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# **A Comparative Study of Customer Relationship Management (CRM)**

*How Strategies and Applications Vary Across Industries*

**A Research Thesis Presented in Partial Fulfilment of the Requirements for the  
Degree of Master's in Logistics and Supply Chain Management, at Massey  
University, New Zealand**

**Nanbing (Ivan) Wang**

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## **Abstract**

Over the past decade, there has been an explosion of interest in customer relationship management (CRM) by both academics and executives. However, despite an increasing amount of published material, most of which is practitioner oriented, there remains a lack of agreement about what CRM is, what CRM means to different industries and companies and how CRM strategy should be developed. The purpose of this article is to develop a process-oriented conceptual framework that positions CRM at a strategic level by identifying the key cross-functional processes involved in the development of CRM strategy in retail, manufacturing and service industries.

CRM is increasingly important to firms as they seek to improve their profits through longer-term relationships with customers. In recent years, many have invested heavily in information technology (IT) assets to better manage their interactions with customers before, during and after purchase (Bohling, Bowman, LaValle, Mittal, Narayandas, Ramani, & Varadarajan, R 2006). Yet, measurable returns from IT investment programs rarely arise from a narrow concentration on IT alone, with the most successful programs combining technology with the effective organisation of people and their skills (Bharadwaj, 2000; Piccoli & Ives, 2005). It follows that the greater the knowledge about how firms successfully build and combine their technological and organisational capabilities, the greater will be our understanding of how CRM influences performance.

We have found through the study that CRM is best performed if it is designed to meet the specific needs of each company. And we have also found that for any CRM strategy to be successful it needs the support from the management team, from the top to the bottom, a customer-centric culture has to be incorporated into one's daily operation.

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# **1. Introduction**

## **1.1. Research Context**

Customer Relationship Management (CRM) is not just about customer satisfaction but has moved towards being an integral part of corporate strategies. Only companies that adopt the latest tools and techniques for enhancing customer value through sophisticated CRM systems can sustain in today's competitive environment (Jain & Bagdare, 2010).

CRM has constituted a major change in the organisation and priorities of companies, resulting in a movement away from traditional product-based structures to customer-based models (Ryals & Knox, 2001). The implementation of CRM is becoming particularly important in the modern era as the prevalence and importance of technology continues to increase. It is gradually perceived not just a sub function of marketing or IT but as an integrated business infrastructure that supports or coordinates various functional departments. From a business process perspective, the question of 'will our CRM system be successful?' is not sufficient anymore; instead, companies should ask 'which CRM strategies are more meaningful?' and 'by what means can such CRM strategies influence the organisation's performance?' (Kim, 2012)

## **1.2. Purpose**

The aim of this study is to examine the way that CRM strategies and applications differ across different industries and organisations. This will involve a consideration of:

- How organisations define CRM.
- What strategies are used to implement CRM within the organisations studied.
- What applications CRM is used for.

Through multiple uses of research methods (mainly surveys) the objective is to identify the best practice methodology in CRM strategy application, and based on the findings to make suggestions to how to improve the current CRM application for those organisations.

This study attempts to analyse how CRM strategies and applications differ from one another in different industries and, how the differences can eventually affect organisational performance. In doing so, this report is fundamentally based on research conducted in retail, manufacturing and service industries. Multiple case studies approach will be adopted given it allows powerful and in-depth analysis and understanding to help serve the purpose of the research. Furthermore, the case studies will be not only comprehensive but also comparative, which will involve people from different organisations, with a clear

understanding of the companies' backgrounds in order to determine what role CRM plays in the business in the past, now and is likely to play in the future.

### **1.3. Thesis Structure**

This study will start with the literature review which introduces the concept of CRM, and its implication in different industries. The research project aimed to find out factors affect its implication in various industries. It is likely to achieve the project aims by using multiple case studies, so the following section will cover research method, which is survey from selected representatives from companies in three industries. Analyses will be conducted using data generated from the previous step, either prove assumptions prior to research or suggest different point of view. Based on the analysis, researcher will summarise the key factors that have a major impact on CRM implications in different industries. The study will conclude with recommendations, and direction for future researches.

## **2. Literature Review**

### **2.1 Introduction**

This chapter seeks to introduce many of the concepts that are necessary to understand what customer relationship management is, and how people view the concept differently. The first part of the report also discusses CRM application in retail, manufacturing and services industries, and how each of them value CRM.

### **2.2 CRM Perspectives and Definitions**

Customer relationship management (CRM) is a model or business strategy that has been implemented across many different industries and types of businesses in order to manage the interactions that the company has with clients, customers and prospective sales. The term initially emerged in the mid-1990s, primarily in the information technology community (Payne & Frow, 2005). Fox & Stead (2001) have described CRM as the establishment, development, maintenance and optimisation of long-term mutually beneficial relationships between customers and organisations. They further mentioned that successful CRM focuses on understanding the needs and desires of the customers and placing these needs at the heart of the business by integrating them into the company's strategy and its everyday practices.

The scope of CRM is widely spread, which includes customer satisfaction, service quality, relationship quality, trust, loyalty, commitment, customer retention and many more. The shift from transaction marketing to relationship marketing is not a surprise. Levitt (1986) pointed out that nowadays consumers are interested in the total buying experience not just the core products. Researchers have proved that increased CRM expenditure lead to greater customer satisfaction (Srinivasan & Moorman, 2005). Customer satisfaction is also linked with increased customer loyalty (Bolton, 1998 & Forenelli, 1992), and shareholder value (Anderson & Weitz, 1992). With increased competition in the market, companies have been paying more attention to customer retention and loyalty. Retaining customer is less expensive due to the cost of customer acquisition and perhaps a more sustainable competitive advantage than acquiring new ones (Rosenberg & Czepiel, 1984). Loyal customers tend to be less price-sensitive, purchase more over time and provide free word-of-mouth advertising (Ryals & Knox, 2001). With new technology and growing availability of advanced product features and services, customer expectations are changing almost every day, therefore less willing to trade-off in the product and service quality. Building strong relationships with customers seems to be the most prudent way to keep track of their

changing expectations, adjust ones marketing strategies and influence customers buying behaviors (Sheth & Sisodia, 1995).

There has been a great deal of confusion about what constitutes CRM. According to an interview with executives from different companies, there were a wide range of views about what CRM means. To some of them, it was about direct mail, a loyalty card, or a customer database, whereas others envisioned it as a help desk or a call centre. Some said that CRM meant populating a data warehouse; others considered it an e-commerce solution, such as the use of a personalisation engine on the Internet. Lacking of a widely accepted and appropriate definition can contribute to the failure of a CRM project when an organisation views CRM from a limited perspective or undertakes CRM on a fragmented basis (Payne & Frow, 2005).

According to Payne & Frow (2005), CRM can be defined from at least three perspectives: narrowly and tactically as a particular technology solution, wide-ranging technology, and customer centric (refer to Figure 2.1).

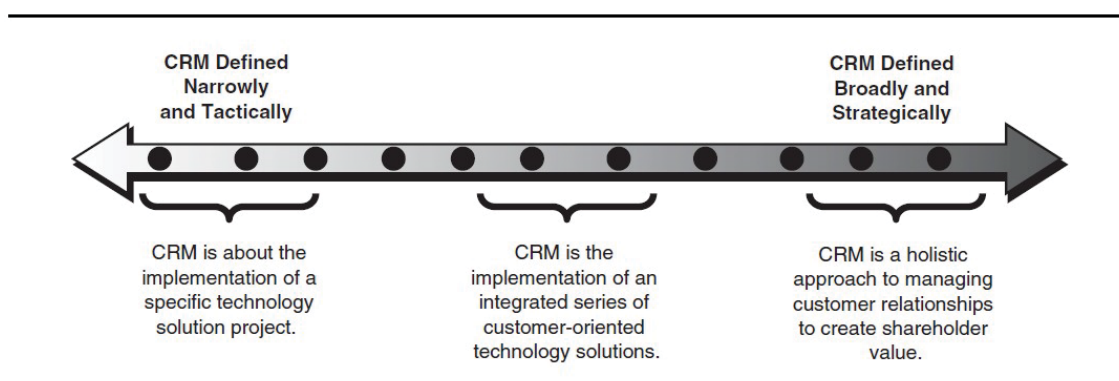


Figure 2.1: The CRM Continuum (Payne & Frow, 2005)

How CRM is defined is not just semantic, its definition significantly affects the way an entire organisation accepts and practices CRM. It is not simply an IT solution that is used to acquire and grow a customer base; it is a mixture of strategic vision; a corporate understanding of the nature of customer value in a fast changing environment; the utilisation of the appropriate information management and CRM applications; and high-quality operations, fulfilment, and service. Thus, CRM should be positioned in the broad strategic context of Perspective 3 (Payne & Frow, 2005).

Swift (2000) argued that organisations will benefit from adopting a relevant strategic CRM definition for their firm and ensuring its consistent use throughout their organisation. Thus, a definition of CRM which correctly reflect Perspective 3 will be:

*'CRM is a strategic approach that is concerned with creating improved shareholder value through the development of appropriate relationships with key customers and customer segments. CRM unites the potential of relationship marketing strategies and IT to create*

*profitable, long-term relationships with customers and other key stakeholders. CRM provides enhanced opportunities to use data and information to both understand customers and co-create value with them. This requires a cross-functional integration of processes, people, operations, and marketing capabilities that is enabled through information, technology, and applications' (Payne & Frow, 2005).*

CRM represents a strategy of creating value for both the firm and its customers through the appropriate use of technology, data and customer knowledge (Payne and Frow 2005). It brings together people, technology and organisational capabilities to ensure connectivity in between (Coltmana, Devinney, & Midgley, 2010).

Researchers proved that CRM connects to a firms performance based on three capabilities. The first is IT technology and infrastructure capabilities, representing the availability, quality and depth of customer data. The second one is human analytic based capabilities comprising the diverse skills, experiences and expertise of employees to interpret and use the information effectively. And the last one being the business architecture and structural capabilities, that embody action in the form of incentives and controls for employee behaviour that supports CRM (Coltmana, et.al., 2010).

### **2.2.1 I.T. Infrastructure**

Rapid advances in information technology provide firms with a wide range of solutions designed to support CRM, for example SAP's CRM suite and Teradata's Enterprise Data Warehouse. The key I.T. components are the front office applications that support sales, marketing and service, a data warehouse that supports collection, and back office applications that help integrate and analyse the data (Greenberg, 2001). Business value is unlikely to exist in the technology alone unless to draw information from all customer touch points, including websites, telesales, service departments, direct sales and partners, also firms that have incomplete customer data run the risk of alienating, rather than satisfying customers (Boulding, Staelin, Ehret, & Johnston, 2005), as a consequence, experience lower profitability (Ryals, 2005).

I.T. alone is unlikely to be a source of direct competitive advantage (Carr, 2003 & 2004; Weill & Vitale, 2002). Brynjolfsson & Hitt (1996) argue that the business value from I.T. is only generated when the IT is absorbed within the firm, as part of a company's value chain. Ray, Muhanna, & Barney (2005) also mentioned that performance improvements derive not from I.T. expenditure alone but when firms use embedded I.T. to support customer service processes. Therefore, it is valid to conclude that only I.T. systems become embedded in the firm's business architecture and human skills that lead to structural complexity, which is difficult for competitors to imitate, thereby enhancing the firm's potential for sustainable competitive advantage (Dierickx & Cool, 1989).

### **2.2.2 Human Analytics**

After the customer data is generated from the IT system, it needs to be interpreted correctly within the context of the business, in order to help the decision-making process. Skills and know-how that employees possess in converting data to useful knowledge is as important as the data generating process (Coltmana, et. al., 2010).

This human ability enables companies to manage the technical and business risks associated with their investment in CRM programs (Bharadwaj, 2000). Although it may be possible for competitors to develop similar skills, it takes considerable time for these capabilities to mature (Lado & Wilson, 1994).

Humans with analytical skills to convert data into wisdom can create competitive advantages that enhance firm performance. In the context of customer relationships, such knowledge may include the experience and skills of employees, the models they develop to analyse data, procedures and policies they derive to manage these relationships (Coltmana, et. al., 2010).

### **2.2.3 Business Architecture**

Even with the most sophisticated CRM systems, and complex human skills and experience, it will have little impact on the business unless action is taken. Many firms have similar basic technology and skills. However, few will possess the organisational architecture of control systems and incentive policies required to fully utilise these resources (Barney & Mackey, 2005). This ability to exploit investment in CRM is in an overall business architecture that supports action before, during, and after implementation. It not only ensures that customer data is effectively generated, but also is used within the organisation to create competitive advantage (Coltmana, et. al., 2010).

Well-developed information technology, human analytics and business architecture capabilities in isolation are not sufficient to generate competitive advantages. It is only to the extent that the firm can leverage their interrelationships and produce a combination that is superior to that of their competitors (Wade & Hulland, 2004),

Firms see CRM as part of a revenue-generating strategy, a cost-reduction strategy, or some combination of the two (Payne and Frow 2005). According to Iriana and Buttle (2006), there are three possible approaches to CRM: (1) a top down strategy to support relationship building through individualised offers; (2) automation of customer-facing processes for cost saving purpose; and (3) a bottom up approach that focuses on the analysis of data for better targeting. They label these three approaches: strategic, operational and analytic CRM. It is common that firms pursue some combination of strategic, operational and analytic CRM to achieve their goals. Such combinations which are reliant on different capabilities may also

be difficult to imitate, and thus serve as a source of competitive advantage (Coltmana, et. al., 2010).

Strategic CRM places greater emphasis on customer value through relationship building in order to enhance revenues while operational CRM serves more like a cost reduction strategy. Although analytic CRM can enhance revenues, it gives the firm a cost advantage, because its main point of emphasis is on replacing a mass approach to marketing with more targeted. Increasing revenues while lowering costs will increase firm profitability and make sure the company sustain in the long run (Coltmana, et. al., 2010).

With the market economy nowadays, none of the advantage, based on product, price, place and promotion is lasting and quickly loses its significance. CRM replaces the traditional marketing model and introduces the relation with the client as the most important factor for the stability of any trade business, as every business that neglects the customers fails. From this standpoint we should perceive CRM as a systematic approach, which is manifested as a CRM in all points of contact, in order to increase the value of the relationships (Stojanov, 2009). This leads to the following hypotheses: Companies with CRM systems in place maintain better relationships with their customers.

## **2.3 CRM in Retail Industries**

Retailers face intense pressures from various sources, which include increased competition, declining customer, and constant pricing and discounting pressures. The digital revolution helped the shift from a marketing push to consumer pull, while simultaneously propelling an increase in marketing complexity because of multiple media. Retailers need to react quickly to create relevance and trust with customers, meanwhile develop, implement and integrate more advanced technology and analytic and strategic approaches to maximize marketing R.O.I. (Merkle Inc., 2011).

Who's running the store? The customer, of course, Sam Walton said: "we have only one boss who is called customer. He can easily fire us by buying from our competitors." The trend of increasing competition and decreasing customer loyalty has pushed the retailers from a product orientation to a customer orientation and that defines their market strategy from the outside-in and not from the inside-out. The focus is on customer needs rather than on product features (Ozgener & Iraz, 2006). In today's hypercompetitive retail environment, great service is what keeps customers loyal, and plays a more important role than the core product. Strong relationship means strong profit and sustainable growth (Dargah & Golrokhsari, 2012).

Organisation's success depends on the quantity and quality of its customers. It means if an organisation has more customers (quantity) and the customers buy more products (quality), the business is more successful than its competitors (Dargah & Golrokhsari, 2012).

Customer relationship management (CRM) plays a crucial role in the retail business because of globalisation, increasing competition, market saturation and rapid advances in technology. The implementation and application of a CRM system may represent the difference between success and failure for retailers (Dargah & Golrokhsari, 2012).

The aim of CRM is to understand the profitability and to retain the profitable customers. Therefore, many firms need to be able to determine the value of their customers in order to retain or even cultivate the potential profit of customers (Hawkes, 2000). Generally the customer is looking to buy more products with less money, and retailer is looking for selling fewer with more money, the objective of CRM is to balance these two very different approaches to satisfy both of them. CRM is about managing a customer-company relationship so that customers elect to continue mutually beneficial commercial exchanges (Bergeron, 2002).

Over the past decade, retailers have been able to collect enormous amounts of information at the customer level measuring customer purchases habit, marketing activities, and customer attitudes. For example, Tesco, who is using a Loyalty Card as its marketing strategy (Humby & Hunt, 2003).

Figure 2.2 outlines how CRM can be used in retailing. Retailers are taught to target a specific market segment having similar wants and needs, understand this segment, create a brand concept that will fit in, and use the concept to create a unique shopping experience for their customers (Grewal, Levy, & Kumar, 2009).

From the left side, the collective set of interactions between the retailer and the firm communicates the brand concept to shoppers, thereby associating it with the store (Calder & Malthouse, 2005).

CRM enables the firm to take this process further by identifying smaller groups of customers with similar needs, which are customer segments or sub segments (Batra, 1999; Humby & Hunt, 2003; Reutterer, Mild, Natter, & Taudes, 2006; Calder & Malthouse, 2005). As illustrated in the middle part of figure 2. Once sub-segments have been identified, the retailer can understand their needs and then create customized products that will more closely meet the needs of each subgroup. It is crucial that the sub group is consistent with the overarching brand concept (Verhoef, P. C., Venkatesan, R., McAlister, L., Malthouse, E. C., Krafft, M., & Ganesan, S., 2010).

The right side of the figure shows that the process of sub-segmenting customers can be extended to individual customers, which is also known as one-to-one marketing. Based on the analysis of a specific customer, retailers can create a personalised offer so that



profitability/lifetime value of each customer is optimized (Ansari & Mela, 2003; Montgomery & Smith, 2009).



Figure 2.2: Business Models around Customers in Retailing (Verhoef, et al., 2010)

Retailers are constantly trying to improve their performance outcomes related to revenues, market share, innovation, customer value, and long-term competitive advantage. To highlight these issues, figure 2.3 offers a broad-based conceptual model (Verhoef, et al., 2010).

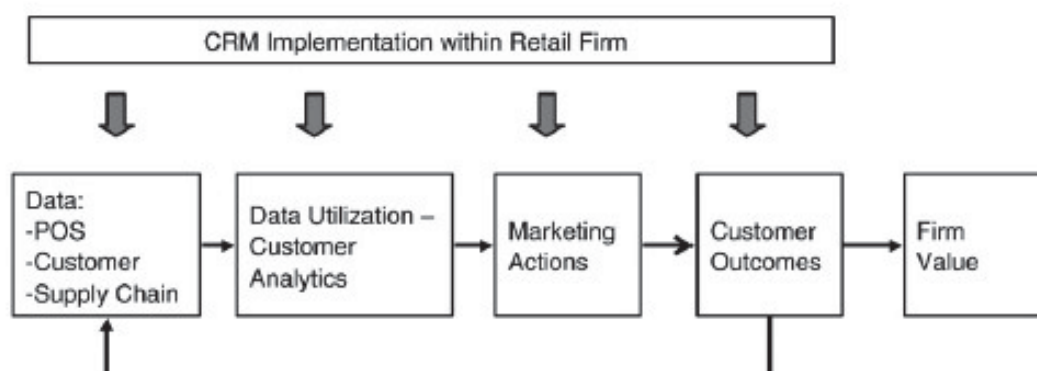


Figure 2.3: Conceptual Model (Verhoef, et al., 2010)

The starting point of this conceptual model is based on the fact that the current retail environment is characterized by overwhelming amounts of data at both individual customer level and at the store level (Blattberg, Glazer, & Little, 1994; Bucklin & Gupta, 2002). Given the diversity of data sources, integration is a key challenge for the retailer. Once data is collected and integrated, the next step is to make better decisions and improve performance based on the data analysis (Davenport & Harris, 2007; Jayachandran, Sharma, Kaufman, & Raman, 2005). Retailers then need to assess the impact of their marketing actions by measuring specific outcomes, such as market share and customer lifetime value (Petersen, McAlister, Reibstein, Winer, Kumar, & Atkinson, 2009), which are assumed to eventually affect firm value in the long run (Gupta, Lehmann, & Stuart, 2005). The issue of

CRM within retail firms arises before the data collection and resource allocation and can affect the whole process (Reinartz, Krafft, & Hoyer, 2004).

### 2.3.1 Customer - Centric Retail CRM Strategy

Figure 2.4 shows a customer-centric retail CRM strategy, which includes three key tiers. It combines retail CRM strategy, analytical marketing tactics and a marketing technology infrastructure to improve return on marketing investment. Integrating these elements helps retailers to address the key challenges faced today. Again, similar as the conceptual model in figure 2.3, it starts with the foundational technology infrastructure to identify the customer, integrate the data, which can be analyzed to uncover key insights. Based on the quality of the data, marketing programs can be designed to positively change customer behaviours. To close the cycle, the system needs to be updated constantly. This basis of technology-enabled analytics is the foundation to building retail CRM strategies to inform not only the marketing function, but also drive insights to store operations, merchandising and customer service applications and touch points (Merkle Inc., 2011).

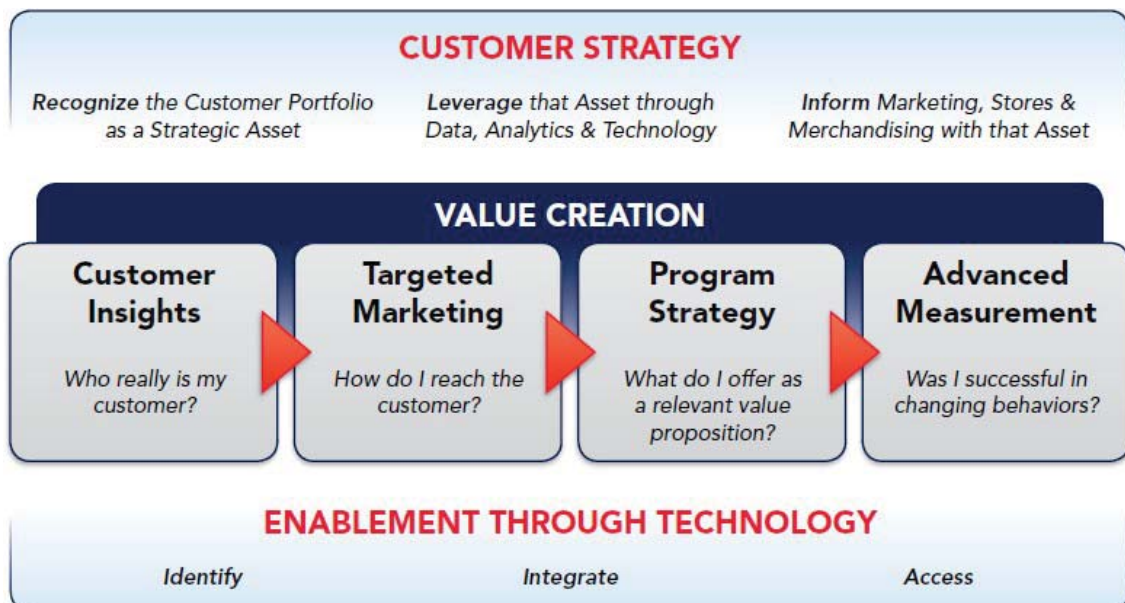


Figure 2.4: Creating Retail Value with CRM (Merkle Inc., 2011)

### 2.3.2 CRM and Customer Satisfaction

Retailers are adopting customer relationship management systems to increase sales and profitability, but many of them don't have the customer-centric focus that today's market requires. In their rush to make the next sale, many retailers have lost touch with the first

step to successful CRM, which is, understanding what customers really want from retailers and what the true drivers of customer satisfaction are (Chu, 2002).

According to a recent study that was performed by Chu, 2002 Institute for Business Value, they found that a disconnection between CRM investments and benefits, which might result from a lack of focus on improving customer satisfaction as one of the key objectives of CRM. Indeed, many retailers tend to leave customer satisfaction measurements and focus solely on maximizing the next transaction and reducing their costs (Chu, 2002).

- *Inside the mind of a consumer: what drives satisfaction?*

In a survey of 10 U.S. based retailers, the top-performing retailers had a substantially higher proportion of “highly satisfied” customers with 35 percent for top performers, compared with only 28 percent for the lower performing stores (Chu, 2002).

To understand what drives overall customer satisfaction, a survey was conducted with two separate series of questions. One series focused on the task-oriented, fact-driven, left side of the customer’s mind, which connected to quality, service, cleanliness and value. The other set of questions focused on the experiential, sensory, right side of the brain, which linked to trust and perception. Leading retailers use both the key satisfaction drivers and relationship elements effectively to provide customers with the optimum total experience (Chu, 2002).

In terms of price, over half the survey respondents indicated that price is not the main reason they shop at a particular retailer and only 13 percent claim to be highly motivated by price. Retailers who focus solely on price-based promotional messages may be missing out on an opportunity to develop a different kind of relationship with their customers (Chu, 2002).

Retailers should provide their customers the right amount of information about new products and offers at the right time. Marketing and communications strategies should be not only relevant to target customers, but also in a way that does not encroach on their time, privacy or comfort. And when customers come to the store to take advantage of promotions, retailers should be well-prepared to deliver (Chu, 2002).

From what has been discussed, we can propose that the main CRM strategies in the retail industry focus on increasing customer satisfaction and enhancing their total buying experience. Also CRM can be used in conjunction with other marketing strategies and tactics for better targeting and marketing segmentation.

## **2.4 CRM in Manufacturing Industries**

### **2.4.1 Industrial Manufacturers**

Industrial manufacturers typically experienced single-digit revenue growth through the 1990s, but growth has slowed dramatically recently, from machinery and tools to electronics and automation, to general manufacturing and construction, have been experiencing a significant slowdown. There are several critical market challenges:

- Industry consolidation.
- Globalisation and growing trend of outsourcing.
- Downward shift in service from idle equipment and plants.
- Higher customer service expectations.
- Pressure on cost cutting (Oracle Corporation, 2006).

During these times of economic uncertainty with declining new product revenues, decreasing service revenues from decreased equipment utilization, and increasing customer service expectations, companies have been extending the use of plant and equipment by extending their service life, thus making after sale service a clear revenue opportunity for industrial manufacturers. Meanwhile industrial manufacturers are continuing their strategic shift to a product-centric view focused on innovation and cost-cutting tactics, as well as to a service-centric view focused on customer service and loyalty. Companies are turning to CRM as a platform for improving customer relationships to meet these increasing expectations and to derive increased customer value over the lifetime of the relationship (Oracle Corporation, 2006).

Smart manufacturers are creating new business models to capture profits at the customer's end of the value chain. Many manufacturing sectors now have revenue from downstream service activities that represent 10 to 30 times the annual dollar volume of the underlying product sales. This revenue opportunity was created from the ever-expanding installed base as the life of products continued to increase (Oracle Corporation, 2006).

Service for manufacturers not only represents an opportunity for revenue growth, but also a source for expanded profit margins. Service businesses within a manufacturer generate nearly 40 to 50 percent of the company's profits, yet only 25 percent of its revenue. Given the eroding margins on products from increased competition, the profit-to-revenue ratio in services is 2.6 times higher than in the traditional products business (Oracle Corporation, 2006).

Manufacturers that are transitioning from a product-based to a service-based provider are directing their attentions on redefining the value chain, delivering superior service and support offerings. Rather than being focused solely on operational excellence, companies are also expanding their focus on customer allegiance. They realized that there is a profit advantage with increasing customer loyalty from a lower cost structure in serving, higher margins associated with service, and a steady revenue stream, which is counter-cyclical (Oracle Corporation, 2006).

More and more industrial manufacturing companies have implemented or are evaluating CRM technology as a platform for delivering world-class capabilities in marketing, sales, service, and distributor management to create a competitive advantage (Oracle Corporation, 2006).

- *Improve Sales, Effectiveness and Collaboration*

Most industrial manufacturers have a small number of large companies that they serve directly; growth is highly dependent on selling more products to the same customers and multiple products are sold to the same customer at the same time. Traditionally these sales processes and product information were managed independently; communications in between might break. CRM was introduced to address these challenges, by delivering a unified view of customer and product information, CRM enables a manufacturer's sales teams to collaborate and coordinate with each other. In addition, CRM allowing the sales team to conduct a needs analysis, recommend appropriate solutions, and accurately configure quotes and orders, which improve the efficiency and effectiveness (Oracle Corporation, 2006).

The nature of the product offerings can be very complicated that are either build-to-order or engineer-to-order. These product offerings may have hundreds of options, thus create an even more complex and extended sales cycle. Given the complexity, it takes weeks to configure a solution and quote, with a high probability of inaccurate pricing and product configurations, leading to order errors, returns, and dissatisfied customers (Oracle Corporation, 2006).

CRM ensures complex orders and quotes are accurate, complete, and valid. It is used internally to improve productivity and accuracy or externally to help guide online buyers through product selection and customization to suit each customer's needs (Oracle Corporation, 2006).

- *Enable Sales and Service Collaboration with Dealers and Distributors*

It is estimated that 70 to 80 percent of a manufacturer's revenue is driven through the distributor and dealer channel. On top of that, the chance of a distributor recommends a specific brand is very high, and the end customer accepts that recommendation more than

90 percent of the time. Manufacturers are leveraging partner relationship management to ensure collaboration with their distributors across sales, service, and marketing activities for timely, consistent, and higher quality customer service (Oracle Corporation, 2006).

CRM provides manufacturers a highly effective medium for communicating with their distributors. It also ensures that distributors have the necessary information and skills to provide high-quality, consistent service to their joint customers (Oracle Corporation, 2006).

- *Seize the Aftermarket Services Revenue Opportunity*

Industrial manufacturers now recognize the tremendous revenue and profit potential in aftermarket parts and services. To capitalize on this opportunity, CRM is used as a platform to deliver superior customer service. CRM provides the manufacturer a closed-loop service delivery process that encompasses service and sales bundling, contract management, entitlement verification, preventive maintenance, skills-based service request routing, solutions knowledgebase management, and product defect management. Beyond providing an integrated set of best-practice business processes, CRM also delivers a unified view of customer and product information, so they can interact with customers across multiple channels (Oracle Corporation, 2006).

- *Increase Marketing Campaign Effectiveness for New Business Development*

Manufacturers are always finding new opportunities or market sectors, while trying to take customers away from its competitors'. To get more value from its current customers, companies are looking to deliver cross-selling and up-selling campaigns; they are turning to CRM to effectively manage the campaign execution. Companies can also optimize the returns with tracking and follow-up and efficient routing of opportunities, as they are handed off from marketing to the sales force or distributor network (Oracle Corporation, 2006).

#### **2.4.2 Fast Moving Consumer Goods (FMCG)**

CRM is about retaining customers, increasing customer lifetime value, maximizing new business opportunities, and sustaining profitability; it is commonly recognized as an effective tool in B2B marketing. This also applies to the fast moving consumer goods (FMCG) industry, where B2B CRM is defined as managing relationships with channel partners and distributors, and helping them reach out to the end consumers (Cetateanu, Kwok, & Zhong, 2003).

It is argued that consumers are too many and too scattered in the FMCG industry; there are a wide variety of products for the customers to choose from in the same category. For FMCG companies, companies have relied heavily on building brand strength, which are one

of the most important assets for an FMCG company and also their most effective marketing tool (Cetateanu, et. al., 2003).

However, over the past decade, B2C CRM as a concept has become popular within the FMCG industry. Relationship building is a slow process, especially in the FMCG market where the consumers are highly heterogeneous. The ultimate goal of consumer-end CRM is to provide a platform to consumers to get closer to the company and encouraging them to offer solutions, feedback and suggestions. There have been an increasing number of consumer level CRM programs used by many FMCG companies, especially industry giants such as P&G, Pepsi, Nestle and Unilever. Examples include national-level call centers to address consumer complaints; regular reports that is generated by the system to keep the management aware of routine and evolving consumer concerns, with management reviews undertaken routinely; targeted catalogues and newsletters; consumer panels for every brand in the portfolio to test a hypothesis based on feedback, and focus group discussions in order to validate a hypothesis or to supplement the findings of a syndicated research; and internet as a fast, economic but effective way for consumer research and customer interaction (Cetateanu, et. al., 2003).

- *Why has B2C CRM become popular with FMCG companies?*

FMCG manufacturers have been characterized by economic slowdown, increased competition, fragmented retail structure, extreme consumer price sensitivity, and low product differentiation. The main trends in the following section explain why many FMCG manufacturers are now interested in exploring B2C CRM:

- Growing dominance of retail industry.

In most industries, a few large retailers continue to swallow up the selling area and increase market share. The near-monopoly held by the larger retail chains has shifted the power from manufacturer to retailers, pressing the manufacturers' margins (Cetateanu, et. al., 2003).

- Falling brand recognition versus increasing price consciousness.

The success of large discount chains in introducing private labels has resulted in a drop in brand recognition, customer loyalty and an increase in price consciousness, for example the \$1 milk at Coles in Australia gave the milk manufacturer and farmers a hard time.

It is difficult to differentiate between products in a market characterized by a strong predatory pricing policy and intense price war. Therefore some companies try to provide services to improve customer relations and thus make the total product harder to emulate



by competitors, for example the free home delivery service offered by Nestle China for bulk order of distilled water (Cetateanu, et. al., 2003).

- Emerging of new sales channels.

Online sales have become more and more popular in today's FMCG industry. The Internet has raised customer expectations. The challenge for manufacturers striving for success on e-markets lies in strengthening brand awareness and customer relations (Cetateanu, et. al., 2003).

- Decreasing efficiency of traditional advertising and marketing initiatives.

Companies use various marketing campaigns and advertisements to improve market presence and raise brand awareness. Today, big branded companies invest upwards of 10% of their revenues in marketing, competing globally with mature brands in saturated markets has posed daunting challenges. There is a constant decline in efficiency of the traditional marketing due to diversified media channels. On the one hand, customers are overwhelmed by different marketing information. On the other hand, the costs of traditional advertising have risen (Cetateanu, et. al, 2003).

- Need for marketing accountability.

Decreasing profit margins requires companies to cut costs, and review the mass advertising and promotional campaigns in place. There is an urgent need for highly targeted, measurable solutions to maintain the customer-end relationship as a strategic response (Cetateanu, et. al., 2003).

There have been increased CRM efforts directed at high-value consumers with the objective of increasing brand values and sales, which has been evidenced by the increasing weight of direct marketing (loyalty cards, direct mailing, internet) programs compared to mass advertising (TV) (Cetateanu, et. al., 2003).

According to the 80/20 rule, customers differ in profitability, a small group of high-value consumers accounts for a majority of sales and profits at brand, category, sector and company levels for FMCG. However, traditional media advertising insufficiently communicates with these high value consumers, because it reaches all consumers equally irrespective of value. It does a good job in building brand advantages, but not in bonding the consumer to the brand thus failing to capitalize a large financial opportunity. Therefore, CRM is used to build the relationship with the high value customers and measure the values accordingly (Cetateanu, et. al., 2003).

Brand equity is about the customer's subjective and intangible assessment of the brand, which is shaped by the firm's marketing strategy and tactics, and is influenced by the customer through life experiences and associations with the brand. Customer retention



equity is the tendency of the customer to stick with a particular brand, it focuses on establish, build, and maintain the relationship between the customer and the firm (Cetateanu, et. al., 2003)

Mass advertising has traditionally been an effective tool for building brand equity while CRM to build retention equity, it takes the efforts of both marketing strategies and the CRM policies to keep the customers coming back to a particular brand. Using CRM tools can strengthen the brand loyalty of the right customers, since the one-to-one CRM approach is not realistic here, it is recommended to reach the most profitable customers. Increasing brand loyalty through good customer relations is the best way of competing against the strong brands of the multi-million dollar chains (Cetateanu, et. al., 2003).

From what have been discussed, we propose that CRM is used in the industrial manufacturing not only for cost cutting and product innovation purposes, but also for relationships maintaining with distributors and retailers, where customers are typically large companies, CRM has been used to increase after sale services and extend product offerings so more products can be sold to the same customers.

CRM is used as a strategy to build customer loyalty in FMCG for the following reasons. First of all, the homogeneity of FMCG product natural renders the consumer price-sensitive and promotion-sensitive. Secondly, FMCG marketers have to rely on powerful retailers to get in touch with customers. Therefore, the attitudinal loyalty derived by FMCG marketers will be crucial to cultivate consumer loyalty in the highly competitive retail level. Also the low need for consumer service in most FMCGs makes the intrinsic need of relationship between FMCG brands and consumers weak (Cetateanu, et. al., 2003).

According to Cigliano, Georgiadis, Pleassance, & Whalley (2000) there are some other non-economic factors that CRM can bring to the brand. First, CRM can strengthen the brand's value proposition. Second, CRM can be used to learn more about customers, which can also turn into valuable market intelligence for any new product/market development. Finally, word of mouth is another significant non-monetary benefit where influential customers can bring to the brand (Cetateanu, et. al., 2003).

## **2.5 CRM in Service Industries**

Customer care and customer satisfaction may different meanings nowadays. Globalisation and increased competition has created a battle amongst different companies in upholding customer loyalty. Organisations are now having more of a customer-centric approach rather than product-centric approach. This shift has changed companies' marketing strategies and how they manage their relationship with the customers; this customer-centric approach is what we may call customer relationship management (Gronroos, 1997).

There are a lot of arguments among different authors about why banks should use CRM. The studies have showed that long-term customer relationship is necessary for banks to update with continuous changes both inside and outside. In today's financial market, the aim of banking marketing strategy is not only to find the best customers, but also to build the long-term relationships with them and to optimise customer satisfaction. The use of CRM as a coordination and development tool emphasizes the interrelationship with the customer in order to achieve a growth in the market share and ultimately the financial profit (Simo & Bregasi, 2013).

Technology, commoditisation, deregulation and globalisation forever changed the face of banking (Joyner, 2002). Today, customers are looking for various benefits from a bank; better service, lower transaction fees, better interest rates, a sign of prestige, and fast and easy products access from different channels. All force the banks to look for new ways to satisfy their customers before the competitor does. They have understood the need to utilise the new technologies to gain competitive advantage by exploiting their customer base, brand value and costly infrastructure investments in order to increase profits. CRM is used to analyze the customer profiles, to detect their needs, potential profitability areas and establish the necessary actions to achieve customer satisfaction, competitive advantage and thus the profitability. From the customer's points of view, the competition brings them more choices and increases their bargaining power (Pokharel, 2011).

### **2.5.1 CRM for Competitive Advantage**

Competition is at the core of the success or failure of any firm. According to Porter (1985), competitive strategy is the search for a favorable competitive position in an industry, the fundamental arena in which competition occurs. Competitive strategy aims to establish a profitable and sustainable position in an industry (Pokharel, 2011).

There are various strategies that can be adopted, in this study, Porter's "Generic Strategy Framework" and Tracy & Wieserma's "Value Disciplines Model" will be discussed, which will be helpful to understand and evaluate strategies adapted by the banking industry (Pokharel, 2011).

According to Porter's Generic Strategic Framework "Competitive advantage grows fundamentally out the value a firm is able to create for its buyers that exceeds the firm's cost of creating it. Value is what customers willing to pay and superior value stems from offering lower prices than competitors for equivalent benefits of providing unique benefits that more than offset a higher price" (Porter, 1985, P.3).

The theory consists of three main strategies: cost leadership, differentiation and focus, which are shown in figure 2.5. While cost leadership and differentiation strategies address a

whole industry, focus strategies address a specific or a small portion of customers within an industry (Pokharel, 2011).

Competitive Scope	Broad Target	1. Cost leadership	2. Differentiation
	Narrow Target	3a. Cost Focus	3b. Differentiation Focus

Figure 2.5: Three Generic Strategies of the Generic Strategies Framework  
(Source: Porter, 1985, Competitive Advantage, p. 12)

- Cost Leadership

This strategy requires a bank to serve at the lowest cost compared with others in the industry. Economies of scale, unique technology that is not available to competitors, using cost effective channels are some of the ways for being able to use the strategy. Cost leadership strategy requires a firm to be a cost leader, not one of the several firms vying this position. A broad target cost leadership strategy itself is not a good strategy in the banking industry, as it decreases the profit margins extensively which will soon be followed by other banks. That's why there is no significant difference in general interest rates, loan rates, transaction fees in a stable economy (Pokharel, 2011).

- Differentiation

The aim of the strategy is to be unique in the industry and customers value this uniqueness. There are a lot of areas of differentiation, which can be product service, marketing, sales, brand image and delivery. In banking sector, differentiation can be achieved through a single or a combination of these dimensions. While brand differentiation and product differentiation would be applicable for broad targeting service, marketing and delivery differentiation strategies would be suitable for narrow targeting. A broad target service differentiation is not for banks they are looking for profitability. That is why many banks use customer segmentation to service its customers rather than given the same service to all customers (Pokharel, 2011).

- Focus Strategy

The focus strategy concentrates on a particular dimension, such as buyer groups, geographic areas or product/market segments. By selecting a particular group, company attempts to tailor its strategy to service the needs of its segment better than the competitors. A focus strategy can be either differentiation or cost advantage. Today customers look for

personalisation from banks and banks highly use focus differentiation strategies to satisfy customers. Banks use "cost focus strategy" mostly for profitable customers in order to retain them (Pokharel, 2011).

For banks, broad target differentiation strategies are likely to attract new potential customer, while focus strategies are likely to retain existing profitable customers and allocate the bank's resources more effectively. Brand, image of the bank is important to differentiate themselves from the rest of banks and attract potential customers. Launching innovative products is another way of attracting potential customers. Porter (1985) thinks that banking sector is entering an era of strategic positioning. To succeed, companies have to deliver something unique. He stated that "the worst thing you can do is compete with your rival on the same things. If you do, the competition almost always becomes a destructive arms race. Strategy, is striving to be unique, which required choices" (Pokharel, 2011).

Porter insists the successful firms can only compete with one generic strategy, in isolation of other generic strategies. Many researchers can't agree with this viewpoint, the successful firms tend to compete with multiple strategies. Contingent strategies are important for their survival (Pokharel, 2011).

The other critical view for porter's monolithic strategy states that in a fragmented industry like banking, where there are many players in different sizes, it is difficult to be successful with only one generic strategy. A sustainable competitive advantage can be gained with a blend of different strategies; however a powerful focus differentiation strategy cannot be neglected. Products and price can be easily copied, but service is more difficult to imitate than a product (Payne, 2006).

Today, building a competitive advantage is based on how well a bank serves its customer. CRM is a differentiation strategy that banks can use to acquire, grow and retain customer relationships, with the ultimate goal of generating sustainable competitive advantage.

Porter's focus on industry structure is a powerful means of analyzing competitive advantage in itself, but it has been criticized for being too static in an increasingly fast changing competitive world. For a deeper understanding, Michael Treacy and Fred Wieserma's Value Disciplines Model has been examined. This model is another important strategic framework for market positioning which has the following three positioning strategies:

- Operational excellence
- Product leadership
- Customer intimacy (Pokharel, 2011)

CRM can be strategically embedded particularly in two of the three value disciplines (1) Operational Excellence, and (2) Customer Intimacy. With customer intimacy, it shows that

companies are able to generate profit from establishing closer, more co-operative customer relationships. With operational excellence, firms aim to have economical, efficient processes which result delivering better values to customers at low prices and service convenience (Treacy & Wiersema, 1996).

Firms applying customer intimacy focus on knowing the customer and building close relationships with these customers. CRM is often solely related to the customer intimacy value discipline. If CRM is embedded in a customer intimacy strategy, then CRM will be relationship-oriented. Firms embedding CRM in an operational excellence strategy focus on cost- reductions and raising the quality of the customer interaction process through process improvements (Pokharel, 2011).

In conclusion, firms in the service industry use CRM to improve its customer satisfaction rate. As products/services offered by different companies are close substitutes to each other, personalisation and differentiation is what a company wants to achieve with its CRM strategy.

### **3. Design and Research Method**

#### **3.1 Introduction**

The case study approach is often used to contribute to the level of knowledge in many fields including, sociology, psychology, business and community planning. It is a method of investigation that allows researchers to determine meaningful factors of events that occur within businesses and industries in real life (Yin, 1984).

Case study research helps us to understand a complex issue or object and can extend experience or add value to what is already known through previous research. Case studies provide detailed analysis of a number of events or conditions and how each of them related to each other. Researchers have used case study for many years across different fields. Social science, in particular, has made wide use of this qualitative research method to examine complex real-life situations and provide the basis for the application of ideas and extension of methods (Soy, 1997).

Critics of the case study method believe that the study of a limited number of cases cannot offer enough grounds for establishing reliability or generality of findings. Others argue that biases can mislead the findings. Some dismiss case study research is useful only as an exploratory tool. Yet researchers continue to use the case study research method with success in carefully planned and crafted studies of real-life situation (Soy, 1997).

Many well-known case study researchers such as Robert E. Stake, Helen Simons, and Robert K. Yin have written about case study research and techniques for conducting a successful research. Based on their work, this report proposes five steps that should be used:

- Determine and define the research questions
- Select the cases and choose research method
- Data collection
- Data analysis
- Write the report

For this study, multiple case studies approach will be adopted given it allow more powerful and in-depth analysis and understanding to help serve the purpose of the research. Furthermore, case studies will be not only comprehensive but also comparative to one another. This means that the same approaches and techniques will be used as much as possible for each business that is examined.

One of the most important aspects of this study will be determining the companies to use. In order to have a good mix, selected companies are from different industries, and potentially have different approaches to CRM.

The case study approach will include questionnaires in different organisations. Examining the history of the organisations and determining what role CRM has been playing in the past, nowadays, and the projected role in the future will also be discussed.

### **3.2 Determine and Define the Research Questions**

The first step is to establish a research focus to which the researcher can refer over the course of study of a complex situation. The researcher establishes the focus of the study by forming questions about the issue to be studied and determining a purpose. The research object can be a program, an entity, a person, or a group of people. The researcher investigates the object of the case study in depth with a variety of data gathering methods to produce evidence that leads to understanding of the case and answers the research questions (Soy, 1997).

Case study research generally answers one or more questions beginning with "how" and/or "why." The questions are targeted to a limited number of events or conditions and their inter-relationships. To assist in targeting and formulating the questions, researchers will start with a literature review, which establishes what research has been previously studied and leads to refined, insightful questions about the issue. The literature review, definition of the purpose of the case study, and early determination of the potential audience for the final report guide how the study will be designed, conducted, and written (Soy, 1997).

In general, companies can be broadly categorised into one of these three groups: retail industry, manufacturing industry and service industry. In this case, the researcher is primarily interested in determining what CRM mean to each of these three groups, and how they apply CRM in their strategies. The researcher begins with a review of the literature to determine what prior studies have determined about this issue and use the literature to define the following questions for the study of CRM application in different industries:

- What is CRM?
- Why do companies use CRM?
- How different organisations apply CRM in their broad strategies in each of the three industries?
- Do the organisation participants believe CRM serves a useful purpose in furthering their mission and producing positive returns? How?
- How can the organisation further utilise CRM tools in the future?

### **3.3 Select the Cases and Choose Research Method**

During the design phase, the researcher determines what approaches to use in selecting single or multiple cases to examine in depth and which instruments and data gathering approaches to adopt. When using multiple cases, each case shall be treated as a single case. Each case's conclusions can then be used as information contributing to the whole study (Soy, 1997).

The researcher must determine whether to study cases which are unique or cases which are considered typical and may also select cases to represent a variety of geographic regions, size parameters, or any other parameters. A useful step in the selection process is to repeatedly refer back to the purpose of the study in order to focus on where to look at and evidence that will satisfy the purpose and answer the research questions posed. Selecting multiple or single cases is a key element, and the researcher must use the designated data gathering tools systematically when collecting the evidence. Throughout the design phase, researchers must ensure that the study is well constructed to ensure validity and reliability (Soy, 1997).

### **3.3.1 Multiple Case Studies versus Single Case Study**

Management studies and theories still rely heavily upon the case study as a form of data collection and even an interpretation tool. Observation, experiments, surveys and interviews, and secondary information have the advantage of producing sets of independent and dependent variables suitable for quantitative analysis. The case study is best suited to considering the how and why questions, or when the investigator has little control over events. Case studies usually follow one of two types of research methodology: they may be based upon the use of multiple sources of evidence or they may be based upon review of multiple case studies (Schell, 1992).

Most case studies use at least two sources of data. Multiple investigators and sites may be involved in the collection of interview, observation and administrative documents and performing structured surveys. Even single period case studies may cover a protracted period; cases may be studied over a prolonged period or written at a single point and pursued at future points in time by follow-up case studies (Schell, 1992). Yin (1984) describes cases with a single source of information as holistic cases, and multiple sources of information as embedded cases. He points that embedded cases may be mistakenly classified as holistic cases if a single source has identifiable sub-units, a holistic case design would logically only be used when it is impossible to identify sub-units, and when the relevant theory underlying the case study itself is of a holistic nature.

A single case may form the basis of research on typical, critical or deviant cases, while multiple cases may be used to achieve replication of a single type of incident in different settings, or for comparison purpose. Multiple case studies are especially helpful if topics are too complex or involve too many factors. Single case studies are analogous to single experiments, and as such are justified using the same arguments as the single experiment. The first rationale for the single case is that it represents the critical case in testing a well formulated theory; the second may be that a single case may represent an extreme or unique case, worth documenting and analysing; the third rationale is the revelatory case which exists when a phenomenon not previously accessible to scientific investigation is revealed (Schell, 1992).

For this study, multiple cases will be used to minimise bias and mistakes, this will be done through selecting different companies from different industries. Multiple case studies will



help to gain valuable and deep insights into companies and also help with doing the comparison among companies and how each of them were doing then and how they are now.

### **3.3.2 Sample**

The researcher determines that three industries will be studied and further sets the study boundaries to include only a couple of organisations represented on that one industry. Surveys will be sent to companies based in New Zealand and Australia, but for the purpose of this report, geographic differences will not be taken into consideration.

## **3.4 Data Collection**

Because case study research requires exploring a large amount of data from multiple sources, systematic organisation of the data is important to prevent the researcher from becoming overwhelmed or losing sight of the original research purpose. The researcher must collect and store multiple sources of evidence comprehensively and systematically, in formats that can be referenced and sorted so that converging lines of inquiry and patterns can be uncovered. Good investigators review documents looking for facts, but also read between the lines and pursue collaborative evidence elsewhere when that seems appropriate. Investigators need to understand the purpose of the study and grasp the issues and must be open to contrary findings (Soy, 1997).

The researcher prepares to collect data by first contacting each organisation to be studied to gain their cooperation, explain the purpose of the study, and assemble key contact information. Since data to be collected and examined may include organisational documents, the researcher states his intent to request certain information, and plans for storage, classification, and retrieval of these data. The researcher then emailed surveys to the targeted companies with a requested return date. Once the surveys are returned, the researcher summarised the information so that it can be used independently as well as integrated when the case study progresses to the point of cross-case examination of data (Soy, 1997).

## **3.5 Data Analysis**

The researcher examines raw data using many interpretations in order to find linkages between the research object and the outcomes with reference to the original research questions. Throughout the evaluation and analysis process, it is important that the

researcher remains open to new opportunities and insights. The case study method, with its use of multiple data collection methods and analysis techniques, provides researchers with opportunities to triangulate data in order to strengthen the research findings and conclusions (Soy, 1997).

The tactics used in analysis force researchers to move beyond initial impressions to improve the likelihood of accurate and reliable findings. Exemplary case studies will deliberately sort the data in many different ways to expose or create new insights and will deliberately look for conflicting data to disconfirm the analysis. Researchers categorize, tabulate, and recombine data to address the initial propositions or purpose of the study, and conduct cross-checks of facts and discrepancies in accounts (Soy, 1997).

Specific techniques include placing information into arrays, creating matrices of categories, creating flow charts or other displays, and tabulating frequency of events. Researchers use the quantitative data that has been collected to corroborate and support the qualitative data which is most useful for understanding the rationale or theory underlying relationships (Soy, 1997).

Another technique, the cross-case search for patterns, keeps investigators from reaching premature conclusions by requiring that investigators look at the data in many different ways. Cross-case analysis divides the data by type across all cases investigated. One researcher then examines the data of that type thoroughly. When a pattern from one data type is corroborated by the evidence from another, the finding is stronger. When evidence conflicts, deeper probing of the differences is necessary to identify the cause or source of conflict. In all cases, the researcher treats the evidence fairly to produce analytic conclusions answering the original "how" and "why" research questions (Soy, 1997).

### **3.6 Write the Report**

Exemplary case studies report the data in a way that transforms a complex issue into one that can be understood, allowing the reader to question and examine the study and reach an understanding independent of the researcher. The goal of the written report is to portray a complex problem in a way that conveys a vicarious experience to the reader. Researchers pay particular attention to displaying sufficient evidence to gain the reader's confidence that all avenues have been explored, clearly communicating the boundaries of the case, and giving special attention to conflicting propositions (Soy, 1997).

### **3.7 Summary**

The outline of the report includes thanking all of the participants, stating the problem, listing the research questions, describing the methods used to conduct the research,

explaining the data gathering and analysis techniques used, and concluding with the answers to the questions and suggestions for further research. A report also includes confirming and conflicting findings from literature reviews. Report conclusions make assertions and suggestions for further research activity, so that another researcher may apply these techniques to another electronic community network and its participants to determine whether similar findings are identifiable in other communities.

## **4. Analysis and Findings**

### **4.1 Introduction**

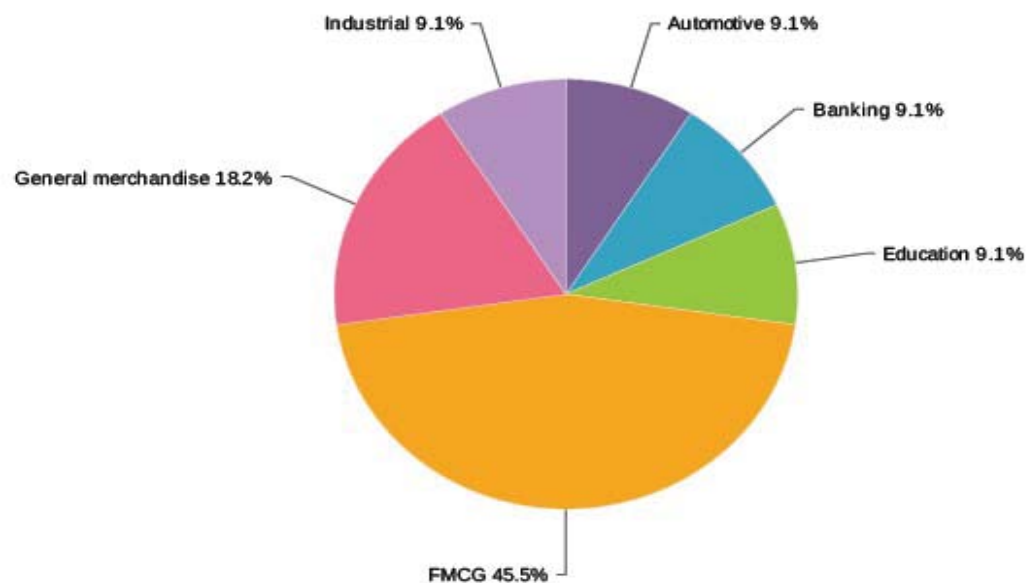
This chapter will bring in the presentation of the findings and analysis derived from the online survey to make reasonable conclusions regarding CRM application in different industries, which will either support or be against the hypothesis from previous part. A total of 26 responses were received from the targeted 30 potential respondents, which constitutes an 87% response rate for the survey. Out of the 26 respondents, 46% have completed all of the questions that were required to be answered and 54% have either exited the survey half way or have not attempted to answer some of the questions. The responses gathered from the online survey have been analysed using the embedded tool from SurveyGizmo software. This chapter focuses on presenting the gathered data in a meaningful way in order to facilitate further discussion.

This chapter at the outset provides the background to the respondents by analysing information like the industry, experience, and their role at the company. The survey findings will be outlined in the first section as well. The second section deals with the analysis and discussion of data from the survey questionnaire (both closed and open-ended questions). Tables and diagrams have been used to facilitate a simplistic reader-friendly writing. The next section lists important factors in setting up a successful CRM system in different industries. Finally, the summary of this chapter is provided.

### **4.2 Findings**

#### **4.2.1 Companies and Respondents Background**

41.7% of survey respondents are from the service industry, 33.3% are retailers and 25% are either manufacturer or industrial. The primary industry section their companies operates in are shown as below in Graph 4.1



Graph 4.1 Distribution of Industry

91.7% of the companies have been operating for more than 20 years, whereas the remaining 8.3% have been in the industry between 5 and 10 years as shown in Graph 4.2.

0-5 years	0.0%		0
5-10 years	8.3%		1
10-20 years	0.0%		0
more than 20 years	91.7%		11
Total			12

Graph 4.2 Years of Operation

25% of the respondents are working in supply chain and logistics, 25% are from customer services, less than 1% works in sales, and the remaining respondents include business unit heads, department heads or strategic development.

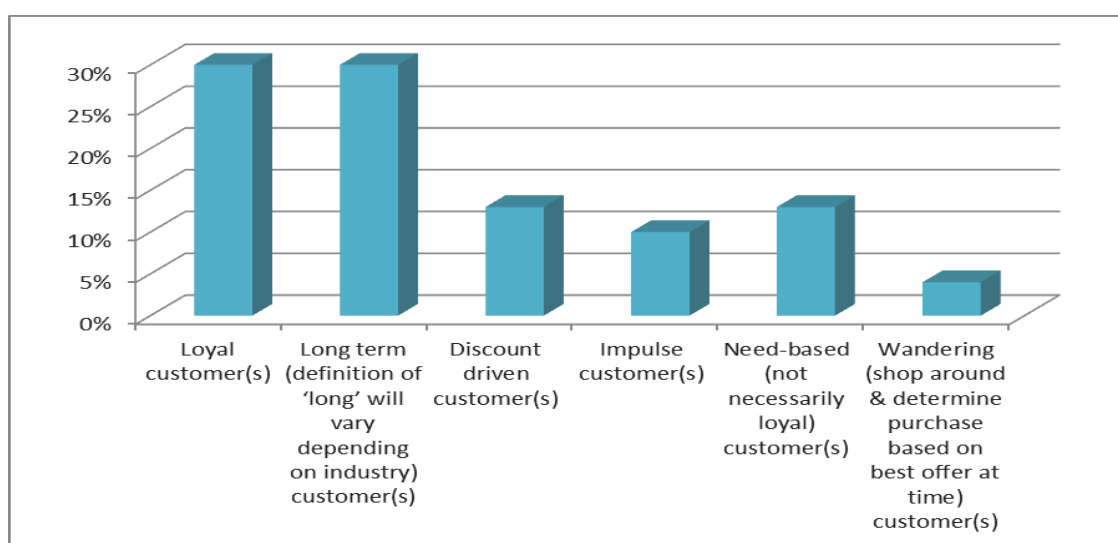
#### 4.2.2 Customer Base

More than 85% of service based company customers fall into the loyal customers or long term customer's category, and only 15% thought their customers were need-based.

In the manufacturing industry, the figure in the loyal customer/long term customer only represented 37.5%, and the number in other categories such as discount driven, impulse customers, need-based, and wandering customers were equally distributed.

In the retail industry, all respondents marked three or more categories of their customers, and these results covered all five categories, include loyal customers, long term customer, discount driven customer, impulse customer and need-based customers. Among the categories, each of the companies had their loyal customers and/or long term customers, and some customers from other categories which were more random purchases.

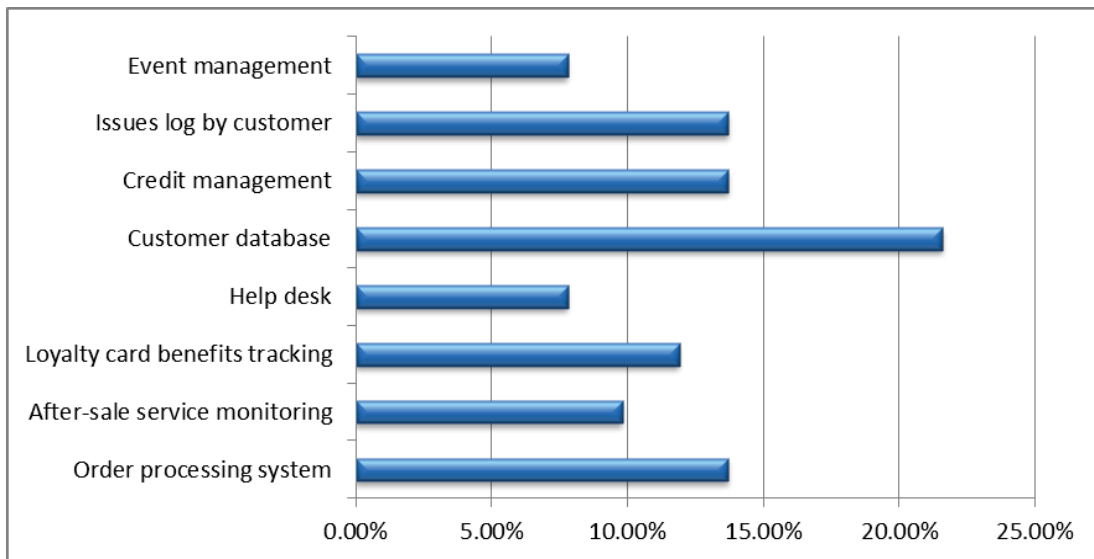
Overall results shows loyal customers and long term customers represented the majority totalling 60% in the customer categories regardless of the business as shown in Graph 4.3.



Graph 4.3 Customer Categories

#### 4.2.3 Understanding of CRM and the System

All of the respondents have heard of CRM, and showed some understanding to the terminology. However in the manufacturing industry, respondents showed broader knowledge in terms of what CRM could achieve for their companies. From ordering to after sale services, loyalty card to help desk, database to issues log, credit to events management. Compared with in the service industry, people tend to link CRM to customer database or credit management only. Retailers showed moderate understanding of how much CRM could do, which includes order processing, after sale service, loyalty card, help desk, as well as customer database. Graph 4.4 shows respondents' understanding of the usage of CRM in the daily business operation.

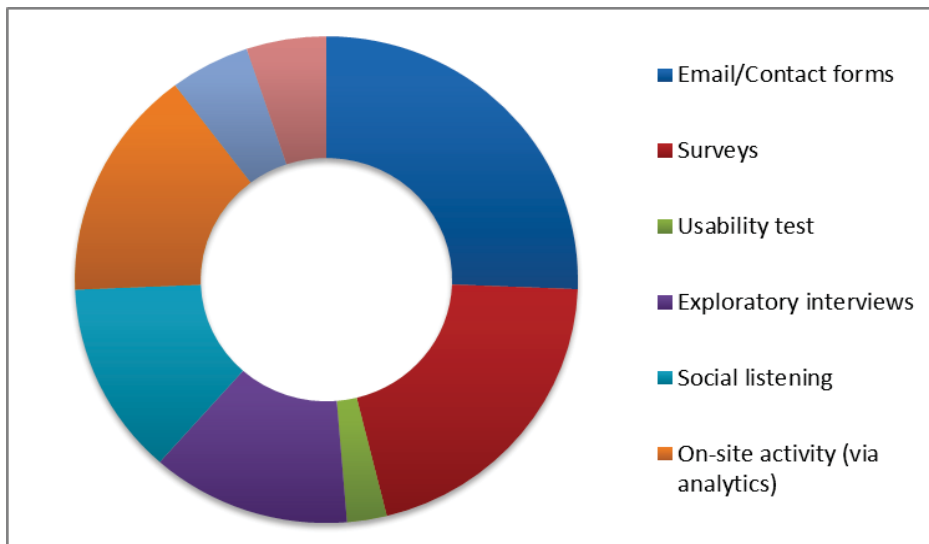


Graph 4.4 Usage of CRM

75% of targeted companies had their CRM systems in place; the most popular one was SAP CRM, followed by Microsoft. While there are the remaining 25% of companies do not use CRM system at all.

#### 4.2.4 Customer Feedback

In regards to seeking customer feedback, email/contact forms ranked the number one most popular method, and the rest can be found in Graph 4.5.



Graph 4.5 Methods of Seeking Feedback

While 63.6% of respondents said the companies regularly asked for customer feedback, only 27.3% had continuous customer interactions, while 9.1% rarely seek feedback from their customers, as shown in Graph 4.6.

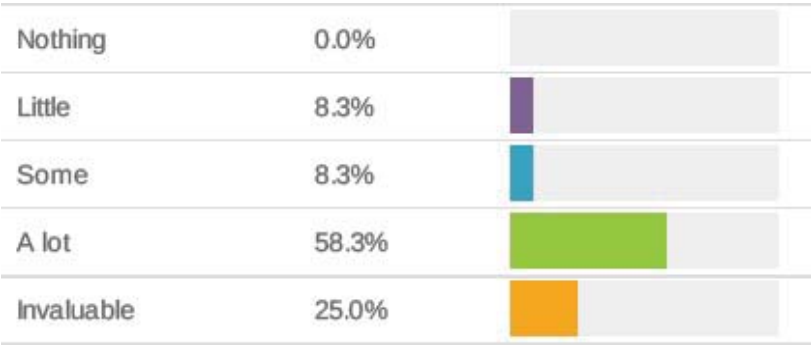


Graph 4.6 Frequency of Customer Feedback

#### 4.2.5 Importance of CRM

Among the selected industries, retailers showed a mixture of interest to CRM. Some of retailers considered CRM as a value creation or addition tool, but some saw little value being created by CRM. In the service industry, all respondents recognised at least some value created or added by using CRM, they considered CRM as a useful tool but not a critical one, and it was about knowing what the customers think. The importance of CRM distributed unevenly between 5 and 10. Manufacturers ranked CRM of very high importance between an average of 7 and 8. Manufacturers recognised CRM as a core business function, and it was crucial to have a good understanding of the customers, and a good system to enable capture of customer information that enabling efficiency and effectiveness.

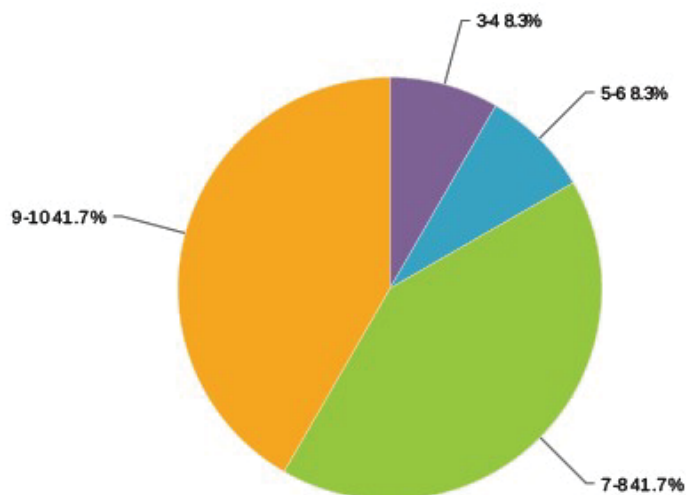
Overall, 58.3% of all the respondents see a lot of value created by CRM, while 25% of respondents think CRM is invaluable. Graph 4.7 shows the percentage in the various importance categories.



Graph 4.7 Importance of CRM



In terms of how much the company values CRM from the respondents' eyes, Graph 4.8 shows different opinions on a range from 1 as little value to 10 as enormous (with the vast majority recording 7-8 or 9-10).



Graph 4.8 CRM Value to the Company

#### 4.2.6 Role of CRM

In the service industry, 60% of respondents ranked enabling personalisation as the most important role of CRM, while 40% of respondents considered CRM as an important tool to monitor satisfaction rate. The second most important role of CRM includes using for sales promotion or building brand recognition. Providing another marketing avenue and tracking repeat purchasing rate listed the next most important role. Another role of CRM also includes tracking pricing by customers.

The importance of CRM covers a lot of areas for manufacturers, and each of them had different view of what is more important and what is less important. The roles of CRM include: records innovation; supporting relationship management with distributors; technology support; monitoring alerts for repairs and maintenance; tracking repeat purchasing; brand extension; and, tracking costs and pricing by customers.

The majority of retailers indicated that they use CRM primarily as a tool for improving targeting and segmentation, while some retailers use CRM for personalisation purposes. Another use of CRM is recording customer buying experience, as well as creating opportunities for further promotion of products. Other roles include product differentiation and after sale service.

### 4.3 Analysis and Discussion

CRM technology is an instrument of intelligent company management in the field of customers relationship, taking into consideration the personal preferences and characteristics. First indications are that CRM is a technologically supported resource, allowing the company to increase the profitability of the time invested in sales activities. However, this does not mean that the technology is at the end of everything; people, the related processes and the qualitative information are also playing an important role. The understanding about CRM as a technology must be bound with the formation of an organisational strategy for successful and effective sales. Companies should perceive their customers as the most valuable asset, where the relations with them should be managed and maintained well, and the attraction or return of one lost client is, from an economic point of view, considerably more unfavourable than preserving the existing clients. From this aspect, CRM is a process directed to identification of key clients, creation of knowledge and establishing relations with the customers and modelling of the relations for better perception of business. This places the customers in the focus of all activities in the company and defines CRM as “numerous activities in the whole organisation, directed to guaranteeing of profitability” (Stojanov, 2009).

In practice, companies are often adopting one or more of the following strategies:

1. Attraction of new clients – which is related to extreme expenses of resources. This approach is related to the defining of the customers target group, the suitable complex of influences that motivate the purchase and a communication strategy to get customers attention (Stojanov, 2009).
2. Preserving the present customers, focusing on the customers that are important for the company or have a potential for development. The attention here is focused on customer satisfaction, as it is well known that unhappy customers spread information about their dissatisfaction to more people, compared to the situation when they are satisfied. Additional importance is assigned to customer loyalty, which may be classed in different stages: the cross sales; and, the purchase frequency (Stojanov, 2009).
3. The reactivation is a process of repeated attraction of past customers, which may turn out to be an extremely risky approach. The main considerations are connected with the necessity for active interference and the creation of a complex set of favourable circumstances (Stojanov, 2009).

60% of customers from our targeted survey companies are recognised as loyalty customers or long term customers, which are strategies 2 and 3. Interestingly, with 75% of our

targeted companies that have CRM systems in place, claimed the majority of their customers are long-term or loyal customers, with the remaining 25% of targeted companies that don't have a CRM system in place claiming their customers are more one-off or 'wandering' customers. Attracting new customers can be extremely costly taking into consideration of the marketing research cost, advertising expenses, and other costs such as promotional activity costs. Loyal customers also appear more willing to try new products from the existing company because they have belief in their products.

While the majority of our targeted companies often seek customer feedback in some way, and they recognise a lot of value added by CRM; there are companies who rarely or never seek customer feedback at all, as they see little value added by CRM. In this instance the respondent understands the capability of CRM, but doesn't think the company gathers data effectively to gain an insight of their customers.

Also found was, that companies currently having a CRM system in place tend to have a better and broader understanding of the benefits from CRM. They recognised more use of CRM in different areas, and had seen it as more than a customer database but rather an integrated system that connected the whole operations in the company. It is fair to conclude from the survey results that, CRM plays an important role in terms of keeping old customers for repeat purchasing, and companies with a CRM system maintained a better relationship with their customers compared with those who do not have any CRM in place.

In previous sections, we have discussed strategies in three different industries and how they are different from each other. For retailers, CRM is used for targeting and marketing segmentation; also CRM is a tool for improving customer satisfaction and the total buying experience. Feedback from the survey respondents further reinforced these theories by ranking better targeting and segmentation as the most important strategy for CRM, followed by personalisation and further promotion purposes.

In the manufacturing industry, CRM is mainly used for innovation purposes, as well as maintaining relationships with distributors, cost cutting, and after sale service. The survey results match these theories. Product innovation was ranked the top CRM strategy, followed by repairs and maintenance, relationships with distributors, and repeat purchasing or brand extension.

For the service industry, CRM improves the satisfaction rate, enables personalisation, and helps differentiate ones products from the other companies. Survey results showed personalisation has the priority in CRM strategies, other strategies used also include satisfaction rate, brand recognition and promotion.

From these findings we can conclude that CRM strategies are slightly different in each industry, and companies are setting these strategies based on priorities they put on different areas. However there are also common areas regardless which industry a company is in, for example, personalisation (in the manufacturing industry it is more with product innovation, but the ultimate goal is to differentiate one from the rest). CRM is also commonly used for the purpose of supporting marketing strategies; enabling targeting and

segmentation for retailers, or brand recognition and promotion in the service industry or brand extensions for manufacturers.

A fundamental difference between manufacturing, retail and service industries is the degree of tangible and intangible elements. That is, in the manufacturing and retail industries the tangible elements of the product dominates whereas for service industries intangible elements dominate. The product mix of tangible and intangible qualities, affects how it is evaluated by customers. A product with predominantly intangible qualities is more difficult for buyers to evaluate than a tangible product; this issue needs careful consideration when companies are deciding how to sell the products to their customers. With tangible products marketers often try to differentiate their product from their competitors by attaching intangible qualities which add value to the product. With intangible services, marketers often try to cannibalise elements of their service so buyers can evaluate it more easily, for example they may aim to convey professionalism through uniforms, consistent use of a logo, and membership of professional society (Rushton & Carson, 1985). The degree of tangibility and intangibility will affect suppliers' offerings and buyers' requirements that will subsequently affect how to manage the interrelationships. No matter which industry the company is in, the development and management of relationships is important as it enhances the quality of product and/or service delivery (Hakansson, 1982; Ennew & Binks, 1996). Building effective and successful relationships helps improving customer satisfaction, loyalty and retention and thus to improved performance (Reicheld & Sasser, 1990, Rust & Zahorik, 1993).

#### **4.3.1 How to set up an Improved CRM in the Retail Industry**

CRM data captured in retail is mostly driven by discount programs, where consumers have a key tag with a barcode on it. Upon checking out, the customer gets a discount and the CRM system tracks their transactional history to create a shopper profile. This is a well-known practice and it is available in many forms. While this is a common practice, it is really a discount program and not a loyalty program, and discounting by itself does not promote loyalty (Carlsson, Unknown).

Retailers are facing a unique set of challenges nowadays, which include:

- How to identify and know the shopper through a 360° view.
- How to drive incremental store traffic and demand through effective marketing.
- How to increase customer loyalty by better management of the relationship (Merkle Inc., 2011).

While online stores - with Amazon being a good example – can engage consumers with a wealth of information about past purchases and preferences, a traditional in-store retailer does not have this option. Shop assistants have to treat every customer like an entirely new opportunity. Staff members can only help customers with the information the customer is willing to share. If the customer has questions about an item or specific size being in stock, its availability at another store, staff member has to leave the customer to find the information. That is, if this information is even available to the staff. In the typical retail

loyalty program, a customer has a discount or loyalty card and presents it at checkout to get his or her savings. Information from the discount card purchases is generally used to create customer profiles and an analysis of shopping patterns to optimize inventory. But accessing customer data, once the purchasing decision has already been made, is too late. The information is most valuable when the customer is in the store, making purchasing decisions, guided by staff with instant access to preferences, sizes and a profile based on past purchases (Carlsson, Unknown).

Social media applications are creating new channels in which retailers can engage customers. While often used, social media is still treated as a separate marketing channel. Shopping at a retailer, having an online account on the company's website and being a fan on Facebook are some examples. The main challenge for retailers today is to create a unified customer experience across all channels of retail regardless of how the customer chooses to interact with the retailer, as it is the customer who controls where, when, what and how. CRM should be used to create customers' total buying experiences by aligning all channels to avoid customer confusion, and making purchases easier (Carlsson, Unknown).

#### ✧ *Technology Enablement*

To establish a successful CRM strategy, it all starts with an integrated technology platform to facilitate customer management across media and all channels. A complete retail marketing technology platform essentially enables the following three core functions:

- **Identification:** an identification process to link transactions to individuals.
- **Integration:** a data integration process that leverages offline and online information to bring disparate data sources together and manage the 360° view of the customer.
- **Access:** system and user access points and applications (Merkle Inc., 2011).

Going forward, to drive world-class CRM and facilitate the value creation process, the technology platform needs to transform into a true marketing enabler as opposed to what is often a constraint to growth and progress (Merkle Inc., 2011). With the help of advanced CRM systems, companies can better target their customers which generally results in improved customer satisfaction.

#### ✧ *Value Creation Process*

The value creation process is the maximization of customer value over time. To achieve this, retailers must have access to advanced analytics to leverage the data about the customer shopping experience to properly apply the analytic outcomes. The combination will gain a competitive advantage to achieve business goals through development of specific customer-centric programs. It begins with analyses to help understand the dynamics of the customer lifecycle, to determine which customers are creating the most value to the company, and identify the key behavioral characteristics of high-value consumers. Retailers should create analytically informed targeting solutions based on predictive models to help identify customers with a high propensity to exhibit these high-value desired behaviors. These

consumers are then targeted for integrated, multi-media communications designed to increase their long-term value (Merkle Inc., 2011).

#### ✧ *Retail Customer Strategy*

This framework focuses on optimizing the customer lifecycle, marketing spend and campaign performance to drive long-term customer value. The primary premise is that the customer portfolio, the combination of existing and potential customers, is a retailer's most strategic asset. Competitive advantage that drives shareholder value will be created by those organisations that can most effectively understand, track, engage, measure and influence consumers at the individual level over time (Merkle Inc., 2011).

In order to leverage the customer portfolio and ultimately to benefit from it, retailers must first start by understanding key business challenges, long-term goals and pain points. Then, benchmark those current practices and existing capabilities to industry best practices using retail-specific CRM roadmaps. Based on the outcomes, identify high-priority initiatives that will most improve customer value (Merkle Inc., 2011).

The following areas are key considerations for any retailer seeking improvement from CRM strategies:

*Before retailers begin to address more-advanced CRM capabilities, they should consider whether they have adequately addressed retail basics.* Retailers should examine the person-to-person and store experience that they currently provide to see where they may be falling short of customer expectations, and identify areas for improvement. Furthermore, ongoing associate training and evaluation need to be key parts of a retailer's customer strategy. Put in a simple way, if a retailer's physical store is not an enjoyable place for customers to shop - from interactions with store employees to their ability to navigate the aisles and find the products they want, CRM initiatives in other areas may be immaterial (Chu, 2002).

*Marketing and communications should be aligned to every aspect of a business to support strategies fully that focuses on increasing customer satisfaction.* Providing promotional offers that are valuable to customers and increase customer profitability separates strong retailers from their less-profitable peers. Achieving favorable results from promotions depends largely on how well-integrated marketing and communications initiatives are with the overall customer experience. Good promotions should not begin and end with price, but should consider what will solidify the customer relationship (Chu, 2002).

*Data integration and analytics should be seen as a supporting tool for a well-designed CRM approach, instead of as the primary goal for CRM initiatives.* Creating a holistic and comprehensive view of customer data is becoming increasingly important to enhance both online and in-store experiences. The first question that retailers need to ask themselves is, "what is the knowledge I would like to derive from this data, and how will I act upon it?" In the end, the insights gleaned from analytics should enhance the overall customer experience in specific, well-considered ways (Chu, 2002).

*Every experience can be improved; the key is establishing the rigor to spot weaknesses and fix them and find strengths and build on them.* CRM strategies need to include regular, ongoing feedback channels and the structured discipline to take action on insights learned (Chu, 2002).

#### **4.3.2 How to set up an Improved CRM in the Manufacturing Industry**

For today's manufacturing business, products don't provide as much differentiation as they used to, price cutting itself doesn't create a sustainable advantage, and many companies are able to lower their operating costs due to technology advancement. CRM solutions allow companies to have a detailed overview of their customers' needs and requirements thus response more quickly. At the same time CRM enables companies to improve their relationships with customers (Wooden, 2013).

The manufacturing industry needs to concentrate on customer relationships. On one hand CRM helps to increase the level of productivity. On the other hands it is the best way to improve different business processes. That is why CRM in the manufacturing industry is one of the most important tools nowadays. Prospective customers and/or dealers are farther down their buying process with access to Internet resources so the sales team has to be geared up and prepared. On top of that, today's customers also call for more attention and higher quality services. These facts should all be taken into consideration (Wooden, 2013).

##### *✧ Service Excellence*

The first area that is worth looking at is the post-sale implementation and delivery of product. As a manufacturer, its CRM system will include the ability to manage data and information and keep the whole team in the loop, thereby getting the job done right and keeping the customer happy.

A solid CRM system will also help the manufacturer keep track of warranty, repair and maintenance, or service issues. Perhaps the ERP system keeps track of the material side of these issues, but day to day questions, inquiries, and service calls are an easy thing for a CRM system to manage and ensure that nothing gets overlooked (MacEwen, 2011).

##### *✧ Expanding into New Markets*

It might be easy to continue to take orders from existing companies, but launching new products, moving into new territories, or targeting different industries requires that manufactures' sales efforts are highly managed and effective.

Many manufacturing companies are selling to dealers or distributor networks and in essence the dealer is the first level customer. As the dealer network grows, so does the manufacturing company. The manufacturing company must understand their dealer needs and business requirements. Often this requires an effective quote-to-order process that is tightly integrated with CRM sales opportunities (Wooden, 2013).



#### ✧ Speed in Business: Configure-Price-Quoting and Guided selling is needed

Business has always been about quickly delivering an important quote to the dealers/customers, which is a CRM system requirement. Eliminate inefficiencies in the sales process to reduce quote turnaround, speed up product deployment and close deals faster by bringing all departments, processes and data in line (Wooden, 2013).

Guided selling ensures accuracy around product and pricing in the real time as selection are being made. Additionally alerts can be used to guide a sales person to a desired up-sell or cross-sell product. New sales representatives can get up to speed much faster with these capabilities from CRM. Guided selling shrinks the selling cycle, increases deal size and expands the reach of the company's sales network (Wooden, 2013).

#### ✧ Speed comes from Mobility

A manufacturing company typically will have inside sales support and field sales teams building and maintaining relationships with current and potential customers. Web access is a must for mobility. Today the mobile sales reps can use cloud based CRM solutions while on the road with a smart phone or tablet (Wooden, 2013).

CRM mobility allows the sales team to move away from their desk and get in front of customers. Pop open the customer account, view the last meeting notes, check on resolution of any customer issues and get up to speed on what interests the customer. Even work face-to-face with the buyer to clearly quote the products that fit their needs, save it and produce the quote right there on site (Wooden, 2013).

#### ✧ After the Sale - Customer Service and Sales Analysis

The sales process does not stop just after a quote is provided. Internally the related sales opportunity is converted into a sales order, a production order is sent to the manufacturing floor and accounting processes the order. In the CRM system the quoted line items is automatically recorded as products sold or assets purchased (Wooden, 2013).

But when an issue rears up, the opportunity it holds needs to be captured and resolved. A CRM solution will provide an integrated system to link customer service and support issues to the customer account, to a product and to a time frame. It will allow classification of the issues by various areas and categories. A CRM system will allow the assignment of the resolution to a specific person or team within the manufacturing company. Communications and resolution actions are tracked to the specific issue. A time line can be identified that helps to give a snapshot of the resolution process. Knowledge is captured and summarized to determine what works and what doesn't (Wooden, 2013).

Finally the product is created, delivered and invoiced. The specific details may include a vehicle identification number or product serial number. There may be material data safety sheets that is included with the product because of regulatory requirements. Sales analysis



occurs to determine trends in the types or models of products sold, are there patterns on the geography of the sales destination, or is there related product sales that could come in the future (Wooden, 2013).

If a manufacturing company implements a CRM system successfully, results will be seen in a short time. Software is aimed at improving selling and marketing potential. It also enables marketing and selling departments to make detailed reports taking into consideration customers' behaviour. It will help the customer service and support staff to better assist customers and improve the customers' buying experience. CRM helps to concentrate on the needs of the company's best customers. CRM will make it clear what they need. So it won't be hard for the manufacturing company to suit all of their demands. Moreover it will increase the level of accuracy. CRM is also able to make the use of web functionality more effectively, which is important in the ever changing world of modern technologies (Wooden, 2013).

#### **4.3.3 How to set up an Improved CRM in the Service Industry**

The order of the three most important criteria for the suppliers in the service industry is different compared with the other industries according to Turnbull & Moustakatos (1996), and the factors include quality of available advice, evident understanding of the company's business and objectives and readiness to initiate new ideas and solutions, and the quality of available advice. Both suppliers and buyers thought frequency of contact and trust and integrity were important, although frequency of contact was more important to the suppliers and trust and integrity were more important to buyers. Also whilst suppliers believed information sharing and customer loyalty was important, the buyers thought professional advice and knowledge of the industry and new ideas and information were important.

Jackson & Cooper (1988) stated industrial services were different from consumer services by two characteristics, specialisation and technology. Industrial services, particularly investment banking, are characterised by their willingness to customise their product to suit customers' needs. Buyers who have special requests can be very important in stimulating the bank to higher levels of service and product innovation (Turnbull & Moustakatos, 1996). However the same can often be said for industrial products, which are often developed and produced specifically to meet a customer's requirements (Hakansson & Gadde, 1992; Eriksson & Hakansson 1993).

Research also indicates that the quality of the contact between the bank and its customer is the main yardstick against which customers judge their service performance (Turnbull & Moustakatos, 1996). Relationship managers must be also distinguished by their integrity, commitment, flexibility, seniority and ability to adjust their language to different audiences. More importantly the service needs to be consistent and reliable (Leek, Turnbull, & Naudé, 2002).

## ✧ Customer Satisfaction

One of the basic elements of modern business is customer satisfaction. Companies can survive as long as they can meet the customers' needs and enable customer satisfaction. Determining the customers' needs and wants as well as meeting them is one of the ways of enabling consumer satisfaction. For this reason, it is important in the intensively competitive environment to be in regular contact with the customers and to follow the changes in them closely. One of the sectors in which competition is experienced intensively is that of banking. In recent years there have appeared important developments in the understanding of modern banking. With automation processes taking place, customer satisfaction and management of customer relationships have ranked the number one most important factor (Kocoglu & Kirmaci, 2012).

Customer satisfaction means that customer needs, wishes and expectations are met or overcome during the product/service period, making re-purchasing possible and increasing customer loyalty (Anton, 1996). In other words, customer satisfaction is the assessment of the pre-purchasing expectations from the product, with the results reached after the act of purchasing (Lemon, White, & Winer, 2002).

A highly satisfied customer has the following characteristics:

- Continues his shopping for a long time.
- Buys more as long as the firm produces new products and the existing products are improved.
- Speaks of the firm and its products with praise.
- Keeps indifferent to the trademarks that are in competition with the products of the firm and does not place the emphasis on the price, and
- Provides feedback to the firm with suggestions and ideas of products and services (Kocoglu & Kirmaci, 2012).

It is possible to secure customer loyalty through customer satisfaction. However, the fact that there are many companies that offer similar products and services at the same price interval makes it difficult for the enterprises to secure customer satisfaction. It may even be easy to let the satisfied customer go to the rival enterprises (Kocoglu & Kirmaci, 2012).

Forming and marketing of the goods and services that satisfy the customer demands is the basis of a production process. Whether the customer is satisfied or not depends on whether he thinks the value from what is offered to him is above or below his own expectations. If what is offered suits the expectations, the customer is satisfied, but if it does not suit, he is not satisfied. In recent years, in fields like banking, where there is strong competition, customer satisfaction has gained a good deal of importance. It may be very easy to let another bank capture a displeased customer. To raise the customer satisfaction to the highest level and retain their customers, banks are putting customer relationship management as a top priority (Kocoglu & Kirmaci, 2012).

## ✧ Customer Loyalty

In order to increase customer satisfaction, it is important to have customer-centered practices adapted to each customer's needs and values. Customer loyalty is the long and uninterrupted retention of the relationship by offering services that meet and even goes beyond the customer needs (Kocoglu & Kirmaci, 2012).

Customer loyalty can be defined with consideration paid to the amount of buying for a given trademark. The level of loyalty is measured by the watching of the frequency of buying (Javalgi & Moberg, 1997). With the increase in the amount of accessible information nowadays, the conscious level of customers has improved continually. Today's customers are aware of the power they have on the market and that every activity is realized for them. It is now easier to reach the products and services, before choosing a given trademark, consumers compare with the price, accessibility of the product and the additional services offered. With lots of substitutes in almost every market, consumers' loyalty to the products and services has decreased. Firms have entered into an effort to present at a lower cost than their rivals the products and services that can meet the customer wishes and expectations fully, so that they can gain more loyalty from customers (Kocoglu & Kirmaci, 2012).

The advantages to the banks by applying customer relationship management are as follows:

- Identifying the 'real' customers in a bank in the long run and helping to make the relationships effective.
- Making the way of bank management customer-based.
- Bringing, with technology, in the foreground the human relationships based on gathering and using information by institutionalising the personal sale concepts.
- Reshaping the selling and marketing campaigns.
- A successful customer relationship management system gives a sustainable competitive advantage to the company.
- Increasing the total productivity of the bank (Kocoglu & Kirmaci, 2012).

Whether the banks get benefit from CRM and become successful depends on whether they follow the technological developments closely and make investments to this end. Also, their ability to determine the right strategies for the purposes that they want to attain in customer relationship management is important factors that enhance the success chance of the banks.

There should be four important stages of following customer relationship management strategy in the banks. The first step is the stage of "planning, targeting". It is necessary to make a documented strategy stating how customer relationships are wanted to be directed. The second step, "design", allows preparing the prime designs supporting the bank strategy, it is important for coordination and thus success. The third step is "building". At this stage, projects for changing are started. The third step is the actual testing, running and developing the programs. When the first projects start to give fruits, it should not be thought that the work is over. It is necessary to place the change in the enterprise, to

develop the activity and make the strategy more certain. Furthermore, CRM strategies should be carefully monitored, amended and improved overtime. Accurately-directed customer relationship managements will be realized thanks to these steps (Kocoglu & Kirmaci, 2012).

All in all, no matter which industry a company is in, there are four steps they can follow in order to set up a successful CRM strategy.

#### ✧ Creating a Customer Database

The first and most important step to implementation of CRM is to make a database which is the base of customer relationship management. Good data bases should collate customer information in the following areas:

- Transactions: a complete history of customers' purchases, such as: time/date, product, price of each product, total price, payment method and condition.
- Customer connections: this should include all connections that went through all different channels, such as: phone call, e-mail, fax and so on.
- Descriptive information: data that is useful for classification and other analysis of the customers, such as: address, job, personal information etc.
- Marketing motivation responses: information pertaining to customer response to direct marketing and other connection tools (Dargah & Golrokhsari, 2012).

It is easier to implement a CRM strategy in an industry where the firms already have much information of their customers such as banks and insurance companies, which have information on the customers, their family and spending habits. Consider also online mail-order retailers such as Amazon.com which require customers to register before they buy. The company can then track the purchases and browsing habits of every customer and tailor their service accordingly (Siddiqi, Akhgar, & Wise, 2010).

#### ✧ Analysis of Data Base

In this step the company should try to analyse the database to classify different customers. In one approach customers are divided into 5 groups as follow:

- First-grade customers  
Customers who at first come to your company for their demands and if you can't satisfy them they give you a deadline then they go to your competitors organisation.
- Second-grade customers  
Customers who at first come to your organisation for their demand and if you can't satisfy them they go to your competitors organisation directly.

Others: are divided into 3 groups as:

- Temporary customers  
They come to a company randomly and there is no deadline.
- Competitor's first-grade customers  
They at first go to your competitors' organisation but there is no deadline for that.
- Competitor's second-grade customers (Dargah & Golrokhsari, 2012).

To analyse the database, the following factors should be considered:

- Number of customer transaction in customer life time.
- Average of duration between transactions.
- Duration between one transaction and previous one.
- Money trade amount in each transaction.
- Total amount of money trade in customer life time.
- Average of money trade per time unit.

It's important to say that the unit of all factors must be the same to be able to compare. By analysing the database, the company should be able to predict the trend of every customer's purchase (Dargah & Golrokhsari, 2012).

#### ✧ Customer Classification and Strategy Determination

The implementation of an efficient CRM strategy requires the introduction of a customer-focused organisational culture. Many companies employ operational CRM systems to better communicate with their customers. However successful CRM means more than simply being connected to customers, it means tracking customer behaviour and using this data to maximize customer's profitability and loyalty throughout the entire life cycle, from customer acquisition to retention, this requires everyone in the organisation understand the importance of CRM and be able to apply it in every aspect of the company (Gurau, Ranchhod, & Hackney, 2003).

The concept of Customer Lifetime Value, takes into account the total financial contribution, revenues minus costs of a customer over his or her entire life of business relationship with the company. Despite its simplicity, the measurement of CLV requires great care. All cash flows involved in the process have to be identified and measured on a very detailed level, and allocated precisely to each customer or type of customer. Segmentation is the key to understanding the lifetime value of a specific customer, and to apply the most appropriate customer management strategy (Gurau, Ranchhod, & Hackney, 2003).

The implementation of an efficient profiling/segmentation methodology has to address the following issues:

- Robust transaction data, properly collected and updated.
- Data warehousing capabilities for capturing and storing the data.

- An associated retrieval and data delivery system.
- Data mining tools that reflect the unique nature of the business.
- Detailed costing information, including the process cost, as well as the physical product or service cost.
- A meaningful business model that represents clearly the company–customer interaction and the fluctuation of customers’ and business’ lifecycle (Gurau, Ranchhod, & Hackney, 2003).

#### ✧ How to Communicate with Customers

Customer churn means the loss of existing customers to a competitor. Accurately predicting customer behaviour may help firms to minimise this loss by proactively building a long lasting relationship with their customers (Dargah & Golrokhsari, 2012).

To evaluate one’s performance, companies need some gages to measure, then decide whether change or correct the organisation’s strategy or continue the previous strategy. Here are some gages that can be used to measure:

- Compare the number of customers with previous years.
- Compare the amount of trades during the strategy was running with the past.
- Compare the degree of customers with the past.
- Compare store profit with the past.
- Ask customers to give direct feedback (Dargah & Golrokhsari, 2012).

## 4.4 Summary

This chapter started with findings from the survey. There were three major areas covered by the survey, questions started with the industry, company nature, and their customer groups. We could see the degree of customer loyalty was strongly linked to how much attention the companies pay to their CRM system and how often they seek customer feedback.

The second part of the survey focused on the understanding of CRM, and its implications. In general, manufacturers showed more knowledge to the theory, followed by retailers, and service industries. Emails, surveys and on site activities are the most popular ways to generate customer feedback regardless which industry the companies are in, which shows the importance of internet, and technology plays in the modern society.

The last part of the survey considered the importance of CRM to different companies, and its business implication. Manufacturers treated CRM very seriously, followed by the service industry, and retailers showed a mix of importance. With the role CRM plays in the company, personalisation and improving satisfaction rate were the most important ones in service industry; retailers used CRM for better targeting and segmentation purpose to

enable buying experience; for the manufacturers, it was more about innovation, technology support, repairs and maintenance, and enable relationships with distributors.

Survey findings further proved our hypothesis from previous sections that CRM plays an important role in a company's overall strategy as it enhanced customer relationships and contributed to the entire operation. CRM should not only be treated as a customer database, but integrated into one's marketing, IT, human resource, operation and other sections. There were some differences among CRM strategies in three industries but also some similarities. One's CRM strategy should be designed according to its specific needs. For a CRM strategy to be successful in any business, it needs alignment of different aspects of a business. Management and leadership, change management, human resources and the right technologies are the critical success factors (Pokharel, 2011).

#### ✧ Management and Leadership

Leaders should have an important role by sharing the CRM vision with management. The leaders' role has to be as a facilitator for implementing CRM. Effective leadership skills result in CRM success. Innovative managers work with their teams, making decisions by consulting their team, whilst still providing guiding and directing functions to the group as well as appreciate feedback within the organisation related with CRM implementation and strategies while continuously looking to integrate people into it. Because CRM is the backbone of communication, manager communication and coaching skills is important in CRM implementation within any business (Pokharel, 2011).

#### ✧ Change Management

"CRM is an evaluation. Change is inevitable." When new IT systems, software, etc. are deployed, the way people do their jobs would also change, so change adaptation is crucial. Instead of making a change overnight, CRM teams should change gradually. A useful strategy is to run workshops and brainstorming meetings with sales, marketing, and customer service staff where sharing of the company's CRM strategies can be conducted. Change management is crucial to promote user adaptation. The major focus is based on training to achieve adaptation (Pokharel, 2011).

#### ✧ Information Technology (IT)

With advanced technologies, companies get the advantage of doing tasks faster and more accurately. There is various software for CRM such as Siebel systems for operational CRM; Teradata for data warehouse; Unica's Affinium for campaign management; SAS for data modeling activities. Companies can also develop a task manager program that helps sales representatives to see 360-degree of customer view (Pokharel, 2011).

#### ✧ Human Resources

For a successful CRM implementation, human resources management of a company is very important. Integrating employees into strategies and training them is very important to

adapt them to change. Employees are the interface of the company, so they will highly affect the company's image (Pokharel, 2011).



## 5. Conclusion, Limitations and Future Research

### 5.1 Research Conclusion

CRM is emerging as a core marketing activity for business in fiercely competitive environments. Firms are paying more attention to their relationships with customers to retain them and increase their purchases and customer lifetime value. Companies are shifting their focus from “transactional exchange” to “relational exchange” for developing mutually satisfying relationship (Jain & Bagdare 2010). The need for mutual benefit through relational exchange has also been explained in many studies. Morgan and Hunt (1994) and Groomroos (1994) emphasized CRM marketing as a set of activities towards developing and enhancing customer relationships for mutual exchange and fulfillment of promises. Strengthening relationships is reported to have a significant impact on profitability and customer life time value (Jain & Bagdare, 2010).

The results of this study agree with views from the literature that CRM plays an important role on building and maintaining a positive relationship between the company and its customers; although there are some differences in CRM strategies among different industries, we can find some similarities as well.

There are a lot of challenges of implementing a successful CRM in any company, which includes but not limited to the following:

- Getting management sponsorship
- Quality of customer data
- Alignment issue (Alignment of people and processes)
- Lack of skilled people
- Using customer data more intelligently
- Incorporating customer data and customer preferences to the customer data base
- Using right technologies
- Real time data cross all customer channels
- Having 360- degree view of customers (single view of customers) (Pokharel, 2011).

Appropriate and effective application strategies of CRM requires changing mindsets, and the change must start from the management level and continue to the all the level of the organisation with the support of management. At this point a paradigm shift is needed which can be summarized as follows:

- A customer centric and relationship-oriented culture must be adopted instead of operation centric and sales oriented culture.

- Management's attitude to employees must be proactive instead of being reactive; instead of employee compliance, continuous improvement must be supported.
- Training culture must be improved to organisation learning philosophy where self-learning is supported.
- Employees must be empowered in order to carry on their responsibilities faster and more efficiently.
- Teamwork and coaching must be developed, instead of individuation.
- Measurement basis must be objective, fair and transparent. Employees must be motivated by rewards and supportive attitudes of their managers (Pokharel, 2011).

Leaders play an important role in this change process. So that companies can invest in experienced professionals with leadership skill, which can influence the organisation to encourage and convince for change. Companies must consider employee career development and leadership training. They can overcome the problem of absence of skilled people regarding with CRM by training employees with the help of leadership coaching (Pokharel, 2011).

Company's mission statement must be revised and statements that are stressing the customer focused, innovative culture must be put in place. This focus must be supported with in-house training and the message should be clearly passed down to each level in the organisation to ensure solid commitments (Pokharel, 2011).

Organisational learning is more than providing training sessions to employees when it is needed; it is a philosophy. Companies must introduce an organisational learning philosophy to nurture new and expansive patterns of thinking where innovative thinking is supported. An organisational learning philosophy consists of a fast adaptive culture, which is an important core competence for today's competitive market (Pokharel, 2011).

Companies can conduct regular discussion sessions with employees and customers. New products, services can be shared and knowledge of customers being offered better products and services than its competitor can be learned. Customers further expectations can also be sought which would be crucial for further product and service design. This will help a company to understand the needs of customers while also factoring knowledge of competitor activity in respect of these customers, which can result in further development of innovative product and services. This is also an important way to explore and rectify problems faced by users quickly, which paves the way for operational excellence and customer intimacy. All these mindset changes will help companies to overcome the alignment problems, alignment of people and processes, which are obstacle in the CRM success (Pokharel, 2011).

Companies must adopt a more extroverted culture to promote their brands. This needs a change in mindsets from senior management level down to employee level. By using CRM, the company can build strong relationships with its customers. The successful service excellence and customer intimacy strategies can result with good word of mouth which is

the most effective way of advertisement. Employees can play a critical role in building a strong brand. Companies must equip their employees with necessary mindsets and skill so that they will play as an ambassador role in promoting brand identity (Pokharel, 2011).

It is believed that successful consumer-end CRM programs should encompass the following elements: 1) products become point of entry for value added experiences; 2) consumer-centric; 3) personalized interactions across all touch points on a real time basis; and 4) one database as a relationship-enabler (Cetateanu, et al., 2003).

## **5.2 Limitation of the Study**

As is the case with any study, this research has limitations that qualify our findings and present opportunities for future research.

The findings of the research cannot be generalized because the research was carried out on a very small sample. The number of companies we studied was limited and the number of people who were subject to questionnaires was also limited. The researcher tried to minimise the problem by selecting appropriate respondents who had a thorough idea about the specific subject. The adequate professional experience of the researcher also helped for this direction.

There was a limited time and resources for a comprehensive work. The study is limited in its application of statistical methods and quantitative analysis. This is due to the fact that the interview and questionnaire structure did not have a uniform rating scale which could be used for quantitative measurement.

Another possible limitation for the research is the problem of reliability. Reliability is when the method is not influenced too much by change factors and is consistent in the results it gives, if the same measurement is made again and again. Generally, the case study measurements are very personal and for this reason have a potential problem with reliability.

## **5.3 Direction for Future Research**

As CRM is something relatively new, there is an urgent need for studies investigating the performance consequences of CRM on firms performance over time. It is proposed that CRM should have long-term consequences on a firms performance, as it builds strategic assets that can create a long-term sustainable competitive advantage.

There would be benefit from further research into studying the CRM implementation process and its determinants of success in more depth. Insights from other disciplines, such as organisational behavior and change management, might be valuable in this respect. One

proposition, based on observations and experiences with firms referenced in this research and extracts from existing literature, is that CRM implementations that adopted strong customer-centric metrics as key-outcomes in the firm tend to be more successful.

This study is based on CRM implementation in Western culture; it would also be interesting to find out the differences and/or similarities in Eastern cultures.

## Appendix I – Survey Questionnaire

### Interview questions

#### Background

1. Country? .....
2. Please indicate the type of business your company is from the following:
  - a. Retailer
  - b. Manufacturer or Industrial
  - c. Wholesaler or Distributor
  - d. Service
3. Please indicate the prime industry sector your company operates in
  - a. Automotive
  - b. Banking
  - c. Education
  - d. FMCG
  - e. General merchandise
  - f. Government
  - g. Industrial
  - h. Pharmaceutical/health care/chemicals
  - i. Resources
4. Your position in the business? .....
5. Business has been operating for:
  - a. 0-5 years;
  - b. 5-10 years;
  - c. 10-20 years;
  - d. more than 20 years?

6. In what segments do your customers fit and approximately how many customers do you have in this/these category(ies)?

- a. End consumers/consumers
- b. Retailers
- c. Distributors/wholesalers
- d. Other manufacturers
- e. Others (please specify) ..... ..

7. Now thinking about your major customers/customer category which of below is the most appropriate to describe these customers? (you may select more than 1 statement)

- a. Loyal customer(s)
- b. Long term (definition of 'long' will vary depending on industry) customer(s)
- c. Discount driven customer(s)
- d. Impulse customer(s)
- e. Need-based (not necessarily loyal) customer(s)
- f. Wandering (shop around & determine purchase based on best offer at time) customer(s)

8. Have you heard of Customer Relationship Management (CRM)?

- a. Yes
- b. No

9. Based on your understanding, in a few short sentences how would you define Customer Relationship Management?

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10. What role do you think CRM plays in your company (select all relevant ones)

- a. Order processing system
- b. After-sale service monitoring
- c. Loyalty card benefits tracking
- d. Help desk
- e. Customer database
- f. Credit management
- g. Issues log by customer
- h. Event management
- i. Other (please list)

11. Which CRM system/module/technology is your company using (eg SAP CRM, Teradata Enterprise Data Warehouse, Salesforce, Oracle CRM, Microsoft Dynamics CRM, etc)?

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12. How do you actively seek customer feedback? (please indicate all methods actively used)

- a. Email/Contact forms
- b. Surveys
- c. Usability test
- d. Exploratory interviews
- e. Social listening
- f. On-site activity (via analytics)
- g. Comment boxes
- h. Other (please specify) .....

13. How often do you actively seek customer feedback?
- a. Continuously (ie with all customer interactions)
  - b. Often
  - c. Sometimes
  - d. Rarely
  - e. Not at all
14. How much do you think your company values the role/use of CRM in your company?  
(1 – little, 10 – a lot)
- a. 1-2
  - b. 3-4
  - c. 5-6
  - d. 7-8
  - e. 9-10
15. In terms of the value added/created by CRM, how would you rate it?
- a. Nothing
  - b. Little
  - c. Some
  - d. A lot
  - e. Invaluable
16. Reflecting on how you answered question 14 & 15 – why did you select these responses?
- .....
17. If you are in the retail industry, please answer Question 17a; if you are in a manufacturing or industrial industry, please answer Question 17b; If you are in the wholesale or distribution industry, please answer Question 17c; If you are in a service industry, please answer Question 17d;



17a. Please rank the follow 7 statements from 1 to 7, based on which statement you consider to be the most important aspect/benefit of the use of CRM within the retail industry being number 1 to the statement of least importance number 7

- a. Facilitates customer segmentation
- b. Enables product differentiation (and traceability)
- c. Enables targeting
- d. Records buying experience
- e. Enables personalisation of customer engagement
- f. Tracks after-sale service
- g. Creates opportunity to further promote other products

17b. Please rank the follow 7 statements from 1 to 7 based on which statement you consider to be the most important aspect/benefit of CRM within the manufacturing or industrial sector being number 1 to the statement of least importance number 7

- a. Tracks cost and pricing by customer
- b. Records innovation
- c. Supports relationship management with distributors
- d. Is a technology support to the business
- e. Monitors/creates alerts for repairs and maintenance
- f. Tracks repeat purchasing rate
- g. Highlights opportunity to sell brand extensions to existing customers

17c. Please rank the follow 7 statements from 1 to 7 based on which statement you consider to be the most important aspect/benefit of CRM in the wholesale or distribution industry being number 1 to the statement of least importance number 7

- a. Tracks pricing by customer
- b. Facilitates brand differentiation
- c. Supports relationships management with distributors
- d. Enables promotion of additional products
- e. Tracks customer/consumer satisfaction
- f. Enables personalisation of customer engagement
- g. Tracks the total buying experience

17d. Please rank the follow 7 statements from 1 to 7 based on which statement you consider to be the most important aspect/benefit of CRM in the service industry being number 1 to the statement of least importance number 7

- a. Tracks pricing by customer
- b. Builds brand recognition
- c. Provides another marketing avenue
- d. Sales promotion
- e. Monitors satisfaction rate
- f. Tracks repeat purchasing rate
- g. Enables personalisation of customer engagement

18. If there is a specific area(s) you would want to improve your current CRM strategy in, what would that be? .....

Thank you for your time in completing this survey.

If you would like a copy of a summary report please provide a contact email address below:

.....

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