

# Chapter 34

## From Local Information Systems to Global Customer Relationship Management

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### ABSTRACT

*Advances in computer and information technologies have been utilized by companies all over the world since the 1990s. Corresponding roughly to the same period, global trade has increased dramatically. The opening up of large markets like China and the Eastern Europe contributed to this trend. National companies turned global and had to manage operations in a number of different countries. Companies strived to maintain better customer relationships through CRM programs aimed at managing the flow of information, interacting with the customers, and in the end, formulating individualized offerings for them. Globalization has led to the development of the new notion of Global Customer Relationship Management as opposed to having independent local CRM programs operating in the subsidiaries. This chapter presents the issues facing the implementation of such Global CRM programs and provides the important conceptual frameworks proposed in the literature.*

### INTRODUCTION

Firms have realized the true potential of customers through implementing state-of-the-art Customer Relationship Management (CRM) systems. CRM aims to increase customer acquisition, retention and create opportunities for cross-selling (such as selling retirement policies in a bank) and up-selling opportunities (convincing cell phone subscribers to switch to a more expensive monthly package). All this revolves around being able to

manage customer information and reach out to the customers via methods that no other company can, using one-to-one interactions with the customer. Companies try ever more to tap into the underutilized data sources scattered throughout the organization, such as customer service lines, World Wide Web data and others (Fournier et al., 2001). Focusing on building relationships rather than forgetting customers after each transaction, CRM has helped hundreds of companies improve customer retention and profitability. Being proac-

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tive rather than reacting to customers complaints is another area in which CRM systems have touched organizations, especially those with customer service centers (such as call centers).

There have been documented cases of how companies have earned more by implementing CRM programs. One such company, Harrah's Entertainment has increased the wallet share of casino customers from 36% to 42% by better understanding of the customers through various programs (Gupta & Lehman, 2005). One such approach merged the databases of 24 million customers across 25 properties. The customer behavior was then tracked through a loyalty program called Total Gold. It was estimated that a point increase in wallet share caused an increase in shareholder value of \$125 Million.

Just like merging databases and creating a unified loyalty program can help local companies, merging programs and databases across continents can also benefit Global Firms. Global firms have long realized the potential of utilizing a coordinated global marketing information system as opposed to keeping local systems that do not communicate with one another. Merging the existing global information systems with the CRM programs can deliver further value to the company. The purpose of this article is to provide a background on the emergence of global marketing information systems, CRM application frameworks and the issues and challenges GCRM systems bring forth.

## **BACKGROUND**

Developments in information technology have radically changed the flow of information inside the company. These developments have also increased the firm's capacity to reach and serve the global customers (Craig & Douglas, 2005). Global information systems make possible improved communication and control, better coordination and integration of operations on a global scale (Kim &

Oh, 2000). It has also been argued that the growth of the "born global" firms serving niche markets worldwide has been fueled by the developments in the international information systems (Knight & Cavusgil, 2004).

CRM can be defined as a system for managing customer information, and using this information in a way to retain customers and acquire new ones so that the firm will maximize the lifetime value of the customer. The most commonly used framework for CRM was provided by Peppers and Rogers (2004) and is called the IDIC framework. This framework has a four step procedure which starts by firms *Identifying* potential and existing customers, *Differentiating* among them according to needs and value to the company, *Interacting* with them via two-way channels of communication and finally *Customizing* individualized offerings for them (Peppers & Rogers, 2004).

Some applications of CRM can manifest itself to the customers in a number of different forms while others may run in the background. In addition, some applications make extensive use of technology while others do not. CRM can take the form of a customer service representative working for Bosch, answering a phone call about a breakdown and the system dispatching the request to the service center, and another customer satisfaction call placed after the service is over. CRM may also take the form of an online vendor such as TigerDirect.com making recommendations to a customer based on past purchases. In summary, CRM tools allow companies such as American Express, Dell, HSBC, Sharp and Sony to determine which customers are most valuable and to react in a speedy manner with products or services that meet these customers' needs (Keegan & Green, 2011).

In the recent two decades, the pace of globalization has forced companies to rethink the way their traditional marketing information systems work. The emergence of Global CRM systems grew in response to this idea. The global "sensory" system of the typical company can be used as a

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