

New Trends in Customer Relationship Management and their Application in Slovak Enterprises

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Abstract

Get new customers at a time of economic downturn is a challenge. For organizations whose goal is not only be succeed but also to ensure the survival, a CRM is a solution which provides a quick view of the market and brings value to the business in the longer term. Not all businesses know about the CRM opportunities and new trends in this area.

The aim of this article is charting of new trends in CRM (as Mobile CRM, Social CRM, Customer Data Management...) and how to use them during the economic crisis. Analysis of scientific literature, comparative analysis and inductive method were **main methods** of the research. The analysis of scientific literature allowed revealing new trends in CRM area. From March 2007 to February 2009 we carried out the research specialized in diagnostics of the level of Slovak companies in the CRM area.

The purpose of the research was also to find and analyse the current level of Slovak businesses in CRM area. Data gathering was running by two main ways – by personal questioning and by electronic questioning. 230 top managers of Slovak medium and large businesses participated in the research.

The results of the survey show the status of using the CRM at relatively high level. Almost half respondents said that CRM is in full operation in the company. But understanding of the term CRM is relatively poor. Respondents have considered the most important preconditions for successful implementation of CRM into the enterprise strategy and planning, effective work with information and high-quality customer base.

Keywords: CRM, social CRM, mobile CRM, electronic CRM, customer, research

JEL Classification: M15, M31

Introduction

In developed countries the change of business processes are distinguished in the orientation to a customer. Enterprises base their actions in the market not on “suspicions” or “experience”, but on knowledge that is acquired by analysing customer’s data (Urbanskiene et al., 2008). However knowledge-based activity of an enterprise is possible only when having processed the data on their basis motivated decisions to find, attract and keep customers are taken. This explains why at present it has particularly become fashionable to speak about *CRM and new trends in this area*.

CRM has a lot of definitions. CRM is everything what it is related to satisfaction of customer’s needs. Dick Lee (2000) state that CRM is perceived as “chain reaction”, which is caused by new strategic initiatives of communication with a customer when high level of information technologies development and constant customer’s need to get better quality of service are achieved. Interesting view on the term CRM has been brought by Payne (2005). He understands customer relationship management as a strategic approach concerned with creating improved shareholder value through the development of appropriate relationships with key customers and customer segments. In his opinion CRM unites the potential of information technologies and relationship marketing strategies to deliver profitable, long-term relationships. CRM provides enhanced opportunities to use data and information both to understand customers and implement relationship marketing strategies better. This requires a cross-functional integration of people, operations, processes and marketing capabilities that is enabled through information technology and applications. In the aspect of information technologies CRM is understood as the complex of software and technologies automating and performing business processes in the following areas: sales, marketing, service and customer support. The software helps to coordinate the activity of departments interacting with customers, as well as to coordinate different channels of communication with customers (Payne, 2005).

Customer Relationship Management once a traditional customer strategy is now making new strides. Organizations are trying to make CRM more appealing to the masses and

vendors are endeavoring to come up with as many innovations as possible, in order to meet the requirements. CRM is blossoming out at every turn as the new CRM trends take shape and start to succeed. Old traditional methods of CRM are fast being left behind as companies try their best to cater to the client. Its latest trends include a profound integration with customer analytics, business intelligence etc. Traditionally, CRM served mainly to collate customer data like profiles, order history etc. and served to maintain a relationship with the customer and the company.¹ Now however, CRM has the potential to study the data available and offer predictive analysis as well. According to the new trends businesses can watch customers and then go on to suggest what products should be offered to them so that the maximum profit is secured. Here's a look at the CRM trends: *mobile CRM (mCRM)*, *electronic CRM (eCRM)*, *customer analytics and forecasting*, *social CRM*.

1 Research methods

Analysis of scientific literature, comparative analysis and inductive method were main methods of the research. The analysis of scientific literature allowed revealing new trends in CRM area. The purpose of the research was also to find and analyse the current level of Slovak businesses in CRM area.

Target group consists of medium and large businesses. Object of the research (final respondents) are managers from middle or top management in these companies. *Representative technique* has been chosen as sample selection method. To be specific, *technique of base selection* has been used. This technique uses *full-range searching*. Sample size represents 210 of respondents (medium and large companies) by required 95 % interval of reliability and maximal admissible fault 5 %. Actual count – 230 respondents says that sample of asked companies may be considered as representative.

Data gathering was running by two main ways – by personal questioning and by electronic questioning. Telephone contact or e-mail communication was made before *personal questioning*. Internet environment was also used for the data gathering. Electronic questionnaire was made through PHP and was placed on

¹ <http://www.crminfoline.com/crm-articles/crm-trends.htm>

internet site of the faculty: <http://fria.fri.uniza.sk/~lendel/dotaznik.php>. By personal questioning it was gathered 121 questionnaires, which represents 53 % of all questionnaires. Electronic questionnaire was filled by 109 managers from medium and large companies.

2 Mobile CRM (mCRM)

Camponovo (2005) state that *mCRM* is perceived as services that aim at nurturing customer relationships, acquiring or maintaining customers, support marketing, sales or services processes, and use wireless networks as the medium of delivery to the customers. According to Sinisalo (2007), *mCRM* is communication, either one-way or interactive, which is related to sales, marketing and customer service activities conducted through mobile medium for the purpose of building and maintaining customer relationships between a company and its customers.

MCRM allows customers or managers to access the systems for instance from a mobile phone or PDA with internet access, resulting in high flexibility. An example of a company that implemented *mCRM* is Finnair, who made it possible for their customers to check in for their flights by SMS. According to Geysken, Gielens and Dekimpe (2002), *mCRM* is not able to provide a complete range of customer relationship activities it should be integrated in the complete CRM system. Many organizations have already adopted mobile CRM to help improve productivity and enhance the customer experience. In the service sector, mobile CRM has become a big priority, as it provides the ability for sales people in the field to access and update CRM information anywhere they can use a mobile device (PDA, Blackberry, etc.). With instant access to customer information, sales reps can easily update records; respond to leads, as well as customer's requests. Mobile CRM helps businesses and their sales force improve its customer service; it provides greater visibility to real-time data, and helps to shorten the sales cycle (Fox, 2008).

3 Electronic CRM (eCRM)

As the internet is becoming more and more important in business life, many companies consider it as an opportunity to reduce customer-service costs, tighten customer relationships and

enable mass customization (Zeithaml, 2001). Today we can observe a boom of new services on the internet. They have become very popular in a short time and they are used by millions of people all over the world. We talk about the WEB 2.0 phenomenons or the virtual world co-created by its users (individuals or companies)². It brings other possibilities for the new company marketing activities. The internet is becoming a company's tool for its self-presentation and it also is an opportunity to learn about them (Tyler, 2007).

We can define *eCRM* as activities to manage customer relationships by using the Internet, web browsers or other electronic touch points. The challenge hereby is to offer communication and information on the right topic, in the right amount, and at the right time that fits the customer's specific needs (Jukic, 2003). One of the reasons *eCRM* is so popular nowadays is that digital channels can create unique and positive experiences (not just transactions) for customers (Wind, 2002). Example of the creation of experiences in order to establish customer service is the use of Virtual Worlds, such as Second Life. Through this so-called *vCRM*, companies are able to create synergies between virtual and physical channels and reaching a very wide consumer base. It's highly interactive character, which allows companies to respond directly to any customer's requests or problems, is another feature of *eCRM* that helps companies establish and sustain long-term customer relationships (Winer, 2001).

Second Life can be compared to Slovakia because up to six million people are registered there and almost two millions visit it regularly. A few universities offer their courses on this website. The Reuters has its own reporter in Second Life and you can join the lectures of the world's biggest authorities there. The world trade marks and various companies rush to get there. Lively and growing virtual economics, a new interesting market and the increasing population number create a big enough motivation for the individual companies (Toman, 2002). Furthermore, information technology has helped companies to even further differentiate between customers and address a personal

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http://www.toutmedia.com/behavioral_marketing.htm

message or service. Some examples of tools used in eCRM:

- Personalized Web Pages where customers are recognized and their preferences are shown.
- Customized products or services.

The impact of the Internet as a source of information as well as the task of consumer views and opinions about particular products or companies are not omissible. Therefore the Internet is getting into the position of the other communication canal between a company and its customers as well as customers mutually. However, in a world where almost every company is connected to the Internet, eCRM has become a requirement for survival, not just a competitive advantage (Turban, 2008).

4 Customer analytics and forecasting

According to Fox (2008), more and more companies are investing in understanding customer value and modeling customer behavior. As such, through the use of *analytics*, businesses now have a comprehensive way of capturing data and learning more about the customer, their spending habits, and much more. Businesses require an increasingly personalized relationship with their customers, and customers are demanding highly individualized experiences with the companies they deal with. According to Greenberg (2008), businesses must have knowledge of their customers, not just some random demographic data. Customer knowledge (behaviours, emotional states, etc.) are increasingly more germane to what it takes to retain customer loyalty (Greenberg, 2008).

5 Social CRM

As social networking and Web 2.0 have proliferated in recent years, so a new branch of customer relationship management has grown. *Social CRM* (sometimes referred to as CRM 2.0) integrates social media and social networking platforms such as Twitter, Facebook, LinkedIn and YouTube into customer relationship management. By using social networking tools, companies can test new ideas with the consumer and get their feedback. In addition to communicating through many different forums, users can communicate about many different topics—including what products they've purchased and how they rate them. Organizations

are welcoming Web 2.0 as a means of helping them to improve their product and ultimately their brand. Customers are demanding a higher degree of interactivity from customer-service departments (Leary, 2008). As a result, companies are being challenged to add online capabilities to their CRM systems. Blogs, forums, wikis and other social-networking tools can all help companies reach out to customers and boost business.

The first step in relationship is traditionally the campaign (one specific message that is delivered through specific channels in a time frame to the prospects). This first step using the social networks would be the content as a tool to generate conversations and meaningful relationships. In the traditional CRM divides the customers in the sales cycle but in the social CRM is based in a collaborative relationship creating value for ourselves (Nieto, 2009).

CRM has been oriented to the operational: the automation of processes through technologies and programs that are designed to make the employees of a business more effective and efficient in the management of relationships with customers. Typically customer insight was used as data, rather than the other way around (data being used to ascertain customer insight). This concept is now undergoing dramatic transformation. Social model of CRM where customers increasingly expect access, transparency, honesty and collaboration with the companies that they choose to do business with. Customers expect of every institution (be it business, political or social) is that it will have the products, services, tools and experiences they need to sculpt an individualized relationship with the company – personalized (and personal) in the way that they want it. As a result, CRM vendors are beginning to incorporate social tools such as wikis, blogs, social networks and Web 2.0 applications into the CRM systems they offer. Companies like IBM, Intel and even Cisco are offering pure collaborative systems so that practitioners (the vendors' customers) can offer the level of interaction that customers demand (Greenberg, 2008).

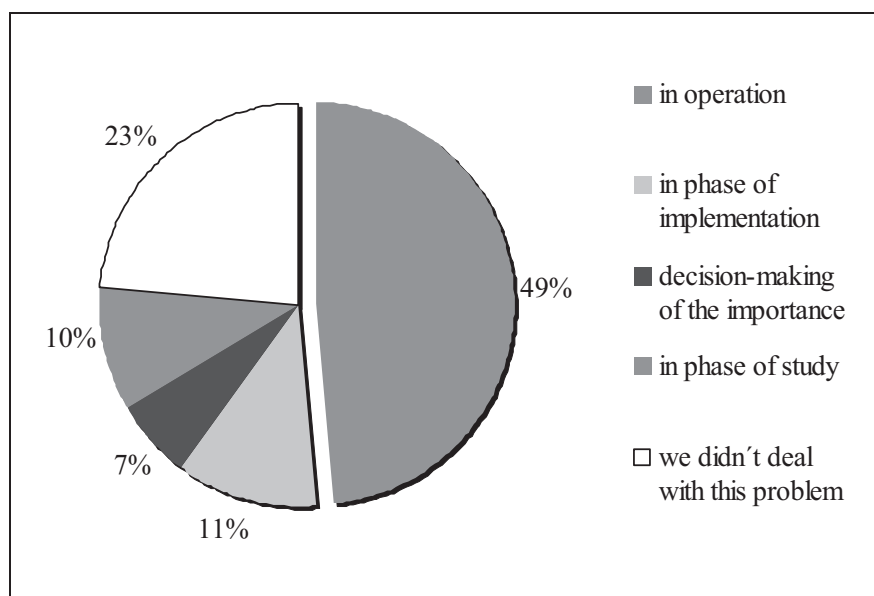
6 Situation in Slovak enterprises

From March 2007 to February 2009 we carried out the research specialized in diagnostics of the level of Slovak companies in the CRM area. For better understanding the value of the

research, we addressed medium and large businesses. 230 top managers of Slovak medium (79 %) and large (21 %) businesses participated in the research.

The purpose of the research was to find and analyse the current level of CRM area on the base of identifying main factors that affect the

level of using CRM information system and process of implementation in the company. The current situation of CRM application based on results of the research is presented in Graph 1.



Source: own research

Graph 1 Status of CRM in Slovakia

Almost one fourth of respondents did not deal with this problem. In the phase of study is 10 percent of respondents, 7 percent is in decision-making phase of CRM application importance for the company. 11 percent of respondents implements CRM in the company's practice. Almost half respondents (49 percent) said that CRM is in full operation in the company.

70 percent of respondents said that conception is the most important phase of CRM implementation process. This phase informs about necessity of exactly defined criteria and conditions. 4 percent said that phase of selection, but on the other hand 17 percent said that phase of implementation is the most important. Main target of this phase is to successfully adapt the software and organizational structure. The phase of implementation finishes with testing and system realisation. 9 percent said about phase of realisation that it's the most important. For successful CRM information system

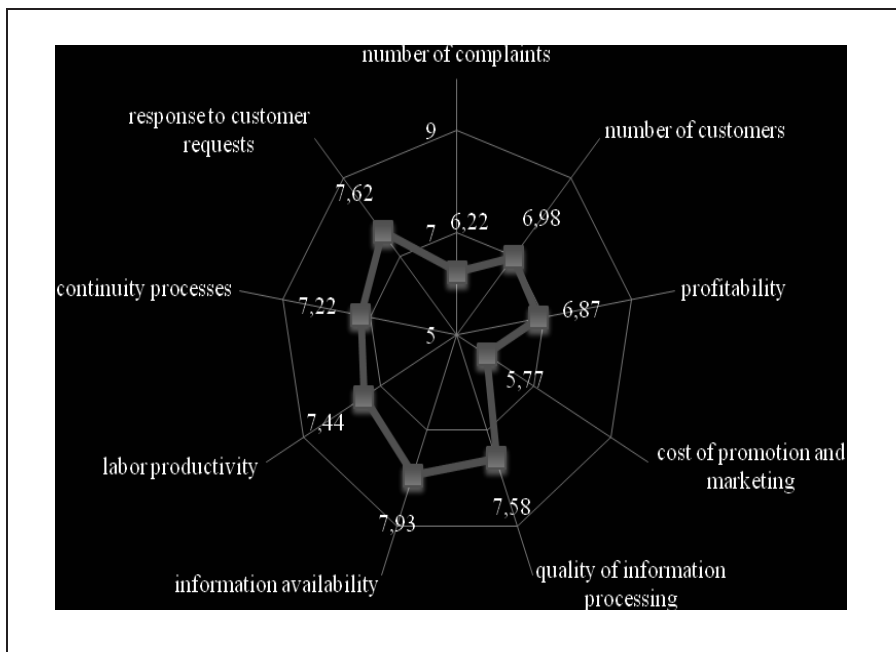
implementation, it is necessary to have skilled employees. Assurance of regular communication is the most important in this phase.

As much as 54 % asked companies consider application of CRM into company as continuous process. 12 % of respondents quoted that CRM implementation lasted more than 12 months. 14 % of asked companies say that process lasted from 8 to 12 months, other 11 % claim that duration was from 4 to 8 months and about 10 % of respondents said the whole implementation process lasted less than 4 months. Besides building the CRM in the company, 24 % of asked companies used outsourcing services. 51 % of respondents implemented CRM using own sources.

Respondents had available a 10-point scale, where 1 means "marked deterioration" and 10 means "significant improvement". As seen in Graph 2, implementation of CRM in the company has greatly contributed to increasing the availability and quality of information

processing. Also it has significantly improved response to customer requests and follow-up processes across the company. It was increased labour productivity and profitability. The

smallest impact was the implementation of CRM on the number of complaints and the cost of advertising and marketing

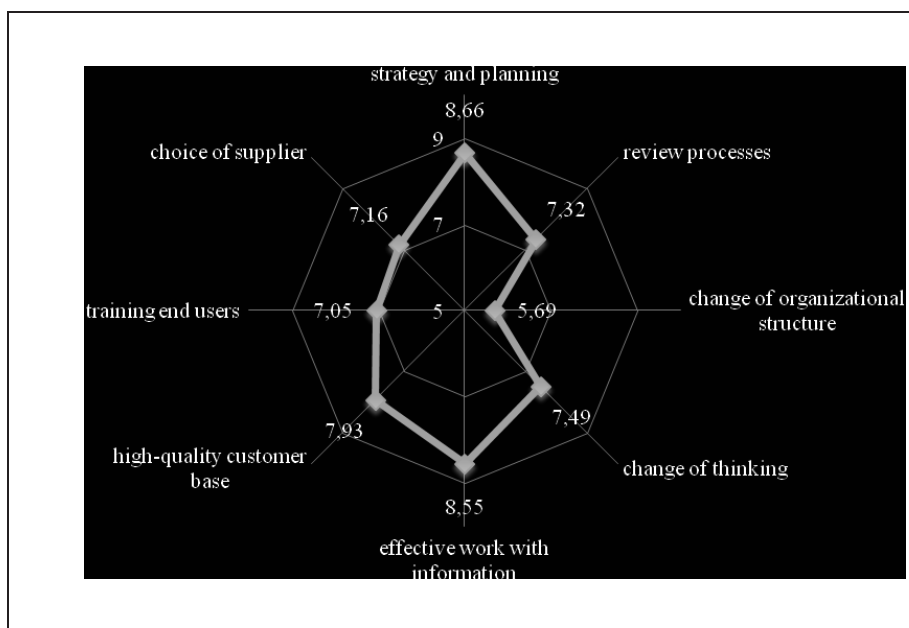


Source: own research

Graph 2 Impact of CRM implementation by individual indicators

As seen in Graph 3, respondents have considered the most important preconditions for successful implementation of CRM into the enterprise, strategy and planning (8.66),

effective work with information (8.55) and high-quality customer base (7.93). The smallest importance they have attributed organizational structure (5.69).



Source: own research

Graph 3 Preconditions for successful CRM implementation

The top managers identified the key problem areas of CRM implementation in the company. They selected the following problems:

- Low level of staff motivation (47.8 %).
- Insufficient details about processes and information flow (31.3 %).
- Mismatched definition of requisites before implementation (34.4 %).
- Permanent distrust of new technology (30.4 %).
- Change of customer demands (27.83 %).
- Mismatched training (27.39 %).
- Loss of coordination (reason: very long process of implementation) (26.52 %).
- Insufficient trust between management and staff (25.65 %).
- Insufficient consulting before installation (25.22 %).

Conclusion

At present most organisations recognise evident benefit of CRM and almost every enterprise either use certain CRM technologies, supporting their business, or evaluate specific benefit of CRM technology and plan its future realisation.

Summarising viewpoints of various authors, it would be possible to highlight that in order to successfully implement CRM, it is necessary to balance and integrate technologies, processes and people. These elements are closely related to enterprise's strategy, processes of technologies, and processes of integration of overlapping functions as well as orientation to customers.

Social computing, such as networking and online communities, is becoming a significant customer relationship management trend. Social applications offer a great

opportunity for CRM practitioners to improve customer experience and influence the customer, particularly in an economic downturn when companies are trying to keep customers. In opinion of Greenberg (2005), we can expect these CRM trends (Greenberg, 2005):

- Increasingly mobile applications that will allow real time access to data anytime and anywhere;
- A deepening understanding of customer-focused strategy as an overall business strategy rather than a piece of it, or a departmental initiative;
- A major increase in the use of analytics across the entire value chain driven by the value reciprocity demanded by customers (personalized experience) and company (lifetime value of the customer to the company);
- Increasing need for more and more storage and higher CPU values because of the incredible amount data needed to provide millions of customers with that singular experience.

The results of the survey, where 230 medium and large Slovak businesses participated, show the status of using the CRM at relatively high level. Almost half respondents (49 %) said that CRM is in full operation in the company. But understanding of the term CRM is relatively poor. Only 22 percent of the respondents said that CRM is shift of business strategy to the customer. Other respondents said that CRM is providing customer service (61 %), providing information to sales representatives (10 %) or implementation of information system (6 %). Some top managers (1 %) said that CRM is fashion trend.

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