

# CRM Scale Development and Validation in Indian Telecom Sector

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## ABSTRACT

*This paper develops a reliable and valid CRM (Customer relationship management) scale regarding the Indian telecom sector. A review of literature on CRM was followed by depth interview and questionnaire survey. The exploratory factor analysis is performed with the first half of the data to identify the major CRM dimensions based on which authors have proposed a construct, which is confirmed through confirmatory factor analysis and validated through Structural equation modelling by using the other half of the data. The covariance model shows CRM in Indian telecom sector as a multidimensional construct comprising of factors namely competitiveness and reliability, support feature, relationship quality, transmission quality, technological edge and reputation. The structural model validates the previously extracted factors along with their indicators. The findings of this study validate the belief that CRM is a multidimensional construct and serves as a critical success factor for business performance. The proposed scale helps to identify issues that contribute to CRM in Indian telecom sector and formulating strategies accordingly, resulting in efficient (in terms of cost) and effective (outcomes) CRM practices.*

**Keywords:** *Confirmatory Factor Analysis, Customer Relationship Management (CRM) Scale, Exploratory Factor Analysis, Indian Telecom Sector, Structural Equation Modelling*

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## INTRODUCTION

In the prevailing competitive scenario engulfing the world today, organizations are increasingly facing intense pressure to excel or even survive. Even the common people from all walks of life and from all the corners of the globe have been struggling hard to keep pace and stay in fray

in such a fierce environment. The industrial scenario is no different. Corporate executives have been working overtime to achieve business excellence by striving to find solutions to those problems which have often plagued their counterparts in other parts of the globe. The message is amply clear: the gospel of globalisation has come to occupy centre stage.

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The initial focus on price, which had dominated the competition before, has now shifted to both price and quality. Today, customers are more powerful than ever before, and are demanding quality in products, services and also in their life. They have also become increasingly discerning and have started looking for options more in tune with their basic needs, requirements and self-esteem. Today, customers are demanding quality in services and are prepared to even pay a premium for getting a better quality product or service.

In the business world today, one of the biggest challenges is customer retention. Increasing competition for more consumers has led companies to refine or provide extra value to services that they provide in order to differentiate themselves from their competitors. According to a study conducted by the Institute of Environmental Research (IER), only 4% of unsatisfied customers will actually complain about poor service, but of the 96% who do not complain, 90% will not continue doing business with that organization. Even more important is the fact that each dissatisfied customer will tell at least seven other people about his/her experience (Rintjema, 1999).

Telecom Sector, around the globe has been recognised as one of the prime support services for rapid growth and modernisation and a key tool for ensuring socio economic development. Over the last decade technological improvements and globalisation has led to the creation of a very dynamic trading environment providing many potential opportunities, but hidden risks for telecom companies (Maria *et al.*, 2009). Management approaches and techniques have emerged to guide companies to achieve sustainable growth and yet remain competitive. Companies involved in the telecommunication sector are operating in an environment which is characterised by an extremely accelerated growth pattern both in terms of technological improvement and economic performance.

Studies investigating the expansion of the telecommunications sector and its convergence with broadcasting and IT industries in the late 1990s tend to employ various approaches such as the analysis of the vertical structure of the industry and competition (Krafft, 2003) and the examination of performance shifts through changes in an organization, regulation, technologies and markets, the former focuses on industry evolution whilst the latter mainly concentrates on changes in interface standards and other capabilities connecting various operating activities (Ulset, 2007). The two approaches are analogous with the theories of competitive v/s. resource-based strategies where the former takes into account the companies' external environment while the latter builds on their internal capabilities (Adner & Zemsky, 2006). Indian telecom sector has undergone a major transformation through strategic policy reforms over the last decade (Oberoi & Sagar, 2009). The transformation era started with the formulation of National Telecom Policy in 1994. Indian Government adopted a phased approach for reforming the telecom sector. It played a proactive and positive role in developing the telecom sector and encouraged both public and private players to contribute in its development.

India has emerged as one of the fastest growing economies in the world, with spending on infrastructure and consumption growing at a rapid pace. Telecommunications is part of the basic infrastructure needed for the expansion and development of a national economy; and is therefore rightly recognised as a catalyst for competitiveness and investment. The Indian telecommunications industry is abundant with exciting possibilities (Sagar *et al.*, 2009). It is the world's second largest market after China in terms of wireless connections (Ministry of telecommunications, annual report, 2010-11). This success can be attributed to the regulatory strategy of encouraging the private players and maintaining a competitive environment.

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