EFFECTIVE IMPLEMENTATION OF E-CRM STRATEGY

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Abstract: In the era of digital economy customer satisfaction and loyalty are key factors for the establishment of good relations with customers and partners in the supply chain. For customers to be satisfied data protection and privacy are prerequisite for obtaining quality information. Information gathered may be transformed through a system of business intelligence into a complete enterprise resource planning system. This results in creation of integrated business systems. Using the innovative solutions enables integration of customers, partners and suppliers in a virtual network that is oriented to the end users. The challenge for the companies in the future is introducing the concept of electronic customer relationship management - CRM to increase productivity and profits of the company and thus gain a sustainable competitive advantage. Companies are increasingly exploring the market and searching the best ways to meet needs and requirements of their customers. In order to adapt to digital economy and accept new business philosophy many companies will implement modern technology and software solutions like e-CRM to their information systems. (JEL: A12, C88, P46)

Key words: CRM, Satisfaction, Loyalty, Software solutions, Integrated business systems

Introduction

Contemporary dynamic environment, fierce competition, globalization and internationalization of business require companies to search for new, more effective and efficient approach in the market. In order to formulate appropriate marketing strategies in the market, they need to know customers, their purchasing behavior and what makes them satisfied. The company must evaluate each and all customers according to their preferences and tailor its offer on the market. Without information about customers’ needs and preferences, their buying behavior and the factors which influence their purchasing process, company success in the market is unlikely. Information on what, where, when, how and why consumers buy from us, instead from our competitors is starting point for planning company’s marketing activities. There is a change in focus from companies’ products to specific requirements of certain segments in the target market. Companies’ efforts and resources are directed to understanding the needs of their customers so as to increase competitive advantage in the market.

In this paper, we analyze prerequisites for successful creation of a quality e-CRM model. They include:

- Customer satisfaction and loyalty
- Privacy protection

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Business intelligence tools
Enterprise resource planning
Creation of integrated business systems
Importance of human resources

After all prerequisites have been met company may access to development of e-CRM model and its implementation in the organization. Such approach will reduce the possibility of an unsuccessful implementation of CRM, which can lead to significant financial gains.

Satisfaction, loyalty and creation of long-term value for customers

According to Veljković [16] customer satisfaction can be defined as a “customer response to the assessment of perceived differences between expectations and actual product performance once, as he/she saw them after purchase”. Satisfaction is required for continued cooperation between customer and company, hence it is the main but not the only prerequisite for existence of loyalty. Customer satisfaction is the key to retain existing and attract new customers [10].

Companies have to discover what is customer’s response to company’s offer, no matter if it is positive or negative. If customers are satisfied and the preferences are expressed through re-purchase of products/services over the long term, we can talk about loyalty. The buyer who is loyal, in addition to buying our product, is spreading positive promotion and helping the company to attract new customers. An important role in creation of loyalty plays customer’s trust and commitment to company brands. It is important to note that loyal customers for company are at the same time lost customers to its competitors.

Traditional approach to marketing focused more on sales than on development of long term relationship with customers. If focus of attention is on what happens after sale, on how customers see and use company’s products/services and on how satisfied and loyal they are, company can create loyal customers and keep existing ones at the same time with successful and profitable business activities.

Customers value for the company is defined by the concept of Customer Lifetime Value – CLV. It represents a net present value of future profits expected from customer’s purchases during his lifetime. By applying the appropriate discount rate we can estimate “gross” lifetime value. From that amount we should subtracted the sum of the expected costs of attracting customers, customer retention expenses, sales costs and expenses of serving the customer and thus obtain a net profit realized from a customer in a lifetime.

Privacy protection as the basis for customer confidence

Personalized CRM is based on the principle that each customer should be treated separately. “Each customer” refers to each person who buys products for personal consumption as well as to all companies that purchase products
to create their own products/services (for further reproduction). For successful implementation of CRM it is necessary to gather data about each customer, load it into information system, process it and store so as to create a model which can provide desired information about customers. In order for customers to be willing to give information we need from them, they must be sure that their privacy is protected from abuse.

Companies should devote great efforts to show their customers that they understand the problem of privacy. It is important that company informs each customer, preferably in written form about attitudes towards protection of privacy, about how collected data will be used and to ensure that none of the data will be available to third parties. Confidentiality and privacy as the elements of information security policy in business intelligence systems can be achieved by information security policies and procedures, encryption and security tools [17].

In developed countries security of data became one of the priority tasks of legal systems. Along with information technology development so is the security issue transferred from national to an international plan. International organizations and associations are slowly dealing with these problems, and in certain cases they form special teams to monitor and address growing risks and opportunities brought by new technologies.

Some of the issues (data protection, privacy, etc) are found in the Universal Declaration of Human Rights, European Convention on Human Rights, the Universal Postal Convention, the International Convention on Telecommunications, and so on. This has created a framework to adapt laws to the needs, changes and demands of modern information development in the international level [7].

Growing need for information and fear from their abuse has led to the necessity of its special treatment. Technical capacity of storage, processing, transmission and use of data are all larger. Number of users of data is continuously growing, as well is the number entities about which and from which data is collected. Expansion of IT technology has imposed the necessity of applying different methods to ensure safety of data.

Internet as a specific electronic media, offers technologically new approach to business activities, which requires innovation in legal regulation. Widespread use of e-commerce created a need to regulate basic concepts, procedures, messages integrity, authenticity of signatures, security of operations and a many other issues. Regulation of electronic signatures, quality of products and services, customer protection and intellectual property, and the fight against computer crime are some of the issues to be covered by changes in legal system.

Determinants of Business Intelligence

Business Intelligence (BI) represents all potential uses of data and information in the enterprise for making better business decisions in accordance with the identification of new business opportunities [2].
Decision makers need software that will enable different types of analyses in order to be able to make better decisions. BI applications can be used for strategic, tactical or operational level, and they represent tools for making decisions based on real information.

BU systems enable company to know their customers behavior and their reactions, competitors and business partners expectations, as well as history of events from external and internal environment. The possibility of understanding and presentation of obtained information in a clear and rational way is of a vital importance for management decisions making.

The main objectives of introducing BI solutions are: faster access to data, generating various reports, accuracy and clarity in presenting the information to multiple users, integrated platforms and applications, secure and personalized custom work, cooperative environment and many others. BI Software supports tracking actions and results of operations and their comparison with pre-defined goals. The data from different systems and applications are converging and integrating in a Data Warehouse (DW) in order to provide analysis of key indicators and trends and indicate the possible deviations from the original plans. DW provides delivery of information to all interested users. The main reason for use of DW is that the analysts can make complex search and perform a variety analyses on given information and predict the effects of decisions and the consequences that they bring along.

High quality of reports can be provided only if the end users may combine knowledge from various fields. Cooperation between IT experts and business users need to prepare reports which are easily understandable and graphs and tables are clear because end-users do not have knowledge on platform technical capabilities. It is important to understand who the main beneficiaries for each functional set of reports. It often happens that end-users reject innovations because they are not accustomed with working on complete BI solutions. Users need training which requires lot of time and it is expensive. The aim of training is to teach users how to get the most from the database and to actively participate in creating BI reports.

BI allows the company to make decisions in the right time on the basis of information, which can be source for gaining competitive advantage. In order for BI to operate effectively, the company must have: appropriate hardware and software, secure access to database, large amounts of information and the ability to measure performance.

The information is most often considered as the second most important company resource, along with human resources, and they both are useless if not used properly. BI allows collecting information on market trends and allows entrance to the market with new product/service in response to the demands and desires of customers. Knowledge about competitors, business partners, customers, trends, key economic indicators are very important in deciding when is the right time to expand or reduce business operations.
Enterprise Resource Planning

Electronic company management is based on methodology called Enterprise Resource Planning (ERP). This system evolved on the market in the early 1990s. At that time the biggest problem in business activities was getting timely and accurate information. Today we are looking on how to use the information we have. In order to meet market demand, developers have designed software that combines several different requirements. Successful companies are abandoning non-integrated IS that are oriented to individual functional areas and are using software solutions that integrate the value chain, optimal use of resources and synchronization of planning, organizing, leading and control.

ERP business software is a strategic tool that, on the one hand, connects all the internal parts of the company, and on the other hand supports the external business processes of enterprises. The goal of ERP business software is to achieve integration not only of technological components, but the entire organizational structure.

One of the most common customer complaints about this type of software is the inability to create arbitrary reports (types of reports that can be classified as operational, financial and legal). The other is that export of data and its integration into required report from a variety of external business programs is often very complicated and time-consuming. Many programs used today are not able to provide information that is necessary for all stakeholders. Integrated business suite with ERP modules required for normal business operations, eliminates the need for storing data in different programs. Software built on open and standardized platform provides easier, faster and easier way to import and export data. By using this solution customers are able to create better reports on the basis of available data.

However, implementation of ERP solutions is not an easy, cheap and quick task. Implementation process last for months, the software is expensive and requires professional consulting assistance which cost large amounts of money, and training of employees to work on it takes long time.

The basic idea of the implementation of Information and Communication Technology (ICT) is based on the need to increase productivity, efficiency and effectiveness in carrying out business activities. The first step in meeting those needs is selection of appropriate IS from a category of business ERP systems. Business IS in this category generally include support for most business functions at all levels, from operational tasks to strategic management, and if properly implemented within the company, may bring positive effects very fast, and pay back money invested in them quickly [2].

ERP system operates on a single database, single application and a uniform interface within the whole company. This means that with one application various functional areas can effectively be managed within company, such as: human resources, accounting and finance, sales, production, distribution, etc. The system
usually consists of several software modules that serve different functions in the company with a common data base. ERP seeks to integrate information from all functional areas and by using one application to trace all company resources. Every organizational unit has its own information system, and ERP system combines them all together into a single, integrated software solution in which different users may share information and communicate with each other easily.

One of the goals of the introducing ERP systems is to speed up operations, reduce errors and increase efficiency and effectiveness of operations. ERP provides a system which can - on the one hand manage all human and material resources - and on the other plan, develop and monitor business processes and procedures. If implemented properly, this integrated solution can provide huge benefits as it monitors all resources in the real time.

One of the most difficult issues when deciding on ERP software implementation is how to manage expectations, i.e. business process reengineering [15]. A company that introduces ERP system must be aware that its successful implementation requires change of business practices. This change is most complicated part of the whole process of ERP implementation. It is important to focus not only on the total time of implementation but on understanding why the company needs ERP and how such a system would improve its operations. The success of ERP highly depends on the team working on the project. The software is very sophisticated and expensive and its implementation is very complex. In order to avoid the dropouts of skilled workers it is necessary to develop a good motivational mechanism in order to avoid employment of external consultants for the same job. Once the software is installed, the team members become very valuable for the company because they know much more about all the processes than other workers and managers. Companies cannot afford to return team members to their previous jobs because after implementation of ERP more jobs are created, at least in the medium term.

Benefits of implementing ERP solutions can be divided into four categories: market share, customer satisfaction, profit margins, return on investment stakeholders. However, it requires discipline and skill in project management. The discipline of project management requires clear definition of tasks, individuals responsible for their completion, and milestones to indicate the progress. Project teams should include IT professionals, and both internal and external consultants. If the team is created and led properly, implementation of ERP software can be done on time and within a planned budget.

**Integrated Business Systems**

Development of ICT and the occurrence of various software solutions, have led to the development of new business models that extend marketing concepts, strategy and tactics in the market. Companies are increasingly taking place in a dynamic and global environment with numerous partners. Relationships that are established are more complex and customers are more demanding
and they have lots of information. Company can be viewed as a system in which several functions are interdependent and IS should be integrated in such a way as to provide information to all functions that are in interdependent relationship. Development of information systems is very complex, as it gathers information needs from all levels of management, and it should standardize all procedures [17].

This integration provides better functionality of different company sectors, their mutual understanding and coordination in order to achieve better effectiveness and efficiency. Since CRM tools manage the various functions like marketing, sales, service, and different methods of analysis of customers, and include a wide range of information, they require special software tools [3].

Introduction of CRM is fundamental change in the quality of interaction with customers. Organizational design is changing in order to have more effective interaction, and to provide greater added value to customers, which will lead to increased profitability. Having the right information at the right time and having effective interaction throughout the supply channel is crucial to survive in the market. It is important that everyone understands that CRM is a new way of doing business. According to Newell F (2003) the introduction of CRM will modify traditional behavior toward customers.

Processes which create added value in the company are taking place in a dynamic environment with many competitors, and as these relationships are becoming more complex, so is growing the need to develop new software solutions that will support all processes related to these relationships. Implemented software process information on demand, supply, forecasting results, available inventory and manufacturing capacity in real-time. Deshmukh [3] claims that integrated solutions (also known as xRM applications) which combine specialized management software have been developed for that purpose. Some examples are: Customer Relationship Management (CRM), Supplier Relationship Management (SRM), Partner Relationship Management (PRM) and Employee Relationship Management (ERM) are developed.

These solutions, combined with ERP systems and Supply Chain Management (SCM) enable that value optimization, made within long-term business processes among enterprises, business partners and employees, becomes center part of company’s corporate strategy. CRM software has to meet demand and expectations both from the company and the customers and to provide close cooperation with other organizational units and stakeholders.

Piccoli [14] believes that despite achieving return on investment in IT, modern companies around the world must continue spending significant funds on IT in order to raise efficiency and improve its competitive position in the market.

**Importance of Human Resources in CRM strategy**

CRM is a model which includes people and processes. It has a customer-oriented attitude and methodologies to support it. The processes of CRM will fail
if the users who should execute those processes do not understand the CRM objectives set by a company. A success of a CRM initiative mostly depends on company employees accepting the change towards customer orientation.

Increase of company value is continuous activity in which all employees at different hierarchical levels take part. Several market researches is required to obtain relevant information from the market. For employees to be able to correctly use that information, the company needs to develop methods and ways to manage knowledge. Switching from linear chain value to networked partnership of people who work together to create maximum value for customers is one of the key activities of digital economy.

Every company, regardless of its size, employs people who are their greatest asset, with different traits, knowledge, skills and experience that, when integrated, may provide synergetic functionality of the system. These employees must understand the need for existence of CRM software modules in the company. Introduction of CRM is a fundamental change in their quality of interaction with customers. It is a change in organization design in order to make interaction more effective and to provide greater value added to customers. Human resources play a critical role in creating a CRM to become a successful story. Human resources can help better implementation of CRM in three directions:

- **Through Continuous training** - It is imperative to train staff on better customer understanding and orientation. This involves sessions on customer handling, empathy, and service. The main CRM process ideologies should be ingrained here, so the company philosophy reaches the frontline. As the company strives towards customer orientation, training becomes increasingly essential. This is also a core part of employee development. If an organization presumes that employees will automatically adopt a customer-oriented approach without any training, it will fail. Continuous exposure and training in the creation and setup of CRM processes are a must for the frontline staff, as well as the delivery team and back-office personnel.

- **Through Hiring** - This is a major area of influence for human resources. This means getting the right fit of people to get specific tasks completed. With CRM change a company approach to business and customers, the skills desired in prospective candidates also change. People with more empathy, desire, and willingness to help have an advantage over others with the same core skills. It is crucial for human resources to hire people who share the company's customer management philosophy.

- **Through Compensation** - To influence and expand the new perspective internally, it is vital to motivate the staff to be customer oriented. Hiring the right people can set a base for this and training gets the employees more exposed to the concept and provides the right tools. However, this needs to be augmented with benefits for those who adopt the CRM approach.
Implementation of CRM

The evolution of customer relationship can be seen as building of confidence in the process of establishing contacts, keeping the attention and maintaining loyalty. CRM can be defined in many ways, but in general it is „formulation and change in corporate strategy that is focused on creating and maintaining long-term relationships with customers“.

Development of long-term relationships with consumers, unlike in traditional marketing, is a concept that has found application in many organizations from various sectors of the economy. The concept is universal and applicable in almost all types of organizations because the need for development of long-term relationships with consumers exists in every strategic oriented activity [6].

CRM is a relatively new concept which is continuously developing due to changes in the environment, anticipative strategic business planning and personalized customer service, especially in the area of service delivery where direct contact with customers is needed. Long term relationships with customers is needed in all business areas where company has proactive approach, provided that customer is interested in cooperation with the company on a long term basis.

The concept of developing long-term relationship implies to continuous interaction between company and customers and establishment of specific links that will be developed and improved. Customers must be aware that company thinks about them and that it appreciates their feedback. In order to develop long-term relationships with customers it is important to use: direct contact (by phone or in person), personal mail, Internet and e-mail. One must understand the importance of mass media promotion activities, in particular of advertising. Mass media promotion are used alongside other activities, with a goal to attract potential new customers, but to keep presence in the minds of existing ones.

Due to the fact that the CRM software solution is long-term investment, the company implementing this module must be ascertained that the software is purchased from a stable developer. Developer shall guarantee the maintenance and development throughout the software life cycle and ability to engage IT consultants if necessary. Smaller manufacturers are often unable to meet these expectations, hence market analysts predict orientation towards large enterprises.

Market analysis and good perception of needs made software designers to move on development of CRM software for companies that have recognized the importance of building long-term and profitable relationships with their customers. Selecting the right CRM solution is just as important as it is strategic decision to move onto CRM philosophy. Without appropriate technology an effective implementation of CRM strategy is almost not possible. Lot of effort and time is needed to establish, maintain and promote high quality relationships with customers.

CRM is much more than simple software support to automation processes in marketing, sales, post-sales services and management. It is more than a set
methods to increase the efficiency of these processes. CRM means to be well informed and to be able to interact with the profitable and potentially profitable customers, taking into account their individual needs. In this way CRM becomes business philosophy that cannot be viewed as a software solution, but as a way of thinking for all employees. A successful CRM strategy cannot be implemented simply by installing and integrating a software package overnight. Changes must occur at all levels, and must include company's policies, training and development, marketing systems, management, etc. This means that all aspects of business operations must be harmonized with the principles of CRM.

An effective CRM system helps company to integrate all information for each customer in order to be able to meet their increasingly demanding requirements. Focus on customer means that the company is ready to look at the buying process from the standpoint of the customer, understand their needs and requirements, to take care about them and to make them loyal, especially if they are profitable or have a high value for the company. If an organization can learn from a customer, then customer will be satisfied, he will trust to company and will be ready to share their positive experience with others. CRM system is trying to make a single customer more profitable, by tracing what they bought and then recommending similar products or services to increase customer satisfaction. Sales of complementary products to existing customers (known as cross-selling) and the marketing of products of greater value to new or existing customers (known as up-selling) may be the result of very effective CRM implemented in the company. There is a growing importance in creating and maintaining relationships with customers and partners to improve coordination, efficiency of marketing and providing greater value to customers [11].

Companies are deciding to implement CRM strategies with a goal to retain customers, improve relations with them, achieve and build their loyalty. The costs of attracting customers may be very high, so the CRM system should enable the company to retain existing and attract new customers. Retaining customers means that they are satisfied with relationship with the company and their products/services, so they will come back and repeat transaction with the company. As the company builds better relationships with customers and their loyalty increases, there grows the share of customers, and long term profit. CRM system which actually retains customers by offering them added value, makes costs lower, sales higher, and profit increased. Other goals include achieving competitive advantage in the market, increasing sales and profits, reducing business costs, mastering new channels of communication.

CRM system gathers information on customers purchases and it is able to recommend similar products or services to increase their pleasure. Customer benefits of CRM systems are products adapted to their needs and personalized services. CRM solutions over time will increase customer satisfaction, improve relationships, reduce risks related to transactions and increase security.
The concept of development and management of customer relationship is a concept integrated in business systems, companies of different sizes in all developed countries. The concept is universal and applicable in virtually all industries. For company, it is most important to specify which are important aspects of its business, what information should be given to customers, what is customer’s financial history, which are the effects of CRM strategy and what is unnecessary information. Ability to eliminate unnecessary information is an important aspect of implementing CRM systems. When creating a CRM structure most important task should be providing complete information for their profitable and loyal customers.

Summary

While there are several commercial CRM software packages, CRM is not technology itself, but it is rather a fundamental change in the organizational structure of companies focusing on their customers. Development of appropriate software and hardware made CRM system become an automated process, with the aim to provide not only information but also to serve as an important support for decision making. In the environment of market economy and strong competition, companies are under constant pressure to retain customers, reduce costs, manage risks and use the technological achievements in order to gain and maintain competitive advantage. For this reason, the implementation of CRM is gaining on importance. Despite the fact that modern CRM is an electronic model, based on the use of IT, it is very important to take care of human resources in the company, as they are implementing the model. Development of information technology promoted globalization of businesses. The main goal became quick and efficient connection with customers and fast flow of information regardless of the geographical and time difference. Companies can take advantage of CRM, but new technologies raise some ethical problems and may pose a potential threat. In order to reduce business risk of losing customers, companies have to protect their privacy. Model of global organizations and international competition requires the application of new concepts and approaches of business investments of significant financial resources in specialized customer oriented technology.

References

EFEKTYWNE WDRAŻANIE STRATEGII E-CRM

Streszczenie: W erze gospodarki cyfrowej satysfakcja i lojalność klientów to kluczowe czynniki dla dobrych stosunków z klientami i partnerami w łańcuchu dostaw. Aby klienci byli usatysfakcjonowani muszą być spełnione warunki ochrony danych i prywatności przy jednoczesnym uzyskaniu wysokiej jakości informacji. Zebrane informacje mogą być przetworzone przez inteligentny system biznesowy w kompletny system planowania zasobów przedsiębiorstwa. Powoduje to tworzenie zintegrowanych systemów biznesowych. Korzystanie z innowacyjnych rozwiązań umożliwia integrację z klientami, partnerami i dostawcami w wirtualnej sieci, która jest ukierunkowana na odbiorców końcowych. Wyzwaniem dla firm w przyszłości, jest wprowadzenie pojęcia elektronicznego zarządzania relacjami z klientami - CRM w celu zwiększenia wydajności i zysków firmy, a tym samym uzyskania trwałej przewagi konkurencyjnej. Firmy coraz dokładnie badają rynek i poszukują najlepszych sposobów, aby zapewnić potrzeby i wymagania klientów. W celu dostosowania się do gospodarki cyfrowej i przyjęcia nowej filozofii działania wiele firm będzie wdrażało nowoczesnych technologie i rozwiązania takie jak oprogramowanie e-CRM do swoich systemów informatycznych.