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An Overview of CRM Adoption
and Implementation Strategy in China

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ABSTRACT

Despite the rapid growth of customer relationship management (CRM) adoption in the global information technology (IT) market, CRM adoption in China has yet to realize a number of challenges during its inchoate stage. The reality of implementation challenges brings the impulsion of CRM adoption away with an early belief that this technology weapon will easily make great profits from a new-fashioned way of relationship management. For the sake of better understanding the huge China market, this paper provides an overview of CRM adoption in China. It suggests that CRM adoption should not only be considered as a software application, but also integrates people, strategy, process, and technology in an enterprise-wide scale. This paper also offers corresponding implementation strategies according to the challenges in CRM adoption in China.

Keywords

Customer relationship management (CRM), information technology (IT), implementation strategy

INTRODUCTION

The concept of CRM was introduced to China in the early 1999, which is defined as "a business strategy designed to optimize profitability, revenue and customer satisfaction" (Gartner Group Research, 2002). Along with the development of web-based technology, CRM initiative is continually introduced as an easy way to enhance profitability. The latest survey by CCID (China Center for Information Industry Development, 2004) indicates that the CRM market in China will project to RMB 305,000,000 (around USD 37 million). Despite the prediction of growing prevalence, CRM initiative is still an innovation in China. Little is known about its implementation in China. In particular, Chinese companies are confronted with more challenges of CRM implementation because of bureaucratic organizational culture and laggard IT development. Therefore, our goal here is to discuss the general situation of CRM adoption and corresponding implementation strategies in China, where market and policy conditions are quite different from the global environment.

GENERAL OVERVIEW OF CRM MARKET IN CHINA

Based on the statistic data from National Bureau of Statistics of China, China has got a continual economic growth since implementing the reformation and "open-door" policies in 1978. Benefited from the favorable trading environment, Chinese enterprises obtain enormous business opportunities. In order to attract and retain more customers, enterprises increasingly emphasize the philosophy "put your customers in your heart". The CRM market consequently grows. A report by Gartner Group Research (2002) reveals the global CRM market will achieve 9.8% growth on average in the next 4 years, and at the meanwhile the Asia-Pacific region dominates the growth of global market. In China, the major CRM applications are regionalized into three zones, Guangdong Province, Shanghai, and Beijing, where IT is firstly well developed. The initial adopters of CRM systems came from banks, telecom companies, petrifaction companies, and other large-scale enterprises in China. In manufacturing industry, famous enterprises like Jiangling Motor, Hair Group and Legend Group are putting CRM into practice. Previous implementation of ERP in these enterprises facilitates the CRM adoption smoothly.

China has her own characteristics in the IT innovation adoption (Harris and Davison, 1999; Hofstede, 2001). The bureaucratic organizational culture is one important cause of project failures. China was opened in 1978 with the symbol of four special economic zones (Shenzhen, Zhuhai, Shantou, and Xiamen). After 25 years, the state-owned enterprises still dominate the markets in China. They try to change the bureaucratic organizational culture, make themselves fit for the open market and then cut short of the government's subsidies. The state-owned enterprises now concentrate on how to trim size, cut costs, reduce redundancy and improve efficiency. Because quite a lot of operational processes are still run manually in

Chinese enterprises, CRM project are expected to integrate with process reengineering in order to improve an enterprise's capability and productivity.

In spite of the nice future described by CRM providers, not every adopter can make profits from CRM project due to the rooted problems such as issues of market positioning or organizational strategies. Furthermore, most Chinese enterprises have very limited experience and knowledge on CRM. According to CCID (2004), most CIOs, who take charge of CRM projects, do not really understand CRM (see Figure 1). Such drawbacks in China market hamper the application of CRM in a right track. Due to the lake of measurement of CRM success and few successful cases are known, only a few enterprises plan to adopt CRM system in the near future, while most subjects (70%) hold a negative opinion toward CRM adoption (see Figure 2). These figures indicate a level of gloominess to the potential CRM adopters despite success claim by famous international providers.
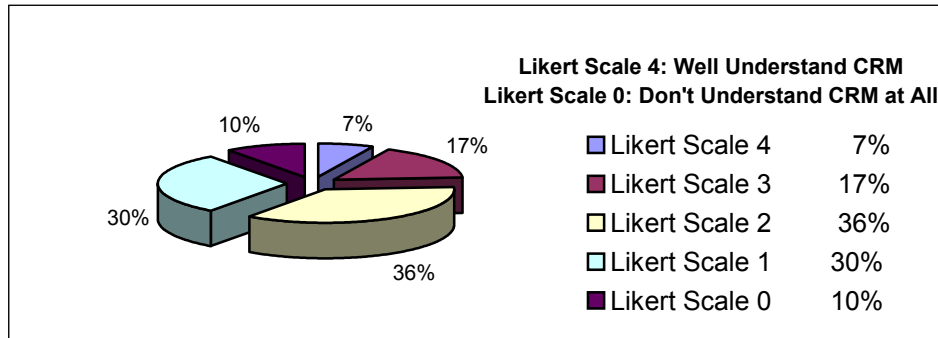

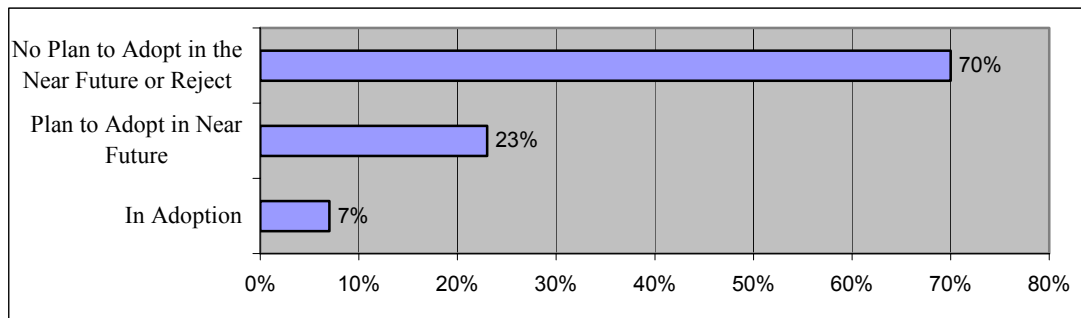**Figure 1. CIOs' Understanding of CRM in China (Data Source: CCID, 2004)**

Figure 2. Plans of CRM Adoption (Data Source: CCID, 2004)

STRATEGY OF CRM IMPLEMENTATION IN CHINA

Enterprises hope that they can make use of CRM initiative to improve customer interaction, increase efficiency, enhance cross-sell and up-sell opportunities, reduce cost, and advance overall profitability, but CRM is not a panacea. The implementation of CRM brings competitive advantages as well as challenges.

Compared with western countries, China is still in the premature stage of CRM deployment. One of the prominent obstructions is that database systems for customers' profile are not well established yet. Secondly, CNNIC (China Internet Network Information Center) states, there are 79.5 million Internet users till January 15, 2004 (CNNIC, 2004). This figure only accounts for 6.61% of Chinese population, 1.3 billion in a total. Most CRM projects emphasize a distinctive character of "e" solution which is delivered in a much more efficient way by the Internet channel. However, the low penetration of Internet usage in China hampers the adoption of CRM. Facing such challenges in CRM adoption, an enterprise-wide viewpoint of CRM implementation is a must. Previous studies also suggest CRM should emphasizes the integration of people, technology, process, and strategy as shown in figure 3 (Day, 2000; Romano and Fjermestad, 2001; Romano and Fjermestad, 2003; Plan and Lee, 2003).
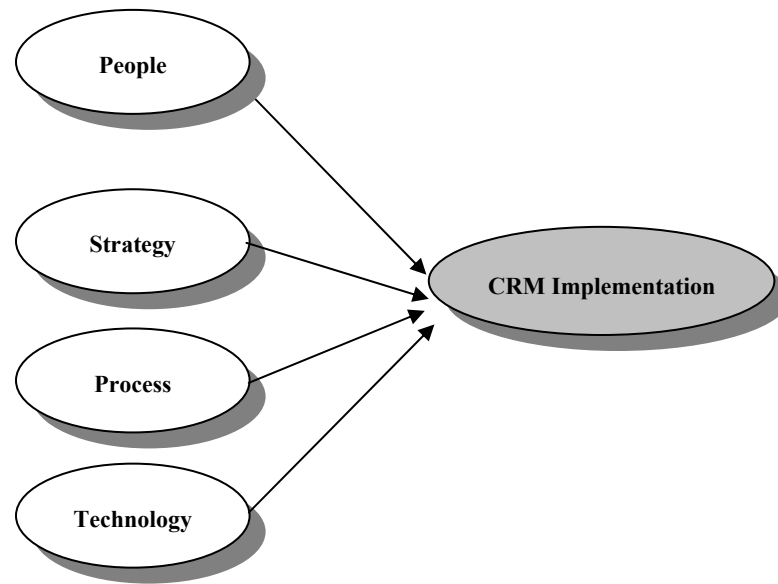
Figure 3. Integration of People, Strategy, Process, and Technology in CRM Implementation

• People-side integration

Adequate user involvement, including top management support and advices from customers, is one of the determinants of the CRM success (Plan and Lee, 2003). However, it is surprised that Chinese enterprises make efforts to deploy CRM initiative without customer input and enough top management support. Such situation in Northern China is worse than that in Southern China due to the late time of market opening. In China there are few enterprises having the practice of conducting customer consultation before carrying out a project. The CRM project is only initiated by CIOs and lack of customers' cooperation and executive sponsorship. Therefore in the CRM implementation, generally no customer is involved in the project design or acts as an advisor. Without a fully understanding of customers, using multiple channels to serve customers in CRM will become tangled with inconsistent service.

In a CRM project, enterprises should involve appropriate people, including customers, top managers, and end users, for establishing business plans of consulting, capturing managers and customers' suggestions on CRM implementation. Setting a forum for CRM and clustering advices from all channels are more likely to achieve customers' satisfaction (Gallaugher, 1999). Such actions can encourage appropriate people to take part into a CRM project. From the essence of CRM initiative, executors should fully understand what customers want, and then make CRM initiative fit into customers' requirements; otherwise the implementation of CRM is not really customer-oriented.

• Strategy-side integration

It is obvious that enterprises should design a goal-orientated strategy before commencing a CRM project. However, a research (Robb, 2002) indicates many firms dive headlong into CRM project without careful works on an exact implementation strategy. Such failure has similarly occurred in e-commerce adoption. In few years ago, Internet business mushroomed in China. Some giant traditional enterprises, e.g. Midea Group and Robust Group, invested at least one hundred million RMB in e-commerce (Hu, 2000), especially in the parts of equipments, but till now it is hard to gain positive return on investment (ROI) due to the lack of a right implementation strategy. Similarly, Chinese enterprises are easily convinced to accept an existing solution provided by a software company whose CRM initiative is titled as a universal application, but without customization. CRM is a managerial philosophy, but not a simple IT product. If it is not leaded by a right strategy, no doubt it dooms to fail.

Before embarkation on CRM project, enterprises should design where the project is going and for. Integration with corporation missions and relevant goals to develop CRM strategies can ensure to achieve scheduled outcomes (Plan and Lee,

2003). CRM project will be benefited from enterprise-wide cooperation. Efforts are addressed in a proper redesign of business processes, and alliance with required system inputs from a strategic integration. Consideration of Chinese collective culture, distinctive organizational climate, and business orientation are in the long-term plan for CRM implementation. As long as enterprises appropriately define the strategic changes that they are facing now and in the future, it is far easier to gain positive ROI from CRM deployment.

• Process-side Integration

Without an appropriate modification of business processes from an enterprise-wide scale, CRM adoption may fail. The knowledge of detailed business processes is important for an enterprise to execute the daily manufacturing and trading (Swan, et al., 2000). Firms try to apply CRM systems actively, but relevant business processes are still handled in a traditional way without any change or a customer-oriented point of view.

In the early stage of CRM adoption, it takes time to reconfigure all processes for focusing on customers, but it is an essential step before commencing a CRM project. CRM needs supports from internal information systems, e.g. the departmental records containing contact history, customer profile, transaction history, and account history, to achieve the fully understanding of customers.

Furthermore, manufacturers can consider designing CRM initiative to integrate with supply chain management (SCM). A communication channel helps smooth a strategic alliance among enterprises, customers, agents, dealers and upriver suppliers. If CRM initiative is applied in workshops and distribution channels, headquarter can procure synchronous information of production and market through Internet and automatic operations. Such business process integration provides prompt response and feedback to demand, supply and manufacture, and consequently leads to reduce manufacturing life cycle, depress stock and improve competitive capability.

• Technology-side integration

The educational level of managers in China is a special case for overseas investors. In most Chinese enterprises including state-own enterprises, collective firms, limited companies, private or joint-venture companies, generally top managers are not well educated. The choice of CRM software may be lack of the knowledge of technology-side integration with current systems. They cannot figure out whether technologies provided are appropriated for their own or not.

From a strategic perspective, CRM initiative emphasizes the convergence of systematic cooperation rather than a "plug-and-play" operation. In the perspective of CRM execution, the integration of technology can be considered from four aspects: marketing automation, sales automation, customer self-service, and e-commerce (see Figure 4). The web-based CRM initiative equips customer-oriented applications through electronic channels. Compared with traditional CRM, electronic application in eCRM is an added dimension—a powerful and flexible channel, where customers can interactively communicate with the company.

CONCLUSIVE REMARKS

The development of CRM market is rooted in three motilities — pull of demand, force of IT, and renovation of management concept. Since CRM adoption is still in the early stage in China, there are great potentials in CRM adoption despite there are few successful CRM examples in China that we can learn from. Most international CRM providers may not know above Chinese macro-circumstance and organizational climate. Choosing an appropriate provider that familiarizes with Chinese culture is better. Before a CRM journey, the careful diagnoses as follows will increase the successful rate.

> • *Define CRM objectives*
>
> • *Identify CRM requirements*
>
> • *Get and keep right people involved*
>
> • *Develop CRM implementation strategy*
>
> • *Analyze and reengineer business processes*
>
> • *Choose right technology to support CRM goals*

Marketing Automation

Personalization

Profiling

Telemarketing

e-Mail marketing

Campaign management projects

Sales Automation

Client or campaign management
Sales configuration
Call management
Contact management
Ad management
Sales force automation
Account and lead management systems

Customer Self-service

Web self-service
Search
Interactive chat
e-Mail
Voice over IP
Browser and application sharing
Conferencing
"Call me" capabilities

e-Commerce

Internet shopping

Marketplace

Transaction & payment processing
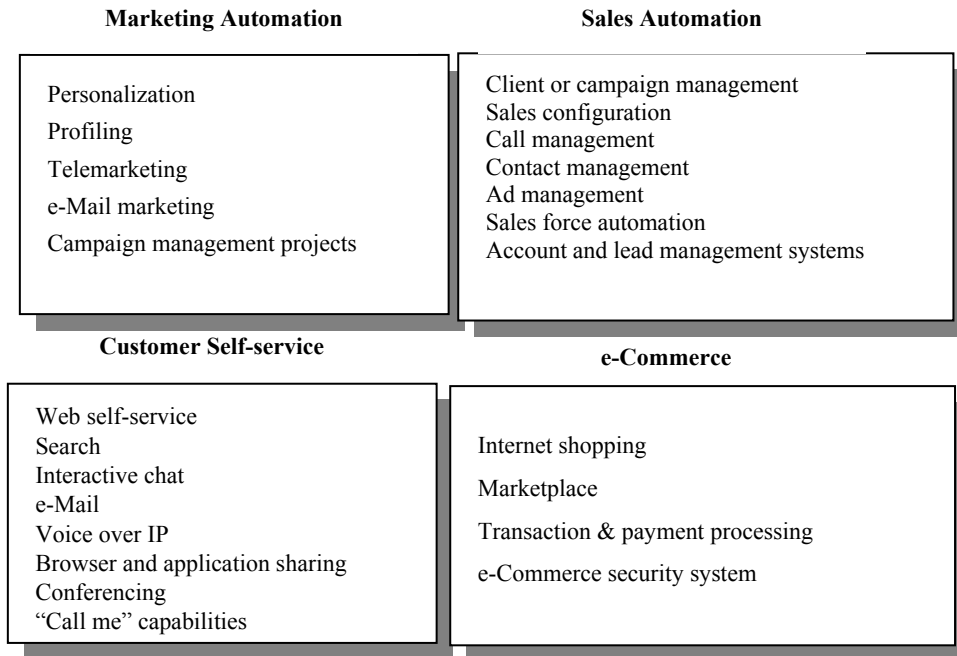
e-Commerce security system

Figure 4. Technology-side Integration

PROVISION FOR NEXT STEPS

From the practical angle, the adoption of CRM leads to a lot of challenges during implementation, but it does help achieve and retain customers. As Napoleon Hill advises: "The majority of men meet with failure because of their lack of persistence in creating new plans to take the place of those which fail." Plan carefully for CRM project. Although there are blocks in the road of CRM implementation, CRM research in China listed as follows will provide a theoretical foundation for next steps and bring a bright future for CRM adoption.

- Diffusion of CRM adoption

- Cross-culture research on CRM adoption

- CRM business models

- CRM implementation strategies

- Case study on CRM adoption

- Influence of organizational climate on CRM adoption

- Customization of CRM initiative

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