

## THE CUSTOMER RELATIONSHIP MANAGEMENT IN TERMS OF BUSINESS PRACTICE IN MANUFACTURING INDUSTRY

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Dr. Sunil Kanoongo\*  
Chandrakanta\*\*

### ABSTRACT

*The purpose of the paper is to focus on customer relationship management in the manufacturing industry. Foundation customer relationships have always important for a business. Hence, this article purposes to clarify the effect of CRM on organizational performance in the manufacturing industry. Customer relationship management, when effectively and properly utilized, results in increased profitability and customer loyalty of the organization. The paper attempts the benefits of using CRM in the manufacturing industry and problems which face in CRM implementation. Also, explain the current state of the manufacturing industry.*

**KEYWORDS:** CRM, Organizational Performance, Manufacturing Industry.

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### Introduction

Customer relationship management has increasing popularity and is becoming one of the hottest theoretic and practical subjects in the business field. In fact, because of the emulous surroundings, CRM is vital for firm performance.

In the literature, several definitions were given to describe CRM. CRM has targeted on the management of the exchange relationships and additionally the implications of such management for the performance and development of the technology-based corporation and their customers (Yli-Renko et al., 2001). (Beckett-Camarata et al., 1998) have defined that managing relationships with their with channel partners, strategic alliance partners, and employees were important to the firm's long-term success. They were also emphasized that CRM based on equity significantly assists and social exchange the firm in developing cooperative, collaborative and profitable long-term relationships. (Srivastava et al., 1999) point out CRM as a process that focuses on enhancing, establishing and maintaining a relationship with individual customers by relationship marketing. According to (Swift, 2001) CRM is a process designed to collect data, to sense features of customers, and to apply that perfection in specific marketing activities. From the marketing aspect, (Couldwell, 1998) defined CRM as a combination of business technology and that seeks to perceive a company's customers from the perspective of who they are, what they do, and what they are like. The technological aspect of CRM was given as the marketplace of the coming time is undergoing a technology-driven metamorphose (Peppers & Rogers, 1995).

CRM is a business process, strategy, culture, and technology that enables the organization to increase revenue and increase value through knowledge and satisfy the customer's requirement (Reynolds, 2002). CRM focused on relationship management, loyalty marketing, lifetime value marketing

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\* Lecturer, Maharshi Dayanand Saraswati University, S.M.M. Government Girls College, Bhilwara, Rajasthan, India.

\*\* Research Scholar, Maharshi Dayanand Saraswati University, S.M.M. Government Girls College, Bhilwara, Rajasthan, India.

and one-to-one marketing (David's, 1999). (Xu & Walton, 2005) point out that CRM focuses on leveraging and exploiting interactions with the customer to increase customer satisfaction, customer profitability and ensure return business. This concept shows that CRM contributes to dealing with customers and how they manage to face their customers. (Ngai, Xiu & Chau, 2009) found that CRM aimed to improve the relationship between companies and their customers by managing CRM activities, such as customer identification, customer attraction, customer retention, and customer development to increase profitability. Based on these definitions discussion, defines CRM as a basic extensive company strategy to serve information and data through the use of information technology to establish a long-term relationship with customers. Organizations can't stay competitive without having a close relationship with the customers. Therefore, organizations need to use CRM practices to build a strong relationship with the customers for improving firm performance.

CRM is a process used to strengthen the relationship with the customer by understanding more about their needs and requirements. It is also a process which integrates various functions within the organization. However, the understanding of customer relationship management continues to be partial and growing. Customer relationship management is often understood as a business strategy, philosophy, process, or technology.

### **Manufacturing Sector**

Manufacturing industries measure the leading wealth-producing sectors of an economy. India has emerged as a global manufacturing center due to its cost competitiveness, favorable government policies, and skillful workforce. Furthermore, the presence of strong market locality is a basic factor which fostering growth in the sector. India is one of the fast-growing economies. The consumer trend within the country is facultative domestic players to effloresce and conjointly magnetize international players.

In 1990, India and China had approximated the same GDP per capita. Since then, move by its manufacturing sector, China economy has grown much faster than has India. These industries use many ways and technologies wide called as manufacturing process management. Manufacturing industry relates to those industries which include the processing and manufacturing of items and allows in either creation of new commodity or value annexation. The final products will either function an acquisition to customers or as intermediary product utilized in the production process. Manufacturing industry refers to any business that transmutes raw materials into finished or semi-finished goods using machines, resources, and labor.

Manufacturing industries are broadly classified into electronics industries, construction industries, plastic industries, engineering industries, food and beverage industries, textile industries, transport and telecommunication industries, chemical industries, energy industries,<sup>1</sup> metalworking industries. Strong growth has been accompanied by a modification in the nature of the sector evolving from a public sector govern set-up to a more private-sector driven one with Global desire. In fact, in keeping with United Nations Industrial Development Organization, India (with the exclusion of China) is presently the biggest producer of equipment, textiles, basic metals, chemical products, general machinery, pharmaceuticals, and electrical machinery.<sup>2</sup> In the coming year, manufacturing sector significance to the domestic and global economy is set to rise even further as the addition of supply-side benefit, policy initiatives, and private sector endeavor set India on the path to a global manufacturing hub.

India's ranking among the world's ten largest manufacturing countries. India has improved position by three places to sixth places in 2015. UNIDO, published The Yearbook, according to this India's the Manufacturing Value Added (MVA) grew by 7.6% in 2015 compared to the previous year. The report said that the global growth rate of manufacturing production has slowed to 2.8% in 2015. This slowdown could be due to reduced manufacturing growth rates recorded by major emerging and developing economies, the Yearbook also point out that quarterly index of industrial production display one percent growth of manufacturing output within the fourth quarter of 2015 compared to the same period of the past year.

The Indian Government has set a goal of accelerating the role of manufacturing output to 25 percent of Gross Domestic Product by 2025, from 16 percent currently available. According to a global management consulting firm <sup>2</sup>McKinsey and Company study, the Indian manufacturing industry is expected to touch US\$ 1 trillion by 2025. Manufacturers have a chance to come out from the shadow of

<sup>1</sup> Zulu Hu Mohsin S. Khan June 1997 Why Is China Growing So Fast? International Monetary Fund Economic issues no.8.

<sup>2</sup> *McKinsey & Company*, India Brand Equity Foundation, United Nations Industrial Development Organization.

the country's services sector and seize more of the global market. McKinsey analysis search that widens demand in India, side by side with the multinationals' desire to variation their production to add low-cost install in countries other than China, could at one time help India's manufacturing sector to grow by 2025, to \$1 trillion, while creating 90 million domestic jobs. For this opportunity, India's manufacturers will require improving their productivity. The country's governments will facilitate by resist barriers in markets for land, labor, infrastructure, and a few products.

Manufacturing industries are vital for a country's and economy because they employ huge labor force and produce materials required by national infrastructure and defense. However, some of the manufacturing industries are not favorable to the nation because they generate a negative effect with huge social costs. The manufacturing industry generates a lot of money, employment, etc.

### **CRM in Manufacturing Industry**

To be ready for the changing economic situation and, in particular, to a cursorily decreasing inflation rate scenario manufacturing industry has started timely to focus on developing a CRM. In a growing competitive industry, the pressure is on to obtain new customers, retain existing ones and treat them all with the same high level of service. During these times of economic change with declining new product revenues, reduce service revenues from reducing equipment utilization, and raised customer service expectations, farther-looking manufacturing industrial companies are turning to CRM as a tool for improving customer relationships to meet these raised expectations and to derive raised customer value over the lifetime of the relationship. Customers who receive worthy and knowledgeable service not only want to encore the positive experience they also wish to share it with their family and friends.

In the world of production, manufacturing companies can't afford to ignore the requirement of customers and overall service experience of their customers. Creating permanent customer relationships is the name of the game. CRM allows manufacturers to create the smoothest process possible by setting up signaling that ensures that customers obtain the products they want when they need them. CRM gives easy access to view all customer and supplier information and interactions. CRM helps manufacturers to respond quickly to customer demand while at the same time lowering their operational costs.

### **Benefits of CRM in Manufacturing Industry**

Benefits of using CRM in the manufacturing industry are as follows:

- **Better Communication**

CRM helps in better communication within the company. The sharing of data of customer between various departments will help in increasing the profitability of companies and enable companies for better service to customers.

- **Good Customer Relationship**

One of the best benefits of CRM is getting better customer satisfaction. CRM help for providing better services to customers via an understanding of their intention and this helps to raise customer loyalty and diminishing customer agitation. Companies also receive feedback from customers and supplier regarding products and services.

- **Maximize Selling**

For selling maximize company's interacting with the customers and getting an idea about wants, patterns of purchase, and needs of customers. The details will be stored in a central database, which is readily available to all company employees. The employees can promote their products to customers. CRM is allowed selling which is giving customers premium products.

- **Increase Company's Revenues**

With the help of CRM, companies ensure that the product and service reach all customers. CRM will be able to increase the revenue of the company. Using the data collected for betterment marketing campaigns in a more effective way.

- **Optimize Marketing**

CRM will be able to understand customer needs and behavior and identify the correct time to marketing the product to the customers. CRM will also help in idea the most profitable customer groups. The CRM is that it helps to manufacture industry use human resources and technology gets insight into the value of customers and the behavior of customers.

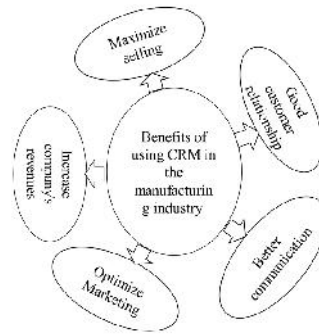


Figure 1: Benefits of Using CRM in the Manufacturing Industry

### Problems in CRM Implementation

There are several problems which face CRM implementation are described below:

- **The Absence of Framework**

The company should have a clear set of goals which it would like to achieve through the CRM. These goals need to be defined and listed as measurable metrics. Without doing so, the company can't assess the benefits.

- **Integration Going Wrong**

In CRM implementation if the different verticals of a business are not united, the result won't be as expected.

- **The Absence of Status**

CRM is not a technology process it is a business process change that is supported by technology. If the business still believes it as a part of IT, there are bound to be problems.

- **Outdated or Incorrect Data**

The data used for business needs to be accurate from the start. The organization often relies on unverified data that could be incorrect. Without verifying information, organization efforts and resources could be wasted. Customer information changes usually, whether a consumer has moved to a new place or has changed purchasing habits, service will not be effective if the organization is believed on information that does not update as customers' change lives.

- **Change**

Resistance to change is normal. People cling to habits and the status quo. Newness faces some resistance from employees, as they are pulled out of their comfort zone. CRM helped numerous manufacturing industry achieve results in the areas of driving loyalty, improving operational efficiencies and effectiveness, and lowering IT costs. CRM delivers strategic value and competitive advantage, enabling them to better manage relationships throughout the service lifecycle and across the entire demand chain all from a single enterprise-wide platform.

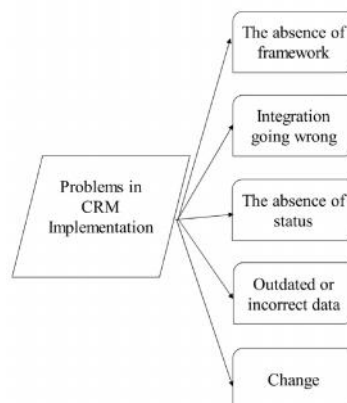


Figure 2: Several Problems in CRM Implementation

### CRM in Manufacturing Industries

CRM helped to manufacture industries to achieve results in the areas described below:

- **Improved Customer Satisfaction and Visibility**

CRM helped in improvement in customer satisfaction, communication among sales teams, and increase in customer information.

- **Enhanced Coordination Across Business Units and Sales Effectiveness**

CRM helps in increase in aftermarket parts revenue and increase sales productivity of companies.

- **Enhanced Service and Sales Collaboration with Network**

CRM also reduction in lead distribution time and distribution costs, improvement in lead follow-up rate by distributors.

- **Delivered Superior Levels of Customer Service**

CRM increase in service efficiency, improvement in on-time service.

- **Increased Campaign Effectiveness Driving New Business Development**

CRM identified new opportunities in manufacturing industries.

- **Lowered Total Cost of Ownership of IT Infrastructure**

CRM decrease in annual IT budgeted costs of companies.

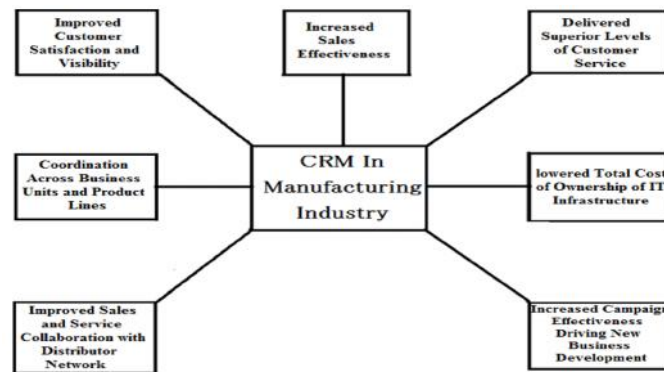


Figure 3: Effect of CRM to Organizational Performance in the Manufacturing Industry

Source: An Oracle White Paper Updated April (2006) "The CRM Imperative for Industrial Manufacturing"

### Conclusion and Recommendation

This study examined the effect of CRM on organizational performance in the manufacturing industry. In today's highly competitive environment, an increasing number of companies have realized the consequence of becoming more customer-centric. They invested many resources and time in CRM. CRM helped many manufacturing industries achieve results in the areas of improved customer satisfaction and visibility, increased sales effectiveness and coordination across business units and product lines, improved sales and service collaboration with distributor network, delivered superior levels of customer service, increased campaign effectiveness driving new business development, lowered total cost of ownership of IT infrastructure.

A successful CRM, therefore, requires a combination of cultural change, managerial commitment and a combination of resource and technology to obtain the needed result.

Recommended based on the findings from this study.

That there is a requirement for the manufacturing industry to have a good relationship with their customers to sustain competitive advantage. That organization should take cognizance of their organizational structure to attract and retain qualified employees that can contribute positively to manufacturing industry performance and that brings about a strong and positive relationship. That training and development that are directed at building lasting customer relationship should be periodically given to all employees.

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