

The Gap Between CRM Application Users and CRM Application Vendors

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INTRODUCTION

This paper describes the definition, development, and contents of CRM. CRM is the abbreviation for Customer Relationship Management in this context. Companies have always tried to manage customer relationships, thus, the concept itself is not new. What is new is the fact that the power in doing business has shifted from companies to customers. Customers have the possibility to choose and through new technologies e.g. The Internet customers have become more aware of their choices. (Khera 2000) Because of this change of power many companies have started to realise that CRM is necessary to their future success (Nykamp 1999). Companies are now, therefore, trying to manage their customer relationships more effectively, even though in many of them there is still confusion about what CRM really is about. (Payne 2000; Nykamp 1999)

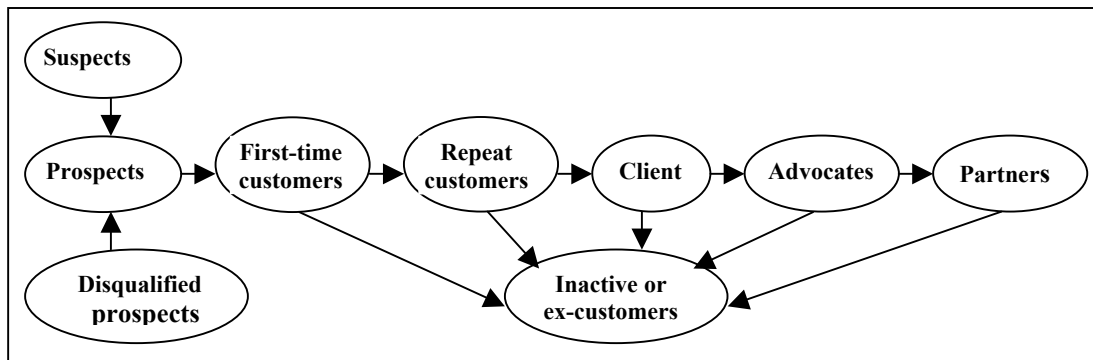
This paper is based on a research that was started in September 2001. The research includes extensive literature study as well as an empirical part. Currently the research is still in its prime factors. The contents of this paper, therefore, concentrates on describing CRM and some of its characteristics in theory level. The purpose of the study is to find out factors, which support building even tighter customer relationships. The empirical data is collected in a case company. One essential factor in the study is to find out factors that will increase the collaboration between a company and its customers. The definition of collaboration in this study follows Harju's (2000) definition: Collaboration is working together to achieve a shared goal. Collaboration is essential for the company to suit the customers' needs.

CUSTOMER RELATIONSHIP DEVELOPMENT PROCESS

CRM is a strategy used to develop stronger customer relationships (Deck 2001). Strategy is an extensive plan for achieving set goals. This means that CRM strategy is an extensive plan for achieving the goal of creating, maintaining, and expanding reciprocal beneficial customer relationships (Anderson & Kerr 2001, p. 48). When companies decide of their strategic perspective they should know what their

customers need and be aware of their customers' value-generating processes (Grönroos 2000, p. 4). To be able to develop customer relationships, companies need to realise how the customer relationship development process is formed. (Griffin 1995) made an illustration of the customer relationship development process (Picture 1).

This description defines the different types of customers or customer stages that companies can have relationships with. It also gives some kind of indication on how the customers are more likely to behave in different steps of the process. By understanding the distinctions of customers in different stages and its influence in their behaviour companies can more easily serve their customers and develop the relationships with wanted customers towards partnership. Partnership requires also that companies provide the customers with solutions including all such components that the customers need in their own value-generating process, because customers are after value, not after goods or services (Grönroos 2000, p. 4).



Picture 1. The Customer Relationship Development Process. (Griffin 1995, p. 35)

The first step in the customer relationship development process is to identify all **suspects** that are possible customers, **prospects** that are people or companies who are extremely interested in the product or service, and **disqualified prospects** that are potential customers whom the company rejects e.g. because of poor credit history. The second step in the process consists of turning prospects into **first-time customers** and further into **repeat customers**. In the third development step the company tries to turn customers into **clients**, who are less likely to defect. The fourth step develops clients into **advocates** who not only stay loyal, but also give good references and help acquiring new customers. In the fifth and final step the relationship should be based on partnership, meaning that the company and the **partner** work actively together to gain a win-win situation. (Kotler 1998, p. 48-49)

This process description is a simplified model of a CRM process. In reality, all of the clients will typically not become partners. Based on their strategy and business model organisations choose those customers they want to have partnership relationship with. In addition, an organisation often stays a long period in a single state of the process. An organisation can even transit from an advocate to a repeat customer when, for example, the portfolio of the organisation changes dramatically.

THROUGH MARKETING TRENDS INTO CRM

CRM has originated from different marketing trends during the past couple of decades as marketing methods have changed. The evolution that has taken place is that the traditional narrow functionally-based marketing is changing into cross-functional marketing. Traditional marketing concentrates on the marketing mix elements like product, price, promotion, and place while CRM concentrates on building customer relationships and customer retention (Payne 2000). It also could be said that while traditional marketing concentrates on finding good customers for products or services, CRM concentrates on finding products and services for good customers (Storbacka & Lehtinen 2001). The marketing evolution is illustrated in picture 2.

Mass marketing campaigns were huge and designed to reach a big amount of people. They were product-focused, based on short-term relationship, and the segmentation in the campaigns was very limited. **Target marketing** was also based on short-term relationships, but the campaigns were aimed for a certain customer segment and were group-focused. **Customer marketing** was the first trend towards customer-focus and was an impulse for concentrating even more on relationships and considering customers as individuals. **One-to-one marketing** is completely customer-focused and aiming for interaction with customers. It means tight communication with customers as individuals, as well as developing products and services based on the needs of the customers. (Dyché 2001, p. 26; Swift 2001, p. 38)



Picture 2. Marketing evolution. (Dyché 2001, p. 26; Swift 2001, p. 38; Payne 2000)

Currently it seems that companies have to concentrate even more and more on building lasting relationships and treating their customers as individuals. Customers buy products or services based on their feelings of the value they gain, not based on the best marketing campaign. Marketing, of course, can serve as a motivator for buying, but if the marketing message doesn't meet the customer's expectations of the actual purchase it is more likely that it is an ex-customer in no time.

In a way CRM is a natural extension to traditional marketing. CRM has come to the front because of the changes in business. Maybe two of the biggest accelerators have been: 1. Companies have realised that they have to forget product-centric thinking and build a customer-centric view. 2. Developed technology has enabled the concentration of customer information into one system and access to the information for all employees (Mills 1999).

DEFINITIONS OF CRM

CRM has been for the past couple of years a hot topic in business. But because the contents of CRM are so confusing it has caused nearly as much discussion as The Internet (Lee 2000, p.2; Napolitano 2000, p.1; Barnes 2001, p. 152). To get a good grasp of CRM it needs to be defined. The following definitions were presented in the literature:

“CRM is a comprehensive approach that co-ordinates sales, customer service, marketing, field support, and other customer-touching processes” (Pyinna 2001, p. 3).

“CRM is about implementing customer-centric business strategies, which drives redesigning of functional activities, which demands re-engineering of work processes, which is supported, not driven by CRM technology” (Lee 2001, p.4).

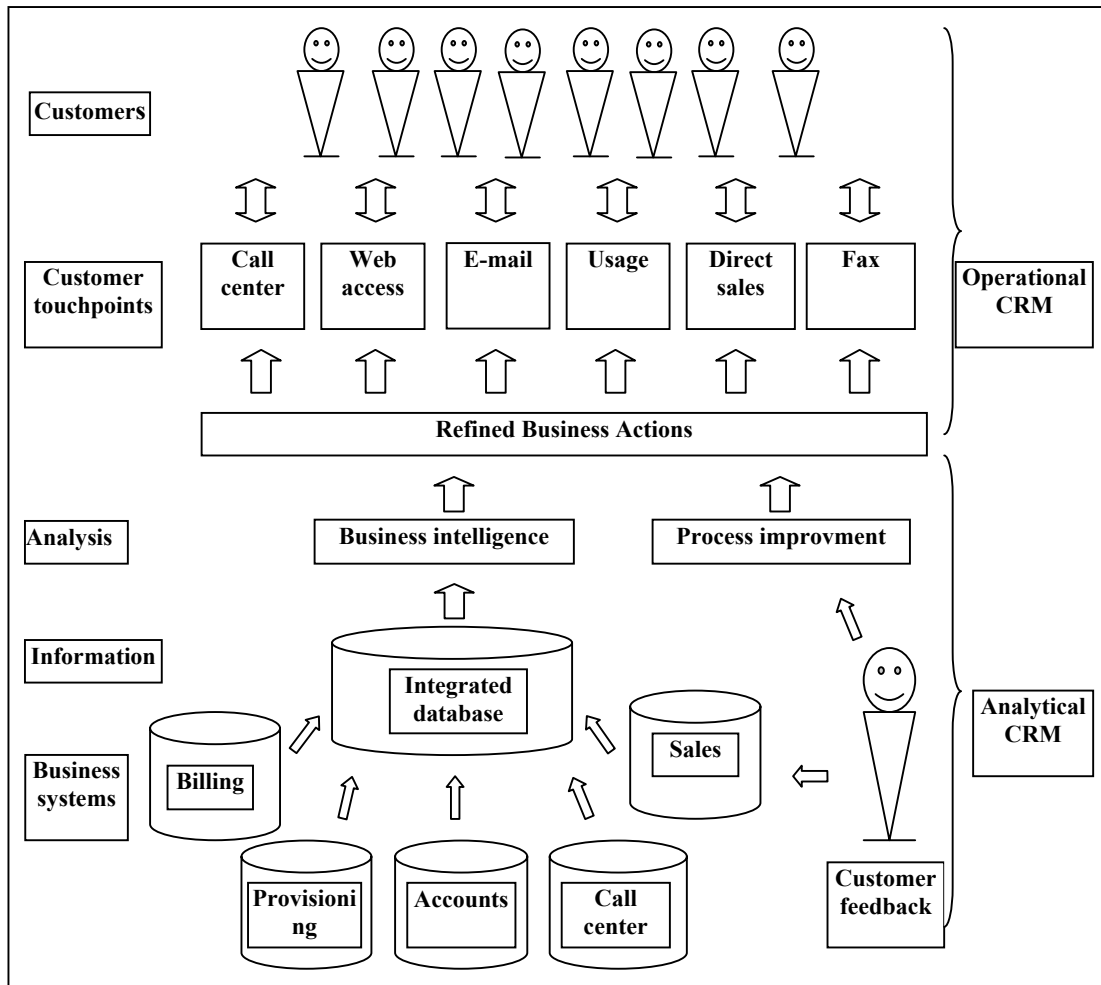
“Customer Relationship Management (CRM) is a business strategy to select and manage the most valuable customer relationships. CRM requires a customer-centric business philosophy and culture to support effective customer relationship management, provided that an enterprise has the right leadership, strategy, and cultures” (Thompson 2001, p. 1).

“Customer Relationship Management is an enterprise approach to understanding and influencing customer behaviour through meaningful communications in order to improve customer acquisition, customer retention, customer loyalty, and customer profitability” (Swift 2001, p. 12).

Even though all the presented definitions are unique, there can be found two common factors in those four definitions above and in many other CRM definitions. These combining factors are that according to the definitions: firstly, CRM is implementing customer-centric business strategies and only secondly, it is the technology supporting those strategies.

ANALYTICAL CRM AND OPERATIONAL CRM

The division into CRM strategy and CRM technology and their connection can be examined more closely by dividing the CRM concept into operational CRM and analytical CRM. The CRM infrastructure divided into operational CRM and analytical CRM can be outlined as presented in picture 3. Through the picture it is obvious to see how operational CRM and analytical CRM are linked together. The picture also illustrates what are the different contributory factors that operational CRM and analytical CRM contain, and how do they influence into the whole.



Picture 3. An end-to-end CRM infrastructure. (Dyché 2001, p. 149)

Operational CRM is called also front-office CRM. It includes all such areas in the operations, where there is an interaction between the customer and the company, thus, direct customer contacts occur. The direct customer contacts can be called also customer touch-points (Dyché 2001, p.13-14).

Analytical CRM is called also back-office CRM or even strategic CRM. It involves the understanding of the interaction between the customer and the company, that happen in the front-office. To function, analytical CRM requires technology and new business processes. The technology part is needed to gather, process and analyse customer data and the new business processes are needed to develop and maintain customer-facing practices that help in increasing loyalty and profitability (Dyché 2001, p.13-14).

Analytical CRM and operational CRM concepts can clarify CRM and the different factors it consists of. By understanding the meaning and purpose of both analytical CRM and operational CRM and how they are connected into each other, it is also easier to understand what the CRM infrastructure is all about. CRM requires the strategy and a technology tool to support it in putting the strategy into practice. In the CRM infrastructure both the strategy and the technology are overlapping in analytical CRM and operational CRM.

THE CRM STRATEGY IN PRACTICE

The implementation of the CRM strategy requires some factors that can enable the actual implementation of the strategy and keep everyone in the organisation focused on the customer. Such enablers are qualified professional people, well-designed processes, and leading-edge technology (Khera 2000). Without the CRM strategy and its strong realisation in operations it is a waste of time for companies to hope gaining benefits from CRM technologies. The technology e.g. a new CRM system can't realise the strategy and building the relationships unless the people in the company follow the CRM strategy in all their customer interactions.

To gain benefit and use of CRM, companies should consider it as a process cycle that includes different factors like knowledge discovery, market planning, customer interaction, and analysis and refinement. The idea in the process cycle is that the four separate factors join and when there is some learning and action based on it between the different cycle phases. (Swift 2001, p. 39-42)

Knowledge discovery is about analysing customer information and identifying market opportunities and investment strategies based on the analysed information. **Market planning** means defining customer offers, delivery channels, schedules, dependencies, and developing strategic communications plans. **Customer interaction** includes all the connections to the customers, which should be handled based on the information from knowledge discovery and market planning. **Analysis and refinement** is a process of continuous learning and means capturing and analysing data that is gathered during customer interactions. (Swift 2001, p. 39-42)

All these factors are well-known and have been widely used in business for many years. What is new is the idea of not considering the factors as separate processes but as a combination of beneficial process cycle. By connecting the factors together companies can keep their CRM process cycle updated and innovative through basing actions on continuous learning.

The CRM implementation could be considered as a cycle in which the stages are independent and continuous. The different stages are: acquire and retain, understand and differentiate, develop and customise, and interact and deliver. By moving from stage to another companies can gain insight and understanding and succeed better in their CRM implementation process. (Nykamp 1999) The CRM business cycle is illustrated in picture 4. Even though the basis of all business is acquiring and

retaining customers, maybe the most critical part in the cycle is understanding and differentiating (Nykamp 1999). Without understanding customers all the other stages of the cycle are much more difficult or even nearly impossible to fulfil. Because of the importance of the understanding and differentiating, this stage is presented at first.



Picture 4. The CRM Business Cycle. (Nykamp 1999)

Understand and Differentiate

Maybe the most important matter in dealing with customers is to understand their needs. The understanding bases on a detailed analysis and interaction and has many requirements. At least profiling, segmentation, and customer valuation are needed. It is also essential that companies show customers in actions that it really matters to them what the customers think, feel, and say. (Nykamp 1999)

Develop and Customise

Since the product-focused thinking has changed into customer-focused thinking, the power of dictating business rules has shifted more and more to the customers. Companies eager to survive the competition have to follow the customer’s lead. This means also to improve their customisation, which should base on the potential value that is delivered by the segmentation of customers. (Nykamp 1999).

Interact and Deliver

One critical success factor in CRM is the interaction. Companies need to realise that interaction takes place in all of the customer touch-points, not only through marketing and sales. Also delivering is interaction. In the actual relationship the

cornerstone is delivering value. To be able to deliver value, companies need to know the customers' perceptions. (Nykamp 1999)

Acquire and Retain

The more companies learn about their customers and understand their needs the easier it is for them to acquire customers. In acquisition once again the correct segmentation helps in using the right channels, right media, right product, right offer, right timing, and right message. Because acquiring new customers is much more expensive than retaining already existing customers, it is a very important task to handle in the company. If companies want to succeed in customer retention they should support interaction continuously, deliver value to the customers, and remember flexibility in customers' definitions, because customers and their life situations change from day-to-day. (Nykamp 1999)

Nykamp has in the CRM business cycle the same idea as Swift in the CRM process cycle. Separate business factors that are combined tightly form a cycle that can help companies in doing better business with their customers by improving the customer relationships continuously. All the four stages require certain actions and then lead to the next stage. The new information from one stage can be utilised in the next stage and the business cycle develops all the time into better actions and better customer relationships.

CONCLUSIONS

The biggest reason for starting this research was the strong personal interest in customer relationship management and matters related to it. The interest towards the subject is partly based on current interest in the subject and partly on the will of being able to influence in the way of how working community is building, maintaining, and tightening customer relationships. Behind the interest there are also many problems detected from literature, previous research, and own experiences at work that disturb companies in doing business. By conducting this review on CRM literature it has opened new perspectives and serves as a good basis for starting to prepare the actual research.

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