Electronic Customer Relationship Management and Its Implementation in Business Organizations

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Abstract

The purpose of this article is Electronic Customer Relationship Management and its implementation in Business Organizations. In recent years due to the advancement of technology and IT and consequently increasing the intensity of competition in the markets; it has been observed that using old marketing methods do not guarantee the life and growth of the organizations. So a new system called “customer relationship management (CRM)” to attract and maintaining customers has been introduced. It is in fact a business strategy to strengthen a series of organizational behavior in order to achieve customer satisfaction and profits. As a competitive advantage successful companies are always looking to implement new methods and tools in order to achieve development and continuous improvement. One of these tools is CRM that by the development of technology and communications, today is known as electronic customer relationship management (e-CRM). Considering the importance of the above topic, in this paper, first the definitions of customer, CRM and ECRM and then the formation of ECRM, its implementing framework in the organizations, success key factors in the e-CRM strategy’s implementation and finally, the challenges facing e-CRM and how to deal with them are preceded.

Keywords: Customer, CRM, ECRM, Implementation Framework, Traditional Marketing

1. Introduction

Globalization and technology improvements have exposed companies to a situation with tough competition. In this new era companies are focusing on managing customer relationships in order to efficiently maximize revenues (Constantinos, 2003). Today marketing is not just developing, delivering and selling, it is moving towards developing and maintaining long term relationships with customers (Buttle, 1996).

One of the major improvements in the today’s businesses is increasing the profits and productivities which result by customers’ satisfaction. So if business units focus on the new customers then they can be able more to maintenance them. In other words, a business that does not meet their customer expectations or does not have permanent and dynamic long-term relationships with them, in the long term it will fade away from the global competitiveness (Alvandi and Mirzaei sarv kalaei, 2008). At the current era, the interactions between organizations have changed. These rapid changes usually come up with high demands and reciprocally abundant supply so in this extremely competitive environment the companies must be able to offer the orders so quickly (Akhavan and Babolhavaeji, 2005).

In the past, how to interact with customers was examined in the form of the concept of "customer relationship management”. But today, IT has a great impact on the different parts of an organization, especially in the way of interacting with their customers so that the IT tools are used extensively in the customer relationship management and caused the emergence of a new concept called "electronic customer relationship management" (Sophonthumorpharn, 2009).

According to Romano and Fjermestad (2003) eCRM concerns attracting and keeping economically valuable customers and repelling and eliminating economically invaluable ones. As they previously (2002) have mentioned that “e-CRM will continue to develop as an important area of study in MIS and such relevant referent disciplines as
computer science, marketing and psychology” at last could told that the purpose of this article is Electronic Customer Relationship Management and its implementation in Business Organizations.

2. Definitions and Concepts

2.1. Customer

Customer is the one who defines his needs, consumes the produced goods and services and is willing to pay the appropriate fee for them just when sees something valuable which justify the cost (Eskandari et al, 2010).

2.2. Customer Relationship Management (CRM)

Some definitions from different theorists’ views are as follows:

- **Levine (2000):** CRM is the utilization of customer-related information or knowledge to deliver relevant products or services.
- **Armstrong and Kotler (2003)** define CRM as “the overall process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction”
- **Thompson (2001):** CRM requires a customer-centric business philosophy and culture to support effective marketing, sales and service processes.

2.3. Electronic Customer Relationship Management (e-CRM)

The new version of CRM, or e-CRM, is principally emerged from CRM, but its emphasis is more on personalization, direct marketing technologies for selling and providing distinct services to small parts of the market. E-CRM provides the kind of opportunities to reveal his/her potentials as a customer through establishing an effective relationship with the company, in order to both the company and customer benefit from this relationship (Dimitriadis and Stevens, 2008).

3. Problem Statement

In today’s business world, the concept of CRM has become the center of attention. While whilom the customer service was at the low degree of organizations’ priorities. Today, organizations put their customers on the center of all their activities and revise most of their marketing and sales strategies based on this basis. What is growing more in this field is extending the customer’s Authority.

Successful companies are always looking to employ new methods and tools as competitive advantages to achieve continuous development and improvement. Customer relationship management is one of these tools that by developing the technology and relationships, is known as the electronic customer relationship management. This type of management is a strategy which toward it and based on the customers’ perceptual value, companies can build useful relationships. Today, as the management of electronic communication with customers will be enumerated. Proper understanding and evaluating the performances caused by implementing these tools are today’s disturbance of the researchers and global companies’ managers. The emergence of e-commerce has led to great changes in many aspects of the existing commerce such as creation of new companies with new commerce models, new job and commerce opportunities, and new methods of commerce processing so that the e-commerce methods have become a substitution for relationships in the areas of sales. These changes could provide a new type of competitive advantages for CRM (Especially by using of some network systems such as internet, intranet and extranet). For this purpose, organizations should develop an appropriate model to monitor their customers’ performances by analyzing, tracking and managing the events caused by the e-commerce. On the other hand, today’s complex and dynamic competitive market requires managers to make all their efforts to attract potential customers and maintenance of the existing customers so the assessment of the customer and market needs and the proportion and balance between them can be a proper solution for this mean (Mir Fakhredini et al, 2009).
In a simple expression, the main objective of the e-CRM can be understanding of the values and having better behavior with customer to increase their loyalty and therefore to increase the company’s profitability. In other words, companies instead of relying on the traditional model (trying to sell more), should rely on the rebuilding of the existing relationship between companies and customers (Rudolph, 1999, Tan et al, 2002).

Among the mentioned technological advances, perhaps the emergence of the Internet is the most important territory that has influenced the world of CRM. This achievement with its interactive nature has created an appropriate condition for managers to reach to an ongoing relationship with their customers. High speed, cost effectiveness, permanent access, efficiency in data transferring and the integrated and distinct nature are the main motivations of implementing the Internet to improve the customer relationship management (Bauer et al, 2002, Frawley, 2000).

4. Theoretical Framework

Although CRM is an important and central issue in the marketing science, but yet its nature has not been accepted comprehensively. According to Zablah et al (2004): CRM has, implicitly or explicitly, been conceptualized as a: process, strategy, philosophy, capability and/or technological tool. According to Kellen (2002) CRM is a business strategy aimed at gaining long-term competitive advantage by optimally delivering customer value and extracting business value simultaneously. As such, this definition lands squarely in the strategy-centric camp. The reason for this is two-fold. In other words, it’s a kind of win to win strategy which makes it possible for customers and companies to gain what they want from each other toward a more firmly union (Mir Fakhredini et al 2009).

Chen and Popovich (2003) state that (CRM) is a combination of people, processes and technology that seeks to understand a company’s customers. Khanlari and Sohrabi (2006) presented a conceptual model by considering the rank of each factor in order to establish the CRM system in the IT organizations.

4-1. Steps of the e-CRM’s formation

In traditional marketing (state 1), one type of production was offered for all and the marketing programs for all of them were identical. Then the concept of customer relationship management was formed. In that state (state 2) by increasing the communication channels the one by one marketing was used. Finally the use of information technology in CRM led to form e-CRM concept (state 3). Consequently, the use of the IT’s capabilities made specific production for each customer possible (Jarahi et al, 2009).

<table>
<thead>
<tr>
<th>Marketing Attitude</th>
<th>CRM (state2)</th>
<th>e-CRM (state 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>One by One Marketing</td>
<td>Traditional marketing (state 1)</td>
<td>specific production for each customer</td>
</tr>
<tr>
<td>Mass Marketing</td>
<td>One type of production for all</td>
<td></td>
</tr>
</tbody>
</table>

4-2. Relationship between IT and CRM

Traditional (mass) marketing doesn’t need to use information technologies extensively because there is no need to distinguish, differentiate, interact with, and customize for individual customer needs. Although some argue that IT has a small role in CRM, each of the four key CRM tasks depends heavily on information technologies and systems.
Table 2 shows this relationship for the marketing processes, for the goals, for traditional mass marketing, for CRM, and for the information technologies used in CRM (Gray and Byun, 2001).

Table 2: The relationship between marketing processes, Goals, Traditional Mass Marketing and the information technology used in CRM (Gray and Byun, 2001).

<table>
<thead>
<tr>
<th>Process</th>
<th>Identification</th>
<th>Differentiation</th>
<th>Interaction</th>
<th>Customization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal</td>
<td>✓ Identify individual customer</td>
<td>✓ Evaluate customer values and needs</td>
<td>✓ Build a continuing relationship</td>
<td>✓ Fulfill Customers’ needs</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓ Generate profit</td>
</tr>
<tr>
<td>Traditional Mass Marketing</td>
<td>-</td>
<td>✓ Clustering</td>
<td>✓ Call Center</td>
<td>✓ Sales</td>
</tr>
<tr>
<td>CRM</td>
<td>✓ customer profiling</td>
<td>✓ Individual level analysis</td>
<td>✓ Call center management</td>
<td>✓ Services</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>✓ Auto response system</td>
<td></td>
</tr>
<tr>
<td>Information Technologies</td>
<td>✓ Cookies</td>
<td>✓ Data Mining</td>
<td>Web-based software,</td>
<td>✓ ERP</td>
</tr>
<tr>
<td></td>
<td>✓ Websites personalization</td>
<td>✓ Organizational learning</td>
<td>Communications without system</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓ E-commerce</td>
</tr>
</tbody>
</table>

4.3. Implementation framework of e-CRM

In implementing e-CRM some IT tools such as Portals, Emails, Auto responders, Online Catalogs, Banners, Shopping Carts, and Downloads and … are used. The capability of these tools can be measured toward various issues:

1. The first being level of interface (i.e., how much can an application allow the company to get up close and personal with the customer). This issue was dichotomized into high (very close) and low (not very close).
2. The second issue that marketers must consider is the actual cost of implementing and maintaining the tool. Costs were also dichotomized into high and low, but they were based on a relative scale rather than an absolute scale.
3. The third scale is the level of personalization, which means how much using a tool can allow the company to see the customer’s behavior patterns and cater to his needs accordingly. Generally, technology plays an active role in providing personalized service.
4. Finally, the actual number of users that the tool could cater too at one point in time is evaluated. This issue is shown in table 4 with the label of “reach” (Metha et al, 2001).
Table 3: Implementation framework of e-CRM (Metha et al, 2001).

<table>
<thead>
<tr>
<th>Interface</th>
<th>High Cost</th>
<th>Low Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>Auto responders, Shopping Carts, Portals, User Tracking, Digital Broadcasting, GIS, Multi Channel Call Centers</td>
<td>Communities, Affiliate Programs</td>
</tr>
<tr>
<td>Low</td>
<td>Email</td>
<td>Online Catalogs, FAQs, Downloads, Banners</td>
</tr>
</tbody>
</table>

4-4. Success key factors in implementing e-CRM strategy

According to Mohammadi (2003); implementing a successful strategy of CRM in a firm depends on the three key factors:

- **Training the firm’s employees:** In the field of interaction and contact with customers, employees must pass some specialized and practical training courses in order to effectively communicate with customers and also gain the ability to use new technologies.

- **Review the processes and design new processes:** Firms without well and logical design of the processes cannot achieve to their goals. Firms must define their business needs and goals first and then in order to achieve to these needs and goals they must improve and develop the processes associated with CRM. Re-engineering of the business processes is one of efficient tools in this sector.

- **Implementation of new technologies:** CRM implementation requires some changes in the organization’s infrastructures and implementing new technologies such as new business rules, databases, information technology, etc.; these changes lead to useful and effective changes in the organization.

4-5. Challenges facing e-CRM and how to deal with them

As mentioned before the e-CRM and its implementing dimensions in the organization were introduced but this approach faces with some challenges in its implementation. To effort to a fast implementation of e-CRM, many companies attempt to implement e-CRM before compiling a comprehensive strategy for themselves. According to published reports, many companies are dissatisfied with their e-CRM systems. The Gartner Group research indicates that half of the e-CRM projects are not expected to achieve to the required efficiency. Some of the challenges in implementing e-CRM and how to deal with them are as follows:

- **Nonconformity between organization’s situation and e-CRM’s software:** all efforts should be in a way of finding a software which is flexible enough and is consistent with organizational plans, and not merely based on the ideas of the software producer company. In fact, there is no software in e-CRM system that can operate successfully in all organizations.

- **Poor understanding of the organization’s commercial process:** before purchasing the e-CRM all of the organization’s commercial processes should be rechecked, analyzed and then should be written.

- **Instability in the software producer company:** before purchasing the software the stability of the producer company should be assessed to ensure that the software producer company can continue to his life or not? Because in the future, in the field of e-CRM the software producer must support the company.
Resistance by end users: this is always a possibility. If the new process of e-CRM does not form with the knowledge of the situation, perhaps the cooperation of the staff face with the failure so the success of the project can jeopardize. To reduce the staff resistance the implementing program should be accomplished with their participation.

Size of Project: some of the e-CRM projects fail because of the extent of their territories. If there is no favorable economic situation in the market, the initial implementation of a small trail e-CRM system seems to be logical. Because its risk is far less than of a full implementation. The trial version also provides the possibility of positive and negative points’ evaluation.

Lack of technical maturity: Some of the technologies related to e-CRM are still in the minority stage. In some cases, the cost and time of implementing an e-CRM rises to the extent that tires the customers. So simultaneous attention to the customer and technology seems to be effective in the success of these projects.

Intrusion to the individuals’ privacy: despite of all the benefits of the personalization which take place in e-CRM, still many customers are dissatisfied from the companies’ penetrations to their privacies. So in this respect the law observation and above all attention to their interests and preferences can guarantee their satisfaction (Jarahi et al, 2009).

5. Conclusion

CRM is an integrated system that is used in the planning, scheduling and controlling the activities of before and after the sale. It aims to attract, retain customers over the long-term, value them and also empower them in order to interact with firms and companies to receive their services through various tools such as web, phone, fax, email and ... CRM applications can be used to support the entire customer-oriented processes in the organizations including marketing, sales and customer services. Using IT in CRM has many advantages too. Some of the main advantages are increasing customer loyalty, effective marketing, improve the customer services and supporting him/her, higher efficiency and lower costs. Iranian companies in the developing country which began to move toward economic development, creation of competitive markets and globalization must endeavor to use new approaches to maintain and expand their domestic and foreign customers. The CRM method can be an appropriate method to achieve this goal. In fact, without CRM’s implementation and also without using of ICT, Iranian companies won’t be able to compete with their counterparts in the long term in attracting and retaining the customers.
References


