

Chapter 6

A Framework for CRM: Understanding CRM Concepts and Ecosystem

ABSTRACT

This chapter aims to develop a framework for CRM in order to understand CRM concepts and ecosystem better. To achieve this aim, this chapter starts with giving definitions of CRM from different perspectives. Reviewing the definitions of CRM reveals the essential pillars of CRM implementation. A well-developed CRM implementation framework can help companies see the big picture and develop successful CRM implementations. This chapter explains the vision and strategy; customer value proposition and customer experience; organizational culture and customer centric processes; and enabling technologies and information management as the fundamental components of a successful CRM initiative. After mentioning the benefits of CRM implementations, this chapter continues with analysing the architecture of the CRM ecosystem. Key functionalities and the role of analytical, operational, and collaborative CRM in managing relationships are also clarified. This chapter ends up with discussing the functionalities of CRM technologies in understanding customers, customer targeting, customer acquisition and retention, and customer service and support.

INTRODUCTION

In today's markets, Customer Relationship Management (CRM) has becoming the main strategy for companies. Due to the changes in market conditions companies have been moving from transactional marketing, which focuses on products and transactions, towards relational marketing in order to increase their sales as well as profits. Relational marketing is considered as a new paradigm of marketing that focuses on

customers and building relationships to create value. The ultimate aim of relationship marketing is to maintain customer retention and advocacy. Retaining customers provides a more sustainable competitive advantage than acquiring new customers. As businesses are realizing that it costs less to retain customers compared to compete for new ones (Rosenberg & Czepiel, 1984), they have been increasingly using relationship marketing activities in attempt to encourage customer commitment and retention.

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Relationship marketing is an umbrella term that involves all the activities that are directed towards establishing, developing, and maintaining successful relational exchanges to deepen the customer advocacy (Webster, 1992). Relationship marketing, which is a customer-centric business concept, must be supported by establishing relationships with all stakeholders, namely: customers, employees, suppliers, retailers, distributors, and shareholders (Kandampully, 1997). In return, these coordinated activities are helpful in ensuring the customer satisfaction, which has a direct link on the profitability of the organization. Relationship marketing also increases efficiency and effectiveness by reducing the marketing costs, facilitating targeting of high profit customers, enhancing customer loyalty, reducing price sensitivity and facilitating database development (O'Malley & Tynan, 2000). Since the relationship marketing enables the company to create superior value for its customers and increase customer satisfaction, companies have been increasingly focusing on building long-term relationships with their internal and external stakeholders in order to gain market success and competitive advantage.

DEFINING CRM FROM DIFFERENT PERSPECTIVES

Customer relationship management and relationship marketing are not distinguished from each other in the marketing literature (Parvatiyar & Sheth, 2000). Although in many studies the concept of relationship marketing and customer relationship management are used interchangeably, customer relationship management is a subset of relationship marketing (Ngai, 2005). Relationship marketing not only includes standard buyer and seller relationships but also includes building relationships with the entire range of stakeholders that help firms deliver superior value to their customers (Payne, 2000). However, customer

relationship management is more focussed on building relationships with profitable customers. Since relationship marketing focuses on commitment, empathy and trust, it is considered as relatively strategic, emotional and behavioral in nature; on the other hand customer relationship management is considered as more tactical and managerial in nature because it focuses on building and maintaining profitable customer relationships (Sin, Alan, & Yim, 2005). The objective of this chapter is to analyse various aspects of CRM, provide a conceptual foundation and framework for understanding the domain of CRM, and understand the CRM application ecosystem.

The CRM approach has been receiving increased attention as a marketing concept and publications that are related with CRM have been increasing substantially from the period after the end of the 1990s to 2004 (Ngai, 2005; Paulissen, Milis, Brengman, Fjermestad, & Romano, 2007; Wahlberg, Strandberg, & Sandberg, 2009). Although there are considerable attempts to define CRM, the review of CRM literature reveals that there is no unified definition of CRM (Rababah, Mohd, & Ibrahim, 2011). The term of CRM has been defined by different perspectives in different ways. Zablah, Bellenger, & Johnston (2004) review the literature about CRM and identify 45 distinct CRM definitions. Detailed analysis of these definitions reveal that CRM has been defined and conceptualized in terms of one of the following perspectives Zablah et al. (2004):

- Process,
- Strategy,
- Philosophy,
- Capability,
- Technological tool.

Payne and Frow (2005) review the CRM definitions in order to analyse the definitional aspects of CRM and authors suggest that CRM can be defined by three alternative perspectives:

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