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Customer Relationship Management (CRM): A Comparative Study between U.S.A. and Spain

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ABSTRACT

This paper surveys the marketing executives of the top companies in Spain with more than 100 million euros on net sales and reports the status of Customer Relationship Management (CRM) solutions in their companies. The results are compared with the U.S.A. status reported by a previous study developed by InformationWeek Research in 2000 with a sample based on Fortune 500. One hundred and thirty-six companies participated in this study. The data provides insights into the strengths and weaknesses of the CRM in Spain in comparison with USA. Some viable actions are recommended to improve the usage of CRM and to reshape the future of these systems.

INTRODUCTION

Although there are few major companies today who would not agree that CRM (*Customer Relationship Management*) is vital to survival, defining its essence is proving to be a difficult task. If one were to ask what CRM means, one would obtain many different definitions. All over the world, the term CRM is used to refer to strategies, processes, and solutions related to customers, formerly represented by concepts such as *Direct Marketing*, *One-to-One Marketing*, *Mass Customization*, *Micromarketing*, etc. CRM is about forming a relationship with customers. CRM is about customer loyalty.

The aim of this study is to explore the current status of CRM in Spain's top 600 companies. The results are then compared with a previous U.S. study conducted by InformationWeek Research in 2000. Specifically, this latter study used a sample based on Fortune 500. This will allow us to identify the strengths and weaknesses of CRM usage in Spain, as well as in the U.S.A. It might also help the top management in Spain to reshape the future of CRM in their companies, as well as serving as a reference point for the Spanish companies to effectively formulate their CRM competitive strategy.

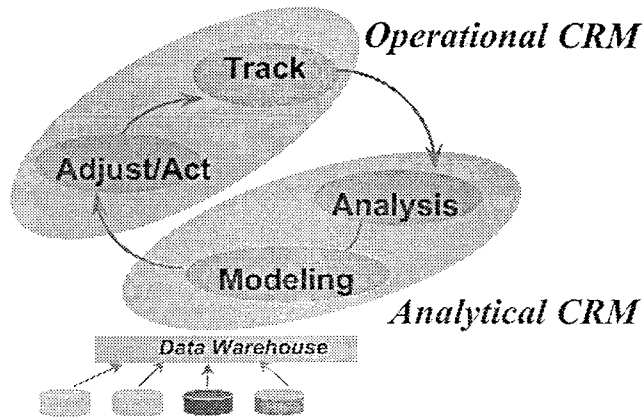
LITERATURE REVIEW

The implementation of CRM to support marketing, sales and services functions may be traced back to the 1990's. Marketing was the first functional area to embrace the concept of CRM and tailor it to the needs of its managers. In the early nineties, technologies such as Enterprises Resource Planning (ERP) and data warehousing applications have played an important role in optimizing and reengineering business processes, which is familiarly called "back office" (Sower *et al.*, 2001). Nowadays, technologies as supply chain management and CRM close the circle into the front office management. What makes CRM so attractive is its ability to increase the revenues of those companies using it. Enterprises implementing CRM are pulling ahead of their competitors in terms of customer satisfaction and retention, new business development, and profitability. Not only is customer contact more efficient, but it is also more effective. Particularly important is the ability of multiple business units –marketing, sales, service, support, and product development– to share and leverage the same set of customer, product, and service information.

A review of CRM literature reveals that there are various models and surveys of CRM in the U.S.A. and Western Europe. Recently, International Data Consultancy (IDC, 1999) proposed a comprehensive CRM model, as shown in Figure 1. In this model, IDC depicts a CRM as a process with four main activities: (1) analyzing data contained in the enterprise data warehouse, (2) modeling the data through data mining techniques, (3) adjusting the model into an operational field, and (4) tracking the results and closing the circle of CRM strategy.

Figure 1. CRM Model

Source: International Data Corporation, 1999



Implementation and management of customer relationship solution services are increasing rapidly throughout the world. As displayed in Table 1, Western Europe represented almost half of the CRM market in 1998, having the highest rate of increase. American enterprises had begun CRM strategies earlier than Western European, specifically with call center developments.

Table 1. CRM market- Geographic Analysis (millions of dollars)

	1998	1999	2000	2001	2002	2003	AGR 98-03
USA	12.031	16.211	22.066	29.651	39.233	51.867	33,90%
Western Europe.	6.966	8.766	11.076	14.170	18.223	23.627	27,70%
Rest of the world	5.836	7.017	8.772	11.209	14.761	18.638	26,10%
Total	24.833	31.994	41.914	55.030	72.217	94.132	30,50%

Source: International Data Corporation, 1999 AGR: Average Growth Rate

The world market for application software for sales force automation and customer support are shown Table 2. The consultancy Aberdeen Group (2000) foresaw that the investment in Western Europe in 2002 would be 750 million dollars, with a rate of growth of 36 per cent, less than the average increase in the rest of the world.

Table 2. World value of Application Software for Customer Care area and Sales Force Automation area (millions of dollars)

	1997	2002	AGR
Customer Support	570	4,460	50.9
Sales Force Automation	790	4,547	41.9

Source: International Data Corporation, 1999. AGR: Average Growth Rate

For the implementation of CRM systems, many information technology (IT) service providers are required. In Table 2 can be seen the evolution of the main categories: consultants, system integrators and outsourcing. If just one year were analyzed, one conclude that 59% of the investment goes to outsourcing, 32% to system integration and only 9% to consulting. Until now, we have analyzed what is going on in the CRM world market. But what is going on in Spain? How many CRM systems are implanted in Spain? The Spanish market probably lags at least two years behind the rest of Western Europe.

RESEARCH METHOD

Subjects

This paper is the result of a national survey financed by the Spanish consultancy firm Open Media, and directed by the author. It is the first study in the Spanish market based on a representative sample of companies. For this purpose, we employed the SABI database, a product of Informa, one of the most important information brokers in Spain. All types of activities are represented, except for banks and insurance companies.

Questionnaire

For comparative purposes, the questionnaire used in this study was adapted from in-depth interviews with marketing managers. This questionnaire was developed based on the aforementioned IDC CRM model and includes the same questions formulated in the InformationWeek questionnaire. In addition to the questionnaire items, several demographic questions were included to validate the representativeness of the subject group: sales, employees, activity, etc. The Appendix shows the three types of questionnaires used in this research. The goal of the survey was to obtain quantitative data. From the results of the survey, major conclusions can be drawn about the implementation of CRM in Spain today, and also the differences between those companies that had already deployed a CRM program and those companies that are still at a project stage.

Analyses of Data Representativeness

Before data analysis, data representativeness of the sample was examined. First, the distributions of the types and size of the respondents' companies were compared with those of the entire population. Then, those respondents having CRM were also compared with the entire population. No significant difference was found in any distribution at the .05 level, according to chi-square test of independence. This indicates that both groups (deployed CRM and project CRM) are representative of the entire population.

The subjects of this study are the marketing or sales executives from the top 500 companies in Spain. The questionnaires were administered through a multichannel strategy. As well as through the mail, telephone interviews were conducted. The questionnaire was also hung on the Web browser for those who prefer this method. Two months later, a second mailing wave was sent to the nonrespondents. Eventually, 136 executives (27%) returned the questionnaire within two months. Among these usable samples, 27 were returned by mail, 94 were answered by phone, whereas 15 valid questionnaires were sent by Internet.

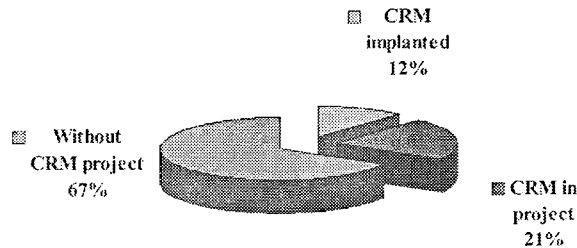
In order to examine the existence of late-response bias, a series of chi-square and *t*-tests were conducted comparing the usable samples from the three channels and the two mailing waves. As no significant difference between the three channels and the two waves of samples at the .05 level was found on any questionnaire item, it was concluded that there was no significant late-response bias and the samples could be regarded as coming from the same population. This allowed us to merge the different samples as one for further analyses of frequency distributions and cross tabulations in this study.

ANALYSES AND RESULTS

Penetration of CRM in the Responding Firms

The number of large Spanish enterprises equipped with CRM solutions is less than the quantity that has been published by software vendors. Thus, 12% of the enterprises surveyed already had CRM programs at an operational phase, 21% were at a planning phase, and two thirds of the respondents were not currently in this kind of program, nor would they not be in it in the next few months. As shown in Figure 2, the reasons of this objection are diverse.

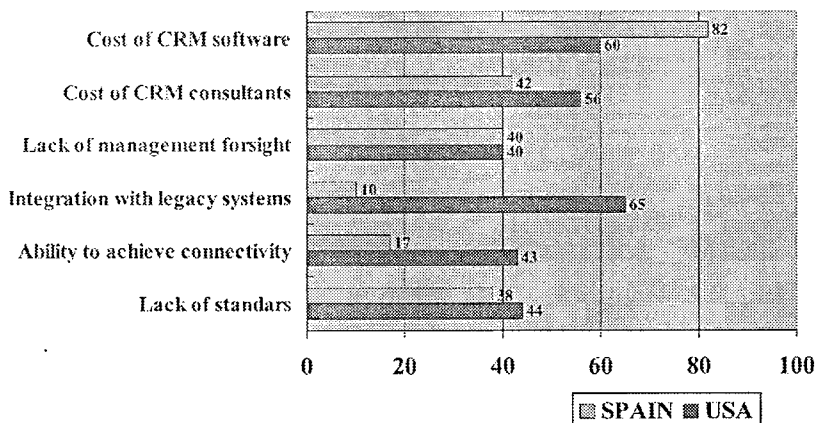
Figure 2. Penetration of CRM in the Responding Firms



A moderate association between CRM deployment and net sales of the companies was observed. The higher the increase of net sales, the better was the development of those systems. There were no differences between those companies in number of employees or in type of activity.

Respondents were asked to list barriers in the implementation of CRM in their companies (see Figure 2). It should come as no surprise that, in addition to the cost of the CRM software (82%) and consultancy (42%), the top obstacles to CRM deployment are the lack of management foresight (40%) and the lack of standards (39%).

Figure 3. CRM Deployment Threats



If we further analyze this last barrier, we find that, despite the coincidence in those who were aware of the meaning of the acronym, familiarity with CRM is far from the conclusions of study of Pricewaterhouse Coopers (2001), which stated that 98% of Spanish executives know the meaning of CRM. In U.S.A. enterprises, the main barriers are integration with legacy systems (65%) and pulling together scattered legacy data sources (62%). At

least, this is an advantage for those Spanish companies that have not yet started: They have no legacy system or data sources to integrate.

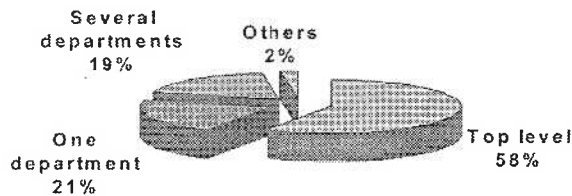
Knowledge of CRM Solutions

The preferred CRM solutions are Siebel, Oracle, and SAP. But there are differences between those companies who had already deployed the system and those who had not yet done so. The former preferred Oracle and SAP, whereas the latter preferred Siebel. If these results are compared with the knowledge about CRM solutions of those companies who were not even considering applying a CRM strategy in the near future, one can see that Oracle, SAP, and NCR were the most frequently recognized solutions. Siebel was only cited by one third of this sample.

Beginning of Board-Level Commitment to CRM

As indicated in Figure 3, CRM as an issue is gaining acceptance at the highest levels within companies. Board-level is crucial if CRM is to succeed, as it can often involve cultural and organizational change as a company moves from a product mentality to a customer-focused philosophy. This requires integration, cooperation, and communication between all levels and departments.

Figure 4. Knowledge area responsible for the CRM deployment



In this context, one of the key success factors for a CRM program is to ensure that the top-level management of the enterprise perceives the project as a strategic initiative. At the board-level commitment to CRM, there were important differences between those companies that had already deployed a CRM strategy and those that were still at a project stage. A high increase was observed in simultaneous cooperation between various departments.

Respondents were asked to cite which knowledge area was responsible for CRM deployment. Who was the leader? Aside from marketing and customer services department's preponderance, it is important to mention the difference between those who had deployed a CRM strategy and those who were still at a project phase. The former seemed to be much more inclined toward IT department than the latter.

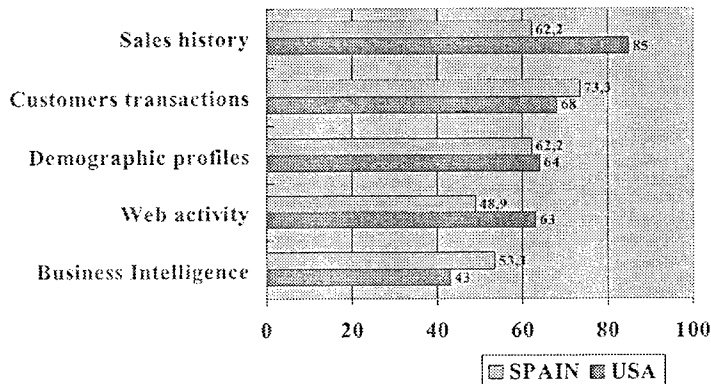
Impact of CRM on the Success of the Company

Respondents were also asked to rate the impact that they thought CRM had or would have on the success of their own company. When asked about the impact of CRM programs on return on investments (ROI), very few were keen to answer. Despite the low response we obtained on this topic, the average was around 20% of the rise on ROI.

In both samples, CRM activities were very similar. But when asked about competitors' CRM program quality level, differences in respondents' evaluations are striking. Respondents from companies with CRM solutions deployed considered the quality of their competitors' CRM solutions to be quite high, whereas those whose companies were still at a project phase considered the quality of their competitors' CRM strategy to be inferior. Regardless of the functions that their CRM packages fulfilled, the marketing executives surveyed stated that they were collecting a wide range of data about their customers. Eighty-nine percent of those with active CRM deployments reported collecting sales history data, whereas 88% gathered information about customers' service requests. Other types of information gathered included web activity, business intelligence, and demographic profiles.

Most people would agree that CRM cannot be achieved with technology alone. The rise of new digital delivery channels means that technology is now an essential component of CRM and is giving rise to the term "eCRM," which refers to the management of customer relationships across multiple electronic channels, including the Web, WAP-enabled mobile phones, and interactive Digital TV.

Figure 5. Comprehensive Scrutiny



To be successful, however, eCRM must be implemented as a holistic, enterprise-wide strategy defined at the highest level and extended to every division, department, and individual. Only then can technology be implemented in a similarly integrated way, to support and facilitate the new way of operating.

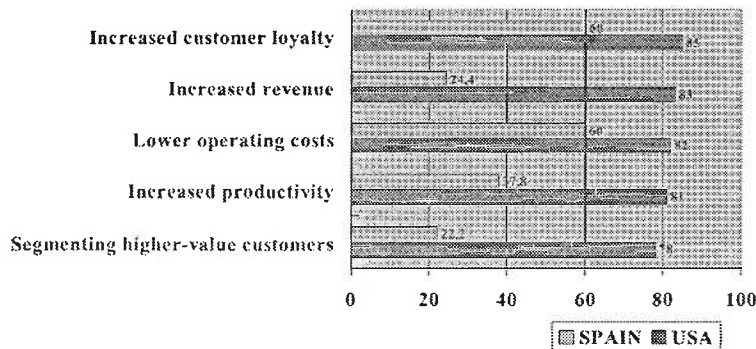
Although not the primary means to achieve CRM, technology was overwhelmingly viewed as an essential enabling tool for effective CRM delivery. However, close attention to the chart will show how poor the deployments of Sales Force Automation (SFA), Decision Support Systems (DSS), and On-Line Analytical Processing (OLAP) technologies are, whereas Data Mining, Call Center, and Electronic Data Interchange (EDI) are high in those companies with implemented or projected CRM solutions.

Considering that CRM tools typically span broad categories of marketing, sales-force automation, and customer-support software, survey results indicate that many enterprises have implemented this software in their CRM programs. The reasons for implementing CRM are similar to those for other application initiatives: greater efficiency and improved productivity. But there are more important forces driving CRM deployments. Most active CRM respondents underscore a wish to grow closer to customers. Despite the coincidence between American and Spanish enterprises in justifications for investment, it is important to point out the tremendous differences in the remaining reasons. It seems that many of the reasons supported by Americans are not sound enough for Spaniards.

In 93% of the American enterprises, respondents said that companies needed to increase customer loyalty to justify their investment in CRM, in 89%, they said they needed to show increased revenue and in 81%, they reported they were required to obtain larger orders.

As would be expected from the population, the responding firms are heavily committed to strategic planning and the incorporation of information resources into those plans. Formal written business plans provide long-term guidance in 92% of the firms, and 76.2% of the plans specifically incorporate descriptions of the role played by the information resources (hardware, software, information specialists, and so on) of the firms. In addition, 82.4% of the responding firms indicated the availability of formal, written marketing plans, 95.2% of which included the utilization of information resources. (Percentages do not always add up to 100 due to non-response or rounding off.)

Figure 6. Investment justifications for CRM



Therefore, in the majority of firms, the responding marketing managers knew how they wanted the firm to develop and how the computer could assist them. However, they felt that there was still room for improvement in computer use. On a scale of 1 to 6 (with 1 being "very poor" and 6 being "outstanding"), the respondents rated their information resources at 4.46 (between "good" and "very good") in comparison with those of their competitors.

CONCLUSIONS AND RECOMMENDATIONS

This study reveals that the CRM status of top companies in Spain is similar to that in the U.S.A., taking into account the 3-year time difference. Each country has its own strengths and weaknesses in CRM. Both of them should maintain their strengths and improve upon their weaknesses. As time goes by, CRM in Spain are likely to become more balanced in supporting marketing management activities, similar to their U.S.A. counterparts. Environmental information will be more utilized and computerized. More marketing managers will regard information as a valuable corporate resource. More investment will be placed on IT, its related resources, and user education to enhance the effectiveness of CRMs and the quality of marketing decisions. In the U.S.A., CRMs are likely to become more closely linked with the marketing plans. More PCs will be used in the CRMs under client-server architecture. More companies will go back to basics and will computerize more of their basic marketing applications. CRMs in the U.S.A. will probably become more effective and create competitive advantages for more companies in the future.

The conclusions of this research can be summed up as follows:

- CRM is a huge market of one hundred million dollars (IDC, 1999; Aberdeen, 2000; Gartner Group, 2001), where success is not simply a matter of applying technology but requires a strategy based on a holistic approach.
- The first major result of the survey conducted in Spain confirms a slow implementation in the adoption of CRM programs. In nearly two out of three of the enterprises in the sample, the executives were not contemplating CRM strategies at the moment.
- Survey results show that enterprise executives indicate the cost of the software and consultancy of CRM, in addition to a lack of management foresight as the most significant obstacles to implementing a CRM program.

- Siebel, Oracle, and SAP are the most well-known software tools for CRM deployments.
- CRM as an issue is gaining acceptance at the highest levels within the Spanish companies.
- Cooperation between various departments is revealed as a key factor in the success of CRM implementation.
- The main investment justifications for the implementation of CRM are: increasing customer loyalty and revenue, and lowering operational costs.

Nevertheless, as noted by Li (1995), implementing the latest IT is not sufficient to achieve any successful information system. Most of all, one must effectively manage and utilize information resources to gather, manage, and process information needed by marketing managers during their decision-making processes.

LIMITATIONS AND FUTURE RESEARCH

In common with all empirical studies, this survey has some methodological limitations. First, it is based on self-report perceptual, rather than objective measures. Ideally, actual information on various CRM systems and the competitive quality level should be collected to accurately reflect the usage patterns.

However, very few companies have collected such information and the effort to collect all of it, if humanly possible, is long and painstaking. This is probably why all previous studies on CRM implementation were invariably based on self-report survey responses. Nonetheless, as all our respondents were marketing managers (or similar) with considerable experience and responsibility for the marketing function, their perceptions should be well informed and reliable. If any bias does exist, it should be offset by our large responding sample (N = 136), based on the central limit theorem and the law of large numbers.

Second, our survey questionnaire was designed to measure only whether and to what extent a company has deployed a CRM system. It does not investigate the way a respondent is using the system, nor does it measure how well the system is being used. We inherited this limitation from the questionnaire that we chose to allow us to compare our survey results with InformationWeek Research. Moreover, to measure why, how, and how well CRM is being used is extremely difficult and time-consuming, if not impossible. Above all, it is beyond the scope of our study. These limitations call for potential research projects. First of all, we may repeat the survey to reveal the status of CRM in Spain. As CRM evolve continuously and IT advance drastically in Spain, it would be even more interesting to conduct a longitudinal analysis to see how much progress is made in Spain between 2001 and 2002.

Lastly, in order to improve the productivity and profitability, we must improve the study by means of the usage of CRM. For this purpose, we must diagnose our CRM usage and ask the questions about why, how, and how well we are using the CRM system. Such kinds of questions are better answered by case research, in which a small number of outstanding and modest companies can be visited, interviewed, and documented. The differences between these two groups can be identified and a common successful infrastructure can be developed. Furthermore, a road map of CRM implementation and a list of implementation check points can be derived.

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APPENDIX

Questionnaires are available from the author upon request.

