Chapter 7.17

Customer Relationship Management (CRM):
An In-Depth Analysis

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ABSTRACT

This chapter discusses customer relationship management (CRM) as a customer-focused business strategy enhanced by technology that automates and enhances business processes to proactively manage profitable and long-term customer relationships. CRM solutions span a continuum of implementations from a narrow tactical implementation of a specific technical solution to a broad strategic implementation of a customer centric solution. Furthermore, the authors hope that understanding the underlying assumptions and theoretical constructs through the use of CRM will not only inform researchers of a better CRM design for studying e-commerce and Internet marketing, but also assist in the understanding of intricate relationships between different factors.

INTRODUCTION

In the transition from the raw industrial economy of the last century to the pure knowledge-based economy of the Internet generation today, businesses have seen many evolutionary changes in how they conduct business and market products and services. It is no longer sufficient to expect that good products

will sell themselves or that creative advertising and selling campaigns will overcome consumer resistance and convince them to buy from them rather than a competitor. Instead, we are in an era where the consumer is king, where providing service before, during, and after making a purchase can determine a business's level of success.

Investment in technology over the last two decades has created legacy systems defined by organizational boundaries containing silos of business information within functional areas. The consumer information collected by each functional area of the corporate value chain (such as production, distribution, sales, and marketing departments) remains buried in these silos. This prevents it from being shared or leveraged across the enterprise, which could improve the decision-making processes of all departments (Chan, 2005).

Back-end systems managing suppliers, production, inventory, and order fulfillment that remain disconnected from front end systems managing sales, marketing, and order processing can cause functional and process disparities that can adversely affect the consumer experience. For example, sales strategies that do not leverage marketing intelligence and marketing campaigns that conversely do not leverage previous sales data often result in consumers receiving many promotional offers without regard to their previous purchases (Chan, 2005).

With these inward facing information systems, the focus has primarily been product- and process-oriented. Now with the evolutionary changes brought on by the Internet, a shift has been made towards outward facing information systems where the focus has become consumer centric. "These systems promote seamless interactions between businesses and their customers to build strong customer relationships" (Shah & Murtaza, 2005). This represents a paradigm shift from the traditional concept of marketing as a simple exchange between buyer and seller, to the concept of relationship marketing that promotes the development, growth, and maintenance of long-term cost-effective relationships with individual consumers, suppliers, employees, and other partners for the mutual benefit of all (Chan, 2005).

An enterprise model which provides the framework for an information and process sharing architecture can integrate the relationship marketing concept and create a unified view amongst disparate systems throughout the entire enterprise value chain. This concept has led to the creation of customer relationship management strategies and technologies.

Customer Relationship Management (CRM)

CRM is a customer-focused business strategy enhanced by technology that automates and enhances business processes to proactively manage profitable and long-term customer relationships (Seeman & O'Hara, 2006). CRM solutions span a continuum of implementations from a narrow tactical implementation of a specific technical solution, to a broad strategic implementation of a customer centric solution (Payne & Frow, 2005).

The architecture of these solutions encompasses three CRM functional areas. The first area, referred to as the "operational" area, covers the front end business processes managing sales, marketing, order entry, and customer service. The operational area's function is focused on the collection of consumer data from any and all of the customer touch points or contact points (Alexandrou, 2007). Constructing a customer database is a necessary first step, thus the foundation for any complete CRM solution. With the advent of the Internet, constructing a customer database is a relatively easy task, as customer transactions are gathered as a natural part of the interaction with customers (Winer, 2001). The database should contain the following information: registration details, prior transaction histories, customer contacts, and responses collected to marketing stimuli.

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