Customer Relationship Management, Customer Satisfaction and Loyalty

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Abstract

Customer relationship management CRM is essential for the future of the company. The CRM technologies enable the company to realize the best consumer behavior, predict their behavior in the future, thereby offering products to suit their preferences and creating long-term relationships with them. Strategic integration of CRM philosophy in the processes and culture of the company is required to provide services with superior value to the customers and creating loyal customers. As loyal customers are the most important asset of the companies they have directed their attention to retention customers and loyalty programs. The main goal is to create value for customers, which in turn will bring increased benefits for the company. Creating consumer loyalty is essential for the survival of the company in the highly competitive markets. So it is important to emphasize the importance of marketing strategies for the company retaining customers. Therefore this paper examines the impact of CRM on consumer satisfaction and loyalty.

Keywords: Customer Relationship Management; Customer retention strategies, Customer Satisfaction; CRM as competitive strategy, Customer Loyalty

1. Introduction

In today's market conditions, customers demand better service and expect more from companies. Companies require to understand the needs preferences, and buying behavior of customers; in order to plan and execute interactions that create best possible experience for their customers.

As Peppers & Rogers Group (2009) indicate that the landscape of marketing is being reshaped.

Customer relationship management (CRM) is a concept for managing a company's interactions with customers, clients, and sales prospects. It involves using technology to organize, automate, and synchronize business processes. The objectives of CRM are to enhance profitability, income, and customer satisfaction. To attain CRM, many organizations use set of tools, technologies, and procedures to support the relationship with the customer to enhance sales. Therefore, CRM is an issue of strategic business and process rather than a technical one (Dowling, 2002). As Baker (2003) indicates, all businesses have been affected to some degree and evolution which is happening in the global market place. Now, not only the organizations aim to satisfy the customers but they attempt to do this more efficiently and effectively than their rivals in the competitive market place to attain their goals (Kotler and Armstrong, 2011). The most important goal of an organization is to maintain customer loyalty and focus on customer centric approach in their organizational and marketing strategies (Jain & Singh, 2002). Sivadas and Baker-Prewitt (2000) said "there is a rising recognition that the last objective of customer satisfaction measurement should be customer loyalty".

2. The Concept of Customer Relationship Management (CRM)

The Customer relationship management (CRM) concept refers, to a business strategy focused on the customer, to the extensive process that integrates sales, marketing and clients service, that creates value for both the company and customers. CRM is a strategy based on developing relationships with clients. In recent years, CRM has flourished and now can be considered necessary for any company that wants to succeed. CRM is focused on retaining customers by collecting data from any contact with them by phone, e-mail, Internet. The company can use this information for specific purposes such as marketing, sales and after sales services. The underlying philosophy is that everyone in the company should focus on the customer. One of the first references to CRM is that it is a marketing oriented approach of strong stable relationship with individual specific customers. (Jackson, 1985). Gordon (1988) has defined CRM as a continuous

process of creating value for specific customers and benefits advantages from the ongoing and long term processe both for the business and the client. In addition, Gordon admits that the long-term creation of value for customers is more important than simple transactions and therefore try to build a chain of relations as between the firm and its clients as well as between businesses and their main partners. In a later study Parvatiyar and Sheth (2000) concluded that the customer relationships management is a strategic process integrated and comprehensive that focus on the gaining and maintaining selected clients in order to create maximum value as for the business and for the client itself. In 2002, according to a study by Smith, CRM was defined as a type of business strategy, which is a combination of technology and Customer life cycle management in the most efficient manner. In a quite interesting study of Krafft, Hoyer and Reinartz, (2005) for CRM process, the term developed as a systematic process that follows a company, which negotiates the start of a customer relationship, maintaining and terminating at all touch points with customers, to maximize the value of the portfolio of relationships with them.

The ultimate goal of companies is the creation of consumer satisfaction using CRM technologies and philosophy. Organizations are ever more setting themselves strategies to determine and make sure customer retention, and charging their employees to be more customer-focused and service-oriented (Mohsan et al., 2011). The most important goal that companies follow up is to maintain customer loyal to the firm so they more focus on customer centric approach in their organizational and marketing strategies (Jain and Singh, 2002). Bowen and Chen (2001) said that having satisfied customers is not sufficient, there has to be really satisfied customers. This is because customer satisfaction has to direct to customer loyalty.

2.1 Various models of CRM

Operational CRM

According Dyche "(2002, p.13) an operational CRM is also known as front office CRM. It includes points in which achieved direct contact with the customer, which is also known as touch points. A touch point may be a interior touch (eg a call telephone line support for the customers of the company), or a contact from the outside (eg a sales call or a face to face promotion email to customers) . In other words, an operational CRM used to capture customer data. An operational CRM also enables and streamlines communications to and from customers, but it does not mean necessarily optimization of service. Just because a bank client controls his / her balance on a website, does not finally decide that he / she prefers not to carry out the transaction of his / her branch.

Operational CRM include:
- *Operating systems*: the application of systems (e.g. sales, resales, rental management systems) that support customer interactions with Front Office processes (processes visible to customers) and back office processes (processes not directly visible to customers).
- *Databases*: consolidated and dependent databases (e.g. client, customer interaction, sales) that support a variety of system applications. A key aspect of CRM is to ensure that both as clients and the company have a particular view of each other. It is important that the different departments share information for consumers. Therefore, in the functional structure of CRM, consumer information stored in the database to facilitate business transactions.
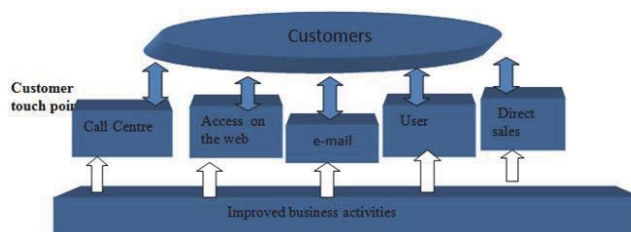

Figure 1: Operational CRM: Touching the Customer (Resource: Dyche', 2002, p.13)

Analytical CRM

An analytical CRM is also known as a back office CRM. It involves understanding the customer activities that occurred in the front office. Analytical CRM requires technology (to compile and process the huge of customers data to

facilitate analysis) and new business processes (proportioned practices dealing with customers to increase loyalty and profitability). Under pressure from analysts and industry experts, today most vendors of CRM are either creating analytical capabilities CRM or partnerships with retailers of intelligence business (BI business intelligence) to incorporate analysis into their offerings (Dyche ", 2002 p.13)
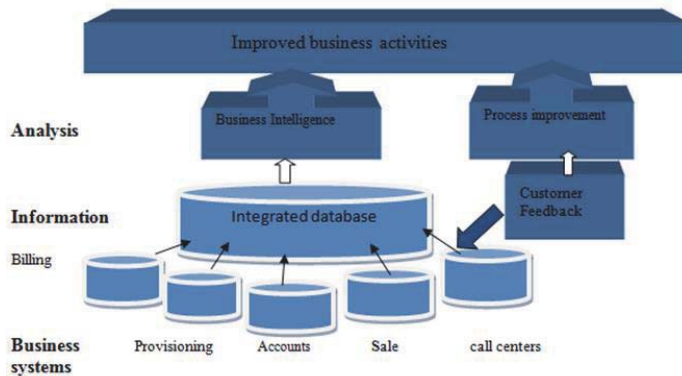

Figure 2: Analytical CRM: Understanding the Customer (Resource: Dyche', 2002)

Similarly, Adebanjo (2003) describes an analytical CRM is used mainly for the building of the data warehouse, improving relationships, and analyzing customers data.

Collaborative CRM

According to the provisions of (SearchCRM, 2007), "a collaborative CRM is a

CRM approach whereby different departments of a company such as sales, technical support and marketing etc., share any information they collect from interactions with their customers. For example, customer feedback gathered by a session of technical support staff can inform marketing staff about products and services that may be interesting to the customer. The aim of this cooperation is to improve the quality of customer service in order to increase customer satisfaction and loyalty. "Minna and Aino (2005) and Adebanjo (2003) explained that:" a system of collaborative CRM is mainly used for construction online communities, the development of business -to-business transactions, and personalization of services. "

Strategic CRM

Based on the ideas of Buttle (2009, p.4), strategic CRM is focused on developing a culture of customer-centric business within an organization. This Culture is committed to gaining and maintaining customers by creating and disseminating better value than competitors. Also, according to a such culture, the resources are allocated where they will enhance customer value, the system of rewards to encourage behavior of employees that increase customers satisfaction and retention. In this way, the heroes of business will be them that distribute better value or service to customers.

3.   CRM as Competitive Strategy

Companies can achieve competitive advantage through creating superior customer value, delivering what customers value, providing more value than competitors, and raising customer expectations about the level of value. Successful CRM implementations must be composed of philosophy, strategy, and technology perspective. CRM as a philosophy focuses on building long-term customer relationships; whereas, CRM as a strategy aims to build relationships with selective profitable customers. Building customer oriented organizational culture, developing a CRM strategy that guides and enforces the commitment of being customer centric and realizing the CRM strategy by using enabling technologies are the essential pillars for successful implementation of CRM. CRM strategy, which is a customer centric business strategy, fits best with customer intimacy value discipline; because both CRM strategy and customer intimacy value discipline aim to develop long lasting profitable relationships with customers. As it is in the defensive strategy, company that implements CRM strategies wants to sell more by creating customer satisfaction and loyalty. Implementing CRM

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allows the company to achieve competitive advantage through the way it integrates and adopts CRM. Companies that can turn their information assets from a tactical project into a strategic advantage will benefit from CRM. Today's CRM technologies enable companies to manage customer knowledge and align their decision making around customers. With the help of the CRM, customer-centric business model aligns the organization, and the delivery of its products and services around the customers by developing analytical insight, connecting that insight to customer interactions and integrating learning to continuously improve results (SAS Institute Inc., 2008). The main objective of implementing customer centric CRM strategy is to increase sales and profitability by increasing customer retention and creating customer loyalty. Customer satisfaction is considered as one of the most important factor for customer loyalty because a satisfied customer is supposed to stay loyal to the company for a long period of time and to buy more and more often than other customers (Heskett & Schlesinger, 1994). A highly satisfied customer is expected to stay loyal longer, increase their purchase quantities over time, buy as the company introduces new products or upgrades existing products, talk favorably about the brand, show less sensitivity to price, pay less attention to competing brands, and generate new product and service ideas to the company (Kotler, 2000).

4. The Maintaining of Consumer Satisfaction and Loyalty

According to the conceptual framework proposed by Faed (2010), customer relationship management, enhanced the relationships of customers and competitors in a firm to increase the share of the organization in marketplace by integrating technology, procedures and people. In fact, the purpose of CRM is customer retention and increasing consumer loyalty and profit results in the transformation of strategies and business function. Customer satisfaction is the key element for a successful CRM implementation and for the protection of consumer loyalty in a firm.

According to the research have been done by Bhattacharya (2011), implementation of CRM in a company or organization that is made to reduce the cost and increase the performance of the company will lead to profitable results for the company and for the customer while increasing customer satisfaction and loyalty. Indeed, a successful CRM, provides data from the organization's departments and external resources and then making their processing that will help the company in providing products/services adapted to the client in real time. This information can help employees who face with customers in various departments of the organization to provide a better product or service to the customer increasing thus consumer satisfaction and loyalty. CRM systems help the company to develop strategies for creating competitive advantage in the market among its rivals.

Findings illustrates that application of customer relationship management CRM is very important to increasing customer satisfaction and customer loyalty.

Increased attention to consumer satisfaction has led to improvements in the economic performance of companies (Anderson).

Overall the high level of customer satisfaction will away to a greater commitment to existing customers. This means that more customers will repurchase in the future. If a company has a high-loyalty consumer, this will be reflected in its profits and ensure a stable flow of income.

High customer satisfaction will reduce transaction costs in the future. If a company has a high customer satisfaction, there is no need to spend huge sums to gain new customers in each period. Satisfied customers are likely to buy more often and with greater intensity and buy various goods offered by the company (Reichheld and Sasser).

Through a well-structured strategy to CRM companies will have the opportunity to improve their overall performance. An increase in customer satisfaction will improve the overall reputation of a company. An improved reputation can help in the introduction of new products, providing a direct awareness and reducing the risk of getting customers to purchase new products.

To ensure a company consistently products and services that satisfy customers should increase its profitability by reducing the costs of failure. A company that consistently delivers high customer satisfaction needs fewer resources to manage returns, to improve damaged products and complaint management (Crosby, Tarp).

But even though there are many important reasons that lead us to the conclusion that the highest satisfaction of the customer leads to higher profits it is not always so in reality. To enhance customer satisfaction through better quality of raw materials, increasing the level of personal service, the provision of a range of differentiated products to meet customer needs, etc., will increase costs at a growth rate (Shugan) and this will reduce the profit of customer satisfaction.

5. Conclusions

CRM is the most effective approach in maintaining and establishing relationships with customers. Companies need to understand that the implementation of CRM systems in the company is an important tool to develop strategies for maintaining customer and creating loyal customers. Companies must not only see CRM as a technological tool, like a software program, but as a change in the structure and business culture in general. All the efforts and promises of the company to increase customer satisfaction and trust will be based exactly on the investments it will make in the implementation of CRM systems. This will create that opportunity to develop a competitive advantage in relation to its rivals. Therefore, customer relationship management has been becoming an essential strategic tool for the firms in today's dynamic market in which customer needs are changing continuously and the key to success lies within concentrating on customer retention. Adebanjo (2003) argued that analytical CRM tools can be used in increasing relationship of the customers through analyzing the captured data from customers. An analytical CRM is used to analyze inquiries and customer behavior to support decision making. Previous studies have shown that there are some implications for managerial decision-making in the area of customer satisfaction. Given that pleasure plays a dominant role in keeping consumers, marketers must continually offer services that satisfy customers and influence their loyalty .

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