



# A STUDY ON EFFECTIVENESS OF CRM PRACTICES FOR BUSINESS AT DIFFERENT CUSTOMER LIFE CYCLE STAGE

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## INTRODUCTION

By customer we mean an individual or a business that purchases some other company's goods or services. They are the important key factors in a business. They help in generate revenue of the company. Every organizations or business ultimate motive is to attract customers, either by attracting customers either aggressively advertising their products or by lowering prices to expand their customer bases. There is huge difference between customer and consumer; customer is the person who purchases the goods or service whereas the consumer is the person who consumes the goods or the service.

Francis Buttle (2004) defines CRM as "CRM is the core business strategy that integrates internal processes and functions, and external networks, to create and deliver value to targeted customers at a profit. It is grounded on high quality customer data and enabled by information technology"

Zikmund et al (2003) defined "A business strategy that uses information technology to provide the enterprise with a comprehensive, reliable, and integrated view of its customer base so that all business processes and customer interactions help maintain and expand mutually beneficial relationships."

Thus, Customer Relationship Management (CRM) is actually the technology that manages the relationship between the company and the customer and it also drives potential customers towards a product or a brand. The goal of CRM is to improve the business relationship. It helps in making a good relation with the customers and to improve the profit of the company. The CRM helps in focusing in the relationship of the organization with individual people such as customers, service users, colleagues or suppliers.

The Customer Life Cycle is the series of steps that identifies the relationship of the customer and the supplier over a period of time. It is actually the process which says how to introduce a product to the customer and to turn that customer into a potential customer and also to look after that the potential customer doesn't get offended or lost due to some mistake by the company. CLC has five phases;

- Acquisition
- Conversion
- Penetration
- Retention
- Reactivation

## OBJECTIVE

A study on effectiveness of CRM practices for business at different customer lifecycle stages.

- To study Customer Life Cycle.
- To highlight the relevance of CRM Practices at different stages of Customer Life Cycle.
- To suggest measures to enhance the effectiveness of CRM practices.

## REVIEW OF LITERATURE

**Prof. Tapan k Panda (2003)** in his paper “**Creating Customer Life Time Value through Effective CRM in Financial Services Industry**” speaks about how CRM is effective in the financial service industry. This sector nowadays is facing rapid growth in today’s world. The competition is all about getting the larger share of the customer with the possibility of serving them with the lowest possible cost. Thus customers have a huge option left for them and they are moving rapidly from one company to another in search of complete solution provision dimension. Thus in this sector CRM becomes very important and it becomes more important to know how to apply CRM in different phases of CLC. Thus in this paper how CRM is implemented in different phases of CLC is discussed.

**Ilias Santouridis et al. (2015)** in his paper “**Investigating the Impact of CRM Resources on CRM Processes: a Customer Life-Cycle Based Approach in the Case of a Greek Bank**” has talked about how CRM is important to implement in CLC. The aim of this paper was to investigate the impact of a company’s CRM related human, organizational and technological resources on its CRM processes. A customer life-cycle based approach has been chosen. As a result of this, CRM processes have been mapped on the initiation, acquisition, regain, maintenance, retention, expansion and exit customer life-cycle stages. The writer conducted a field research and the industry chosen was Greek Banking Sector. The study showed that human resources has a positive and significant effect on CRM process for the new customer and those who plan to be a potential customer but hasn’t converted to a potential customer.

**Dr. T.S Devaraja** in his paper “**An overview of Customer Relationship Management and Customer Value in Information Technology Industry**” mention that how effective CRM is important in the CLC. It speaks how customer acquisition is important and is the first step in building a CRM. It says how the recent generation has become focused on customer centric and the main objective is to surprise the customer with different types of offers or else. This paper also tells that how trust is an important issue. It talks about how in this generation CRM has become important and how it should be implementing in different phase of the CLC.

## SIGNIFICANCE AND IMPORTANCE

This research paper is very much important for companies that are launching a new product or for any businessman who is planning to launch his/her own business. It becomes important to understand CRM for this aspect and also CLC and how to implement CRM in different phases of CLC.

## LIMITATIONS

This paper is based on secondary data. Data has been collected from different secondary sources like books, journals, newspaper, articles, websites, etc. which could act as a limitation to the research paper.

## FINDINGS AND SUGGESTIONS

### CUSTOMER LIFE CYCLE

There are five different phases of Customer Life Cycle

- Acquisition- This is the first stage of the Customer Life Cycle. In this phase the Customer buys the product for the first time from your company. The customer has invested money in your company for the goods or services that the company is providing. The customer hasn’t yet decided to be full time customer.
- Conversion- In this phase the company tries the customer to make them a full time customer of their company. This is the phase where the customer feels good after purchasing your product but he/she need more time to examine your services or goods. This phase thus becomes very important. Here the loyal gap falls as the customer is not so sure about being a full time customer. The customer may choose to be your full time purchaser or can try some different companies.
- Penetration- In this phase the customer has now already been your customer. At this point the profit occurs. This phase of the cycle where long term success and profitability of every business occurs. The relationship between the customer and the company is deep and wide in the heart of high value customer.
- Retention- Now since the customer has been loyal to you; it’s the time that you try to retain your customer by providing different types of offer that attracts the customer. The customer value increases exponentially, keep them or perish.
- Reactivation- This is the phase in which a section of customer are lost because the company has offended that customer or has neglected or may have simple lost out due to competition. This is the sector of

the customer that has done business with you and is entirely different from the first time purchaser. It is difficult to transfer this lost customer to your potential customer.

### **RELEVANCE OF CRM PRACTICES AT DIFFERENT STAGES OF CUSTOMER LIFE CYCLE**

A successful CRM focuses on strategy, people, technology and process. A successful CRM program is driven by strategic direction and the process gives the direction to the company. The company collects data of their customer and understands what the customer wants. The data collected gives them a fair idea about the time span that the customer will be there and also the needs of the customer, their buying pattern and etc. After obtaining the targeted customer and approaching it now it becomes very expectations. Understanding customer expectations are difficult to understand, so understanding the customer expectations to product quality and delivery levels is essential if the company wants to retain the customer for a long time. The customer's expected life cycle, performance measurement mechanism and corresponding service mix offering are crucial for success of a company. The company need to monitor the customer data time to time and need to identify what the customers wants at times. For example in Banking Sector bank starts targeting teenagers. These are the people that have high possibility of opening a saving account for them. Thus the bank target this people and try to convert them into potential customer by giving them more offer such as offering them student loan account. After this is the penetration stage. In this stage the bank does more business with them, so the bank tries them to give graduate account when this teenager enters into the working profession. Then they offer car loan to them, home loan or mortgage property for life settlement. The bank again takes care of them by offering the customer saving accounts or life insurance policy to protect from any future problem. Then in the retention phase, they try to hold the customer by giving them offers that will hold the customers. They try to hold the customer by giving them plans regarding retirement. They give them pension scheme plans. This is how a bank works and also how CRM is implemented in CLC.

### **MEASURES TO ENHANCE THE EFFECTIVENESS OF CRM PRACTICES.**

There are many ways to enhance the effectiveness of CRM practices. Some of them are;

- Provide CRM training to all employees.
- Track customer behavior during sales cycles.
- Keep the customer data updated.
- To look if there is any Cultural shift in the buying process of the customer.

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