Chapter 6

Customer Relationship Management in Professional Service Organizations:
An Application to the Building Industry

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ABSTRACT

Customer Relationship Management (CRM) applications have gained primary attention in large service industry sectors, such as the financial, telecommunications and hotel industries. However, relatively few researchers have studied CRM in the context of Professional Service Organizations (PSOs). PSOs are found across a broad spectrum of service offerings and they share several key aspects. Some of these aspects include the following: PSOs are high in people-processing features, have close contact with customers, and are high in credence attributes. Given this critical reliance on the customer, most PSOs would benefit from implementing a CRM system to facilitate their business and sustain customer relationships. This paper compares marketing practices and client management approaches in PSOs between those utilizing and those not utilizing a CRM system. The building industry is used as a case study. The paper introduces the CRM concept, describing its significance to the building industry and presents the methodology and findings from an exploratory research investigation. It also presents a framework for CRM applications in PSOs and highlights a future research agenda tempered by some limitations of the research study.

CRM OVERVIEW

Customer Relationship Management (CRM) is a management tool that integrates people, processes and technology for enhancing the management of an organization in serving its customers. It is an integrative approach unifying an organization's functions under one corporate objective; that of satisfying the customer's desires so that the customer will continue to have a productive involvement with the organization. This cohesive integration of people, processes, and technology needs to be collectively managed to realize the true benefits of CRM. Application of CRM is world-wide as global corporate expenditure as CRM technology is measured each year in billions of dollars (Piercy & Lane, 2009). Forrester research has suggested that the worldwide revenues for CRM solution providers reaches $8.4 billion in 2006 and is predicted to grow to $10.9 billion by the end of 2010, with services taking an increasing share of vendors' revenue (Foss, Stone, & Ekinci, 2008). It has been pointed out that "CRM is a multidisciplinary topic since it deals with marketing (e.g. relationship marketing, consumer behavior, etc.), information systems (e.g. e-commerce, human computer interaction, etc.), management etc. (Kevork & Vrechopoulos, 2009). When this is properly accomplished, CRM provides an opportunity for management to adopt a strategic approach that will affect all company operations and functionalities (Ryals & Knox, 2001).

Although much is written about CRM, it appears that there is no one clear definition for CRM. It has been said that "the term has been applied to almost every element of business that even remotely interacts with a customer…with the ultimate goal to recognize and treat each customer as an individual. The main goal is to optimize the customer value with the customer lifecycle (Finnigan & Willcocks, 2007, pp. 6-7). Numerous definitions have been proposed by scholars and practitioners. The definitions can

be classified according to the orientation of the CRM application; IT, process, system, people or technology. Overall, most scholars agree that CRM can be generally defined as structured organizational efforts leading to improved serving of clients. This definition is also consistent with the basic notion that CRM represents the "added value" a company can deliver to its clients as a result of its investment in people, processes and technology (Day, 2000).

The CRM concept is often associated with the relationship marketing concept, (Christopher, Payne, & Ballantyne, 2002; Ryals, 2005) where the objective is to establish, develop and maintain "successful relational exchanges" with customers (Morgan & Hunt, 1994). It has evolved from being seen as a tool for assessing customer satisfaction to a tool that delivers value to its clients. The ultimate goal of CRM is to improve the long-term profitability of the business by shifting from a "transaction-based marketing" to "relationship-based marketing" (Christopher et al., 2002). It has been said that "contemplating relationships is important because they are among the 'most reliable sources of future revenues and profits' for companies (MacInnis, Park, & Priester, 2009, p. 84). The CRM tools help marketers better understand customer demands and serve their needs. This is achieved by integrating all the business processes and customer touch points into a unified customer interface. While CRM technically only refers to the 'customer,' in reality, successful CRM applications include relationships with partners, and are actually enterprise-wide business strategies, because "CRM must be integrated into all corporate functions to be successful" (Baran, Galka, & Strunk, 2008, p. 113).

The potential of CRM has encouraged many practitioners to consider implementing a CRM system and has attracted the special interest of industries characterized by high transactions but with a lack of personalization, such as the banking and telecommunications industries. Such CRM systems have been especially effective when the

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