

## Conceptualizing Customer Relationship Management Using a Descriptive Approach

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### Abstract

This article presents a descriptive discourse of Customer Relationship Management (CRM), its origin and perceived similarity to Relationship Marketing (RM) using extant marketing literature. It aimed at providing a contrasting clarification between CRM and RM with a view of determining whether or not both concepts are the same. It highlighted some notable differences between the two concepts by exploring key theoretical underpinnings based on the works of marketing scholars, and key CRM processes were also identified as conceptualized from the reviews. The different ways by which organizations and its customers perceive value were critically analysed. The findings suggested that CRM is still regarded as an elusive marketing concept which defies a concrete definition. Though, recently, there are attempts to provide a common definition of the concept. The findings showed that CRM is an old marketing ideology which is being clothed with new connotations and that; CRM and RM are like two inseparable Siamese-twins. Although, one is merely an extended version of the other nevertheless, both concepts hinges upon building strong and lasting relationships between business organizations and stakeholders in order to seek customers' loyalty and continuous patronage. Both business managers and practitioners are expected to benefit from the discussions as it exposes the dichotomy of opinions on CRM and RM. Marketing researchers can now begin to employ ways of adopting CRM processes not only to keep existing customers satisfied but also to attract new ones.

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**Keywords:** stress quality, CRM, relationship marketing, value, technology-based, stakeholders,

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### INTRODUCTION

Historically, customer relationship management (CRM) was first popularized in 1983 in the works of Berry (Berry, 1995). It is described as a way of retaining customers by building maintaining strong relationship with them. Managing firm-customers' relationship is very crucial to the survival of business organizations because marketing authors believe that the goal of marketing has shifted from a transactional/exchange oriented approach to that of a value creating one (Sheth and Uslay, 2007; Payne et al., 2008). Till date, value creation remains the heart-beat of marketing practitioners and business organizations so much so that it was emphasized in the definition of marketing by the American Marketing Association (AMA). Marketing was defined as *the activity, set of institutions, and processes for creating, communicating, delivering and exchanging offerings that have value for customers, clients, partners and society at large* (America Marketing Association, 2007).

Golder et al. (2012) also affirmed that value is created by both consumers and producers (the value co-creation process) at the point where "two individuals/institutions with complementary resources are connected" (Sheth and Uslay, 2007 p. 303). This is evident in most marketing activities such as market/marketing research, pricing and selling (Sheth and Uslay, 2007). Even though both

consumers and firms are involved in creating value, consumers play a greater role in the process because, whereas firms offer value propositions only (Vargo and Lusch, 2004), the propositions remain valueless unless they are used by consumers (Grönroos, 2009). Value therefore is often expressed in the quality of products and/or services that firms offer to customers. Though, designing quality products that will be valued by customers is a very daunting exercise (Golder et al., 2012).

This is because oftentimes buyers' interpretation of quality varies significantly from that of firms' (Heizer and Render, 2011) hence; their perceived value orientation also differs. Buyers often tend to view quality products in terms of their durability and/or how highly priced they are whereas; firms may consider quality variables such as flexibility, speed, dependability and cost (Slack et al., 2011). No wonder, business organizations and consumers are constantly making quality-related decisions (Golder et al., 2012) within the buyer-seller relationship. Thus, quality is the thread that holds all contracting parties (firms and stakeholders) together in a business setting.

CRM is one sure way of addressing quality-related issues in organizations. Ko et al. (2008) added that maintaining strong relationships with customers will go as far as helping organizations to withstand

competition and other militating environmental factors. Thus, this paper seeks to explore the extant literature on Relationship Marketing (RM), CRM processes and its impact on organizational performance. The aim is to provide a clarification for some of the grey areas surrounding CRM as a marketing concept in order to determine whether or not CRM is indeed an old wine put inside a new bottle as envisaged by Berry (1995).

The plethora of literature on CRM reveals that the concept is still very much debated upon and till date there are no precise definitions of what CRM is, or a comprehensive description of what its processes and activities are (Reinartz et al., 2004; Payne and Frow, 2005; Bouguerra and Mzough, 2011). One major contributory factor to this is the dynamic and evolving nature of CRM as a concept which defies a tentative definition though, recently, scholars have attempted to provide a working definition of CRM (Boulding et al., 2005).

**CONCEPTUAL FRAMEWORK  
CRM and Relationship Marketing**

In spite of the confusion between CRM and RM, there is no doubting the fact that a relationship or bond exists between firms and their customers (Grönroos, 1995). This relationship has been explained in different ways by various authors. Dwyer et al. (1987) provided a five-phase model of explaining how these relationships are formed which are; through awareness, exploration, expansion, commitment and dissolution. It is this relationships between organizations and their stakeholders that firms must market (relationship marketing) in order to continuously stimulate customers’ patronage as opined by Grönroos (1994). Though, relationship theory existed long ago from basic economic exchange principles of trying to define human needs, wants and demand (Vargo and Lusch, 2004), it has since become the pillar for developing many relationship theories in modern marketing.

Relationship marketing (RM) focuses on getting and keeping the relationship between organizations and their customers (Morgan and Hunt, 1994 citing Berry, 1983). Its goal is “to get and keep customers” (Grönroos, 1995 p.253). CRM on the other hand takes a customer-centric approach in addressing customers’ needs (Kotler et al., 2005). CRM was defined as “a strategic approach that is concerned with creating improved shareholder value through the development of appropriate relationships with key customers and customer segments.

CRM unites the potential of relationship marketing strategies and IT to create profitable, long-term relationships with customers and other key stakeholders. CRM provides enhanced opportunities to use data and information to both understand

customers and co-create value with them. This requires a cross-functional integration of processes, people, operations, and marketing capabilities that is enabled through information, technology, and applications” (Payne and Frow, 2005 p.168). Thus, the role of CRM is to build sustainable relationship with customers and organizations’ stakeholders.

Both CRM and RM are customer-oriented in theory and in practice (Grönroos, 1997) and are often used interchangeably (Payne and Frow, 2005). Despite these similarities, significant differences exist between CRM and RM. Some authors believe that CRM and RM are “as distinct as the terms sales and marketing” (Egan, 2011 p. 269) whereas, others believe that one emerged from the other or that CRM “has been shortened and transmitted into relationship marketing” (Egan, 2001 p.196 citing Dodds, 2000). Thus, some major differences between CRM and RM are highlighted in table 1 below.

Table 1: Differences between RM and CRM

Relationship marketing	Customer relationship management
Focuses on buyer-seller relationship.	Focuses on supplier-customer relationship.
Relationships are built using technology.	Emphasizes what man can do with technology.
Commonly used in B2B and service firms.	Commonly used in consumer goods and service processes.

Adapted from Egan (2011 p. 269).

Farrell (2001) added that CRM focuses on collecting customers’ information using appropriate technology but that, it does not show how the information is used to enhance the customer-firms’ relationship. While CRM is technology-oriented, relationship marketing is people-centred. RM is much broader than CRM by incorporating the interests of other stakeholders of the organization thus; CRM and RM are “as distinct as the terms ‘sales’ and ‘marketing’ (Egan, 2011 p.269). CRM processes therefore include; improved pricing policies, services, custom-made products/services, integrated supply chain and sales force improvement (Richards and Jones, 2008).

**Empirical studies**

The review shows that CRM has been greatly researched by scholars over the years yet, it is still making wave in modern marketing literature. The Journal of Marketing (JM) published an entire edition on customer relationship management in an attempt to provide a working definition of CRM. The articles were all by-products from conferences that were held on CRM and relationship marketing between 2003 and 2005. The first of the conferences was held in Berlin in 2003 while the second one was held at Duke University in 2004. These were followed by two consecutive sessions of customer relationship management sponsored by the American Marketing Association (AMA) in collaboration with Teradata

Centre held at San Antonio between 2004 and 2005 (Boulding et al., 2005).

The findings from the ten articles were featured in the works of Boulding et al. (2005) which helped to clarify some of the grey areas surrounding CRM as a concept. First, a tentative definition of CRM was given as “the management of the dual creation of value, the intelligent use of data and technology, the acquisition of customer knowledge and the diffusion of this knowledge to the appropriate stakeholders, the development of appropriate (long-term) relationships with specific customers and/or customer groups, and the integration of processes across the many areas of the firm and across the network of firms that collaborate to generate customer value” (Boulding et al., 2005 p. 157). This means that authors are gradually working towards a common understanding of what CRM is thus; CRM is no longer a marketing myth but an evolving marketing concept. Second; CRM impacted firms’ performance irrespective of the industry type and that the success of CRM does not depend on firms’ ability to acquire sophisticated technology.

In another study conducted in US by Jayachandran et al. (2005), a group of 1105 marketing and sales managers belonging to a strategic business unit (SBU) were sampled to determine the role of relational information and CRM-based technology on CRM. Primary data was collected via online questionnaires and the data was tested using the t-test statistical instrument. The findings showed that relational information enhances the efficiency of CRM and that technology-based CRM only supports the system although, this conclusion is arguably at variance with that offered by Reinartz et al. (2004). Reinartz et al. (2004) did a cross-cultural study of 1015 companies in three countries; Switzerland, Germany and Austria to determine the relationship between CRM processes and organization’s performance on one hand and CRM oriented technology and customer relationship management on the other hand. Primary data was collected from the 1015 companies belonging to four different industries namely; power utilities, finance institutions, online retailers and hospitality. The findings showed that CRM processes involve three elements of customers’ initiation (attracting customers), maintaining the relationship and relationship termination. Though, organizations’ performance was improved by CRM activities but, this occurred only at the customer initiation and more at the maintenance levels. They also discovered that technology alone cannot provide effective CRM processes since customers as social beings would rather prefer to relate with people rather than machines which can neither feel nor sense.

Quite a number of CRM researches were linked to organizational technology. The reason is not far-fetched; CRM related issues are usually handled by IT staffs in most organizations. This is due to the technicalities that are involved in CRM processes (Rust et al., 2010). One of such studies was conducted by Ko et al. (2008) who surveyed a group of 299 Korean fashion companies to determine the companies’ perceived benefits of adopting technology-based CRM processes. The sample was drawn from the annual list of Fashion Brands which is a medium where most fashion firms in Korea were displayed. The data was collected between years 2004 to 2005 using a structured questionnaire.

The findings revealed that companies’ perceived benefit of adopting CRM differed from company to company and that technology-based CRM was affected by organizations’ characteristics. Some of the commonly mentioned benefits of adopting CRM were; increased brand loyalty, repeat purchases, maintaining customer database and winning competition. In spite of these benefits, CRM activities were adopted by the companies only in managing existing customers and not in attracting new ones believing that attracting new customers is costlier than managing existing ones. This opinion is at variance with Gulati and Oldroyd (2005) findings that investment in CRM-based technology produces little or no returns to businesses since building good relationship does not depend on having an efficient IT system in place. What then enhances this relationship?

The answer could be found in Woojung et al. (2010) logical framework of measuring CRM-based technology investments and firms’ performance through marketing capabilities. A sample of 209 personnel from CRM and marketing departments was selected from top 500 Korean firms belonging to different industries whose sales volume were among the highest in the country. Primary data was collected through respondents’ e-mail and fax addresses. The finding revealed that CRM-based technology does improve organizations’ performance by enhancing the effective planning and implementation of their marketing activities. And that CRM activities help to improve firms’ interpersonal relationships with their customers.

The findings from the studies conducted by Peltier et al. (1999) and Verhoef (2003) also revealed that CRM activities greatly impacts customers’ commitment, retention and loyalty. Peltier et al. (1999) surveyed a group of 110 nurses to find out how CRM processes can improve the relationship in the health sector with respect to three hierarchical types of bonding namely financial, social and structural. Data was obtained through questionnaire which contains a total of twenty-one questions. It was

revealed that CRM improves decision making between nurses on one hand, and between nurses and physicians on the other hand.

Verhoef (2003) also surveyed 6525 customers of a Dutch finance institution to determine the impact of CRM activities on customer share development and retention from the view point of how customers perceive the relationship. His findings suggested three things first; relationship marketing efforts like loyalty activities, good pricing strategies and direct mailing influence customer share and retention. Second, customer commitment is crucial to the relationship between customers and firms. Third, both Customers' Relationship Perception (CRP) and Relationship Marketing Instruments (RMIs) have positive influences on the purchase behavior of customers in terms of increasing their purchases, share development and relationship with the firms.

In a recent study Reimann et al. (2010) linked CRM to firms' performance in order to know how differentiation and cost leadership enhances firms' performance. In-depth interviews were conducted on six marketing executives from mining, power utility, clothing, beef production, toys, fixtures and fittings industries. The findings suggested that incorporating CRM to firms' business strategy will improve their differentiation and cost leadership positions especially if the firms belong to an industry that is greatly commoditized.

## FINDINGS

From the discourse, it is obvious that CRM is an elusive concept that defies an objective definition. Richards and Jones (2008) believe that its elusiveness makes it more difficult for it to be properly evaluated within the framework of existing literature. Though, CRM is an old marketing ideology having fresh insights and interpretations but, it is actually "the relabeling of a mixture of different marketing ideas in the extant marketing literature" (Boulding et al., 2005 p. 156). Operationally, both CRM and RM are tools used to manage the relationship between firms and their customers.

While some authors are confused about the origin of CRM others believe that, CRM is an extended view of relationship marketing thus; equating both to sales and marketing (Egan, 2011). But then, since sales happen to be an aspect of marketing it could be stated that both concepts exist side by side. Could it be that some aspects of RM still exist as part of CRM till date? The answer to this question is found in some commonly identified CRM processes such as; managing customers' information, direct mailing, effective communication, effective pricing strategies, data integration, sales support and customized products/services (Richards and Jones, 2008; Woojung et al., 2010).

Some authors believe that CRM has an indirect impact on organizations' performance. Thomas and Sullivan (2005) support this claim adding that CRM is a way of increasing firms' profitability through customers' continuous patronage. But, the issue of whether or not technology-based CRM is beneficial to firms remains an unresolved debate. Reimann et al. (2010) believe that technology-based CRM indirectly enhances performance via organizations business strategy, others like Gulati and Oldroyd (2005) feel such investments do not yield any significant returns due to their rate of failure. Woojung et al. (2010) also remarked that, most researches on the impact of technology-based CRM and firms' performance have continued to produce inconsistent results. The literature on CRM also revealed that the rate of failure was caused by poor implementation of technology-based CRM arising from constant fluxes in the business environment. Egan (2011) added that the speed with which old technologies are constantly being replaced by newer versions is what actually frustrates the implementation process. Thus, technology-based CRM processes are not always associated to technology. Finally, the paper revealed that CRM processes were mainly adopted to manage firms' existing customers and that little or no attempts were made to attract new ones.

## CONCLUSION

The debate on whether or not any differences exist between CRM and relationship marketing is inconclusive. From a definitional point of view both concepts emphasize on developing strong lasting customer-firm relationships but, from an operational point of view they both use different approaches. This increases the complexity with which marketing managers make decisions because the tendency to win customers and remain competitive within their respective industries is what will eventually distinguish successful firms from failures. Thus, issues regarding the management of firms' relationship with customers whether by using appropriate relationship marketing (RM) skills or CRM techniques should not be taken for granted. Hence, the need to continuously offer quality products/services to keep old customers satisfied and the ability to attract new ones cannot be overemphasized.

This means that, organizations need to provide products or services better than their competitors thus; putting effective marketing strategies in place and building strong bonds with stakeholders. But, to effectively implement a concept that organizations can hardly define and understand is an enigma to be resolved by marketing scholars and practitioners. Nevertheless, firms ought to reach out to both existing and potential customers by providing products and services that are of value to customers. They must do this first before seeking to gain

customers loyalty and patronage in other words; loyalty in service should come first before loyalty in patronage (Kandampully, 1998).

Finally, a good number of CRM researches merely focused on how firms perceived the impact of CRM on organizational performance, only few addressed customers' view point. Therefore, if keeping customers satisfied is essential to the profitability of an organization then customers' viewpoint of how beneficial CRM activities are to them should be given utmost consideration. The findings of this study are limited to the use of only secondary data though; engaging direct responses could have produced a better and deeper understanding of what customer relationship management is all about.

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