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Abstract

The scope and nature of Customer Relationship Management (CRM) implementation in Chinese enterprises is examined to identify the focus of implementations, areas of implementation, implementation strategies and perceived benefits of a convenience sample of cases selected from business press reports. The study also looks at what Chinese managers view as the key CRM concepts for beneficial performance.

1. Introduction

CRM implementation has been shown to be very successful in increasing the level of customer satisfaction and capable of increasing the retention of existing customers over time. Following its enthusiastic acceptance in western countries, the developing markets and the markets in transitioning economies are seeking to reap the same benfits by embracing the principles of CRM. A rough product life cycle analysis of CRM market in China shows that after a slow introductory phase in the late 1990s, it is now in a growth phase starting with 2001, the downturn in the internet and communication related industries notwithstanding [1]. Multinational companies introduced CRM into P.R. China as a tool to gain a foothold in the potentially vast market that also featured major domestic constraints and strong international competition. The early domestic entrants into the Chinese CRM market have been the burgeoning SME sector. These companies also tend to be private entities, who are in very competitive markets. Initially the focus was on software implementations that were fast and furious. Only now are companies looking more seriously at putting in place structural changes that will add teeth to their efforts at becoming serious about identifying, managing and nurturing relationships with their customers. The geographic coverage of CRM implementation is predictably in the industrialized east, and service sector implementers far outnumber their counterparts in manufacturing.

This study will look at the differences and similarities in characteristics of CRM implementation in P.R. China relative to that in developed western economies. The problems and obstacles to implementing CRM in Chinese markets will be examined. Finally, the results of a pilot study on implementation focus for CRM in China will be reported.

2. Western vs. Chinese Models of CRM

The standard CRM methodology for implementation is a) strategy, b) segmentation, c) technology, d) process and e) organization. Companies following this model in the west have tried to follow this general sequence more often than not. CRM implementation starts with an assessment of the business environment in some variation of a SWOT (strengths, weaknesses, opportunities and threats) analysis. The analysis identifies the triggers for CRM implementation both within the organization and in the external environment. This analysis also is likely to focus on a medium to long term planning horizon, and include an analysis of the environment faced by key business partners beyond the traditional business functions. The output of this stage is a mission/vision statement that specifies the role of CRM in the business model of the organization.

The second stage of the implementation strategy develops a segmentation map of the organization's customers as they contribute to the stated goals and objectives of the organization. While this is usually some objective measure of profitability, it can also include measures of other non-financial indicators of business performance. The pareto type analysis identifies the group/s of customers who contribute the most to the success of the mission. The information and segmentation output are then used to guide the deployment of scarce resources to managing relationships with those customers where the likelihood productivity increase is the highest.

The third stage consists of identification and deployment of available technology to achieve desired process improvements that are necessary for achieving the CRM deployment. The focus is on defining system requirements, assessment of system requirement criteria and vendor assessment and selection criteria. The training of personnel with responsibilities of using the technology is critical in this phase, as is the smooth adaptation and/or migration of operations to the new system. The most important strategy here is to run a pilot rather than to push through radical organization wide change.

In the fourth stage, the results of the pilot are carefully evaluated. If positive, diligent planning is conducted to identify how the CRM strategy can be migrated to all processes of the organization. This will involve integrating the technology to all the processes with a

common goal of enhancing CRM features.

The final step is to re-engineer the structure of the organization and review the allocation of roles, responsibilities and functions of personnel at all level of the organization. Simultaneously, appropriate training of personnel to enable and empower them to discharge their new roles and responsibilities will be undertaken.

The whole organization will need to buy into a commitment to continuously review the CRM implementation and incorporate adjustments when warranted.

The Chinese model of CRM implementation has, so far, deviated substantially from the model outlined above.

As with many other facets of the market, the Chinese have explicitly linked CRM implementation to the WTO entry and subsequent changes in economic landscape. The CRM implementation is for the specific outcome of "increased sales." The short-circuited causal model bypasses the need to understand the mechanism through which the outcome is achieved, and provides no incentive to focus on the necessary intermediate steps, additional inputs and environmental conditions that are also needed to ensure the outcome desired.

The pre-transition Chinese economy that ran on a socialist model was driven by allocations determined at various levels of the bureaucratic hierarchy. As such, no explicit role of customer in the "marketing" efforts. The end-result of this policy was that virtually no research was conducted on the customer side of the business.

The early ERM implementation in China was a radical departure from the selling oriented system. The multinational enterprises were unable to apply their developed strategy because of difference in market structure. In China their customer was primarily the government, or state agencies that served as buffer between them and their local customers. The "customer" was unwilling to collaborate and cooperate in way that would be necessary to design and implement CRM systems. There was no indication that CRM was worth implementing beyond very specific incentives of financial nature (which were of questionable legality in the MNC's home country) and accommodations in business agreements that the MNCs found detrimental to their business goals.

The socialist mindset prevented automatic consideration of customer segmentation based on profitability. Without market oriented mission /vision identified, non-financial goals that could serve as objective criteria for segmentation were absent. As a result, the SMEs saw CRM implementation as primarily the acquisition of CRM software (foreign providers at first, with local providers soon bringing knock-offs to the market at lower prices), and rapid deployment in the sales management system. To the extent possible (handicapped by lack of basic infrastructure) key users of the software were provided with condensed training and sent into the field. The CRM system in most cases was an add-on to the prevailing operations and played a supplementary rather than primary roles. Adoption was half-hearted among the key users, and non existent among the rank and file personnel of the organizations. The critical fourth and fifth stages of the western implementation model was totally ignored. Very little effort was spent in validating the success of pilot implementations, and almost none to make structural changes in the organization that were seen as extremely important in the western model. The hyperactive growth in the technology sector with its promise of a panacea for all business problems prevented the companies from asking the tough questions about the payoff of investments in CRM technology.

The scenario underwent a significant change with the bursting of the technology bubble. The move to implement CRM continued, but the pace became less frenzied and issues of accountability, responsibility and pay-back on investments became legitimate. The issue of CRM implementation is more likely to be considered as a carefully evaluated investment rather than a statement of "market orientation in the post WTO era."

It can be concluded that after the initial frenzy of indiscriminate headlong plunge into a scarcely understood and untested technology has passed. The Chinese market is in the process of taking a second crack at CRM implementation, but this time taking a more critical approach that seeks to proceed more cautiously, and adapt a strategy that suits the domestic conditions.

3. Barriers to CRM Implementation in China

The managerial mindset possibly creates the biggest obstacle for successful CRM implementation in China. Sampson Lee [2] identifies the following as primary: restricted view of CRM as only software, difficulty to understand CRM scope and goals, affordability of implementation, poor ROI, lack of assigned responsibility and designated authority. While the present author broadly agrees with the above characterization, this picture is simplistic.

One of the main reasons for loose CRM implementation is the Chinese market itself. With China being unique among the countries of the world that can sustain reasonable growth rate through domestic market development alone, the emphasis on retention of customers is not as critical as it is in the more developed countries that it is trying to emulate. Fueled by a steady supply of new qualified entrants into the market, the CRM systems are not under the gun as they are elsewhere. So the standards for evaluation and measurement of performance are not as stringent.

Another constraint is the lack of customer information. While systems for gathering and use of customer data are bundled into most CRM software now in the market, the culture still is not comfortable with the idea of sharing information. The Chinese art of "Guanxi" focuses on the nurturing and development of personal relationships that cement the alliances in informal social networks and significantly affect the underpinnings of formal and quasi-formal business and institutional relationships in

Chinese society. However, the focus of "Guanxi" is more on the exchange of favors than on the characteristics of the actors or the scope and structure of the relationship between them. Business partners, as well as consumers are not willing, in general, to share information about each other and their operations. In addition, the information available about the environment of business and available infrastructure is spotty at best in coverage, and have been shown to have questionable validity. Any strategic planning and customer segmentation based on the above sources are not likely to be very useful.

Lack of ability and willingness to adapt western knowledge of successful CRM implementation to the Chinese context has been another obstacle. The particular cultural and macro-economic characteristics of the Chinese environment that interact with the CRM implementation strategy needs to be studied by academics and practitioners in order to develop guidelines for adaptation. Without that, the frustration level is difficult to survive.

Finally, the need to develop a more realistic expectation when it comes to outcomes of CRM implementation will also be necessary for the concept to become acceptable to mainstream organizations. The absence of expectations grounded in reality and objective evaluation mechanism to document successful CRM implementations.

So in summary, a culture that does not support extensive gathering of detailed information on transaction partners, difficulty in making necessary adaptations for Chinese environment, and lack of realistic expectations and benchmarks for measuring outcomes are the primary obstacles to CRM implementation in China.

4. Results of Exploratory Study

A exploratory study was conducted to examine the state of CRM implementation in P.R. China. The method employed was to first identify news articles in English language Chinese media. China Daily (Beijing Edition), and Business Weekly (A China Daily publication) were the primary sources. Internet based archives were used for the former, and print archives of the latter were used The period selected for the search was January 1, 2002 to July 31, 2002. The choice was arbitrary. The period was after China was admitted to the WTO in December 2001. A total of 137 news items were uncovered that had at least 800 words of content. The results of the content analysis are provided below. There is no claim made to any statistical validity of the results, as they are from a convenience sample. However, they provide a basis on which to design future studies for more valid inferences. The articles are journalistic pieces based on interviews conducted by the reporters with principals of the companies. It is assumed that the reporters have not taken editorial liberties.

4.1 View of CRM

The sample of selected articles were scored for their references to components in a definition of CRM: A systematic approach(12%) to the use of strategically (37%) defined business processes(15%) that incorporate technology (94%) to enhance the scope and quality of acquiring(23%), servicing(16%) and retaining(3%) customers. The percentages in parenthesis refer to the proportion of cases that made a direct or indirect reference to these concepts. It is obvious that the overwhelming majority see CRM as a technology implementation, and only a minority are recognizing the broader aspects.

4.2 CRM into Organization

Upon content analysis, the articles indicated that CRM implementation had the following penetration when it came to organizational integration and involvement: Strategy (64%), Customer Segmentation for Differential Service (42%), Technology Acquisition and Deployment (94%), Process integration(8%) and Organization Restructuring (6%). The data again appear to be in line with a rather superficial approach to CRM implementation by domestic Chinese SMEs.

4.3 Evaluation Criteria for CRM Success

The objectives (and hence criteria for evaluating success/failure) of CRM implementation according to the sample were Customer Loyalty (86%), Prospecting Success (71%), Customer Retention (36%) and there was no mention of Cross-Sell/Up-sell (0%). These results seem to show that Chinese SMEs are only scratching the surface when it comes to the scope of CRM benefits, but they expect a high level of sales success to be a part of the resulting benefits.

5. Conclusions and Implications

This exploratory study documents the early stage of CRM implementation in market in transition that has the potential to shortly become the most lucrative in global context. The results suggest, however, the need for careful study of the constraints in the Chinese context and indicate planned changes in business culture and management thinking to achieve more consistent results.

References

[1] CRM in China, www.greaterchinacrm.org/contentid=475
[2] Chinese CRM, www.greaterchinacrm.org/contentid=475