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Customer relationship management (CRM) system: A review

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Abstract

Customer Relationship Management (CRM) is a new concept, which has developed in the market. Companies want to build up long term relationships with customers. Therefore, companies are using the various ways for communication with customers so that customers can be retained as loyal for long-term by adopting Customer Relationship Management (CRM). The main objective of this study is to provide a deep review about CRM system. This paper also highlights different aspects of Customer Relationship Management (CRM).

Keywords: Customer relationship management (CRM), E-CRM, types of CRM and CRM processes

Introduction

Customer Relationship Management (CRM) is a strategy which is used to know more about customers' needs, wants or purchase behavior to build up good and long term relationships with them. There is no exact meaning of CRM. Rababah *et al.* (2011)^[1] stated that the main theme of Customer Relationship Management (CRM) is knowing your customer well will enable you to serve them well and retain them loyal forever. The success key for a business is having good relationships with customers. Customer Relationship Management (CRM) can be considered as a business philosophy, business process or a business strategy. So, CRM is defined as balanced perspective, Lun *et al.* (2018)^[2] stated that CRM is the philosophy, policy and co-ordinating strategy presented by a set of information technologies which focus on creating two way communication with the customers so that firms can know more about their needs, wants and patterns of purchasing. Furthermore, Couldwell (1998) defined CRM as a combination of business process and technology that helps to understand about company 's customers who they are, what they like and what they do. The objective of CRM is to understand and know the needs of present and potential customers and to increase customer loyalty and customer retention.

Evolution of CRM

Customer Relationship Management (CRM) concept was discussed first in the late 1990s as a result of Relationship Marketing which came in prominence among the researchers and practitioners since the 1920s. Malmi *et al.* (2004)^[5] identified CRM as a tool of improving performance. Ismail *et al.* (2007)^[6] stated that some new marketing strategies emerged due to this new concept such as direct relationships between marketers and customers, the importance of current and long term relationships with customers. Nowadays, CRM approach is emerging as a new marketing strategy. At worldwide level, most companies are using CRM approach for better understanding about their customers ' needs, wants and purchase behavior, They are using CRM strategy to retain them and to build up a long term relationship with them also.

E-CRM

E-CRM stands for Electronic - Customer Relationship Management. It refers doing CRM activities with using net environment such as Email, worldwide web, social media etc. It leads all forms of managing relationships with customers through the use of information technology. Consumers do online shopping due to the better service provided by the retailers and they get various benefits such as promotional offers.

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Nowadays, the use of E-CRM is increasing rapidly as a marketing strategy. Reichheld (1996) ^[7], Winner (2001) ^[8] and Pan *et al.* (2003) ^[9] considered that the organizations are ready to introduce E-CRM approach to attract, increase and maintain customer relationships because it is advantageous for customer better customer relationships and organizational profitability. Kampani & Jhamb (2020) ^[10] stated that customer satisfaction through E-CRM can be enhanced by four parameters: perceived quality of service, perceived price fairness, perceived sense of community and perceived customer understanding. It has positive impact on customer's satisfaction. Tahir *et al.* (2013) ^[11] identified that customer satisfaction depends on confirmation. Positive confirmation may result to satisfaction and negative confirmation may cause to dissatisfaction. The quality of service is the main factor that influence customer satisfaction. Most researchers identified that e service quality has an important effect on customer satisfaction and customer loyalty.

Types of CRM

Customer Relationship Management (CRM) is considered as a strategy, philosophy or process. Payne & Frow (2005) ^[12] defined CRM as the composition of people, operations and marketing potentials that is possible through information, technology and applications. Furthermore, by analyzing functions of CRM Jelonek (2006) ^[13] identified three types of CRM:

Operational CRM

Analytical CRM

Collaborative CRM

Operational CRM: Operational CRM is known as front-office CRM. It includes most area of customers and contacts of company. In operational CRM, by using applications data is collected, processed and stored about customers, thereafter it is used in analytical CRM.

Analytical CRM: It is referred as back – office CRM also. Analytical CRM uses the data provided by operational CRM or any other sources of data. Nowadays, most companies use their own analytical CRM system or collaborate with others that produce business intelligence level specialized information processing system.

Collaborative CRM: Collaborative CRM provides various types of contacts with customers especially by using modern techniques of electronic communication. It is known as interactive CRM also. Day by day, many changes are taking place in the market and environment. So, there is a need of modifying CRM system. E-CRM, which is a new concept can be used for managing customer relationship activities. It performs all CRM activities like traditional CRM. But it uses internet technologies for managing customer relationship activities.

Processes of CRM

Moutat & Bascoul (2008) ^[14] defined CRM process as the activities performed by an organization relating to the management of customer relationships and these activities are performed for a long term view of relationships. There are different views about the process of CRM. Ragins & Greco (2003) ^[15] identified three levels of CRM process the functional level, the customer facing level and

companywide level. Buttle (2004) ^[16] divided CRM processes into front-office and back – office processes, primary and secondary processes, vertical and horizontal processes. He considered that front - office processes means customer facing processes like grievance management process and back – office processes refer to non- facing processes, for example: procurement process. Primary processes refer to the processes that lead to major cost or revenue for organization while secondary processes are the processes that lead to minor cost or revenue for organization. Now, Vertical processes are the processes that are linked to the business functions, for example: capturing customers. Horizontal processes refer to the cross-functional processes like product advancement processes. There are many perspectives about CRM processes. Therefore, Rababah *et al.* (2011) ^[1] stated that CRM processes can be presented as following four perspectives. This will provide a main description of these perspectives:

Customer facing Level CRM Processes: Customer facing level CRM processes refer to the activities of an organization performed for initiate, maintain and terminate customer relationships. Customer facing level CRM processes include three processes as relationship initiation, relationship maintenance and relationship termination. Now, the initiation process refers to the activities that occur before the stage of relationship like identifying potential customers. The maintenance process encompasses with normal customer relationship activities like up-selling or cross-selling. The termination process refers to the activities to find and end of bad relationships. For example: ending relationship with low value customers.

Customer Oriented CRM Processes

Customer oriented CRM processes include the activities of the organization to satisfy needs or solve the problem of customers. There are three types of customer oriented CRM processes: CRM delivery processes, CRM support processes and CRM analysis processes. Firstly, CRM delivery processes deals with processes of direct contact with customers, like sales management process, service management process. CRM support processes refer to the activities performed through the market research process and loyalty management process. CRM analysis process refer to the processes that focus on combination and analysis of collected customer information in the CRM processes which include customer profile, segmentation and feedback processes.

Macro-Level CRM Processes

Macro-Level CRM processes deals with the activities of an organization that create market intelligence to build up and retain customer relationships which maximize organizational profitability. There are two macro-level CRM processes: knowledge management process and interaction management process. Knowledge management process concerns with all activities that concentrate on creating and grabbing market intelligence to build and maintain customer relationships which maximizes profitability of organization. Interaction management process refers the use of market intelligence to increase customer relationships and interaction between buyer and seller, this type of exchange may be of products and services, information or social exchange.

Cross-Functional CRM Processes

This perspective of CRM processes is based on a holistic approach. Cross functional CRM processes include following five processes: the strategy development process, the multichannel integration process, the information management process, the value creation process and performance assessment process. Strategy development process concerns with the activities for developing strategies for organization. Multichannel integration process, the focus of this process is to integrate the channel used like sales force, distributors etc. The information management process deals with the collection of customer data and using this data for better marketing responses. The value creation process deals with the activities of organization to create value for the customers. At last, the performance assessment process concentrates on evaluating CRM activities continuously to receive customers' responses about CRM system and assuring that organizational and customers goal are attained.

There are various perspectives and views about the CRM processes. But, the cross-functional CRM processes perspective is a detailed, explained and most comprehensive perspective. It provides a deep explanation about each CRM process than other perspectives.

Issues in Implementation of CRM

No doubt, CRM approach is emerging as a new marketing strategy and playing an important role in managing better customer relations. But there are some issues in implementation of CRM. Bull (2003) ^[17] identified following issues in implementation of CRM:

(1) Issue relating to channel conflict: Channel conflicts were identified here. Channel conflicts were identified whereby the experience of customer is different depending on the sales channel. It means when customer experiences differ depending on the sales channel. This is one of the main issues relating to the implementation of CRM.

(2) Issue relating to identifying right customer groups: Another issue in implementing CRM is related to identifying right customer groups. To identify the right customer group, differentiate between transaction and relationship customers. Transaction customers are highly unstable and have little loyalty, this type of customers focus on obtaining best price. On the other hand, relationship customers have more loyalty and are ready to pay more for quality products. There is less requirement for persuading relationship customers. Transactional customers don't contribute and have negative impact on profitability of organization. So, the point is that CRM needs to identify the transactional customers to help the organization properly.

(3) Issue of Sourcing: Most organizations lack the resources to develop CRM system and they have few alternatives to outsource CRM solutions. They can't afford CRM system because they don't have much resources for developing CRM system. So, problem of resources is also an issue in implementation of CRM.

(4) Issue relating to deliver the strategy properly: Another issue is related to deliver the strategy properly. CRM strategy will be effective when it deliver positive results. Company should present relevant products and

services according to customers' needs, wants and purchase behavior. So that it can deliver positive results.

The main objective of CRM strategy is to increase profitability of organization through good and effective customer relations. If CRM strategy is able to improve profitability, it shows that the organization is on right track and achieving success.

Why Customer Relationship Management (CRM)?

At worldwide level, most companies are using Customer Relationship Management (CRM). Kaur (2016) ^[18] identified some benefits of adopting CRM which are given below:

(1) Customer relations: The most important benefit of using CRM is that it improves customer satisfaction. In CRM activities relating to customers are done in a organized and systematic way. Better services are provided by understanding customers 'needs, wants that helps in to keep them retain and loyal forever. Thus, by using CRM company can make good relations with customers.

(2) Better internal communication: Using a CRM strategy helps in build up better communication channel in a company. Sharing of customer information between the departments of company helps the company to work as a team.

(3) Maximizing Up-selling and Cross-Selling: Up-selling means providing customers premium products which are in the same category of their purchases. CRM system provides Up- Selling. It also allows Cross- Selling. Cross- Selling means offering complementary products to the customers on the basis of their previous purchase. For this company communicates with customers and collect information about their needs wants and purchase behavior. If there is an opportunity company can maximize up selling and cross selling by promoting their products to the customers.

(4) Optimized Marketing: By following CRM a company will be able to understand the customers' needs, wants and their pattern of purchasing. Furthermore, it will help in identifying the right time to market the products to the customers. There will be know wastage of time and money. In this way, CRM will help in the optimum use of marketing resources.

Conclusion

In conclusion, this research paper provides an extensive review about Customer Relationship Management (CRM). This study explained different aspects of CRM system. Understanding of CRM and its different aspects is essential for its success. CRM is a new marketing strategy, but it has various benefits to companies. A company can exist for long term in the market by managing good customer relationships. It provides various competitive benefits to companies. In CRM, customer data is collected about their needs, wants and purchase patterns. This data and customer purchase history help in providing products and services according to their needs and wants. Thus, CRM provides better understanding of customers needs, wants and purchase behavior. This creates good and long relationships between company and customers. It results improved customer satisfaction. It helps in keep the customers retain

and loyal forever. CRM is a good marketing strategy for managing good customer relations. Therefore, it is important to companies the understanding of CRM system before planning of adopting and implementation of CRM program.

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