

CUSTOMER RELATIONSHIP MANAGEMENT AND THE MARKETING APPROACH

Williams T.¹

¹ Global Institute, Washington DC

Abstract: *Due to the fact that over the years the demographic characteristics have changed, the consumers have gained a high degree of sophistication and there is overcapacity in many industries, it has been developed a new approach in the post-capitalist era which is the marketing concept. First, it has been the product concept which later evolved in the sales concept. The characteristics that differentiate the marketing concept from the sales one are the following: the accent is on the client's needs; the company identifies the client's needs, then plans how to create and deliver the product; the management of the company is oriented to profit; the planning is made for a long period of time and the entire approach reveals the customer's needs (Fleşeriu, 2019).*

Keywords: *customers; relationship management; marketing approach.*

I. INTRODUCTION

"In the early stages, customer data was used for the purpose of automating sales force processes (e.g., with respect to identifying prospective leads, telemarketing, generating product/service quotations, and placing orders prior to actual sales) and providing customer service and support (e.g., with respect to help desk and field support after a sale). These two processes occurred independently of each other for the most part. In the next phase, data was used cohesively across all customer-oriented activities engaged in by a firm regardless of whether they occurred prior to, during, or after a sales transaction." (Catalan-Matamaros, 2012).

At this point, it is supported that customer data will lead to the integration of all front facing customer functions with the systems from the back-end of the company and its network of suppliers and also partners. The final goal is to bring customer value to a maximum level. This path of evolution in Customer Relationship Management allows the concept to be

embedded again within the broader relationship marketing concept that gathers the whole network of ongoing relational exchanges in which the local company is part of (Catalan-Matamaros, 2012).

"It is also worth mentioning that CRM activities are all too often confused by managers as being mere technological projects that are associated with particular software and techniques. Although IT systems play a crucial role in the implementation phase, it must be emphasized that the contemporary notion of CRM is integrative in nature whereby all of a firm's functions and processes are strategically focused on providing customers value and receiving value from them in return. CRM is therefore also defined as 'the practice of analyzing and utilizing marketing databases and leveraging communication technologies to determine corporate practices and methods that will maximize the lifetime value of each customer to the firm' (Kumar & Reinartz, 2006:17). The idea of customer lifetime value is of particular importance to contemporary customer management decisions, and will be discussed in greater

detail within the context of value-based metrics for customer identification, prioritization, and selection.” (Catalan-Matamaros, 2012).

II. Customer Relationship Management

After the CRM appearance, there have been three development stages. The first one was the contact management which provided basic information about the clients (such as name, address, age and so on). The following stage was the behavior knowledge in which the companies did start to store information about the clients: from website, call-center or direct. And the last stage of development is pure CRM which had set as a goal offering an unique treatment for each client (Fleşeriu, 2019).

”Customer Relationship Management is a comprehensive approach for creating, maintaining and expanding customer relationships.” (Anderson & Kerr, 2002).

Further on, we can analyze in more depth the meaning of this definition.

”First, consider the word ‘comprehensive.’ CRM does not belong just to sales and marketing. It is not the sole responsibility of the customer service group. Nor is it the brainchild of the information technology team. While any one of these areas may be the internal champion for CRM in the organization, in point of fact, CRM must be a way of doing business that touches all areas. When CRM is delegated to one area of an organization, such as IT, customer relationships will suffer. Likewise, when an area is left out of CRM planning, the organization puts at risk the very customer relationships it seeks to maintain.” (Anderson & Kerr, 2002).

Secondly, we will analyze the word ‘approach’ which according to the author Webster is a way of treating or dealing with something. That translates into the

fact that CRM is process of thinking about and handling the customer relationship management. If done properly, Customer Relationship Management denote a clear plan therefore it can be also seen as a strategy. Actually, the CRM strategy can be used as a benchmark for every other strategy in the organization. In order for an organization strategy to be useful for the organization it needs to serve to create, maintain, or expand relationships with the target customers. The direction for any company is established by the strategy and if the strategy disturbs the customer relationships the company will be sent in the wrong direction. Looking at this from a department or area level there can be noticed that those have their own set of strategies for employee retention, scheduling, productivity and so on just the same as a bigger organization has strategies and plans for shareholders management, marketing, logistics and so on. All these strategies have to sustain managing customer relationships (Anderson & Kerr, 2002).

“Now, let’s look at the words, “creating, maintaining and expanding.” CRM is about the entire customer cycle. When you implement your CRM strategy, you will capture and analyze data about your targeted customers and their targeted buying habits. From this wealth of information, you can understand and predict customer behavior. Marketing efforts, armed with this customer intelligence, are more successful at both finding brand new customers and cultivating a deeper share of wallet from current customers. Customer contacts, informed by detailed information about customer preferences, are more satisfying. First, you and your team support and add value to the individuals in your organization who do come into direct contact with customers. Again and again, the research has proven that external customer satisfaction is directly proportional to employee satisfaction. That means that the quality of support given to

internal customers predicts the quality of support that is given to external customers. Second, consider your internal customers as advocates for your department or area. For you and your team, CRM is about growing advocates and finding new ways to add value.” (Anderson & Kerr, 2002).

In the end, the terms “customer relationships” should be developed. In today’s economy the things are a little more complicated due to the fact that the business are done between individuals and organizations whom may have never meet, may never want to meet or much less know personally. Customer Relationship Management describes creating a sense of closeness in an environment controlled by technology. Shortly, the customers want to do business with entities that understand their needs and wants. No matter the place in the organization, CRM is about managing the relationships as effectively as possible in order to decrease cost while in the same time increasing the viability of the products and service offered (Anderson & Kerr, 2002).

According to the specialized literature, when speaking about CRM we can identify three levels: strategic, operational and analytical.

“Strategic CRM is a top-down perspective on CRM which views CRM as a core customer-centric business strategy that aims at winning and keeping profitable customers;

Operational CRM is a perspective on CRM which focuses on major automation projects such as service automation, sales force automation or marketing automation;

Due to the fact that the customer data supporting a CRM strategy can be shared more widely throughout the enterprise than the marketing function alone another misconception about CRM is challenged which is the statement that CRM is a marketing process.

The third misunderstanding about CRM as tackled earlier in our paper is the premise that CRM is an IT issue. The main

purpose of customer relationship management is to create better value for the customer and the company and just because this target is made possible by IT that does not imply that CRM is about IT (Fleşeriu, 2019).

Moving on, another misunderstanding implies that CRM is about loyalty schemes. “Loyalty schemes are commonplace in many industries, such as car hire, airlines, food retail, hotels. Customers accumulate credits, such as air miles, from purchases. These are then redeemed at some future point. Most loyalty schemes require new members to complete an application form when they join the program. This demographic information is typically used together with purchasing data to help companies to become more effective at their marketing communication and offer development. Whereas some CRM implementations are linked to loyalty schemes not all are.” (Buttle, 2004).

The last misunderstanding regarding CRM is related to the fact that this process can be implemented by any company. The two types, strategic and operational can be indeed implemented in any company but if the data is missing then the implementation of analytical CRM cannot be made (Fleşeriu, 2019).

Before creating a CRM strategy it is advisable to take into consideration as well another aspect which is analyzing the model Customer Service/Sales Profile. By doing this you are able to accomplish three things: finding what kind of customer relationship you want to create, identifying the strengths in the current CRM practices and lastly help in communicating to others throughout organization (Fleşeriu, 2019).

In this model there were identified three levels (Figure 2.1): customer advocates, repeat customers, initial transactions and the relationship between these levels determines the shape of the Customer Service/Sales Profile. Again, there are three basic Customer Service/Sales Profiles: the Pyramid, the

Hourglass, and the Hexagon (Fleşeriu, 2019).

Taking into consideration the state of Erasmus Life Lisboa, we can classify it as belonging to the Pyramid profile. This profile applies to the majority of businesses and it is the conventional way to see the relationship among the three levels. “Consider a retail department store, such as Minneapolis-based Target Stores. Each day hundreds of customers walk through the doors of any one Target location. Those customers represent the base level of initial transactions. The percentages of those customers who are loyal to Target, who regularly seek Target in preference to its competitors, make up level 2. At the top are those customers who actively send their friends, family members, and even business associates to Target. They tell positive stories about staff and service. As you might imagine, not every pyramid looks like a perfect isosceles triangle. For example, in some business models, there’s a very strong emphasis on repeat customers but less on customer advocates. As one salesperson for a large-scale computer application told us, ‘Yes, I think my customers are happy enough to keep doing business with me. And I’m working very hard to keep them happy. But, no, I wouldn’t want to put my existing customers in a room with my prospects.’ If you don’t trust your repeat customers to help you “sell” a prospect, then you have pyramid with a broad middle and a small top. It might be tempting to tell this sales professional to go out and create more advocates. And that would be a dangerous shift if it meant losing focus on the repeat customer group. In a Pyramid Profile, customer advocates grow directly out of exceptionally well-satisfied repeat customers.” (Anderson & Kerr, 2002).

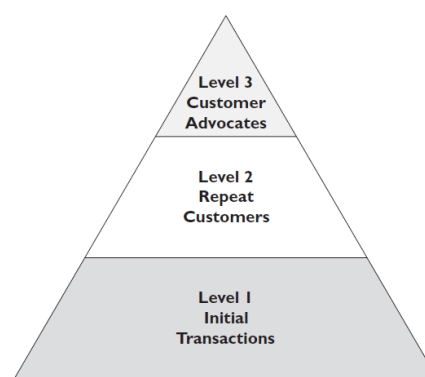


Figure 2.1 – The Pyramid Profile
(Source: Anderson & Kerr, 2002)

III. Conclusions

Analytical CRM is a bottom-up perspective on CRM which focuses on the intelligent mining of customer data for strategic or tactical purposes,” (Buttle, 2004).

“Strategic CRM is focused on the development of a customer-centric business culture. This culture is dedicated to winning and keeping customers by creating and delivering value better than competitors. The culture is reflected in leadership behaviors, the design of formal systems of the company, and the myths and stories that are created within the firm. In a customer-centric culture you would expect resources to be allocated where they would best enhance customer value, reward systems to promote employee behaviors that enhance customer satisfaction, and customer information to be collected, shared and applied across the business” (Buttle, 2004).

It is expected that the people who bring outstanding value or service to customers to be considered the heroes of the business. There are a lot of businesses which state that they are customer-led, customer-centric, customer-focused or customer-oriented, but in fact few of them are. It is true that some very few companies, no matter the size, do not claim to have among their missions the satisfaction of customer requirements

profitability. Kotler identified three other major business orientations: product, production and selling (Buttle, 2004).

“A customer or market-oriented company shares a set of beliefs about putting the customer first. It collects, disseminates and uses customer and competitive information to develop better value propositions for customers. A customer-centric firm is a learning firm that constantly adapts to customer requirements and competitive conditions. There is evidence that customer-centricity correlates strongly with business performance. Many managers would argue that customer-centricity must be right for all companies. However, at different stages of market or economic development, other orientations may have stronger appeal.” (Buttle, 2004).

Along its evolution there have been born some misunderstandings in regards with the customer relationship management. Such misunderstandings are: CRM is database marketing. Database marketing takes care of the development and exploitation of customer data for marketing purposes, while CRM is much wider in scope. Even though the analytical type of CRM might overlap the definition of database marketing, the aspects concerning the strategic and operational type are not covered by it.

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