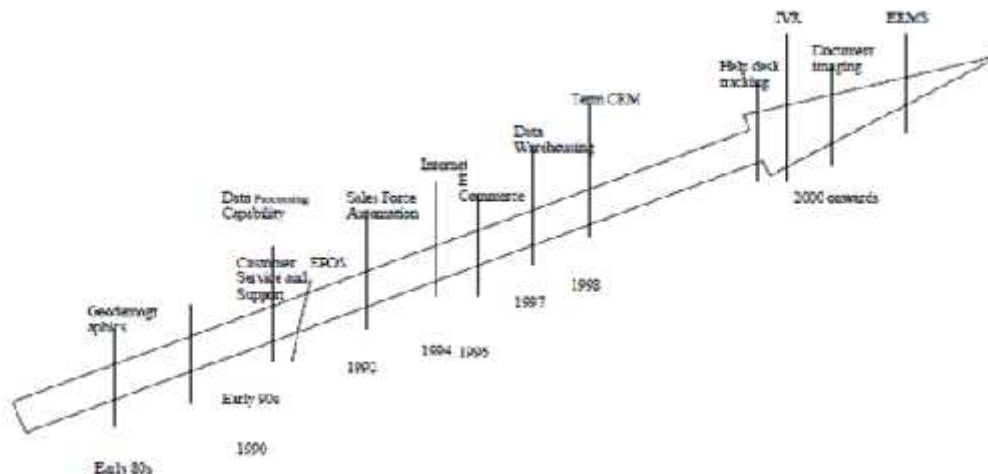
Figure 2: Relational Mediator Meta Analytic Framework



**NAIRN Technology Time Line**

NAIRN (2002) in his research article provided a CRM Technology time line. He has provided a bird’s eye view of the evolution of CRM over the past 30 years. Starting from the year 1980 how CRM has crossed several stages and fine-tuned itself to become a well-known term now. During 1980s Relationship Marketing was used for identifying the Geodemographic. Later during late 1980s and early 1990s Relationship Marketing was used for Customer service support and the effectiveness of CRM was determined by data processing capability. Later Electronic point of sale was introduced which provided a database about the customer purchases. Moving forward, sales force automation, internet and e commerce, help desk tracking, IVR, document imaging and ERMS were evolved that decides the technological path of Customer relationship management.

Figure 3: Technology Time Line: Nairn

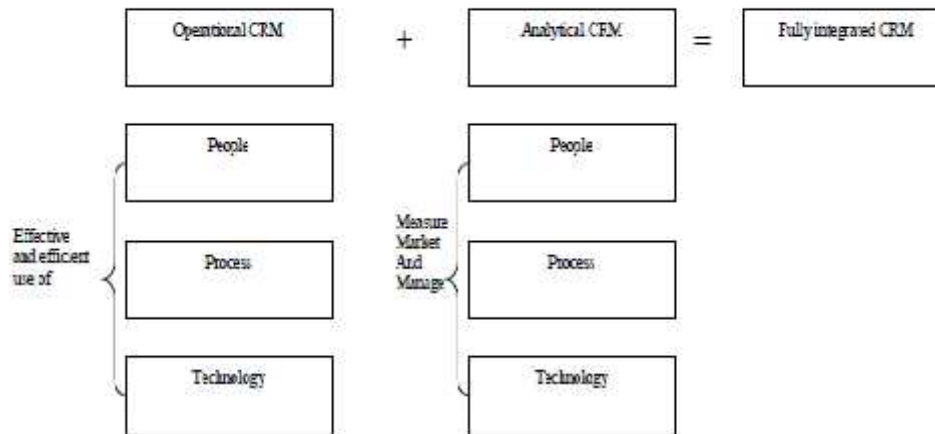


**ANTON CRM System**

Anton (1996) has classified CRM into operational CRM, analytical CRM and fully integrated CRM. The operational CRM confirms the effective and efficient usage of people, process and technology. The analytical CRM is used to gain insights from the raw data available with the help of people, process and technology. Anton suggests that operational CRM and Analytical CRM combine together to create fully integrated CRM.



**Figure 4: Antons Total CRM System, Anton**

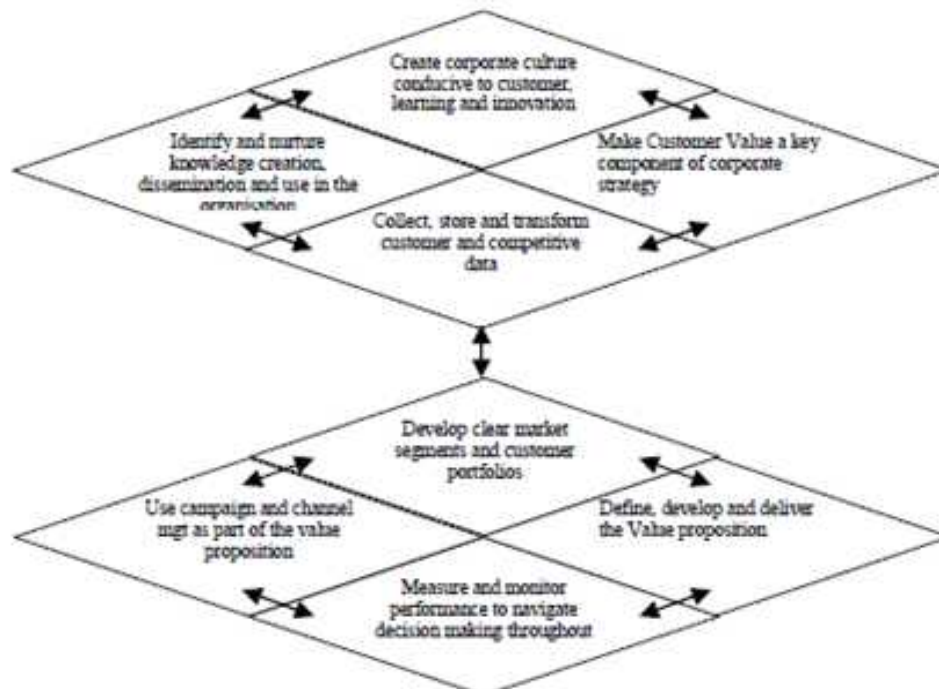


### Plakoyiannaki and Tzokas

Plakoyiannaki and Tzokas (2002) presented a eight step process view of Customer Relationship Management. The eight steps are listed below

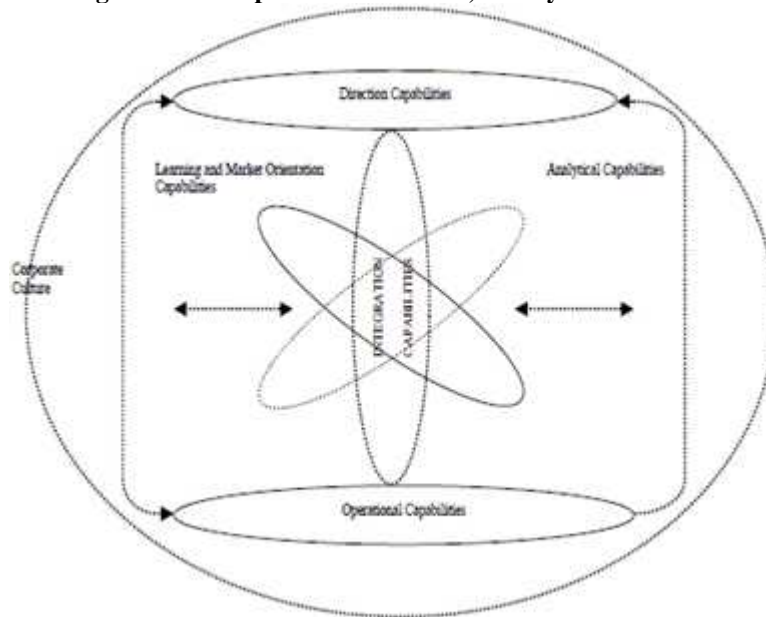
1. Creating a corporate culture conducive to customer orientation, learning and innovation.
2. Making customer value a key component of the corporate strategy and planning process.
3. Collecting and transforming customer data to aid strategic and operational decision-making.
4. Appreciating, identifying and nurturing knowledge creation, dissemination and use within the organization.
5. Developing clear market segments and customer portfolios.
6. Defining, developing and delivering the value proposition.
7. Using campaign and channel management as part of the value proposition.
8. Measuring performance at each stage of the process to navigate decision making.

**Figure5: Building Blocks of CRM – A Process View, Plakoyiannaki and Tzokas**





**Figure 6: Conceptual Frame Work, Plakoyinnaki and Tzokas**



From the above process view, Plakoyinnaki and Tzokas presented a conceptual frame work with capabilities of an organisation, these capabilities will determine the success of an organisation. The five capabilities that are required for success of CRM are listed below

1. Learning and market orientation capabilities: Learning from the customers, market, trend and competitors.
2. Analytical capabilities: How an organisation can analyse the data present in their hand and gain insights.
3. Operational capabilities: Effective usage of the available resources like men, machine, material and money.
4. Direction capabilities: Strategic focus of CRM.
5. Integration capabilities: Integration of the combined strength of all capabilities.

**Buttle Three Major Perspective of CRM**

**Buttle (2009)** has contributed three major perspective of CRM; they are strategic CRM, operational CRM and analytical CRM.

Strategic CRM: A top down perspective on CRM.

Operational CRM: A perspective on CRM which focuses on automation process like sales force automation, service automation or marketing automation.

Analytical CRM: A bottom up approach that focuses on customer data and data mining.

**Table 2: Buttle’s Three Major Perspective on CRM**

Level of CRM Strategies	Dominant Characteristic
Strategic	A top down perspective on CRM which views CRM as a core customer centric business strategy that aims at winning and keeping profitable Customers
Operational	A perspective on CRM which focuses on major automation projects such as service force automation or marketing automation
Analytical	A bottom up perspective on CRM which focuses on the intelligent mining of customers data for strategic or tactical purposes.

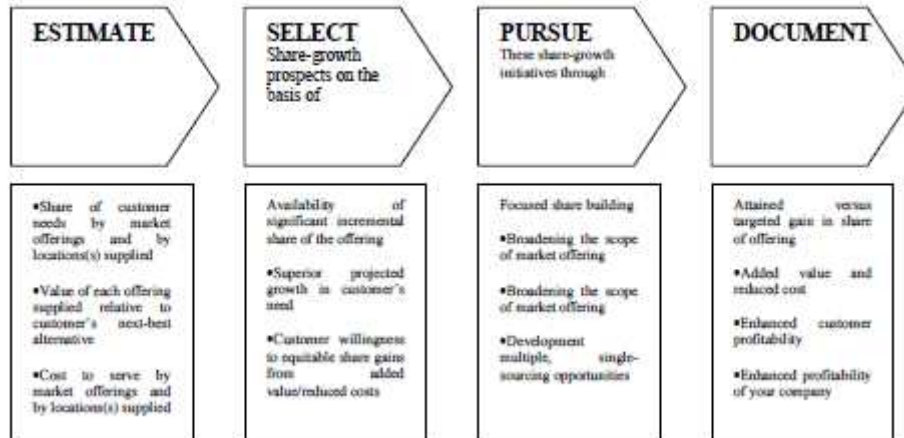
**Anderson And Narus CRM Process**

Anderson and Narus (2003) presented a four step CRM process to pursue more from the customers, the steps are as follows

1. Estimate: Value and cost of each offering after analysing the customer needs properly.
2. Select : availability of incremental share of the offering.
3. Pursue: Focused share building.
4. Document: Attained versus targeted gain in the share of offering.

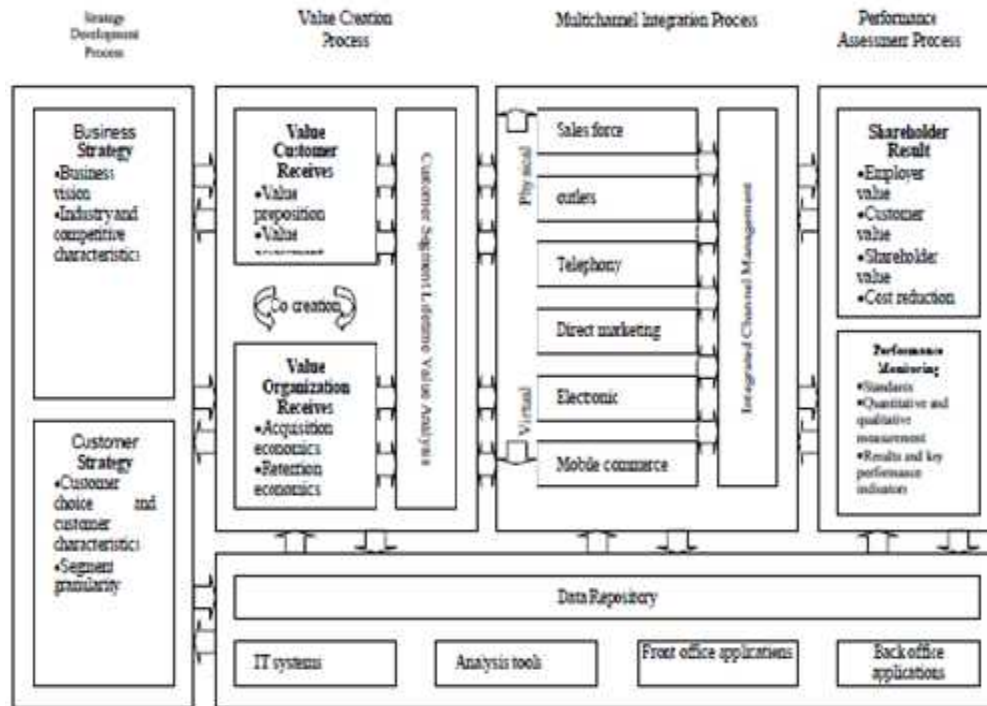


Figure 7: Four Step CRM Process, Anderson and Narus



Payne and Frow CRM Strategic Framework

Figure 8: A strategic Framework for CRM, Payne and Frow



Payne and Frow (2004) presented a strategic framework for CRM and identified five key cross functional CRM process, they are;

1. Strategy Development process
2. Value Creation Process
  - a. Determining what value the organization can provide to its customer.
  - b. Determining what value the organization can receive from its customers.
  - c. Maximizing the life time value of desirable customer segment.
3. Multi-channel integration process.
4. Information Management process.
5. Performance Assessment process.



## Comparative Assessment

**Table 3: Comparative assessment of CRM models**

S. No	Models/ Process Frame Work	Major Contribution to the field of CRM
1	Parvathiar and Sheth CRM Process Frame Work	Process frame work starting from relationship formation to relationship enhancement/ termination
2	Robert W Palmatier Relational mediator Meta analytic Framework	Customer focused relational mediators, antecedents and outcomes from seller and customer prepective
3	Nairn Technology time line	The technological evolution of CRM in the past 30 years
4	Anton CRM System	Developed CRM system as an integrated approach that contains operational and analytical CRM
5	Plakoyinnaki and Tzokas Process View of CRM	Constructed the building blocks of CRM and designed the capabilities required for an organization for the successful implementation of CRM
6	Buttle Three Major Perspective of CRM	Three different perspectives of CRM Strategic CRM, Operational CRM and Analytical CRM
7	Anderson and Narus CRM process	Process Map for CRM 1. Estimate 2. Select 3. Pursue 4. Document
8	Payne and Frow strategic frame work of CRM	Developed a strategic framework for CRM starting from strategy development process, value creation process, multichannel integration process, performance assessment process.

### Conclusion

From the above literature study it is clear that the important factors that contribute to the success of CRM are people, process and technology. Most of the CRM process frame work and the CRM models developed by the researchers suggest that CRM is having both top down approach and also the bottom up approach, that means the management should have the commitment to maintain long term relationship with the customers and also the front end officers who are having direct contact with the customers should work with the commitment to retain the customers. The cost benefit analysis that works on the equation benefits – cost = value will be applied from the customers view point and also the organizations view point. Customers will analyze the direct benefits of the transactions whereas the organizations will be concentrating on the life time value derived from the relationship being maintained with the customer. From the above mentioned CRM process frame work and the CRM models being developed by the researchers, it is clear that the future of the organizations is dependent on the strength of relationship they are developing with the customers.

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