

Review some perspective about the relationship with the customer

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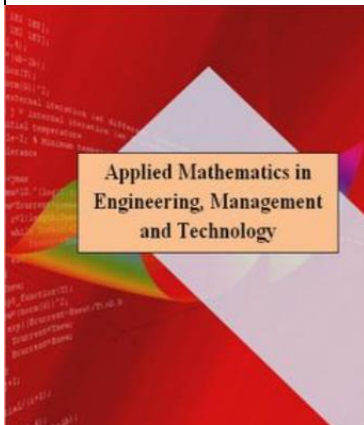
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Abstract

This article will review and analyze the models, presented in the literature, on the implementation of CRM. Since the issue of customer relationship management (CRM), is considered as a macro strategy in the organization, and because it shifts the viewpoint of the organization from production, product, and market orientation towards the customer, the customer needs, as well as towards customer retention rather than customer acquisition, reviewing the main factors leading the organization to this new point of view, plays a decisive role in the implementation and success of this system. In today's competitive world, organizations have come to the belief that the only means for the organizations to retain or enhance their market share is focusing on the customer, considering the customer needs and demands, and meeting these needs. Now, the customer knows very well that he has the right to choose, and plays an important role in organization's growth, retain, preserve, and simply its survival. Accordingly, he seeks services which are distinguished and compatible with his desires. In this paper, the main components of CRM are examined.

Keywords: (Customer relationship management, marketing, customer, product, CRM)

Introduction

With the increasing pace of change in the business in the last decade due to changes in technology, acting freely, increased innovation, continuous reduction in product life cycles, and fading of temporal and spatial distances in information technology space, organizations are faced with the markets within which the existence of intense competition is one of its unique features. Therefore, for the survival and viability in this market, organizations should be prospective and market-oriented, should continue their activities based on knowledge, and should also adapt themselves with this constant change.

Studies have shown that only 22% of studied companies have same view about the customer. And only 37% of them know whether the customer has visited their portal. For this reason, to eliminate the lack of contact with the customer, many companies are planning on the processes of the implementation of customer relationship management systems (Rainer & Paschmann, 2004). Customer relationship management includes management of; technology, processes, information resources and human resources of a company, to build an environment that helps the company have a comprehensive view of its customers. Customer relationship management is a transfer to Customer Economics, where the customer is the main factor of the company.

Within this economy, customer relationship management helps companies understand which customer worth acquiring, and which customer worth keeping; which is a strategic customer, which is profitable, and which one can be ignored. Today, with the advancements in information technology, many modern soft wares have been presented that can enhance the internal power of organization to reduce costs, to have better interactions with the environment, and ultimately to increase profits. Supply Chain Management soft wares, SCM, assist the organizations to have better interactions with suppliers and the environment, and provide better inputs. Enterprise Resource Planning (ERP) soft wares assist the organizations in guiding and planning the operations; Customer relationship management (CRM) soft wares help the organizations in engaging and retaining customers.

- Components of the customer relationship management
- customer

Customer is the only source of current income and future growth of the company. But because of today's

knowledgeable customers and intense competition, a good customer who provides the company with more profit using fewer resources is always rare. From a new point of view, the issue of focus on the customer can be defined on three bases, as follows:

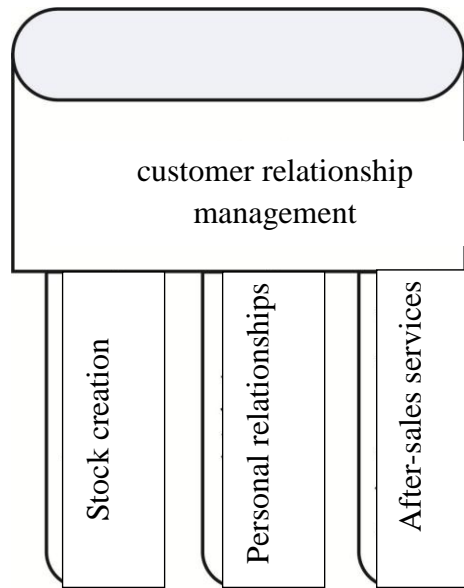


Fig1.three main areas of focus on customer's needs (Gal breath &Rogers, 1999)

(A) Customization: the key to the success of businesses in today's world is considering the tastes and interests of individual customers. And mass production, mass marketing, unified policies, and mass distribution are not considered as a competitive advantage in the emerging knowledge-based economy anymore.

(B) Personal relationships: any relationship is a two-way path, and for building customer loyalty, companies should create a long-term bilateral relationship with their customers. Establishing such a relationship requires a lot of attention to customers, so that not only have their demands heard, but to improve the relations by having the received feedback, actively applied.

(C) After-sales services / supports: At the present time, quality by itself is not a distinct competitive advantage anymore. Rather, this is the consideration of the customer, after the sale of goods and services to him, through an active and responsive service delivery and support, which can distinguish the company from its competitors (Abedin, 1385). Types of customers can be divided into the following categories:

- The customer who pays money to the company in exchange for goods or services.
- Employees who are paid, and in return, they work for the company.
- Suppliers or vendors who provide the organization with services and in return earn money.
- The company's partners who create added value on goods or services then sell them, and receive a percentage of profits for it.

The customer is the person or group with whom the company exchanges value. Trade experts, and academic experts, talk about unions, networks, and collaborations among organizations, but managers and researchers, mainly ignore an important factor- "consumer" or "customer". Companies have to admit that the customer is becoming a partner in creating value. In fact, previous customers as passive spectator have become active actors now.

- Relationships

Relations between the company and its customers includes mutual and continuous communication and interaction between them. This relationship may be short-term or long-term, continuous or discrete, repetitive or sudden. Customer relationship management is the management of this relationship so that it is mutually beneficial (ibid).

- Management

Customer relationship management consists not only the activities in the marketing department, but also the continuous change in processes and culture of the company. Customer relationship management requires a comprehensive change in the organization and its human resources. Special soft wares which support management process include:

- Field Service
- ordering and e-commerce
- marketing programs
- catalog management
- applications for analysis (ibid.).

To create a better environment for customer management, organizations need to move toward a new approach in customer relationship, i.e. customer relationship management. However, implementing and applying this new approach requires changes in the organizational structure, technology and processes (Gal breath & Rogers, 1999).

To build the greatest relationship with the customer, and through the automation of work processes, technical solutions and information sources, customer relationship management integrates issues related to sales, marketing, service, enterprise resource planning, and supply chain management.

If the company wants to implement CRM strategies, these strategies include marketing, sales, services, databases, and technologies, as well as other internal factors within the organization (including the staff, culture, and environment). This does not mean that the customer relationship management strategy cannot be implemented in one organizational sector, unit, or one part of the organization. Instead, it is not only possible, but in some circumstances it is also necessary (Reynolds, 2002).

CRM definitions

Various definitions of CRM have been presented by academics, and business people (Zablah et al., 2004) Although many of these definitions are identical, but nevertheless there is no consensus on the concept and its meaning (Weiner, 2001). The disagreement over the meaning of CRM has led to different actions (such as customer database, new facilities of customer contact, sales force automation and e-commerce) under the customer relationship management definition (Limón et al., 2002).

- Key Note states that the concept of CRM is associated with the development of a customer-oriented organization that constantly estimates the needs and preferences of its customer (Key Note, 2003)
- Customer relationship management is defined as a business strategy which aims at achieving long-term competitive advantage through optimal distribution of customer value, and simultaneously acquiring business value (Kellen, 2002).
- Customer relationship management is a cross-duty process which aims at enhancing customer value, by integrating the information technology and marketing strategies (Knox et al., 2003).
- CRM process is a systematic process for customer relationship management, from the beginning of the relationship to the end of it, according to all points of customer contact, to maximize the value of relationship. Process based point of view of customer contact is associated with two key concepts of customer value, and just the customer.
- Swift focuses mainly on the technological aspects of customer relationship management, and has considered it a series of operations (Swift, 2001).
- Customer relationship management combines the intimate customer relationship with the economic savings, and enables organizations to establish close ties between business representatives and customers. With customer relationship management, customer preferences and needs of the customer is available to everyone dealing with customers in the organization, and regardless of organizational channel, customers are dealt with a uniform approach (Reynolds, 2002).
- Customer relationship management is an organizational phenomenon whose implementation is supported with a plethora of features, including the tendency of the organization towards the relationship with its customers and maintaining this relationship, the company's openness in sharing information, and the availability of structures and processes to facilitate it (Day, 2002).

- The point of view of Craig who was the executive director of Peoplesoft for a while, and served as the executive deputy of Oracle for eight years:

Definition: Each time a customer visits an entity, he has a series of demands that may be of particular goods or services. These demands are along with a series of trends and tendencies towards the commercial unit. From this point on, series of events form the customer's behavior, and lead to increased number of subsequent follow-up visits and purchases, and vice versa, that is, bad experience makes him tend to the company's competitors. Customer relationship management is the ability to identify, shape and manage a relationship, and the appropriate and basic process.

Components:

CRM includes the following three components: (Figure 2)

1. Customer
2. relationship
3. Management .

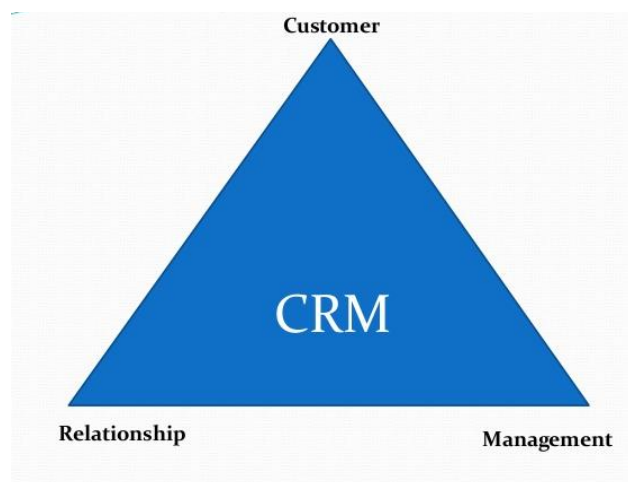


figure 2. components of CRM

Goals:

1. Increasing revenue growth through customer satisfaction.
2. Decreasing in selling and distribution costs.
3. Minimizing customer support costs.

Presenting a pilot model

The pilot model contains a set of seven basic components as follows:

1. Establishing a database of customer activity.
2. Analysis of the database.
3. The decisions about customers, who should be targeted, based on the analysis.
4. The tools to target customers.
5. How to communicate with targeted customers.
6. Privacy issues (confidentiality of customer information).
7. Criteria for measuring the success of the program (ibid.).

Customers are in relation with the staff, and the employees also have relations with suppliers and dealers, and each of these relationships is an opportunity where different people with different roles communicate with each other through different channels and different points of contact. Achieving such a communication requires a system which can support the business processes of the organization with no breach, and can provide the people wherever they are with needed information, authority and different insights. The system should continually evaluate the business processes, and improve it, such a system is a customer relationship management.

- Comments of Scot Fletcher, manager of Peoplesoft Specialized Group

Definition: customer relationship management is a trend in the Enterprise level, and consists of a set of business processes, and policies to attract and retain customers, and providing services to them. In other words, customer relationship management is those business processes associated with Customer-Facing, and includes marketing, sales and service. Customer relationship management is not the technology, but technology is the promoting factor of the customer relationship management. Development of the internet as a means of commercial transactions, development of the communication methods, and the increase in computing power are the promoting factors of the customer relationship management.

- Comments of Brent Fle the founder and director of Onyx

Definition: customer relationship management is a wide range of processes, and technologies, to manage relationships with potential and current customers, and business partners, in association with marketing, sales and service activities, and is independent of the communication channels. The purpose of CRM is to optimize customer and business partners' satisfaction, and to increase revenue, through building strong relationships across the organization (ibid)

- Comments of Peter Keen, the founder of Keen Innovations

Definition: customer relationship management is, in fact, the commitment to putting the customer's experience in the frame of corporate priorities, and should ensure that incentive systems of the organization, processes, and organizational information resources, through improving customer experiences, lead to the capabilities of communication with the customer. From the perspective of technology, customer relationship management is the design, exchange, and use of information, to ensure that customer's trust in the company increases day by day.

- Comments of Roger Siboni manager of KPMG Peat Marwick

Definition: customer relationship management is the overall change in company structure, so that the customer is placed at the center of all activities. In customer relationship management, accumulations of data stored separately in different departments including marketing, sales and services sections, are removed, and all communication channels act together in order to strengthen marketing activities, sales, and services to the customers, to encourage them to be more relevant to the company. The progress of technology creates the possibility that any established relationship with the customer gives certain information in connection with his preferences, which in turn, builds the basis for future personalized communications (ibid).

- Comments of Robert Thompson, founder and manager of Front Line Solutions

Definition: CRM is a business strategy to select and manage customers, in order to optimize the value in the long term. To support the processes of marketing, sales, and service, customer relationship management requires philosophical point of view, and Customer-Centric culture. Through effective management of customer relationship, CRM methods can implement company's strategy, and help it be the pioneer of business. These definitions can approximately be classified in three categories:

- Definitions based on a focus on technology-based life cycle of product or service.
- Definitions based on the centrality of the customer life cycle consisting of four phases as follows:

- Customer attraction: The customer gets familiar with the company or product, and tries to connect with the company.

- Transactions with the customer: At this stage, the customer moves one step further, and wants to purchase goods and service.

- Providing service and customer support: In this stage, the customer needs the support and help from the company.

- Improvement: The customer thinks of more relations to the company and purchasing again and again.

- Definitions based on a strategy that tries to release customer relationship management from technology infrastructure and customer orientation, and focuses mainly on competing successfully in the market and creating value.

Instead of understanding technology applications in the enterprise environment, Customer relationship management vendors have mainly focused on technical elements of this concept (Ernst & Young, 2001). According to the definitions of CRM, some of which stated above, one can achieve approximately 45 different definitions of CRM, and by categorizing these definitions, five major perspectives in the field of CRM can be assumed.

Table1. Five major perspectives in the field of CRM

perspective	Description	Requirements for success	Conceptualization expression
Process	Development of buyer-seller relationships, and its definite evaluation	The success of CRM depends on the company's ability to identify and respond customer's needs and preferences.	Creation of communication and connectivity with external phenomena, especially channels and end users (Srivastava et al. 1999)
Strategy	It is the value of customer life cycle that determines the amount and type of resources that companies should invest in a particular relationship.	CRM success requires the company to constantly evaluate customer relationships based on their lifecycle profitability.	CRM enables companies to invest on profitable customers, and to minimize their investment on customers who are not profitable (Verhoef & Donkers, 2001, P.18)
Philosophy	Customer retention is the best achievement from focusing on establishing and maintaining relationship.	The success of CRM requires the company to be a customer-oriented company, and direct itself in the right path to understand the dynamic needs of its customers.	CRM is not an abstract project, but it is a philosophical business, with the aim of achieving a company with customer-centered perspective (Hassean et al., 2003).
Ability	A long-term –profitable relationship occurs only in companies that are able to adapt their behavior to individual customers.	CRM success depends on the company to possess a set of tangible and intangible resources, and to be able to change its behavior based on interactions with individual customers dynamically.	CRM means the ability to change the treatments with the individual customers, based on what the customer says and what you know about the customer (Peppers et al., 1999).
technology	Technologies, interaction management, and knowledge are the key resources for companies who need to create profitable and long-term relationships with customers.	The success of CRM primarily depends on the user acceptance and the operation of the technology which companies have applied in order to acquire and manage interactions with the customer.	CRM is a technology for combining sales, marketing, service and information systems, in order to establish close relationships with customers (shoema 2001).

The history of the emergence and evolution of CRM

1. From manual production to mass production: The Industrial Revolution
Centuries before mass production system, people used to have tailors to sew their clothes, and they used to have transactions in the form of barter, with face to face dialogues and hugs and kisses. But in the mass production era, it was not possible to customize orders. Companies were eager to know how to produce and market a specific product, to obtain maximum efficiency and cost effectiveness.
2. From mass production to continuous improvement: quality revolution
while American companies were moving along the curve of learning about mass production of their inventions, Japanese companies were discovering the fact that their continuous improvement of processes results in lower production costs and increased quality.
3. from continuous improvement to customized production: customer revolution
The companies' focus has shifted from products and processes, to issues related to the consumer. If the company wants to be successful in the course of today's consumer-driven approach, it should concentrate the manufacturing processes and efficiency of their efforts on finding ways to attract customers and keep them satisfied .

CRM and relational marketing

CRM relationship marketing is drawn from philosophy. The following table shows a comparison between traditional marketing and CRM (Piccoli et al., 2003).

Table2. comparison between traditional marketing and CRM (Piccoli et al., 2003)

traditional marketing	CRM
Focus on transactions	Focus on customer
Short-term focus	lifetime focus
Single transaction	Multiple transactions
Suddenly and one-way relationship	continuous and mutual relationship

Expansion of the Concept of Customer Relationship Management

These phrases are frequently used in customer relationship management: data warehousing, customer classification, promotional campaigns, call center, and software related to each. In general, customer relationship process is a design process organized based on the customers, so that the needs and demands of the customer are considered as the main focus in every organizational decision. Customer relationship management enjoys the information technology as leverage to coordinate the organization's interactions, in order to build a long-term loyalty.

From Sapint Consultancy Company's point of view, the definition of customer relationship management is as follows:

- CRM is a customer-oriented organizational model that uses the customer information in a structured way, to create a customized strategy. With CRM, one can detect the customer needs and demands even before being expressed, and with the help of this competitive advantage, one can increase customer loyalty, and reduce operating and services costs.
- Customer relationship management enables the organizations to establish continuous relationship with each customer, and also enables the organizations to interact each customer as an individual, to remember past interactions, and to refer to them, as well as to influence customer behavior.

The benefits of customer relationship management

Benefits of customer relationship management include:

- Customer acquisition cost: Due to reduction of marketing, communication and tracking costs, the customer acquisition cost is reduced.
- There is no need to acquire too many customers to set up a lasting and stable entity: customer relationship management increases customer loyalty and increases long-term customer-company interactions and values them. Therefore, there is no need to acquire too many customers.
- Lower sales costs: Since the existing customers are familiar with sales' system, costs of sales decreases. Because of the awareness and the familiarity with distributors and communication channels, the relationship with the customer is more efficient and correspondingly, marketing costs are reduced.
- Increasing loyalty and retaining customers: the number of customer return increases, their loyalty lasts in longer periods, and as a result their purchases increases.
- High profitability: by increasing sales to existing customers, profitability increases.
- Evolution and transformation in profitability of customers: not all customers are necessarily profitable, but some of them may even cause a loss. This is because their use of facilities, resources and time of the company, creates a value for the company, which is less than the cost of their relationship with the company. The company may categorize the customers to three groups: those who are already profitable, who are not profitable at all, and who may be profitable in the future. This strategy helps the company acquire and retain profitable customers.

- Creating new opportunities for Sale: the more the company is aware of its customers and their purchasing behavior, the more accurate decisions it can make, when customers intend to purchase. A good customer relationship management system classifies prospective customers, and helps companies recognize the best ones.
- Providing the customer with better services: a good customer relationship management system helps customers with good services. And with updated information about the customer, those in charge of sales and service can act according to customer's behavior.
- Better decision making: customer relationship management presents extensive and widespread reports of customer behavior, marketing campaigns and results of sales activity, all of which are necessary to wise and long-term decision making.
- Increasing the efficiency and productivity: Through workflow automation, reducing human errors, reducing processing time, and creating a harmony in the whole company, a good customer relationship management system causes an increased utilization within the company.
- Customer relationship management as a fundamental basis for the development: Through an appropriate customer relationship management system, one can enhance and manage the development of the organization. And the process of adding new modules and individuals to the company can be done easily.

Types of customer in terms of behavior

Customer is considered as the most important asset of any organization, and customer retention is the most important policy of institutes and companies. As a result, to retain the customer, the organization should learn about his psychological and behavioral characteristics, habits and customs, so that by providing an appropriate and timely response to his speech and behavior, it can create opportunities and exploit them (ibid).

Customer types in terms of the length of loyalty

Because of their greater profitability due to the continuation of orders to the organization, loyal customers should receive extra attention. Today's patrons are the people whose acquisition has caused sufferings with extreme hardship for the organization. The new customers are needed for two reasons:

1. Any organization needs to develop and improve.
2. Due to the loss of old customers, that naturally occurs in any time period (ibid.).

- Activities related to customer relationship management

In addition to these main processes, there are some important activities in customer relationship management. Here are some of them:

- Identification of customer contact points:

Identification of all points of customer contact, such as marketing, sales and service act as a starting point for the integration of all customer related business processes, and integration of information systems to support CRM strategy. Through personalizing, customer and customer contact points segments should be developed, so that one can easily describe different ways of interaction with the customer, and how to collect customer information, and how to use this data (Swatman, 2002).

- collection and analysis of the data

The process of analyzing data has been introduced as "Analytic CRM" by Heppner et al.; in customer relationship management, analysis is a part which does not directly support the customer business processes, however, regularly analyzes the interactions and contributions to the customer contacts (Heppner et al., 2002).

- Focus on key customers

Focus on key customers include tight focus on customer orientation, a permanent increase of the value, and delivering it to key customers through appropriate and proportionate outputs. Key aspects of this dimension include: customer-based marketing, identifying the key customer lifetime value, personalization and interactive marketing (Vander merwe, 2004).

Customer-focused marketing is the effort to meet the needs, wants, and resources of selected customers on an individual basis. This type of marketing is based on Pareto's law which states that 80% of the company's profits come from 20% of customers (Ryals & Knox 2001).

Identification of customer lifetime values: in customer relationship management, marketers evaluate each customer's lifetime value individually, and decide if to establish a relationship with him, and whether to provide the goods or services in a customized form for him.

Personalization: is the individual marketing through Mass Customization which allows the customers to seek unique solutions for their specific needs (Dyche, 2002).

Wild et al., consider the personalization capabilities as a major advantage of Internet in comparison with other channels of distribution and communication (Wild et al. 2001).

Interactive marketing: to create and maintain strong and continuous two-way relationships among exchange partners, interaction of marketers and consumers about aspects of design and production is essential. This type of marketing seeks to achieve this objective (Fox and Stead, 2001). In addition, a new type of marketing has been introduced called Event-Based Marketing. The best definition for this kind of marketing is time-sensitive marketing, or the selling relationship based on the event on behalf of a particular customer, and the aim of this type of marketing is to enable the organizations to respond the events caused by the customer in Real Time (Johnson and Aspard 2004).

Discussion:

Today, treatment and communication with the customer, in every organization and institution of commerce and trade, is a robust and effective step to keep up with scientific progress and new achievements of mankind. And achieving prosperity and success in customer satisfaction, leads to an increase in staff morale and ultimately to profit for a financial or commercial institution. There is no doubt that the customers are the most important asset of any organization. Because of their direct communication with the actions of an organization, customers are a valuable resource for opportunities, threats, and operational questions associated with the company. Customer relationship management has the ability to keep the organizations on the competitive edge and achieve competitive advantage. Today's competitive advantage lies in having customers who are more profitable, more loyal, and more aware. Thus for a successful presence in dynamic markets, customers should also be taken into account. Hence, it seems that, as an organizational effort, understanding the process of gaining competitive advantage through customer relationship management is necessary. Despite the emergence of the concept of customer relationship management (CRM) from the 90s, it is still considered as a key tool for business management. According to customer relationship management, or CRM, in the process of new business, customer satisfaction has obtained a vital position in company's goals. Given the importance and impact of customer satisfaction and loyalty in increasing the market share of a company, organizations consider the customer relationship management, as a means to increase their profitability. The purpose of customer relationship management is to enable the organizations to provide the customers with better services through automated and integrated processes for collecting and processing information of customers. In fact, this management links customer service, marketing information, and sales management to each other. Every business should have a framework to understand, analyze, and evaluate the key success factors and customer relationship management at its disposal. Important challenge of company directors, generally, and Iranian organizations, in particular, is to implement strategies that are set based on speculation and using a systematic approach. Understanding philosophy considers the customer relationship management as the main standard practical line of excellence for any business organization. In this paper, we considered those indicators and criteria of Customer Relationship Management that are important in applying the CRM theory in Mellat Bank.

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