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**Research Paper**

**Implementing CRM – A Study in relation to Selected Logistics Organizations.**

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**ARTICLE DETAILS**

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**ABSTRACT**

All customers do not contribute equally in the profitability of the company as different customers buy different quantities of different products. It has been observed that 80/20 rule will often prevail in it, i.e. generally 80 percent of the profit comes from 20 percent of the customers. However, a customer can choose an average service at an average cost, nearly perfect service at an extraordinarily high cost, over low cost but poor service. Although this philosophy is customer oriented through its integration of logistics activities and customer contact, it presupposes on optimal cost service mix. Hence the greatest challenge of customer service management is to locate the opportunity for real profitability of customer service, followed by the development of appropriate strategies to capitalize the situation. In other words, while formulating customer service strategy, it is essential to have a proper cost benefit analysis of the service, because any increase in the service level will need to increase the cost of the service mainly due to the requirement of additional facilities, which will also generate additional sales volume to some extent due to further motivation to customers. While calculating total customer service cost, the following elements of cost should be properly taken into consideration: Inventory carrying costs for required level of services to meet unexpectedly high levels of demand. Cost incurred in the reduction of replenishment cycle time (speedier order processing and transportation). Costs involved in reverse logistics system in case of defective delivery, involving cost incurred in movement of defective return goods from customer for recovery and cost of verification, rectification and redocumentation of return goods along with its redelivery to customer. Cost involved in the continuous evaluation and appraisal of the system. Fixed costs incurred in the development of service consistency, such as development of information systems and internet connectivity for real time communication of information and other logistical infrastructure.

**1. Introduction.**

The focus of the research paper is more on internal organizational gaps evaluation for taking appropriate corrective actions and end users, whereas our point of view is in the logistical perspective of core competency which focuses more on marketing intermediaries specifically. Hence, a more comprehensive analysis is required which should be a blend of both internal and external gaps. The measurement of the company's service capability needs an analysis of the various gaps in service quality in terms of perception and desire of the customers and the company itself with respect to the service levels. The analysis can further measure the actual service levels offered by company, cooperative service levels offers by competitors and desired levels of service for the product itself as well as for a competitive advantage. The basis for perceptions and desire include past experience, industry standards, and standards for competitors and situational requirements. The two broad categories of critical discrepancies or gaps that may exist in the desired and actual levels of customer service are major and minor gaps.

**1.1 Major Gaps.:** Major gaps have a direct impact on customer satisfaction and performance and are crucial for long run association with loyalty. This ultimately reflects customer response in terms of sales revenues. This gap analysis measures

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the magnitude of each discrepancy, facilitating managers to take corrective actions at the most appropriate time for the improvement of customer service quality. Ignorance of major gaps cost to the company in a big way the major gaps may exist in the following ways:

Gap 1: The gap between the present level of customer service and the corporate vision about customer service, discrepancy may exist between the company's customer service and the present customer service standard, which results into wastage of resources.

Gap 2: The second gap may exist between the present level of customer service and service levels prevailing in the industry. Any discrepancy in it will have a negative impact on the corporate image and the customer motivation towards trade and business.

Gap 3: This gap is the outcome of discrepancy between the present level of customer service and the customer's expectations about the service standard. This gap results in the lower commitment and loyalty of customers towards qualitative results of marketing.

Gap 4: Sometimes, a gap may exist in the present level of customer service and the service levels needed for the product itself or for creating competitive advantage in the market place. This gap generally adversely affects volume of sales and market share.

*1.2 Minor Gaps.:* Minor gaps are those gaps which will not have any immediate impact with regard to wastage of resource, customer loyalty, motivation and commitment, sales volume, market share, etc. But, they may become major factors of discrepancy in future if; proactive actions are not taken for prevention. Minor gaps may occur in between:

- Corporate vision about service standard and service standards needed for products or for competitive advantage at par with the prevailing service standard in the industry.
- Customer expectation about service standard and prevailing service standard in the industry as well as service standard needed for products or for competitive advantage.
- Corporate vision about the service standard and the expectation of customers about the same Hence, we can use this gaps analysis as a systematic methodology to conduct a comprehensive service quality audit in order to identify discrepancies so that improvements can be made in customer service standard and strategy.

## **2. Implementing CRM in Supply Chain Management Process.**

### *2.1 How Customer demand triggers a supply chain Reaction:*

What happens when a Blue Dart customer in Delhi decides to use its services for all India destinations. The impact reaches far and wide, to hundreds of more customers if the services given to him are the best. To meet such types of demand of its daily and regular customers the company uses all the current methods such as Order to delivery time, reliability of deliveries and availability of order status information. The customer can expect delivery of ground logistics by 48 to 72 days depending on the destination to be catered. By Air logistics this time taken is less, within 24 to 48 hours. For connecting very good connectivity of the goods, Blue Dart is nowadays using fleet of own aircrafts and trucks for the delivery of the shipments.

The liberalization process of the economy which started in 1991 was quickly followed by the logistics revolution where new players enter this industry and attain growth very fast during these years. The established companies such as Blue Dart, CONCOR, Pafex, Gati and DTDC controlled the organized logistics sector in there segments for so long by providing quality services to their customers and vendors. These companies are equipped with state of art technology and with high availability of skilled manpower. They are characterized by large variety and large quantities of services in which they deal and have knowledge about major inputs. They also have divisions and product lines at multiple locations. The opportunity For these companies therefore exists in leveraging their expertise in supply chain management for contribution to competitiveness and profitability. The market and the logistics industry can be described to be under the following influences:

- *Globalization*
- *Intense Competition*
- *Demand for greater customer service*
- *Poor infrastructure*
- *Sluggish growth in demand.*

In past, these logistics companies decided their services levels on the considerations of proximity to the sources of finance. The current trends to set up short term financing and long term financing have supported the working dimension of these companies, they now go for quality working systems and satisfy the customers. Apart from the cost of transportation, these companies have to carry high inventory levels of the shipments. On the other hand, road transport is not in the organized sector and even the large transporters own a small fraction of fleet. While the new branches coming on stream in the North, South, East and West have a new challenges paradigm. These companies has to take logistics related issues.

Pafex study on ground logistics dimensions revealed an interesting fact that major players engaged in ground logistics services to their respective customers are not able to satisfy their customers due to non availability of proper transportation networks in some parts. Given the infrastructure scenario, it is obvious that road transport is going to play an increasingly important role, both for inbound and outbound logistics in India. Under the circumstances it is imperative for these logistics companies to develop strategies based on long term relationship with logistics services providers. The current practice followed by these companies in most cases to invite annual or seasonal tenders to control transport cost or to augment vehicle availability by introducing a large number of transporters have practically become ineffective. The transport rate negotiation model developed by Container Corporation of India is based on the principles of fair return on investment, long term relationship, sharing the benefits accrued due to methods, improvements and increasing volume of business. In an experiment by Gati Ltd to meet the challenges of dramatically increasing of shipments by ground logistics mode one such agreement was negotiated resulting in mutual benefits as indicated below. Dramatic increase in the tonnage transported within one year. Transport and consignment rates remaining uniform over a three year period.

### **3.Latest Customer Relationship Operating Model adopted by the Supply Chain Organizations.**

*Pafex Case:* This organization faced customer service issues. The order cycle times were unpredictable and order fulfillment rate was only 70 percent. While the distributor maintained two months inventory at any time, the inventory position was sub optimal resulting in inability to fulfill orders. Solution: The Franchisees started an initiative to provide predictable customer delivery times, improve the order fulfillment rate and optimize the inventory position. A model was developed which could predict customer service level and distribution costs for various scenarios. A distribution network was designed and implemented which minimized logistics costs for an acceptable level of customer service. The exercise involved the following, Identification of current and proposed warehouse locations and analysis of warehouse costs, Identification of inbound and outbound transportation costs for each stocking location, Establishment of benchmark productivity indices for warehouse, Survey of customers to establish service level expectations, Evaluation of supplier locations and impact on optimal network, Analysis of influence of changing demand on logistics costs. Results: The model was used to arrive at a distribution network with minimum logistics cost for a given service level. A sensitivity analysis was possible using the model to find out impact of the changing service levels. The resultant network had only eight stocking locations providing 90 percent order fulfillment with required delivery times. The logistics costs came down to 5 percent of the turnover and the average stock levels came down.

Information and Measures: For an initiative of the magnitude of supply chain management to be successful, one must first know what one wants to get from the exercise and progress should be monitored on a timely basis. Examples of success factors include reduction in inventory coverage, reduction in overtime and rework. These success factors should be stated in quantitative terms. Availability of the information to monitor the accomplishment of these success factors becomes crucial to judge the success of the exercise. The information requirements should be clearly defined to measure the accomplishment towards these success factors.

### **4. CONCOR, Trends a new measure for winning dealer loyalty:**

The company is sharing its sales policy for 2008 – 09 with its dealers in writing. In a noble move, Container Corporation of India has for the first time enunciated its sales policy of 2008 – 09 to its dealers through a written document. The company's intention is to bring about more clarity and transparency in its dealings with dealers. CMD says this is a breakthrough of sorts. No company has ever issued a written document on its dealer policies. These are usually conveyed orally. This will help build confidence among dealers, convince them that there is no backhand dealing or differential treatment. Though the policy was conveyed orally to dealers in April 2008, the booklet is now ready and will be circulated to its dealer's nationality. The company has printed over 4000 booklets to be distributed to all multi brand cargo container dealers, behind its own exclusive 3000 dealers. The document describes Container Corporation of India targets as to offer profitable business proposition for its dealers, to ensure equality among the dealers and enable them to compete on a level playing field, to present a consistent and uniform policy and to improve market prices and dealer profitability. The development of new customer service strategy after incorporating customer service requirements for product or competitive advantage, a new customer service strategy is developed taking into consideration two major aspects prevailing customer service standard in the industry offered by competitors. This analysis is very significant for understanding the relative performance, pitfalls in the present service strategy, understand the mechanism that how the strategy can create a competitive edge, and identifying the ways and means for implementation of new customer service strategic system design and service expectations of customers which emphasize must be given on understanding of service requirements of customers.

While firms focus on the service needs of their customers, they need to measure the contributions made by respective customers in terms of profitability. Otherwise, the whole exercise of rationality will become futile. In other words, firms must undertake a cost benefit analysis in terms of capability of proposed customer service in generation of additional sales volume and customer loyalty, and additional cost incurred in new customer service standard. Customer service is a multifaceted concept which is gaining importance significantly to generate a competitive advantage. It has been recognized as a very important instrument to keep customer happy, loyal and well motivated towards trade and business these days. Customer's service ensures cost efficient value added service to customers.

## 5. Customer Order to Shipments delivery:

### 5.1 Best Practices at DTDC Pvt Ltd

The cargo and logistics company DTDC set up its integrated supply chain in end 1996. The strategy was to make entire process from the hub offices to the spoke offices to the customer transparent since the order to delivery cycle was taking as long as about 21 days. To curb this problem the company used latest delivery and pickup techniques to book the shipment from the origin and deliver it at the required destination. These techniques were Online booking, Online traction systems, Consignment note scanning process, Using fast moving pick up and delivery vans. Due to these systems usage successfully today the order to delivery cycle takes just seven days.

## 6. Customer Order to Shipments delivery:

### 6.1 Best Practices at Blue Dart Express

The new process brainstormed by the Blue Dart officials using the objectives as filter, is represented in the figure. Building up on the new, process is laid down, linking from order raising locations, to billing locations, including internal sub processes involved at billing locations, including internal sub processes involved at billing locations, At order raising location, the sales person in charge hands over an evaluated and a valid order and order placed by the customer to SOCE( Sales order Control Executive) an interface between order raising and billing locations on real time basis, Sales order control executive registers an executable order directly on hub offices through Internet server connectivity to trace the locations of the shipments. Countrywide order priorities are routed electronically from Luck now/ Hyderabad say for example, all the booking here is done Online by Blue Dart Express. For success of this, Blue Dart operates personnel across the country that is trained on equipment handling to ensure quality delivery to the customer. The daily day's dispatch schedule at office/ warehouse is generated in line with System through the system considering Priority orders, Order qualifying for dispatch today as per customer required date, machine availability, excise funds availability. From the final dispatch schedules, order wise shipment handling are allocated on FIFO basis documents and labels are generated through the system. Shipments are picked up by cargo vans for direct delivery to customer and dispatch details are transferred back to order raising location through Systems software.

## 7. GATI'S new system of Bar Code Scanning:

The bar code systems are identification technology that facilitates speedier flow of logistical information such as quick tracking receipts, movement details, product identification, etc, with a lesser probability of error. It refers to the placement of computer readable codes on items, cartons and containers. It is grouping of parallel bars of different widths separated by light spaces, usually white again of different widths. These bars black and white again of different widths are used to define a particular character which can be identified by an electronic scanning machine system. These wide black bars, narrow black bars, wide white blank bars and narrow white bars are used to define a character. This is the most important method used nowadays by all these companies with perfection. This system helps the customer very much by proper checking of their shipments at every stage from the origin to the destination. It also maintains the Quality of customer satisfaction.

## 8. Conclusion.

Customer service is the measure is the measure of how well. Customer service is the measure of how well the logistics system is performing in providing time and place utility to a product or service. Customer service and customer satisfaction do not mean one and the same. Customer satisfaction represents the customer's overall assessment of all elements of the marketing mix, product, price, promotion and place or distribution whereas customer service is a part of customer satisfaction. Customer service is defined as an activity or function to be managed, such as order processing or handling of customer complaints, Actual performance on parameters such as ability to ship orders within a certain period, Part of an overall corporate philosophy. The essence of demand management is to improve the ability of firms throughout the supply chain particularly manufacturing through the customer to collaborate on activities related to flow of product, services, information and capital. The desired end result should be to create greater value to the end user or consumer. The number of ways in which effective demand management will help to unity channel members with the common goal of providing efficient customer service and thereby satisfying customers and solving their problems are as stated, Gathering and analyzing knowledge about customers, their problems and their unmet needs, Identifying partners to perform the functions needed in the demand chain.

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