Managing customer relationships: a comprehensive literature review and future directions

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Abstract: Customer relationship management (CRM) can be seen as a scientific decision-making system, incorporating methodologies, software and internet capabilities that enable organisations to focus on customer needs and further manage customer relationships in a systematic and holistic way. However, the understanding of the CRM concept is still incomplete and growing. As an emergent field, CRM requires more time and study to clarify all its facets. The purpose of this paper is to enlighten some practical aspects of CRM implementation, by critically reviewing the related literature. Consideration is given to the key phases of CRM implementation process, the three options for a CRM solution, the CRM project evaluation, the critical success factors for CRM implementation and the CRM perceived benefits. Some future directions are also highlighted as regards CRM implementation.

Keywords: customer relationship management; CRM; decision-making software systems; business intelligence; customer needs; customer loyalty.


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1 Introduction

Customer relationship management (CRM) is an information industry term for methodologies, software and internet capabilities that help an enterprise manage customer relationship in a systematic way. A company might build a database about its customers that depicts relationships in sufficient detail so that management, salespeople, people providing services, and occasionally the customer directly, could access information and match consumer needs with products, plans and offerings. CRM is seen as an all-embracing approach that seamlessly integrates sales, customer service, marketing, field support and other customer-related functions, thereby maximising the relationships with all customers including e-customers, distribution channel members, internal customers and suppliers. It explores an approach to maximise customer value through employing the company’s understanding of the drivers of current and future customer profitability to appropriately allocate the resources across all areas that affect customer relationships including communications, customer service, billing and collections, product/service development, pricing strategies and more. Basically, CRM dictates how an organisation can increase the values of interaction to maximise profit (Xu et al., 2002).

CRM has not always been the multi-faceted software that so many organisations rely on today. During the ‘80s decade, companies began using databases to track existing and potential customers. This practice was known as database marketing and entailed creating surveys and holding focus groups. Many drawbacks existed with this particular method; data collected through surveys did not offer valuable information, as it could not be efficiently processed and analysed. During the late ‘80s, the business world was introduced to contact management software, which allowed for the storage and organisation of customer contact information.

While the first iterations were introduced in the 1980s, the concept did not become very popular until the 1990s. The main reason was the explosion of the IT technologies that enabled early CRM adopters to truly improve CRM software. The evolution was pushed by innovators to a primitive version of Sales Force Automation software. SFA combined many of the features of its predecessors to provide businesses with much more useful information.

The last half of the decade brought huge changes to the CRM industry as major vendors like Oracle and Baan provided a fierce competition and moved the market towards a broader suite of services. The term CRM started winning out as the most popular term for front-office applications. CRM systems had now become dual, in that companies began to see the offering incentives to customers based on tracking customer activity and identifying spending patterns. This was the beginning of the now familiar frequent flyer programs and bonus points on credit cards.
In the early 2000s, the ‘.com’ bubble burst and the CRM market contracted. A few years later, the CRM industry started coming of age. Software companies began releasing easier-to-use, more affordable and customisable solutions. CRM offered a way to dynamically enhance the understanding of customer needs and behaviour. Thanks to the internet, companies no longer had difficulty managing the vast amounts of information constantly being fed with, as offsite storage became possible. Also, new strategies with closer cooperation among sales, customer service and marketing were developed through shared information and understanding, leading to increased customer satisfaction from order to end product. Today, the three business sectors that rely most heavily on CRM are financial services, high tech corporations and the telecommunications industry.

Despite this phenomenal evolution, the concept of CRM is still incomplete and growing. Several reasonable definitions were provided through the years in an effort to encapsulate the meaning of this multidisciplinary term (see Goldenberg, 2000; Peel and Gancarz, 2002; Chen and Popovich, 2003; Buttle, 2009). Still, a lot of research needs to be done so as to clarify all its facets.

This paper aims at enlightening some fundamental, practical aspects of CRM implementation (i.e. implementation phases, options, evaluation, critical success factors and benefits), by critically reviewing the related literature. The remainder of this paper is organised as follows. Section 2 presents the key phases of a typical CRM implementation process and Section 3 identifies the three options a company has for adopting a CRM solution. Section 4 presents the main specifications of evaluating a CRM project. Section 5 highlights the critical success factors for CRM implementation and Section 6 presents the benefits that can be gained from a successful CRM implementation. Finally, in Section 7 some basic conclusions are drawn and future directions are also highlighted as regards CRM implementation.

2  CRM implementation process

This section presents the key phases that comprise a CRM implementation process, namely (Buttle, 2009):

- develop the CRM strategy
- build the CRM project foundations
- specify needs and select partner
- implement project
- evaluate performance.

2.1  Develop the CRM strategy

The main internal decision points and activities at this phase are as follows:

1  Situation analysis: This analysis sets out to describe, understand and appraise the company’s current customer strategy by specifying the customer-related marketing and sales objectives, the customer acquisition and retention strategy effectiveness, the company’s branding strategy, the product portfolio, the distribution channel and more (see also Lindgreen, 2004; Liew, 2008).
Commence CRM education: Education enables people to alleviate any fears they might have as to what constitutes CRM and encourages participation from people that might be impacted (see also Hallinger and Snidvongs, 2008).

Develop the CRM vision: The CRM vision shapes and directs the CRM strategy. It might be senior management’s perspective or it could be the product of a wider process involving more members, even customers and partners (see also Galbreath and Rogers, 1999; Mack et al., 2005).

Set priorities: Priorities for action, normally focused on cost reduction or enhanced customer experience, must be set. Longer-term priorities might prove more difficult to implement (see also Iyer and Bejou, 2004).

Establish goals and objectives: Goals (qualitative outcomes) and objectives (measurable outcomes) emerge from the visioning and prioritising activities. CRM goals generally cluster into three broad areas: enhancing customer satisfaction, growing revenues or reducing costs. Objectives created during this process will later serve to evaluate the CRM implementation (see also Anderson et al., 2007).

Identify people, process and technology requirements: As the project unfolds, the outcomes of this process are reviewed. Nonetheless, a general idea must be drawn in order to identify the associated costs (see also Xu et al., 2002; Chen and Popovich, 2003).

Develop the business case: The business case is built around the costs and benefits of the CRM implementation. Benefits such as more cross-selling and up-selling, higher levels of customer satisfaction and retention and word-of-mouth influence must be assessed against costs which may extend well beyond the costs of acquiring CRM software to expenses incurred from system integration, new hardware, change management, training and consultancy services. Most of the costs and benefits are measurable but there are also strategic benefits that are harder to value, such as improved customer service (see also Maklan et al., 2005).

2.2 Build the CRM project foundations

The main internal decision points and activities at this phase are as follows:

Identify stakeholders: Stakeholders include any party impacted by the change – senior management, new system users, marketing staff, salespeople and IT specialists. Their participation in the project may be required at some point. The importance of involving system users in the CRM implementation is reinforced by Davis (1989), who concluded that the intention to use a new technology is predicted by the perceived ease-of-use and the perceived usefulness of the technology. Early engagement of users can help ensure that the technology is perceived by them as user-friendly and useful (see also Hart et al., 2002).

Establish governance structures: Governance structures need to be put in place to ensure that project roles and responsibilities are properly defined and allocated. The program director must check that project deliverables are achieved and project costs are controlled. Another key member is the executive sponsor, who is typically a senior executive that ensures that resources are always made available. The latter
stakeholders, together with the CEO, a sales executive and a marketing executive, make up the steering committee that is responsible for making policy decisions, such as which consultants to hire. The PD is also a member of the program team that is made up of representatives from the impacted areas, i.e. sales, marketing and IT. This team is responsible for bringing in the right people for the specific activities. It is also not uncommon for CRM projects to import external resources to help with the project delivery, such as a consultant and a systems integrator (see also Dong, 2012).

3 Identify change management needs: CRM projects can prove challenging in terms of change management irrespective of their size. Kotter and Cohen (2002) state that a sense of urgency should be created to persuade people to change, that people should be emotionally engaged and that supporting strategies must be built to remove the organisational barriers to change (see also Aladwani, 2001; Fui-Hoon Nah et al., 2001).

4 Identify project management needs: As with every other project, a CRM project plan sets out the tasks and sub-tasks involved, their expected and actual duration, the required resources and the deliverables. The project management role is generally performed by the program director, however occasionally it is outsourced to a consultant. As the project progresses, there will be periodic milestone reviews that verify that it is on time and on budget (see also Wilson et al., 2002).

5 Identify critical success factors: CSFs are attributes and variables that can significantly impact business outcomes (see Section 5, for an in-depth analysis).

6 Develop risk management plan: A large number of CRM projects fail (Ang and Buttle, 2002). At this stage, the major risks to successful CRM deployment are identified. Once identified, risk mitigation strategies and contingency plans are put in place (see also Anton and Petouhoff, 2001).

2.3 Specify needs and select partner

The main internal decision points and activities at this phase are as follows:

1 Process mapping and refinement: The first step of this phase involves categorising and refining the business processes (see also Okrent and Vokurka, 2004). Examples of business processes include the marketing, selling and innovation. Possible categorisations are:
   - vertical: processes located entirely within a business unit
   - horizontal: processes that are cross-functional
   - primary: processes that have a major cost or revenue implications
   - secondary: processes with minor implications.

2 Data review and gap analysis: Having identified the processes that require attention, the next step is to review the data required for the CRM project and to create an inventory of the data available. Following that, the gap between what is needed and what is available must be specified, since the costs of developing and maintaining a customer-related database is quite substantial (see also Johnson, 2004).
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3 Initial technology needs specification and research alternative solutions: At this point, the stakeholders need to decide which technologies will deliver the CRM mission and meet the business case requirements. They must also opt to build an in-house application, buy licensed software or outsource the implementation (see also Section 3).

4 Write request for proposals: Before calling for proposals, a detailed request for proposals must be written that summarises the company’s view of the CRM program (see also Seeman and O’Hara, 2006).

5 Call for proposals: At this point, the potential partners are invited to respond to the request for proposals. If the company already pays for modules that will interoperate and interconnect with the CRM system, their vendors will likely be added to the list.

6 Revised technology needs identification: Submitted proposals from technology vendors will sometimes suggest improvements, modifications and enhancements on the CRM requirements that the company may not have considered due to lack of expertise or poor analysis.

7 Assessment and partner selection: The proposals are assessed and one or more partners are selected. This task is more commonly performed by an evaluation team that rank the proposals after inviting vendors to demonstrate their solutions in relevant scenarios or even provide prototypes. Ranking is based on a weighted or unweighted scoring system (see also Parvatiyar and Sheth, 2001).

2.4 Implement project

The main internal decision points and activities at this phase are as follows:

1 Refine project plan: Since the plan was originally defined without consideration of the needs and availability of the partners, at this point it must be refined with the cooperation and contribution of the qualified vendors.

2 Identify technology customisation needs: More often than not, off-the-shelf technology fails to meet all the project requirements. Hence, assuming a licensed solution has been chosen among the alternatives, customisation is often required. Customisation needs are typically specified using gap analysis for all business processes. The resultant gap register is assessed, priorities are established and customisation is carried out (see also Ou and Banerjee, 2009).

3 Prototype, design, test, modify and roll out: The result of the customisation – or alternatively the in-house or outsourced implementation – process is tested using either a duplicated or a dummy set of data. End user tests will indicate if further adjustments are required and if so an iterative process takes place where improvements are realised and tested until the final version is ready to be deployed. Deployment usually takes place in a phased roll-out to iron out any problems before company-wide adoption (see also Ribbers and Schoo, 2002; Berchet and Habchi, 2005).
2.5 Evaluate performance

The main internal decision points and activities at this phase are as follows:

1. **Project outcomes:** This part of evaluation focuses on whether the project has been delivered on time and within budget (see also Wang and Chen, 2006).

2. **Business outcomes:** Evaluation of the business outcomes requires from the steering committee and the program team to return to the project objectives and the company-specific definition of CRM implementation success and verify that the desired goals have been attained (see also Ang and Buttle, 2006; Kim and Kim, 2009; Chang et al., 2010).

3 Implementation options

Companies may opt for any one or a combination of the following options for a CRM solution (Kumar and Reinartz, 2012):

1. **Developing in-house software:** Building an in-house CRM solution requires defining all the requirements and paying for R&D and software development. Companies that choose this strategy must invest heavily in third-party software and hardware which add considerable to the overall costs. Moreover, the initial hardware and software expenses constitute only a small portion of the total expenses which are largely shaped by maintenance demands, especially those arising from change requests. The process can be carried out with external consulting help, as the company may not possess the appropriate expertise to successfully carry out the task (see also Watanabe and Hobo, 2004).

2. **Buying licensed CRM software:** Even when companies decide to buy a licensed CRM solution, they still need to develop their IT infrastructure and integrate the new software with existing and legacy applications. The solution may be bought as a block or a suite of independent modules. Although the CRM vendor will contractually be obliged to provide documentation and training for the new system, considerable effort still needs to be invested to acquire familiarity and skills to effectively run the solution. In addition, the company will occasionally need to go through the process of upgrading the system with new software releases (see also Orr, 2001).

3. **Outsourcing the solution:** In this case, the outsourcing company provides the hardware and software. Implementation takes less time because the outsourcing company already has the necessary expertise as well as the incentive to get the system running the soonest possible so that service and maintenance payments are initiated (see also Bohling et al., 2006).

Table 1 summarises the advantages and disadvantages of each of the aforementioned three options.
Table 1  Advantages and disadvantages of each CRM implementation option

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<thead>
<tr>
<th>Implementations</th>
<th>Advantages</th>
<th>Disadvantages</th>
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<tbody>
<tr>
<td>Develop in-house SW</td>
<td>They develop a tailor-made solution adapted to their needs and structure</td>
<td>It is the most expensive and time demanding implementation option</td>
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<td></td>
<td>They develop internal resources and skills that allow them to update the</td>
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<td></td>
<td>system as requirements change</td>
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<td></td>
<td>They avoid dependence on CRM software vendors</td>
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<td></td>
<td>They are not required to adapt their business practices to any particular</td>
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<td></td>
<td>software</td>
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<tr>
<td>Buying licensed CRM solution</td>
<td>Most of the packages have a proven record of success, so companies can feel</td>
<td>Apart from the initial fees and the licensing costs, companies have to pay</td>
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<tr>
<td></td>
<td>reassured the they will fit their needs</td>
<td>for maintenance and upgrades over the life of the software</td>
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<td>If the company chooses at some point to customise the solution, it will have</td>
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<td>to pay for external consulting service, which in general is quite expensive</td>
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<td></td>
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<td>Every major release will require training of the end users</td>
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<tr>
<td>Outsource the CRM development</td>
<td>The upfront costs are lower than in the other two approaches, as companies</td>
<td>Each time the company needs to adapt the solution to new requirements, it has</td>
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<td></td>
<td>do not need to pay for software licenses or to develop internal IT skills</td>
<td>to pay the outsourcing company for the development</td>
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<td></td>
<td>to undertake the CRM implementation</td>
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<td></td>
<td>The company may initiate payments as the CRM results become visible, instead</td>
<td>Strong dependence to the outsourcer means that the company could risk losing</td>
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<td>of paying upfront, licensing and maintenance costs</td>
<td>the CRM investment if the outsourcer goes out of business</td>
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<td>Suitable to smaller firms that would otherwise be unable to afford a CRM</td>
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4  CRM project evaluation

According to several obtained reports, most of the CRM projects fail; in 2001, the failure rate of CRM projects was estimated to be from 55% to 75%. In addition, approximately 70% of CRM projects result in either losses or no bottom-line improvement in company performance (Rababah et al., 2011). A more recent survey conducted by Merkle Group inc. in 2013 indicated that CRM projects have a 63% failure rate (LaValle, 2013).

At the same time, evaluating a CRM project is a complex process owing to its multi-dimensional nature. Dyché (2002) reported that 90% of the 50 largest CRM users admitted they were unable to quantify a return on their CRM investment. The Giga Information Group found that only 30% of companies involved in CRM deployment
measured benefits (Timm and Jones, 2005). But how do firms actually come to a conclusion as far as the outcome of the CRM project implementation? In other words, how do they evaluate the process of adopting and implementing a CRM strategy?

According to Buttle (2009), two sets of variables can be measured: project outcomes and business outcomes. Project outcomes focus on whether the project has been delivered on time and within budget. Evaluation of the business outcomes on the other hand requires returning to the project objectives, such as enhancing customer retention rates or lead conversion by the sales team, and asking whether the desired results have been achieved. Most projects have several objectives and it is quite common for some objectives to be achieved while others are not. The timing of the evaluation is a rather critical issue, as it can take several months for the enterprise to fully adopt the CRM strategy.

5 Critical success factors for CRM implementation

Critical success factor is a term for a characteristic, condition or variable that has a vital impact on a company’s mission. A variety of factors determine significant success ingredients for successfully implementing CRM in organisation. Many researchers have attempted to develop a comprehensive list of critical success factors [for an in-depth analysis, see Finney and Corbett (2007) and Mendoza et al. (2007)]. The factors below are distilled from extensive research on CRM process:

- top management
- culture
- human resource management
- continuous improvement
- knowledge management
- technical infrastructure.

5.1 Top management

This factor refers to the degree of top management involvement. For the CRM project to be successful, the first step is to gain the support and commitment of top management to initiatives. Eriksson and Mattson (2002) explain the importance of support from senior management as being critical to their firm’s ability to develop a customer knowledge competence. Top managers must demonstrate their support to CRM programs by:

a involving themselves in the customer knowledge sharing activities
b educating employees of any level on the importance of CRM
c including CRM as part of the organisational vision and mission.

Moreover, since management support is a critical factor for successful innovation, CRM as an organisational innovation also requires management’s strong impetus and support (Zairi, 1994).
Another crucial role of top managers is to eliminate constraints (such as rigid regulation, hierarchical bureaucracy, lack of funding to CRM programs, close culture etc.) faced by organisation when deploying a CRM project. Proper budgeting of resources, recruitment and training of employees and reward system is crucial for CRM. The CRM strategy should also be developed as a business strategy to confirm that CRM goals are in line with the strategic goals of the firm.

5.2 Culture

Culture is the combination of shared history, expectations, unwritten rules and social customs that compel behaviours (Vazifehdust et al., 2012). Relationship management requires a strategic change from a product or process-focused culture towards a customer-focused culture. Skaates and Seppänen (2002) suggest that nurturing the right culture is an important element in CRM strategy implementation, particularly where CRM strategy falls within the domains of IT and marketing, each of which contain their own organisational sub-cultures. They argue that there is a positive relation between customer-oriented culture and customer satisfaction. Thus, cultivating a customer-focused culture is essential for increasing the competitiveness of companies and achieving customer objectives.

5.3 Human resource management

A wide variety of professionals – frontline sales, marketing and service providers, business analysts, IT professionals and a broad array of managers – must collaborate to ensure that a CRM strategy is well defined, delivered and deployed (Zablah et al., 2004). Delegating responsibility and empowering staff to handle customer contacts is essential for customer management (Pan et al., 2006). Unless employees are involved across all stages of the implementation process, the strategy will be poorly understood.

Furthermore, employees should be trained in CRM systems and other related technical tools in order to become sufficiently familiar with the CRM process concepts. This can be achieved by improving internal communications, promoting cross-functional teams and establishing a learning community. Training should focus on developing skills and competences in communication, soft networking, peer learning, team building, market sensing, ability to understand customers and creative thinking. Moreover, companies should aim to retain valuable employees by providing opportunities for them to advance and rewarding them for their performance and customer-focused behaviour (Gulati and Garino, 2002).

5.4 Continuous improvement

The benefits, performance and problems of CRM projects should be measured and then necessary improvement should follow. Organisations must find the right system of measuring tangible and intangible results of CRM to ensure that its objectives are attained. Kumar et al. (2010) indicate that organisations must set measurable, specific relationship-marketing objectives and key performance indicators such as retention rate, share of wallet and customer lifetime value. Another important CRM evaluation mechanism is benchmarking. Benchmarking is the process of searching for industry-wide practices that lead to superior performance (Intrapairot and Srivihok, 2003).
and is very useful tool for organisations that have lower implementation levels in some CRM practices.

5.5 Knowledge management

According to Jennex et al. (2003), “Knowledge management is managing the corporation’s knowledge through a systematically and organizationally specified process for acquiring, organizing, sustaining, applying, sharing and renewing both the tacit and explicit knowledge of employees to enhance organizational performance and create value”. Lin et al. (2006) define the aspect of customer knowledge management as: knowledge identify, knowledge capture, knowledge select, knowledge storage, knowledge sharing, knowledge application, knowledge creation and knowledge sell. The management of knowledge is increasingly considered as a main source of competitive advantage for corporations.

The availability of appropriate knowledge is an essential component for the development of strategies, goods and services, as well as distribution and communication channels (Stylianou et al., 2003). True relationship management is said to be possible only when knowledge management is integrated, with data being transformed into knowledge. The availability of large volumes of data on customers, made possible by new CRM technology tools, has created opportunities as well as challenges for businesses to leverage the data and gain competitive advantage (Santarelli and D’Altri, 2003). The importance of knowledge management is highlighted by Wilson et al. (2002) who identified it as a process that helps organisations find, select, organise, disseminate and transfer important information and expertise necessary for activities. Some of the most important knowledge sources are: markets, competition, customers, orders, contracts, products and services, problems, best practices etc.

5.6 Technical infrastructure

Information technology and CRM are expected to provide the mechanism through which long-term, individualised relationships with customers can be created and maintained (Goodhue et al., 2002). The role of information-technology tools in relationship management is to facilitate the different customer processes, such as rapid search, access and retrieval of customer information, segmentation of customers based on their value, prediction of customer behaviour (Pemberton and Stonhouse, 2000).

In addition to the above, it can support collaboration and communication between organisation’s employees and customers. Technical experts must be appointed to the CRM project team who are able to formulate how the different technologies will be used. Reviewing existing architecture, infrastructure and IT systems applicable for the CRM project can help avoid unnecessary costs. Some of the IT technologies, frameworks and tools that can support CRM are intranet and web portals, content management, search and information retrieval engines, business and intelligence, relational and object databases, groupware and workflow systems, data mining, electronic and publishing systems, data warehousing and knowledge creation applications (Vazifehdust et al., 2012).
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6 CRM benefits

This section presents the benefits that companies could gain from a successful CRM implementation.

Gray and Byun (2001) argue that proper identification of the customer through clean data and a single customer view helps sales force to facilitate cross selling. Furthermore, understanding the customer through differentiation can lead to cost effective marketing campaigns. They suggest that customer satisfaction and loyalty through interaction could also lead to cost effective customer service. Moreover, customer satisfaction and loyalty through personalisation can help lower the costs of acquisition and retention of customers, thereby maximising share of wallet. They summarised the main benefits of CRM as follows:

a improves the company’s ability to retain and acquire customers
b maximises the lifetime value of each customer
c improves service without increasing cost of service.

Crosby (2002) argues that, by using customer information wisely to deliver what the customer needs, companies will create long-term, collaborative relationships with the customers. This will benefit organisations even further, since long-term customers are less costly to serve and smooth-running relationships are less resource intensive.

Swift (2001) suggests that organisations can benefit from CRM initiatives in the following areas:

1 Higher customer retention and loyalty: Customer retention will increase when customers stay longer, buy more and buy more frequently. The customers take more initiatives that increase bounding relationship, and as a result the customer loyalty increases.

2 Increased customer profitability: The customer profitability will increase when the customer wallet-share increases, the up-selling goes up as well as cross-selling and follow up sales and also more referrals come with higher customer satisfaction among existing customers.

3 Evaluation of customer profitability: The organisation gets to know which customers are profitable, potentially profitable and unlikely profitable. This is a key area, as any successful business needs to acquire and focus on those customers who bring profit (“when you get them, you do not want to leave them”).

4 Reduced cost of sales: The costs regarding selling decrease because existing customers tend to become more responsive. In addition, with better knowledge of channels and distributors, the relationships become more effective and the costs for marketing campaigns are reduced.

5 Lower cost of recruiting customers: When the costs of recruiting new customers are reduced, there will be savings to be made on marketing, mailing, contact, follow-up, fulfilling, service and many more.

6 No need to recruit so many customers to preserve a steady volume of business: The number of long-term customers will gradually increase; consequently the need to recruit many new customers will decrease.
Jiang and Doukas (2003) found that an integrated CRM strategy would allow organisations to manage customer and supplier relationships more efficiently. This could also help organisations build long-term customer relationships, brand loyalty and repeat sales which could in turn result in increased and sustained profitability. He also indicated that a successful CRM implementation could mean millions of dollars in incremental revenue from increased customer retention, greater revenue per customer, and that with the ability to do cross-selling and up-selling to customers the result would be increased customer loyalty and satisfaction.

Thompson (2004) reported that in an online CRMGuru study of more than 1,000 CRM projects and initiatives the top four expected benefits were: increase in customer loyalty, competitive advantage, sales and profitability. Increased productivity and cutting-down in costs were also some of the expected benefits from CRM initiatives. The study concluded that, CRM activities and initiatives have a positive impact on a company’s overall performance.

Wilson et al. (2002) stress that a CRM initiative helps increase individual customer margins as well as acquire the right customer based on information and knowledge for existing customers.

Xu et al. (2002) argue that CRM strategies offer the following benefits in sales, customer service and field service:

1. increased marketing and cross selling opportunities
2. identifying and targeting best customers based on recent purchase or behaviour, frequency and monetary scoring
3. one-to-one marketing
4. improves return on marketing investment (ROMI)
5. helps manage marketing campaigns with clear goals and measurable or quantifiable objectives
6. improve product development process due to valuable knowledge gained from direct interaction with the customer
7. increased sales efficiency through wire and internet-based order entry
8. better territory management with real time account information updates
9. improves telesales, field sales, and sales management through real time information sharing among multiple employees
10. better revenue per call by focusing on growing the best accounts
11. centralised customer contact from sales, support, field service and marketing
12. quicker problem resolution that ensures customer satisfaction, retention and loyalty.

Scullin et al. (2002) suggest that the integration of customer data into a single database by an organisation allows the marketing teams, sales force and other departments within the company to share information and work toward common corporate objectives using the same underlying data. The availability of the particular data allows the firm to focus its time and resources on its most profitable customers. Classifying one’s best customers in this way allows an organisation to manage them more efficiently as a premium group,
with the understanding that it is neither necessary nor advisable to treat all customers in the same manner. In addition, customer data can be analysed from multiple perspectives to discover which elements of a marketing campaign produced the greatest impact on sales and profitability.

Finally, a number of researchers have attempted to quantify the benefits associated with CRM solutions. According to studies by ISM and by Insight Technology Group, a minimum 10% per annum increase in gross sales revenue per sales representative and a minimum 5% decrease in the general and administrative cost of sales are achievable during the first three years of the system. In addition, some retail banks have realised a 25% increase in the number of products sold per customer annually, an 83% decrease in average customer information retrieval time and a 200% return on technology investment through cost reduction over one year (Baran et al., 2008).

7 Conclusions and future directions

CRM is primarily a strategy, not just a solution, and can provide enormous competitive advantage if successfully implemented. Notwithstanding, however, all the benefits associated with CRM applications, the literature shows that in situations where no effort had been spared to design the best possible system, these very systems simply failed to deliver the expected results. At the same time, evaluating a CRM solution though imperative is also quite difficult, since its positive impacts are diverse and affect many areas, each of which requires its own effectiveness metric, and this is the reason a significant number of CRM projects are eventually not evaluated.

Despite the seemingly negative aspect attributed to CRM systems, there are a number of success stories within every business sector that demonstrate how the correct implementation and operation of such applications can enhance overall firm performance. Assuming that the business case requirements are accurately defined, a CRM solution is expected to yield a substantial ROI, an increase in sales revenue per sales representative as well as the products sold per customer, and a decrease in metrics such as the total cost of sales and the customer information retrieval time.

Moreover, the system can serve as a continuous improvement tool that helps the enterprise not only standardise the sales-related and customer-facing business processes, but also identify weaknesses, calibrate and update existing procedures, alleviate redundancies and possibly introduce new activities by leveraging and analysing the data being recorded, thereby achieving process optimisation. Companies are also expected to achieve intangible benefits such as smoother cross-functional operation, increased employee and customer satisfaction and an improved image.

Owing to the various technological advances a dramatic change in the CRM landscape is expected in the future. The currently growing trends of CRM are social CRM, global CRM and cloud computing. Social web has been the focal point for the growth of social CRM. Blogs, social networking platforms like Facebook, mobile applications and consumer-to-consumer interaction are heavily exploited having a clear impact on the business-to-customer (B2C) world. Global CRM, on the other hand, is the application of CRM processes and practices such as software as a service (SaaS) by firms operating in multiple countries. Finally, the development of cloud computing as the fastest growing method for data storing provides a unique advantage for CRM, in that the previous physical and organisational restrictions no longer exist. It should be stressed that
the advancements in CRM have given rise to issues and concerns such as identity thefts and privacy right violations [see Kumar and Reinartz (2012) for an in depth discussion]. Nonetheless, CRM unarguably remains a valuable platform for developing a competitive advantage.

References


Managing customer relationships


