



A Perspective of Customer Relationship Management Driven Business Strategy

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Abstract— *in today's competitive world, organisations are required to leverage on Information Technology (IT) developments for sustainability. There are huge sets of IT solutions available in the market, designed to provide management decision support in business operations. However, not all organisations are successful in reaping the expected benefits due to their non-alignment with business strategies. The trend is for businesses to move from vendor-centric to customer-centric business operations. The purpose of this paper is to discuss the importance of a Customer Relationship Management (CRM) as an IT solution that could lead to the successful development and implementation of a business strategy. Among the various IT tools that can support a business strategy, firstly we emphasise the role of CRM in business strategy development and implementation. We then present key drivers for using CRM and the strategic values they provide. Finally, we describe the evolution of business strategies and practical benefits achieved through the effective use of CRM in two business case scenarios.*

Keywords— *CRM; Customer relationship management; Business strategy; ERP; Enterprise resource planning; Business value.*

I. INTRODUCTION

Succeeding in today's competitive business environment requires constant innovation, development and execution of new strategies. For example, to drive growth, companies may modify business models, design new product and service offerings, acquire new lines of business, or cultivate new channel strategies. According to Hrebiniak [1], developing a good strategy is half the work but execution is equally important, since it can make or break it. So it is important for the organisations to align the strategic execution effectively with their key processes. One of the major business processes is Customer Relationship Management (CRM).

CRM is effectively a customer-centric business strategy – not a technology. However, IT is a mission critical element of this strategy, not just to understand each customer's needs, but also to reshape business processes to meet customer expectations, empower employees to best serve the customer, and determine how to most efficiently and effectively deliver on those needs [2].

II. CUSTOMER CENTRIC BUSINESS STRATEGY

According to Richards and Jones [3], CRM evolved from business processes such as relationship marketing and the increased emphasis on improved customer retention through the effective management of customer relationships.

CRM includes methods, strategies, software and network capabilities that help a company to organize and manage its relationships with customers. It means the collection and distribution of all these data into the core business areas. Its goal is to allow companies to manage in a better way their customers by means of the implementation of reliable systems processes and procedures to interact with them.

Hawkins et al. [4] define CRM as “the use of customer and related information to enhance the customer experience and improve business performance”. Parvatiyar and Sheth [5] define CRM as “A comprehensive strategy and process of acquiring, retaining and partnering with selective customers to create superior value for the company and the customer”. It involves the integration of marketing, sales, customer service, and the supply-chain functions of the organization to achieve greater efficiencies and effectiveness in delivering customer value.

Hawkins et al. [4] stated that organisations should understand their customers to retain them and to achieve strategic fit in their organisation. It is important for the organisation to do a timely market study which helps in analysing the customer's change in behaviour, identify change or trend in the market or to check potential customer in the market segment. CRM is an integrated framework and strategy that helps companies cope with three of today's most urgent business imperatives: driving new growth, attaining operational excellence, and enhancing competitive agility [2][6]. Companies are adopting CRM because they realized that having the technology to execute a customer-centric strategy is a business imperative [2]. According to Leon [7], customer-centric business strategy would help the organisation to drive new growth, maintain competitive agility and attain operational excellence forming the three support pillars for organisational sustainability as shown in Fig.1.



Fig. 1 Customer-centric business strategy for sustainability

III. CREATING BUSINESS VALUE WITH CRM

The key to creating business value with CRM is remembering that business strategy and technology strategy are linked to each other and many organizations have already established this link, but are not successful and reaping the full benefits. Similarly, organizations that consider implementing CRM capabilities based only on technology will fail. Organizations that take a more balanced approach of technology and business strategy with CRM will be successful in achieving greater customer satisfaction, and shareholder value.

Drivers of CRM

According to Richards and Jones [3], the top decision drivers of CRM are:

- improved ability to target profitable customers,
- integrated offerings across channels,
- improved sales force efficiency and effectiveness,
- individualized marketing messages,
- customized products and services,
- improved customer service efficiency and effectiveness, and
- improved pricing.

Strategic Values of CRM

From existing research and practice, CRM is capable of addressing the following business strategic areas [4][8]:

- effective customer segmentation,
- integrated multichannel strategy,
- well-defined business processes,
- the right skill sets and mindsets,
- the right technology,
- acquiring customers, keeping and growing customers,
- gaining customer insight,
- interacting with customers across all touch points,
- building lasting relationships with customers,
- delivering value to customers,
- achieving a sustainable competitive advantage,
- cost effectiveness
- improved price, and
- business growth.

When implemented appropriately, a CRM can deliver significant quantitative and qualitative strategic values. From various studies reported in literature leading to the evolution of CRM, we identify below the key strategic values that CRM adds and describe how it helps support organizational processes in order to create operational, tactical, and strategic business values for the organization [2][3][6][7][8][9][10].

Cost Reduction: Cost saving is always the main objective of the business strategy of any organization.

CRM provides comprehensive and transparent information which stimulates profitable growth and cost reduction. By streamlining and integrating customer-facing processes and providing richer customer data to sales, marketing, and service personnel, CRM can help in achieving significant cost reduction in following key areas:

- **Cost to acquire customers** – Effective implementation of CRM assists companies to better understand a customer's preferences, buying behavior, revenue, profitability, and purchasing frequency. Having this knowledge can reduce customer acquisition costs and all other customer related costs significantly as shown in Fig. 2.



Fig. 2 Economics of customer retention

- **Cost of sales, and cost to retain** – CRM cuts down the sales cost by enhancing sales force and partner-channel productivity, improving order-configuration accuracy, and reducing quotation-proposal generation time.
- **Serve customers** – CRM lowers the customer retaining cost and serves customers by
 - Streamlining the process of serving customers through web and other channels,
 - Fast response to customer inquiries, and
 - Identifying the most profitable customers.

Revenue Enhancement: Increase in revenue has always been the focus of business strategy implementation in any organisation. CRM helps organizations in determining the profitability of each customer or account as it monitors and track customers' every interaction. Thereby, organizations can adjust their resource allocation to each customer based on their profitability. CRM also supports organizations to optimize its business model by serving the right customers through the right channels at the right time with the right product or service. CRM leads improvement related to this capability in following key areas:

- **Increased Close Rates** – CRM ensures easy access to information needed to serve customer and that the information is provided wherever and whenever it is needed by customer-facing personnel, leading to meaningful improvements in close rates.
- **Increased Revenue per Sale** – CRM helps companies to increase average revenue per sale by facilitating cross-selling and up-selling.
- **Improved Customer Retention** - CRM lets company increase customer retention rates in a number of ways, which leads to increased companies revenue growth and determines its long-term financial performance.
 - CRM provides analytics that helps to understand the key drivers of turnover.
 - CRM's marketing and campaign tools help to target the desired customers
 - CRM helps in retaining customers by referring them to alternative offerings in case of unavailability of their primary choice.

Product Development binds with Customer Needs: CRM provides an extensive view of customer buying behavior and allows to receive customers feedback which helps organizations to bind product development and improvement efforts with customer requirements and needs more closely and adds value to strategy of the organization.

Improved Forecasting and Financial Management: CRM provides more precise picture (with several parameters) of organizations' sales (can be shared with business partners), which leads to improved inventory management, increased customer satisfaction, and stronger relations with the finance. These can incorporate to business strategy.

Greater Brand Equity: Brand equity is critical success factor and provides a competitive advantage by improving customer loyalty. CRM by improving customer satisfaction and retention, over time, leads to greater brand equity and adds significance value to organizational strategy.

IV. CRM DRIVEN BUSINESS STRATEGY EVOLUTION

CRM has evolved as an integrated solution with the entire business strategy oriented towards meeting customer needs. The main areas covered are centered in service automation, collection and processing of personal data, and self-service. With this, it is possible to integrate and automate the different processes of the company related to customers. The CRM systems include all the procedures related with sales, marketing and post-sale customer service aided by software tools. The main goal of CRM systems is to help companies using technology and human resources in order to obtain an analysis of customer behavior and value. With this CRM driven enterprise, the company can have an automated control of all of its processes related to sales and marketing as shown in Fig. 3 [6].

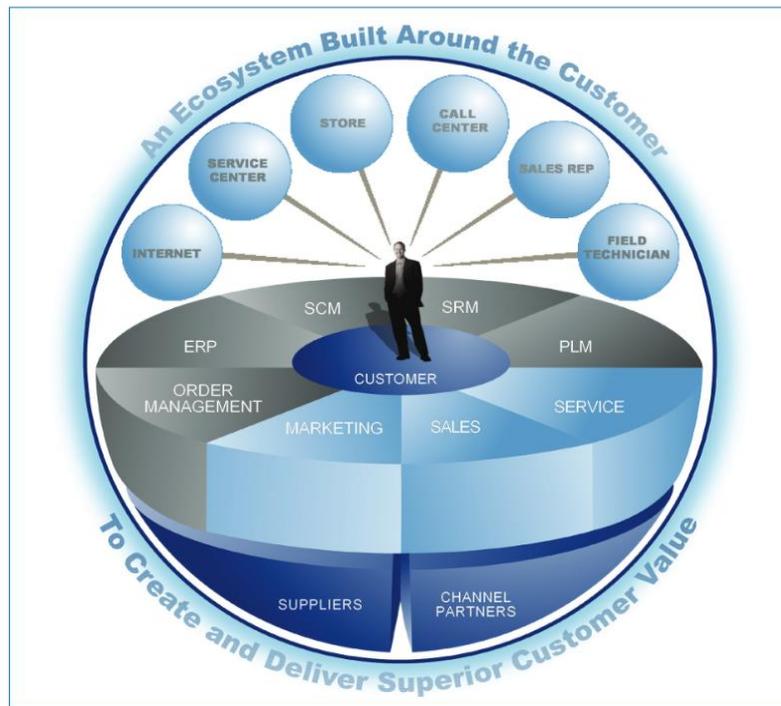


Fig. 3 The CRM driven enterprise

A. Business Case Scenario 1

Intel Corporation operates in more than 170 global sites with about 110,000 employees using more than 50,000 handheld devices. Intel implemented SAP CRM successfully [11] and in 2008 Intel realised its benefits through productivity and customer satisfaction benefits as well as cost reduction and cost avoidance (Fig. 4). However, for sustainability and in meeting future targeted net present value (NPV), Intel arrived at the business strategy to delight its users, customers and employees to improve the usability of more than 160 mobile applications developed for its business operations. The focus was to make customer-centric business value as the main theme of user experience strategy of Intel's SAP CRM user interface. This has led to the evolution of Intel's business strategy of increasing productivity and efficiency, reduced learning curve, faster customer problem resolution as well as reduced issues [12]. Such a CRM driven user-centric business strategy has resulted in benefits that could be monitored using metrics such as user experience tracker and sales analytics (Fig. 5).

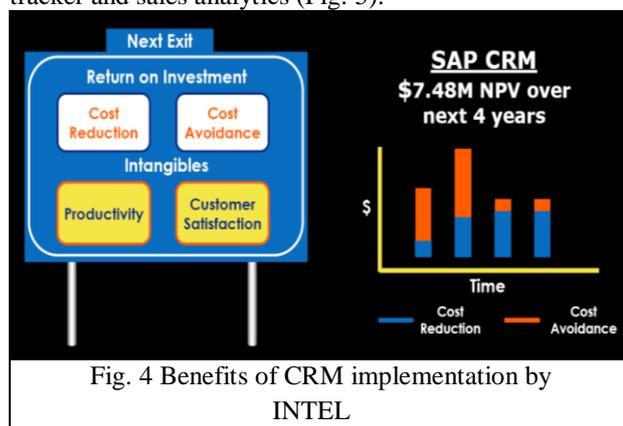


Fig. 4 Benefits of CRM implementation by INTEL

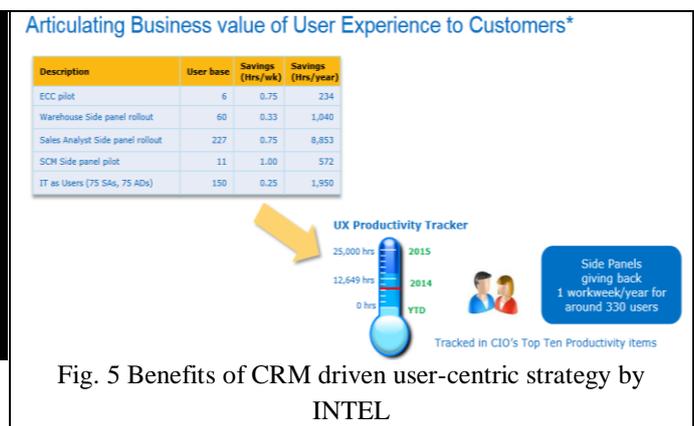


Fig. 5 Benefits of CRM driven user-centric strategy by INTEL

B. Business Case Scenario 2

Siemens believes in creating a positive customer experience and the key to it is understanding the importance of every customer contact and aligning to the business processes using CRM tools. With this objective, the Convergence Creators group was evolved to support their customers by providing tailor-made CRM solutions on-premise, in the cloud as well with mobile offerings. CRM benefits observed by Siemens [13] through increase in sales revenue and reduced selling, General and administrative (SG&A) costs are summarised in Fig. 6. However, organisations need to develop customised CRM services that can boost their business. Customer-oriented product bundles, integrated social media advertisements, and multi-channel customer communication are some of the features incorporated by Siemens [14]. According to Siemens, revenue, profit and customer satisfaction grow with the evolution of business strategies such as profit and customer loyalty when aligned appropriately with customer services of CRM (Fig. 7). The positive customer experience was achieved by using integrated touchpoints anywhere and anytime that had resulted in faster response times.

Sales Revenue ↑		SG&A Costs ↓	
Sales Force Effectiveness ↑ <ul style="list-style-type: none"> • More time for customer thru standard processes • Facilitated knowledge and best practice sharing • Comprehensive analytics and forecasting • Increase face time • Increase win rates • Better pricing insight 	Cross-Group/Region Collaboration ↑ <ul style="list-style-type: none"> • Cross-organizational account information • More and better information on competitors and customer • Cross business teaming enhances competitive position • Broader reference base to leverage opportunities 	Business Process Costs ↓ <ul style="list-style-type: none"> • Fast, accurate Mgt. Information focuses resources on best ROI deals • Elimination of redundant processes • Integrated "front" and "back" office information • Market transparency drives better business decisions • Reduced HQ data requests 	IT Costs ↓ <ul style="list-style-type: none"> • Consolidated CRM landscape reduces operating costs • Streamlined CRM maintenance, development and support • Central budget control • Standardized global delivery system • Eliminate legacy costs

Fig 6 CRM benefits observed by SIEMENS



Fig 7 CRM driven business strategies evolved in SIEMENS

Overall, sustainable growth strongly correlates with the number of customers and this can be achieved through enterprise-wide integrated services. CRM has evolved from task-centric business operations to customer-centric value propositions, from mere online customer support to positive user experience and personalised information with seamlessly integrated easy data access anywhere and anytime. As shown in Fig. 8, when business strategies are driven by CRM, it would lead to value-enabled-network ecosystem.

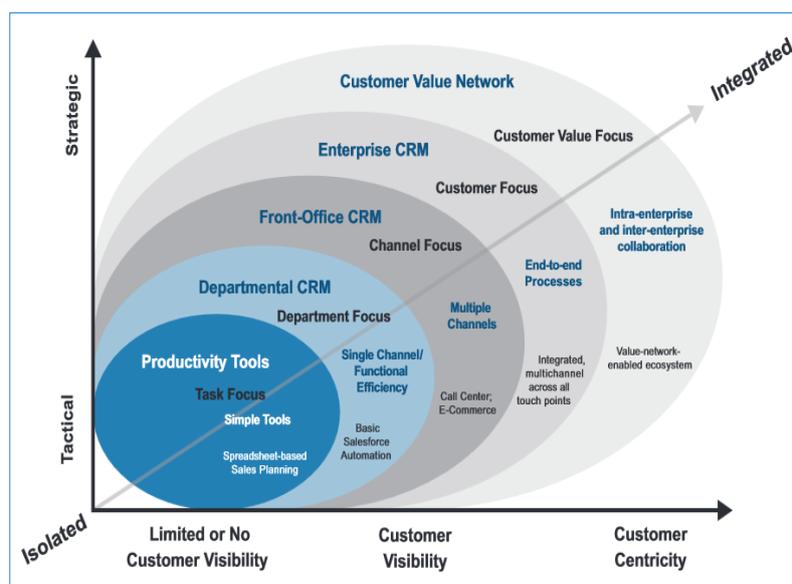


Fig. 8 The evolution of CRM alignment with business strategy

V. CONCLUSIONS

The changing environment is compelling the businesses to review their strategies. With global partners and outsourcing parties been considered as an extended division of the team, organization should be able to identify the potential customers and should be able to deliver the required demand of the market.

CRM is not only IT for marketing, sales and service; it is a cross-functional, customer-driven, business strategy that maximizes relationships and encompasses the entire organization using the technology available. Organisations should have a comprehensive customer relationship management that drives their business strategies in order to retain their customers and compete in the market for sustainability and growth. In this paper, we have emphasized the customer-centric business strategy formulation as the key to create business value and to reap the expected benefits of CRM. We have exemplified our premise with two practical case scenarios that have successfully achieved benefits through evolving with CRM driven business strategies.

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