CHAPTER 2 LITERATURE REVIEW

2.1 Relationship

The growing number of published works is testimony to the renewed interest in the relationship, and there are two themes emerging from the expanding literature in the field. (Barnes, 1995).

1. Relationships are mostly viewed from the perspective of the firm providing the service,
2. It is assumed that virtually any ongoing contact between an organization and a customer constitutes a relationship (Lovelock et. al., 1998)

For a service company, forging strong customer relationships is critically important because of the very nature of service itself- intangible, ephemeral, and interpersonal of the service delivery process.

Patterson and Smith (2001) stated that some core cultural values would impact on customer-service provider relationships, especially in service setting in which social interaction is often essential for services to be "produced":

a. Collectivism vs. individualism (i.e. the degree to which people in the country prefer to act as individuals rather than as members of a group),
b. Uncertainty avoidance behaviour (more resistant to change, less risk taking and conflict avoidance)
c. Power distance (extent to which the less privileged and less powerful members of a society expect and indeed accept that power is distributed unequally)
d. Femininity vs. masculinity (i.e. the degree to which variables of quality of life, maintenance of warm personal relationships and personal service prevail over values of assertiveness, performance, success and competition) (Hoecklin, 1995; Hofstede, 1980).

With all intensifying and changing external market forces around business company environment, corporate competition continues to increase and companies have been forced to switch from a product-centric approach to a customer-centric approach. Businesses have rediscovered that in the face of mature market, increasing competition, and the ever-demanding customer, treating existing company's customer well is the best source of profitable and sustainable revenue growth. Once having the customers, the company should do everything to keep them and develop business with them.

Many companies have changed from a situation whereby they used to sell goods and services based on transaction, and were constantly in a customer acquisition mode to a situation whereby they tried to retain the customers to make sure that they would spend more on company's products and services. Nowadays companies are driving toward establishing dialogue with their customers, to understand and anticipate their evolving individual needs and maximize the lifetime value of this relationship.

A successful marketer should be able to:

- target and serve customers on an individual basis (one- to- one rather than mass marketing)
- establish long-term relationship with the customers (relationship rather than transaction marketing) and
- get rid all the barriers and distortions created by the non value adding intermediaries placed between the suppliers and the customer (disintermediation or selling directly to the customer) are the abilities that now should be pursued by marketers (Brown, 2000).

In an effort to improve service and also maintain customer loyalty and profitability, now there are many companies, which have adopted business practices associated with Customer Relationship Management (CRM), focusing particularly to improve consistency and efficiency of customer interactions. CRM is also known by other terms such as relationship marketing and customer management.

2.2 Customer Relationship Management (CRM)

According to Payne, Adrian, relatively few organizations have adopted CRM approaches to effectively harness the tools of marketing to deliver real increased customer value and, developing appropriate long-term relationships with customers.

Oracle (2000) explained that this could be due to some confusion among the companies as to what CRM is all about. For some it is about a loyalty scheme, for others it is about a help desk. There are still some who think that it is about a relational database for key account management or is about mass profiling of the customer base without undertaking detailed segmentation.

Only a relatively few organizations have implemented an integrated approach to address all the key strategic elements of CRM, and only a small number of businesses which have a clear idea what should be done with information technology for a successful implementation of CRM.

Oracle (2000) defined CRM as the automation of horizontally integrated business processes involving front-office customer touch prints sales (contact management, product configuration), marketing (campaign management, telemarketing), and customer service (call centre, field service) via multiple, interconnected delivery channels (telephony, e-mail, Web, direct interaction). It is a business strategy that aims to understand, anticipate, and manage the needs of organization's current and potential customers, which entails, acquiring, and deploying knowledge about one's customers and using this information across the various touch points to balance revenue and profits with maximum customer satisfaction. More than a set of technologies, CRM is a process for the acquisition, deployment about customers, and integration between front and back office functions in order to enable companies to sell more of their services or products.

The following Figure 1 shows the main elements in which CRM applications are implemented to a company.

Figure 1: The elements of CRM

Sales Force Automation (SFA)	**Customer Service/ Call Centre Management**	**Marketing Automation**
• Call Centre telephone sales • E-commerce • Field sales • Retail • Third-party broker, • Distributors, agents	• Call centres managing aspects of customer contact • Web-based self service • Field services and dispatch technicians	• Campaign management • Content management • Data analysis and business intelligence tools
← Data warehouse and Data cleansing tools →		

Source: Robinson, R. (2000), Customer Relationship Management, *Computerworld*.

CRM therefore requires business to focus on customer rather than the products and the need to change in the processes, systems and culture so as to facilitate the implementation of CRM programme. This concept will cover all levels from the front office function of sales to customer service and from back office operations to new product development. The implementation of CRM requires all channels and media from the Internet to the field of sales and sales partners both up and down the supply chain to work dependently (Hewson Group and Microsoft, 2000).

2.3 Independent Variables

To be effective in managing customer relationship, there are some strategies a company must conduct in its implementation. The following are the identifiable independent variables expected to influence the profitable customer relationship, which is dependent variable.

2.3.1 Customer Strategy

Customer Acquisition

This defines its customer strategy by understanding the customer segments and customers' needs.

CRM actually begins with the development of a marketing strategy based on the critical forces affecting companies, be it regulatory, societal, market, technological, or conditions of business. Using marketing strategy as its foundation, company then begins to define its segment by categorising groups of current and prospective customers with common characteristics for the purposes of delivering a target-marketing message. Upon completion of segmentation process, it will develop a campaign, which is targeted at one or more of the segments.

In demographic segmentation, customers are segmented based on their age, culture and beliefs while in psychographic segmentation; customers are segmented based on their values, attitudes and lifestyles. With these segmentation, business could develop an in depth understanding of their customer particularly behaviour and subsequently to deliver products or services, which could better fulfil their needs and demands (Bearden, Ingram and Laforge, 1995).

Customer Loyalty and Dependency – Strategic Customer Care

There are three stages through which a company evolves that have a significant impact on its customers as follow:

Stage 1: *Customer Acquisition*

In this step the focus is on building a customer base through the use of technology and initiative- specific training to increase the effectiveness of sales people. The company also spends time on best practice benchmarking, analysing customer care processes, and conducting initial customer research.

Stage 2: ***Customer Retention***

Upon entering stage 2, the company's focus is to maximizing the customer's relationship. It begins to segment its customers into groups with similar needs to serve each client group more effectively.

Stage 3: ***Strategic Customer Care***

In stage 3, the company has realized that it cannot be all things to all people. By wisely applying technology and information tools, the company delivers a core level of service to all of its customers and a distinctive, optimised level for its best customers. A stage 3 company has therefore secured a winning situation for both its clients and itself: the clients are dependent on the business for their success and vice versa.

2.3.2 Channel and Product Strategy

Creating channel and product strategy defines how the organization will deliver its products and services efficiently and effectively, ensuring sales productivity and effective channel management.

A company usually decides the type of product or services to be included when building a campaign. Other related issues are how they will be priced, what promotion will be extended and for how long they will run, to whom they will be offered. Marketers also should consider which sales channel is the most appropriate (mass media, direct mail, or outbound call centre). When all these are done, the campaign is evaluated to assess the percentage of the target market that purchases the offer (potential take rates) and overall profitability. The content- the message- of campaign is created when the campaign is predicted to be profitable.

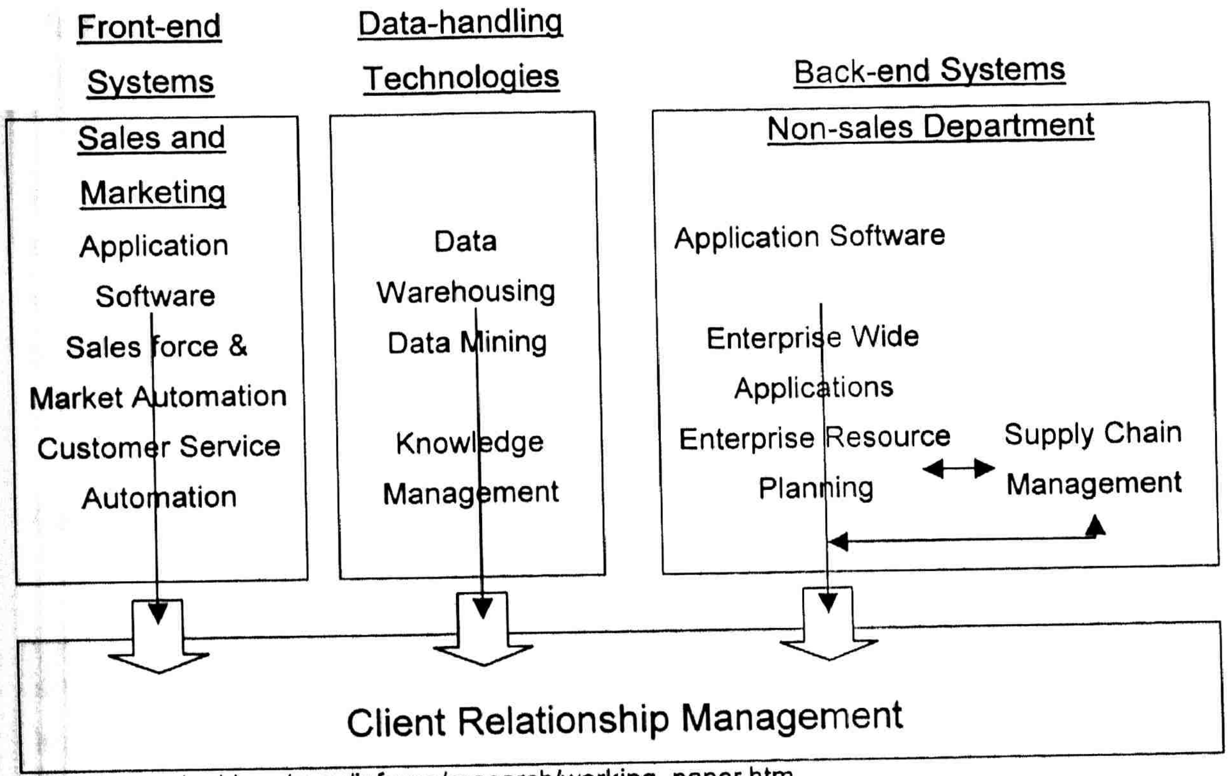
While the company is creating the content it usually begins to score its customers database, which usually have already been categorized in the earlier segmentation work, to find potential candidates for campaign. Scoring is used to select the customers that most likely to accept the offer. Each target market will have its own unique set of variables and weights assigned to these variables in developing a scoring pattern. There are a number of software tools available to assist this process.

2.3.3 Robust and Integrated infrastructure Strategy

Infrastructure strategy – interlinking the process, technology, and organizational foundation – determines a company's ability to track information about customers and measure return on investment of individual customer. It will enable the CRM strategy to function in the implementation processes.

Boon, et. al., (2002) stated that there are three (3) information systems (IS) and information technology (IT) needed to achieve a level of synergy for successful CRM as shown in Figure 2:

Figure 2: Three Requirement Streams for CRM



http://www.deakin.edu.au/infosys/research/working_paper.htm

The Front-end System Requirement

The front-end information system includes sales force automation, market automation and customer service automation (Chang, 2001), refer to Figure 2. Sales force automation gives an organization's sales people, the information systems based tools and techniques to better interact or perform their tasks. Market automation is the automation of information systems-based tools and techniques to allow marketing departments to better identify and target customers, more importantly segments of the market. Organisations also realise they have to engage the client as well. Therefore customer service automation brings the tools and techniques that allow the organisation, in the sales and marketing area, to interact with the customer. Customer service automation tools include call centres and sophisticated communication technology infrastructure, Web sites and e-commerce interfaces. These technologies will have an increasing significance to the organisation with the deployment of CRM (Petrissan, 1999).

With automation information can be collected through direct communication and interaction channels, such as EDI, e-commerce, Internet, or even a mixture of manual and automated systems: for at the heart of the CRM solution is data. That data represents an organisation's customers. It is also vital to the success of a CRM effort that everyone has the same understanding and definition of "customer" (Chang, 2002).

Data Handling Technologies

Organisations have begun to invest in and automate their collection of data, which is central requirement of CRM (Berson et. al., 1999; Brobst, 2002) and 'the most effective way to create an integrated CRM environment is by implementing a customer data warehouse' (Schroeck, 2001). The data-handling technologies of CRM include: data warehousing, data mining and knowledge management. Data warehousing is a mix of technologies that manage data on two or more databases (database management system being part of those technologies) allowing the data to be used for strategic purposes (Rud, 2001; Berson et. al., 1999). Data mining provides the tools and techniques used to automate and manipulate data for detecting relevant patterns in a database (Berson et. al., 1999). Interpreting and using data is knowledge management, using the collective knowledge of your client.

Therefore CRM requirements goes beyond the physical and structural aspect of customer service and sales force automation, 'to realise CRM, organisation must foster behaviour – and implement processes and technologies – that support coordinated customer interactions throughout all customer channels' (Close, 2001).

Client data in a CRM system is used by all who come in contact with a customer, and mainly by the sales and marketing areas underlining 'an important facet of a market-related capability is sharing knowledge with all employees who come in contact with customer' (Day, 2000). CRM is basically the endpoint of understanding requirements and interaction with customers to provide the customer with a high level of service they need, want and demand.

Back-end System Requirements

A good overall CRM strategy can provide organisations with opportunities to integrate existing applications and technologies (Petrissans, 1999). There is a hierarchy of technology in the back-end operations as well (Figure 2).

When organisations build an information system they start with software applications suited to unique or specific needs, for example: inventory control for inventory; accounts payable for debtors; payroll for human resources; bill-of-materials for manufacturing, and so on (Fiedler et. al., 1994). There is considerable research discussing organisations going through the next stage and linking these systems via enterprise wide applications (Fiedler et. al., 1994). Enterprise wide applications (EWA) are the linking of software application to interchange data between software applications and systems. Ultimately 'having the required infrastructure in place significantly increase the speed with which new applications can be implemented to meet new strategies, thus increasing the firm's strategic agility and flexibility' (Weill and Broadbent, 1998).

The next stage, enterprise resource planning (ERP), is the final point in integrating back-end operations, which includes the sum of enterprise wide application integration, and another key factor, supply chain management. The supply chain, seen as a back-end system, crosses both front-end and back-end systems, organisations 'must strive for seamless, real-time integration both horizontally across customer-facing processes – such as marketing, selling and services – and vertically to back-end supply chain processes' (Renner, 1999).

Supply chain management (SCM) is critical to ERP, essentially SCM is the planning of resources, and using those resources effectively so the supply to the customer is efficient and effective (Archer and Yuan, 2000; Jansen and Sol, 2000). For supply chains to integrate into CRM and therefore be nimble and responsive, organisations must integrate and derive synergy with new electronic supply-chain technologies (e-commerce and Internet), as well as strive to become 'customer centric' (Renner, 1999), the fundamental driving force of CRM.

In the literature there is discussion of the hierarchy of steps leading to ERP, but there is no clear link made between ERP and CRM, with only a few authors hinting at the necessity of integration (Day, 2000; Shoemaker, 2001; Renner, 1999). The underlying internal and external business transactions and documents trail, enabling the organisation to provide products, services and information requested by the customer is facilitated by the ERP system (Shoemaker, 2001), and 'ideally, these systems are integrated with one another' (Shoemaker, 2001).

Technology Requirements

Hatton and Blue (1999), in their research in CRM supported that technology is an enabler for CRM as it enables the integration of large volumes of customer information and sharing of information. Enterprises have not "done" CRM because they installed a software package (Close, 2001), meaning organisations need to take an integrated approach rather than building islands of technology throughout the organisation. 'IT infrastructure generally has been described as a set of IT services, including communications management, standard management, security, IT education, service management, application management, data management, and IT research and development' (Hwang et. al., 2002). Infrastructure forms the foundation of information technology capability and needs to be delivered as reliable services from a centrally coordinated body to all parts of the organisation and must include technical and managerial expertise, both essential to the provision of reliable services (Weill and Broadbent, 1998).

Technology – e-Commerce

As companies becomes an object of rapid changing forces and operates under stronger and more intensive business environment pressure – labelled as the 3C's: competition, customers and changes – companies then treat the customers like royalty to get and to retain them as loyal customers (Turban et. al., 2002).

Technology change and the availability of technology tools is like a two-edged sword that at one side it can improve company's productivity, and at the other side to use technology to serve the customer also carries the danger of alienating them and tarnishing their perception of company's service quality (Davidow and Uhal, 1989). These technology tools, which include computer and global communication technology, have created industry for collecting, processing, and communicating information. Consider the impact of the emerging private satellite network industry, which provides uplinks and downlinks for product introduction, credit check, billing, financial exchange, and overall communication (Fitzsimmons and Fitzsimmons, 2001). There is a new way to conduct business-electronically born, network and the Internet (Turban et. al., 2002).

Internet is the important part of technological advancement that has changed the ways in which a company conduct its business in marketplace and commerce. Everybody from all over the world now can instantly communicate to each other and business companies could reach more customers, supply chains, and business partners.

E-commerce term has been primarily associated with communicating the brand and/or enabling sells and buys transaction. Traditionally, it has been associated with providing information for customers, expressing brand awareness and telling the corporate story in the virtual marketplace. Shortly, e-commerce is an emerging concept that describes the process of buying; selling or exchanging products, services, and information via computer networks, including the Internet (Turban et. al., 2002).

As the term e-commerce is defined as describing transactions conducted between business partners, then it is considered as fairly narrow term. Thus, there are many people use the term e-business that refers to a broader definition of e-commerce. Think e-business, think change (Cunningham, 2002). It is not only about buying and selling goods and services, but also servicing the customers, collaborating with business partners, and conducting electronic transactions within an organisation.

The electronic consumer is a special type of web-based marketing's customers. With a vast international community of Internet users and potential consumer in the Internet, the number of users continues to expand across the world. There are more and more customers who are looking for company access and customer support through the Internet and e-mail (De Ruyter et. al., 2001). Internet then offers an opportunity that a company have never seen before.

Process

Technology is used to automate processes (Strauss and Frost, 2000), which is a delicate part of CRM. CRM brings a new economy to the organisation and includes not only structural but also process related challenges and potentials (Kroner and Zimmermann, 2000). A process is a way an organisation does something, and if a process is errant and automated as part of CRM, all that is achieved is an errant processes automated (Close, 2001; Goldenberg, 2002), making technology and application selection almost secondary compared to the change to processes a large CRM project will bring to an organisation (Chang, 2002). Many executives are seduced by software solutions and 'often do not see the need for changes to internal structures and systems before investing in CRM' (Rigby et. al., 2002). This has caused a loss of synergy between the many internal processes.

2.4 Dependent Variables

This is a criterion or a variable that is to be predicted or explained. In this case it is the customer relationship.

In this era of relationship marketing, one of the main determinants of business success is the development of an in-depth understanding of the needs and demands of the existing as well as potential customers and the provision of efficient service. (Adolf et. al., 1997).

The components of profitable customer relationship are:

2.4.1 Customer Satisfaction

Customer satisfaction or dissatisfaction is an important matter in customer relationship. Whether the customer is satisfied after purchasing company's products or services depends on the offer's performance in relation to the customer's expectation.

Generally *satisfaction* is defined as (Kotler, 2000):

A person's feelings of pleasure or disappointment resulting from comparing a product's perceived performance (or outcome) in relation to his or her expectation.

Many researches about customer satisfaction were conducted to attempt to diminish the confusion between customer satisfaction and service quality by determining whether there is any distinction between those two constructs in the early stages of service research. With consistent findings that service quality and satisfaction are different constructs, and that service quality leads to customer satisfaction, the research interest moved to studying the linkages between customer satisfaction, service quality, and customer loyalty/retention (Yu and Dean, 2001). Then, there were some studies suggesting that there is a significant positive relationship between customer satisfaction and customer loyalty/retention.

Investing in customer satisfaction is like talking out an insurance policy. Kotler's definition of satisfaction as mentioned above makes it clear that satisfaction as a function of perceived performance and expectations. Customers would be dissatisfied if the performance falls short of expectations and they would be satisfied if the performance matched their expectations. A high satisfaction or delight creates an emotional bond with company's products or services, not just rational preferences. The result then is a high customer loyalty. If some hardship temporarily befalls the firms, customers will be more likely to remain loyal (Anderson and Sullivan, 1993).

A highly satisfied customer (Kotler, 2000):

i. Stays loyal longer
ii. Buys more as the company introduces new products and upgrades existing products
iii. Talks favourably about the company and its products
iv. Pays less attention to competing brands and advertising and is less sensitive to price
v. Offers product or service ideas to the company
vi. Costs less to serve than new customers because transactions are routine

According to Davidow and Uhal (1989), "smile" used to be enough to satisfy more of the customers that made companies send their front-line employees off to "smile school". Then, the trend changed as companies try to differentiate themselves from competitors by offering a quality product and service guarantee. Based on this reason, many companies have assumed that their product or service is so superior that will make the customer continuously come back to consume their product or service.

Today, condition changes. Effective service management requires a change in focus – from creating product quality and utility to creating total quality and utility across every aspect of the customer relationship (Gronroos). This arises from the fact that the customers have become better-educated and more informed through information technology such as Internet. They become more demanding on what the producer has to offer. They cannot tolerate poor services because there are more choices than before. They can simply leave if not fully satisfied. Superior product or service that is delivered with a nice smile is not enough to make them satisfy and loyal with the company.

It is important that superior product or service then must be followed with a good relationship built by companies with their customers.

Traditionally, most businesses used to focus on the art of attracting new customer rather than to retain the existing customers. The emphasis is to make sales rather than to build relationship, with emphasis on pre-selling and selling rather than caring for the customer afterward. Nevertheless, there are some companies that have always looked into customer loyalty and retention.

There are many surveys that have shown that the key of success for a company lies in focusing on the customers' needs, providing products and services that can meet those needs and then managing the customer relationship to ensure customer satisfaction and repeat purchases occur (Brown, 2000).

2.4.2 Customer Retention and Loyalty

Loyalty is a term that we apply to people who understand our problems and who always make themselves available for us. A difference is made between repeat purchase behaviour and loyalty. Repeat purchase behaviour is the actual re-buying of a brand, regardless of commitment (Bloemer and Kasper, 1995). True loyalty then encompasses a non-random, behavioural response expressed over time, which is a function of evaluation processes that result in commitment (Bloemer and Kasper, 1995).

According to Richard L Oliver (1997) the concept of loyalty in terms of business is:

"A deeply held commitment to re-buy or re-patronize a preferred product or service consistently in the future despite situational influences and marketing efforts having the potential to cause switching behaviour."

It is a consensus among researchers that loyalty is a complex construct. Early customer loyalty studies in the 1960s and 1970s were mainly on the behavioural perspective (for example, consumer's disposition to re-buy is an element of loyalty) but this was then shifted to an attitudinal approach (De Ruyter *et al.*, 1998). Based on this attitudinal approach, customer loyalty can be studied through its dimensions:

- word-of-mouth activities
- complaining behaviour and
- purchase intention.

However, there are some different findings about loyalty dimensions. Parasuraman et al. (1988) had developed a loyalty scale and found that loyalty has four dimensions as follows:

- Loyalty to company
- Propensity to switch
- Willingness to pay more
- External and internal response to problem

De Ruyter *et al.* (1998) later adopted the same scale but found that loyalty consists of three dimensions as follow:

- Preferences loyalty
- Price indifference loyalty and
- Dissatisfaction response

Numerous studies have been undertaken to find that it is a lot cheaper to retain an existing customer than trying to look for some new ones – by a ratio of one to three in terms of marketing and sales expenditure (Brown, 2000). Retaining customer is crucial for business success. Nowadays, customer loyalty is regarded as the recipe to increase company revenue. Although it can be attained, a company has to work on it seriously and continuously. Suppliers who build and develop strong relationship with their customer in a long term will develop customer loyalty to the company, which in turn will bring profit to it.

Loyalty Measurement to Guide CRM Strategy

Loyalty will be measured differently depending on where one is in the CRM process (Anderson, 2000; Jacobson, 2000). In the customer acquisition phase one (1), loyalty measurement will relate to transactions such as turnover and profitability measurement will be product-related.

In the customer retention phase two (2), the measurement of loyalty changes to being relationship oriented using the customer satisfaction index. Measurement of profitability changes to being at share of wallet – the proportion of potential spending by the customer.

In strategic customer care phase three (3), the norms for customer value merge with those of the company and the measurement of loyalty will tie to these. The profitability measurement will be the lifetime value.

2.5 Integration of Literature Review

2.5.1 Benefits and Opportunities of CRM

Types of CRM

Brown (2000) explained that there are four types of CRM that allow a company to address all of the types of customers it serves and to choose marketing programmes that best fit customer's attitude on the company and their willingness to buy company's products and services. These four (4) types of CRM are:

i. Win back or save

   Among the four (4) categories of campaigns, win-back is the most time-sensitive. It is a process of convincing customers to make them stay with the company at the point they are discontinuing service or to make them rejoin the company after they have left. Other essential characteristic of a successful win-back campaign is selectivity which allows the company to trim back their contact lists by purging those with bad credit ratings or whose usage is low.

ii. Prospecting

   Prospecting is an effort to win new, first-time customers. Three (3) most critical elements of a prospecting campaign are:

   - Segmentation
   - Selectivity
   - Sources

   Whilst segmentation is need-based which allows the organisation to target the offer effectively, selectivity is profit-based which highlights how valuable the customers are and how much the company is prepared to spend to get those customers back.

iii. Loyalty

   Any business company would try to prevent customers from leaving. Three (3) commonly used essential elements are:

- *Value-based model.* It allows a company to determine how much it is willing to invest in retaining a customer's loyalty.
- *Needs-based model.* It can be used after once the customer passed the value-based segmentation screening to offer a customised loyalty programme. Some of the most popular programmes of this model is an affinity programme and customised billing.
- *Predictive churn model.* This model is using the vast amount of advanced data-mining tools such as demographic data and usage history that are available for the existing base of customers.

iv. Cross-sell/up-sell

These kinds of campaigns are important for a company since customer targeted already has relationship with the company. It is also known as increasing wallet share or the amount the customers spend on the complementary offerings that customers like from the company.

2.5.2 The Benefits of CRM

To technology-enable enterprises, the vision of CRM is to create competitive advantage through sales and marketing resources optimization and superior customer relationships. The vision appears realistic with the availability of rapidly maturing CRM applications offerings, significant investments in data-warehouse integration, and the emphasis on one-to-one marketing[1].

It can bring the competitive advantage for a company by[2]:

1. Gaining new customer acquisition, reducing customer attrition and increasing customer loyalty due to higher levels of satisfaction and more focusing on customer profitability.[3]

---

1 http://www.oracle.com/oramag/profit/99.Aug/P39ind.html, Serving up CRM, Oracle Publishing/Profit Magazine, April 2000.

2 http://www.business.vu.edu.au/sap/oracle5crm.doc

2. Increasing cost saving, revenue enhancement and strategic impact. These increase occur since knowing your customer better can provide a value-sell, specify target cost and more response and better in touch with their specific needs.[4]
3. Providing a holistic view of the customer, and the right level of information to resolve problems and inquiries.[5]
4. Maximizing the effectiveness and productivity of all channels and ensuring consistent service delivery across all channels.
5. Automatically identifying cross-selling opportunities based upon the customer's profile.
6. Providing the highest degrees of accuracy and reliability for planning and decision-making.
7. Enabling better communication and information sharing between sales, services and marketing.
8. Decreasing sales cycles and achieving higher call-to-sale ratios, and increasing selling time with each customer.
9. Promoting convenient, timely, and user-friendly sales and service delivery in terms of easy access the Internet and 24 hours service.
10. Providing Customer Segmentation Rules (CSRs) with customized scripts based on CSRs to facilitate the targeted selling of products and services.

2.5.3 Other Benefits

Other benefits include:

i. Channel policy

Customers should have an easy access to the company's information, e.g. facilities provided and updates. Firstly the customers will have a clear idea

---

[3] http://www.crm_forum.com/crm_forum_white_papaers/4ecrm/ppr.htm, Four elements of customer relationship management, April 2000.

[4] http://www.crm-forum.com/crm_forum_white_papres/wiiaa/sld01.htm, Customer Relationship management: What is it all about?, April 2000.

[5] McAvoy, J., (2000), Selecting and Buying CRM Software, *Business Credit*, 102(2), 68-69.

of what the company is offering which in turn will reduce the time to explain to the customers of the services offered. Secondly, customers' enquiries are efficiently and promptly answered via the call/contact centres. The facilities available to facilitate the easy access of information are call centres/contact centres, websites, direct contact facilities, interactive media and online application (Stephen Mcbride, 2000).

ii. Improve the response time

A well-implemented CRM programme could enhance the operation of the company by improving the response time and providing instant access to the status of orders made by customers. This will enhance the efficiency of the staff to deliver the products and services to customers. With these facilities, customer satisfaction will be enhanced and will build the customer confidence and in turn strengthen their loyalty towards the company (Hewson Group & Microsoft, 2000). CRM has shifted management emphasis from mass production to mass customisation which in turn will assist in the reduction of customer acquisition cost and improve cross-selling capabilities (Close and Thompson, 2001).

iii. Cost benefits

Sue and Morin (2000) established that with an effective CRM programme implemented, company could raise their revenue and lower their cost. The rise in revenue arose from the elimination of losses from unprofitable customer portfolio while the decrease in cost was due to the lower maintenance of database and software used to maintain the customer data.

iv. After-sales services

In an effort to maximise customer expectation, loyalty and demand, companies are encouraged to introduce and implement the CRM concept throughout the company and their suppliers. Companies are encouraged to extend their supply to the after sales services which demands a higher market share and growing customer portfolio (Boone and Kurtz, 1998).

v. Higher earnings for company

According to Close and Thompson (2001) in the implementation of a successful CRM programme, companies could enjoy the benefit of increase in the earnings while demanding a higher portion of market share. On the other hand, with the successful initiatives of CRM, management will be rewarded for the increase in the shareholders' wealth.

2.5.4 Barriers to CRM Implementation

i. Costs of implementation

Hatton and Blue (1999) pointed out that currently technology also acts as a barrier to the implementation of the CRM initiatives. This is due to the high implementation cost involved, including the acquisition of high capacity databases, the intelligent call routers software, the consultation fees, the peripherals such as servers and telephone lines and firm integrated data-mining software.

ii. Speed of implementation

The implementation of CRM programme will take a long time, increasing the budgeted cost of implementation.

Peppers and Rogers (2001) identified the delay could possibly result from the complexity of the data conversion process, the integration of the available data with the requirement by the CRM programme and the resistance to change in attitude of the staff.

2.5.5 Measuring the Returns of CRM

Hewson Group (2000) research result shows that it is difficult to measure the returns from implementing the CRM programme. Contributory factors could generally be classified into three (3) categories:

i. There are no baseline data before the use of the system, making before and after comparisons impossible. CRM is a relatively new concept and therefore companies could not use any benchmark to measure their success.
ii. There are too many independent variables such as expertise of the staff in executing the programme, understanding on the association between company's objectives and that of CRM and the response time provided to the customers.
iii. Many benefits are intangible and hard to quantify. Therefore it is difficult to measure customers' loyalty and satisfaction on the service or products sold to them.

In a similar study, Brewer (2000) stated that to achieve a successful and accurate measurement of customer loyalty, it is likely to demand significant investment in customer database development and analysis. The benefits may not be immediately evident especially if customer histories have to be built from scratch.

The business case to invest in CRM must be carefully calculated using estimate of the current performance and the scale of benefits that would arise if an improvement were achieved.

Measuring the Effectiveness of CRM Programmes

Gordon and Roth (2001) of Pricewaterhouse Coopers introduced the concept of market intelligence enterprise to measure the effectiveness of CRM programmes. In this concept, the company begins to anticipate its moves and behaviour trends of the customer and refines its response to the demands efficiently. With this information, the company would be able to respond on a timely basis to the needs of the customers so tactfully that it is difficult to discern who is leading.

Meanwhile, Hewson Group (2000) mentioned the following techniques for measuring the effectiveness of CRM programmes:

i. Companies should identify the saving areas within business. Subsequently they could use the current operation of that area as the benchmark against the operation after incorporating the CRM initiatives.
ii. Use of profitable models in statistics such as customer solution profit model, switchboard profit model, installed based profit model, entrepreneur profit model and time profit model.

2.5.6 The Implementation of CRM

Due to its relationship with customers, the implementation of a CRM program can be so complex. Before implementing CRM a company should identify whether it is willing and able to form close relationship with its customers. It also requires lots of planning and cooperation.

There are five elements that are required to implement CRM program effectively (Brown, 2000):

1) Strategy

Six types of strategies affect a CRM program, and they are:

i. Channel - determines how the offer will be conveyed to the customer
ii. Segmentation - determines how clients and ultimately marketing organization will be structured
iii. Pricing - the differentiator in a commoditized market and will determine more than half of the value of the offer
iv. Marketing
v. Branding and

vi. Advertising.

2) Segmentation

Nowadays, some companies have already adopted an outlook approach for segmentation, which is by categorizing and marketing to customers according to their needs, and not by focusing on particular product or market, or by considering the value of the customer to the business. As developing an accurate picture of customer needs can be difficult and for company to implement segmentation effectively, it needs to develop a set of formula that need to be properly tested for modelling customer's behaviour.

3) Technology

The CRM process depends on data, hence an integrated logical database becomes the most important technical consideration, and apart from software for the databases, data mining, decision support and campaign management tools such as call centre software and hardware.

4) Process

The process of CRM is an order and method by which the direct marketing activities are executed. It emphasizes speed to market. Therefore, process-reengineering efforts would concentrate on minimizing the time that it takes to execute a particular marketing activity and reducing the interdependencies and the total number of marketing tasks.

5) Organization

During the implementation process of CRM, organizational structure is often the most overlooked component. Since most organization's marketing is media-based, then making a transition to direct marketing is difficult especially when it coincides with the use of need-based segmentation. Creating cross-discipline segment team is then effective if it is formed for the purpose to learn and execute new styles of campaigns.

2.5.7 Implementation Procedure

Cohen. S. and Moore, J. (2000) gives the following procedures that will also help in making the implementation of CRM as smooth, timely, and successful as possible.[6]

1) Reviewing the business processes, applications and technologies that are used to deal with customers, which should also consider its schedule and its budget.
2) Defining why you want to use CRM. The reasons to use CRM could range from a general commitment to a high level of customer service and to specific problems that may have arisen.
3) Organizing for CRM. The key to successful planning and implementation in CRM is organization structure or the company itself. The components of organizing for CRM need to include one project manager, a board-based project team, a formal and written project plan, continuous evaluation, and determining how far company wants to go with CRM and how quickly.
4) Prototyping CRM. Company should start in one department with strong staff, phase in use of the CRM system and add new department each month or so.

2.6 Study Approach

Basically, any companies that run their business customer based is encouraged to have some kind of CRM system. Business-to-Business (B2B) form of companies might feel like CRM would be useful to them as they are in some way providing services or products for their "customers". Therefore for B2Bs a partner relationship management system will be more appropriate, since they are selling their services or products through their customers.Having said

[6] Cohen, S. and Moore, J., 2000, Today's buzzword: CRM, *PM. Public Management*, 82(4), 10.

that, it would seem quite logical to say CRM performs best when it comes to Business-to-Customer (B2C) form of businesses (Yung, 2002).

CRM is still at its infancy stage in the operation of the Malaysian business. Many have the misconception that CRM is a type of technology or software. This study will therefore explore the automobile marketers' understanding in CRM as a concept. Technology-enabled CRM concepts and software is merely one of the technologies that have enabled the implementation of CRM concepts (Yung, 2002).

This study also looks at the implementation process of CRM, involving an integrated package of software. This is because CRM processes involve several business units in an organisation. Among the common ones are sales, marketing, and call centre (customer service) and finance business units. All are part of understanding customers better.

This integrated software package consists of software modules for each department involved in making CRM possible. Through these software modules, customers' information is kept in a huge information warehouse (data warehouse). This information would go through thorough analysis like:

i. Customer buying behaviour analysis, which predicts which product category customers are more interested in.
ii. How much customers would be willing to spend on a certain products category.
iii. Are customers buying behaviour influenced by a certain season of the year by a certain market fluctuation or by company's marketing campaign.
iv. Understand the flaw of products through complaints and suggestions that came through the call centre.

Further investigation would be made to assess the correlation between an effective CRM implementation and the contribution to the company's overall profitability. Having CRM implementation is basically to retain customers which in turn will lower costs and increase revenue. Customer retention helps company to save on promotion and advertising costs to promote product awareness to the public.

An exploratory attempt will also be made to assess the importance of each of the CRM systems in contributing to an effective CRM programme. This will throw some light for any future research on 'successful CRM depends more on strategy than on the amount you spend on technology' (Rigby et. al., 2002), meaning simply throwing software or technology at an organisation for CRM implementation will cause more problems than solutions. 'Companies will gain the strategic and economic benefits associated with CRM by integrating their organisation capabilities – structure, processes, skills and metrics – into the added intelligence of CRM technologies to either confirm or change decision-making criteria' (Swift, 2001), meaning only through the integration of back-end, front-end and data-handling technologies efficiently and effectively, then this is CRM.

Whilst looking at the benefits in implementing CRM in an automobile company, this study will also look at the possible barriers to its introduction in a company. Hence, this study will explore the reasons why some automobile marketers are not undertaking any CRM programme.

It is interesting to examine how the automobile marketers measure the effectiveness of their CRM programmes at the present moment.

As such, conclusion can be drawn and hopefully some recommendations could be suggested on what makes up an efficient CRM programme, which contributes towards the company profitability through customer relationship.