



A STUDY ON ANALYZING THE CONCEPT OF CUSTOMER RELATIONSHIP MANAGEMENT AND CUSTOMER RETENTION IN INDIAN FIRMS

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ABSTRACT:

CRM stands for customer relationship management. It is defined as a process of interacting with the customers from different communication channel. It is an approach where the behavior and needs of the consumers is known by coming into contact with them through different online and offline platforms which ultimately leads to customer retention. In this study discussion about how CRM impact customer retention has been covered. Secondary data was used to justify the analysis with items referring to customer relationship management, customer retention, practices, customer satisfaction, and customer loyalty. The conclusion of the study observed that customer relationship management, customer satisfaction and customer loyalty have significant effect on customer retention. CRM have a positive impact on customer retention. If all the organizations and firms timely and accurately observe CRM, greater retention and loyalty will be created among customers.

Keyword: Customer Relationship Management, Customer Retention, customer loyalty, Satisfaction.

INTRODUCTION:

The firms /companies or industries have led to the development of many nations and their continuous rise in economies. A business or a firm that wants to succeed in today's global competitive market, where customers are empowered and brand loyalty is decreasing, will have to move to customer relationship management (CRM). Indian firms need to investigate the needs of customers, they have to build relationships with both potential and existing customers, and they will have to satisfy their customers' needs. To preserve existing loyalty of customers, the company certainly needs to maintain customer satisfaction. Customer satisfaction is a state which is achieved when a customer receives a service or a product that matches his/her expectations, making it more likely that he/she will return to make other purchases. Repeat purchases are an indicator that customers believe in the company because they are satisfied with the product or service they have received. A Customer Relationship Marketing (CRM) approach was adopted, as it focuses more on the interrelationships among customer trust, customer commitment, customer satisfaction, and customer loyalty. The objective of this study is thus to analyze the concept of CRM and customer retention, and the direct and indirect effects of customer satisfaction on customer retention.

LITERATURE REVIEW:

- Abdulla Ahmed and Nizam Ismail (2015) in their research paper studied the impact of corporate image, quality, project management, customer relationship, and customer retention in the construction industry.
- Ashok Devprasanna (2017) Revealed in his study that how telecom industry uses CRM practices in the hyper competitive markets, the study examines customer Satisfaction in telecom industry.
- The study on Indian banking sector Conducted by Chaudhari Virendra M(2020) observed that a unique relationship exists between customers and banks and so banks are making attempts to adopt CRM.
- Harpreet Kaur (2018) conducted a study on Customer retention with respect to Banking Sector. The study provides an in depth evaluation and analysis of perceptions held by customers as well as bankers towards customer retention
- Megawati Simanjuntak (2020) observed the methods of CRM being adopted in Car loan Business to enhance customer retention.
- Raman Janeya Lambu (2021) carried out a study in which he revealed that the Prime goal of CRM is to acquire the attention of prospective customers, nurture and retain the existing ones in Private Sector Banks.
- Jeyalakshmi R., Gopinath M., Ramya A., Nanthagopan Y. (2020) in their study states the significance of building good customer relations and making sure that their experience in the store is wholesome. The authors in their study give suggestions as to how a retail store can ensure that their customers' experience is fruitful.

OBJECTIVES OF THE STUDY:

The main objectives of this paper are:

1. To study the relationship between CRM and customer retention.
2. To review the impact of factors of CRM practice on customer retention.
3. To review the effect of CRM practice on customer loyalty.

CUSTOMER RELATIONSHIP MANAGEMENT AND CUSTOMER RETENTION:

CUSTOMER RELATIONSHIP MANAGEMENT:

Customer Relationship Management is a strategy and process for customer acquisition and retention to create superior value for the customers and for the company. There are various definitions cited by different authors on the concept of CRM where some authors define it as a philosophy while some define it as a technology. Navimipour and Soltani (2016) indicate that the main aim of CRM systems is to increase the effective implementation of CRM processes, which in turn affects the effectiveness of their communications with customers. Soliman (2011) found that CRM is significantly, directly and positively related to marketing performance. According to Ashraf et al. (2015), the concept of CRM is implanted in the management of customer relationships on the basis of the effective and efficient flow of information, and the achievement of increased value delivered to the customers in addition to the reduced costs of the organization. According to Stojkovic and Dubricic (2012), CRM philosophy refers to an iteration process of four activities, which are knowledge discovery, market planning, interaction with customers and customer's data analysis. Kangal (2012) cited a number of CRM definitions in which the concept is considered as an approach steered towards customers, either through the emphasis on their life cycles, as a relational strategy, a market competition method, or as a customer-driven technology. Thus CRM is a competitive strategy which includes attracting, growing, mounting and retaining profitable relationships with the customers which significantly affects overall performance.

CUSTOMER RETENTION:

Customer retention is defined as the ability of a company or product to retain its customers over some specified period. High customer retention means customers of the product or business tend to return and continue to buy the product. Customer retention begins with the first interaction of an organization with its customers and continues throughout the entire lifetime, and successful retention efforts take this entire lifecycle into account. A company's ability to attract and retain new customers is related not only to its product or services, but also to the way it services its existing customers. Successful customer retention involves more than giving the customer what they expect. Creating customer loyalty creates customer value rather than maximizing profits and shareholder value at the center of business strategy. As per the Pareto's Rule, i.e. 80-20 rule, 80% profit and sales of the company are from the 20% customers. Research by Fleming and Asplundh, (Feb.2009) indicates that engaged customers generate 1.7 times more revenue than normal customers, while having engaged employees and engaged customers returns a revenue gain of 3.4 times. The normal Customer retention refers to keeping a client connected to the business rather than having the client use competitors' services or products. So it is very important for the Indian firms to satisfy their customers and in the emerging world of Customer Success, retention is a major objective. Thus, the implementation of CRM can significantly boost customer satisfaction and, consequently, retention levels. By strengthening customer relationships, CRM provides businesses the opportunity to maximize customer retention.

FACTORS OF CUSTOMER RELATIONSHIP MANAGEMENT:

The factors of CRM that positively affect the customer retention are service quality, satisfaction, trust, commitment, communication while customer loyalty and revenue are both qualities that affect a company's revenue. There are other factors too, but in this study we will discuss five factors.

- 1) Service quality:** Every customer has an ideal expectation of the service they want to receive when they go to a restaurant or store. Service quality measures how well a service is delivered compared to customer expectations. Businesses that meet or exceed expectations are considered to have high service quality which ultimately leads to customer retention.
- 2) Satisfaction:** Customer satisfaction is defined as a measurement that determines how happy customers are with a firm/company's products, services, and capabilities. Customer satisfaction information, including surveys and ratings, can help a company determine how to best improve or change its products and services.
- 3) Trust:** Trust comes from a relationship and it builds over time, with every interaction and at every touch point. Over time, someone's trust in the complete consumer experience with a merchant may be more important than other factors, like selection or price. A greater sense of trust leads to better customer retention.
- 4) Commitment:** The greater the customer's affective commitment in the relationship, the more the customer is inclined to remain in the relationship. The greater the customer's affective commitment in the relationship, the more the customer is inclined to invest in the relationship which results into retaining customers
- 5) Communication:** The most concise definition of effective communication is "listening to your customer needs, understanding them, setting and establishing expectations and most importantly keeping them informed." This directly builds relation with customers leading to retaining them in business.

Customer relationship management and customer loyalty:

CRM helps Indian firms/companies build a relationship with their customers that, in turn, create retention and customer loyalty. CRM comes in a wide variety of strategies and applications, which allows it to be modified to fit in any business type. Almost every business can benefit from CRM software, and it is much better to start using a CRM for your business before it becomes necessary. A well-planned customer loyalty program allows companies to reward loyal customers, while a CRM helps companies to identify potential loyal customers. Combining both can encourage loyalty and customer retention. Since customer loyalty and revenue are both qualities that affect a company's revenue, Customer relationship management is a management strategy that results in increased profits for a business. CRM helps businesses recognize and interact with customers in a systematic way. CRM is an excellent tool that allows companies to increase not only their customer satisfaction but also their efficiency and profits.

According to Referral Rock, customer loyalty is a concept that assumes a customer's willingness to engage in a business relationship with a firm/company or a brand (whether to buy their product or service or take part in any kind of cooperation) again and again. In most cases, it comes as a result of outstanding customer experience and the real value they get from the Indian firm products or services. Many companies offer loyalty programs in the form of memberships. Integrating such loyalty programs with your CRM strategies enables one to manage loyalty. By studying customer behavior and history, one can create innovative rewards for loyal customers. The idea is to strengthen your bond with the customers who have shown their faith in your product or service. As a firm, having a loyal customer base results in better customer retention, cost efficiency, customer referrals, Reviews, testimonials, and other user-generated content. Thus it can be said that CRM not only creates a better relationship with customers but also helps to cultivate the loyalty of the customers which is very important in developing competitive advantage over the competitors.

Conclusion:

The aim of this paper was to theoretically analyze the concept of CRM and customer retention in Indian firms based on existing literature and it was observed that customer relationship management is very essential for success in any business or firm. There are abundant factors that affect the repurchase intentions of customers which the Indian firms need to keep in their mind while entertaining its consumers. All these factors have a positive impact on customer retention. CRM is also closely related to customer loyalty which helps to keep the customer intact with the firm. The quality of service greatly affects customer loyalty; implementing good CRM will result in greater loyalty among customers. So it can be concluded that the aforementioned factors and customer loyalty should be observed in a firm to maintain long run relations with customers who directly influence the profitability of an organization.

SUGGESTIONS:

This study has some limitations which offer opportunities for future research. As it is concerned with few variables of customer relationship management. Another limitation of this study is that it only gives a static view whereas empirical validation of these effects in multiple settings will help shed further light on these phenomena. Further research can be done by considering other variables which show the relationship and impact of customer relationship management on customer retention and customer loyalty.

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