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## **The Awareness Level of CRM in Czech Production Organizations and Services**

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Karviné

2007

Online at <https://mpra.ub.uni-muenchen.de/12291/>

MPRA Paper No. 12291, posted 20 Dec 2008 12:57 UTC

# THE AWARENESS LEVEL OF CRM IN CZECH PRODUCTION ORGANIZATIONS AND SERVICES

(GAČR 402/05/0140 „Metodologie marketingu vztahů a její postavení v rámci strategického marketingu a řízení vztahů se zákazníkem (CRM). Praktické využití.“)

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**Key words:** CRM, organizations in production, organizations in services, awareness level of CRM, Priorities of requirements in CRM, current situation

## Abstract

CRM has noted the dizzying career in last years, though it happens, that it is often connected only with the computer program. The management of customer relationship is the something more important in reality. It is the philosophy of new marketing conception. That is the reason too, why many managers think about CRM. We chose from made primary research the most substantial questions, which make possible to find out, how Czech organizations understand CRM and what experiences they have with CRM.

## Introduction

The relational Marketing is defined as the process of identification, building, preservation, improvement and termination of relationship with customers and other interested subjects. All the interested parties should get benefit from this. Relation management deals with CRM. The product is a basic tool of traditional marketing. The relationship is a basic tool of a relational marketing, which companies form with their customers. The product is part of that relationship.

The primary research was realized within first period of the project. The research was concentrated on main problems of CRM in the practice of Czech companies. We addressed the production and services offering organizations together with colleagues from VŠB-TU Ostrava. It was contacted in total 666 production companies and 400 firms from services branch. The rate of questionnaire return was 16,14% from the production enterprises, it means 102 completed questionnaires. The rate of questionnaire return from services was 17,00%, which meant 68 questionnaires. Some of the informants did not complete the questionnaire, but they sent us the reaction by the letter, another informant did not answer all questions in the questionnaire.

The research was relatively extensive, so we will aim at the selected questions and the following hypotheses, which related to them.

- $H_1$  – *The definition of CRM is not unified.*
- $H_2$  – *The awareness of CRM is rather low.*
- $H_3$  – *The present situation in organization attest to preparatory phase or CRM implementation phase.*

## 1 Knowledge of CRM

We meet the range of CRM definitions in the professional literature. We try to approach the CRM concept for organizations base on available bibliography. Most of services offering organizations (62,03%) considered the best cogent definition of CRM as: „the creation of a permanent relations with customers, which bring a long-time value for both participants of this relation.“ Production concerns chose the first definition mostly too, but their ratio was almost about 10 percentage points lower. The second mostly said definition in services was: the movement company from the product-oriented strategy to strategy oriented on consumer and his needs“, see table 1.1. Production companies placed the definition C on 2.<sup>th</sup> position too. These companies were about 11.25 percentage points more than in services.

Nobody from services offering organization did think, that it would mean only a technical background supporting the communication with customers. We can evaluate this positively because they perceive that CRM is something more than techniques. It is relationship to human needs. We found out per contra that cc 6% of production companies connect CRM only with the software solutions.

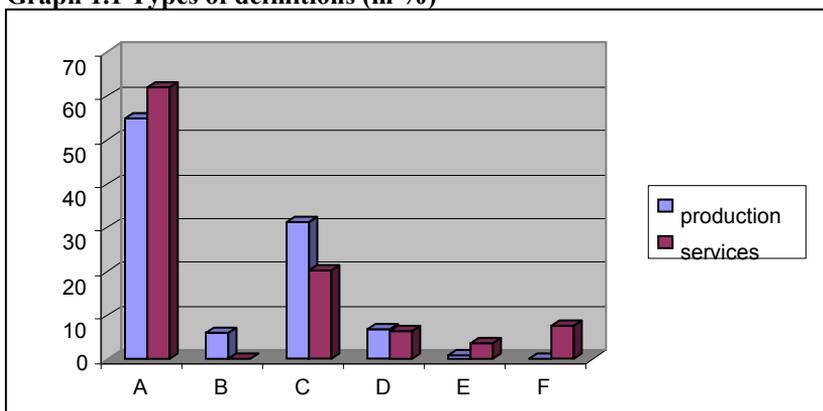
The small ratio of organizations (in production and services) associates themselves with opinion too, that it is only a trendy issues. The most of organization attaches to this method long-time sense and the possibility of successful way, which is beneficial for a supply and demand side. It is not absolutely fractional, that about 8% informants from services branch did not answer this question. All production enterprises responded to offering answers possibilities.

**Table 1.1 Types of definitions (in %)**

<b>Types of definitions</b>	<b>production</b>	<b>services</b>
A: The creation of permanent relations with customers, which bring a long-time value for both participants of this relation.	54,9	62,03
B: Software, which supports the communication with customers	5,9	0,00
C: The movement company from the product-oriented strategy to strategy oriented on consumer and his needs	31,4	20,25
D: The provision of needed information for workers, which are in a direct contact with customers.	6,9	6,33
E: the trendy issues	0,9	3,80
F: Without answer	-	7,59
<b>Sum</b>	<b>100,00</b>	<b>100,00</b>

The following graph 1.1 represents individual percentage shares of informants' answers relating to CRM definitions.

**Graph 1.1 Types of definitions (in %)**



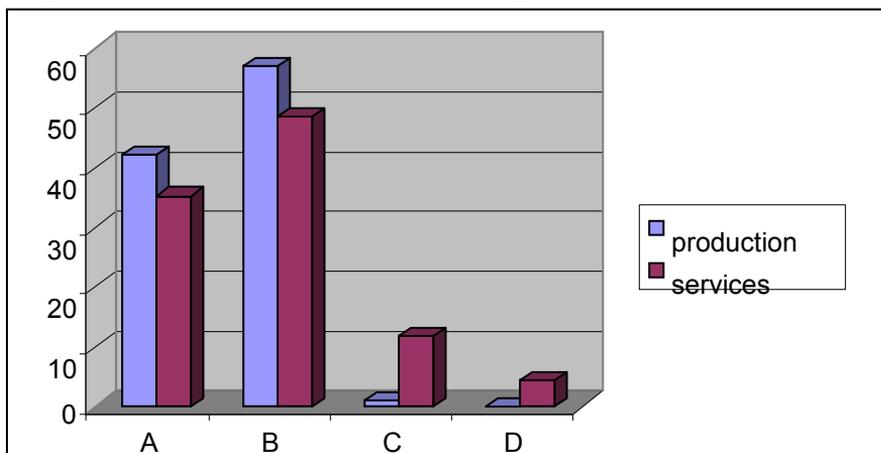
**The awareness level of CRM in organizations**

We received answer this question from all production organizations, but only 82% organizations from the services area answered. The most of production organizations valued the CRM awareness in their organization as relatively good, similarly evaluated this organizations in services. But producers had their categorization higher about 15 percentage points than services. Services had a higher ratio of firms with excellent CRM awareness (+ 9 p.p.) and lower ratio of firms with low awareness, see table 1.2.

**Table 1.2 The awareness level of CRM in organizations**

Grade	production	services
A: low	42,20	30,37
B: relatively good	<b>57,00</b>	<b>41,80</b>
C: excellent	1,00	10,12
D: without answer	0	17,72
<b>Sum</b>	<b>100,00</b>	<b>100,00</b>

**Graph 1.2 The awareness level of CRM in organizations**



**Priorities of requirements in CRM launch**

The production and services don't have an identical opinion on evaluation of requirements in CRM launch, although they concurred in two processes. The activities with information processing and customer analyses are the most demanding for both branches. The production placed the analysis of products valuation on 2<sup>th</sup> position and selection and staff training on 3<sup>th</sup> position (see table 1.3). Services consider the selection and staff training too demanding (2<sup>th</sup> position) and financial resources (3<sup>th</sup> position) too. The software equipment occupied the last place in factors scale, which is possible to give reasons for, that majority of organizations does not use this techniques, see graph 1.3.

**Table 1.3 Priorities of requirements in CRM launch**

Priorities	production		comparison	services	
	average	rank		average	rank
A: Financial resources	3,12	5.	x	3,15	3.
B: Selection and staff training	3,43	3.	x	3,69	2.
C: Organization of sale	3,40	4.	x	3,04	5.
D: Software	2,89	8.	x	2,76	7.
E: Work with information and customers analyses	3,75	<b>1.</b>	=	3,78	<b>1.</b>
F: Analysis of products valuation	3,10	<b>6.</b>	=	3,02	<b>6.</b>
G: Analysis of consumer value	3,59	2.	x	3,12	4.
H: Alternative	3,00	7.	x	0,00	0

\* sequence ad valorem 1-5, 1- the least pretensions, 5 – the highest pretensions.

**The current situation of CRM in organizations (in %)**

Producers are convinced, that their firms are situated mostly in preparative phase (almost 30%). Other important group (CRM is in operation longer time) is on 2<sup>th</sup> position (about 27%) and are on 3<sup>th</sup> position are firms in launching phase. Most of organizations in

services branch said, that CRM functioned at their companies for the longer time. The 2<sup>th</sup> place ranked organizations in preparative phase and CRM in launching phase took 3<sup>th</sup> place.

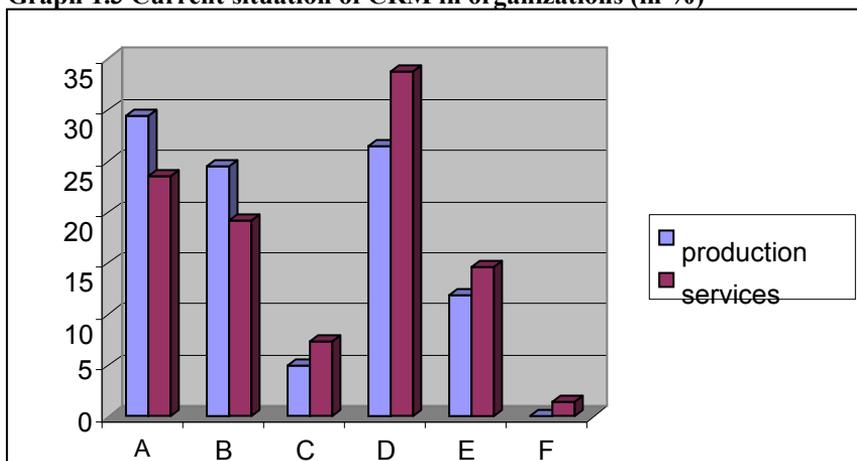
The percentage share of companies in launching phase is higher in the production (+ 5.38 p.b.). The ratio of firms, where CRM is in operation, but results did not show yet, is higher in services than in production. (+ 2.45 p.b.).

Circa 1.5% of organizations in services did not answer this question. We can suppose the reason was that they do not use this method. It is positive, that this number is very low. Although the answers “Alternative” are set and their share is not insignificant, they are not explained (see graph 1.3).

**Table 1.4 Current situation of CRM in organizations (in %)**

CRM phase	production	services
A: CRM is in preparative phase	29,40	23,53
B: CRM is in launching phase	24,50	19,12
C: CRM in operation, but the results don't show yet	4,90	7,35
D: CRM is in operation for a longer time	26,50	33,82
E: alternative	11,80	14,71
F: Without answers	-	1,47
<b>Sum</b>	<b>100,00</b>	<b>100,00</b>

**Graph 1.3 Current situation of CRM in organizations (in %)**



### The Results of CRM function

The organizations were asked to characterize the results of CRM function, if it functions at their organizations for a longer time. This question answered only 52% respondents from production. and even 61% respondents in services. The pretermission of this question can indicate, that significant part does not know how these results evaluate, or they do not evaluate them at all.

It arises from following answers, that increase of number of loyal customers (17%) and total profitability (cc 10% firms) is the biggest benefit for production firms. These firms confirmed the obtaining of competitive advantage (cc in 8% enterprises.)

The organizations in services cited, that the number of loyal customers (31%) grown them first. The obtaining of competitive advantage impacted only 12% firms see table 1.5. The answer concerning the changes of costs in dependence on total number of customers is interesting. The growth and decrease of costs noted the identical ratio of firms, although was more or less insignificant.

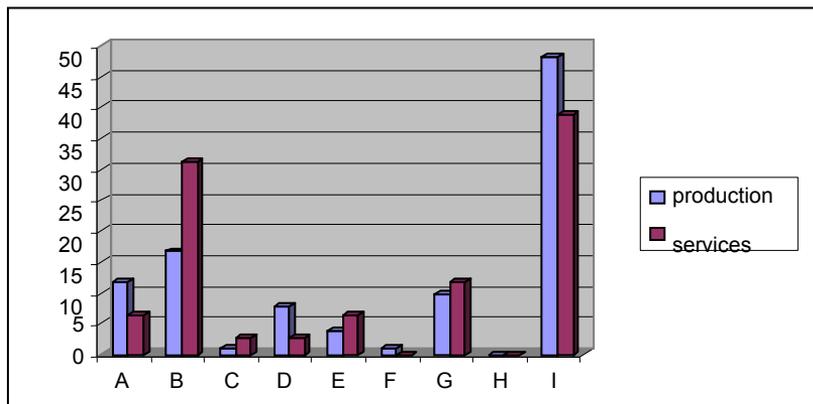
Any organization in both branches did not confirmed, that this method of relationship management with customers completely failed.. Its implementation had the negative reaction of sale staff only in one production organization, see graph 1.4.

**Table 1.5 The results of CRM (in %)**

Results	production		services	
	%	rank	%	rank
A: The increase of total profitability	11,77	2.	6,49	3.
B: The increase of loyal customers number	<b>16,67</b>	<b>1.</b>	<b>31,17</b>	<b>1.</b>
C: The increase of costs on total number of customers	0,98	6.	2,60	4.
D: The decrease of costs on total number of customers	7,84	4.	2,60	4.
E: CRM did not bring a required effect	3,92	5.	6,49	3.
F: CRM evoked dissatisfaction of sale staff	0,98	6.	0,00	-
G: The obtaining of competitive advantage	9,80	3.	11,69	2.
H: CRM failed, give the reasons:	0,00	-	0,00	-
I: without answer	48,04	-	38,96	-
<b>Total</b>	<b>100,00</b>	-	<b>100,00</b>	-

Source: own.

**Graph 1.4 The results of CRM (in %)**



## 2 Results summary and verification of hypotheses

The most of organizations concur in definition of CRM (A), although percentage shares are moderately different. The organizations concur in awareness level of CRM (B) too, which they consider good. Works with information and customer analysis (E) are considered in both branches as the most difficult. It is possible to evaluate as positive the fact, that software equipment is the least demanding for firms.

The organizations have the different opinion on current situation of CRM in their firms. Producers cited mainly, that CRM is found in preparative phase (A). Per contra the valuation of organization in services is more optimists because they mention that CRM is in operation for a longer time (D).

We find the identical majority answers and results assessment of CRM function. We evaluate negatively the fact, that almost the half of production firms did not answer this question, in services it is 40%. The increases of customer number was placed identically on 2<sup>th</sup> position. Any of both organization type did not acknowledge, failing of CRM in their organizations.

**Table 2.1 The synthesis of individual answerers – the comparison of majority answers (in %)**

Criteria	production		services	
The definition of CRM	A	54,9	A	62,3
The awareness level of CRM	B	57,00	B	48,53
Priorities of requirements in CRM launch	E	3,75	E	3,78
<b>Status quo of CRM</b>	<b>A</b>	<b>29,40</b>	<b>D</b>	<b>33,82</b>
The results of CRM function	I	48,04	I	38,96
	B	16,67	B	31,17

We deal with the verification of hypothesis now:

### ***H<sub>1</sub> – The definition of CRM is not unified***

This hypothesis we can validate, although more than one half respondents preferred the first definition, based on „the creation of a permanent relations with customers, which bring a long-time value for both participants of this relation.“ The ratio of firms is in services higher than in production (+ 8,3 p.p.), see table 2.2. The second important group is that, which understands CRM as „the movement company from the product-oriented strategy to strategy oriented on consumer and his needs“. There is conversely more firms in production (+ 11.15 p.p). The marking of this definition is possible to interpret as positive, because it shows the understanding of generation from the transaction marketing i.e. to the relational marketing and CRM.

**Table 2.2 The comparison of definition**

Definition	production	services
A: The creation of permanent relations with customers, which bring a long-time value for both participants of this relation.	<b>54,9</b>	<b>62,03</b>
C: The movement company from the product-oriented strategy to strategy oriented on consumer and his needs	<b>31,4</b>	<b>20,25</b>

### ***H<sub>2</sub> – The awareness of CRM is rather low.***

This hypothesis did not confirm neither production organization nor organization in services area. Organization valued their situation as relatively good, the production reach over 50%, services almost approached this limit. Low awareness defined more production organization than services, (cc 7 p.p.), see table 2.3.

**Table 2.3 The comparison of the awareness level of CRM**

<b>Stage</b>	<b>production</b>	<b>services</b>
A: Low	42,20	35,29
B: Relatively good	<b>57,00</b>	<b>48,53</b>

### ***H<sub>3</sub> – The current situation in organization show the preparatory phase or CRM implementation phase***

This hypothesis was confirmed only partially. This is valid only for production (almost 30%) according to the opinion those firms. Services (more than one third) say, that CRM already functions in their organization for the longer time, see table 2.4).

**Table 2.4 The comparison of CRM phases**

<b>Phase of CRM</b>	<b>production</b>	<b>services</b>
A: CRM is in preparative phase	<b>29,40</b>	23,53
D: CRM functions in firm for a longer time	26,50	<b>33,82</b>

### **Summary**

CRM has noted the dizzying career in last years, though it happens, that it is often connected only with the computer program. The management of customer relationship is the something more important in reality. It is the philosophy of new marketing conception. That is the reason too, why many managers think about CRM. How J. Dohnal writes in his book, some researches show, that North American and West European Enterprises line up CRM on the first position between processes, to which the company management should invest in following years, namely not only in CRM technology, but in all CRM components, in processes and staff. Variants of approaches to CRM are different, because every company has its customers and company culture, which is the base of CRM.

We chose from made primary research the most substantial questions, which make possible to find out, how Czech organizations understand CRM and what experiences they have with CRM. The research confirmed, that trend of answers mostly concurred by probed sample of respondents in production and in services. The awareness of CRM is relatively on the same level by both branches. The production fell mainly in preparative phase of CRM function. Services confirmed CRM functioning for longer time. Identical answers occurred mostly by claims definition for CRM implementation in organization. The works with information and customers analysis are evaluated as the most demanding. It is problem, because CRM evaluation does do without the detection, what asset single groups of customers have for us and how we can measure their value.

From defined hypothesis was confirmed, that the definition of CRM is not totally unified. The low awareness of CRM was not confirmed and the predication, that expected phase is preparative or instituting (in production.), confirmed partly. In services CRM function for a longer time.

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