A Review: Different Views of Customer Relationship Management

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Abstract

Customer Relationship Management (CRM) as an important part of Supply Chain Management is a cross-functional process and has different dimensions, so to study developments and argue about its evolutionary, its different aspects should be considered. Pertaining to the most papers in this field, one of the most important aspects of CRM is its strategy. This paper aims to (1) clarify views of CRM, (2) explain deeply strategic view and its components: direct marketing, mass marketing, target marketing and relational marketing (3) present a model for this evolutionary steps and elaborate all of them specifically (5) consider another important aspect of CRM named technological view and (6) present an evolution model for technology view of CRM.

Keywords
Customer Relationship Management, Strategic view, Technology view, relational marketing, mass marketing.

1. Introduction

Customer relationship management (CRM) is a cross-functional process and has different dimensions [1] so to define CRM or study its developments and argue about its evolution, all of its aspects should be considered. Pertaining to the most of papers in this area one of the most important aspect of CRM is its strategy [1, 2, 3]. Due to this fact CRM is going to be argued according to this perspective. In this view, CRM encompasses different and evolutionary steps to reach a perfect system which now we know it as CRM. In strategic view of CRM, three processes are encountered. The first one is marketing, the second is sales and the last is services. Among these processes, the most important one which is associated with CRM is marketing [4], because CRM is, in fact, the continuing evolution of marketing ideas and is based on relational marketing[5,6]. So first of all, we tend to clarify those three processes of CRM then explain the details about its marketing and development process as the evolution steps for CRM in marketing starts with direct marketing and then due to the fact that it had some weakness points it shifted to mass marketing and then due to the fact that it had other disadvantages and could not meet organization's need, so after that we had target marketing which was more efficient than mass marketing since it focuses on just particular customers [4,7]. Ling and Yen (2001)

After these 3 steps which they are actually transactional marketing, relational marketing comes [4] because one of the most important process in CRM is customer retention [2, 3] and also customer satisfaction and make them to a loyal one [8], but in transactional marketing it is hard to achieve all of these goals, since just in relational marketing, we focus on customer and its life time [1] for acquiring them and then retaining them as loyal customers. And as conclusion a model is presented for this evolutionary steps and elaborate all of them specifically and we can catch why and how marketing ends to relational marketing or actually CRM.

Another important aspect of CRM is technology view [2, 3] which suggests some processes that can help an organization manage customers in an efficient way. In this view of CRM again, we argue an evolution model, and we explain it completely in two decades: In 1990 due to changes in management in organizations, ERP (Enterprise Resource Planning) was created. In that period, the number of competitors, the demand of market was increased, so companies had to adapt themselves to this situation, and one of best solution was using technologies such as ERP for managing their information through organization and also reengineering business processes [2]. In 2000 companies need to own competitive advantage in order to obtain more customers and achieve more benefits, so they were obliged to take care about front office more and use some solutions like CRM.

Our study presents a literature review about CRM and its important parts and in addition to that it draws an evolutionary model for CRM in both strategic and technologic view and explains about its different steps for having a system like CRM. For achieving this goal first of all we need to understand Customer Relationship
Management basically and define it in different aspects, then we will be able to draw a conclusion for its definitions, and after that, we introduce all of its perspectives in order to reach to our model in these two parts that we pointed out above.

2. Customer Relationship Management: Overview
For defining CRM we are supposed to identify our point of view toward this concept as Day and Van Den Bulte (2002) defined CRM as a cross-functional process for achieving a continuing dialogue with customers, across all their contact and access points, with personalized treatment of the most valuable customers, to increase customer retention and the effectiveness of marketing initiatives [1]. Kincaid (2003, p. 41) viewed CRM as "the strategic use of information, processes, technology, and people to manage the customer's relationship with your company (Marketing, Sales, Services, and Support) across the whole customer life cycle"[9].

Parvatiyar and Sheth (2001) defined 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” [9]. Harris (1999) defined CRM as "a technology-enabled strategy to convert customer data into business actions in response to and in anticipation of actual customer behavior from a technology perspective, customer relationship management represents a process to measure and allocate organizational resources to those activities that have the greatest return and impact on profitable customer relationships.[3]. Beside of that Kincaid (2003) defines CRM as “the strategic use of information, processes, technology, and people to manage the customer's relationship with [the] company across the whole customer life cycle.” [8]. According to Ko et al. (2004), CRM is also defined as the integrated customer management strategy of a firm to efficiently manage customers by providing customized goods and services and maximizing customers' lifetime values[8].

In another perspective Bose (2002) pointed out that CRM is an integration of technologies and business processes that are adopted to satisfy the needs of a customer during any given interaction [10]. And also Brown (2000) argued that customer relationship management is the process of acquiring, retaining and growing profitable customers. It requires a clear focus on the service attributes that represent value to the customer create loyalty. Customer relationship management consists of five elements: strategy, segmentation, technology, process and organization [3]. So as we presented some definitions of CRM we can conclude that it encompasses some different parts and as most of these definitions argued, CRM is a technology enabled strategy.

Thus in this paper these two integral sides will be argued. In strategic view in which one of the most important process of this view is marketing [4], is very crucial [11] for this concept as Kotler (1997) pointed out that CRM principally revolves around marketing and begins with a dip analysis of customer behavior. And for enhancing all of CRM process we need to capable our organization by technology. [12]. By all of the definitions that we discussed above we have a background and basic information about CRM and now we can argue two integral parts of CRM "strategic view " and " technological view ", very deeply in order to have a literature review and reach an evolutionary model for each of them.

3. Strategic View: Marketing

3.1 Direct Marketing
If we want to argue about different type and evolutionary system of that we will face many ideas which they try to classify marketing to different kinds. But in this paper we tend to draw a framework for that in order to be a comprehensive model and steps for marketing. However there is a time line for each of the marketing steps, in this paper we have tried to make an evolutionary model for marketing regardless of their timelines bus also we focused on their concept and reasons which leads us to next steps. In this concern we propose that the first step for marketing is "direct marketing" [4]. A simple definition for direct marketing can be "The practice of delivering promotional messages directly to potential customers on an individual basis as opposed to through a mass medium, or Direct marketing is a promotion process which motivates customers to place orders through various channels [13]. As you can consider it in above definition the main point in this kind of marketing is communicating with customers directly and individually which may cause some advantages and of course some disadvantages,[14] pertaining to definition of direct marketing the first benefit which we can mention is this way is easy to measure the result of our marketing effectiveness and of course it is highly simple to start since it doesn't need huge investment[14]. In contrast as we do not segment our customers and actually we don't have target customers we cannot expect from this way to be effective enough. There are different channels for direct marketing which we can choose the proper one according to our customers and market; some of those are [13]:

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• unsolicited mail;
• door-to-door marketing;
• autodialing;
• electronic spam;
• fax marketing;

3.2 Mass Marketing
In every system, we are seeking a perfect method and way to achieve our goals in that system. And as it is natural when it is not able to meet our needs we try to improve it. So it is essential to remember that one of the most important factor for changing a method is environment and market as it forces us to enrich our approaches in order to compete very well [15]. As we mentioned above we started with direct marketing but it wasn't enough and based on some reasons that we mentioned we used another way of marketing. The next step is "mass marketing". An attempt to appeal to an entire market with one basic marketing strategy utilizing mass distribution and mass media can be an appropriate definition for mass marketing[16]. Although direct marketing was easy to begin it because it isn't necessity to invest a lot of money in the beginning, it may not be so economical if you try to cover majority of people in the market. In this regard we used mass marketing in order to reduce our expenses and make it reasonable. The key idea in this way of marketing is to broadcast a message that will reach the largest number of people possible. Traditionally mass marketing has focused on radio, television and newspapers as the medium used to reach this broad audience [16]. Like previous method it encompasses some positive and negative points. One of the most significant advantages of this marketing is to lower the cost and also cover almost all of the people in our market [15]. As we argued the main thought in mass marketing is delivering one promotional massage to a large number of people thus in this idea we can't focus on specific customers and further specify appropriate products and advertisement base on our customer's needs. According to this problem again this way cannot meet our needs properly and because of that it leads us to another method which covers this problem.

3.3 Target Marketing
In today's market's condition, it is so crucial to obtain customers who can have added value for your company and also do it in an optimum way so base on this fact and as mentioned above mass marketing may not be able to direct us to achieve our goals according to market's situation. So, we are supposed to specify some customers who are close to our targets and then work on them. We call this "target marketing ". This marketing actually involves breaking a market into segments and then concentrates on your marketing efforts on one or a few key segments actually target marketing presents marketing strategies to specific groups of customers to solve the problems of mass marketing and to increase marketing efficiency [16]. The beauty of target marketing is that it makes the promotion, pricing and distribution of your products and/or services easier and more cost-effective since capital is limited and should be spend in the best that causes optimum result and outcome [7]. Three most common ways to segmentation are:

• Geographic segmentation – based on location such as home addresses;
• Demographic segmentation – based on measurable statistics, such as age or income;
• Psychographic segmentation – based on lifestyle preferences, such as being urban dwellers or pet lovers.

Some advantages of this kind of marketing are [7]:
• Your attention is focused on one specific market area, which is likely to result in your marketing campaigns being far more cost and time-efficient.
• You appear to be a specialist in the prospective customer's own field, and you can increasingly build up a reputation as being just that.
• Your promotion material is highly relevant to their needs, and is less likely to be junked
• You stand out from your competitors
• By differentiating yourself from your competitors, prospective customers are less likely to focus on price as the key issue, thus enhancing your profit margins

3.4 Relational Marketing
We argued about three kinds of marketing. These methods have some weaknesses that lead us to consider a new concept and way of looking into marketing. As mentioned before, businesses need to adapt themselves to competitive environment in the best way [17], thus pertaining to the market, they need to do something beyond of just applying 4p's techniques [18], in other words, businesses need to build a great and beneficial relationship with suppliers which has significant impact on firms’ profit [19].So here we reach to relational marketing concept. Harker (1999) proposes the following definition: “An organization engaged in proactively creating, developing and maintaining committed, interactive and profitable exchanges with selected customers (partners) over time is engaged in relationship marketing [20], or Berry (1983) defines relationship marketing as
“attracting, maintaining and enhancing customer relationships [21]. If we want to know why exactly we use this kind of marketing, we can refer to Grönroos (1990) who suggested that” The role of relationship marketing is to identify, establish, maintain and enhance relationships with customers and other stakeholders, at a profit, so that the objectives of all other parties involved are met; and that this is done by a mutual exchange and fulfillment of promises” [22]. In traditional way of marketing we just focus on increasing our transactions between our customers in contrast in the competitive market it doesn't make a perfect contribution for our company as if we try to retain our current customers it is much better than acquiring new customers because if firms retain the customers who purchase frequently or spend larger amounts of money, they can reduce the promotion costs for acquiring new customers and generate an improved sales: profit ratio [18]. As a result, keeping loyal customers can yield profits for firms [5]. After understanding the relational marketing it is fruitful to know the differences between transactional and relational marketing. Table (1) shows the differences between transactional and relational marketing [6].

Table 1. Transactional and Relational marketing comparison

<table>
<thead>
<tr>
<th>Key components</th>
<th>Transaction marketing</th>
<th>IMP group</th>
<th>Nordic school</th>
<th>Anglo-Australian approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basis</td>
<td>Exchange 4 Ps</td>
<td>Relationship between firms</td>
<td>Service</td>
<td>Service/quality/marketing</td>
</tr>
<tr>
<td>Time frame</td>
<td>Short term</td>
<td>Short and long term</td>
<td>Long term</td>
<td>Long term</td>
</tr>
<tr>
<td>Market</td>
<td>Single ,customer</td>
<td>Multiple, network</td>
<td>30 markets with four categories</td>
<td>Six markets</td>
</tr>
<tr>
<td>Organization</td>
<td>Hierarchical functional</td>
<td>N/A</td>
<td>Functional and cross functional</td>
<td>Cross functional process based</td>
</tr>
<tr>
<td>Basis of exchange</td>
<td>Price</td>
<td>Product/service, information ,financial, and social</td>
<td>Less sensitive to price</td>
<td>Perceived value</td>
</tr>
<tr>
<td>Product/quality dimension</td>
<td>Product/technical/ output quality</td>
<td>Technological</td>
<td>Interaction quality</td>
<td>Function of value and cost of ownership</td>
</tr>
<tr>
<td>Measurement</td>
<td>Revenue market share</td>
<td>Customer profitability</td>
<td>Quality, value, customer satisfaction</td>
<td>Customer satisfaction</td>
</tr>
<tr>
<td>Customer information</td>
<td>Ad hoc</td>
<td>Varies by relationship stage</td>
<td>Individual</td>
<td>Customer value and retention</td>
</tr>
<tr>
<td>Internal marketing</td>
<td>N/A</td>
<td>N/A</td>
<td>Substantial strategic importance</td>
<td>Integral to the concept</td>
</tr>
<tr>
<td>Service</td>
<td>augmentation to core product</td>
<td>At Close seller– buyer relations</td>
<td>Integral to product</td>
<td>Basis for differentiation</td>
</tr>
</tbody>
</table>

And again like three previous ways of marketing, we like to cover the problems which exist in transactional marketing and in this concern, we reach to relational marketing. In this kind of marketing we are tending to make a mutual relation with our customers in order to reduce our costs and make a good image of our company in customer's mind [7], as so, relation is much more important than other things like even product [23].

3.5 Model (Strategic View)

We argued about four kinds of marketing that as each of them had its own problems we tried to refine it and make it better according to markets situation. Figure 1 shows this process and the relation between these stages until we reach to CRM.
As we discussed above, CRM is kind of marketing in strategic view, and it is the final result of those ways of marketing and their relations that you can see above [7]. But there is a point that we should mention it and that is the difference between CRM and relational marketing, however we indicated CRM is based on relational marketing [6], there are some differences between them. Some important differences between CRM and relationship marketing are: first, relationship marketing is relatively more strategic in nature, whilst CRM is used in a more tactical sense [14]. Second, relationship marketing is relatively more emotional and behavioral, centering on such variables as bonding, empathy, reciprocity, and trust [24]. On the other hand, CRM is more managerial base which is focusing on how management can make concerted efforts in attracting, maintaining, and enhancing customer relationships. Third, relationship marketing embraces not just the supplier-customer dyad [21] but encompasses the building of relationships with stakeholders, such as suppliers, internal employees, customers, and even government as well [22], but CRM is more dedicated to building relationships with key customers [25]. In Figure 1 we divided these four kinds of marketing into two groups named transactional and relational. In this stage, we are supposed to know the difference between these two. Table 2 shows differences between CRM and relational marketing [1].

<table>
<thead>
<tr>
<th>Traditional marketing</th>
<th>Customer relationship management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transaction focus</td>
<td>Customer focus</td>
</tr>
<tr>
<td>Short term focus</td>
<td>Lifetime focus</td>
</tr>
<tr>
<td>One transaction</td>
<td>Multiple transactions</td>
</tr>
<tr>
<td>Broadcast approach</td>
<td>Sniper approach</td>
</tr>
<tr>
<td>One way, one time communications</td>
<td>Two way, continuous dialogue</td>
</tr>
<tr>
<td>Segment of many</td>
<td>Segment of one</td>
</tr>
</tbody>
</table>

As Gummesson (2002b) defines relational marketing as “marketing based on relationships, networks and interaction, recognizing that marketing is embedded in the total management of the networks of the selling organization, the market and society. It is directed to long term win-win relationships with individual customers, and value is jointly created between the parties involved.” [21] Since we pointed out differences between relational and transactional marketing we conclude, in transactional marketing we just try to increase the number of transactions between us and our customers based on 4p's techniques which are: 1. Promotion 2. Place 3.Price 4. Product. But in the competitive market that's not sufficient so, we need to make a mutual relation with our customers in order to make them satisfy [18, 26] as we mentioned in table 1 and beside of that make them loyal customer and this is a great and huge step for us to win in the market in this concern even new 4ps has pointed out which indicates the shift from traditional to relational marketing, the new 4ps are [27]:

- product,
- processes,
- performance, and
- people

As you can see in figure 1, if we add relation to transactional marketing which is divided into three groups named direct marketing, mass marketing and target marketing; we can have an approach or actually a system for marketing as CRM. We should not forget this point that when we said above first step is direct marketing and then other steps it does not mean now we cannot use direct marketing but also if it is necessity for one special market, we can do that in order to gain our goals. Here, the purpose is to draw a new framework for marketing in its concepts for our current situation of markets.

4. Technological View

In previous section, we considered an evolutionary model for CRM in strategic view or actually marketing but as Leo (2005) suggested another crucial aspect of CRM is its technological view [2], thus it is vital to draw attention to this part and also analyze the process which was taken in order to reach a kind of approach as CRM. In this concern we divided this process and period of time until achieving CRM into two stages which each of them based on the environmental changes force companies to develop themselves and of course use some technologies so that they can gain their goals beside of a new approach [28].

4.1 First Stage: Management Systems Changes in 1990s

As mentioned earlier, most of the time for starting some changes within the organization there is a need for that pertaining to market's changes And we also know after applying those changes within our organization we actually bring a new attitude into that [12]. In other words, to create a new attitude, first of all there must be a change in environment that leads to make changes within the organization. The term which we use as
environment means: conditions that are prevailing in the market and business which force organizations and companies refine themselves based on those changes in order to achieve greatest integration in organization to gain more share of target market [17]. Some of these changes are:

1. The need for increasing share of market
2. The need for working in global market
3. Creating Technological Development within Organization
4. Increase in the number of competitors
5. Increasing demand

Changes cause businesses to adapt themselves to this condition in order to survive [17], so they refine their organization in these two areas;

1. Changes in the organization methodology and way of managing it
2. Changes in technology (applying new technologies)

It is obvious that all of the above changes within the organization cause series of results which some of the impact of changes in the methodology and management of the organization in organizational processes is as follow as below [29]:

1- The first effect is to reduce costs: as we change our attitude to all of process and beside of that improve our methodologies, the primer consequence will be doing all of operational process well and in an optimum way which this is one of the greatest way of decreasing costs since we will be able to do them without any kinds of wastes.
2. The second effect is the improvement of operational activities such as:
   I. Reengineering business process
   II. Supply Chain Management
3- Organizations will be capable to use and apply new technologies like ERP

By using and applying new technologies as ERP, we can make a significant contribution in our organization such as:

1. Increase amount of data which will be transferred
2. Increase efficiency of activities
3. Increase effectiveness of activities
4. Increase organizations productivity
5. Increase quality of processes and activities and
6. Internal integration.

4.2 Second Stage: Management Systems Changes in 2000: CRM solutions

At the end of the 90s again, we faced to new condition in market and according to that some technologies like ERP which we used in our organization couldn't help us to meet our needs so for making a perfect competitive advantage we were supposed to adapt ourselves to those changes [12]. First of all, we should know all of the changes which accrued in that time:

1. Increase market demand
2. Need for customization
3. Increase number of competitors
4. ERP is just helpful for our internal needs

So, businesses should apply some changes within their organization in order to adapt themselves with new market condition and be able to compete with other competitors. Some of these most important changes in organization are:

1. Creating closer relationship with their customers
2. Increasing the value of each customer
3. Focusing on retaining customers rather than acquiring them

Therefore companies in addition to applying some technologies such as ERP which help them to reach internal integration, use other technologies like CRM solution and IT so that they can optimize all of the process that is related to customers [30], since when in just one industry there are many competitors businesses should retain current customers instead of acquiring new one [12,29]. So companies tended to focus on operational process that is related to customers or in fact their front office, in this concern they should apply some technologies like CRM. The point that we should consider is we don't count CRM as just a kind of technology but also it is an organizational approach and culture and it means all the process within organization should be customer oriented and customer is main source of success [12].
4.3 Model (Technological View)
We discussed two different stages which during those we achieved to CRM as consequence of at first environmental changes and then internal changes within organization. Figure 2 shows these two stages and their relations:

![Figure 2: Evolutionary model for CRM in technological perspective [2]](image)

As you can see in the Figure 2, this model shows how we reached to CRM in technological view and also after what process we found CRM as result of at first environmental changes and then internal changes within organizations[31].

5. Conclusion
In this paper two evolutionary models for customer relationship management in two different perspectives were suggested, the first one is strategic view which means marketing and the second one is technological aspect. In the first section of this paper it was concluded that CRM is a continuing process of marketing which encompasses different kinds of marketing. As whole we divided them into two groups, transactional and relational marketing which transactional one includes some kinds of marketing that if we want to mention them in sequence first of all we had direct marketing that could help companies meet their needs according to that especial period and condition of market and then as environment changed organizations should adapt themselves to new condition so they had to apply new methods of marketing, in this regard we reached mass marketing that could cover some problems of direct marketing. Mass marketing also owned some disadvantages and due to this fact companies tended to uses another way of marketing in order to compete with their competitors and because of that for next step, we got to target marketing. Although all of these three kinds of marketing and also other types were fruitful for organizations, they didn't possess one vital part, that part was RELATION. It means pertaining to new situation of market companies couldn't just expect from for instance 4ps techniques to be successful in their industry, as the number of competitors has been increased and besides, it is so difficult to acquire new customers and of course it isn't efficient so companies are suppose to make a mutual relation with their customers in order to retain them and make them loyal to their organizations and that
is a key of success in modern market. Thus if we create different kinds of marketing which belongs to transactiveional one a relational marketing we can achieve a new system for marketing that we call it CRM.

In the second part of this paper we argued about technological view of CRM which appears in two stages. The first one" at the beginning of 90s “companies face a new condition in comparison with past and due to those changes; they applied some new technologies such as ERP and so on. These technologies made a significant contribution for companies and also helped them to be capable of applying some internal changes. When they put those technologies into practice they got many useful results but one of the greatest achievements was “internal integration” which helped them to reach a new approach.

At the end of 90s and beginning of 2000, the market was changed, so companies tended to adapt themselves to new style of market and like before it created many results for them which the final one was a new system and approach " CRM ". So we can draw conclusion that first of all environment changes and then organization changes which as consequence of those changes, they can reach a new approach and culture that at about 2000, it was CRM which helped organizations to manage their customers so that they will be able to reduce expenses and re-engineer process in order to make them efficient and customer oriented and during this, we can spread this culture to all level of organization and as result achieve success.

References


