

CRM – the new business strategy in the digital age

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Abstract

The globalization of economy and markets imposes changes in the activity of companies, including an increase in the involvement of marketing in the management process. Marketing suggests a new way of conduct for economic factors that implies responsiveness to social demands, the ability to adapt to market requirements, innovative spirit, vision and maximum efficiency. At the same time, the development of information technology imposes a reconfiguration of the marketing strategies and business models, and customer relationship management (CRM) is becoming an area of great interest to researchers worldwide.

Key words: CRM, marketing strategy, Internet

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If until recently most companies focused their efforts on their internal process by lowering costs and improving efficiency inside their organization by automating the elements of back-office functions such as production, logistics and finance, currently due to globalization and extremely high competition on all markets, companies need to focus more of their attention towards the management of customer related activities, sales and marketing.

Due to the free market, suppliers have become increasingly proficient in offering quality products and services, and customers themselves have become more demanding and their expectations have increased significantly. Moreover, if their needs are not adequately met, they can react instantly through online social networks, where they can articulate their grievances.

Maintaining market share, profitability, and customer loyalty are more difficult now than ever. Therefore it is very important for a modern enterprise to develop a successful customer relationship management, this alone being a successful strategy which provides customer attraction and loyalty.

Customer Relationship Management (CRM) is a business philosophy that describes a strategy which places the customer at the center of an organization's culture and activities.

Organizations are now discovering that Peter Drucker was a visionary when he claimed that the client is the heart of any organization. In an era of globalization and fierce competition, focusing on the product can't be a real competitive advantage and the only chance to survive in this market is creating and maintaining a special relationship with the client. Currently CRM uses technology, strategic planning and customized marketing techniques to build a relationship that will increase profits and productivity. A transition is made from the classic 4P (price, product, promotion, place) to 3C, namely customer value, customer satisfaction and customer loyalty. The CRM philosophy is to recognize that a long-term relationship with customers can be one of the most important assets of an organization. (Cetina, 2006) Managers base their thought process on the principle that it is harder to conquer a customer than to keep an existing one and research on the costs of these two alternatives supports this idea: the costs of winning a new client are between 3 to 15 times higher, depending on the industry and product, than those of keeping a customer loyally involved. It has been found that 1 USD invested in advertising will bring back 5 USD in the long run, while 1 USD invested in CRM strategy, especially in customer loyalty, will bring back 60 USD in the long run.

The objective of CRM is to help companies use technology and human resources to gain new insight into customer behavior and value. A company using a functional CRM strategy can increase its revenues by:

- providing those products and services that the customers need;
- providing improved services;
- cross-selling products;
- faster completion of agreements;
- keeping old customers, attracting new customers and regaining lost ones.

In order to fulfill these objectives effectively organizations should harmonize the three levels of CRM (strategic, operational and analytical) by managing a multitude of actions, from designing strategies, automating sales activities, services, marketing and communication, to analyzing information and accurately measuring their own performance when it comes to customer relationships.

Strategic CRM

A professional CRM strategy will help a company acquire new customers, serve old customers, increase their amount, preserve and determine which customers are loyal and which are interested in more complex services. Strategic CRM can improve customer service by facilitating communication with them through several means:

- a multichannel distribution strategy that allows a conjunction between reactive communication channels (SMS, e-mail) and some traditional (telephone) or specific information channels (mailing, websites). Websites for example facilitate customer-supplier collaboration, reducing the administration costs required by

customer relationships while also offering information about the product and its use and technical assistance 24 hours a day 7 days a week. (Cetina, 2006)

- identify how each customer defines quality, and then create a service strategy based on its individual requirements and expectations.
- an effective mechanism for evaluating customer satisfaction and opinions regarding a certain purchase and finding customer trends regarding future purchases.
- participate in the rapid identification of potential problems before they take place.
- a friendly environment for registering customer complaints (complaints that don't reach the company can't be solved and they become a major source of customer dissatisfaction)
- an effective mechanism for resolving problems and complaints (complaints that are resolved quickly increase customer satisfaction)

According to a survey done by Database Group in our country regarding the implementation of CRM strategies on a sample of 100 companies reveals that approximately one third of the companies surveyed have a CRM strategy, but out of these only about 30% have created these strategies on their own. 17.9% of public utilities have a CRM strategy followed by 15.1% of retailers. The level of banks and insurance companies that have a CRM strategy is relatively low (7.7% and 4.4%) but it is expected to increase significantly in the upcoming years.

Operational CRM

In customer relationship management, the operational level consists of automating customer contact activities. Software solution providers offer a wide range of CRM solutions that are designed to automate the functions of marketing and facilitate the following activities:

- customer segmentation. Databases of customers are a real gold mine for an organization. Through them data is transformed into relevant information for CRM strategies. Systematic structuring of data and identifying customer profiles allow segmentation of the organization's customer portfolio. Also, in addition to strategies aimed at customer segments, the organization can develop strategies and programs focused on a single client, usually a major client, or one with a very high potential (Panait, 2006).
- management of advertising campaigns. The software ensures coordination of activities conducted by various specialists contributing to the design and implementation of advertising campaigns. CRM solutions also automate the process of evaluating a company's performance.
- replying to customer requests. The actions initiated by the client will generate a response from the provider that can be automated to some extent.

The main automated activities regarding the sale force are:

- opportunity management. CRM software is designed to facilitate sales forecasting, based on both historical data regarding customer purchase behavior and sales staff estimates.
- contact management. The software offers multiple features for managing contacts and communication with the clients. Amongst the most common examples are automatic phone dial up, automatic schedule maintenance and automatic drafting of custom emails.
- generating offers. The sales agent or consultant can draft a proposal for a customer in a short time using CRM solutions. Thus it is only necessary to introduce certain data such as product codes, volumes, customer name and requirements for delivery and the software solution will calculate costs and provide a price.
- shaping the solution for the customer. A selection of components and attributes of supply to meet the potential customer requirements can be achieved by using automation software solutions. Different possible options are combined in order to avoid incompatibilities and to provide the customer with the required benefits.

When it comes to services, CRM software solutions can coordinate communication flows that are specific to different channels used by the organization. Thus, the following activities can be automated:

- operations conducted by telemarketing and contact centers. One possible example of such automation is interactive voice response. Customers listen to an instruction menu and can choose the desired option by selecting a number (by pressing a button on the phone).
- services provided via the Internet. For example some company websites contain technical manuals with important information regarding the equipment provided by the company. Those can also contain troubleshooting information that often allow the clients to solve certain issues without the help of a specialist. However, in the near future the connection of everyday household equipment such as air conditioners or refrigerators to the Internet will allow remote identification of technical failures by specialists and possibly even remote restoration.
- partners' activities when using intermediate channels. Online CRM solutions and websites can ensure proper coordination of partners' activities through marketing channels. Thus, important information regarding customers, orders, available stock, products, etc. is managed properly.

The operational level of CRM is an area of major investment in telemarketing centers, customer contact centers and sales force automation systems. That is the reason why today there are many CRM solution providers that offer a wide range of applications capable of enhancing the efficiency and effectiveness of the operational level.

Analytical CRM

The analytical level of CRM refers to the evaluation of an organization's performance in dealing with customers and developing strategies and tactics for creating and improving customer relationships. Thus, analytical CRM includes activities involving the collection, storage, analysis and use of information regarding customers.

The focus of analytical CRM includes:

➤ customer identification. Customer Relationship Management requires the collection and storage of data useful for identifying each client. The two major categories of data are basic data - name (for individual customers) , business name (for organizations) , address and additional data - date of birth (for individual customers) , date of incorporation (for organizations) , nationality , field of activity , telephone number , email address , legal form , registration number of the company. The data is stored in a central database so it can be used by all the departments of an organization. These informations should be updated regularly, depending on the notifications of each department communicating with the client. The quality of the data entered into the central database is extremely important for the organization. It ensures quality customer relationships and reduced costs due to errors in data recording.

➤ customer profiling. Adapting a strategy to each client's needs is possible when the organization holds data and information about customer behavior, as a buyer, user, person or organization. Customer profiling is achieved by assessing the following aspects:

- customer value to the organization: the annual value of purchases made by the customer, customer share, the present net value of the generated profit during the course of the customer relationship (25 or more years).
 - purchasing behavior: typology of products purchased by customer, ordered quantities, order frequency, behavior regarding payments (seriousness, manner of payment, time interval between order and payment).
 - communication between supplier and customer: communication channels used and preferred by the client (phone, internet, etc.) , types of messages that received a favorable response, the behavior when using certain communication channels (for example when using the Internet - page used to enter or exit to/from the providing organization's website, length of visit, pages visited by the client, the banners that have captured the client's interest, etc.)
 - customer satisfaction: the degree of satisfaction regarding products, services, the organization's personnel and the communication process.
 - lifestyle (for individual customers): client's activities, interests and opinions.
- data analysis. In customer relationship management it is essential to come up with solutions to a series of important issues like:
- finding a way to distribute customers into homogeneous groups that respond similarly to certain customer relations strategies and development programs.

- identifying the clients in an organization's portfolio who should be the target of a certain direct marketing campaign.
- assessing the quality of external lists containing information regarding prospects.
- measuring customer retention and assessing the likelihood of the relationship's termination.
- assessing which categories of products could be attractive to customers in the context of cross-selling strategies.
- identifying products that can be recommended to the customer on the basis of up-selling strategies (within the categories of products that the customer already buys from the organization in order to increase the value of its purchases).
- measuring the effectiveness of marketing campaigns.
- in addition to traditional statistical analysis techniques that have proven their value and sustainability, organizations can use data mining techniques including: neural networks, association rules, decision trees, case-based reasoning, etc.
- assessing the effects of marketing activities. The following are just some of the major issues covered by the assessment:
 - the effectiveness of the sales process. The entire sequence of activities in the sales process is analyzed, from identifying prospects to converting them into customers to retaining them and increasing their value to the supplier.
 - the effectiveness of customer selection. Identifying the most appropriate target for a campaign of marketing and sales is a major issue. Based on the analysis of available data the organization must take the right decision regarding target segments/niches (the desired share in its customer portfolio), resources allocated to each segment, the ratio of activities meant to attract clients and those meant to increase the value of existing customers.
 - the contribution of marketing activities to customer value. One of the most important indicators of customer value is the net present value of the profit stream generated by a customer during its relationship with the supplier. The analytical level of customer relationship management also includes performance measurements for marketing strategies and the evaluation of their contribution to increasing the profit generated by the client during his dealings with the supplier.

In order to make the right decision regarding the proper CRM software solutions, the organization needs to clarify its objectives and strategies related to customer relationships in order to increase its marketing actions effectiveness and avoid wasting its resources.

National approaches to customer relationship management

Romanian organizations also try to adapt to the global trend of focusing business strategies on customer management in order to compete with multinational companies who are successfully applying the principles of this approach already. But studies show that in many

companies in Romania there is some confusion regarding this concept. For some, customer relationship management means implementing loyalty programs only, for others creating a database of customer information to help in achieving a finer segmentation of the market, but few systems have implemented integrated customer relationship systems and have a clear idea of how to use information technology in customer relationship management. The main issue that prevents the creation of computerized systems for customer relationship management is, as revealed by researchers, the insufficient budget allocated by managers for achieving this objective. This is due to the mentality of most Romanian managers that have a short and medium term perspective and are profit oriented (getting quick profit) rather than focused on creating and developing long-term relationships with clients thus ensuring business expansion conditions.

A study by Advantage Software Factory, one of the most popular local providers of CRM solutions, supports the above statements. The research was conducted among more than 100 important companies in areas like banking, real estate, IT and telecommunications and has highlighted the following aspects:

- more than half of the large Romanian companies are using CRM software solutions;
- 90% of the surveyed companies use these software solutions to record complete customer information and keep the interaction history.
- the least used feature of CRM solutions is the one for offers deviating from the standard, only 9% of the surveyed companies using a transparent circuit for approving customized offers. The biggest disadvantage resulting from this practice is the inability to create a know-how about atypical or customized offers, thus keeping this experience from everyone except senior managers/salesmen.
- only 20% of surveyed companies use the module dedicated to marketing campaigns management, an essential tool for marketing departments that enables the selection of the customers that will be the targets of these campaigns. Hence, a lot of marketing campaigns are often inefficient and almost all customers receive the same promotion, even though sometimes only 10% of them might be interested.
- another important but insufficiently used feature, with only 35% of users, is the CRM application that supports interdepartmental communication (sales - marketing - technical department), thus increasing customer satisfaction and loyalty. Effective use of this features would allow sellers to know what problems the clients have and what complaints they have addressed to the technical department, which can subsequently influence sales. Also if companies have different sales teams on various product groups, managing the relationship with the same client should be transparent to all.
- on the other end features like gathering customer information, tracking the sales process or extracting various sales reports are used by almost 100% of the surveyed companies.

Implementing strategies for customer relationship management requires IT platforms that are flexible, interactive and efficient, involving huge investments from companies. Faced with these constraints, partially or fully outsourcing customer relationship management becomes a viable option, considering the number of Romanian companies offering such services has increased and CRM outsourcing services have diversified. These companies possess cutting edge information technology and professional teams of employees that have the necessary skills to obtain outstanding results when it comes to relationship marketing. In turn, client companies get to focus more on strategic activities and achieving a desired performance level and to relieve some employees of customer relationship responsibilities.

Conclusion

The most dynamic companies cope with ongoing changes in the economic environment by endeavoring to create their own strategies to meet their customers' requirements and developing an efficient relationship management.

Organizations are concerned with developing predictive models of their customers' behavior, anticipating their needs and surpassing their expectations. Alliances between manufacturers, international distribution chains and companies specialized in creating CRM software and technologies have one primary purpose: increasing customer satisfaction. (Buttle, 2006)

In Romania, customer relationship management is expanding and improving based on successful examples from international companies, the greatest impediment to the development of this segment being the lack of capital.

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