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“Customer Centricity: How the Focus has shifted towards Effective Management of Customers”

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Abstract: Today the customers have become the true drivers of change for any business and are at the focus of all decision making related to products & services. It is the customer who makes a difference between a company’s success and failure. In a dynamic business environment marked by changing customer preferences, the need to be customer-centric is very important. Managing customers is getting difficult and challenging with the changing business environment and Customer relationship management is essential today to enhance productivity & profitability, as well as to increase competitiveness and market share.

Besides, the customer today is more educated and aware than ever before and wants more value for money. The most definite path to a strong and profitable business is assuring that the customer receives the highest appropriate quality of service across multiple applications and **delivery mechanisms**. As has been said by **Peter F. Drucker**, the Father of Modern Management ‘Quality in a service or product is not what you put into it, it’s what the customers get out of it’.

Companies today are faced with an unusual complex situation where the decisions made today shall hugely impact the performance of organization in future in terms of profitability, market share and growth etc. Therefore they need to focus on continuous improvement and innovation to create value for the customer and the firm itself in the long run.

Customer relationship management has seen a dramatic growth over the last two decades and a substantial amount of research budget is being spent on measurement of satisfaction. The objective of this study is to identify why CRM has emerged as an important tool in the world of Marketing. The article attempts to bring out the importance of **customer centricity** in bringing satisfaction in the present context marked by increased competition, diminishing customer loyalty and empowered customers.

Keywords: Customer Relationship Management, Customer centricity, Customer Retention

The true business of every company is to make and keep customers'.

- Peter F. Drucker

Introduction

There has been a paradigm shift in how businesses operate today and customers are at the heart of this shift. Today the customers have rightly become the change makers and they are at the focal point of all decision making related to products & services. Companies today face their toughest competition when it comes to keeping the customers happy and retained. Major business trends like globalization, liberalization, technological advancement and the rapid evolution of the internet have transformed the way in which enterprises are dealing with their customers. Intensity of rivalry has increased manifold and because of that customers have a plethora of products and services to choose from. Therefore forging a strong consumer connection is inevitable. Companies are providing differentiated and tailor-made products and personalized services to steal business from the competitors.

Enterprises determined to build successful and profitable customer relationships understand that becoming an enterprise focused on building its value by building customer's value is an ongoing process. It helps transform the enterprise from a focus on traditional selling or manufacturing to customer focus (Peppers and Rogers, 2004). These shifting focuses have driven the firms to become customer centric and join hands with its entire supporting network which includes its employees, suppliers, distributors, retailers, ad agencies and together build a mutually profitable business relationship. The development of a strong relationship requires creating, communicating and delivering such a value proposition that is mutually beneficial to both parties- the organization and the customer. Today the enterprises are walking that extra mile to collaborate with their customers and co-create products and services for them. This extra effort will help them to deliver high customer value, satisfaction and competitive advantage. Thus it can be said that the era of mundane marketing has given way to a more proactive one where the customers and the firm are of mutual value to each other and they grow and progress together.

Objective of Study

The objective is to study the shift from traditional marketing to relationship marketing and the emergence of CRM as an important tool for the success of an enterprise. The article attempts to bring out the importance of **customer centricity** in bringing satisfaction and retention in the present context marked by increased competition, diminishing customer loyalty and empowered customers and also some retention strategies that need to be followed by enterprises to successfully retain old clients.

Review of Literature

CRM has seen a formidable growth over the years. A lot of studies have been conducted to prove how the market dynamics have changed from mass marketing approach to tailor-made products for the customers.

Kotler, (2008) had identified some traditional marketing approaches like the product orientation, production oriented approach and sales orientation. These approaches focused largely on mass marketing, aggressive selling without giving much thought on what the consumer wanted or would be looking for. The traditional marketing today has given way to a more holistic approach that encompasses many key concepts like relationship marketing and integrated marketing which is more customer centered.

Kumar and Reinartz, (2006) have identified yet another concept called the customer concept. It is the conduct of all marketing activities with the belief that the individual customer should be the central unit of analysis and action. The definition of customer concept emphasizes the analysis and measurement of marketing activities and consequences at an individual customer level. The message is clear that the customers bring revenue for a firm and therefore an important part of their marketing activity should be developing specific strategies to satisfy and retain them.

It is the customer who makes a difference between a company's success and failure (Bhatt, 2009). In a dynamic business environment marked by increased competition and changing customer preferences, the need to be customer-centric is very important.

Kotler and Keller, (2007) in their book stated that CRM is the process of carefully managing detailed information about customers and all customer 'touch points' to maximize customer loyalty.

Payne, (2005) has defined CRM as a business approach that seeks to create, develop and enhance relationships with carefully targeted customers in order to improve customer value and corporate profitability and thereby maximize shareholder value.

Parvatiyar and Sheth, (2006) proposed that CRM is a comprehensive strategy and process of acquiring, maintaining and partnering with selective customers to create super value for the customers as well as the company. They further presented the view that the goals of CRM could be achieved by learning about the customer, differentiating them and then customising the marketing mix.

Peppers and Rogers, (2004) have defined CRM as an enterprise wide business strategy for achieving customer specific objectives by taking customer specific actions. CRM essentially involves treating different customers differently.

Ahmed and Buttle, (2008) have described CRM as the core business strategy that integrates internal processes and functions, and internal networks to create and deliver value to targeted customers at profit. It is grounded on high quality customer related data and enabled by information technology. Their study further stated that CRM is essentially a people's process; it has been designed by people and involves the customers and service providers. It should not be misunderstood as an IT initiative. IT acts as a facilitator but it's the front-line forces that interact with customers directly and deliver them value.

Ahmed and Buttle, (2001) have proposed in their study that traditional marketing focused more on customer acquisition through aggressive selling, while CRM advocates maintaining long term relationships with customers with a focus on customer retention.

It is important to understand that for any firm it is easier to retain the old customers than acquiring new ones because acquiring new can cost five times more than the cost involved in satisfying and retaining the old ones (Kotler, 2008). Therefore it is essential that the firm's strategy should be focused more on keeping the present customers satisfied and retained.

Ghauri and Venetis, (2004) in their study concluded that the only underlying motivation that will keep a relationship in the long term is customers' desire to stay and any attempt to 'lock' customers in by increasing the switching cost might not be very successful. The only way to keep the customer intact is by providing excellent quality of service.

Anderson and Mittal, (2000) in their study proposed that firms that manage to create a superior customer satisfaction score by improving product and service attributes, enjoy greater retention rate which would further lead to profitability for the firm in the long run.

Research Methodology

Secondary data sources that include books, journals, thesis, research papers and related documents have been used for the theoretical foundation of the present study. A review of literature has been done using the above data sources and the researcher has penned down the emergence of CRM as an important tool in business and also some retention strategies that would ensure customer satisfaction and loyalty.

Evolution and Transformation of Customers

Traditionally a customer had little or no choice for products and services and those that were available may not have been up to their expectation level. Prahalad and Ramaswamy, (2001) in their study showed how the consumers have evolved since the 1970s from being passive audiences to active partners in co-creating products and services for the market in the present context.

1970s and early 1980s – The customers were considered as passive audiences and a predetermined group of buyers whose taste and preference were of little importance to the marketers. Companies had little or no interaction with the customers and buyers were predetermined by the company. Traditionally, market research and inquiries were at their lowest and products and services were created without much feedback from the customers. It could essentially be called a one-way communication.

Late 1980s and early 1990s – the customers were started being considered as an individual statistic. There was a shift from mass marketing and aggressive selling to helping customers via help desks, call centres and customer service programs. Customer feedback started being considered as an important tool in redesigning of products and services as per the customer's requirements. That era marked the start of database marketing wherein the companies started keeping comprehensive information about individual buyers in the form consumer demographics, past purchases, psychographics and other useful information.

1990s- With the advent of database marketing buyers were being considered as individuals with varied tastes and preferences. The idea was to utilize the customer database for the purpose of contacting, transacting and cultivating mutual trust and relationship with the customers. The marketers were keen on providing effective solutions based on deep understanding of the customers. It was a slow and gradual start of relationship marketing with two way communication and access.

Beyond 2000 – This was the time when the customers were started being considered as active players and part of the enhanced network and co-creators of business value. Database marketing has gradually given way to relationship marketing and CRM and the customer is not only an individual buyer but also collaborators and co-developers of products and services. Companies and lead customers act as partners and have joint roles in educating, shaping expectations and co-creating market acceptance for product and services. Market research and inquiries about what works and what not is at its highest. Companies want to remain in active dialogues with the customers so as to keep up with their expectations.

Today the customers are much smarter and more aware than ever before. They have shelved off their inhibitions and are demanding for products/ services that satisfy them best and give them best value for money. Therefore the need to build an everlasting relationship with customers is more than ever before.

Customer Relationship management

CRM is the process of building, maintaining and retaining customers by delivering such value proposition, that they do not switch brands whenever the need for a product or service arises. The relationship building process starts when the buyer has associated with company for the first time. Since the company's objective is formation of a long term relationship therefore it is imperative that the customer derives desired value from the product or service.

Thus CRM is a customer focused business strategy aimed at providing super value to the customers along their buying journey. A customer brings revenue to a firm therefore it is very important that he receives highest quality of services through multiple delivery mechanisms. It is also important for the firms to understand that CRM is not just a strategy that needs to be followed; it is a necessary and most important element of managing every successful enterprise in the 21st century and has to be embedded in the organization's culture if they wish to be successful and profitable.

Customer Retention

An important aspect of customer management is customer retention. Today it is seen off as an important strategy in bringing success and profitability to the firm in the long run. Customer retention means that there is a base of customers for the firm who buy frequently with future intentions of repurchase and trying new offerings by the firm, thus increasing revenue for them. Although there is a certain percentage of customers, that will defect during the year. This could be attributed to many reasons like firms provide huge offers and discounts to attract new customers while they maintain high prices for current customers or they fail to change with the changing requirements of the customers. This may accelerate defection of firms' most profitable customers.

The traditional marketing approach gave a lot of importance to customer acquisition and customer retention was seen as the end result of good marketing management (Buttle and Ahmed, 2008). Besides not much weightage was given to customer retention because it was thought off by firms as a way of adding cost on them. A lot of studies and research done in this regard have proved that retention is a potent CRM strategy in increasing profitability and growth of a firm.

Of the many benefits of customer retention, a few could be stated down as follows:

- Kotler, (2007) had identified that acquiring new customers can cost five times more than satisfying and retaining the old ones. A 5 percent reduction in defection rate can increase profit by 25 – 85 percent, depending upon the industry.
- Converting new customer to a loyal one takes more time and expense than is required for current customers.
- Word-of-mouth from loyal customers helps the firm in acquiring new customers at lesser cost.
- Loyal customers are more open to cross selling and up-selling.

Customer Retention Strategies

No matter how good a marketing strategy has been designed, the efforts shall go futile if the customers do not gain advantage out of it. A dissatisfied customer will switch to another brand and that leads to customer defection for the organization. An organization that faces high customer churn needs to have an effective retention strategy that would help them decrease the defection rate. The firm should devise an integrated strategy that encompasses various possible aspects like:

- **Managing touch points-** a touch point is any occasion on which a customer encounters the brand or the product (Kotler, 2007). These are various user interfaces wherein the customer comes in direct contact with the companies. These touch points can be found across multiple channels in the form of front end staff, customer care, salesperson, online or point of purchase displays. Today businesses need a multi channel strategy that offers consumers endless experiences across all touch points. For eg: today's customers are net savvy and online channels have become a primary platform for accessing product and service information. The idea is that all information should be available to customers and they should have hassle free experience regardless of whether they are shopping online or at a store (Grone, Kirscheneder, Kammer and Peterson, 2010). The objective of touch point management should be developing the right approach towards the customers and effective customer handling through personalized approach.
- **Efficient staff quality-** Huda and Shil, (2011) found in their study that good staff quality had a positive impact on customer satisfaction. Important determinants of efficient staff included employee attitude and sociability, expertise in providing service and the intention to provide service to the customers. A satisfied customer would have lesser reasons to leave the organization thus ensuring retention.
- **Differentiated products and services-** product and services should be custom made or say tailor-made to suit the individual needs of the customer. Differentiated products and services definitely give the user a feeling of getting preferential treatment from the company which has a positive impact on retention.
- **Interacting with customers to gain regular feedback-** Having an interpersonal bond (Bhatt, 2009) with the customers may over the time become an important factor that would keep them from switching to another organization. Through regular interactions the companies can also get insights into customers' changing tastes and preferences. By encouraging and welcoming suggestions they can also get valuable inputs from customers on developing new products and services (Giridhar, 2013). It would be a good way of acknowledging the customers that their opinion matters.
- **Effective complaint handling procedure-** Kotler, (2007) identified that no matter how perfectly a marketing strategy is implemented, mistakes are bound to happen and the will result in an unhappy customer. Therefore the best way is in accepting, apologizing and trying to resolve it at the earliest. Ang and Buttle, (2006) in their study on customer retention concluded that a documented customer complaint handling process is a strong factor in improving customer retention. Through effective complaint handling a company gets a chance to fix the customers' problem and also retain the customers' current and future business.

However it should also be noted that retention strategies cannot be applied to all customers because not all of them are profitable for the firm. Pareto's rule stated that 20% customers are responsible for bringing 80% revenue to the firm. The rest 80% were unprofitable or contributed to an insignificant amount of profit. Therefore it is important that a firm keeps the 20% customers intact through effective touch point management, staff quality and documented complaint handling procedure. The rest 80% could be encouraged to increase their 'wallet share' (Kumar and Reinartz, 2006) or could be upgraded through up selling and cross selling.

Policy implications

CRM has already made a big impact in the business world and will continue to do so in future. It would be impossible for businesses to remain aloof to it if they want to achieve sustained growth. Customer retention has emerged as the most important CRM strategy aimed at increasing profitability and gaining competitive advantage. Customers are the most valuable asset that a firm has therefore firms need to practice the 'deliver as promised' rule to successfully retain old clients. The extent of application of retention strategies will depend largely on whether it is a product based or service organization. It is important to note that not all strategies can be applied to every organization. A pre analysis can be done by businesses to assess the type of customers they serve and based on that develop appropriate measures of customer retention suitable for them. For a service organization like banks, touch point management, efficient staff quality and preferential treatment should be on the priority list of retention strategies. For a product based organization, differentiated products and creative pricing can be put on the offerings for customers. There is immense scope for further research in this area, to find out which strategy would suit best for different industries.

Finding and Conclusion

From being a passive audience to becoming partners and advocates, the customers have evolved and traversed a long journey. Call it the compulsion of intense competition, customer focus will continue to be a key point in all strategic decision making related to product, services and the effective delivery of those services. Today every business strategy is formulated keeping the customers in mind. Level of service quality has increased but so has the expectation level of the consumers. They are smart, educated and more aware than ever before and want more value for their money. Keeping them satisfied and retained has become an increasingly tedious task for firms because of the changing satisfaction parameters among customers. CRM has become a new mantra for enterprises to woo its customers. Customer retention as an effective business strategy has paved its way into an organization's culture and shall make a huge impact in their success and profitability in the long run.

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