Customer Relationship Management (CRM) and Study of Its Effect on Competitive Advantage

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Abstract: The purpose of this paper is to provide a managerially useful, end-to-end view dimension of the CRM process in organizations from a marketing point of view. Find solution for providing relation with customers in market and organizations specially those which are more dependent on information and knowledge since it is a critical element for them that determine their success. This perspective taken is customer based not the company's. We are going to find that how much the CRM could have effects on industrial competitive advantages to gain the above-average return for companies.

Keywords: Customer; Management; Competitive

1. Introduction

Customer Relationship Management (CRM) is the process of gathering, collecting and analyzing a firm's data and information as regards customer tlons so as to improve value of the customers in existence firm. Firms exploit necessary information by designing strategies specially targeted to consumer needs. This process enhances loyalty for both customers and firms, increases switching costs, as information from consumer preferences to leads an enduring competitive advantage. By integrating and matching different data (such as operations, service logs, etc.), choice researchers can obtain and make a more complete and suitable view of customer behaviors. There is difference between Analytical CRM and behavioral CRM. Analytical CRM consists of using customers' information on firm to design long period models of choice through the sky of the firm's products and using them to expand the market revenues from its customers through their lifecycle. In this world high-technology and globe with rapid innovation, open markets and high-model competition nowadays some things remain unchanged as past that one of them is the customer is still king and firms to get successful strategy should be customer oriented.

Customer Relationship Management (CRM) has become a wealthy popular strategy in recent years for its hypotheses on the belief that collecting data and expanding the relationship with customers can be the best way to serve customer's loyalty and subsequent profits.

Obtaining, evaluating and clustering successful and unsuccessful adopters of CRM technology.

Quantitative (survey) will be used as the basis of this analysis.

This study is focusing on analysis of relation between firm and its customers to help firm to get advantage in market competitions and develop the strong market strategies to achieve the market leadership. In other words, what do the managers in firms need to know about their customers and how the information could be used to develop a complete CRM perspective?

What would be a normal frame and style of a successful CRM Process for a firm?

Research Objectives

There are some main areas in this study that will have critical effects on Building a successful Customer Relationship Management (CRM):

1. Creating a comprehensive database of customer activities.

2. Analyze, Test and Process data from database to get suitable information.

3. Achieving correct and processed information to make decisions for obtaining firm's target via which groups of customers.

4. Identify the ways to build advantage relationships with the targeted customers.

5. Identify metrics to evaluate the success of the CRM process.

Justification of study

The Main purpose and goal of this study is to represent a true and helpful scenario by using the part of researchers, scientist, markets CEO last powerful experiences, statistical and achievements for firm's managers who are going to establish the new market, web base markets, e-trading and marketing or even them who are doing business for long term traditionally and ignore one of the most important chain in new business strategies, CRM and its process effects on getting market advantage.

Using an integrated system, try to find ways to build a durable strong relationship and be in touch with customer who could be a big powerful tool for firms and managements to achieve huge revenue via identifying targeted customers and their main favorites are just some part of our limited study in CRM that has a good potential to growth in fertilized industry area. Hence, this paper could be a notation for industrial firms to be concerned about firms and CRM process style that could vary in different firms.

Literature Review

Generally Customer Relationship Management (CRM) is the process of gathering, collecting and analyzing a firm's data and information concerning customers' interactions in order to enhance value of the customers in existing firm.

This brings about a growing realization that CRM is an approach that allows governments, firms' owner and managers in industries to dramatically develop their relationships with their customers through reorganizing service delivery capabilities around customer intentions.

The key concepts that constitute an integrated approach to CRM enable agencies to create an informed, integrated view of their customers and use this information to design and coordinate the delivery of services through multiple channels. CRM can thus be described as providing management with a set of tools and techniques that enable intelligent interactions.

Paul Crook, Andrew Simmonds and Stephen J. Rohleder (2003) as a researcher group in an exploratory research presented. They present a model of customer base Data gathering (Figure 1).

The process of CRM could be different from firm to firm.There are varieties of CRM aspect that we represent few of them in this study which are common.

Russell S. Winer (2001); Companies are recognizing that creating databases and getting creative in collecting customers' information is one of the most important and useful tools in firms and it has a powerful impact on industry.

Ben Pinkerton (2004); If segmentation-type analyses through are performed and elaborately accomplished on purchasing or related behavior, the first customers that would normally be selected are most probably those in the most desired segments.

Targeting selected customers by means of more convenient approaches is initiated by performing a portfolio of direct marketing methods such as telemarketing, direct mail, questionary forms, and when the nature of the product is suitable, using direct sales.

Tim R. Coltman (2004); the goal of relationship programs is delivering a higher level of customer satisfaction than competing firms can deliver.

Research has shown that there is a strong, positive relationship between customer satisfaction and profits.

Satisfactory levels must constantly be measured by managers and pre-conceived subsequent programs are initiated that help to deliver performance beyond targeted customer expectations.

Tim R. Coltman (2004); believes that in CRM world, increased emphasis is being placed on developing measures that are customer-oriented and give the managers a better idea adaptability of CRM policies and how programs are working.

Costs of customer acquisition, Conversion rates (from lookers to buyers), Retention/churn rates, Same customer sales rates, Loyalty measures, Customer share or share of requirements are satisfactorily accomplished as being pre-programmed.

All of these measures imply the followings

A: doing a better job

B: acquiring and processing internal data

C: making sure how the company is proceeding at the customer level.

Customer Insights
Capabilities focus on truly understanding customers' needs and expectations

Customer Offerings
Capabilities focus on meeting customers' needs and expectations

Customer Interactions
Capabilities stress consistent and convenient interactions across all channels

Organization Performance
Foster a culture that encourages and rewards superior customer service

Networks
Form linkages and partnerships within the agency, as well as with other organizations outside of it

Figure 1. Model of customer base data gathering.

Theoretical Framework

Companies are recognizing that one of the useful tools in firms leading to a powerful impact on industry is creating databases and getting creative at collecting customers' information. Nowadays Real-time analyses of customer behaviors in e-commerce world (such as Internet, Web sites, e-shop, etc.) to gain better customer selection and make it as a market target is already here which and whatever customers are likely to purchase is easily anticipated.

This study is in base of a model which will just illustrates a small part of CRM vast area as a standard framework.

1- Creating a Customer Database; is first step in a complete CRM process which is construction of customer database or information files. Which is a foundation for any customer relationship management rule? In Web-based businesses, it should be a fairly straightforward task as the customer transaction and contact information is gathered as a natural part of the customer's interaction.

For companies not having collected enough customer information, the task will involve seeking historical customer contact data from firm's internal sources such as accounting and customer service.

What should be collected for the database ideally contains information about the following:

2- Transactions: it consist a complete purchase history with any details attached.

3- Customer contacts: by passing each day the number of customer contact issues is going increasingly via market channels and communication parts. It is not ideal to be limited on company sales calls center or customer service department, but any company initialed contact is welcome.

4- Descriptive information: is for separating data to different parts and doing the process of data analyzing. The data should also be over time;

A lot of companies have traditionally used a various methods to build their databases. Durable goods manufacturers use information from warranty cards for basic descriptive information. Unfortunately, response rates to warranty cards are in the 20-30% range lead big gaps in the databases. Service businesses are normally in better situation because the nature of the product involves the kind of customer-company interaction that naturally leads to better data collection. For example, banks have been a premier industry of CRM activities for a number of years. Telecom-related industries (long distance, wireless, cable services) similarly have a large amount of customer information.

5- Analyzing the Data; one traditional way in customer database analyzing is via defining customer segments. Some various statistical methods ranging such as cluster and discriminate analysis have been used to group customers with having common behavioral patterns and descriptive data which are then used to develop different product offerings or direct marketing campaigns. Direct marketers have used such techniques for long periods. They want to make most profitable far reaching perspective as a target for catalogue mailings and to enhance catalogues to different groups.

Recently, such segmentation reasons are too criticized. Gathering a large number of customers and forming groups or segments assumes a marketing effort towards an average customer in the group. Further, there is an increasing in attention to understand each row of the database, that is, each customer and what he or she can contribute to the company in terms of profits.

As a result, recently lifetime customer value (LCV) is introduced into the marketers as a determining factor. In this study the idea is that each row/customer of the database should be analyzed based on current and future profitability to the firm. Once a profit figure is assigned to a certain customer, the marketing manager can then decide which customers to target.

6- Customer Selection; after the customer information construction and analysis in the database, the next step is to consider which kind of customers should be targeted with the firm's marketing programs. The analysis results could be of various types. If segmentation-type analyses are performed on the amount and size of their purchase, the first customers that would normally be selected are those in the most favorite segments (e.g. highest purchasing rates, greatest brand loyalty). Other segments could also be chosen that depend on other factors.

For example, if the customers in the heaviest purchasing segment already purchase at a rate that implies further purchasing is unlikely, a second tier with more potential would also be attractive. The other variables for these segments (e.g., age, industry type) provide information for spread the marketing tools. In addition, these variables could be matched with present commercial databases of names to find additional customers matching the profiles of those chosen from the database.

If individual customer-based profitability is also available through LCV or similar analysis, it would seem to be a simple task to determine on which customers to focus.

The marketing manager can use a number of criteria such as simply choosing those customers that are profitable (or projected to be) or imposing an ROI hurdle. The goal is to decide which customer is profitable to separate customers that will provide the most long-term profits from those that are currently

decreasing profits. This allows the manager to separate customers who are too costly to serve relative to the revenues being produced.

7- Targeting the Customers; the target selected customers, a common approach is to include a portfolio of direct marketing methods such as telemarketing, direct mail, questioners forms, and when the nature of the product is suitable, using direct sales. Researchers such as Peppers and Rogers (2005) have insisted that companies begin to dialogue with their customers through these targeted approaches not by talking at customers with mass media.

8- Relationship Programs; the goal of relationship programs is to show a higher level of customer satisfaction than competing firms can deliver. There has been a large volume of research in this area. From this research, managers today are certain that customers match realizations and expectations of product performance, and that it is critical for them to deliver such performance at higher and higher levels as expectations increase because of competition, marketing communications, and changing customer needs. In addition, research has proved that there is a strong, positive relationship between customer satisfaction and the more profits. Thus, managers must constantly consider satisfaction levels and suggest programs to help deliver performance above targeted customer expectations.

A comprehensive set of relationship programs is shown at the figure 2:

Customer service: service given to customers frequency/loyalty programs: programs to increase mutual loyalty

Customization: Establishing favorite customer in customers

Rewards programs: Giving rewards for their affiliation

Community building: seem to be a simple task to determine on which customers to focus.

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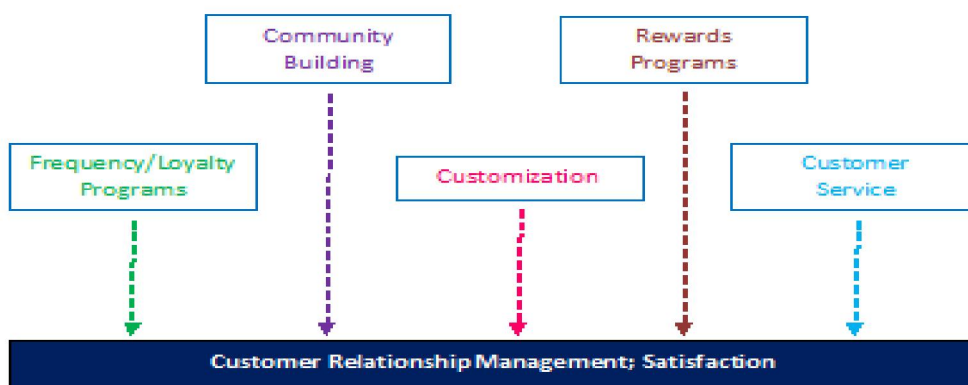

Figure 2: comprehensive set of relationship programs

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Community building

Privacy Issues; A database of customer information and activities, are all depended upon CRM system described in this article. In other words, these are the subsequent follow up. There is an obvious tradeoff between the ability of companies to better deliver customized products and services and the amount of information necessary to enable this delivery. Specially, because of ever-increasing use of the Internet, many consumers and advocacy groups are concerned about the amount of personal

information existing in databases and the way they are being used.

Metrics; the reason why so much attention is that old methods by traditional metrics used managers to measure the success of their products and services in the marketplace are almost abandoned. Financial and market-based indicators like profitability, market share, and profit margins have been and will continue to be important. But in the world of CRM, increased emphasis is being placed on evolving measures that are customer-oriented and give the managers a better idea of how their CRM policies and programs are working.

Some of these CRM-based measures, both Web and non-Web based are the following:

a; Costs of customer acquisition

b; Conversion rates (from lookers to buyers)

c; Retention/churn rates

d; Same customer sales rates

e; Loyalty measures

f; Customer share or share of requirements (the share of a customer's purchases in a category devoted to a brand).

All of these measures imply doing a better job acquiring and processing internal data to focus on how the company is performing at the customer level (Figure 3).
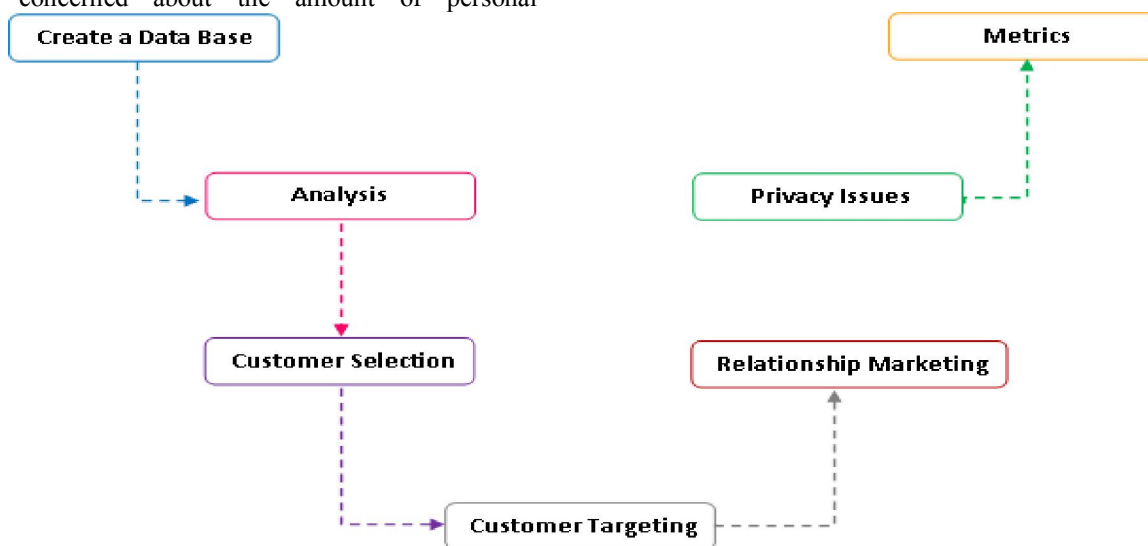

Figure 3: How the company is performing at the customer level

Research Methodology

The nature of this study is hypotheses testing and we conduct the tests according to them, there are four hypothesis existing. This study aim to examine if certain feature of a CRM process may cause certain result which in this case is integration and it make the type of investigation a causal one.

The study setting is field study which is done by conducting a questionnaire. Since results are gained all according to firm responsibilities and customer interactions, the researcher interference is minimal.

The study is mainly based on questionnaire to examine the capability of CRM on both customer and firm interactions. Then it has been attempted to

explore effectiveness of CRM Building which will led to integration at the end. In previous researches different characteristics of CRM Area have been discussed, this study just use a different approach since the result which is focused on is market portfolio. The locus of the study is mainly based on European companies and for making the research more applicable we have considered ten big companies which are worth-noted.

The questionnaire is based on customer responses. In other word, the unit of analysis of this paper is customers who have most effect on process of CRM building and translating these effects to the firm via manager's actions. In this case the smaller groups are in priorities because in such situations firms have more interaction with customers and more understanding of customer's characteristic are gained. The time horizon of the study is also longitude; all data are collected during periods and by considering current condition of target companies.

In order to gaining valid result which could be generalized to some extent to all firms in Europe, this study is conducted between different firms which are representative of different type of organization and since they all have a common feature they have been chosen. They are all big and it means they all need to divide firm's domain into small tasks and make a number of divisions and make them in charge of small tasks.

The following are illustrations of some corporate database-building efforts:

A worldwide customer database from 50 "Legacy was created by company **3Com** databases scattered throughout international application. They built customer records from e-mails, direct mail, telemarketing, and other customer contacts, with descriptive information by department, division, and location.

A new kind of analysis originating from the Internet is click-stream analysis. In this kind of data analysis, patterns of mouse "clicks" are examined from cyber store visits and purchases in order to better understand and predict customer behavior. The aim is to see how rapidly can we convert the rates, the percentage of browsing customers to actual buyers.

All the division in the firm should be accessible to every one so that we can use the related customers. In fact we ask at least one group in each division(such as Design Part) and we try to achieve the minimal sample size for each division it means that if a company has more divisions compared to others the result gained from it would be greater in number. We try to use same sample size for similar divisions in different companies for simplifying the process of analyzing the gathered data.

AT&T offers different levels of customer service. They all depend upon a customer's profitability in their long-distance telephone business. For highly profitable customers, they offer "hot towel," personalized service. For less profitable customers, you get automated, menu-driven service.

The wireless provider Page Net raised monthly rates for unprofitable subscribers.
Clearly, the intent was to drive them away.

Similarly, Federal Express raised shipping rates for residential customers in expensive-to-serve areas where their volume did not justify normal rates. The point is that without understanding customer profitability, these kinds of decisions cannot be made.

The instrument for conducting this research is questionnaire and some observations should be done for assessing the validity of the results gained from the customers and firms' responses to questions. The results would be analyzed using computer based software or SPSS.

Some results would be in form of qualitative and we try to measure them according to firms' responses and most questions are in form of rating and ranking. There are mainly close ended questions which facilitate the analysis but there are still some open ended questions for in dept comprehension in the field study.

The main measurements are done via questionnaire and respondents are customers who evaluate their firms (market).

This study examines the CRM procedures characteristics according to Liker scale and Fixed or Constant Sum Scale.

For measuring CRM effectiveness and successfully qualification we also use observations along with questionnaire in case of dominance and confidentiality. For some sensitive questions there is a need for confirming through observation. Although all variables could be evaluated to some extent by observation but dominance of the CRM design and role or existence of substitutes and neutralizers need more consideration.

Conclusion of this paper
Despite the troubled picture of customer management, it offers hope and a way forward for companies working to improve their Customer Management performance. Don't flush the baby out with the bathwater – the concepts that excited people in the past still hold; finding the right customers, keeping and developing them by providing them with a great customer experience – even more so in this increasingly fragmented, multi-channel world.

The research which is detailed in this document shows three key things:

Customer Management is worth the investment – companies experienced in Customer.

- Management perform better in business than less competent companies
- Managing the implementation approach carefully is vital

A focus on building emotional loyalty with customers via positive brand experiences does reap significant financial rewards.

Conclusion

In today's complex business world, a company must ensure it has the right systems in place for managing customers. Customer retention and customer loyalty are important goals for successful companies. Good customer management enables companies to ensure that the services they provide are in line with what the customers want, which in turn help realize the above-mentioned goals. Importantly, it can also identify further opportunities for growth. The following conclusions can be drawn from the present study:

Companies with successful customer management can expect to report better performance than companies with less competent customer management.

It is vital to manage the implementation approach very carefully.

A well chosen customer management process with a focus on building emotional loyalty through positive Brand experiences will result in a growth in business profits and revenue.

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