Chapter 47
CRM for Innovation in European Companies

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ABSTRACT

In recent years, customer relationship management (CRM) has been a topic of the utmost importance for scholars and managers. Literature suggests, however, that it is difficult to demonstrate both tangible returns and also intangible attributes of these benefits, such as innovation derived from the use of CRM. The aim of the chapter is to analyze the implementation of CRM and its influence on a firm's ability for innovation. Literature on CRM and innovation is reviewed and a theoretical model is proposed. Research findings from a sample of European companies prove that CRM is beneficial for innovation in many countries. However, there were no conclusive results from other countries. These findings have important implications in assisting organizations in their CRM initiatives for managing customer knowledge and enhancing innovation.

INTRODUCTION

Research has shown that the companies who have experienced rapid growth have been those which have followed an approach of product and service innovation. Nowadays, competition is fierce, and along with product quality and product innovation, a major competitive driver is knowledge of the customer (Raeside & Walker, 2001). It is by understanding how customers interact with the organization and how the business processes respond that organizations can identify opportunities for innovation and development (Blosch, 2000). By interacting with customers, many companies have been able to tap into innovative design concepts and accelerate product development (Nambisan and Nambisan, 2008). These interactions form the access points, or portals, to the business, and are, as a result, the key components in customer relationship management (Blosch, 2000).

In recent years, customer relationship management (CRM) has been a topic of the utmost importance for scholars and managers (Becker et al., 2009). In fact, many companies have initiated projects to improve on customer orientation and plan the implementation of CRM systems. CRM is an information-technology-enabling management tool, which manages the relationship with customers to understand, target, and attract them, with the objective of satisfying and retaining customers (Chen & Su, 2006). CRM is not necessarily about automating or speeding up existing operational processes; rather, it is about developing and optimizing methodologies to intelligently manage customer relationships. Thus, it is about effectively managing and leveraging customer related information or knowledge, to better understand, influence and serve customers (Bose & Sugumaran, 2003). Thus, CRM has been defined as a comprehensive strategy and process that enables an organization to identify, acquire, retain, and nurture profitable customers by building and maintaining long-term relationships with them (Sin et al., 2005) and exceeds the concept of Customer Relationship Marketing (Luck, 2010). CRM therefore relies heavily on information technology tools, not only to collect information about customers but also to analyse it (Garcia-Murillo & Annabi, 2002). There is, however, a lack of a simple and overall framework to integrate CRM functionalities with the management and application of the customer-related knowledge, particularly in the context of marketing decisions (Bose & Sugumaran, 2003). This scarce research is more prominent in the case of new CRM functionalities such as social and semantic technologies. On the other hand, the success rate of CRM Implementation is low and evidence suggests that many organizations are finding it hard to realize business benefits from this strategy (Finnegan & Currie, 2010).

Customer knowledge constitutes an important ingredient in innovation processes (Gibbert et al., 2002) and it is important to elaborate on how discovering customer knowledge can respond to an innovation (Chen & Su, 2006). Viewing every single interaction with the customer as a source of knowledge on customer needs can help the firm attain a competitive advantage in product innovation (Garcia-Murillo & Annabi, 2002). CRM applications can assist in this matter since through CRM tools the company will acquire knowledge that will support product innovation and improvements (Garcia-Murillo & Annabi, 2002), which in turn contribute to customer satisfaction and value (Jutla, 2001). Thus, knowledge from customers collected via CRM enable the introduction of customer-induced product enhancements and innovations (Salomann et al., 2005). However, recent studies report that not all CRM activities contribute to innovation programs and capability (Lin et al., 2010) and many companies that have implemented CRM systems report unsatisfactory levels of improvement (Becker et al., 2009). Besides, literature suggests that it is difficult to demonstrate both tangible returns and also intangible attributes of these benefits, such as innovation (Kim et al., 2003) derived from the use of CRM. Consequently, the link between CRM and innovation needs further research and empirical evidence in this area is required.

The aim of the chapter is to analyze the implementation of CRM and their influence on a firm's ability for innovation. The proposed model is tested in a sample of European companies. The chapter is structured as follows. First, literature on CRM and innovation is reviewed, highlighting the new social and semantic technologies applicable in CRM and innovation. Next, relationships between the main variables are discussed, proposing a theoretical model to be empirically tested. Third, the methodology and the measures used in the survey are explained and research findings from a sample of European companies are shown. Finally, conclusions are summarized and managerial implications are presented in order to assist organizations in their CRM initiatives for managing customer knowledge and enhancing innovation.

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