

CUSTOMER RELATIONSHIP MANAGEMENT

Ioan BORDEAN

“Danubius” University Galati, Romania

Alina RAILEANU

“Danubius” University Galati, Romania

Abstract:

In order to maintain in a market economy with the competition becoming increasingly tough, with consumer preferences and demands more sophisticated and diverse, a company must manage in the best possible way the relations with the existing and potential customers to know their preferences, attitudes, purchasing behaviour, motivations, in order to attract the proper clients for their company products. These goals may be achieved by implementing a strategy called “Customer Relationship Management”, which aims to identify the potential customers, observing their needs, attract them through a special offer and obtaining their enthusiasm. A key element of a CRM strategy is communication using as many possible ways with current and potential customers, in order to attract them and to become loyal.

Keywords: *customer attraction, loyalty, CRM, strategy*

JEL Classification: *R11, C44, M31*

I The need to study consumer behaviour

The evolution of structure and size of consumer demand in the recent decades requires knowledge and foreseeing the demand, not only from the quantitative point of view, but also qualitative, based on studying the behaviour of buyers. Study the behaviour of purchasers represents a logical necessity, an objective requirement in substantiation of marketing decisions driven by the need to explain the decision mechanism of purchasing and consumption. Marketing research must start from the rational actions of the buyer, from its needs, reaching to the discovery of its desires, of its representation and its ideas, which determine its attitudes, opinions and behaviour.

The consumer behaviour means all acts, attitudes and decisions regarding the use of its revenues for purchasing goods and services or for savings.

To study the consumer behaviour is needed an interdisciplinary approach, due to its complexity. Human behaviour from the economic point of view does not represent a succession of mechanical processes, but it reflects the outcome of the accumulation of life experiences, under the influence of elasticity and plasticity of their needs. The psycho-sociological processes that determine the acts of the consumer is much more difficult to observe and to measure than its effects.

The study of consumer behaviour has developed in conjunction with motivational research that explains the mechanisms of deciding the purchase and consumption.

The specialized literature analyses the problem of consumer behaviour in a systemic way, the consumer is the “black box”; based on the entrance from the system, composed of marketing and environment stimuli faced by the consumer, “the black box”(processor) has exits, that represent the reaction to these stimuli (Figure 1).

All stimuli (entrances), of marketing or environment, passing through the “black box” of consumer awareness, are intercepted and processed, resulting certain reactions (that exist from the system), specific to each individual, materialized in decisions to purchase (or not) a certain product of a particular brand, from a particular seller, a settled quantity at a certain time.

The specialists task in marketing is that the entrance stimuli, marketing - product, price, distribution and promotion method, under certain environmental conditions, to induce decisions that will materialize in the purchase of the product.

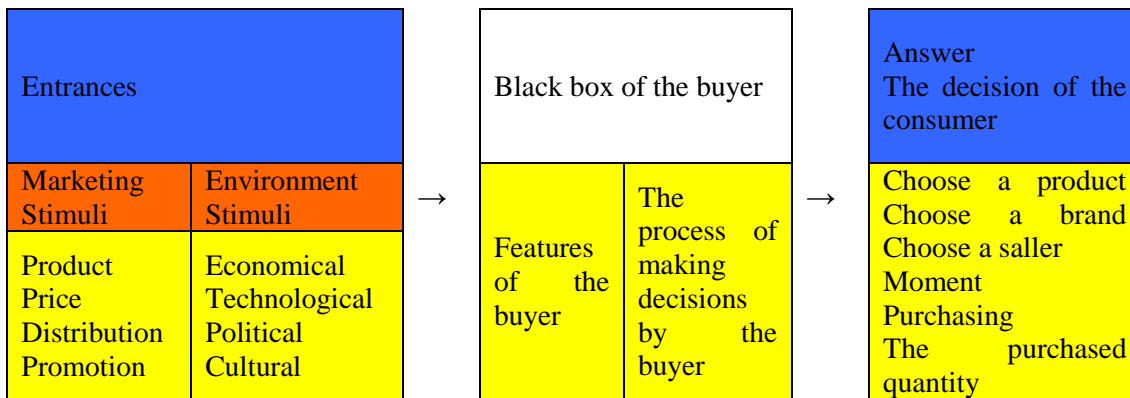


Fig. 1 The systemic approach of consumer behaviour

II Presenting the concept of customer relationship management (CRM)

Customer relationship management (CRM = Customer Relationship Management) was developed as a major element of business strategy of many companies and it is based on creating and developing some personalized relationships with customers in order to increase their profitability. A CRM strategy allows the companies to adapt quickly the organizational behaviour to the market changes; doing so, the company can better satisfy the requirements of its customers. Performing firm managers starting from the principle “it is more difficult to gain a customer than to keep an existing one”; sustaining this idea, researches were made regarding the costs involved with these two alternatives, those caused by the gaining a new customer are from 3 to 15 times higher, depending on the industry branch and the product, than those involved in retaining an existing customer.

The premise of conducting business is to satisfy customer needs, but it has been observed that they move easily from one manufacturer to another. This fact has required different actions and loyalty programs, providing certain benefits such as promotional offers, discounts, loyalty points etc., generating customer loyalty and enthusiasm.

The implementation of CRM strategy aims at identifying the potential customers, attracting them with special offers, observing and solving their needs so as they would be content. The most important element of a CRM strategy is communication using as many possible ways with the current and potential customers, in order to attract them and to become loyal.

Customer relationship management can be defined as a process that takes place in 4 stages (Kaufman, 2001) and is based on developing relationships with customers (Figure 2):

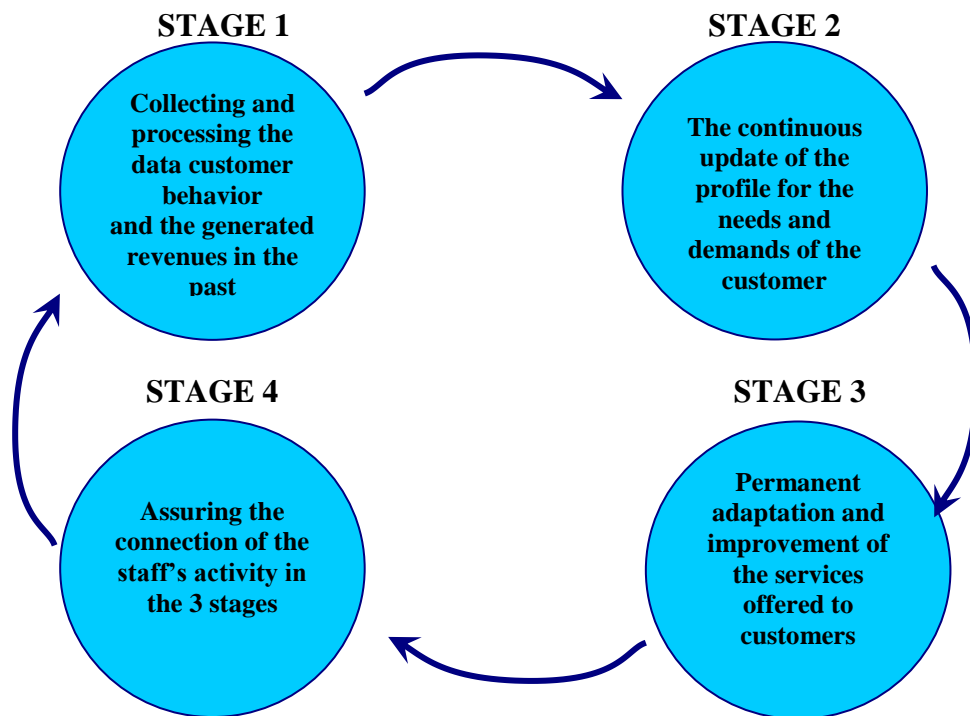


Fig. 2. The management process of customer relationship

The link element in the development of good relations with customers is represented by internal and external information relating to customers.

III Communication strategy for fulfilling customer requirements

Whether it is about recruiting new customers with minimal costs, the additional motivation for those who tend to move to competitors, the development of programs for receiving new customers, selling more to the existing customers due to the expansion of the offers or take advantage of the segments growth to broaden the portfolio of services addressed to customers; customer relationship management must provide an operationally effective answer, in the perspective of adjusting to the objectives of the organization.

For the three types of CRM programs - attracting new customers, keeping the existing customers and increasing value to customers through additional and crossed sales - an operational objective of customer relationship management should ensure consistency of the creation chain of value, bringing the management of flows of contact with customers to effective operational tactics.

3.1 Attracting new customers

The globalization of markets and communications development gives the consumers the opportunity to easily and quickly choose a product or another, a service or another. In this context, the commercial success requires speed and flexibility adapted to the increasingly large and sophisticated demand. One of the key factors that ensures the success of a company lies in its ability to broaden its base of customers. The failure of a policy of recruiting new customers is the means by which a company may enter into decline. The attraction principle of customers is as follows: "To propose the best offer, the most representative targets, the best time and the best argument." (Lacroix, 1996)

Even if the above formula is easy to remember, it proves that it is often difficult to put it into practice. A successful attraction of new clients doesn't only summarize the values generated by a first sale. It is only a first step towards the retention of a client who, on the one hand, will resort to new purchases, and on the other hand, will provide additional sales opportunities, generating an increase in the future. In fact, the ratio of profit-earning capacity of a program of attracting customers is related to the total amount spent

during the lifecycle of each customer. The ratio of profit-earning capacity on a CRM program (ROI - Return on Investment) represents the most important indicator in the CRM strategies and it is calculated by dividing the cumulative amount of revenue generated by a customer to attract the necessary investment for attracting and keeping a loyal customer.

This indicator should have a binding value over 100%; a value over 200% demonstrates a high efficiency of the CRM program.

The value scheme of a customer in this first stage demonstrates the lifecycle of the customer (Allard, 2003), it is shown in the diagram in Figure 3.

The successful attracting of customers should be considered as a first strategic step of lifecycle management of customers; it is essential for any company to develop a mentality for attracting customers. At this stage, market segmentation and positioning the susceptible customers are likely to turn into loyal customers.

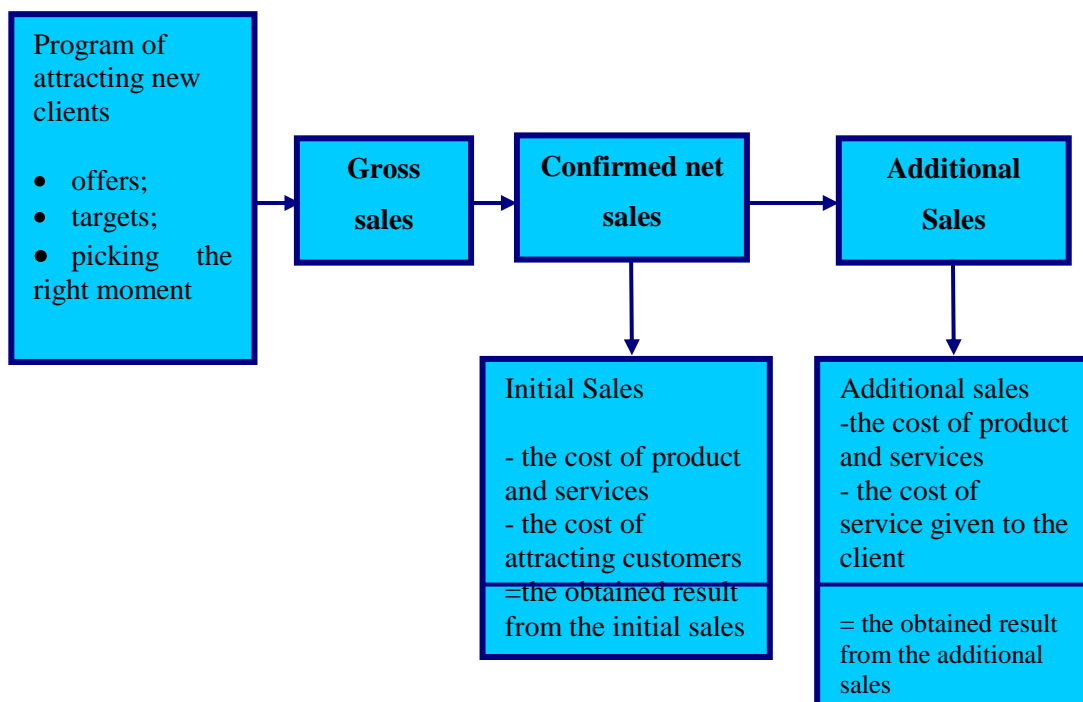


Fig. 3. The value given by the customers in the first lifecycle

The company must ensure, in this initial phase, quality offers in order to induce a positive image to customers. Customers who purchase for the first time a product or service are circumspect; in this case, their impression must be positive, a single error of the company at this stage, and it risks entailing irremediable loss of customers.

Subsequently, in the next contacts with customers (e.g. in a service of technical assistance), the objective will be to build a relationship based on trust, and ensuring them that they have made the best choice.

The effectiveness of management programs of customer's value is assessed after the impact upon the value of lifecycle and not just in terms of immediate benefits. The scheme to create the value within the lifecycle of clients (Faulkner, 2002) is depicted in the following (Figure 4):

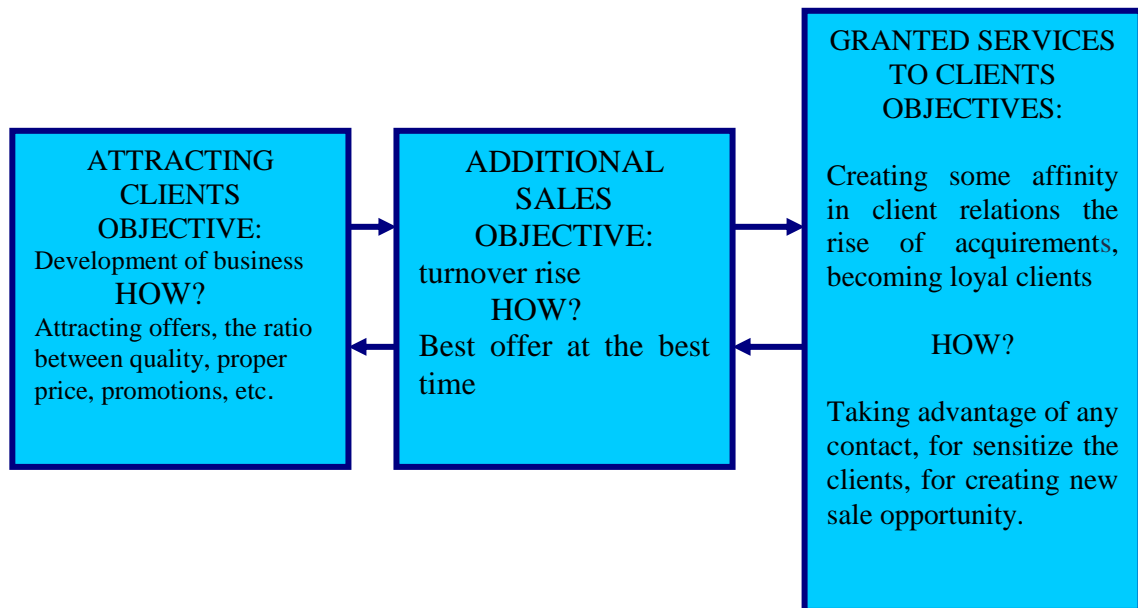


Fig. 4. Creating the values during the first lifecycle of clients

Because of the capacity of combining different environments and low cost generated by attracting new customers, customer-contact centres have become privileged networks of companies that wish to reach the objectives of widening the customer base.

Among the advantages of these contact centers (Blumberg, 2002), we may specify:

- high degree of penetration: the ability to contact a large number of actual and potential customers;
- rapidity: the ability to quickly penetrate the market;
- increased reactivity: the ability to assess the impact of any changes (at the level of the offer, target or contact timing) on the cost of attracting customers, so as to monitor the performance in real time and to quickly correct deficiencies;
- profit-earning capacity: the ability to exploit cost models to attract customers in order to ensure a greater profit-earning capacity on the concerned segments;
- personalization: the ability to adapt to the needs of your individual clients.

3.2 Keeping the loyalty of the existing customers

If the programs of attracting customers and sales often attract very high budgets due to their ability to generate profits in short term, loyalty programs are distinguished by the incidence of long-term and often by its often spectacular effect, on increasing the profitability of a company.

The movement of customers to competitors is a process that occurs in any market, a process that must be prevented through the design and implementation of complex loyalty programs. The relationship between a company and its customers must be maintained and developed. Any firm is seeking to minimize the loss of customers, knowing that there is a strong relationship between this indicator and its profitability.

To guide loyalty policy towards an exceptional quality of service and a personalized offer individually created for loyal customers, the contact-customers centers provide differentiated solutions that integrate the following:

- maintaining a genuine dialogue with customers in order to assess their needs and demands;
- development of products and services in order to meet those needs;
- combining the most effective medium for promoting products and services.

IV Software Solutions Analyze for the best CRM approach

Living in the Internet Era, it is obviously that any company will need a TIC solution for its CRM approach. Behind every powerful man is a woman. Behind any successful CRM story it is an appropriate dedicated software. And there are a lot of CRM software.

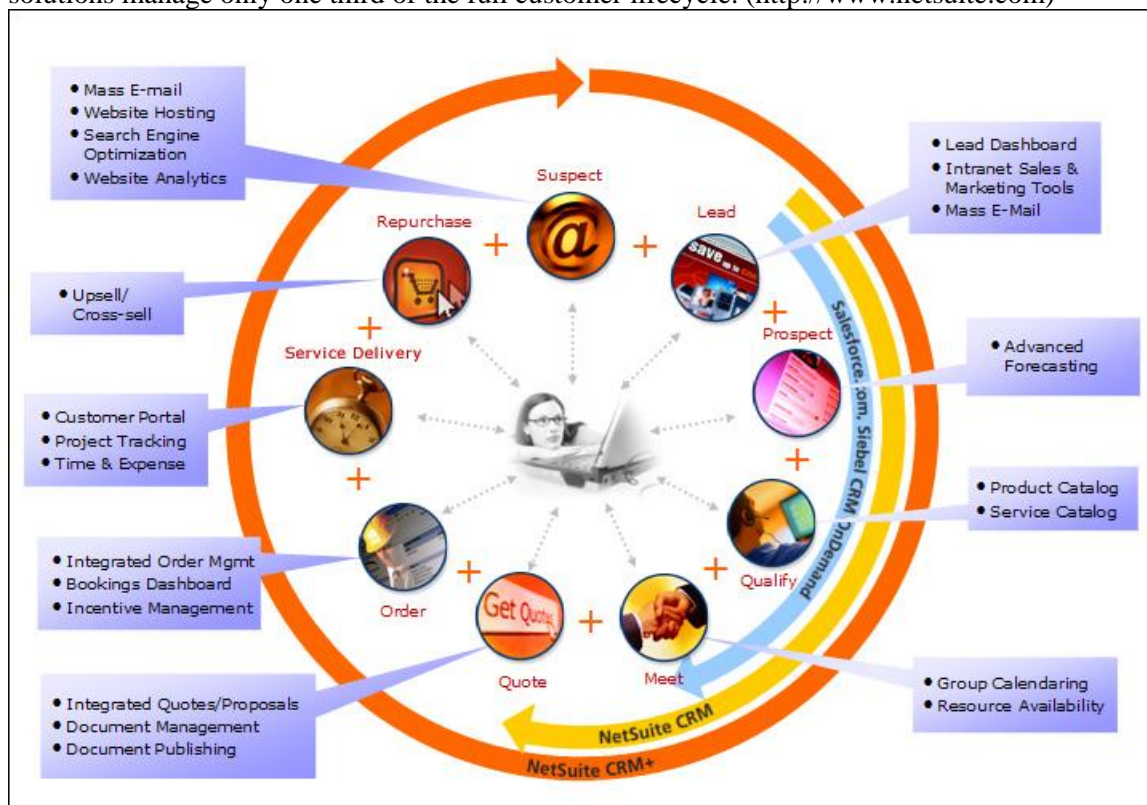
The individual impact of CRM systems is strongly related to impact at the organizational level. Fit with the task of the user is key. CRM systems are successful in organizations that reward customer-centric behavior and that have an analytical decision style. Acceptance of a CRM system should be monitored over time.

Whether your needs for CRM is marketing automation, customer self-service, call center solutions, or other needs, you should identify software vendors that provide the capabilities you need at the best price.

Lets take a look together to the most important three of them: NetSuite CRM Software, Microsoft CRM Software, Maximizer CRM Software

The most complete of them:

NetSuite extends beyond traditional CRM to provide complete customer lifecycle management, giving a true 360 degree view of customers and all their interactions with company. Other web-based CRM solutions manage only one third of the full customer lifecycle. (<http://www.netsuite.com>)



NetSuite is the only Web-based CRM system that:

- Provides a true 360 degree view of all customer data and customer interactions, including complete visibility into all financial transactions and website interactions without any integration required. Now a single view of customer information is available to everyone in your company who needs it.
- Allows you to sell to both prospects and current customers equally effectively. Other CRM solutions focus on managing prospects, and do not have enough integrated information or tools to manage and upsell existing customers.
- Automates the entire customer lifecycle, from a "suspect" browsing a business' Web site, to an interested lead, to a qualified prospect, to a customer who has actually placed an order, to servicing that customer and finally, to guiding that customer to re-purchase.
- Allows salespeople to take real orders from customers, with an integrated Order Management system.
- Shows full purchase histories for your customers without requiring complex integrations with your accounting/ERP system.
- Includes powerful, automatic upsell and cross-sell capabilities, helping you to help you sell more—and more effectively—to your existing customers.
- Includes complete Partner Relationship Management. Now you can treat your channel partners as an extension of your direct sales team—seamlessly.
- Tracks commissions automatically and accurately, without requiring you or your salespeople to use spreadsheets.
- Fully encompasses the Web and e-mail marketing into the CRM solution. NetSuite CRM+ incorporates your Web site into the selling process, by tracking all customer interactions on the Web and by providing a comprehensive self-service customer portal.
- Provides better, more accurate forecasts. Because booked orders can be finally seen in forecasts, your forecasts have greatly increased reliability, predictability and accuracy. And the "actuals" information in forecast vs. actual reports is now based on real sales data.
- Shows you true marketing effectiveness and ROI. Because other CRM systems do not capture the details of what a customer has purchased, they frequently provide incomplete and incorrect results for marketing and sales campaigns. With no record of what or how much has been ordered by each customer, marketing has no way to know if the leads generated are

NetSuite enables companies to manage all key business operations in a single system, which includes accounting/Enterprise Resource Planning (ERP), Customer Relationship Management (CRM), and Ecommerce. This provides companies with a true 360 degree view of all customer data and customer interactions, including complete visibility into all financial transactions and website interactions without any integration required. NetSuite is delivered as an on-demand service, so there is no hardware to procure, no large, up-front license fee, and no complex set-ups. NetSuite's patent-pending "real-time dashboard" technology provides an easy-to-use, real-time view into role-specific business information that is always up-to-date. The system also can be easily customized through their SuiteFlex platform, so that users can extend and enhance the NetSuite application.

NetSuite's strong all-in-one front- and back-office solutions span CRM, ERP, accounting, and eCommerce making this a one-stop package for SMBs. The company's software helps you to manage your key business operations in a single, integrated system.

The company's patent-pending "real-time dashboard" technology provides an easy-to-use view into role-specific business information that is always up-to-date. At times, the comprehensive functionality adds to the product's complexity. Service thresholds and per-module pricing can increase your costs. NetSuite has thousands of customers globally ranging in industry, business size and software solutions.

The most familiar look:

From Customer Relationship Management (CRM) point of view, communication is key. The ideal CRM solution should streamline the way your people communicate with clients and collaborate with each other. The more comfortable they are with the tools, the more effective they will be at their jobs. The most comfortable is a look and feel that you already know. (<http://www.microsoft.com>)

Microsoft Dynamics CRM workflow automation and analytics let your Sales, Marketing and Service staff easily share information and route tasks to provide a seamless customer experience.

Sales

Establish a 360-degree view of customer interactions, sales opportunities and buying patterns to help your sales force cultivate more profitable relationships.

Marketing

Plan, implement and measure more-effective marketing campaigns by analyzing buyer trends, behaviors and offers that allow your marketing teams to track real time results and optimize Return-on-Investment (ROI).

Service

Deliver high-value Customer Service with integrated interaction and knowledge management enabling your service professionals to share answers and insight with customers with ease.

Microsoft CRM Key Strengths

- Tight integration with the Microsoft Office® system and Office Outlook, allowing employees to easily pull information from Microsoft Dynamics® CRM into Office system applications such as Microsoft Office® Excel spreadsheet software and Microsoft Office® Word word processing software.
- Quick and easy access to your data through context-sensitive information for populating forms or taking next steps without changing screens.
- Customized workspaces that allow users to create, save, and reuse favorite views of customer data without the distraction of unneeded information.
- Great mobile support that helps enable field workers to get instant access to customer data from most popular portable devices including mobile phones with Web browsers, and laptops.

Other Microsoft CRM Features are:

- Opportunity management
- Sales process management
- Quotes
- Order management
- Sales force management
- Email/Direct Marketing
- Case/Service management
- Email Response Management
- E-mail management
- Searchable knowledge base
- Marketing campaign management

The most simple to use:

Maximizer Software Inc. provides proven and affordable customer relationship management (CRM) and contact management solutions that help small to medium-sized businesses increase sales, streamline marketing, and enhance customer service and support. Maximizer has sold over one million licenses to more than 120,000 customers, ranging in size from entrepreneurs to multi-national organizations.(<http://www.maximizer.com>).

Maximizer CRM adapts to the way you work, and grows as your business grows. You can choose from four editions, as well as several add-on modules and options for the solution that matches your business needs. The right solution will depend on your number of users, access, and feature requirements.

Maximizer Key Strengths

- Simple and quick to deploy, learn, use and maintain.

- Multiple Access options: web, Windows desktop, and BlackBerry®, Windows Mobile®, and Palm® devices.

Best Value in its class for full-featured CRM.

Maximizer Entrepreneur Edition

Maximizer Entrepreneur Edition, the award-winning contact manager, is designed to help you maximize your time, improve customer satisfaction and increase sales.

It's easy to configure right out of the box, so you can get up and running quickly and focus on your business. Entrepreneur Edition is ideal for small businesses, home offices, financial advisors, realtors, and sales professionals in virtually any industry.

Maximizer Entrepreneur Features:

- Contact management
- Opportunity management
- Sale force automation
- Integration with Microsoft Office®
- Integration with QuickBooks® accounting software
- Mobile access through BlackBerry® or Windows Mobile® devices
- On-the-fly reporting with easy exporting to Excel

Maximizer CRM (Group, Professional and Enterprise Editions)

Designed for larger organizations, Maximizer CRM provides full-featured CRM functionality including marketing automation and customer service & support. Maximizer CRM provides multiple access options including desktop, Web and through the latest PDA devices.

Maximizer CRM Features:

- Contact and account management
- Sales force automation
- Marketing automation
- Customer service and support
- Web and mobile device access (BlackBerry® or Windows Mobile®)
- Microsoft Office® integration
- Partner relationship management
- Workflow automation
- eCommerce and payment processing
- Microsoft Exchange Integration
- Integration with QuickBooks® Microsoft GP® accounting software

Maximizer Software is a worldwide organization with business partners and offices in its three regions: Americas, Europe/Middle East/Africa (EMEA), and Asia Pacific. Maximizer has sold over one million licenses to more than 120,000 customers, ranging in size from entrepreneurs to multi-national organizations, include leading companies such as Siemens, Ipsos, Nestlé Clinical, Ericsson, HSBC, Singapore Airlines, Cathay Pacific, William Mercer, and Bank of New York

An essential element of achieving successful implementation is to ensure that their strategy is underpinned by viable and appropriate technology architecture. This involves the selection of vendors and partners based on issues of customisation capability and other appropriate commercial factors including both technological and commercial criteria.

In the very near future, Customer Relation-ship Management will have advanced considerably and we will have reached much more sophisticated level of one-to-one marketing and data mining. There is now an enormous opportunity for organisations to improve their 'customer ownership' by build-ing a coordinated and integrated set of ac-tivities which address all the key strategic elements of CRM.

Conclusions

Free market, diversification and globalization have led to a significant increase in the competition between the business needs and consumer demands that have become increasingly sophisticated and diverse. These market realities have forced companies to move from product-centered approach to a client-centered approach.

By switching from the sellers market to buyers market when they can choose from a rich and varied offer, ultimately, customers are the ones who decide. Therefore, CRM has emerged and developed naturally in trying to optimize the relationship between suppliers and customers in the benefit of both parties.

The emergence and development of the Internet business has provided to the world an indispensable tool that offers to organizations many possibilities and opportunities. For a modern company it is very important to have a system to shorten the response time to customer requests, thus providing support and quality of the provided services and this way it contributes to creating long lasting relationships and it achieves a greater competitiveness and profitability.

Organisations' success in CRM will involve creating an appropriate strategic vision for the future, making the appropriate choice of applications, creatively using appropriate analytical techniques to exploit the data, and choosing the right vendor for supply of the technology solution.

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