

**Milan ORESKÝ<sup>1</sup>**

## **CUSTOMER MANAGEMENT APPROACH AND ITS IMPLEMENTATION IN BUSINESS FIRM**

In the introduction we open a question of what brings a modern approach of customer relationships management (CRM) to business firms. The starting point is at the concept of relationships between the company and the customer life-cycle, and from this point of view we define the customer relationships management. A major benefit can be developing better relations with the firm's existing customers leading to: an increase of sales, identifying needs more effectively, cross-selling of other products. The customer management model can be used by companies to understand how well they are managing their customers. Its basic elements are: analysis and planning, propositions, information and technologies, process management, customer management activities, measuring the effect, customer experiences, competitors. We present concisely the customer management model and the description of automated shape of customer relationships management via operational, analytical and collaborative CRM. Crucial attention is directed to CRM and marketing considerations, with explanation of customer life-cycle concept and business strategy perspectives. Finally, we recommend the key implementation stages of CRM.

**Keywords:** customer relationships management, customer life-cycle, customer management model, marketing

### **1. INTRODUCTION**

At the very beginning we have opened the discussion on what brings a modern approach of customer relationships management (CRM) to business firms. The starting point is at the concept of relationships between the company and the customer life-cycle. "Customer relationship management helps businesses to gain an insight into the behaviour of their customers and modify their business operations to ensure that customers are served in the best possible way. In essence, customer relationships management helps a business to recognise the value of its customers and to capitalise on improved customer relations".<sup>2</sup> The better a firm understands its own customers, the more responsive it can be to their needs.

The impact of the customer relationships management approach can be achieved by:

- finding out your customers' purchasing habits, opinions and preferences;
- profiling individuals and groups to market more effectively and increase sales;
- changing the way you operate to improve customer service and marketing;

The starting point is at the concept of relationships between the company and the customer life-cycle, which also supports the level of investments into supplier-purchaser relations. It is crucial to split the areas of implementation of customer relationships

---

<sup>1</sup> Milan Oreský, PhD, Marketing Department, University of Economics in Bratislava.

<sup>2</sup> M. Oreský, *Riadenie vzťahov so zákazníkmi*, Dashöfer, Bratislava 2006.

management concept within business markets (B2B) in the first place, and within customers markets (B2C) in the second one. The key role is also played by new technologies and e-CRM.

The development of *better relations with your existing customers* can be a major benefit, leading to:

- increased sales through better timing due to anticipating needs based on historic trends;
- identifying needs more effectively by understanding specific customer requirements;
- cross-selling of other products by highlighting and suggesting alternatives or enhancements;

This can lead to better marketing of your products or services by focusing on:

- effective targeted marketing communications aimed specifically at customer needs;
- a more personal approach and the development of new or improved products and services in order to win more business in the future;

And what are the benefits? Ultimately this could lead to:

- enhanced customer satisfaction and retention, ensuring that your good reputation in the marketplace continues to grow;
- increased value from your existing customers and reduced cost associated with supporting and servicing them, increasing your overall efficiency and reducing total cost of sales.

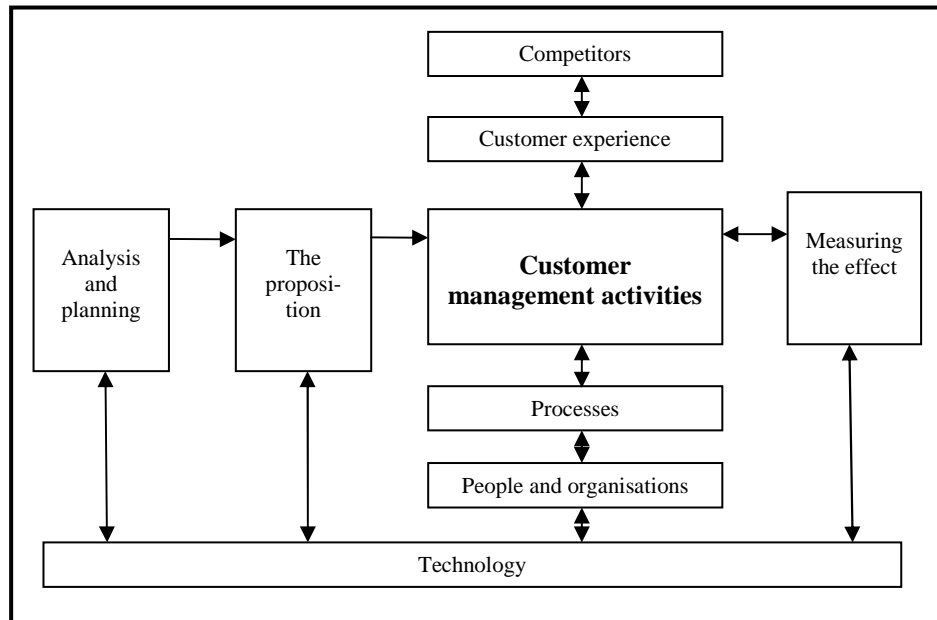
Once your business starts to look after its existing customers effectively, efforts can be concentrated on *finding new customers and expanding your market*. The more you know about your customers, the easier it is to identify new prospects and increase your customer base. Even with years of accumulated knowledge, there is always room for improvement. Customer needs change over time, and technology can make it easier to find out more about customers and ensure that everyone in an organisation can exploit this information. Within the next part of article we present in concentrated size customer management model, description of automated shape of customer relationships management and crucial attention is placed to CRM and marketing considerations, with explanation of customer life-cycle concept and on business strategy perspectives. Finally we recommend key implementation stages of CRM. The article is related with the scientific grant VEGA 1/4600/07: “*Terms and premises of relationship marketing development like the tool of Slovak company competitiveness within the context of common European market*”.

## 2. CUSTOMER MANAGEMENT MODEL

Customer relationship management is much more than simply the technology (this aspect we discuss in the next part). A thorough examination of the customer relationships management process is provided by the *customer management model*. This model can be used by companies to understand how well they are managing their customers.

The basic elements of this model are as follows: *analysis and planning, propositions, information and technologies, process management, customer management activities, measuring the effect, customer experiences, competitors*.

Figure 1. Customer management model



### Analysis and planning

Effective customer relationships management begins by understanding the value, attitudes and behavior of various customers and prospects. Once this has been achieved customers and prospect – potential customers – should be segmented so that planning activity can be as effective as possible. The planning will focus on such areas as the cost-effective retention and acquisition of customers.

### Proposition

Once segments of customers are identified and understood, the proposition to each segment needs to be defined and appropriate value-based offers planned. The proposition will be defined in terms of such issues as prices, brand and service, and should drive the experience which the customer can expect when dealing with the organization, its products, and distribution. The proposition must then be communicated to both the customers and the people responsible for delivering it.

### Information and technology

Information and technology provide the foundation for the whole model. Data needs to be collected, stored, analyzed and used in a way that provides information which is consistent with the CRM strategy, the way people work and the way customers want to access the company. Technology enables an organization to acquire, analyze and use vast amounts of data involved in managing customers. It needs to deliver the right information to the relevant people at the right time so that they can achieve their role in managing customers.

### People and organization

A firm frontline staff needs to be recruited, trained, developed and motivated to deliver high standards of customer relations. Key elements are an organisational structure that

supports effective customer management, role identification, training requirements and resources, and employee satisfaction.<sup>3</sup>

#### **Process management**

In an environment where customer contact can take place at several different points, process can be difficult to implement and manage. Nevertheless, clear and consistent processes for managing customer relations need to be developed and reviewed in the light of changing customer requirements.

#### **Customer management activities**

This concerns the implementation of the plans and processes to deliver the propositions to target segments and involves the following selected activities and processes:

1. Targeting customer and prospect groups with clear propositions.
2. Enquiry management. This starts as soon as an individual expresses an interest and continues through qualification, lead handling and outcome reporting.
3. Welcoming. This covers new customers and those upgrading their relationship. It ranges from simple thank you messages to sophisticated contact strategies.
4. Getting to know. Customer needs to be persuaded to give information about themselves. The information needs to be stored, updated and used. Useful information includes attitude and satisfaction information and relationship “health checks”.
5. Customer development. Decisions need to be made regarding which customers to develop through higher levels of relationship management activity and which to maintain or drop.
6. Managing problem. This involves early problem identification, complaint handling and analysis to spot general issues that have the potential to cause problems for many customers.
7. Win-back. Activities include understanding reasons for loss, deciding which customers to try to win back, and developing win-back programmes that offer lost customers the chance to return and good reason to do so.

#### **Measuring the effect**

Measuring performance against plan enables the refinement of future plans to continually improve the customer relationships management program. Measurement may cover people, processes, campaigns, proposition delivery and channel performance.

#### **Customer experience**

External measurement of customer experiences needs to take place and includes for example satisfaction tracking, loyalty analysis, and mystery shopping.

#### **Competitors**

The strengths and weaknesses of competitors need to be monitored and the company performance on the above evaluated in the light of the competition.

---

<sup>3</sup> K. Kmiotek, D. Lewicka, *Human Resources Management and Public Relations Functions Facing Challenges Connected with Merges of Organisations*, [in:] *Education and Economy 2007. Materials of International Scientific Conference*, Tallinn 2007.

### 3. OPERATIONAL, ANALYTICAL AND COLLABORATIVE LEVEL OF CRM

From the point of company level or field orientation the CRM can be viewed into operational, analytical or collaborative customer relationships management. This approach is related with the systems of data automation and processing.

#### **Operational customer relationships management**

Operational customer relationships management provides automated support to front office business processes (sales, marketing and service). Each interaction with a customer is generally added to a customer's history, and staff can retrieve information on customers from the database as necessary. This part can use next automated modules:

1. *Sales force automation* – automate some of a company's critical sales and sales force management tasks, such as forecasting, sales administration, tracking customer preferences and demographics, performance management, lead management, account management, contact management and quote management.
2. *Customer service and support* automates certain service requests, complaints, product returns and enquiries.
3. *Enterprise marketing automation* provides information about the business environment, including information on competitors, industry trends, and macro-environmental variables. Enterprise marketing automation applications are used to improve marketing efficiency.

#### **Analytical customer relationships management**

Analytical customer relationships management analyses data (gathered as part of operational CRM, or from other sources) in an attempt to identify means to enhance a company's relationship with its clients. The results of an analysis can be used to design targeted marketing campaigns, for example with these goals:

- acquisition – cross-selling, up-selling;
- retention – retaining existing customers;
- information support – providing timely and regular information to customers;

Other examples of the applications of analyses include these ones: contact optimisation, evaluating and improving customer satisfaction, optimising sales coverage, fraud detection, financial forecasts, price optimisation, product development, program evaluation, risk assessment and management, strategic marketing, operational marketing. Data collection and analysis is viewed as a continuing and iterative process. Ideally, business decisions are refined over time, based on feedback from earlier analyses and decisions.

#### **Collaborative customer relationships management**

Collaborative customer relationships management focuses on the interaction with customers (personal interaction, letter, fax, phone, internet, e-mail etc.) Collaborative customer relationships management includes:

- providing efficient communication with customers across a variety of communications channels;
- providing online services to reduce customer service costs;
- providing access to customer information while interacting with customers;

Collaborative CRM also seems to be the new paradigm to succeed the leading Efficient Consumer Response and Category Management concept in the industry/trade relationship.

#### 4. VALUE CREATION PROCESS, CUSTOMER RELATIONSHIPS MANAGEMENT AND ITS MARKETING CONSIDERATIONS

##### 4.1 The nature of value, value creation through core and augmented offer

Customers do not really buy products or services – they expect benefits and value from the company offer. This is an important point, which can be strategically vital for the long-term survival of a firm. There are many examples of companies who developed their business only in terms of the traditional products or services. As a result they failed, when competitors came with a strategy to keep the customers for a long time.

For an effective CRM strategy an understanding of what the customer is buying, is critical. An offer consists of a central core surrounded by tangible and intangible attributes and benefits. The surrounding elements are services, such as packaging, information, finance, delivery, warehousing, advice, warranty, reliability and so on.

Additional elements, beyond the product itself, have a fundamental impact on the value that can be added for customers. The crucial question is how to extend the core value.

The model developed by Harvard professor Christopher Lovelock<sup>4</sup>, indicates where to seek value enhancement for customers: *'... this model identifies important elements of supplementary services that can add value to the core product or service. There are many different supplementary services, which can be classified into the following important groups:*

- 1. Information. In order to obtain full value from any service or good, customers need relevant information about it. Information elements include: location of company, opening hours, pricing, instruction for use, etc.*
- 2. Consultation. Consultation involves a dialogue with customer about their requirements and then development of a tailored solution. In B2B markets the sales manager analyses the customer situation and delivers advice, which will bring best results for the customer.*
- 3. Hospitality services. Hospitality involves taking care of the customer. It may include such elements as gifts, allowances, etc. Customers should be treated as guests.*
- 4. Safe keeping. Customers, who purchase computers or motor cars, will be interested in supplementary services such as repair and maintenance services. Some safe-keeping services add value to physical products and may include packaging, pick-up and delivery services, assembly, installation, cleaning and inspection.*
- 5. Exceptions. Exceptions involve supplementary services that are out of normal service delivery. Exceptions include problem solving in case of accidents or delays, equipment failures or difficulties in using the product. Today competition shifts to the supplementary services. Supplementary services differentiate successful firms from the less successful firms. New product/service development often takes years to implement and is very costly. Improvement of supplementary services can be less costly and faster and can have a dramatic impact on the customer.'*

However, creating a superior value is not enough. It needs to be supplemented by building long lasting relationships with selected customer groups.

---

<sup>4</sup> D. Lesáková, *The Value Creation Process*, [in:] *Customer Relationship Management '08. The International Scientific Conference: Proceedings of the Papers*, Univerzita Pardubice, Pardubice 2008.

#### 4.2 Perspectives of customer relationship management

Customer relationships management is a term that refers to marketing. However, there is no complete agreement upon a single definition which can satisfy all participants (our definition we mentioned in introduction part). This is because customer relationships management can be considered from a number of perspectives. In summary, according to our opinion, the three main perspectives are: *Information Technology (IT) perspective, the Customer Life Cycle (CLC) perspective and Business Strategy perspective.*

##### CRM and information technology support

Customer relationship management is also a term for methodologies, technologies and e-commerce capabilities used by firms to manage customer relationships. In particular, CRM software packages aid the interaction between customer and company, enabling the company to coordinate all the communication effort so that the customer is presented with a unified message and image.

Figure 2. CRM software solutions categories

<p style="text-align: center;"><b>Outsourced solutions</b></p> <p>Application service providers can provide web-based customer relationships management solutions for firm business. This approach is ideal if firm needs to implement a solution quickly and the company does not have the in-house skills necessary to tackle the job from scratch. It is also a good solution if firm is already geared towards online e-commerce.</p>
<p style="text-align: center;"><b>Off-the-shelf solutions</b></p> <p>Several software companies offer customer relationships management applications that integrate with existing packages. Cut-down versions of such software may be suitable for smaller businesses. This approach is generally the cheapest option as firm is investing in standard software components. The downside is that the software may not always do precisely what firm wants and may have to trade off functionality for convenience and price.</p>
<p style="text-align: center;"><b>Bespoke software</b></p> <p>For the ultimate in tailored customer relationships management solutions, consultants and software engineers will customise or create a CRM system and integrate it with the existing software. However, this can be expensive and time consuming. If the firm chooses this option, have to be sure that carefully specify exactly what wants. This will usually be the most expensive option and costs will vary depending on what the software designer quotes.</p>
<p style="text-align: center;"><b>Managed solutions</b></p> <p>A half-way house between bespoke and outsourced solutions, this involves renting a customised suite of customer relationships management applications as a bespoke package. This can be cost effective but it may mean that firm has to compromise in terms of functionality.</p>

Specialized CRM companies offer a range of information-technology based services such as call centers, data analysis and websites management. The basic principle behind CRM is that company personnel have a single-customer point of view of each client. As customers are now using multiple channels more frequently, they may buy one product from a salesperson and another from a website. A website may provide product information which is used to buy the product from a distributor. Interactions between customer and company may take place through the sales forces, call centre, websites, e-mail, or distributors. Therefore it is crucial that not matter how a customer contacts

a company, front-line staff have instant access to the same data about the customer such as his details and past purchases. This usually means consolidation of the many databases held by individual company departments into one centralized database that can be accessed by all relevant staff on a computer screen.

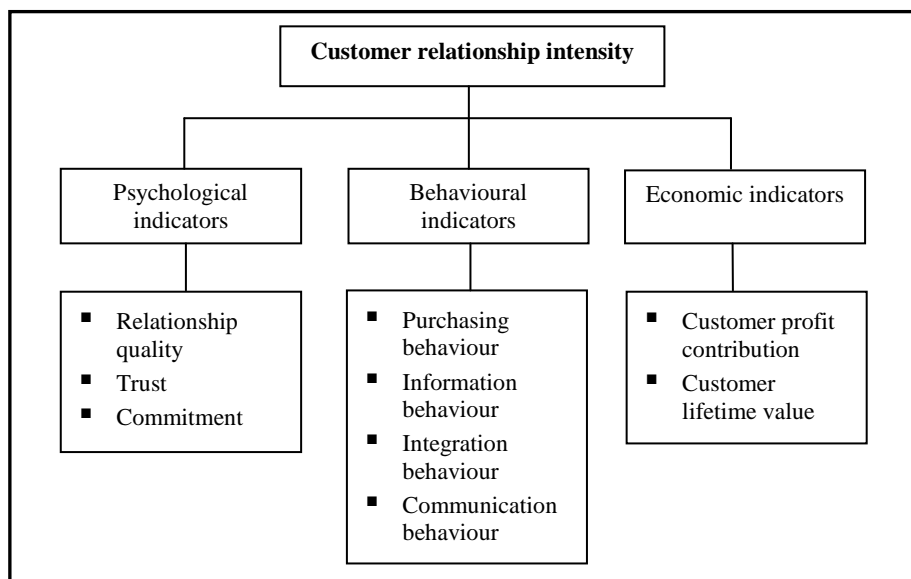
Within this perspective we can apply several types of customer relationships management software involvement solutions. CRM solutions fall into the following four broad categories: *outsourced solutions*, *off-the-shelf solutions*, *bespoke software* and *managed solutions* – see Figure 2.

#### Customer life-cycle relationships concept

Customer relationships move through a variety of phases and are therefore dynamic in nature and structure. By utilising the life cycle concept it is possible to chart these different phases over the natural course of a relationship. Just as different strategies can be applied to different phases of the product life cycle it is possible to observe that customers have different requirements as a relationship evolves.

This particular life cycle tracks the evolution of relationships through time against intensity of relationship at any one moment. The variables that constitute the intensity of relationship dimension are subject to various interpretations. M. Bruhn<sup>5</sup> draws on psychological, behavioural and economic indicators, as shown in Figure 3.

Figure 3. Indicators of customer relationship intensity



Source: Bruhn, M., (2003), *Relationship Marketing: Management of Customer Relationships*. Prentice Hall, Harlow

Paramount to the psychological indicators is the concepts of trust and commitment. They should be regarded as foundations for establishing and maintaining ongoing,

<sup>5</sup> M. Bruhn, *Relationship Marketing: Management of Customer Relationships*, Prentice Hall, Harlow 2003.



mutually rewarding two-way relationships. Behavioural indicators refer not just to purchasing but also to communication and information (search) behaviours.

It is possible to break down customer relationships into a number of different phases but at the aggregate level there are four, namely *customer acquisition, development, retention and decline*. The duration and intensity of each relationship phase will inevitably vary and it should be remembered that this representation is idealistic.

The Customer Life Cycle (CLC) has obvious similarities with the Product Life Cycle (PLC). However, *customer life cycle focuses upon the creation of and delivery of lifetime value to the customer i.e. looks at the products or services that customers need throughout their lives*. It is marketing orientated rather than product orientated, and embodies the marketing concept. Essentially, customer life cycle is a summary of the key stages in a customer's relationship with a firm. The problem here is that every organisation's product offering is different, which makes it impossible to draw out a single life cycle that is the same for every organisation.

#### **Business strategy perspective on customer relationships management**

Now we consider the business strategy perspective on customer relationships management. We propose a model, which is a hybrid, conjunction of many of the models and diagrams of CRM that you will find in books on the topic of marketing or commerce. Key phases and three contextual factors are showed within the Figure 4.

1. *Customer acquisition*. This is the process of attracting our customer for the first their first purchase. We have acquired our customer.
2. *Customer retention*. Our customer returns to us and buys for a second time. We keep them as a customer. This is most likely to be the purchase of a similar product or service, or the next level of product or service.

Figure 4. Three key phases and three contextual factors

Three key phases	Three contextual factors
1. Customer acquisition	1. Marketing orientation
2. Customer retention	2. Value creation
3. Customer extension	3. Innovative IT

Source: own sources

3. *Customer extension*. Our customers are regularly returning to purchase from us. We introduce products and services to our loyal customers that may not wholly relate to their original purchase. These are additional, supplementary purchases. Of course, once our loyal customers have purchased them, our goal is to retain them as customers for the extended products or services.

4. *Marketing orientation* means that the whole organisation is focused upon the needs of customers. Customer needs are addressed by the three levels of a product whereby firms not only supply the actual, tangible product, but also the core product and its benefit, and also the augmented product such as a warranty and customer service. Marketing orientation will focus upon the needs of consumers for all three levels of a product.

5. *Value creation* centres on the generation of stakeholder value based upon the satisfaction of customer needs (as with marketing orientation) and the delivery of a sustainable competitive advantage.

6. *Innovative IT* is exactly that information technology must be up-to-date. It should be efficient, speedy and focus upon the needs of customers. Whilst IT and/or software are not the entire story for customer relationships management, it is vital to its success. Huge databases store data on individuals and groups of individuals. In some ways, CRM means that a firm is dealing with a segment of one person, since every consumer displays different purchasing habits and preferences. Companies will track individuals, and try to market products and services to them based upon similar buyer behaviour seen in other individuals.

Benefiting from CRM is not just a question of buying the right software. You must also adapt company processes. To use CRM at consumer markets means to apply methods like – one face to customer or one and done. At the both markets (B2C and B2B) customer relationships management looks like exchange of positive and negative stimulus. Within this process company management have to define value components of CRM and uncover relativity and competitiveness of customer relationships management approach.

## 5. BUSINESS-TO-BUSINESS RELATIONSHIP SELLING, KEY CUSTOMER MANAGEMENT

Substantial additional value could be secured in buyer-supplier relationships by securing a greater focus on the supply chain. From the purchasing point of view this involves an integrated approach *to value acquisition from suppliers, value addition from manufacturing and value delivery to customers*. Added to this view is the fact that the most important feature of buyer-seller transactional relationships tends to revolve around price, indeed negotiation is one of the key issues in the sale presentation.

A new view, used by the successful companies, has emerged, based on the notion of open accounting. This kind of deeper customer relationships management is only possible when long-terms relationships between buyers and sellers have been established for example in typical JIT production situation. Here the price negotiation does not feature in buyer-seller transactions because each side sees the other price make-up. Customers will have access to the supplier's accounts in terms of the cost build-up for components for materials being supplied. Equally, suppliers will have access to the manufacturer's accounts to conduct a similar analysis. A mutually acceptable margin for profit will then be agreed between the buyer and supplier so, in effect, the pricing element of the marketing mix has now become redundant and is replaced by the key word – relationships marketing.

Within the business markets seem be favorable and efficient management applying relationships management with key customers, where is the key point to specify the main characteristics of key customers. The decision to use *key customer management* approach have to be supported by expected contributions, opportunities and also by the list of risks. The answer how build up strong business relations with the key customers can give us, for example, relational model of key customer management expansion. The next step is very common to find new type of key customers – *global customers*.

When the company start thinking about CRM they have to answer the question what they know about their customers. Proposed procedure is following:

1. to exposure priorities of the customer,
2. to appraise attractiveness of the customer,
3. to evaluate the potential of the customer,
4. evaluate the conjunction, the value and atmosphere of commercial relations;

As methods can be recommended the evaluation of contract and creation of ideal customer profile, customer portfolio analyses, recognition and observe of customer profitability<sup>6</sup>.

## 6. CONCLUSION – HOW TO IMPLEMENT KEY POINTS OF CUSTOMER RELATIONSHIPS MANAGEMENT CONCEPT

The implementation of a customer relationship management solution is best treated as a six-stage process, moving from collecting information about your customers and processing it to using that information to improve your marketing and the customer experience. This framework can be used, with some modifications, for both areas as business-to-business area and also business-to-customers enterprising.

*Stage 1 Collecting information.* The priority should be to capture the information firm needs to identify firm customers and categorise their behaviour.

*Stage 2 Storing information.* The most effective way to store and manage customer information is in a relational database – a centralised customer database that will allow you to run all your systems from the same source, ensuring that everyone uses up-to-date information.

*Stage 3 Accessing information.* With information collected and stored centrally, the next stage is to make this information available to staff in the most useful format.

*Stage 4 Analysing customer behaviour.* Using data mining tools in spreadsheet programs, which analyse data to identify patterns or relationships, can firm begin to profile customers and develop sales strategies.

*Stage 5 Marketing more effectively.* Many businesses find that a small percentage of their customers generate a high percentage of their profits. Using customer relationships management to gain a better understanding of firm customers' needs, desires and self-perception, firm can reward and target the most valuable customers.

*Stage 6 Enhancing the customer experience.* Just as a small group of customers are the most profitable, a small number of complaining customers often take up a disproportionate amount of staff time.

After naming several stages there is a recommendation for key implementation processes as these ones:

- business plan for market commercial covering;
- scheduling of internal sources for sale and customer relationships management approach;
- to improve sales forecasting in the line of long-term, mid-term and also short-term forecasting and sales budgeting;
- as basic element of CRM we create so called – customers teams;

---

<sup>6</sup> M. Oreský, *Riadenie vzťahov so zákazníkmi*, Dashöfer, Bratislava 2006.

- critical stage of implementation CRM in business firm are negotiations with customer and the people motivation in customer teams;

#### REFERENCES

- [1] Bruhn, M., *Relationship Marketing: Management of Customer Relationships*, Prentice Hall, Harlow 2003.
- [2] Fill, C.; Fill, K.E., *Business to Business Marketing*, Prentice Hall, Harlow 2005.
- [3] Jobber, D.; Lancaster, G., *Selling and Sales Management*, Prentice Hall, Harlow 2002.
- [4] Kmítek, K.; Lewicka, D., *Human Resources Management and Public Relations Functions Facing Challenges Connected with Merges of Organisations*, [in:] *Education and Economy 2007. Materials of International Scientific Conference*, Tallinn 2007.
- [5] Lesáková, D., *The Value Creation Process*, [in:] *Customer Relationship Management '08. The International Scientific Conference: Proceedings of the Papers*, Univerzita Pardubice, Pardubice 2008.
- [6] Oreský, M., *Riadenie vzťahov so zákazníkmi*, Dashöfer, Bratislava 2006.

#### IMPLEMENTACJA MODELU ZARZĄDZANIA RELACJAMI Z KLIENTEM W PRAKTYCE BIZNESU

W artykule zaprezentowano definicje zarządzania relacjami z klientem oraz przedstawiono jego model wraz z jego podstawowymi elementami (analiza i planowanie, rozwiązania, informacja i technologie, zarządzanie procesem, zarządzanie aktywnością klientów, pomiar efektów, doświadczenia klientów i konkurentów). Wskazano również na praktyczne korzyści, które niesie ze sobą zastosowanie tego modelu przez przedsiębiorstwa.