

IMPROVING CUSTOMER RELATIONSHIP MANAGEMENT (CRM)

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ABSTRACT

Relationships have increased in importance in the field of business and marketing in the recent past. This importance can be linked to the changing nature of competition and technological developments. In this context, the question that has been posed is how these two factors affect the development of relationships. In the case of competition relationships can serve as the basis for competitive advantage, while technology serves as the enabler of relationship building.

The focus of this article is a theoretical discussion of the technological developments and their application in the CRM context in the implementation of CRM strategy. The article examines the nature of CRM and the components of the various technological CRM systems as well as the specific types of systems that can be used in relationship building, concluding with a discussion of specific technological tools in the CRM context.

***Keywords and phrases:* CRM; Interactive CRM; Information technology**

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LITERATURE:

CRM is a marketing paradigm whose central theme is the idea that organizations need to shift their thinking away from short-term, transactional exchanges with all customers to building long-term collaborative relationships with key customers. It has been defined as ‘a strategic approach that is concerned with creating improved shareholder value through the development of appropriate relationships with key customers and customer segments A key characteristic of CRM is its ability to unite the potential of relationship marketing strategies and IT to create profitable, long-term relationships with customers and other key stakeholders There is a large literature on the strategy component of CRM, including discussions of the philosophical foundations, examination of strategic underpinnings and identification of organizational conditions conducive to successful CRM implementation.

However, a small but growing stream of research has focused on the role of CRM technology either as a central study focus or as part of a larger CRM study. Issues addressed in these studies include the extent of CRM technology adoption, the uses to which adopting organizations put their CRM technology systems and the benefits they have derived from implementing CRM technologies. These are examined in this section. However, first we address the broader issues of organizational awareness of CRM as a concept, and their perceptions of what the concept entails.

CRM awareness and perceptions – One of the interesting findings from previous CRM research is the notion that, in any national context, organizations differ in their level of awareness of CRM principles. In any given country context, some organizations may not even be aware of the concept as a framework for managing relationships with their customers, whereas those that are aware may have different understandings of what the concept entails. For example, CRM can variously be perceived as a philosophy of business, a strategy implementation tool or simply an IT. Accordingly, in an emerging market such as the study context of Saudi Arabia, it is important to know the level of CRM awareness, and how organizations perceive CRM.

Technology and CRM

- Everything about CRM is information technology-driven. Technology is pervasive from the basic user-friendly interface to complex back-end database and knowledge management systems. Massive databases are the heart of any CRM system. Data is collected from multiple sources ranging from data entry from customer service personnel to online data collection forms made available to the customer via a web browser. Sales executives or customer service personnel can access this data via the worldwide web, an extranet relationship with a corporate partners or an internal corporate intranet. Given the rise of PDAs and smart phones, many companies offer CRM mobile applications to sales executives in the field.

Technology Components

- CRM applications have three primary technology components that are referred to as customer touch points, applications, and data stores. Customer touch points are the primary human interface with customers. This is the beginning of the sales process. Sales people or customer service personnel communicate with the

customer and input data into the system. Or, with the web, this interface could be through an online form where the customer is asking for more information. Applications is the software interface between the customer touch points and corporate databases. Data stores represent the data stored in the databases as well as the knowledge management systems designed to interpret the data and map out customer buying habits or buying behavior patterns.

The Future of CRM

- The future of CRM is in simpler, low-cost, high-tech implementations, all in an attempt to make CRM systems more flexible and accessible to small businesses as well as large corporations. According to Destinationcrm.com, future CRM technology will include: VOIP technology; speech recognition technology for customer service interface, CRM application service providers where companies pay a monthly fee to access CRM technology, social networking applications and many more. As the global economy expands and competition increases, a CRM system can make the difference between keeping a customer and losing a customer. So, CRM technology will evolve as necessary to service this increasing demand.

Many of the challenges in the business world today result from the innovations and advances in the global economy and the management strategies that are directly tied to the evolution of technology. Technology is changing the way we consume products and services through the Internet. All the different forms of business, including B2B (business-to-business), B2C (business-to-customer), and C2C (customer-to-customer), are processed faster, easier, and with more convenience through online transactions. These online transactions give the potential to attract customers easier, retain existing customers, produce higher profits, and increase revenues faster. The benefits of the Internet are many and evolve with the growth of technology designed to leverage that connective power to customers, especially for the average individual with routine needs and demands. Although businesses are reaping the benefits as well, with these opportunities comes many challenges and an enormous amount investment required in order to dealing with the increasing competition.

If a consumer makes a poor decision, or ends up with a deficient product, it can be very costly as customers seek alternatives that are sub-optimal. In terms of basic CRM

(customer relationship management), one of the best ways to safeguard against making a poor decision in any purchasing process is to become an informed buyer, thus avoiding the costly error of lack of customer retention and resultant loyalty. The difficulty of attaining a satisfied and empowered customer is largely dependent on the number of alternatives that are available for a given purchase. The situation does work both ways, as the larger the alternative set, the longer it will take to make a well-informed decision, as in the case for the automotive consumer.

ANALYSIS AND RESULTS

CRM awareness and perceptions

Sixty-four respondents (55.7 per cent of the sample) indicated that the term ‘CRM’ is used in their organizations to describe a specific aspect of their operations or a specific business process, that is, that they are aware of the concept of CRM. The majority indicates that CRM is viewed as a philosophy of business (50 per cent), whereas sizable percentages indicate that it is viewed as a strategy development tool (37.5 per cent) or as an IT tool (21.9 per cent). Five respondents who selected the ‘Other’ response option listed attaining customer satisfaction, communication with end-users, and an important part of business as alternative views of CRM in their organizations.

Sixty-three respondents (54.8 per cent of the sample) indicate that their organization has a formal IT system for gathering, analyzing and disseminating customer information across functional departments. Forty-eight per cent (48 per cent) of these have it as part of a broader corporate ERP system, whereas the remaining 52 per cent have it as an independent system. A little over 50 per cent of those with formal systems have implemented their CRM systems within the past 5 years. Altogether, 95 per cent of organizations with CRM have implemented their systems within the past 10 years, a result that is consistent with the history of CRM growth in the Middle East and North Africa region.

Not surprisingly, there is a high degree of association between existence of a formal CRM system and whether or not the term ‘CRM’ is used in an organization. The term is more likely to be used in organizations with formal CRM technology systems than in those without. Seventy-nine per cent of organizations with formal CRM systems also specifically use the term, compared with only 27 per cent of those without such formal systems. The difference is statistically significant ($\chi^2=31.06$; $P<0.0001$).

LIMITATIONS AND FUTURE RESEARCH

The present study has some limitations that should be taken into account when interpreting the results or generalizing them beyond the study context. First, the CRM technology adoption rate in the study is relatively high when compared with adoption rates reported in the literature. For example, a 2001 study of US companies by Intellor Group, Inc. (cited in Anonymous) found that only 14 per cent had accepted and deployed CRM initiatives, whereas a similar study by Gartner Group found that roughly 3 per cent of European companies surveyed had fully implemented a CRM project. The high adoption rate in the present study may be due to the stratified sampling approach adopted, and the particular sampling goal of including a large enough sub-sample of CRM adopters to enable assessment of other objectives of the research. This caveat is reinforced by the finding that larger organizations (which were disproportionately sampled) are more likely to have formal CRM systems than smaller and medium-sized ones. Future studies may need to adopt a simple random sampling approach to establish the true rate of adoption among all Saudi organizations.

Second, three key CRM categories have been identified in the literature, namely operational, analytical and collaborative CRM. Although the CRM usage dimensions examined in the present study fall under some of the categories (particularly operational and analytical CRM), the study did not explicitly distinguish among the operational, analytical and collaborative aspects of CRM. Future studies might consider introducing this nuance into examination of CRM adoption in Saudi Arabia.

Third, with the widespread diffusion of the Internet and mobile communication technologies, operational CRM has itself evolved into two variants – eCRM (based on integrating web technologies and e-business applications with traditional CRM techniques) and mCRM or mobile CRM (based on linking eCRM with wireless tools such as mobile phones, PDAs or laptop computers). The present study did not examine to what extent these technologies have been adopted by the surveyed organizations. Future studies may examine the level of adoption and usage of these technologies.

Fourth, IT's involvement in an organization's CRM can conceptually be at one of three levels – (a) data are collected manually but IT is used for the analysis (IT-assisted CRM), (b) IT is used operationally for customer interaction (IT-automated CRM) and (c) IT is fully integrated into both operational and analytical aspects of the CRM system (integrated-CRM). Related to this is the distinction between legacy IT systems and adoption of specialized CRM technology. These were not explicitly examined in the

present study. However, the questionnaire tried to capture the adoption of specialized software systems by asking respondents to indicate whether or not they have a software system specifically dedicated to CRM. Nevertheless, an improved understanding of CRM in Saudi organizations can be gained by addressing these additional issues.

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