

## APPLICATION OF CUSTOMER RELATIONSHIP MANAGEMENT IN EMERGING ECONOMIES

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### Abstract

**Purpose-** Relatively few organizations have implemented an integrated approach, which addresses all the key strategic elements of CRM. Even in more developed countries only a small number of businesses have a clear idea of what they should do with information technology in order to successfully implement CRM.

**Design/methodology/approach-** To do so, the literature is critically reviewed and main findings are presented in different categories.

**Findings-** The role of information technology in development of a fully integrated CRM system within any organization is presented in the present paper.

**Research Implications-** In many countries there is still confusion as to what CRM is all about. To some it is about a loyalty scheme, to some it is about a help desk. To others it is about a relational data base for key account management and for others it is about mass profiling the customer base without undertaking detailed segmentation. Findings highlight the realities in the area of CRM application in emerging economies and criticises the existing trends.

**Originality/value-** The present study is among the first studies that highlights the realities in the area of CRM application in emerging economies.

### Conceptual paper

**Keywords:** Customer Relationship Management, Emerging Economies, Challenges

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## **Introduction**

Customer relationship management (CRM) systems focus on coordinating all of the business processes surrounding the firm's interactions with its customers in sales, marketing, and service to optimize revenue, customer satisfaction, and customer retention. The ideal CRM system provides end-to-end customer care from receipt of an order through product delivery. In the past, a firm's process for sale, service, and marketing were highly compartmentalized, and these departments did not share much essential customer information. Consolidation of information became an issue and some type of unification system was needed. CRM systems try to solve the problem by integrating the firm's customer-related processes and consolidating customer information from multiple communication channels, i.e., telephone, e-mail, wireless devices, or the Web.

## **The Role of Information Technology in CRM**

Professor Adrian Payne, Director for Relationship Marketing, Cranfield University, states, "Traditional marketing activities which emphasize customer acquisition are no longer sufficient. CRM recognizes that marketing starts after the sale is over, not when the sale is completed". In future marketing will need much stronger metrics so that strategies can be evaluated rigorously. In considering how CRM should be implemented, information technology has a pivotal role to play in enabling companies to maximize profitability through more precise targeting of market segments and the micro segments within them. "We are now in a new era of technology-enabled marketing which involves leveraging relationships through the use of technology". New and powerful technological approaches involving the use of data bases, data marts, data warehousing, data mining and one-to-one marketing are now assisting organizations to increase customer value and their own profitability (Radovic Markovic & Salamzadeh, 2012). Professor Payne (Customer relationship management, pg 2). Technology can greatly assist in managing the data required to understand customer so that appropriate CRM strategies can be adopted. In addition, the use of IT can enable the necessary data to be collected to determine the economics of customer acquisition, retention and life-time value (Payne, 2006).

Research shows that a 5% point increase in customer retention yields profits, in net present value terms, of between 20% and 125%. Although many managers are now familiar with these findings, research shows few managers know the profit impact of retention in their own business. Some managers may know their customer retention rate but they struggle to understand how changes in this impact their profitability. Few companies segment their customer base life-time value. As a result, they may not adopt appropriate retention and acquisition strategies.

## **Building Business Relationship through Value**

Building successful customer relationship begins with understanding customer's business needs and aligning this understanding with the value that your offering provides. Many companies turn to enabling technologies, such as customer relationship management (CRM) systems as a means for improving business relationships. The following tips should be considered when designing a process with an enabling technology in mind.

1. Process streamlining often comes at approval points.
2. Consider the decision points through the process.
3. Take a close look at points along the process where information may be gathered in an automated fashion.
4. Verifiable outcomes are a key to a process and can be easily tracked in a CRM system.

When designing and automating a sales process, the golden rule is to ensure the process is aligned with buyer behavior. Before implementing a CRM project or launching the next sales improvement initiative, it is important to realize that the selling landscape has shifted in the past four to five years (Colin Gunter, Warren D Shiver II, Contact management. Mclean, Dec2005, Vol, 45). Building successful customer relationship begins with the understanding customers' business needs are aligning this understanding with the value that you are offering provides. Customers recognize the advantages of, and continue to seek long-term relationships with, trusted partners and suppliers. However, to flourish, these relationships must be supported by value propositions that align needs with benefits.

Many companies turn to enabling technologies, such as customer relationship management (CRM) systems, as a means for improving business relationships. When implemented in a vacuum, however, CRM systems almost always fail to produce sustainable business improvements and show little to no return on investments. To make as successful transition to a solution-centric organization, companies must use a holistic change management approach. This begins with a defined sales process that reflects a deep understanding of customer's buying processes. Enabling technologies must be implemented with the context of these processes - not in anticipation of them (Goldenberg, 2006).

## **The Focus on Value**

Why focus on value? Many companies, especially those experiencing flat or declining revenue, seek to develop solutions and value-based customer relationship to create new revenue opportunities and to differentiate themselves from their competitors. As products mature and competitors match key features and benefits companies are forced to seek additional areas of differentiation. Many companies correctly recognize the need to focus on customer value and launch efforts to trans-

form their marketing and sales functions into solution-centric organization. Unfortunately, many also take a localized approach that is often spearheaded with large technology project (e.g. CRM). A common problem in building successful customer relationship is approaching the effort from a localized versus a holistic perspective. One of the most common pitfalls is leading with technology solutions (i.e. CRM) without first addressing the underlying business needs that prompted a perceived need for a technology solution in the first place.

### **The ABC of CRM Success**

In today's business world CIO are focusing on gaining competitive advantages through customer-facing strategies. CIO has realized that companies must create customer loyalty and building business value by improving sales tools and understanding consumer habits. But it's also well-known that many companies faltered in their CRM initiatives, and satisfaction levels are still abysmal. The drive to gain a comprehensive view of the customer has outpaced some companies' ability to deploy scaled successful CRM projects. It would seem that the end of CRM is at hand. Many organizations are highly entranced in their CRM efforts and continue to spend a great deal of time and money to leverage its greatest benefits. According to Forrester, businesses were expected to spend more than \$3 billion worldwide on new CRM software licenses in 2005. The total spending on CRM including maintenance, integration, and related hardware and software will exceed \$12 billion. Unrelenting pressure on businesses to differentiate the customer experience they offer from that of competitors spurs demand for further investments. To many CIOs, CRM is falling short. Among the 94 business and IT executives Forrester recently surveyed, only 10% strongly agreed that business results they expected to achieve have been met or exceeded. Only 14% strongly agreed that their CRM applications had improved end-user productivity.

### **Ten Best Practices of Outstanding CRM**

There are ten best practices that lead to outstanding results in five areas: governance, process management, data management, user adoption, and technology. It is important to not that eight of the ten best practices are not technology specific, but rather are based on strategy and execution. The following are recommended best practices to effective CRM (Gunter & Shiver, 2005).

1. Build strong executive sponsorship. Not surprisingly, the executives emphasized the importance of strong and visible commitment by top management for customer-facing initiatives to succeed. There is no single, best way to secure top-level sponsorship, but if it's absent, the risk of failure increases significantly. For example, water utility company faced a significant challenge in the wake of a poor performance review by industry regulators. In response, top managers formed a multidivisional task force to find ways to become the best in its industry. The executives decided the organization needed to become more customer-centric, and it revamped customer facing processes and adopted new technologies to support

delivery of better customer service. In this case, CRM was led by top executives who view it as a core strategy to improve competitive position and increase the organization's standing with regulators.

**2.** Require business executive to lead CRM with support from IT. CIOs have an important role to play in helping business leaders understand how to take advantage of mature CRM technologies such as packaged application software, and emerging approaches like CRM software service. In most organizations, the business units are accountable for delivering profit and loss, and CRM initiatives must therefore be led by business executives who own and manage the customer-facing processes that impact organizational success metrics

**3.** Develop the right governance structure. Successful CRM projects require a constant balancing of objectives, priorities, resources, and schedules. A clear governance structure establishes accountabilities, allocates resources, and makes decisions. A financial services company, for instance, created a CRM steering committee comprising both senior IT and business unit heads with direct accountability to the board of directors. Under this structure, decision making processes are well defined, and mechanisms exist to deploy company resources where needed.

**4.** Define objectives and processes first, and then apply technology. CRM technologies are a means, not an end.

It's essential to define objectives and the business process changes necessary to meet them before considering a technology purchase. For example, is the goal to increase revenue per sales rep? Increase average order size? Decrease customer acquisition cost? Decrease service response times.

**5.** Follow a realistic pace for rollout. Successful CRM requires new business processes and supporting technologies. This is never easy, and leading companies have found that a deployment strategy based on continuous improvement works best.

**6.** Define data requirements and data quality management approaches early. Customer data integration and management was a sore spot with most of the executives surveyed. They realized they had not spent sufficient time on this issue early enough in their CRM initiative to avoid problems later. Progressive companies are moving away from efforts that focus on technology and after-the-fact data cleansing; they're starting to manage and use customer data more proactively.

**7.** Strive for higher involvement. New CRM processes and technologies that have a clear benefit for user but are not properly introduced into the organization won't be adopted. Enterprises must put mechanisms in place to support users in learning new skills and ensure that users have opportunities to influence application functionality and enhancements. An innovative example: a global bank allowed 84 users to participate directly in choosing the specific technology vendor to support the bank's CRM effort. Users from around the world viewed and critiqued prototype solutions developed by the CRM team. Finally, the strongest prototype

was tested in pilot programs in four countries. The process built a strong user constituency.

**8.** Place a high priority on usability. End-user benefits must remain the center of CRM process and application enhancements. Applications aren't user-friendly to front-line employees when 20 to 30 steps are required to complete a process. Attention must be paid to the user interface and workflows to ensure that they're well-aligned with the working practices of day-to-day users.

**9.** Simplify the platform. The companies interviewed want to reduce the complexity and cost of their enterprise application portfolios. This need is driving a reduction in the number of CRM point solution and consolidation of investment into fewer, multifunctional CRM suite platforms.

**10.** Actively manage the vendor relationship. Consolidating CRM solution requires enterprises to rethink their relationships with technology and professional services providers. The relationship must move from focusing only on cost, project schedule, and system performance to include a shared vision for achieving business outcomes.

### **Scientific Reason for CRM Failure**

The failure rate of Customer Relationship Management (CRM) implementations is estimated to be greater than 65% (David, 1999). Lowering the failure rate and supporting the success of information system (IS) are the ultimate goals of the IS researchers and practitioners.

At the crux of employee resistance to CRM is a tiny, almond-shape part of the brain cell called at the amygdala. When the amygdala interprets a change as threatening, it kicks in hormones that tell the body it is in danger. The primordial fear response of human can be made worse or lessened based on leadership behavior and how the organization is designed to handle change. The best thing leaders can do is approve the budget and integrate a change management program into every step of the project. When change managed properly, the reaction of the amygdala is manageable. Another root cause of CRM failure is thinking that change management means solely communication plans and training activities.

Successful CRM implementation leaders embrace the biological fact that people are hard wired to resist change and decide the business results are work altering how things are done. It means not telling people to get over it, or to hold of themselves, because statements like these create resistance. It means implementing a change management program (CMP) to handle transitions the business will go through from the as-is state to the could-be state. The change management (CM) processes are strategies and activities that support personal and organizational transitions. The amygdala reaction is minimized, overridden, and transformed in to buy-in, support, and ownership. Transforming resistance to ownership is the only way CRM can achieve business results. Another root cause of CRM failures is thinking that change management means solely communication plans and training activities. These only account for 50 percent of CM activities. A CMP compromis-

es a set of tools and a methodology to manage change so that desired business results are reached. CRM's principle function in a business setting is to obtain greater economic value faster by effectively developing, deploying, and aligning the company's assets. The promises of CRM's business benefits can be kept if leaders shift paradigms by altering the way they business change (Lagar, 2006).

### **CRM and Social Networking**

Social networking is more than just glad-handling people at convention or asking a friend to move your job application to the top of the pile. There are technologies designed specifically to quantify, codify, and leverage your relationships. When you really need to reach out and touch someone, social networking applications are the way to go. Social networking has grown beyond giving sales and marketing a new way to develop leads, and has found a comfortable niche serving as an adjunct to CRM and partner relationship management, as well as allowing other strength of that path. Social networking is the best solution to the problem of gaining access, but it is not magic. Networking, usually the phrase that comes up when you discuss it is, it's not what you know, it's whom you know. That hackneyed characterization can be pejorative, but extending your reach through social contacts, is an important part of business. It's why we have conferences, trade shows, mixers, and even business cards. It is putting the word on about you, who you are and how you can be useful to others.

### **Competing In the New CRM Arena**

Today an increasing share of retail executives recognize that CRM marketing investments need to be made in areas that directly impact customer revenue, profitability and satisfaction, and in ways that reinforce the company's competitive positioning. To reinforce their competitive advantage through CRM, retail marketing executives face some key CRM marketing challenge. They have a much better chance of realizing the fruits of executives face some key CRM marketing challenges. They have much better chance of realizing the fruits of CRM by following the eight-point framework. 1. Data, 2. Targeting, 3. Measurement, 4. velocity, 5multiple channels, 6. Marketing investments prioritization, 7. Segment branding, and tools selection (Petouhoff, 2006).

#### **1. Data**

A central repository of updated customer data is needed to succeed at CRM. This data warehouse should include transactional data, self-reported survey data, third-party data, and data which informs marketers and is integrated into analytic applications. Unless a loyalty card is used to capture transactional data and match transactions to individual customers, companies will need to establish some type of policy to collect customer information when the sale is made. This information could be a number of things – a telephone number, name and address, or

even a zip code. For a company to optimize capture rates, it should monitor rates at the store and cashier level and report compliance to the operations group.

CRM results will be limited without good quality data such as effective data capture and advanced customer data integration techniques.

## 2. Targeting; the Nicomachean Ethic

Targeting, a component of CRM marketing, is the most attractive area in which to invest. In addition, it requires the most talent in the analytics, marketing, and technology areas. Guidelines to follow include:

Step 1. The goals of the campaign must be defined. These could include the generation of incremental learning, incremental shoppers and incremental visits.

Step. 2. To determine the audience establish a methodology that is consistent with the objectives. The audience could include lifetime value, predictive models, and attitudinal data. Step. 3. After defining your target group, determine the appropriate channel for interaction, define a tailored offer, adapt branding to the segment, and create a contact plan.

The following is a must when taking a multidimensional view of using a customer to drive audience selection and communication decisions: the need for strong analytic talent to design tests and derive selection; using test and control groups a data model stores and tracks scores and promotion history; and using best practices and tools to implement multi-channel audience selection.

## 3. Measurement

Measurement is a multidimensional challenges all marketers face and a top priority. Marketers need measurement at multiple levels and reasonable benchmarks for: campaigns, defining the measurement period and the long-term value of communication, customer segments, stores, channel, and products.

A database platform must be available with the following attributes for measuring the performance of business dimensions: response data marts and customer promotion store campaign history, performance measures that are easy to access, good quality data, and best practices for matching transactions with individuals and households.

## 4. Velocity

Getting campaigns out the door faster is a major challenge in some database marketing organizations. Those people making decisions and taking action need to have access to customer intelligence quickly to support time-sensitive communication decisions which include: key performance indicators, customer business measures, campaign measurements, and customer activity.

## 5. Multiple Channels.

Retail marketers recognize the growing challenge and opportunities created by the emergence of new modes, media and channels. Most companies are scrambling to understand how to manage profitable customer interactions through multiple touch-points, as well as how to transform new online data such as click streams-into customer intelligence that informs communications through stores, e-mails, Web, call centers, PDAs and mobile phones. Ultimately, all data generated from customer interaction, all third party customer data and all derived data needs to reside in a central operating database (Pan & Lee, 2003).

In order to survive and flourish in multi-channel world, companies must succeed in the following:

- ◆ Capturing and integrating customer data from all touch-points and creating a single truth of a customer
- ◆ Creating value through data synergies between the channels, using of-line data to inform online communication and converse.
- ◆ Understanding the roles and impact of each channel and medium by customer segment.
- ◆ Designing and developing a data warehouse structured to multi-channel targeting and analysis
- ◆ Leveraging tools that deliver campaigns to the Web and through direct mail, e-mail, call centers, point of sale.
- ◆ Creating multi-channel reports to measure channel performance and customer segment preferences

## 6. Investments

Every marketing manager faces the same challenge. How does 1 expand finite financial and human resources to achieve my CRM objective? To address this challenge, marketers need to be very clear about what objectives they are trying to achieve and during what time period. An example is there may be a trade-off among generating incremental revenue, incremental margins, achieving positive ROI and learning for future campaigns.

## 7. Segment Branding.

Speaking to your entire customer segments in the language that each understands, and moving these segments to action through a demonstrated understanding of who they are and what they want or need from you is the most difficult challenge in segment branding. Creating a link between your attitudinally base brand and your customers' purchased will generate a meaningful as well as a motivating message relevant to valuable, individual segment populations.

## 8. Tool Selection.

The emergence of new technologies during the past 15 years has received so much attention that CRM and software have become almost synonymous. No doubt, technology has enable companies to implement more customer-centric mar-

keting strategies. Technology is used to collect customer data, process it quickly, and disseminate insight to inform brand interactions with customer. Technology also has changed the economics of CRM by automating many of these processes.

(1) When making technology investments, are they aligned with corporate strategy?

(2) Does the company have the expertise to know if there is an alignment?

(3) Does the company employ people with the blend of skills to build a successful database platform?

(4) What areas of the business require which supporting technologies, and under what circumstances should services be outsourced? Does the company want to commit millions of dollars up front, and what might be the advantages and disadvantages of outsourcing certain CRM related services, such as database management? Corporation must be able to make decision based on where the answers align with the organization's challenges (Ryals & Knox, 2001; Kontzer, 2005).

The purpose of any CRM marketing initiative must be to enhance the contribution of the customers to the company's financial performance by combing skilled staff, best practices, efficient processes and appropriate technology. To address these challenges, companies must develop a multi-year plan, and pursue it incrementally. They need to avoid the "big bang" implementation so many companies have found expensive and ineffective. By using these eight steps, retailers, even, all direct marketers will have a better foundation on which to build a solid, profitable relationship.

## **Conclusion**

Today, CRM is not only making a comeback but is a battleground for some of the most successful software executives, Oracle, SAP, Salesforce.com, RightNow Technologies and NetSuite are only a few vendors clamoring for top billing as companies loosen their purse strings to establish stronger relations with their customers. Moreover, there are no limits to the measures vendors are taking to establish a foothold in this market. From Oracle's acquisition of San Mateo, California based Siebel System to Salesforce.com's unveiling of a new software platform; CRM is in the midst of a rebirth that is pitting software executives many of whom are Oracle alumni against one another as they struggle to redefine the old acronym. Driving CRM's resurrection is the concept of on-demand services. On demand is the delivery of application software over the internet on a paid subscription basis. A company simply signs up for a subscription. The vendor then enables access without the need to install software. Its hassle free alternative to the old licensed CRM software model that required companies to invest heavily in IT infrastructure and professional expertise. "People have been burned by the idea of making up-front five-year commitment of tens of millions of dollars on software," says Phil Robinson, vice president of marketing at Salesforce.com. By providing a low cost, user friendly solution that can be up and running in three months, on demand CRN can improve customer satisfaction and increase profitability, Robinson says.

The market seems headed that way according to AMR Research, sales of hosted CRM grew a whopping 105 percent in 2004. And while the CRM kingdom is still ruled by installed-application vendor such as Oracle and SAP, on-demand CRM market leaders RightNow Technologies and Salesforce.com enjoyed 97 percent and 83 percent growth rates, respectively. In fact, 47 percent of large enterprises, or companies with more than \$1 billion in revenue, are going to look at hosting, reports AMR.

So I would say the latest industry challenge revolves around the best to integrate CRM into a company's legacy systems and related technical infrastructure. Two main camps have emerged. Vendors in the first camp provide strong CRM business functionality and are now offering their own integration platform e.g. SAP's NetWeaver integration platform and Salesforce.com's APP Exchange integration platform. Vendors in the second camp tend to offer less comprehensive CRM business functionality and place their focus on providing a strong open-integration platform tool set, including workflow and middleware tools, with particular emphasis on integration capabilities Vendors in the second camp include companies BEA, IBM (WebSphere), and Tibco.

Therefore since CRM has grown into multibillion dollar industry, the latest challenge will be to successfully navigate the many challenges that it has faced over the last twenty-five years. The current challenge will be resolved, however, I am particular pleased with it since it raises the role of CRM to a new level by zeroing in on integration customer information across all departments of the organization.

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