

## CUSTOMER RELATIONSHIP MANAGEMENT (CRM) - PHILOSOPHY AND ITS SIGNIFICANCE FOR THE ENTERPRISE

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**Abstract:** The article presents the CRM (Customer Relationship Management) philosophy. The principles of building the CRM strategy, enabling building and strengthening ties with the client (including ensuring its safety in relationship with a company), thanks to which the company can expect continuous sales, have been presented. Exemplary tools used in CRM (such as: call centre, contact centre, key account management) are listed and described. An attempt has been made to assess the cost-effectiveness of implementing the CRM philosophy in the enterprise based on the SWOT analysis. The strengths, weaknesses, opportunities and threats of such an undertaking were analysed, and the results were presented in the summary and final conclusions.

**Keywords:** CRM (Customer Relationship Management), call center, contact center, key account management, lead management, risks in relations with clients, customer safety

### 1. INTRODUCTION

CRM is an abbreviation of the concept of Customer Relationship Management (Haenlein, 2017). CRM is the entire philosophy that combines a marketing concept with a business strategy on how to effectively manage customer relationships. The centre and also the object of interest is the client and their needs, including its safety in relationship with a company. According to Dr. Robert Shaw from Shaw Consulting, the author of the book "Measuring and Valuing Customer Relationships", CRM is "an interactive process of gaining an optimal balance between the organization's investments and the satisfaction of its clients in order to maximize profits" ([www.czasnaebiznes.pl](http://www.czasnaebiznes.pl)). The Main Statistical Office defines CRM as "Management methodology, which assumes the client being in the centre of business activities and is based on the intensive use of information technology to collect, combine, process and analyse customer information" ([www.stat.gov.pl](http://www.stat.gov.pl)). CRM is a process that is constantly evolving and "requires abandoning the traditional business model focused

on the organization. Supported by thoughtful investments in people, technology and business processes, CRM is the way of how the company meets its clients' needs" (Zachara, 2001).

In business terms, CRM is a strategy "based on building customer loyalty towards an enterprise/brand by developing long-term, mutually beneficial relationships using the latest advances in information processing technology" (Deszczyński and Deszczyński, 2011).

In marketing terms, CRM is a philosophy aimed at satisfying the client's needs, thanks to which effective marketing and effective sales are ensured. In marketing terms, CRM relies on "identifying, winning and educating customer loyalty, and in particular on collecting, integrating, processing and disseminating customer information in all the involved organizational units through possible information distribution channels" (Frąckiewicz and Rudawska, 2004).

In IT terms, CRM is a tool whose task is to support the CRM philosophy in the company, so that the management of customer relations is more effective. CRM systems "collect data about clients, competition, contacts, negotiations, transactions, and marketing activities of the organization" (Stasieńko, 2007; Kaoud, 2018). CRM as a tool collects and combines various types of applications in the field of data processing and transfer, from marketing, sales, business and customer service areas. This system is called "a data warehouse with a specific profile, intended for managers of marketing and sales departments, used to analyze the behaviour and profile of customers, their response to marketing campaigns or the quality of the sellers' work" (Todman, 2003).

## **2. DEVELOPING THE CRM STRATEGY**

The first stage in developing a CRM strategy is undoubtedly defining the company's goal, i.e. what type of products the company wants to focus on, how these products should be sold, who will be a potential customer. Firstly, it is necessary to specify the product, the target group of recipients, and thus the type of market, eliminating risky clients. To determine the purpose of the company, it is helpful to examine the market and customer needs. The product must meet the customers' needs. The product and its functions should be a solution to a client's problem. It is not difficult to create a product, but matching it to the customers' requirements and fitting it to the market can be a challenge. Before launching the product, it is necessary to know the needs and preferences of individual customers. Information about customers' previous experience with other products is extremely valuable. This will determine the customer's preferences. It is also helpful to measure the level of customer satisfaction, thanks to which customer preferences will be defined (Maciejewski, 2012).

The next step in building a CRM strategy is acquiring customers. Promotional and marketing campaigns serve this purpose, but they must be thoroughly planned. Customers are tired of excessive information on various products. Therefore, it is important to make it clear to the customer that the product has already been tried and fulfills its role. Customers generally do not have time to become familiar with the features of a given product. They want clear and specific information if anyone has tried this product before and what they think about it, is it safe to use and meet the client's expectations. Therefore more and more companies advertising their product refer to the opinion of recognised experts (Liczmańska and Wiśniewska, 2011).

Customer segmentation plays a major role in acquiring clients. Therefore, it is necessary to select customers who will generate profit for the company through their purchase. They are, the so-called, key customers, and therefore the most important for the company, because thanks to them, the company can operate and develop (Latuszek, 2012).

Customer-centred approach means meeting their needs and thus gaining their trust. The efficient and thoughtful approach to sales as well as to the preparation of an offer for the customer will be very helpful.

In order to gain customer trust, the key issue is good communication. Customers want to feel that they can always contact customer service. All available communication channels (mail, letter, telephone, etc.) should be used, but personal contact is the most important. It is then that the company gets to know the customer better and establishes closer relations. A personal meeting allows to learn about customer's preferences, even in private life. The knowledge of the client's hobby and a friendly conversation on this topic increase the feeling of trust, friendship and safety in the client.

Acquiring a client is half the battle. The second half is to maintain them, to build good relationships with them, so they will come back for new products. To maintain the customer, it is advisable to provide them with an appropriate after-sales service. The customer wants to be sure that the company will provide them with advice and answer their questions.

## **2.1. Selected tools of CRM**

In addition to the basic product, companies are increasingly offering additional services to clients. Currently used CRM tools/services for building lasting customer relationships include:

- call centre,
- contact centre,
- key account management,
- lead management (applying communication standards in the customer acquiring process,
- loyalty management (rules for granting loyalty packages and privileges).

### **2.1.1. Call center**

Call centre is a telephone service centre, also called telemarketing. This concept was coined about 40 years ago by Continental Airlines (American airlines). In the 1990s, first applications were created to improve and record customer telephone service. The job duties include telephone contacts with clients, answering their questions, offering various types of services (e.g. placing orders for a customers), solving problems (e.g. technical support in the case of broken equipment) and active sales of products ([www.callcenter.biz .com](http://www.callcenter.biz.com)).

### **2.1.2. Contact centre**

Contact centre is a customer service centre. It is an extension of the Call Center, since it enables contacts between customers and employees not only by phone but also by e-mail, letter, chat, video calls, text messages, etc. It is more customer-friendly because it gives them the opportunity to choose the type of contact with the service office. For

employees, this is a challenge and a break from monotony, because they have many communication channels at their disposal. The contact center, as the name suggests, is focused on constant contacts with the client, problem solving, consulting and sales. Nowadays, companies offer more and more modern forms of communication with the client, such as video calls, where the client and consultant can see and talk freely. Thanks to this type of solutions, the company can serve clients from all over the world (Szybalski, 2008).

### **2.1.3. Key Account Management**

The term Key Account Management, relates to a person managing key clients. The Key Account Manager's tasks include caring for key clients, advising them and presenting the company's product range. He is also responsible for product sales and trade negotiations. The person also prepares contracts and coordinates their implementation. He/she conducts an active analysis of the market and consumer needs, participates in actions promoting the product. Thus, generally, the duties include servicing existing clients and acquiring new ones (Zachara, 2001).

### **2.1.4. Lead management (management of information on company offers)**

This is one of the CRM processes aimed at informing potential customers about the company's offer. At the same time, as part of Lead management, the aim is to obtain information on the recipients' purchasing preferences. One of the tasks is to contact the customer again in order to collect feedback on the product and the offer (Deszczyński, 2013).

### **2.1.5. Loyalty management (management of loyalty packages)**

Loyalty management aims to retain customers by offering privileges and loyalty packages, e.g. in the form of discounts (Deszczyński, 2013).

## **3. CRM IT SYSTEM**

CRM IT systems support the processes of the sales cycle, maintaining relations with customers, surveying their satisfaction levels, examining the needs of newly acquired clients as well as the operation of service and consulting activities (Zachara, 2001). This system collects and processes information in the field of: sales, customer service, marketing, time and correspondence management as well as after-sales service.

The CRM software consists of (Wróblewska, 2013):

- operational component,
- communication component,
- analytical component,

The CRM operational component (front office) is a database of clients and sales-order transactions. It is used to consolidate customer data and to record every contact with the customer. The operational subsystem gathers information about personalized offers for the customer. It enables monitoring of customer service and sales reporting.

The CRM analytical component (back office) analyses data collected in the operational CRM. This analysis allows understanding the customer's purchasing behaviour. On this basis, it is possible to analyse and plan promotional campaigns, conduct customer segmentation and forecast sales. The analysis performed by this subsystem helps in making strategic decisions, reducing the risk of failure.

The CRM communication component enables direct contact with the client using all available means of communication (telephone, fax, email, etc.). It also allows data transfers between the head office and sales representatives (Wróblewska, 2013).

The basic advantages of the CRM include (Stasieńko, 2007):

- automatic registration of contacts with clients,
- servicing the client by a group of people from the company,
- solving the client's problems,
- more accurate and realistic sales planning,
- greater number of customers served,
- faster responding to clients' enquiries.

#### **4. IMPLEMENTATION OF CRM STRATEGY IN ENTERPRISE – PROBLEM ANALYSIS**

##### **4.1. Problem definition**

A lot of enterprises are struggling with declining sales and loss of customers. This is related to the fact that companies apply a traditional marketing model in sales: they value sales results rather than customer relationships. Companies focus on reducing costs and increasing production. Costs reduction leads to lower quality. Focusing on increasing production and costs leads to neglecting customer needs. Companies do not research the market, and thus do not know what product the potential buyer is looking for. Companies focus on one-off sales, they do not maintain customer relationships. The lack of ties leads to the loss of the client, who will look for more optimal, competitive solutions. As part of the cost reduction many companies do not introduce loyalty packages, e.g. in the form of discounts, which discourages the client from cooperation with the company. The lack of attractive, personalized offers also contributes to reducing the customer portfolio. Enterprises do not segment customers, "safe" for the company, and thus they do not focus on the most profitable customers. Directing the same offer to all recipients leads to deepening financial losses. It also results in the loss of competitiveness on the market. Another problem is the lack of tools allowing efficient customer service and after-sales service. Without these tools, the company can not develop its range of products because it does not have any valuable feedback from customers. Companies do not collect information about key clients or such information is collected in a chaotic manner, which makes it difficult to build good customer relationships.

All of the presented problems can be reduced to the basic problem, which is the lack of customer relationship management in the company. In the long term, this problem leads to:

- worsening of the company image on the market,
- the loss of competitiveness,
- the loss of customers,
- the loss of revenues and profits,
- worsening of cash flow and the company profitability,
- declining sales,
- increase in number of complaints,

##### **4.2. Suggested solutions**

The solution to the declining and inefficient sales is the introduction of the CRM strategy in the company. It is a client's needs oriented solution. The introduction of CRM in an

enterprise involves the reorganization of work in the company. For this purpose, the company sets its goals and promotes the idea of CRM in the company. Each employee must understand the essence of CRM and identify with it. The database thus created will allow the analysis of the target market and the identification of key clients. Next, the company should develop and implement a marketing strategy using selected CRM tools, such as customer service, after-sales service and loyalty packages for regular customers. Support for the implementation of CRM in the enterprise will be provided by a computerized CRM system that will integrate the company's operations. Companies that implement CRM are advised to consult specialists in the field of customer relationship management. Experts will advise on how to start, how to implement CRM effectively and economically.

#### 4.3. SWOT analysis of the suggested solution

Table 1 presents the SWOT analysis of the suggested solution for the issues analysed in the article.

Table 1  
SWOT analysis – strengths and weaknesses

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• building long-term relationships with clients ensures low costs of acquiring new ones,</li> <li>• customer segmentation allows focusing on profitable customers,</li> <li>• preparing offers tailored to individual needs of the client increases the chances of acquiring new customers and the development of the company,</li> <li>• after-sales service allows retaining the customer and learning about their preferences, on the basis of which the product range can be improved and expanded,</li> <li>• CRM guarantees effective management of the customer relationship cycle from the client acquisition, through sale to customer retention and the subsequent purchase,</li> <li>• the involvement of the entire team and the knowledge management contribute to the effectiveness and efficiency of work,</li> <li>• the process approach guarantees that the service and sale are organized and ordered,</li> <li>• the use of CRM software allows the collection of data and work in one system - work is organised and ordered, information is uniform for everyone,</li> <li>• the use of CRM software enables more effective coordination of activities and more efficient cost measurement in the field of marketing,</li> <li>• "lower overall costs of sales and marketing management (expected cost reduction by 10% within 3 years) as a result of defining the target customer segment and better knowledge of their needs" (Wróblewska, W., 2013).</li> </ul>	<ul style="list-style-type: none"> <li>• the need for organizational changes,</li> <li>• changing the company's philosophy is a time-consuming and costly process,</li> <li>• the software and implementation of CRM is expensive (additionally, all employees need to be trained),</li> <li>• "75% of attempts to implement (...) the IT CRM system fail due to lack of vision and inaccurately defined business requirements, while return on investment is obtained by only 10% of projects" (Węgorzewicz, 2001).</li> </ul>

Table 2  
SWOT analysis – threats and opportunities

Opportunities	Threats
<ul style="list-style-type: none"> <li>• broadening the offer with customer preferences (building a strong portfolio),</li> <li>• increase in profits from sales, and thus dynamic development of the company,</li> <li>• increased competitiveness on the market,</li> <li>• increase in sales,</li> <li>• increased market share,</li> <li>• increase in the number of customers through offering additional CRM services (e.g. loyalty management, lead management),</li> <li>• increase in the number of clients through "mouth campaign" (regular customers recommend the product to others),</li> <li>• product globalization through the use of CRM (contact centre, call centre) tools,</li> <li>• cost optimization by using ready-made customer service scenarios, websites and loyalty packages for a small group of key clients,</li> <li>• higher number of successful transactions ("an increase of 5% per annum during the first 3 years of sales") (Wróblewska, W., 2013),</li> <li>• higher margins - (increase in margins of 1% for each transaction in the first three years) - effect of, among others better knowledge of clients, granting smaller discounts (Wróblewska, W., 2013).</li> </ul>	<ul style="list-style-type: none"> <li>• the risk of poor customer segmentation, and thus the omission of valuable customers,</li> <li>• meeting all the clients' needs does not always generate a profit for the company - the risk of poor calculation of costs in relation to the achieved profit (incorrect calculation of profitability),</li> <li>• the risk that establishing good relations with the client (more personal) will go beyond the professional zone,</li> <li>• the company is not prepared to implement the CRM philosophy, which may result in poor policy and financial losses.</li> </ul>

## 5. Conclusions

“Considering all the problems faced by today's organization, it can be stated that the CRM, as a business concept, fosters the complex approach to the client, and in particular the determination of the company's ability to implement the product, service and their combination that will be attractive to customers. It helps to establish the company's ability to acquire new and retain loyal customers, to increase customer satisfaction and to strengthen loyalty” (Maciejewski, 2012). The implementation of the CRM strategy allows to significantly optimize costs and increase the margin. The percentage of sales also increases, and so does the profit of the company, and the level of customer confidence. The policy of focusing on the client's needs strengthens the company's image on the market and makes it attractive to potential recipients of goods or services.

However, it should be remembered that introducing the CRM into the company may cause changes in its organization and the way of thinking. The introduction of CRM, and especially the CRM computer system is a long and expensive process. If the company does not clearly define its goals, the implementation may be unsuccessful.

Although the implementation of the CRM philosophy in a company is an expensive and time-consuming process, it is profitable and beneficial in the long run. Considering the fact that CRM is a tool that may help to build long-lasting relationships with customers, and thus increase sales, it can be assumed that the investment in CRM implementation will return, provided that the company's operations are thoroughly thought through.

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