

DETERMINANTS OF CUSTOMER RELATIONSHIP MANAGEMENT (CRM): A CONCEPTUAL ANALYSIS

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Abstract

The study aims to examine various literatures on CRM determinants and effectiveness to adapt perfect strategy and policy for service oriented organizations. It also aspires to identify the relative importance of CRM determinants analysis as one of the most important factors which influence the organization directly. To comply with the objective, an exploratory research approach based on archive method has been adopted to identify the CRM key determinants and effectiveness factors through literature review. Our initial research model is derived from two areas of the literature: CRM key elements and CRM performance effectiveness. Furthermore, we introduce a new framework for evaluating existing business process from Bangladesh perspective.

Keywords: Customer relationship Management, CRM determinants, CRM effectiveness

JEL Classification: M39

INTRODUCTION

One of the most important challenges for any organization is to serve and maintain good relations with the king-the customer. Earlier, customers were simple person and were happy at whatever organizations, manufacturing or service oriented, offer to them. Marketing is no longer just about developing, selling and delivering products. It is increasingly more concerned with the development and maintenance of mutually satisfying long-term relationships with customers. Over a period of time with the competition and technological improvements customers have become fully aware of their rights and augmented offer soon become an expected one. This changing business environment is characterized by economic liberalization increasing competition, high consumer choice, well-informed and demanding customer who care about quality and value purchase.

The new framework for company activities that emerged in 1990s, characterized by the globalization of markets, technological development, larger number of competitors, and increased customer demands compelled companies to rethink their management systems to adapt fit themselves to the new competitive environment. Because of rigorous competition, in recent years, many organizations have perceived the need to be more customer-orientated. (Bull, 2003).

CRM is more evolution than revolution. Thus, achieving the full potential of each customer relationship should be the major goal of every business. A dissatisfied customer causes market damage because they are more likely to persuade others to defect. It is therefore no surprise that CRM is an important topic of conversation in business world (Feinberg *et al.*, 2002). Albeit customers are the important factors for the success of business but less attention has been given in this regard. On the other hand, several strategies have been attempted to retain customers by the private commercial banks of Bangladesh but there is a problem with factors identification and specific framework of CRM. Keeping this fact in mind, the proposed research will attempt to explore the CRM issues and its determinants as well as its impact on customer acquisition and retention process and thus finally develop a framework of customer relationship Management for bank customers.

OBJECTIVES OF THE STUDY

Due to the rapid speed of Globalization and increased competition both from local and international companies, the importance of CRM has increased. To be successful in the market firms have to develop strategies based on present market as well as customer requirement. This makes it interesting how companies manage the issue.

The principal objective is to evaluate literature on CRM which has been developed by the different researchers that is applicable to different kind of organizations. To accomplish this, the study has covered the following specific objectives:

1. To identify the Key elements of CRM
2. To identify the factors related to CRM effectiveness
3. To find out possible approach to examine Customer relationship dimensions
4. To propose an instrument concerning determinants and effectiveness of CRM

RATIONALE OF THE STUDY

Albeit customers are the important factors for the success of business but less attention has been given in this regard. On the other hand, managing customer relationship should be practice oriented rather than conceptualize. But various researchers pointed out various determinants and it also varies organization to organization and so does the outcome.

Differences in the extent of use of CRM exist across countries. Compared with developed countries, use of CRM in Bangladesh is relatively new. It is important for practitioners' as well as academicians to know these elements critically and their importance and usefulness in a way to achieve good organizational outcomes. It is also important for us to know the integrated approaches of CRM (combining the effective and efficient blend of managerial issues and IT issues) as it is very important for Bangladeshi business sector, especially in the service organization so that both organization and customers individually and society as a whole can reap benefit.

Keeping this fact in mind, the proposed research will attempt to explore the CRM issues and its determinants thus finally develop a conceptual framework of customer relationship Management.

METHODOLOGY OF THE STUDY

The study has covered various literatures on Customer relationship Management dimensions based on developed countries. A Library research method (Archive) has been used in this study. Different books, journals, periodicals and online papers have been observed by the researchers to find out different issues in CRM dimensions in this connection. Mostly secondary data has been compiled in this study and this data has been collected from focused countries literatures, textbooks, e-journals, government publications etc.

CUSTOMER RELATIONSHIP MANAGEMENT

CRM has become one of the most dynamic topics of the new millennium. CRM is basically a remarkable step forward in creating a system that can provide a way of keeping hold of individual loyalty. In order to comply with the concept of CRM one must also understand the changing nature of the customers because they are not what they used to be (Greenberg, 2001). Thus, CRM initiatives must address relevant organizational factors as well as the extra-organizational environmental factors (Carol & Banarjee, 2009).

Since the area is quite new and still under development, there is no universal explanation of CRM. Therefore it is important to know what CRM is all about according to the academic researchers and how many organizations adapt the definition to their own business and their unique needs (Wilson, et al., 2002). It can be defined in the following ways —

"CRM is the infrastructure that enables the delineation of increase in customer value, and the correct means by which to motivate valuable customers to remain loyal-indeed, to buy again" (Dyche, 2001, p4). "CRM is about managing customer knowledge to be understood and serve them and it is a multi-dimensional concept which places customers at the centre of an organization where customer service is an important component of CRM; however this notion is also concerned with coordinating customer relations across all business functions" (Bose & Sugamaram, 2003, p.4). CRM is a customer oriented business strategy that aims to increase customer satisfaction and customer loyalty by offering a more responsive and customized service to each customer (Fayerman, 2002)

It can also be defined in the following way —

"CRM is enterprise-wide mindset, mantra, and set of business process and policies that are designed to acquire, retain and service customer. CRM is not a technology, though technology is a CRM enabler" (Greenberg, 2001, p.14)

DETERMINANTS OF CRM

According to Karakostas *et. al.*, (2005) the factors that influence the CRM implementation are new customer attraction, consumer buying behavior, competitive advantage, customer satisfaction, customer retention, acquisition, long-term relationship, knowledge management, web-enabled customer service, customer value, etc. On the other hand, other researchers like Mendoza *et. al.*, (2006) pointed out that IT, long-term relationship, higher profitability, significant investment in technology are the factors influencing CRM.

Gefen & Riding (2002) divided CRM into three folds: Operational, analytical, and collaborative. Operational CRM, known as front-office CRM, enables communications and involves the areas where direct customer contact occurs. Operational CRM attempts to provide integration of back-office transactions with customer interfaces. Collaborative CRM is the communication centre and it is also the coordination network that provides the neural paths to the customer and supplier.

On the other hand, Customer Relationship Management (CRM) has been increasingly adopted by corporations as a core IT driven business strategy and firms have started to invest heavily in CRM (Reinartz *et. al.*, 2004). Academics and practitioners have tried to find the drivers of CRM success or failure with their own perspectives for many years. While some researches focused more on IT related factors, others emphasized organizational factors like human resources, organizational structures, and reward systems (Rigby *et. al.*, 2002) or business process-related factors (Reinartz *et. al.*, 2004).

The above factors pointed out by different researchers basically cover the three key aspects of every CRM strategy which include human factor, processes, and technology.

Bohling *et. al.*, pointed out some critical success factors for CRM implementation and their proposed model is as follows-

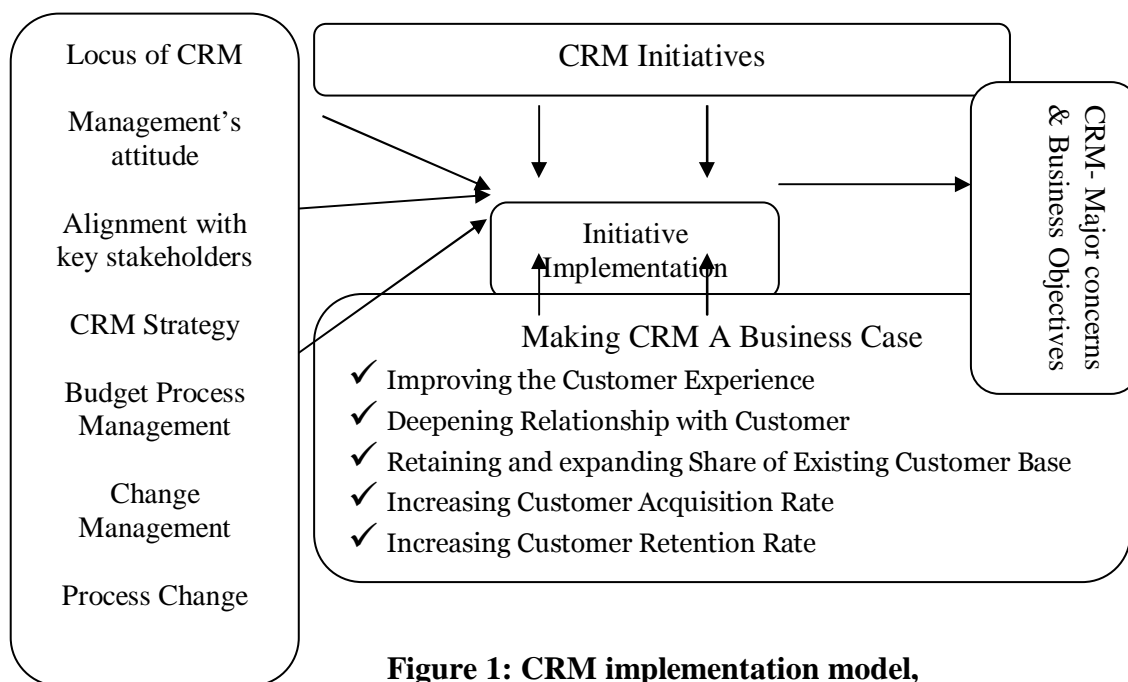


Figure 1: CRM implementation model,

Source: Bohling et. al., (2006) p. 188

On the other hand, Lindgreen et. al., (2006) pointed out ten critical aspects of CRM implementation which are- people, culture, relationship management process, knowledge management, IT, organization, brand strategy, customer strategy, customer interaction strategy, and value creation strategy.

Kim et. al., (2003) believes that performance measurement is so powerful in enhancing business performance. Various researchers proposed various framework for evaluating CRM effectiveness. Bohling et. al., (2006) suggest five factors namely, proven customer impact in terms of retention and satisfaction, quantifiable revenue growth, improved information and insights, quantifiable cost reduction, improved employee productivity, etc. For evaluating CRM effectiveness Kim et. al., (2003) proposed a very comprehensive model which is as follows,

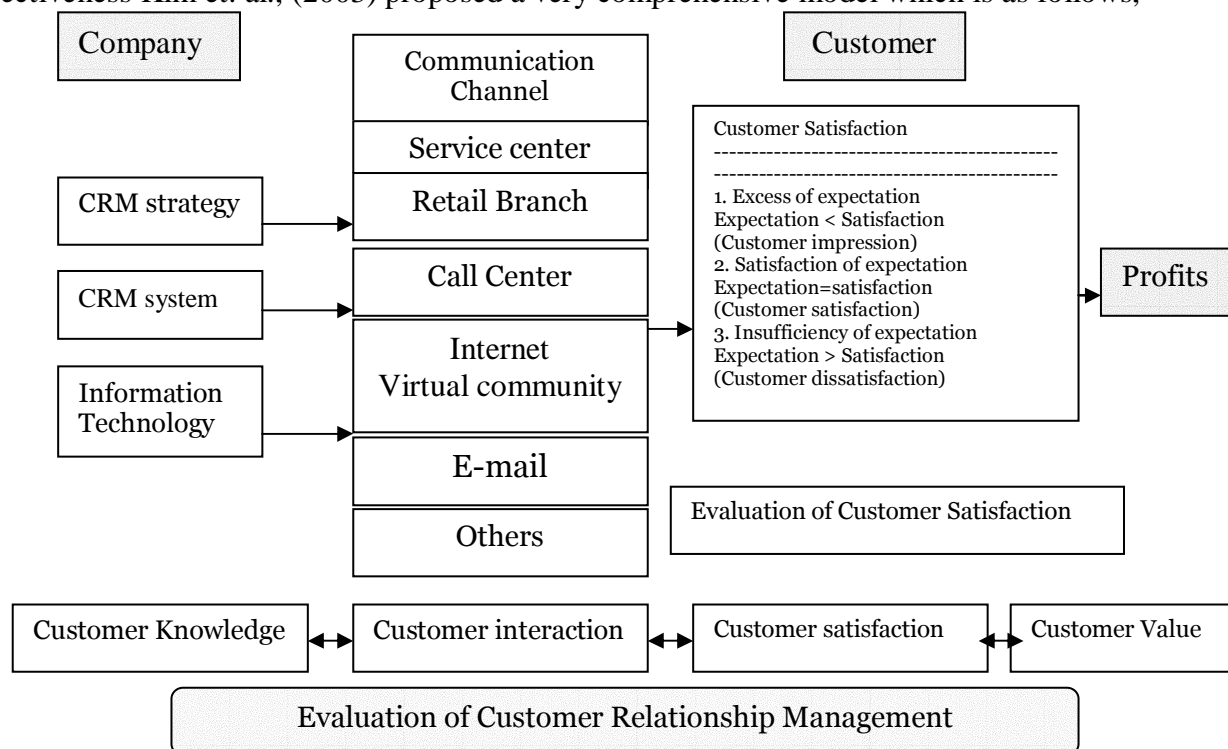


Figure 2: Model for evaluation of CRM

Source: Kim et. al., (2003) p.14

CRM is a complex term that requires several aspects of the organizations and it can not be reduced to only one of these aspects where majority of the early researchers either continued with managerial issues or IT issues. According to the above discussion of various determinants of service quality, it is found that different authors have proposed different determinants of CRM. For having a quick look, all determinants as well as effectiveness of CRM proposed by different authors mentioned above are shown in the following table.

Table 1: various CRM determinants and their effectiveness

Authors	Determinants/ critical factors (management issues)	Determinants/ critical factors (IT issues)	Expected Outcome/Performance measure
Ryals & Knox (2001)	Service delivery, delighted customers, differentiation	---	service cost and profitability
Reynolds (2002)		CRM technologies (Operational, Analytical and Collaborative CRM)	
Kim et., al. (2003)	Customer knowledge, customer interaction,	---	Customer value, Customer satisfaction
Chen & Popovich (2003)	People, and process	Technology	
Bose and Sugumaran 2003;		Gaining Customer understanding through CRM technology	
Piccolo, O'Connor...(2003)	long-term relationship	Use of Information technology,	higher profitability,
Karakostas et., al., (2005)	New customer attraction, consumer buying behavior, competitive advantage, customer value	Knowledge Management, web-enabled customer service,	Customer satisfaction, customer retention, acquisition, long-term relationship
Bohling (2006))	Management's attitudes, stakeholder attitudes, budget, change management.		Improving customer experience, increasing acquisition and retention rate through maintaining relationship.
Mendoza et. al., (2006)	Customer oriented business process	Partial focus on IT	

Based on the above literature the initial research model can be developed which will incorporate Key CRM elements in one side and CRM effectiveness in the other side and the framework is as follows

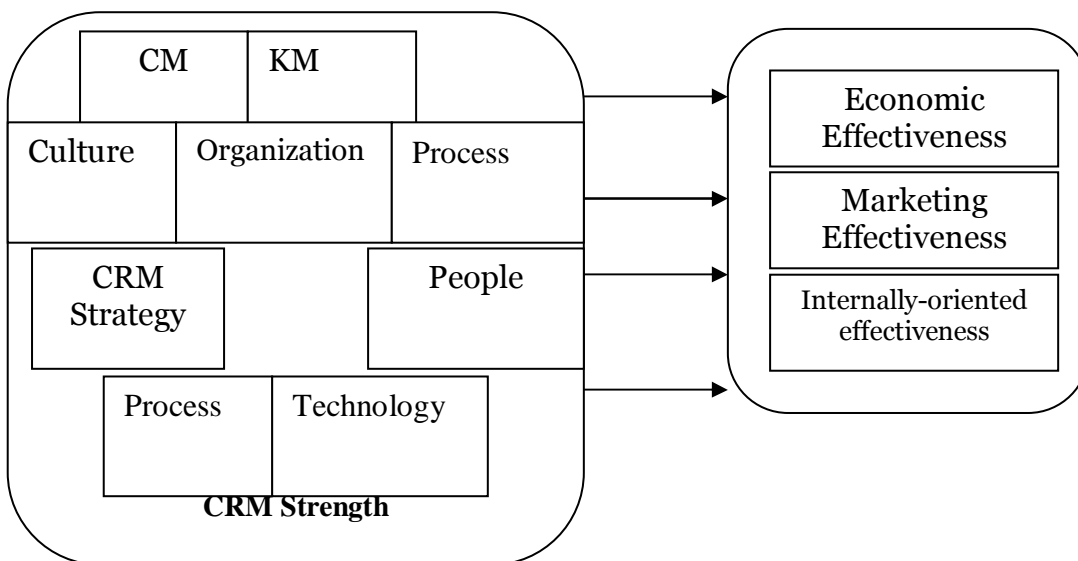


Figure 3: proposed framework for CRM determinants and its effectiveness
Concluding Remarks

This paper focused on CRM issues in the developed countries which can be a guideline for our fastest growing service industry. As various organizations are approaching, especially service industry is growing very quickly, the respective authorities have to give careful attention regarding discussed CRM determinants in order to minimize the expectation-perception gap as well as ensure better and quality service. This paper analyses different literatures on key elements of CRM. It is clear that those literature have been discussed based on some elements which is directly related with the CRM issues and these issues are equivalently important for an organization for sustainable growth of their profitability. In this paper the researchers also propose a model of CRM determinants along with their effectiveness instruments on the basis of the earlier research work, which can be followed by Bangladeshi organizations, especially the service sectors to promote true quality service. Moreover, this model can be guideline for the top level managers to understand the different aspects of CRM dimensions so that they can be able to choose the right dimensions and instruments to offer competitive service for the sake of holding sustainable growth and profitability of the organizations.

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