

A critical analysis of Customer Relationship Management from strategic perspective

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Abstract— Customer relationship management (CRM) is the collection of Processes, people and technology that seeks to find costumers of organizations. CRM develops customers' retention and relationship. Progress in Information Technology and organizational changes in customer-centric procedures have positive effect in the development of CRM. Organizations which implement CRM successfully, will gain customer loyalty and profitability. One reason of CRM failure is, viewing CRM only as a technology, but to make it successful organizations need to integrate and make balance between process, people and technology. An attempt is made to gauge the impact of environmental elements Viz., Political, Economical, Social and Technological factors on CRM. SWOT analysis is also done and based on the analysis few suggestive strategies and tips are recommended to make CRM practices successful.

Keywords—CRM; Customer centric; Customer retention; SWOT

I. INTRODUCTION

Today, CRM plays the pivotal role for strategic position of an organization. CRM focuses on the integration of customer information, knowledge for finding and keeping customer to grow customer lifetime value. It also has an important role to help organizations to keep their customers and to make them loyal. Organizations should know the reasons of leaving customers and finding the ways of keeping them (Raghu Ramakrishnan, 2005) [14]. Therefore CRM role is more important in customer retention and by regarding the importance of CRM, the analysis of CRM seems to be necessary.

II. BACKGROUND

CRM comes in 1980. In an early stage of development it was similar to Customer Information System (CIS). The first generation of CIS had single function solution for supporting specific employees. These days CIS has been ripen to CRM,

m-CRM, e-CRM. CRM comes in 1990s and has been the most important strategy of customers and businesses for organizations that they invest in CRM.

Progress in the 1990's

At this time organizations started to improve in CRM by making bilateral relationship. Not only organizations gather data for own uses but also they use them to improve customer services to increase the motivation of customer loyalty by giving promotions, gifts, bonus etc. On that time CRM increased sales and also improved customer service.

True CRM comes of age

Real CRM began early of this century. CRM improved in recognizing the customers' needs and behaviors. Advanced solutions were flexible for different industries and they were feasible to use data and information in dynamic way. Flexibility of Internet makes easy relationship between sales, marketing and customer service. CRM developed new strategies that accommodated work between understanding, sharing information and goes to increased customer satisfaction. CRM can get more advantages from high technology corporations, financial services and telecommunication industries. Financial services can track the level of customer satisfaction, changing habits on buying and make a feedback to the organizations. One of the companies that released Global CRM was Oracle in 2002 (Lucy P. Roberts, 2004-2005) [8].

III. PEST ANALYSIS

PEST analysis can be categorised into four categories which are: Political, Economic, Social, and Technological forces.

A. The Political Factors

1) CRM for e-government concentrates on the requirements of people who use government online services. Public entities are offering their clients a host of a large number of online options, including medical aid, passport

processing, register complaints, tax filing and disaster help (Dana Norton, 2001) [2].

2) One of the main functions of CRM is gathering customer data so it can present security risks when it is used for e-government; hence CRM application providers should pay more attention to the security aspect during implementing the CRM applications. Especially the data of governments are more sensitive.

3) Global competitors across the globe with technological innovations affect the CRM application to more understanding of global customer's needs for having strong relationship with them. This type of relationship is different as relationship in domestic market so CRM can be affected by different cultures, huge data and so on.

4) Sometimes governments' laws stop the businesses from keeping all client information (such as Social Security Number, Home Number, etc.) at an external location so it can affect CRM due to limitations to use the customers' personal data.

5) In some situations like involving governments in trading agreements such as OPEC, ASEAN or others the customer relationship management should follow some exceptions.

B. The Economic Factors

1) In lower economic performance, organizations or governments need CRM more than others.

2) Today economy is driven by buyers not sellers. There are various types of customers, selling strategies and business models. So CRM should be changed during time to support these models.

3) CRM is more sensitive to rapidly changing market conditions and elasticity in price.

4) The budget of organization also should be considered during making CRM applications; more expensive application can be used only in very large organizations so different types of applications are needed for different budgets.

5) Decreasing in the number of impressive CRM plans results end users asking for more interest in software as a service, more supplier assurances and lower prices.

6) These days lots of businesses tend to contract out CRM. At times, cost becomes the driving factor in outsourcing CRM systems.

7) Low or high foreign exchange position can decrease or increase the power of buying; so it has direct effects in market situation especially international market.

C. The Social Factors

1) Lifestyles: Different life-styles can be used for developing promotion campaigns, product positioning and market segmentations. Hence it has direct and indirect impacts on CRM (Vince Kellen, 2002) [17].

2) Buying habits: For having successful CRM, organizations should learn about the habits and requirements of their customers for predicting future buying models and finding new chances to add value to the relationship (Lucy Fusaro, 1999) [7].

3) Customers' needs at various times: For having a good CRM database, organizations need to store information at various times like customers' economic status or age. Finding customers' various life stages to identify a regular or a seasonal shopper (Ellen Smith, 2009) [3].

4) Employee's business knowledge: Organizations should motivate their employees to be absolutely customer centric. CRM problems come from employee's hesitance to be more customers focused so the result is an expensive customer strategy to retain customers.

5) Customers' IT knowledge: The level of customers' IT knowledge and education also can affect the design of CRM applications; it should be more user friendly for lower levels.

6) Salespersons knowledge: Salespersons with knowledge of selling, spending more time for customers that results more selling and increase in customer satisfaction.

D. The technological factor

CRM applications can use more advantages of technology; CRM application provider can use technology to gathering data, producing knowledge to predicting the behavior of customers and patterns of trade. Central foundation to CRM applications are Data warehouses, enterprise resource planning (ERP) systems and the Internet (Injazz J. Chen, Karen Popovich, 2003) [4].

1) Data warehouse technology: A data warehouse is storage of data. Data warehousing transforms customers' related data into customer intelligence for finding the customers' behavior (Story, 1998) [15]. Some benefits of data warehouse for CRM are:

a) Correct and faster access to information makes facilitate responses to customer requests

b) Preventing duplicate data and filtering to remove bad data

c) By quickly extract, control and drill-down of data makes customer visibility, profitability analysis and retention modeling

d) Advanced data integration and data analysis tools for making better standard reports

e) Calculate present value and estimate future value of every customer

(Injazz J. Chen, Karen Popovich, 2003)[4].

2) Enterprise resource planning (ERP) systems: ERP serves as a strong base while CRM tries to connect front and back office applications to maintain the customer relationship and making loyal customers. ERP systems integrate all functional areas of the business with suppliers and customers (Injazz J. Chen, Karen Popovich, 2003) [4].

3) Internet: By using Internet, customers can reach to the organizations at anytime, anywhere so it sets the stage for a changing model in customer service (Injazz J. Chen, Karen Popovich, 2003) [4].

4) Telecommunication and media technologies: CRM requires social media to better serve customers, build support, enhance the customer experience, help customers in their chosen channels and cooperate with customers (Jacob Morgan, 2010)[5].

5) Computer Language Programming and software: CRM applications made on service-oriented-architecture (SOA), so they are more flexible for innovation (Microsoft Dynamic CRM, 2009) [10]. Today we have new style of information like charts and graphs that they generated by visual profiling programs. CRM can take the advantages of them. Computer language programming makes more functionality tools in CRM applications for instance knowledge management systems, service intelligence systems (Petra Persson, 2004) [13].

6) Data analysis technologies: There are different types of data analysis techniques in CRM; two main of them are:

a) OLAP: Online Analytical Processing collects a group of data from databases that are related with each other in one or more dimensions, like location. For instance, the customers can then earn a more detailed view of the data by their level of access to database (Petra Persson, 2004) [13].

b) Data Mining: By using different ways, data mining can extract information from a customers' data. Data mining helps CRM to find the behavior of customers and patterns of buying, finding market segmentation and finding potential customers. Therefore organizations can predict customers' needs and increase customers' satisfaction. Result is trust to organization and making loyal customers (Angela Haran, 2005) [1].

7) Computer Telephony Integration (CTI): Today not only customers are receiving information but also they are cooperating with the companies. CTI is a technology that mixes telephone systems with computer technology. Two features of it are Interactive Voice Response (IVR) and Automatic Call Distribution (ACD). ACD involves how a call gets routed. IVR is routing based on a customer's response (Petra Persson, 2004) [13].

8) Knowledge Management: Sellers use a lot of information that are related to their work and this information makes selling process easier. Information like historical sales and revenue reports, trade show and promotional event schedules are very important (Khalid Sheikh, 2004) [6].

9) Other Factors: Improving in technology helps CRM to make user-friendly applications, new ways of advertisements and also helps to increase the security of CRM applications.

IV. SWOT ANALYSIS

SWOT analysis is a short form used to describe the particular Strengths, Weaknesses, Opportunities, and Threats that are the strategic factors for a specific company. SWOT analysis can, not only results in the identification of a corporation's distinctive competencies but also in the identification of opportunities that a firm is not currently able to take advantage of due to lack of appropriate resources. Using SWOT analysis helps to gain the maximum out of the future opportunities by leveraging its strengths and alleviate the threats by working on its weakness. It is a tool for verifying and analyzing an organization or company. It helps to concentrate on key issues. Opportunities and threats are external factors. Strengths and weaknesses are internal factors.

A. Strengths

1) **Focus and finding More Profitable Customers:** This is the main strength of a good CRM strategy because those customers will make future profit.

2) **Keeping and maintaining all information about customers by gathering their data:** CRM collects and maintains all the valuable information about the customers so the organizations can know about their customers for predicting their future behavior and producing other valuable knowledge for making more profit.

3) **Increases sales efficiency:** The organization that has good CRM, knows what customer needs. This increases the loyalty of the customer.

4) **Ensures customer satisfaction:** Customers become more dependent on organization so they will not leave the organization when they are familiar with that.

5) **Having knowledge about potential customers and buyers:** By gathering and storing customer data, and then using business intelligence to making information and making knowledge, by use of knowledge management systems, CRM can improves its knowledge about clients. (Angela Haran, 2005) [1].

B. Weaknesses

1) **Overload of unnecessary information for organization:** It can abort the CRM because of making complicated and conflicts in predicting and decision making and also the problem to storage space.

2) **Cannot succeed with new data entered:** CRM cannot be successful with less and new customer's data. To be successful it should be patient to gathering more and historical data, otherwise this could cause the project to fail and the organization losing valuable time and money.

3) **Lack of cultural preparation:** CRM implementation will lead to cultural changes within the organization, especially among frontline staff.

4) **Insufficiently defined activities:** It refers to internal activities in organizations like process time and costs,

employee productivity, data quality and coordination of tasks.

(Angela Haran, 2005) [1].

C. Opportunities

1) **Customer's satisfaction:** CRM can predict the needs of customers by analyzing their data and information and help organizations to approve their needs and predict their future needs so make their customers happier.

2) **Increasing sales base:** Existing customers cause *future* profit so organizations should offer more to them. The sales bases will be increased by including other services or encouragements.

3) **Making better relationship with customers:** Identifying customers, what they need, storing useful data about them and control the relationship of staffs and customers.

4) **Improving customer interaction:** By using new communication technologies in CRM organizations can improve interaction between them and customers. (Angela Haran, 2005) [1].

D. Threats

1) **Decreasing in personal interaction:** Because CRM use technology for its communications, therefore it can decrease the face to face interaction (Using technology can be an opportunity and threat from two views).

2) **Over automation:** CRM can become too computerized and again would go to the loss of personal interaction. Customers prefer a relationship with their suppliers.

3) **Weak combination with back office systems:** If the implemented CRM technology does not interact correctly with the back office system, CRM can't achieve to its goals. Technology separately cannot support fast feedback, continuous interactions, adaption and supporting activity; companies should understand how fill these gaps.

4) **Raising customer expectations:** By providing some unplanned facilities like giving gifts, promotions, bonuses, organizations increase the expectation of their customers, so in future, they may not be able to satisfy their customers and this can cause losing their loyal customers.

5) **Inversing customer reaction on CRM activities:** Sometimes organization completely relies on CRM but it's possible in some segment, because of many reasons like inflation which makes a different reaction to the CRM activities.

6) **Decreasing revenue:** Sometimes like inverse reaction of CRM's customers as mention above cause to lose money and make decrease in revenue of organization. (Angela Haran, 2005) [1].

V. STRATEGIES FOR IMPROVEMENT

Cost leadership: companies can improve their processes and struggle for cost leadership by means of CRM information and data. It means that by integrating CRM into the fabric of their processes, companies can decrease sales and service costs, increase buyer preservation and retention, and lower customer substitute expenditures. This is according to the idea that CRM increases the extent of valuable customer-company relationships. Long time client relationships have result in lesser client management costs. Also, CRM needs companies to compute and control customer relationship costs and evaluate them to the profits each client makes over its lifetime. Then, companies recognize and focus on the profitable clientele (Martin Reimann & Oliver Schilke & Jacquelyn S. Thomas, 2010) [11].

Customer Acquisition: Increase the maximum number of new best customers as soon as possible.

Customer retention: keep and enlarge business and relationship with customers throughout up selling, cross selling and servicing.

Cost reduction: decrease costs associated to customer service, sales and marketing (Thomson, 2007) [16].

Peppers (1990) sum up the fundamental strategies for CRM which consist of:

Customer recognition: The association must be capable of recognizing the customer by means of marketing canals, communication and do the business for an era of time so as to provide worth and value to the customer by serving his need promptly with a right product or service and gaining new clientele.

Customer differentiation: CRM is connected to strategy of differentiation that allows companies to get greater outcomes. This connection is compatible with the sources, situations, Performance structure, with CRM as the basis which lets companies to get a differentiated position that in turn drives company act and presentation. CRM has a more powerful impact on differentiation at high stages of industry commoditization than at low stages.

Customer communication and interaction: One of the mainly significant aims of CRM is to maintain track of client behavior. From a CRM point of view, the client's long time productivity and profitability and association to the company is extremely significant and important. So the organizations should continuously learn about its customer.

Personalization: Treating every client in a different way or exclusively is a main purpose of CRM. Throughout the procedure of personalization, the organization can modify goods and services and make sure that the client gets personalized services.

Burnett (2001): CRM aims and strategies can be grouped in the following types as well:

Enlarged productivity and profitability borders: with knowing and identifying the customers better, attempts can be made to change fewer profitable accounts to lesser cost and service delivery.

Decreased trade and selling administrative cost: Decrease can take place if the organization spell out and has good information about its objective segment clientele. Consequently, the organization will make use of its capital better.

Improve client satisfaction speed: Increase in client satisfaction speed will take place as clientele will discover that the offer is in customers' particular requirements.

Differentiation: Goods or services ought to be better and diverse when compared to competitors (Patrick Amofah, Amer Ijaz, 2005) [12].

VI. MAKING CRM SUCCESSFUL

Concentrate on existing clientele: It is considerably cheaper to keep existing clientele than to obtain new clientele. By preparing employees with fast access to client data, organizations can recognize the right customers better, enlarge their loyalty, and get the most out of their productivity and profitability.

Retain and keep the right clientele: Effectual customer preservation starts with information and knowledge. Organizations and companies ought to collect an absolute client profile that let the consumers to observe all demographic information, communications and interactions, and purchases which is made. This data and information together with strong segmentation and analysis instruments, allows organizations to improved measure the productivity and profitability of every client. Organizations can then make plans and policies proportionate with the client's profitability.

Maximizing client productivity and profitability: Organizations require maximizing the productivity of their current clientele.

Assess the marketing mix: One of the very efficient manners to increase and maximizing revenue chances is by increasing the marketing mix. But for implementing it, marketing sections require end to end visibility into marketing information throughout a united CRM request. Organizations ought to be able to rapidly make campaigns, deal out communications, perfectly track answers and qualify guides.

Make more efficient business procedures: Reforming and automating procedures permits organizations to implement best practices and help employees to focus on superior value activities.

Decrease operational expenses: CRM applications can aid with expenditure decrease in two main methods. It makes easy deliverance of cost effective customer service, and it allows organizations to reduce IT expenditures throughout system merging.

Accurate size service expenditures: As each company desires to present greater and better customer service, this objective ought to be balanced with the requirement to maintain costs down. One of the best methods to reduce costs is throughout automation.

Decrease expenditures by consolidation: Another way to efficiently decrease expenditures is by consolidating systems and getting a more efficient IT environment. (Microsoft Corporation, April 8th, 2009) [9].

VII. CONCLUSION

For any business, victorious CRM steering is becoming more and more significant in today's competitive commerce and business world. Client expectations are for all time growing, and business services must grow along these expectations. CRM is the technique throughout businesses which can attach with their clientele and so serve them better. Businesses and commerce with successful CRM strategy and requests will take in a large increase in sales, client satisfaction, and finally the victory of the business. Make using of CRM technology is serious and critical to keep costs and expenditures low. CRM make powerful employees to get client approaching and correct CRM practices can reach highest enlargement and great success.

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