

# Actual Benefits of CRM in Selected Industries

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## Abstract

*Customer relationship management (CRM) is a business strategy for bettering customer acquisition, loyalty and profitability by understanding and influencing customer behavior through meaningful communication.*

*The purpose of this study is to find out what marketing and technical people in service and manufacturing organizations think about the actual benefits of CRM which are the promises of software packages before they are realized through CRM implementation in both service and manufacturing industries.*

**Keywords:** CRM, Customer value, Satisfaction, Service.

## Introduction

Traditional marketing tactics have not been effective in generating strong returns since the turn of the millennium. Companies have become hesitant to spend large amounts of money on advertising and marketing research, once a powerful instrument for gaining deeper insights into customers, has lost its allure. It is unavoidable for businesses to establish new marketing techniques as a result of mysterious consumer behavior. In that tone, customer relationship management (CRM) has developed as a new marketing strategy.

CRM appears to be a simple and straightforward concept but there is little consistency in how CRM has been defined and even less in how it is practiced in business and other organizations. The term has been used to reflect a variety of themes and perspectives and this inconsistency in definition has led to confusion in what CRM is. For example, Zablah et al identified more than 40 distinct definitions of CRM in the literature. For some, CRM is an application of one-to-one marketing.

Others use the term CRM as interchangeable with relationship marketing or view it as an application of relationship marketing. Another perspective of CRM is more technologically oriented and for many IT consultants, it is synonymous with technical tools. The term has been viewed as a business strategy or as a philosophy. For instance, West claims: "In the purest sense, CRM is a strategy or philosophy – not a specific piece of technology – designed to optimize customer profitability, revenue and satisfaction. CRM also has been defined as "a management approach that enables organizations to identify, attract and increase retention of profitable customers by managing relationships with them". It has been conceptualized as a business process. Everyone has been exposed to these changes; for example, the mailings

from banks offering special interest rates and phone companies offering incentives to switch to their services. At the core of all of these offering is the company's desire to develop a "relationship" with a target audience.

## Review of Literature

Iacovou et al<sup>11</sup> stated that the direct perceived benefits are defined as the operational savings due to the improved internal efficiency of the organization. Direct benefits such as improved front-office efficiency and productivity in sales, marketing and customer support and service functional units are perceived to shorten the organizational sales cycle, marketing cycle and customer support and service cycle due to better employees' productivity. Furthermore, improved operational efficiency and productivity will help decrease costs related to all customer related activities. Finally, the availability of centralized customer information will also allow an organization to handle more complex customer relationships because of greater information accessibility, increased accuracy in information content and accelerated processing and exchange of information.

Iacovou et al<sup>11</sup> stated that the indirect perceived benefits are defined as the tactical, opportunistic and competitive advantages due to the impact of CRM on the business processes and relationships. Indirect benefits include an improved and accurate understanding of the customer, the availability of strategic business decisions that model and predict future customer satisfaction and customer behavior and the resulting opportunity to increase organizational profits. Possessing customer knowledge will assist an organization to access new customer segments, achieve greater customer loyalty among its clientele and provide customized products or services that mirror customers' needs. These capabilities would also help an organization gain a competitive edge over its competitors.

Steve Mankoff<sup>22</sup> explores that CRM solutions produce a significant return on investment by streamlining business processes and provide frontline employees access to richer and more integrated customer information to establish measurable business goals, align business and IT operations, to get executive support up front, to let business goals drive functionality, to minimize customization by leveraging out-of-the-box functionality, to use trained, experienced consultants, to actively involve end users in solution design, to invest in training to empower end users, to use a phased rollout schedule and to measure, monitor and track.

Christian Velez<sup>7</sup> states that the emergence of new industry structures and a drastic increase in competitors play critical roles in determining how companies effectively maintain current business and, more importantly, design new products

and services. Advancements in information technology are at the root of these changes. Networking technologies and the World Wide Web in particular have had a leveling effect on most industries and have enabled organizations to create new market services and compete with traditional market leaders. These same forces have also affected customer behavior emphasizing individualization in conjunction with more complex demands and decreasing loyalty. To combat these changes, management has turned to focusing business activities explicitly on customer behaviors. By recognizing the need to offer differentiating value, companies have started using the customer relationship as a basis for experimenting with various combinations of service and price in an attempt to retain existing customers and capture new customers. Customer relationship management is used as a strategic tool for developing new products and increasing market share.

Swift<sup>23</sup> stated that companies can gain many benefits from CRM implementation-lower cost of recruiting customer, no need to acquire so many customers to preserve a steady volume of business, reduced cost of sales, higher customer profitability, increased customer retention and loyalty and evaluation of customer profitability.

Alexandra Campbell<sup>2</sup> suggested that the true strategic value of CRM lies in developing a customer knowledge competence which becomes an opportunity for value transformation in the firm and an avenue for competitive advantage. The intent is to help managers take a more strategic approach in managing CRM programs in their organizations by providing a framework to guide managerial decision-making.

Kalakota and Robinson<sup>15</sup> said that an effective CRM is based on distinguishing customers by using their account and transaction histories to determine their preferences and the level of service they require. The ability to effectively segment, target and service customers relies on decision support systems that provide detailed, accurate information about a customer and their relationship with the company.

Michael Starkey and Neil Woodcock<sup>18</sup> showed that there is a good correlation between customer management (CM) performance and business performance. Expenditure on customer relationship management (CRM) information technology (IT) systems has increased over the years, however many CRM systems fail to deliver the desired objectives. Actual CM performance measured using CMAT (Customer Management Assessment Tool) is however, disappointing and companies may be destroying rather than creating economic value. Investment in REAP (Retention, Efficiency, Acquisition and Penetration) measures can provide a four to one return on investment for well-managed programmes.

Rachel Mccalla<sup>19</sup> proposed that through an understanding of the emotional dynamics at play, management could be better

sensitized to the appropriate use of mandatory CRM IS and the social considerations of implementing such systems. Crucially, internal processes can lead to external benefits and it is envisaged that such an approach for evaluating CRM IS may have positive results in terms of customer satisfaction.

Semih Onut and Ibrahim Erdem<sup>21</sup> stated that CRM is a sound business strategy to identify the bank's most profitable customers and prospects and to devote time and attention to expanding account relationships with those customers through individualized marketing, repricing, discretionary decision making and customized service-all delivered through the various sales channels that the bank uses. Under this case study, a campaign management in a bank is conducted using data mining tasks such as dependency analysis, cluster profile analysis, concept description, deviation detection and data visualization. Crucial business decisions with this campaign are made by extracting valid, previously unknown and ultimately comprehensible and actionable knowledge from large databases.

The model developed here answers what the different customer segments are, who are more likely to respond to a given offer, which customers are the bank likely to lose, who is most likely to default on credit cards, what is the risk associated with this loan applicant?

Finally, a cluster profile analysis is used for revealing the distinct characteristics of each cluster and for modeling product propensity which should be implemented in order to increase the sales.

Agrawal<sup>1</sup> explained the concept of CRM on a simple logic of business- it must keep tracking customers, once attracted, then retain them in business portfolio and, profit from their growth. CRM epitomizes a 'marriage of relationship marketing with the emerging information technology'. It recommends that the CRM should be aggressively incorporated in the business education curricula so that the business schools of this part of the world continue to be the source of intellectual output and corporate. 'CRM is the information technology face of the business processes that aim to establish enduring and mutually beneficial relationships with customers in order to drive customer retention, value and profitability up'. The definition underlines the fact that CRM is meant for a common and equal good of the two stakeholders-business and their customers. It calls for capturing pertinent data about the prospective and current customers in respect of their buying pattern, shopping behavior and usage habits of the products and services and to use the information to commence a two-way dialogue with them.

CRM thus represents 'the marriage between the customer orientation and the emerging information technology to produce a memorable relationship experience to the marketers as well as to the customers'.

Jonghyeok Kim<sup>14</sup> explained that the effectiveness of CRM can be measured as a satisfaction level achieved by CRM activities. Although CRM has emerged as a major business strategy for e-commerce, little research has been conducted in evaluating the effectiveness of CRM.

It is difficult to demonstrate tangible returns on the resources expanded to plan, develop, implement and operate CRM. The aim of research is to measure the intangible attributes of these benefits such as value enhancement, effectiveness, innovation and service improvement.

Chi Wah Man et al<sup>6</sup> presented a project management model for customer relationship management projects for the financial service industry. It is suggested that a good communication management can increase the success rate of CRM projects. The other important areas are scope management, quality management, time management and project planning, although their performance is below expectations.

Thomas Kwaku Obeng<sup>25</sup> describes that a better understanding of how to apply CRM and its implementation challenges will lead to better return on CRM investment and a range of significant benefits for public services. It is one of the first steps towards benefiting customers and raising their satisfaction levels. Minimize investment, maximize efficiency gains.

Ali and Alshawi<sup>3</sup> have proposed a cultural dimension framework for the management of CRM systems implementation in the multinational environment. The authors have concluded by proposing an updated framework of cultural dimensions for management of CRM systems within multinational environment organizations.

Kumar and Ramani<sup>16</sup> explained that the managers need to recognize that CRM is an enterprise-wide concept that requires their businesses to identify opportunities to simultaneously enhance customer value while reducing costs, two effects that together create sustainable competitive advantage and result in greater short- and long-term profitability.

To achieve this, managers need to recognize that business's CRM initiatives are an integral part of its overall marketing strategy and not just a separate program. There is also need for culture of doing and learning, especially from mistakes.

In doing so, firms must be acutely aware of emerging capabilities such as their interaction orientation whereby the development of appropriate CRM initiatives is guided by focusing on the individual customer as the unit of analysis for all marketing actions and reactions. On the face of it, our thesis is straightforward: Linking CRM strategy and implementing more tightly with the overall marketing strategy of a business will lead to greater CRM implementation effectiveness.

Sarmad Alshawi<sup>20</sup> said that cultural dimensions are often identified as a crucial influence on the success or failure of information systems in general and customer relationship management systems in particular. Several researchers have suggested ways in which management can accommodate these dimensions or solve the problems they may pose. Building on the resource-based view of the firm, this study identifies the human and technological capabilities required to successfully execute a CRM program.

IBM CRM Management Services<sup>12</sup> stated that today's economy adds bottom-line importance to segmenting, acquiring and retaining the most valuable customers. At the same time, creating, deploying and managing a robust and reliable CRM system in-house can be technologically challenging, time consuming, cost prohibitive and risky. The solution lies in leveraging the innovation and expertise of proven practices and leading-edge management services that already exist in the marketplace. With IBM CRM Management Services, companies in every sector can look forward to faster deployment, improved ROI and one-stop access to a superior CRM system throughout the customer lifecycle and enterprise wise.

Mary Wardley<sup>17</sup> discusses the benefits to organizations of deploying vertical CRM applications. Companies are demanding reductions in operating costs and improvements in the way they do business. Many of these savings can come from improved information systems that support real-time business decision making.

## Results and Discussion

Nine items represent the actual benefits that the industries received in implementing the CRM applications. The items are customer retention rate, increased customer satisfaction, customer perception, sales to existing customer, accuracy of response, reduced service costs, speed of response, reduced selling costs and new customer opportunities.

Table 1 shows the nature of relationship between actual benefits and type of industry.

Chi square test shows that there is high significant impact of type of industry on the organization's actual benefits received through the use of CRM technology applications. There is significant difference between service and manufacturing industries. It is observed that 39.4% service organizations and 13.7% of manufacturing organizations responded with low scores. Again 10.9% of service organizations and 35.9% of manufacturing organizations responded with high scores.

P-value = 0.001 (Significant at 1%).

Table 2 indicates distribution of responses and relationship between actual benefits and job position.

Chi-square Value = 11.196

P-Value = 0.04 (Significant at 5% level)

With the help of Chi square test, it can be observed that there is highly significant difference between technical associates and marketing managers with reference to the actual benefits received through the use of CRM technology applications. The responses of marketing managers are more than the technical associates. It is found that 19.2 % of technical associates and 24.6% of marketing managers are responded

with high scores. It is also observed that 36.0% of technical associates and 18.7% of marketing managers responded with low scores.

P-value = 0.001 (Significant at 1%).

Table 3 shows the mean ranks of factors associated with actual benefits.

**Table 1**  
**Actual Benefits by Type of Industry**

Actual Benefits	Type of Industry		Total
	Service	Manufacturing	
LOW	69 (39.4%)	18 (13.7%)	87 (28.4%)
MEDIUM	87 (49.7%)	66 (50.4%)	153 (50.0%)
HIGH	19 (10.9%)	47 (35.9%)	66 (21.6%)
TOTAL	175 (100%)	131 (100%)	306 (100%)

Chi-square Value = 39.140

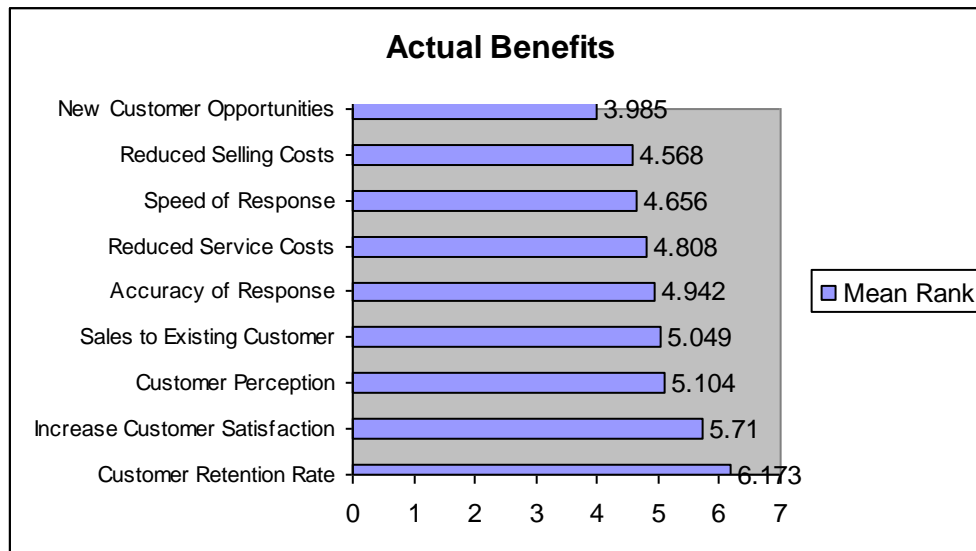
P-Value = 0.001 (Significant at 1% level)

**Table 2**  
**Actual Benefits by Job Position**

Actual Benefits	Job Position		Total
	Technical Associates	Marketing Managers	
LOW	62 (36.0%)	25 (18.7%)	87 (28.4%)
MEDIUM	77 (44.8%)	76 (56.7%)	153 (50.0%)
HIGH	33 (19.2%)	33 (24.6%)	66 (21.6%)
TOTAL	172 (100%)	134 (100%)	306 (100%)

**Table 3**  
**Ranking of Actual Benefits factors**

Factors	Mean
Customer Retention Rate	6.173
Increase Customer Satisfaction	5.710
Customer Perception	5.104
Sales to Existing Customer	5.049
Accuracy of Response	4.942
Reduced Service Costs	4.808
Speed of Response	4.656
Reduced Selling Costs	4.568
New Customer Opportunities	3.985



**Figure 1: Ranking of Actual Benefits factors**

Customer retention rate, increase customer satisfaction and customer perception are the factors noticed by the respondents which influence the organization's actual benefits received through the use of CRM technology. Customer retention rate with the highest mean of 6.173 is identified as most important factor among the actual benefits.

### Conclusion

Through CRM, customers are happier, sales are up, customization, segmentation and costs are down and communication management, targeted marketing, flexibility, customer relations, retention and quick reaction are all better. It is found that CRM adoption in both the service and industrial industries achieves the genuine or actual benefits that were promised prior to implementation.

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