Effective Factors on CRM Development

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Abstract: The Customer Relationship Management (CRM) literature is the value of potential and current customers. In this research we investigate effective factors on CRM development which have direct or indirect relation with it. CRM is defined as an important key in business among companies to maintain and increase their customers. In this study we look for key factors like Organizing, Technology, Information technologies, Communication channels of interaction, Formation of CRM system and CRM strategies and some other general factors which indirectly affected the processes. The study analyses variants of CRM management system creation by reviewing different models of CRM creation, the analysis of which allowed envisaging typical elements of CRM model formation or stages of implementation process. Organizational excellence model of framework identify factors affecting productivity and the role of CRM systems. Successful CRM implementation is a complex, expensive and rarely technical projects. At the end of the study we introduce a model to the light of relationship between CRM and effective factors on it.

Keywords: Business, communication, costumer, CRM, modeling, process

INTRODUCTION

Companies that enter to compete in a new market weaken the existing and solid ones, due to new ways of doing and conceiving businesses. One of the factors that have driven all these changes is the constant change and evolution of technology. Because of this reality, the CRM concept has evolved in such a way that it must be viewed as a strategy to maintain a long-term relationship with the customers (Mendoza et al., 2007). However, the understanding of the meaning of CRM is still incomplete and growing. CRM can be understood as a business philosophy, a business strategy, a business process, or a technological tool. As a business philosophy, Ryals and Adrian (2001) stated that "CRM is a relationship orientation, customer retention and superior customer value created through process management". As a business strategy "CRM is a customer-focused business strategy that aims to increase customer satisfaction and customer loyalty by offering a more responsive and customized services to each customer" (Croteau, 2003). CRM as a business process was defined as "a macro-level (i.e., highly aggregated) process that subsumes numerous sub-processes, such as prospect identification and customer knowledge creation" (Srivastava et al., 1999). As a technology, "CRM is an enabling technology for organizations to foster closer relationships with their customers" (Hsieh, 2009). A good customer relationship is the key to business success. Relationship building and management or what has been labeled as relationship marketing, is a leading approach to marketing (Grönroos, 1994). The use of CRM systems is becoming increasingly important to improve customer life time value (Winer, 2001). Understanding the needs of customers and offering value-added services are recognized as factors that determine the success or failure of companies (King and Burgess, 2008). So more businesses begin to attach great importance to electronic Customer Relationship Management (eCRM), which focuses on customers instead of products or services, which is, considering customer’s needs in all aspects of a business, ensuring customers’ satisfaction. By providing information on customer data, profiles and history they support important areas of a company’s core processes, especially in marketing, sales and service (Fingar et al., 2000). eCRM is all about optimizing profitability and enabled businesses to keep customers under control, as it makes the customer feel they are really a part of the business progress (Shoniregun et al., 2004). When managing the transition to a customer-centric organization, it is mandatory to develop the capabilities to acquire the necessary resources, knowledge and tools to meet customer’s requirements with the appropriate products and services (Mendoza et al., 2007). A knowledge based system is most effective in the managing of semi-structured problems. The abilities of such systems are usually applied on the managing level of strategic planning (Szeghegyi and Langanke, 2007).
An effective CRM system should enable an organization to gain greater insight into customer behavior and preferences whereas ERP analytics are more likely to focus on supply and demand for key resources and materials (King and Burgess, 2008). The foundation for the development of CRM is generally considered to be relationship marketing, defined as marketing activities that attract, maintain and enhance customer relationships (Berry, 1983) argues for the importance of relationships in the marketing context. He proposes a definition for marketing, namely, that marketing is “to establish, maintain and enhance relationships with consumers and other partners, so that the objectives of the parties involved are met (Gronroos, 1990). This is achieved by a mutual exchange and fulfillment of promises.” However, although the terms “CRM” and “relationship marketing” are relatively new, the phenomenon is not (Gummesson, 1994). Marketers have always been preoccupied with defensive strategies aimed at increasing customer retention, thereby increasing revenues and profitability (Fornell and Birger, 1987). Argue that the gap between organization’s current and full-potential profitability is enormous and suggest that managers ask themselves: “How long on average do your customers remain with the company? (and) What if they remained customers for life?” During the same time period, a growing literature has focused on the “service profit chain” linking employee satisfaction, customer satisfaction, loyalty and profitability (Heskett et al., 1997). Among the reasons for the little consensus around the meaning of CRM are:

- The different academic backgrounds of the researchers and scholars
- CRM is still an emergent perspective and needs more time and studies to reach the consensus
- The multidisciplinary nature of CRM where it is a combination of management, marketing and IS disciplines (Rababah et al., 2010)

However, CRM is defined from a balanced perspective by Lun et al. (2008) who state that “CRM is the philosophy, policy and coordinating strategy mediated by a set of information technologies, which focuses on creating two way communications with customers so that firms have an intimate knowledge of their needs, wants and buying patterns”. In addition, one of the most recent and holistic definitions of CRM is the definition of Rababah et al. (2010) who suggest that “CRM is the building of a customer-oriented culture by which a strategy is created for acquiring, enhancing the profitability of and retaining customers, that is enabled by an IT application; for achieving mutual benefits for both the organization and the customers”. Hence, for increasing the understanding of the notion of CRM, there is a need for an extensive and critical investigation for the different components and elements of CRM initiative or program where any CRM initiative or program consists of three elements; people, processes and technology. The failure rate of CRM implementation is quite high (Finnegan and Currie, 2010) Researchers were primarily concerned with the allocation of resources between customer acquisition and retention (Blattberg and Deighton, 1996). Generally, the management of customer equity requires that organizations use information about customers and potential customers to segment them and treat them differently depending on their future long-term profitability (Blattberg et al., 2001). For about a decade, relatively narrow CRM systems coexisted, rather uneasily, with broader, strategically meaningful conceptualizations of CRM as a “strategic bridge between information technology and marketing strategies aimed at building long term relationship and profitability” (Ryals and Knox, 2001) Modelers frequently applied CLV concepts in direct marketing, database marketing, or electronic commerce contexts (Elsner et al., 2004) Progress was made toward identifying which variables are the “best” predictors of customer lifetime profitability (in a given study context). For example, compare traditional models that consider frequency, timing and monetary value with models that show how managerial decision variables influence the profitability of customers over time and show that the latter are superior. Nevertheless, most applications (to date) have relied on estimates of current customer profitability, rather than future customer profitability (Reinartz and Kumar, 2003).Therefore customer relationship management system is the system that integrates management of customer groups, establishment and management of marketing companies.

Thus in summary, it is possible to state that customer relationship management is:

- Multimedia that guarantees the integration of all technological resources used in a company and activity fields related to customers.
- First of all it is business strategy meant for development of customer relationship; and its results optimize profitability, income and meeting the needs of customers.
- Meant for maximum personalized satisfaction of customers’ needs.
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<th>Scholar</th>
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<td>Slobodan et al.</td>
<td>2011</td>
<td>CRM development in hospitality companies for the purpose of increasing the competitiveness in the tourist market</td>
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<td>The hospitality and tourism sector, unlike other has a positive attitude regarding the implementation of CRM in the business. Also, special care is taken to the link between CRM and new product development where the catering company is aware of and recognizes the importance of CRM to create new products and services.</td>
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<td>Rababah et al.</td>
<td>2011</td>
<td>Customer Relationship Management (CRM) processes from theory to practice</td>
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<td>This study suggests an important step before the implementation of CRM programs/systems, which is the creation and communication of customer-oriented culture within the organizational. The purpose of this step is to be as a pre-implementation plan for CRM programs/systems in which, a better understanding of the concept of CRM and the sense and awareness of the CRM program/system are created within the organization.</td>
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<td>Fuxiang and Yuhui</td>
<td>2011</td>
<td>Study and explores on CRM based on the supply chain integration</td>
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<td>It has explained the customer relations management concept from the supply chain integration's thought angle and has carried on the exploration how to establish, perfect the enterprise supply chain integration customer relations management system and the operational mechanism.</td>
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<td>Sami</td>
<td>2011</td>
<td>Empirical investigation of the CRM concept in the Jordanian context</td>
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<td>The findings show that Jordanian banks and financial institutions were likely to have a clear CRM strategic vision with specific goals and programs, possess necessary resources to establish CRM, be able to manage CRM programs and use two way communications to handle CRM.</td>
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<td>Fazlzadeh et al.</td>
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<td>An exploration of the relationship between CRM effectiveness and the customer information orientation of the firm in Iran markets</td>
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<td>The results of the study provide support for the finding that customer information orientation is indeed associated with CRM system implementation and that CRM use is associated with firm performance in B-to-B markets.</td>
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<td>Nejatian et al.</td>
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<td>The influence of customer knowledge on CRM performance of Malaysian ICT companies</td>
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<td>The utilization of CRM is directly related with increase in customer knowledge, which in turn has positive effect on customer satisfaction. By using knowledge management companies can improve their relationship with their valuable customers to create loyal customers and obtain competitive advantage. It also identifies fruitful new areas for theoretical and methodological advances in addressing organizational challenges at the cultural, strategic and tactical levels. We know very little about how brand equity, product portfolio decisions, or innovation contribute to customer equity and we do not understand the relationship dynamics that unfold to create customer value. Research on these topics will generate new intellectual insights for marketing scientists and managers.</td>
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Table 1: (Continue)

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| Ruta et al.        | 2008 | The model of creation of Customer Relationship Management (CRM) system | ...     | ...             | Analysis of scientific literature comparative | Cust Customer Relationship Management (CRM) is:  
  • First of all it is business strategy meant for development of customer relationship; and its results optimize profitability, income and meeting the needs of customers  
  • Multimedia that guarantees the integration of all technological resources used in a company and activity fields related to customers  
  • Meant for maximum personalized satisfaction of customers’ needs |
| Berndt et al.      | 2005 | Implementing a customer relationship management programme in an emerging market | Clients in a leading retail bank in south | 35                | The findings indicate that there are positive associations with these steps and customer service. |
| Suresh             | 2002 | Customer relationship management                                         | ...     | ...             | To implement CRM successfully, you'll have to reorganize your customer and change your organizational mindset. When CRM works, it helps to solve this problem by meshing everyone together and focusing the entire organization on the customer. Like all strategic initiatives, CRM requires commitment and understanding throughout the company, not just in marketing |

Table 2: Variables used in the model R

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Companies that manage customer relationship acquire such customers who are useful in another indirect meaning of getting profit. The clients who help to popularize the company, its activity and offered products or provided services are very important. Well-organized and successful strategy of customer
management guarantees that a client will be more indulgent if a misunderstanding takes place as well as he/she will be more indulgent if he/she was not fully satisfied with the quality of service or product. Due to such cooperation the situation, in which both parts win, occurs:

- A customer because he/she gets a qualitative service or product
- An organization because it gets profit and has a reliable client
- An organization can easier and more appropriately serve a customer when he/she is well-known, his/her needs and tastes are known (Ruta et al., 2008)

Some researches and studies conducted in the effective factors on CRM successfully impact (Table 1). In order to be successful in today’s complex and competitive markets. It can help companies to retain their loyal customers and attract potential customers. Also, these results suggest that the CRM has a positive effect on their attitude and ultimately will create loyalty. CRM has positive effect on commercial performance. Whatever the level of value which CRM generally achieved as goods and services from a company are greater, his loyalty will be the same more. In today's world, customer relationship and his satisfaction has been the agenda of all organizations action. Customer's loyalty is considered as a key factor for organizations and lead to profitability and success of organization. According to studies on the described models (Table 2) we have achieved a functional model, which examines the Effective CRM. In the following table show expressed variables in 4 previous models along with proposed model. As shown in the Table 2, used variables in the proposed model, according to the variables used in the 4 studied models are presented. Commercial organization, Knowledge management, CRM-customer relationship evaluation system, variables from the 2nd model and Strategic CRM jointly from models of 1, 3 and 4, and Technologies variable jointly from models 2 and 4; Communication variable from models 1 and 2 of CRM from model 4 have been used. According to the results of the 4 studied models in this research, we have finally reached a proposed model. The conceptual framework of proposed model is presented below.

**Analysis of the model:** It is rather difficult to carry out the real analysis of expenditure and profit. As such profit is more qualitative than quantitative. However, real profit manifests so that possibilities of sales are better controlled and distributed more considering their importance (management of sales channels), all the factors which pointed to the CRM in center of the model directly affection on it and each one of them can challenge the processes. There are some factors which indirectly affected the CRM, they can change other factors and in this way make changes in central items (Fig. 1).

In the model some elements are not directly shown, they will be the output of the CRM system. From the management viewpoint, an effectively functioning system has to give profit both for the enterprise and customers. This model presents theoretical model of CRM implementation and its factors which affected. It was formed by having summarized all chosen stages and elements of customer management system formation.

**CRM strategy and evaluation of current situation within an enterprise:** Before starting the implementation works of CRM, the audit of current situation should be performed, i.e., skills of the work with customers, wrong decisions and failures, competitors, partners, customers are analyzed as well as enterprise’s needs to establish CRM system are also identified. The CRM strategy is the basis for the creation and implementation of customer relationship system, thus this element in the model is seen behind the borders of the system but not eliminated (Ruta et al., 2008).

**Formation of CRM system:** Customers, their segmentation. The task of each enterprise is qualitative cost-effectives and profitable service of customers. In order to attain the goal, it is necessary to pay more attention to such value-creating means related to customers’ service as selling development, loyalty development, data collection, customers’ segmentation, customers’ service when the enterprise itself initiates it, etc. In the model the customers' element is primary and the most important (Ruta et al., 2008).

**Communication channels of interaction:** Effective implementation of CRM programs requires two way communications to interact directly with customers and receive immediate feedback. This keeps the firm in touch with reality and enables employees to quickly respond to different consumer needs. The use of modern communication technology such as telephone, internet, e-mail, fax, SMS, could also enhance the effectiveness of two way communication (Alsmadi and Alnawas, 2011).
Information technologies: Fast and easy accessibility of accumulated information; accessibility of information from geographically remote locations, optimization of work time use, decrease of negative impact of employees’ change: by means of CRM system the maintenance of relationship between a customer and service operator is realized by any communication media. It can be post, email, phone calls, the Internet, individual visits, etc. In the model these elements are very important both in economical and relationship marketing meaning. Fast and effective customer relationship management will depend on properly chosen technologies (Ruta et al., 2008).

Customer Relationship Management (CRM): It can help to select the most useful clients for an enterprise. Enterprises most frequently feel who their main customers are, but only some use systematized media of customers’ stimulation, loyalty development. Collected data about consumers later become knowledge and the latter determines profit for an enterprise. However the enterprise’s activity can be based on such knowledge only when the data are processed and on their basis motivated decisions to attract or sustain customers are taken. Of course, it is necessary to possess special media, by means of which it is possible to perform the mentioned actions and which simplify the very decision-making (Alsmadi and Alnawas, 2011).

Technology: Technology plays the role of enabler in CRM deployment (Das, 2004) and allows firms to achieve greater customization and better service at lower cost (Sin et al., 2005).

Knowledge management: Managing knowledge is an important key in CRM because customers’ knowledge is growing increasingly and so we should updating and managing our knowledge to identifying the customers needs and the ways of meet their need as soon as possible. Knowledge management is necessary in all over the processes of CRM (Sin et al., 2005).

Organizing: It consists of three important parts: Dentine organizational learning as the creation of new standard operating procedures and business processes that reflect organizations experience (Laudon and
Consider a learning organization is an organization in which everyone is engaged in identifying problems, enabling the organization to continuously experiment improves and increase its capability (Daft, 2004).

**CONCLUSION**

Customer Relationship Management (CRM) system is the system that integrates management of customer groups, establishment and management of marketing companies referring to relationship (intercourse) marketing. Customer Relationship Management (CRM) is:

- First of all it is business strategy meant for development of customer relationship; and its results optimize profitability, income and meeting the needs of customers.
- Multimedia that guarantees the integration of all technological resources used in a company and activity fields related to customers.
- Meant for maximum personalized satisfaction of customers’ needs, (Ruta et al., 2008).

The application of relationship marketing theory (model) in narrower conception of CRM is simply inevitable because customer relationship management cannot be only the illustration of the relationship, it is much more important to understand the management and development of relationship and intercourse; CRM integrates new strategic initiatives of communication with customers or their groups, it creates common platform of communication with customers. There are a lot of factors can increase or decrease CRM efficiency and its processes. These factors are including direct and in direct factors. The indirect factors are:

- Formation of CRM system, Friendly environment
- Evaluation of customers’, expectations, Customers’ trust, Qualitative service, E-mail, Internet, Telephony, Individual visits, SMS/WAP, Fax.

And direct factors are:

- Relationship Marketing orientation to a consumer, CRM strategy
- Organizing, Technology, Information technologies, Other factors, Knowledge management, Communication channels.

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