



Exploring the Benefits of Customer Relationship Management

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Abstract: *In this competitive market, customer is the most important property in an organization. It is not surprising that customer relationship management is increasingly used by the organizations to support different type of their customer. Customer is a source of information which is necessary for implementation of marketing strategy. According to changes in market place and active participation of customers in communicating marketing activities, customer relationship management becomes important. Customer relationship management is a phrase that describes how a firm interacts with customers. Most people think of customer relationship management as a system to capture information about customers. However, that is only part of the picture. Customer relationship management involves using technology to gather the intelligence you need to provide improved support and services to your customers. We reviewed previous studies, and identify these benefits which will be affected on customers. Our result will help the managers and companies to know and recognize the benefits of customer relationship management which are more significant for their customers.*

Keywords: *Customer, Customer Relationship Management*

INTRODUCTION

The world we live in is constantly changing and we find ourselves, as well as our companies, unable to live without technology. In addition, the growing competitiveness and competition between companies makes them want to be one step ahead of others and constantly looking for new technologies. Among these is a technology that has been increasingly used in companies since the 1990s – Customer Relationship Management (CRM). According to Dowling (2002), CRM had two points of origin: the United States (due to technological advances that provided more effectiveness and efficiency to call centers, websites and loyalty and customer service programs), where it is perceived as the driving force of the development of relationships between customers, and in Northern Europe and Scandinavia (due to the need of understanding the nature and impact of long relationships between companies), where it is considered a supportive tool (Pereira, et al. 2018).

Accordingly, creating customers can sometimes prove difficult. In a competitive environment where consumers have several options, this is even more difficult. For firms this means that it is of great importance to know which product or service that will create a customer. Once a customer has been created, firms need to switch part of its focus from only customer creation to maintaining and developing strong ties to already created customers. Hence, in our opinion, the combination of both creating and maintaining customers makes a successful firm (Elfving & Lemoine, 2012).

A customer (also known as a client, buyer, or purchaser) is the recipient of a good, service, product, or idea, obtained from a seller, vendor, or supplier for a monetary or other valuable consideration (Kendall, 2007). Therefore, Competition for customers is intense. From a purely economic point of view, firms learned that it is less costly to retain a customer than to find a new one. By Pareto's Principle, it is assumed that 20% of a company's customers generate 80% of its profits. In industrial sales, it takes an average of 8 to 10 physical calls in person to sell a new customer, 2 to 3 calls to sell an existing customer. It is 5 to 10 times more expensive to acquire a new customer than obtain repeat business from an existing customer. A 5% increase in retaining existing customers translates into 25% or more increase in profitability (Hassana, et al., 2015).

On the other hand, the development of Customer Relationship Management (hereinafter referred to as "CRM"), as a concept and a specific method of communication is result of trends that occurred during twentieth century (Laketa, et al. 2015). Rapid changes in technology and changes in customer's everyday life have enabled successful implementation of CRM concepts and new forms of communication. CRM concept is based on a marketing strategy which integrates internal processes, functions and external networks in order to create value to customers, in order to achieve profit (Buttle, 2009). CRM systems could appear on the market due to innovation in technology, however on the other hand they also could be considered as an innovation (Urbanowicz, 2008).

Good customer relationship management means presenting a single image of the company across all the many channels a customer may use to interact with the firm, and keep a single image of the customer that is shared across the enterprise (Berry & Linoff, 2000). A successful CRM implementation is when a CRM system helps a company profitably deliver market offering to consumers that: provide value to consumers if possible to a lower cost than the competition, provide more value at the same relative cost relative to the competition, to provide more value at a lower cost than the competition (Elfving & Lemoine, 2012).

Nowadays more and more companies decide to introduce CRM systems in their companies. Main factors which facilitate this process and cause its popularity are:

- increase of computing power of computers,
- decreasing costs of buying computers,
- increasing possibilities of gathering information by computers,
- decreasing costs of storing data,
- reliability of more and more advanced tools for data analysis, data mining or methods for data visualization, growth of e-commerce and ways of interacting with customers via internet, due to which the cost of such interactions is much lower than in case of traditional ways,
- increase in awareness of importance of current customers' behavior and importance of customer lifetime value,
- increase of complexity and improvement of marketing approaches, including one-to-one marketing, permission marketing and mass customization (Urbanowicz, 2008).

Considering that value of CRM, the objective of this paper is to have literature review about the CRM concept and benefits.

Concept of Customer Relationship Management

The concept of CRM originated in developed economies, primarily in organizations whose priority is to retain existing customer base as an important business segment especially in competitive environment. CRM is a philosophy, process, concept of development and management of customer relationships (Laketa, et al. 2015). The concept of CRM has its roots in relationship marketing (Urbanowicz, 2008). CRM is a synthesis of many existing principles from relationship marketing and the broader issue of customer-focused management (Hendricks, et al., 2007).

CRM is a business strategy to select and manage customers to optimize long-term value. CRM requires a customer-centric business philosophy and culture to support effective marketing, sales, and service processes. CRM applications can enable effective Customer Relationship Management, provided that an enterprise has

the right leadership, strategy, and culture (Thompson, 2002). Kincaid (2003) defined CRM as a strategic tool that use of information, processes, technology, and community to handle the customer' relationship with the company departments such as marketing, sales, services, and support, during the customer life cycle.

CRM is about acquiring customers, knowing them well, providing services and anticipating their needs (Teo et al., 2006). According to Foss et al., (2008) CRM can be divided into two parts, operational and analytical. The operational CRM perspective is about training employees, especially the sales force, in how to deal with consumers. A firms operates with this training to control the interaction it has with its consumers, this involves sales force automation, marketing, and consumer service. Analytical CRM involves the technologies that aggregate consumer information and provide analysis of the consumer data to enhance managerial decision-making and actions apartments e.g. consumer service, sales, and marketing. This type of CRM forms the foundation for planning and evaluation of marketing campaigns and assists cross-selling and up-selling functions (Elfving & Lemoine, 2012).

Consequently, by looking towards the CRM definition, it is clear that satisfying the needs and requirements of customer is an important and significant part of CRM. Also, one of the vital goals of firms through implementing CRM is improving customer's satisfaction. There are a numbers of studies which have explored the different aspect of CRM, such as CRM benefits (Mohammadhossein & Zakaria, 2012).

Benefits of CRM

CRM researchers had assumed that CRM benefits varied by the type of the organization as the methods and technologies related to CRM were customized to specific organization processes. CRM system is necessary for any business that works with customers directly and is looking for increases in the customer base and revenue. Therefore, it is important to highlight its main benefits (Leonid & Artem, 2018).

A customer relationship management (CRM) system is storage of customer information which contains all customer profiles. In addition to the traditional database roles, it has the capability of personalizing needs of individual customers by differentiating products or services for each unique customer (Phan & Vogel, 2009). Gartner (2003) for the first time identified the best four practices that lead to CRM success and four areas where those practices should be applied. The four practices are vision, strategy, valued customer experience, organizational collaboration, and the four areas where they should be applied are process, information, technology and metrics (Das, et al., 2018). Galimi (2000) states that CRM is a business strategy focused on customers to increase customer satisfaction and customer loyalty by providing a more responsive and customized service to each customer.

CRM includes all the opportunities for managing customer relationships: managing contacts, managing customer interactions, managing potential and completed transactions. CRM contains tools for creating reports, importing/exporting contacts, analyzing and segmenting the target audience. Based on the data received from CRM, the user can distribute lists of potential customers between sales department managers, plan promotions and subsequently analyze their effectiveness (Leonid & Artem, 2018).

Adopting CRM brings the knowledge to maintain long term relationship with customers, achieving the customers, achieving the customer's satisfaction, reducing distrust, removal of complaints, etc (Pal Dhaka & Nahar, 2014). CRM systems can help organizations to gain potential new customers, promote the existing customers purchase, maintain good relationship with customers as well as to enhance the customer value, thus can improve the enterprise images (Pai & Tu, 2011). So, CRM provides customer satisfaction, competitive advantages, profitability, reduction of distrust and cost optimization (Urdzikova et al. 2012). CRM has the advantage of collecting and analyzing data, customer behavior, timely respond with effective communication and services of the customer (Injazz, et al, 2008).

According to Shaw (2001), CRM is an interactive process focused on obtaining optimum balance between investments made by an organization and the satisfaction of its clients, which leads towards an overall profit maximization. The process covers, among others:

- measurement of costs with regard to marketing, sales and services, as well as profits generated by individual clients,
- acquisition and permanent knowledge updating with reference to clients' needs, their motivation and behavior,
- application of information about customers for continuing improvement of an enterprise results in the process of learning, based on success and failure, integration of marketing, sales and service activities to accomplish common targets,
- implementation of suitable systems, which support the acquisition and co-sharing of knowledge about a client, as well as measure the efficiency of CRM.

In recent findings, the list of benefits will be considered as a critical connection among CRM initiatives and growth of customer equity. These central benefits of CRM will be connected to the three kinds of equity that are relationship, value and brand, and in the end to customer equity (Richards, et al. 2008):

1. Enhanced ability to target profitable customers
2. Integrated assistance across channels
3. Enhanced sales force efficiency and effectiveness
4. Improved pricing
5. Customized products and services
6. Improved customer service efficiency and effectiveness
7. Individualized marketing messages.

The desired CRM benefits do not differ to a great extent across the organizations or countries, as had earlier been considered. Almost any business can benefit from a comprehensive approach to CRM, in a variety of ways:

For the organization: By collecting all the needed information in one available data base, a CRM system reduce the amount of errors an organization is possible to make in dealing with customers. Knowing that addresses and contact information are truthful and managing service agreements to allow salespeople to have access to this information through the CRM system, they become more focused on delivering brilliant customer service and as a result to increase profits. CRM can also automate communications and other functions of the organization. A CRM system can be programmed with auto responders that send information when requests are sent to exacting e-mail addresses and that from time to time send customers newsletters, new product information, reminders, relevant news and the like. Because this is followed and managed by the system, it cuts down on the time it takes to keep customers informed about the organization. Because all these data are collected in one location, salespeople can easily manage quotes and estimates and view buying models.

For the customers: Customers benefit from CRM systems because of increasing efficiency and effectiveness of customer service. When a customer calls to place an order or receive assistance, he or she no longer has to wait for the "right" person to help, because anyone with access to the CRM system can provide assistance. This increases efficiency and gain customer's loyalty. The customer feels that the organization is close to him, knowing his needs, wants and expectations.

For the employees: A CRM system can help the employees by empowering them to help customers more professionally, which permits them to do their job better, limiting some sources of dissatisfaction and increasing job pleasure. Since employee-customer contacts and their results are often captured in CRM system, both employees and their supervisors can invest time on areas that need improvement. Furthermore, CRM provides an early-warning system for employee effectiveness to avoid problems before it becomes embedded. The CRM system can bring to light clues to these conditions much sooner than an employee, who is busy trying to overcome the obstacles rather than change them.

For salespeople: CRM gives salespeople better and more convenient access to all the needed information. For marketing personnel, CRM offers an easier way to manage and track campaigns and other promotional

movements. For customer service employees, CRM provides direct access to customer information and contacts, allowing them to avoid possible problems before they develop into issues (Diamanto, 2008). Also, CRM increases in product time results in reducing errors & rework, due to consistency in information over compliance burden. CRM provides efficient & speedy transactions with less processing time. Queries of customers can be solved quickly, because it is directly sent to the subject matter experts. After using CRM, all the tasks and responsibilities are fixed for each employee, so it reduces staff absenteeism & turnover. It provides high employee satisfaction also (Pal Dhaka & Nahar, 2014).

Conclusion

CRM characterizes a management philosophy that is a complete orientation of the company toward existing and potential customer relationship. The customer is at the center of all company considerations. The goal is the management of durable and profitable customer relationship (Raab, et al., 2008).

Group of authors (Peppers, et al. 1999) believe that well-implemented CRM concept allows:

- Identification of customers via channels of communication: interaction and transactions with aim to create value for each customer with slogan "the right product at the right time."
- Client segmentation: Each customer has specific needs for products and services; bank has to determine which group customer belongs (age, sex, income, transactions, channel utilization, etc.). Grouping customers, who have similar needs or similar behavior; require information about customers, as customer needs are very complex. Monitor changes in customer behavior is major challenge for bank. Therefore, a higher number of interactions and more frequent communication with each customer, increase likelihood that bank will collect better information about customer's needs and behavior.
- Interaction with customers: One of the most important goals of CRM concept is to monitor behavior of customers and their needs over time. Interaction with customers is a communication process, initiated by bank to collect customer information, monitor their reactions and to determine value that customers have for the bank. On the other hand, customers receive necessary information about bank's activities which can satisfy their needs. Unlike traditional marketing, where goal is to generate messages for customers, goal of modern marketing is to generate feedback from customers.
- Personalization of relationships with customer: Personalization means that bank treats each customer separately, differently and uniquely, through adjustment of offer to customer, in order to achieve long-term loyalty.

We conclude, then, that CRM is actually a continuum developing process which aims to give the customer the best possible experience and, therefore, it should include all the company's departments. In fact, CRM is not a stand-alone system in the organization but it needs to be maintained well and integrated with other functions to construct a satisfying customer experience. A CRM strategy involves the entire enterprise and is employed on an ongoing basis (Hayley, 2016).

Customer relationship management is the key to success in the present era and only those organizations can succeed who have been able to build a base of loyal customers, because a loyal customer advocates the companies' name and products much better than the organization itself. It is in imperative part on the policy makers and strategist of each company to understand and improve the benefits of CRM from customer's viewpoint which can finally lead to positive outcomes. The researchers would like to suggest to the managements to do some introspection and find out if the concept and benefits of CRM has percolated, which is the link between the customer and the organization.

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