

THE RELATIONSHIP BETWEEN A COMPANY AND ITS CUSTOMERS

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—Abstract —

Purpose- In today's highly competitive world, an increasing number of organizations have realized the importance of becoming more customer-centric and invested a large amount of time and resources in a Customer Relationship Management (CRM) system with the aim of better managing their customers. The aims of CRM are to satisfy, retain, and create repurchase intention and loyalty to the customers on the services offered by the banks. Previous researches have confirmed that technology factors such as trust (reliability, functionality), security and privacy (data security and privacy) influence customer relationship management performance. The study confirmed the relationship between the data technologies and Customer Relationship Management performance.

Design/methodology/approach - Customer Relationship Management (CRM) is a business strategy designed to help an enterprise understand and anticipate the needs of its potential and current customers. Customer data is captured in several different areas of the enterprise, stored in a central database, analyzed, and distributed to key points (called touch points). Touch points can include a mobile sales force, inbound and outbound call centers, Web sites, point-of-sale direct marketing channels, and any other parts of an enterprise that interact with the customer. The distributed data is intended to help foster effective, individual experiences between the company and the customer.

A company's most important asset is information. A corporation's ability to compete, adapt and grow in a business climate of rapid change is dependent in large measure on how well the company uses information to make decisions - decisions that also impact partner and customer relationships. Employees

throughout organizations need access to information on customers, vendors and suppliers, ultimately transforming data into critical business knowledge.

Findings- CRM is designed to empower the entire enterprise when managing customer relationships. Enterprises want their customers to see one, friendly, corporate face, as opposed to a collection of disconnected departments trying to work together. Ideally, an effective CRM strategy will enable the enterprise to utilize all of its resources when interfacing with a customer, including marketing, sales, finance, and manufacturing, as well as post-sales services. When carefully and strategically employed, econometric, demographic, lifestyle, and psychographic data; decision-support systems; the Internet; and customer access techniques and technologies can help promote effective CRM, despite the size of enterprise, the size of enterprise's customer base, or the size of relative market. The ability to gain value from CRM projects is contingent on the enterprise's capability to leverage and integrate all of these functions, technologies, and consolidated data in a way that promotes departmental synergy, as well as competitive advantage.

Practical implications- CRM is a key solution to realize the information infrastructures which increase the responsiveness power during compositional pressures thus survives the organization. Nowadays there is much competition for maintaining the customers. In a completely economic viewpoint, commercial institutions have understood that holding a customer is less expensive than finding a new customer.

Key Words: *Customer Relationship; Information; Data technology*

JEL Classification: M15

1. INTRODUCTION

Over a century ago, in small-town America, before the advent of the supermarket, the mall, and the automobile, people went to their neighborhood general store to purchase goods. The proprietor and the small staff recognized the customer by name and knew the customer's preferences and wants. The customer, in turn, remained loyal to the store and made repeated purchases. This idyllic customer relationship disappeared as the nation grew, the population moved from the farm communities to large urban areas, the consumer became mobile, and supermarkets and department stores were established to achieve economies of scale through mass marketing.

Although prices were lower and goods more uniform in quality, the relationship between the customer and the merchant became nameless and faceless. The personal relationship between merchant and customer became a thing of the past. As a result, customers became fickle, moving to the supplier who provided the desired object at lowest cost or with the most features.

The last several years saw the rise of Customer Relationship Management (abbreviated CRM) as an important business approach. Its objective is to return to the world of personal marketing. The concept itself is relatively simple. Rather than market to a mass of people or firms, market to each customer individually.

In this one-to-one approach, information about a customer (e.g., previous purchases, needs, and wants) is used to frame offers that are more likely to be accepted. This approach is made possible by advances in information technology.

Remember that CRM is an abbreviation for Customer Relationship Management, not Customer Relationship Marketing. Management is a broader concept than marketing because it covers marketing management, manufacturing management, human resource management, service management, sales management, and research and development management. Thus, CRM requires organizational and business level approaches – which are customer centric – to doing business rather than a simple marketing strategy.

Today, CRM includes all customer-facing applications, including:

- Sales Force Automation (S FA)
- Customer Service (CS)
- Sales and Marketing Management (SMM)
- Contact & Activity Management

1.1. Elements of CRM

CRM involves all of the corporate functions (marketing, manufacturing, customer services, field sales, and field service) required to contact customers directly or indirectly. The term “touch points” is used in CRM to refer to the many ways in which customers and firms interact.

Traditional marketing strategies focused on the four Ps (price, product, promotion, and place) to increase market share. The main concern was to increase the volume

of transactions between seller and buyer. [Abbott, J., Stone, M. and Buttle, F., 2001]

Volume of transactions is considered a good measure of the performance of marketing strategies and tactics.

CRM is a business strategy that goes beyond increasing transaction volume. Its objectives are to increase profitability, revenue, and customer satisfaction. To achieve CRM, a company wide set of tools, technologies, and procedures promote the relationship with the customer to increase sales [Scott Follows , 2003]. Thus, CRM is primarily a strategic business and process issue rather than a technical issue. CRM consists of three components:

- Customer
- Relationship
- Management

CRM tries to achieve a ‘single integrated view of customers’ and a ‘customer-centric approach’ [N. Eechambadi, M. Qrtiz, A. Khalili,2008].

Customer:

The customer is the only source of the company’s present profit and future growth. However, a good customer, who provides more profit with less resource, is always scarce because customers are knowledgeable and the competition is fierce. Sometimes it is difficult to distinguish who is the real customer because the buying decision is frequently a collaborative activity among participants of the decision-making process [Scott Follows , 2003]. Information technologies can provide the abilities to distinguish and manage customers. CRM can be thought of as a marketing approach that is based on customer information [Scott Follows , 2003].

Relationship:

The relationship between a company and its customers involves continuous bi-directional communication and interaction. The relationship can be short-term or long-term, continuous or discrete, and repeating or one-time.

Relationship can be attitudinal or behavioral. Even though customers have a positive attitude towards the company and its products, their buying behavior is highly situational [Scott Follows , 2003]. . For example, the buying pattern for

airline tickets depends on whether a person buys the ticket for their family vacation or a business trip. CRM involves managing this relationship so it is profitable and mutually beneficial. Customer lifetime value (CLV), is a tool for measuring this relationship.

Management:

CRM is not an activity only within a marketing department. Rather it involves continuous corporate change in culture and processes. The customer information collected is transformed into corporate knowledge that leads to activities that take advantage of the information and of market opportunities. CRM required a comprehensive change in the organization and its people.

Specific software to support the management process involves:

- Field service,
- E-commerce ordering,
- Self service applications
- Catalog management
- Bill presentation
- Marketing programs
- Analysis applications

All of these techniques, processes and procedures are designed to promote and facilitate the sales and marketing functions.

2. MAJOR VENDORS

The major vendors changed over time. In 1993, the leaders of SFA were Brock Control, Sales Technologies, and Aurum. Since then, Brock Control changed its name to Firstwave Technologies, Inc. In 1998, Sales Technologies merged with Walsh International and now is consolidated into SYNAVANT Inc. to provide pharmaceutical and healthcare industry relationship management service. Aurum was merged into Baan, which in turn was acquired by Invensys plc in July 2000 [Invensys, 2000].

In the CS area, Scopus, Vantive and Clarify were the major vendors. However, things also changed rather rapidly:

- Siebel merged with Scopus in 1995 and dominated the consolidated CRM
- Market with 68% market share

- Vantive was bought by Peoplesoft in 1999
- Clarify was bought by Nortel in 1999

In 1998, the CRM market was divided by Siebel, Vantive (now PeopleSoft), Trilogy, and Clarify (now Nortel), and Oracle (in that order) plus fewer than 20 other companies with small market shares.

At the beginning of 2000, Siebel Systems Inc. was the market leader with a 35% share. Vantive (PeopleSoft) and Clarify Inc. (Nortel) followed. SAP and Oracle Corporation were introducing new application to the market based on their software development capabilities. Recent entrants offering Web applications and services include Silknet Software, E.piphany, and netDialog. [Lubben, M. 2006]

3. CRM BENEFITS

The extent of CRM benefits to an organization will vary depending on the nature of the business concerned. They are likely to be more substantial in the case of any organization that has some or all of the following characteristics: frequent customer interactions and purchases, high cross-selling potential, perceived risks and involvement, and profitability [Greenberg P. , 2000]. Commentators have grouped CRM benefits under two main paradigms: operational and strategic benefits.

Operational benefits refer to the operational savings of an organization resulting from its improved internal efficiency. CRM enables a company to redesign its processes to improve its operational efficiency, such as marketing and customer support, front-office efficiency, and productivity in sales, which in turn decrease customer-related costs.

Strategic benefits consist of the tactical, opportunistic, and competitive advantages derived from the impact of electronic data interchange (EDI) and Extranet on a business processes and relationships. CRM enables an organization to gain better information on customers' values, behaviors, needs and preferences and helps it gain a competitive edge over its competitors. It makes it possible to identify customers' potentials, uncover the profiles of key customers, anticipate their needs, predict their behavior, win back lost customers, create personalized marketing plans for each segment, develop new products and services, design communication tools and distribution channels, or identify new market

opportunities based on customers' preferences and history. In other words, CRM generates strategic benefits by synthesizing customer information into knowledge.

Repeat business also minimizes a variety of recruitment costs. These costs include the costs of setting up new accounts, explaining business procedures to new clients, advertising costs to entice new customers, personal selling pitches to new prospects, and the costs of inefficient dealings during a customer's learning process. In addition, repeat customers also tend to buy more comprehensive product lines as well as more of their total requirements from one supplier [Tohidi, H.,2011]. As shown by research, a company stands a much higher chance of doing repeat business when selling to its existing customer; its chances of successfully making a repeat sale to an "active" customer standing at 60% to 70%. On the other hand, its chances of successfully closing a sale on a new customer can be as low as 5% and rarely exceeds 20% [Tohidi, H.,2011].

CRM method varies from previous ones in field of marketing data bank in which Techniques has afford to vend more production to customer with lesser price. Marketing Data Bank's approach is intensively organization oriented. Never the less, customers are not loyal within Discount and advanced one step programs developed within marketing data bank. In fact, achieving customer's loyalty is very difficult. CRM's approach is customer – oriented. Mentioned approach focuses on drastic relation established with costumers through serving advantages and costumer's values, based on their point of view, not based on what company intends to vend them. Most major questions, which CRM like to answer them, are as follows:

1- What is costumer's profit?

2- How can we enhance costumer's values?

4 main obligations require reaching the CRM's major objects are as follows:

1- *Costumer identification:* to establish values to costumers, organization shall identify their customers through marketing channel, communication and interaction with them through time transition.

2- *Costumer differentiation:* All costumers have their value to organization within specific period. Each of them imposes their unique needs and requirements to the organization.

3- Customer interaction: Customer's needs will be changeable with respect to time period. By CRM's point of View, long term take profit and have relation with customer have its importance. Therefore, organization requires learning from customer continuously. Customer treatment and requirements is of most important goal of CRM program [3, 14].

Figure1: Existing Technologies

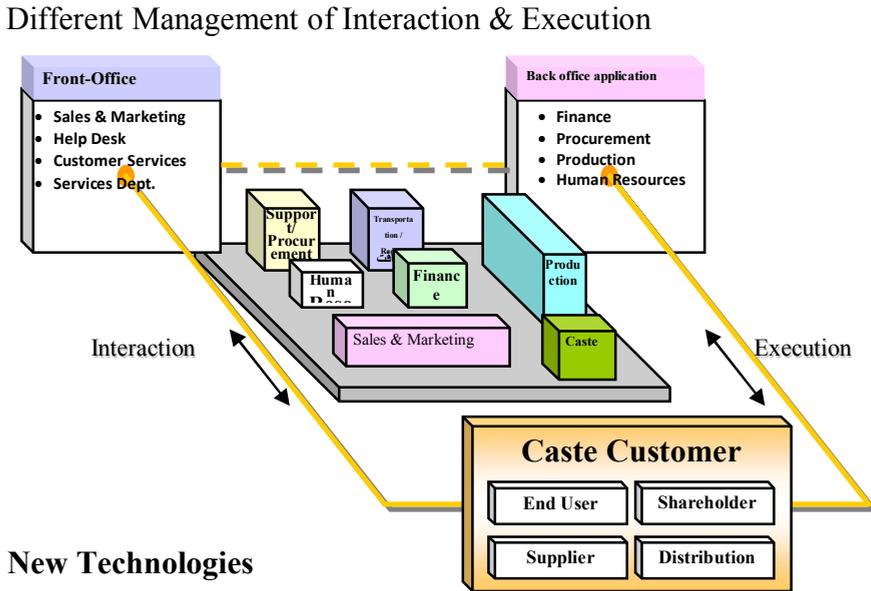
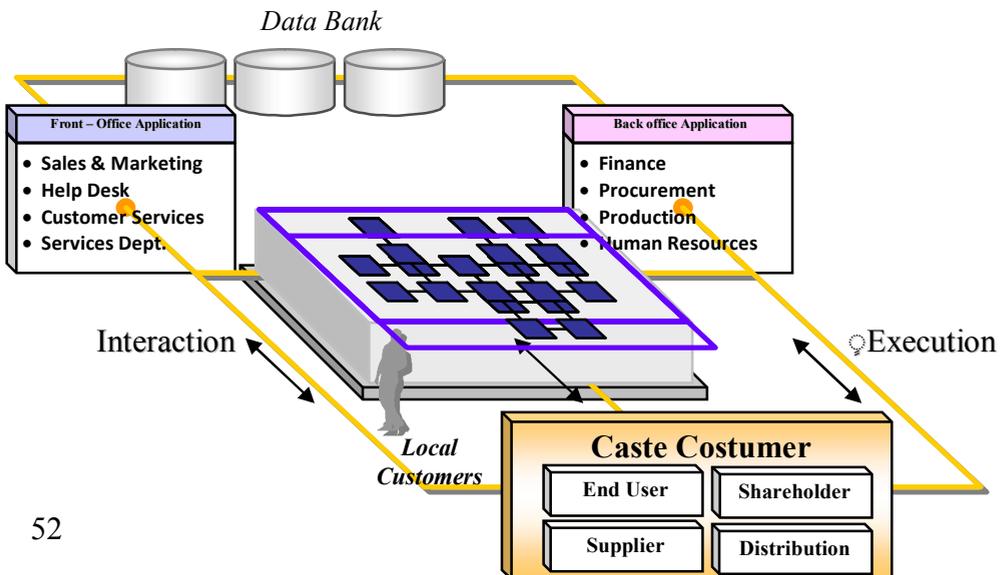


Figure 2: New Technologies

Customer Oriented & Process Intelligent Software



4- Customization / Personalization: Treat with your customers exclusively. Final manifest is CRM. Organization can enhance its customer loyalty, through Personalization process. Automation of this process will be allowed through Data technologies .

3. CONCLUSION

We need to help customers to look for other customers' experiences so that proper business value through series of general management and investment could be created based on definite conditions and structure among existing contradictories and discrepancies. Beginning execution of such guidelines could be accomplished using explicit business turnover that is measureable and quantifiable and such operations shall be identified after comprehensive analysis that consequently leads to a data technology that aggregates speed, quality and cost together.

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