



THE CUSTOMER RELATIONSHIP MANAGEMENT IN TERMS OF BUSINESS PRACTICE

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ABSTRACT : The aim of the article is to present the results of the research on focus on the customer in relation to the use of customer relationship management in selected business subjects in Slovakia. The main goal of the research is the mapping of current state to ensure the principle of customer orientation and utilizing of CRM in organizations and industrial enterprises in Slovakia. This is the mapping of the current situation of that problem in practical conditions and determines potential opportunities for improvement.



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Key words : Customer, Customer relationship management, Business subject

Introduction : Customer relationship management (CRM) is a widely implemented model for managing a company's interactions with customers, clients, and sales prospects. It involves using technology to organize, automate, and synchronize business processes—principally sales activities, but also those for marketing, customer service, and technical support. The overall goals are to find, attract, and win new clients; nurture and retain those the company already has; entice former clients back into the fold; and reduce the costs of marketing and client service. Customer relationship management describes a company-wide business strategy including customer-interface departments as well as other departments. Measuring and valuing customer relationships is critical to implementing this strategy .

History of CRM goes back to the 60-ties when the ability to win and keep customers became one of the key factors of successful business. CRM as a philosophy gained ground in the 80-ties. Since then, it has experienced great development. Situation in the field of CRM copied the development all over the world as well as in Slovakia and other countries of Middle and Eastern Europe. In this period of time, most of the large companies were in the phase of general restructuring which was often connected with consolidation and centralization or organizational units and supporting systems. Enterprises gradually realized the importance of building and sustaining the long-term beneficial relationships with their customers. Significant development of CRM has mainly occurred in the last few years. In a large extent, it is related to the arrival of foreign enterprises that introduced CRM standards. Nowadays, every enterprise that wants to survive on the market, and grow eventually, has to solve the problem of satisfying the individual needs of customers and sustaining the long-term beneficial relationships with them (Jakábová, 2012; Mišák, 2011). Adopting CRM brings the knowledge that long-term relationships with customers are among the most important assets of each enterprise providing better profitability, competitive advantages, stabilization of endangered relationships with customers, reaching the customers' satisfaction with the complaints, elimination of negative advertising and sustaining of positive image, reduction of distrust and potential conflicts etc. This paper is focused a brief overview of the current status of CRM in companies – focused on customer field.



Customer relationship management : Any business entity that wishes to achieve a desired level of success must react flexibly and effectively to changes taking place in the marketplace. Only the customer will determine which products are of good quality and therefore which business entity is competitive. The customer is a dynamic force who, via his or her behavior, allows effective production without losses and without holding excessive stock. Therefore, the main aim of a successful organization is satisfying customer demands. A way to keep customers leads through customer relationship management.

It's easy to say customers are our most important asset but turning customer relationship management (CRM) strategy into bottom-line results is hard work. It means winning the battle for customers' hearts and minds every day, with each interaction at every customer touch point.

Long-standing relationships only arise from trust gained over many transactions and by customers' belief that the company wishes to keep them around rather than drive them away.

Creating a customer-focused company starts with the definition of a CRM strategy, which must then be filled out with new work processes, organizational changes, and even a revamped corporate culture.

To create customers for life, customers who will become advocates with the perception (and don't forget that perception is reality) they need to believe that you do what's best for your customers, not just what's best for your bottom line (Hill, 2012).

Customer relationship management problem is very wide and it is considered one of the elementary means of the enterprise's competitiveness. It reacts to the fact that the main source of all gains and profits are the customers, not the products. CRM refers to "Customer relationship management" and this abbreviation is often used. However, it may sometimes be confusing. Majority of authors explains this notion as Customer Relationship Management. Part of them understands this abbreviation as

Customer Relationship Marketing. Others, who claim that not all customers necessarily want to build a relationship with their supplier, prefer to use only the phrase „Customer Management. Following the aforesaid, it is obvious that CRM is focused on customers. This paper will also use the abbreviation "CRM" in the meaning of Customer Relationship Management.

Generally true and respected definition of CRM does not exist. CRM definition is still not quite clear, because it is interpreted in several ways that are different in their point of view. According to the literature, the CRM definition can be specified as follows:

V. Chlebovský (2005) defines CRM as an interactive process with goal to reach the optimal balance between the business investment and satisfying the needs of customers. Balance optimum is determined by maximum profit of both sides and assumption of reaching the optimum is creating of long-term partnership relationships with customers. As the most complex definition is considered the approach of J. Dohnal (2002) who understands CRM as systematic providing of quality services by means of all available business channels. Others see CRM as a supporting technology, it means communication and software. Others understand CRM as an



effort to provide particular information by employees that are in daily contact with customers (Jakábová, 2012; Kubindová, 2009; Urbán, 2011).

Different view over CRM has been brought by H. Wessling. According to H. Wessling (2003), CRM means active creation and sustaining of long-term beneficial relationships with customers. Communication with customers is secured by suitable technologies that present the very processes with added value for shareholders and employees of the enterprise. Moreover, H. Wessling underlines the integrative function of CRM as a complex organizational unit superior within the enterprise structure by several departments. He also emphasizes the need to separate the functional definition of CRM from the institutional one

F. Buttle (2004) defines CRM as the core of business strategy that integrates by internal processes, functions and external network for creating and supplying of the values for target customers. It is based on high quality data concerning the customers with the support of information technologies.

Following these definitions, it is obvious that CRM is not primary only technological matter – it is not possible to solve it only by using the set of IT supporting tools, implementing of the software or buying the most modern telephone exchange. It is necessary to set the new processes in order to gain confidence in customers and keep the customer or product supply. Moreover, it is keeping of permanent clients; it means keeping the customers and offering the products that these customers need. It is a process that must be completed by every enterprise which wants to be successful on the market. In case that the enterprise does not manage to carry out the aforesaid and if its management does not understand that CRM is firstly the way (strategy) of behaviour towards customers, neither solutions, however good, will help with its implementation and effective functioning. Any methodology, method or technique and tool are good and effective only to the extent to which the person manipulates with them.

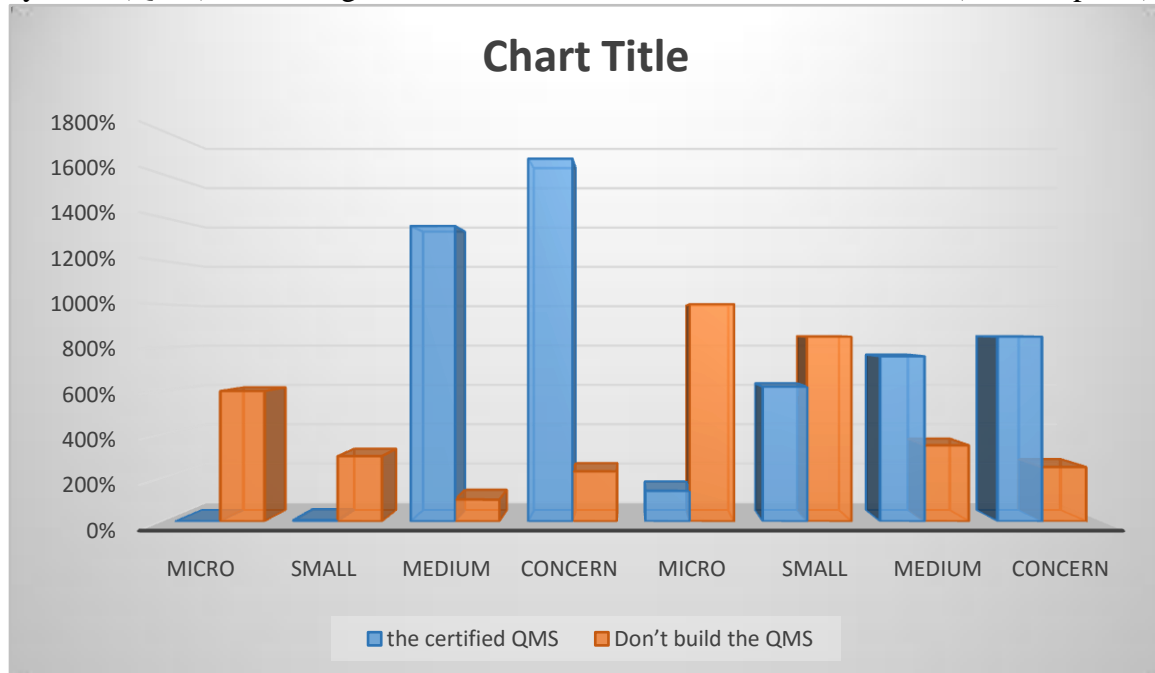
Obtained results of research - the current state of the CRM in business subjects : A picture of how customer focus and customer relationship management are applied in Slovak organization and enterprises is given by the results of a research carried out in 2010 and 2011 at the Slovak University of Technology in Bratislava; Faculty of Material Sciences and Technology in Trnava; Institute of Industrial Engineering, Management and Quality.

Its subject matter presented the mapping of the system current state to ensure the principle of customer orientation and protection of his rights organizations and business subjects in Slovakia. This is the mapping of the current situation of that problem in practical conditions and determines potential opportunities for improvement.

Approximately 400 business subjects on the Slovak market were addressed within the research. The selection surveyed of respondents wasn't limited, it was a random choice, because we had effort to address the widest possible group of businesses. Return completed questionnaires was 65.5 %.



- Concerning the subject of business, the sample consisted of 45 % business subjects of production character and 55 % of those providing services. One of the important steps was to find out if the business subjects joining the research built the quality management system (QMS) according to the international standard ISO 9001 (see Graph 1).



Graph 1. Visualisation of the business subjects from the quality management system point of view (source: Urdziková, 2010)

In the research participated 30 % of respondents from micro-enterprises, 27 % respondents from small enterprises, 32 % of respondents from middle-sized enterprises and only 11 % of respondents from large enterprises with the number of employees over 250. From the total number of enterprises, only 7.9 % of micro enterprise dealt with the CRM problems.

Research results were obtained with the help of different scientific methods of acquiring and processing data, SPSS software and using the comparative analysis they were compared with the results arising from previous researches that had formed a part of the research projects realized at the Institute of Industrial Engineering, Management and Quality; Faculty of Materials Science and Technology in Trnava; Slovak University of Technology in Bratislava, Slovakia (FMST SUT; the scientific grant project VEGA No. 1/0103/03 “Monitoring customer satisfaction in quality management and marketing” – 2003-2005 and No. 1/7162/00 “The quality of the communication system as a factor affecting competitiveness of SMEs” – 2000-2002), as well as researches conducted at other universities in Slovakia.

Focus on the customer : Customer presents the essential part of the market mechanism functioning. Moreover, he also presents the determining factor of forming the competitive environment for business subjects operating on the market.



According to the complaints management problem, it was interesting to find out the condition of business subjects operating on the Slovak market, because the complaints management has to be closely connected to the application of the customer focus principle. If it be to the contrary, it is not possible to speak about the complaints management.

Then, it is only considered to be the obligatory meeting of the legislative requirements of the Slovak Republic and the European Union (EU) concerning the complaints handling.

The analysis results on the subject of the customer focus principle application are presented in the table 1, where the significance of differences in the distribution of business subjects' answers in individual features of examined categories is formulized. In time of the analysis, the strengths of the business subjects were proved and the improvement opportunities were revealed.

Strengths arising from the results of the analysis concerning the current state of the customer focus principle application:

- greater part of the business subjects is customer focused; this is also proved by the fact that they perform activities to support the customer focus
- There are no significant differences in application of customer focus principle among the business subjects with different subject matter.

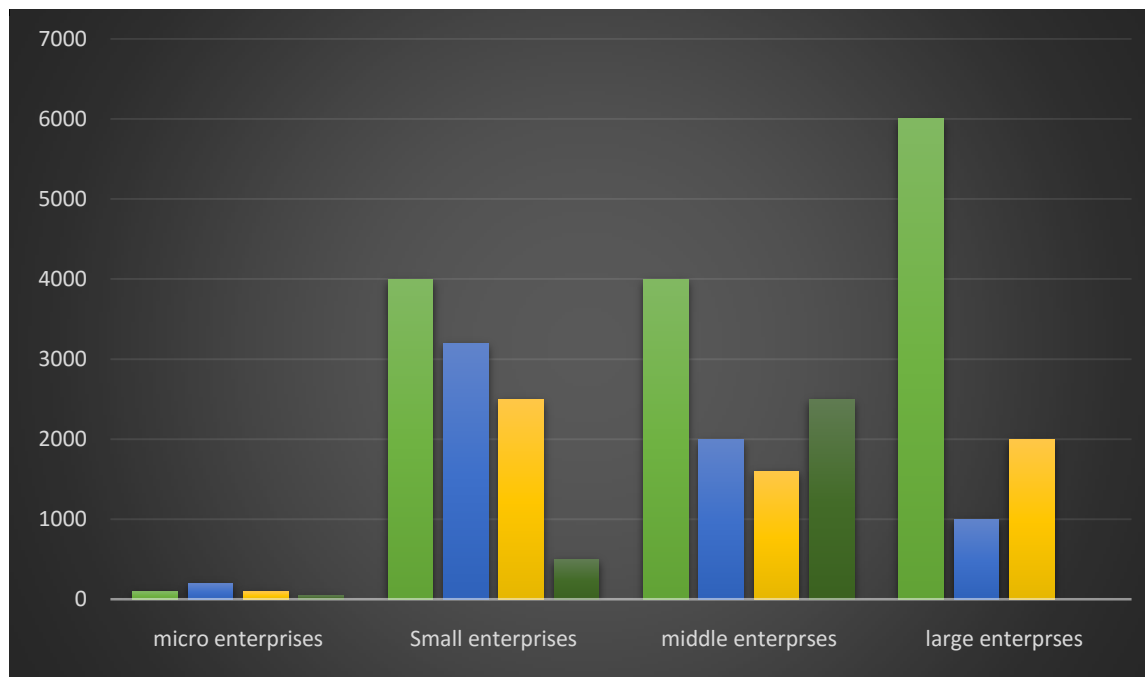
Improvement opportunities arising from the results of the analysis concerning the current state of the customer focus principle application:

- Revealing the significant differences in application of the customer focus between the business subjects with the certified QMS and those that have not built the QMS. These differences result from the incorrect understanding of the principle mentioned above and they also reflect in the absence of the steps heading to the customers retention;
- differences between the business subjects considering the length of their operating period on the Slovak market which occurred during the activities related to the customers retention;
- different approaches in the application of the customer focus principle among the business subjects depending of the size;
- decline in the trend of customer focus principle application by approximately 10% that can be caused by the world economic crisis.

The level use of CRM in practice : Customer relationship management has the potential for achieving success and growth for organizations in the nowadays environment of extensive competition and rapid technological development. CRM enables organizations to know their customers better and to build sustainable relationships with them. Research was focused mainly on examination of the current state of CRM utilization in business subjects (mainly industrial enterprises) in the Slovak Republic. Research results also confirmed the positive development of using CRM in micro enterprises (see Graph 2).



These results showed that there were also such enterprises which were implementing CRM at the time of the research or they were deciding to implement it in near future. As the greatest advantage of CRM, they considered trouble free running of business processes and more individual contacts with the customers. Their level was characterised mainly as centric and segment (division according to Kopřiva) and under the term CRM they understood the address book of customers with contacts or information system. For better access to information on customers, they mostly used the electronic file. When implementing CRM, the micro enterprises experienced great problems with the absence or insufficient formulation of CRM strategy. They did not deal with performance monitoring and that is why the majority of them could not estimate the satisfaction with CRM system. Unlike the micro enterprises, 40 % of respondents coming from small enterprises used CRM.



Graph 2. The current state of using CRM in industrial enterprises in Slovakia (source: Jakábová; 2012; Urbán, 2011)

In time of the analysis, the strengths of the business subjects were proved and the improvement opportunities were revealed.

Strengths arising from the results of the analysis concerning the current state of the CRM:

- greater part of the enterprises use CRM strategy; as well as IT supporting tools and techniques;
- as the greatest advantage of CRM, they considered trouble free running of business processes and more individual contacts with the customers;
- Improvement opportunities arising from the results of the analysis concerning the current state of the CRM;



- it is possible to say that the enterprises in Slovakia showed greatest deficiencies in monitoring of their CRM performance
- majority of enterprises regardless of their size could not estimate the satisfaction with actual functioning of CRM strategy;
- respondents from enterprises pointed out to the fact that CRM is usually mistaken and it is considered only a technical matter.

Discussions : Modern trends in the field of customer relationship management bring new ways how to use better the tools to reach high system productivity and improvement of enterprise financial performance . In constantly changing market environment, enterprises have to use modern methods, techniques and ideas of management. At the same time, they need to learn how to implement these to the practice Implementation of CRM in enterprises should bring positive effect mainly by increasing the number of loyal customers, optimizing cost of sales activity and so increasing the competitive advantage. Increase in value of customers should reflect on the increase of overall profitability of enterprises. Regular evaluation of customer relationships undoubtedly contributes to successful CRM functioning. Following the research results, it is possible to say that the enterprises in Slovakia showed greatest deficiencies in monitoring of their CRM performance. Majority of these enterprises focused on monitoring of financial indexes. On the one hand, these indexes give the real view of achievements or failures in the past, but on the other hand they do not enable to predict the future. Moreover, majority of enterprises regardless of their size could not estimate the satisfaction with actual functioning of CRM strategy. Research further pointed out that 50 % of micro enterprises used electronic file using MS Office in spite of the fact that this system does not enable documents administration, analytic or statistic tools, or automation of reports.

Following the research results and the analysis of collected data, it is obvious that customer relationship management in industrial enterprises is well-developed. However, there are some gaps that could be eliminated. Greatest negatives were found during measuring of the CRM performance in all enterprises regardless of their size. Another problem found was the absence of a quality information system in micro enterprises that would definitely make the employees' work and communication with customers easier.

Conclusions : In today's highly competitive environment, an increasing number of companies have realized the importance of becoming more customer-centric. They invested a large amount of time and resources in a Customer Relationship Management. However, it is increasingly more difficult for companies to know how to retain an existing customer and even harder getting new one. It is six to seven times more expensive and time consuming to gain a new customer than to keep an existing one. Not only the price is no longer critical, customers are changing their expectations and behaviour. They can easily compare the prices and change the plan from whom to buy at a minimal cost. This puts increasing demands on companies in the area of customer care and customer service. One of the ways to retain customer base and to ensure recurring purchases is adjusting to meet customer's needs, ensuring its satisfaction – customer must be at the heart of company interests. Appropriately selected IT solution of CRM can help them.



Despite this fact, the majority of companies still don't use correctly all the possibilities which CRM offering or many implemented CRM projects failed to be successful. The problem is that these companies often do not know why they were not successful. Other companies will make the same mistakes if these failures are not recognized.

It becomes a matter of fact that the implementation of CRM initiatives and programs have faced with failure over different industries and businesses. In addition, the understanding of CRM and its different aspects like definition, scope, processes, and technology is still limited and shallow. The previous discussion of the fundamental theory of the CRM processes is very important to strengthen the understanding of CRM, before planning for the adoption and implementation of CRM initiative. The understanding of the main components of any CRM initiative is very essential for its success. People, technology, and process are the three main components of CRM.

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