

# FUNDAMENTAL ELEMENTS OF CUSTOMER RELATIONSHIP MANAGEMENT

Camelia-Maria ISMANĂ-ILISAN<sup>1</sup>

**Abstract:** *Current consumers have more information and options than before to gather product information and decide what to buy and where to shop. Thus, consumers can find out about new products via TV, radio, the press and online advertising, social networking sites (Twitter, Facebook, etc.) and can immediately compare prices with online comparators and then shop online from the web, from a catalogue, contact centre, or store. Merchants need to develop their organizational and functional capabilities, as well as to implement the most appropriate tools and techniques to influence the consumer.*

**Key-words:** *loyalty, customer relationship management, consumers, marketing 1.0, 2.0, 3.0, 4.0*

## 1. Introduction

Marketing has been one of the most exciting topics in the business world over the past decades. Practically, marketing concepts have evolved from product focused management (Marketing 1.0, in the words of P. Kotler) to customer focused management (Marketing 2.0), then evolving towards Value-Oriented Management (Marketing 3.0), and we develop Customer Relationship Management (Marketing 4.0). Organizations that will focus on creating customer relationships are the ones that will dominate the market regardless of the field, and for this they need to develop a customer relationship management system.

## 2. Defining the Concept: Customer Relationship Management (CRM)

There are many points of view regarding conceptual clarification of customer relationship management (CRM). Until now, specialists have not opted for a single definition of CRM, which proves that this area is still in a phase of exploration and development. However, an undeniable aspect is the very important role that effective customer relationship management has in sustaining the organization's sustainable development. One of the most relevant arguments that support business and managers' interest in CRM is that a 5% reduction in the number of clients lost by the organization

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<sup>1</sup> Transilvania University of Braşov, cismaana@gmail.com

may result in an increase of 25% to 85% of the organization's profit (Reichheld, Sasser, 1990). This reflects the importance of increasing customer loyalty for the existence and development of the organization, implicitly emphasizing the need to design and implement appropriate customer relationship management strategies.

Customer Relationship Management (CRM) is (<https://ro.wikipedia.org/wiki/>) "a set of strategies, policies and technologies designed to attract, retain and retain customers. In a broad sense, CRM includes the activities of marketing, sales, financial and technical support departments related to customers, potential customers, suppliers and partners."

The CRM involves customizing and individualizing customer relationships, starting from the premise that each one is different, which is increasingly evident in today's reality. Achieving a high performance CRM is not possible without a marketing database to be used as the main tool to move from company orientation to product when the company targets the customer. A powerful database is required for any service provider that aims to achieve customer orientation in the most advanced form. The ultimate goal of this action is given by the fundamental objective of any service provider: "*maximizing profits while satisfying and exceeding consumer / user expectations through quality, service and value*" (Philip Kotler, 2006).

CRM represents the use of some broad categories of marketing, sales, communications, technical assistance and customer service approaches for (Stone, M., Bond, A., Blake, E., 2006)

- identifying individual customers mentioned by a company;
- creating a relationship between the company and its customers that extends into many transactions;
- managing that relationship for the benefit of the clients and the company.

A company could describe customer relationship management as follows: The CRM is how:

- we find you;
- we come to know you;
- we keep in touch with you;
- we try to make sure that you feel what you want in any aspect of our dealings with you;
- you check if you've got what we promised you.

Customer Relationship Management (CRM) is one of the "fashionable" concepts in the new digital economy, but it is by no means an innovation of recent years. Historically speaking, since the appearance of the first customer has been somehow the issue of the relationship between him and those who supplied him with a particular product or service,...(?) incomplete phrase. Consider revising. This relationship has been managed over time in ways that are most different, but with "traditional" methods involving direct contact between sales representatives of a company and customers. Until recently, a long letter, a catalogue sent by mail, a phone call or an elegant restaurant were sufficient to maintain a close relationship with the customer and to achieve loyalty. With the emergence of the Internet things have changed radically. What brought the new digital revolution was the unprecedented enlargement of a company's

customer base, and the almost exponential growth of the issues involved with them. CRM has become a priority for companies that have sought and are looking to gain an edge in the stormy economy today.

The goal of a CRM application is to unify a company's interactions with its customers and capitalize on the information they get about them. A CRM system supports attracting the most profitable customers and generating new opportunities for existing customers. CRM software has two dimensions: (<https://ro.wikipedia.org/wiki/>)

a. Customer facing applications through ongoing customer interaction provide the information needed to establish this strategy.

- a.1. Sales force automation - managing the prospectus list and the assigned success rates;
- a.2. Customer service and support - involves managing customer incidents or problems;
- a.3. Automating marketing - automating activities such as managing email marketing campaigns, managing the content of these campaigns, conducting surveys, distributing promotional materials to sales staff.
- b. Customer intelligence - Quantification of the developed relationship in order to trace a future direction for action for the company.
  - b.1. Obtaining relevant information from the customer
  - b.2. Analysis of the obtained information
  - b.3. Formulating a strategy based on this analysis
  - b.4. Actions based on strategy formulated

Customer Intelligence is a process by which the sales department builds a marketing strategy through ongoing customer research and requirements.

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### **3. Why Customer Relationship Management is Important**

Companies need not only attach importance to improving the relationship with supply chain partners, but also to establishing closer and more sustainable links with end-users.

In the past, the customer was a factor with a lot of indifference for several reasons: whether the suppliers were few (often speaking of monopoly), and the buyers had little choice of choice, whether the other suppliers provided services as weak as the original supplier, or the market was growing so fast that companies were not concerned about full consumer satisfaction. If a company lost hundreds of customers a week and earned another one hundred, its activity was considered satisfactory. This in fact reflects only a good "circulation" of the mass of consumers, the costs involved being much higher than if that company had kept all hundreds of customers without winning any. At present, businesses need to pay more attention to the customer's infidelity index and look for ways to reduce their level of indebtedness. There are four stages to go through (Kotler, Philip, 1997):

- the organization must define and measure the customer retention index;
- the company must identify the causes that lead to the loss of customers and find ways to combat it. There is not much to do with customers moving from the area or withdrawing from business. Instead, there is much to be done for customers who no longer use a firm because of poor quality services or products, excessive prices, etc. It is very useful to create a chart indicating the percentage of lost customers for various reasons;
- the firm must calculate the unrealized profit by losing customers. For a customer, this is equivalent to the value of its duration as it constantly acquires the products or services of that firm, representing the profit that a customer would have made in a certain number of years;
- the firm has to evaluate the costs of reducing the loyalty coefficient. As long as the costs are lower than the unrealized profit, the company can support them.

The need to keep customers becomes essential from the moment when companies realize that attracting a new customer costs the company five times more than keeping one already existing (Stone, M., Bond, A., Blake, E., 2006).

The development of relationships leads to increased customer loyalty, which in turn will result in an increase in the company's profitability. Companies need to prioritize their loyalty to customers, because from the development of relationships there are several advantages (Stone, M., Bond, A., Blake, E., 2006):

- cost reduction - as mentioned, the costs of providing services to an existing customer are lower than those needed to attract a new one.
- improving customer retention and loyalty - Clients stay with the firm for a longer period of time, buy more and more often, example - Increased term value;
- the high profit of the customer, not just because each customer buys more, but because they have low recruitment costs, and there is no need for the company to recruit a lot of customers to maintain a steady sales volume, but also because it is a low cost of sales, as existing customers are usually responsible for the offer;
- reducing production times - one of the features of customer relationship management is customer engagement in new product development. This has the chance to reduce the time it takes for the product to reach the market and once there to improve its attractiveness.
- reducing business risk - promoters or partners help reduce the risk that the organization will lose customers in favour of competitors. Therefore, instead of spending to attract new customers, higher incomes are earned.
- increasing the number of satisfied customers - Another advantage is the greater likelihood that the user's involvement in the development and delivery of a service will increase its level of satisfaction, which in the case of trade organizations also means returning to the future. For some components of the public and non-profit sector, the involvement of beneficiaries is designed to help them leave the system or organization as soon as possible.

Here's what happens if we make the client come back:

First, the sales figure is rising. The customer buys more from us. Secondly, we are strengthening our position on the market. If he buys from us, it means avoiding

competition. Thirdly, we eliminate marketing costs. We do not have to spend so much money to attract the same client. We already have him. And our marketing costs reduce even more, as our customers, being satisfied, will also tell their friends how excited they are to work with us - and, as we know, there is no more effective form of advertising than the word spoken. Fourthly, it keeps us away from price competition, because it is not in the nature of a loyal customer to leave us for a few lions (lei, dollars?). Finally, a satisfied customer enjoys good chances to test our other production lines, products, services, etc. Since I have done good work for him in the past, the probability that he will try a new product is quite high, and that's because he trusts us and what we offer him.

#### **4. Information and Technology in Customer Relationship Management**

Information and technology are the foundation of the whole model. Information should be collected, stored and used in a way that supports strategy, how people work and how customers want access to the organization. Technology should be used to improve the way clients are managed (from data analysis to the point of contact) and authorized (Stone, M., Bond, A., Blake, E., 2006). In implementing a CRM strategy, information technology plays a fundamental role in maximizing profitability through a fine segmentation of the market. We are in the information technology era that involves a close relationship between a firm and its customers due to the emergence of databases, integrated IT systems, data warehouses, Internet facilities, etc. All these technologies determine the increase in the share and profitability of the customers. Information technology assists various data and knowledge management processes, aimed at understanding customer needs, so the most effective CRM strategies can be adopted. In addition, the use of information technology makes it possible to collect the data needed to determine the profitability of the acquisition and maintenance of customers. Research shows that "a 5% increase in customer retention results in an increase in profit in terms of the net present value, between 20-125%" (Reichheld, Sasser, 1990). Although managers know the importance of maintaining customers, few know the impact on profits of close customer relationships. As a consequence, they often do not adopt the most effective strategies to acquire and retain customers.

Due to the beneficial effect of customer retention on profitability, organizations are increasingly turning to information technology to increase customer loyalty. Three steps are needed to improve customer retention: measuring customer retention rate, identifying the causes of customer dissatisfaction, and corrective actions.

Another model that describes the links between employee attitudes, customer retention, loyalty, and profitability is the "service-client-profit" chain developed by the Harvard Business School ([www.MRClearning.com/eMRC-models.html](http://www.MRClearning.com/eMRC-models.html)). Five key elements are highlighted in this model: customers, employees, innovations, financial performance and organization values, as well as the obstacles that interfere with the organization-customer relationship.

Companies need to know what management actions they need to undertake (Ex: Investments in IT sales force training, calling for e-CRM actions at a Web Call Center, etc.) to improve customer satisfaction, retention and loyalty.

A CRM project will involve Sales, Marketing, Technical Assistance, Finance-Accounting Departments, as well as IT specialists from within or outside the organization. In the organizational structure of the firm, some temporary changes will occur, creating a matrix structure specific to project management (Nistor, R., Nistor, C., Capaţină, A., 2003). The team that will participate in the MRC project will actively interact with customers, giving them the support they need.

The basis of a CRM strategy is client-server technology, which can quickly disseminate digital information between the team members participating in the project. IT software supports software that facilitates teamwork as well as various web applications.

## **5. Tools and Techniques for Dialogue and Promotions with Consumers Used in CRM**

The link between CRM and new information technologies is not limited to a simple personalized website but extends to all the functions of the enterprise that are in charge of managing customer data. Software packages and web apps have been created for salespeople, planning promotional campaigns, teleoperators tasked with managing customer issues. Here are some of the CRM tools and techniques for dialogue and promotions with consumers:

### **Custom email**

It is the tool most companies use to communicate with customers. E-mail is the cheapest web solution for an e-CRM strategy; also, it does not involve special technologies; its main disadvantage is that it does not offer the possibility of a dialogue with the client in real time. This e-CRM strategy depends on the accuracy of contact details in the list, and when consumers change their job or their Internet provider, their email addresses are invariably changing; so, it is important for consumers to be actively encouraged (via online forms) to keep company databases updated when they change contact details.

### **Short Message Service (SMS)**

SMS is a text service that is sent from a mobile phone to another mobile phone and so on, although it is less widely used, from the computer to the mobile phone and the digital television access system to mobile phone.

### **Multimedia message (MMS)**

It includes SMS but with pictures and sounds to raise the message quality. With mobile telephony, customers can instantly receive images, short messages, animated sound images, and more text to better present the product / service.

**Forum / discussion group**

A discussion group allows participants to debate topics they are directly interested in, by centralizing their relationships and redistributing them by email. In the case of a CRM strategy, loyal customers of a brand meet electronically in a forum and discuss new products launched by their firm, competitors' offers, etc.

**Twitter**

It is a powerful marketing tool that is used within CRM, its strength exceeds that of websites and blogs, because it is a push medium (push technology brings your story into contact with people, and pull technology brings people in contact with your story). (Kawasaki, Guy, 2012). This means people do not have to go to your blog or on your site to read your messages. Instead, anyone who follows your Twitter account will see your posts when using this service. When the organization uses Twitter to promote its cause, it has to set its own parameters, so only 5% of the company's positions represents a good level of the proposed target for this type of message.

**Facebook**

Facebook, with its community of people outnumbered by most of the countries, is a web solution for CRM. Facebook tends to do more than other social networks and allows people not only to connect with friends or to distribute things but also to connect people with brands or companies. Through business-friendly pages, Facebook allows products or services to be promoted in a friendly manner where people (page fans) choose what brands they like and want to receive updates from. Multilateral companies have a well-defined promotion strategy through Facebook and interact with their daily fans by keeping them up to date with the latest ads or products.

Among the advantages of owning a Facebook page we can list:

- low promotion costs;
- target and true public
- increased visibility for potential customers
- promoting new ads, products or services without additional costs.

The influence of this social network on society and modern trade is indisputable, as recognized by all retail companies, each having social networking accounts and people dedicated to their management.

**6. Conclusions**

Business strategies are geared towards creating a profitable relationship base, a profitable customer base and these strategies will strengthen the position and stability of the organization in the business environment. The focus of a CRM system is on identifying relationships, on the stability of these relationships, on managing the crises that can occur and on the stages of customer relationship with the organization. Customers can find themselves in different stages of their relationship with an organization, which involves differentiated approaches. Mutual trust is a major feature of the client-organization relationship that can reach high development stages.

Consumers will be influenced in their decision by the closest people, so social networks are used by organizations to attract and retain customers by providing real-time information, attractive promotions, and greater proximity to the client as a friend.

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