

# THE IMPLEMENTATION OF CRM CONCEPT AND THEIR REFLECTION ON THE PROFITABILITY

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**Abstract:** Every day more and more companies are realising that the way they treat their customers will be reflected on the future profitability. The customers are becoming more demanding, asking suppliers for better and faster support of production and services. For every organization it is very important to change its focus from production and services towards customers.

*The concept of Customer Relationship Management present a combination of people, processes and technology that seek to understand customers of a company. The implementation of CRM is opening up completely new areas of business, individually customized to satisfy the specific needs of each custom. Companies are making bigger and bigger investments for its implementation.*

*This thesis has a goal to present and explain the concept of customer relationship management and its directions on enhancing enterprice competitiveness, because implementing moderation management in organization ,which is becoming customer oriented, is not an option any more!*

**Keywords:** customer relationship management, customer oriented company, long run profitability, competitiveness.

## 1. INTRODUCTION

The concept of CRM has recently gained wide attention in business and academic world, and it is focused on allocating resources to supportive business activities in order to gain competitive advantages. Without customers, a company cannot survive. So it is no surprises that customers influence the way companies conduct business. The challenge is how to manage to serve the customers and prospects effectively and at the same time stay aligned with evolving business goals, including growth and profits.

Customers are more demanding, they expect more value and benefits from the company they buy. The customers are becoming more powerful in their relationship with service providers. This is a very strong indication for the service providers to recognize the leading part of the relationship they have with the customers. But the customers ask for new relationship, as the nature and the specific character require. This kind of relationship requires a new management which is known as Customer Relationship Management. This concept interacts with the customer in many steps such as creating value, looking for innovative ways to unlock new and meaningful benefits for the customer and then sharing the value so created between producer and consumer.

CRM, or Customer Relationship Management is a company's wide business strategy designed to reduce costs and increase profitability by solidifying customer loyalty. True CRM brings together information from all data sources within an organization in order to give one, holistic view of each customer in real time. This allows customers to face employees in such areas as sales, customer support and marketing, to make quick but informed decisions on everything from cross-selling and upselling opportunities, to target marketing strategies and competitive positioning tactics [1, p.2].

This concept is an integrated approach for managing relationships by focusing on customer retention and relationship development. CRM has evolved from advances in information technology and organizational changes in customer-centred processes. Companies that successfully implement CRM will reap the rewards in customer loyalty and long run profitability. However, successful implementation is elusive to many companies, mostly because they do not understand that CRM requires re-engineering company-wide, cross-functional, and customer-focused business process. Although a large portion of CRM is technology, viewing CRM as the only technological solution is likely to fail. Managing a successful CRM implementation requires an integrated and balanced

approach to technology, process, and people [2, p.33].

Idea is the same: No more product and services, but customer oriented company that develops and manages individual relationships with different customers.

## **2.THE VISION OF CUSTOMER ORIENTED COMPANY**

Customer's experience is a design point used for making a vision in customer oriented company. Without vision, there is no primary objective for customer treatments. For most CRM initiatives, this will result in limited improvements that are often isolated in a single point within a business process. This will fail to improve the overall customer experience, drive revenue or grow customer value. The vision needs to look holistically across the customer life cycle, from selection and acquisition to retention and cross-sell, and bring about decisive change [3, p.3].

The customer centred companies, achieving the greatest success today, use flexible customer relationship management solutions to manage the customer facing processes of their business and implement their customer centred vision.

Today, with all of these changes, the businesses and the whole entrepreneurship are facing with increasing competition and customer's demands. Treating existing customers well is better and more profitable than trying to find new ones. That means that a company needs to target and serve its customers on an individual basis by building long term relationships with them.

Customer oriented company that values long term customer relationships must know that customers want four basic things:

- They want a company to know who they are, and to remember them from one event or transaction to the next.
- They want a company to remember what they need, or what their specific preferences are.
- They want a reliable and safe way of communication with a company.
- They want a company to provide a product or service that meets their specific needs [4, p.8].

Being customer focused is not a destination for a company, but a direction and a vision to point the business and make a good portfolio for enhancing enterprise competitiveness.

## **3. THE IMPLEMENTATION OF CRM AS A INTERACTIVE PROCESS**

CRM can help to know customers better, understand their needs, and respond to those needs

that create a valuable customer experience. But without a good CRM strategy, based on clear goals and a particular vision of the customer experience, technologies alone will fail to achieve a customer centred outcome. Companies that evaluate CRM options should keep in mind that CRM is, and will continue to be a business strategy that requires the proper alignment of people, business processes and technology in order to create long lasting, profitable relationships. CRM benefits come from using customer insight in delivering relevant value added products and services that benefit the organization from making the investment as well as the affected customers [5, p. 3].

The interactively work of the CRM process must be supported with few basic steps:

- Identification of the customers
- Differentiating the customers
- Interactive work with customers
- Customizing enterprise's behaviour toward the customer

It is very important to know customers individually, in as much detail as possible, and to be able to recognize them across all contact points, through all media, across every product line, at every location, and in every division. Differentiating the customers, means that company should be able to treat different customers differently, and must begin categorizing customers by their differing needs and by the value they have. Company also needs to define the most valuable customers and to tailor company's behaviour toward each customer based on that customer's individual needs. Interactive work with customers includes building personal relationship and gaining loyalty. It is very important that communication with customer takes place in the context of all previous interactions with that customer, based on the interactive feedback gathered while communicating. Customizing some aspect of enterprise's behaviour toward the customer means that company must adapt some aspect of its behaviour to meet the customer's needs. This might mean mass customizing a manufactured product, or it could involve tailoring some aspect of the services surrounding a product. Every single customer must receive a uniquely different offer or message, but it is also important to make it profitable to build personal products and services for each of them.

The work of the CRM process also includes choosing and implementing a system, which is a major undertaking. For enterprises of any appreciable size, a complete and detailed plan is required to obtain the funding, resources, and company wide support that can make the initiative

successful. Benefits must be defined, risks assessed, and cost quantified in three general areas [6]:

- Processes

Though these systems have many technological components, business processes lie at its core. It can be seen as a more client centred way of doing business, enabled by technology that consolidates and intelligently distributes pertinent information about clients, sales, marketing effectiveness, responsiveness, and market trends. Therefore, before choosing a technology platform, a company needs to analyze its business workflows and processes; some will likely need reengineering for better service of the overall goal of winning and satisfying clients. Moreover, planners need to determine the types of client information that are most relevant, and how to employ them in a best way.

- People

For an initiative to be effective, an organization must convince its staff that change is a good thing and that the new technology and workflows will benefit employees as well as clients. Senior executives need to be strong and visible advocates who can clearly state and support the case for change. Collaboration, teamwork, and two way communication should be encouraged across hierarchical boundaries, especially with respect to process improvement

- Technology

In evaluating technology, key factors include alignment with the company's business process strategy and goals; the ability to deliver the right data to the right employees; and sufficient ease of use that users won't balk at. Platform selection is best undertaken by a carefully chosen group of executives who understand the business processes to be automated as well as the various software issues. Depending upon the size of the company and the breadth of data, choosing an application can take anywhere from a few weeks to a year or more.

CRM include the implementation procedure made in several simultaneous steps [4, p. 24]:

- Market knowledge

The creation of the customer database has been the most important task and it includes all major customers, with the exact history of relationships, number of orders, volume, type, prices, and payment conditions. The gathered customer and market knowledge is used for predicting customer behaviour, preparing stocks and offering total solution service packages.

- Education of employees

Because CRM is a completely new concept for most companies, extensive education and training of all participants in the process is required (employees, channel partners). The education covers several areas. Employees should become well acquainted with all products in the product line offered by the company, as well as all capabilities they will use in order to satisfy customers needs.

- Action, run, assess, follow up

The development of a new "pro-active" approach characterized by constant build-up and monitoring of customer relationships, with continued assessment of undertaken activities is crucial. Based on these measures, adjustments are expected to be made in order to fully comply with new needs and changed situations.

- New Organizational Structure

The way of thinking as well as the organizational structure has to be adjusted to a new business concept .

These four simple steps can be used as a checklist for putting into practice CRM initiative in any firm. But above the actual implementation steps, a company will need to rethink its most basic business philosophies and reconstruct its very culture before it becomes a true customer-focused enterprise. It is more involved here than simply putting a great e-commerce Web site into effect, or launching a call centre, or automating the sales force. Doing business as a customer focused enterprise means viewing the entire business from the customer's perspective.

Implementation of CRM requires radical changes in the company's structure, way of thinking, product lines, organisation of support, etc. Enterprises that have started with CRM implementation can be in one of the following stages:

- Customer awareness. Such companies tend to be product centred and are challenged with identifying who their clients are.
- Customer focus. Companies have begun acknowledging customers and seeking ways to determine which ones are the most profitable.
- Customer satisfaction. Company is measuring customer satisfaction and comparing its CRM to competitors'.
- Customer value. These organisations have begun looking at how they deliver value to particular customers. They know why their customers buy, and they differentiate how they treat clients based on specific needs that drive satisfaction and competitive advantage for each segment.

- Customer loyalty. These companies can reduce costs for things deemed unimportant by customers and can demand premium prices for products and services perceived as vital.

#### **4. THE ROLE OF CRM IN COMPANY PROFITABILITY**

There are number of factors that have impact on the performance of any company, and customer relationship management is considered as one important factor which includes: age of business, type of industry, size, leverage, and skill. We discuss each in turn.

**Age of business:** Older firms can outperform the younger ones in the long run. An old firm may grow faster and earn a higher rate of return because it has established itself in the market and has certain core skills and experiences, which its younger counterparts may not have.

**Type of industry:** Industry characteristics are vital in the analysis of firm performance. For example, firms in new and expanding industries are expected to outperform those operating in old and declining industries. Firms in a particular industry may be earning profits that are comparatively above normal due to certain attributes of the economy of the country or by virtue of some favourable structural variables. Similarly, some structural variables may allow firms in particular industries to be in a better position to implement their strategies successfully and profitably.

**Size:** There have been several studies of the relationship between size and financial performance. Big firms have been considered to be endowed with certain advantages such as lower costs and higher returns on account of access to capital markets, as well as economies of scale. Generally, a positive proportionate relationship is set for a size-performance relationship.

**Leverage:** Leverage has been widely employed in studies on performance. The capital structure or leverage of a company is a significant managerial decision, which reflects management's choice between shareholders' return and risk. It will magnify the shareholders earnings when the cost of debt is lower than the company's rate of return. However, the leverage happens to be unfavourable when the rate of return on the company's assets is lower than the cost of debt capital. We assume that company will mostly venture to borrow capital when they expect that they will be able to earn more than the cost of debt capital and, there will be a positive relationship between leverage and performance.

**Skill:** From sometime back, importance of human capital has been realised in the field of economic development and growth. Salary, status, power and

security of personnel employed in the company have been considered to have a linkage with corporate growth. Various researchers in their studies of performance analysis have postulated a positive association between the skill of employees and financial performance of the organisation. The high skill levels of employees in the industry are an important source of monopolistic advantage. It is expected that expenditure on training the employees would increase their efficiency. A positive relationship is expected between the training expenditure and financial performance of the company [7, p.9].

According to the text about the impact on the performance of company, statistics says: the worldwide CRM market revenue totalled \$9.15 billion in 2008, a 12.5 percent increase from 2007 revenue of \$8.13 billion. Market growth was driven by enterprise investments in technologies focused on customer retention, analytics and on-demand solutions. Software as a Service continued to drive the market forward, representing nearly 20 percent of total CRM software market revenue in 2008, up from just over 15 percent in 2007. Interest in social networking and social software also escalated in 2008 as businesses were confronted with the sales, marketing, and serviceability impact of increasing consumer participation in online forums. SAP continued to be the market leader accounting for 22.5 percent of worldwide CRM software revenue in 2008, but this is down from a 25.5 percent share in 2007. Microsoft experienced the strongest growth rate among the top 5 vendors, as its revenue increased 75 percent in 2008. [8].

The most vendors remain cautiously optimistic for continued growth for the worldwide CRM market. Vendors can benefit from strategies that drive customer value creation, which include: aligning products, services and contractual agreements to enable customer business imperatives of higher client acquisition, retention and satisfaction; continuing to offer creative terms to maximize revenue potential and enable businesses to consumer critical products and services, extending application vertical market functionality, whether by in house development, acquisition or partnership agreements to take advantage of key verticals or government stimulus packages and focusing product offerings on applications and technologies that provide customers with tools and capabilities to increase visibility on customer requirements and behaviours.

To be successful, CRM has to be focused on strategic and significant markets and clearly not all customers are equally important for a company. Following the Pareto principle we know that 80%

of the profit of a company is generated by 20% of the customers.

## 5. CONCLUSION

One of the major developments, nowadays, in business practice is the increasing interest in Customer Relationship Management. Economic reforms in many countries, development of sophisticated information technology have set the pace for this trend. Companies want to build and maintain a good record of customer relationship management in order to survive or grow in a competitive environment - these companies want to improve their financial performance.

Instead of focusing on the acquisition of new customers, managers are moving their attention to retention of customers and the maximization of the customer lifetime value. To make this transition, management has invested substantial amounts of money in CRM projects to achieve the promised higher customer loyalty and the resulting higher profit levels.

Therefore, the conclusion of the work includes basic goals of CRM:

- Identifying the right customer to focus;
- Getting closer/intimate to customers;
- Understanding their techno-economic requirements;
- Delivering the right message to the right customers at right time;
- Optimizing delivered value by offering a better value proposition;
- Offering quality services that are expected;
- Making the customers feel that they are unique and truly special;

The CRM, as a strategic set of activities, begins with a detailed analysis of company's organizational strategy, and it ends with measuring the shareholders value. Competitive advantage is a key factor for success of CRM, which at the same time generates value both for customer and for the company. Competitive advantage is generated by using CRM principles of creation, development and retention of relationship with precisely targeted groups of customers. Once set, this relationship has been optimized for customers, corporate profitability and stakeholders' value. All these make CRM highly positioned on the priority list of today's corporate agenda.

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