CRM Implementation: A Descriptive Study of the Service Industry in Pakistan

Khan, Sana Akbar and Qureshi, Salman Ali and Hunjra, Ahmed Imran

University of Electronics Science and Technology, Chengdu, Sichuan. Peoples Republic of China, Lecturer, Department of Business Administration, Allama Iqbal Open University, Islamabad and MS Scholar, Iqra University, Islamabad, Pakistan, Lecturer, UIMS-PMAS-University of Arid Agriculture Rawalpindi and PhD Scholar, Iqra University, Islamabad, Pakistan

9 February 2014

CRM Implementation: A Descriptive Study of the Service Industry in Pakistan

[1]Sana Akbar Khan, [2]Salman Ali Qureshi and [3]Ahmed Imran Hunjra

[1]University of Electronics Science and Technology, Chengdu, Sichuan, Peoples Republic of China
[2]Department of Business Administration, Allama Iqbal Open University,
Islamabad and MS Scholar, Iqra University, Islamabad, Pakistan
[3]UIMS-PMAS-University of Arid Agriculture Rawalpindi and
Iqra University, Islamabad, Pakistan

Abstract: In service industries, the customer relationship has become a core issue for achieving competitive advantage. The firms prefer to invest in the technology based Customer Relationship Management (CRM). However, mere implementing the CRM applications does not itself ensure success until the consequent factors of the CRM are considered by the enterprises concerned. This study provides the descriptive analysis of the CRM implementation and two important factors: customer knowledge and customization. The aim is to analyze the degree to which service firms utilize CRM technology, customize services and store customer knowledge. The results show that CRM application is extensively used in the firms who store and manage customer knowledge. This helps in increasing organizational performance. However, customization is not always the practice of the service firms.

Key words: Customization · CRM Implementation · Customer Knowledge · Customer Satisfaction · Economic Performance

INTRODUCTION

The customers are the foundation of a business and, thus, they have always been the core issue of discussion among the business professionals and researchers. Organizations especially service organizations focus on Customer Relationship Management (CRM) to achieve sustainable competitive advantage. The CRM works in dual manner, it not only helps to attract new customers but also aids to retain old ones [1]. The challenge is to implement CRM successfully, as indicated by many researchers like [2-4]. The technological as well as the organization's infrastructural support is required earnestly for the successful implementation of CRM and the achievement of business performance [5].

To successfully implement CRM, customer loyalty is a concern of service firms. The loyal customers cherish to buy a product or service successively. They introduce the same to others also. It provides benefits of the superior customer value and reduces the cost that positively affects the financial outcomes [6]. According to [1, 7] the customer loyalty and satisfaction have a strong say in the increase of profits. Secondly, mastery of the customer knowledge is also essential for the success [8]. Mastery of the customer knowledge results in integration of both the customers' knowledge management and customer relationship management. To the best of authors' knowledge, literature does not provide much evidence on the integration of customer knowledge and CRM.

The objective of the study is to:

- Analyze the degree to which service organizations use CRM application.
- Find the extent to which firms store customer data.
- Examine the level of customization and loyalty marketing used by service firms.
- Investigate the change in service organizations' performance due to CRM, customization and customer knowledge.

Corresponding Author: Salman Ali Qureshi, Department of Business Administration, Allama Iqbal Open University, Islamabad and MS Scholar, Iqra University, Islamabad, Pakistan.
Mob: +923335109790.

Literature Review: The CRM Implementation is an independent variable, Customization and Customer Knowledge are the mediating variables, where as Organizational Performance is a dependant variable of the study.

CRM Implementation: The model aim at determining the consequences of the customer relationship programs on the overall business. Basically it is a resultant of the model of competitive advantage developed by [9]. [6] followed the same model. He, however, discusses that the superior CRM capability helps improve the firm's performance outcomes (satisfaction, loyalty, market share, profitability etc.) by creating a positional advantage (superior customer value, lower relative costs). To him, it can be possible by focusing on inarticulate needs of the customers that support a positive market orientation. The successful CRM implementation is a challenge. [10-12] gave different models to defeat the failures of CRM. The research persuades by [13] endorses the fact that the CRM implementation has a positive effect on the firm's financial viability. According to them, the CRM implementation is tridimensional in nature, i.e. CRM data warehouse, analytical CRM and use of the customer data strategically, whereas the financial outcomes are measured through the Return on Equity (an absolute measure).

Customization: Today the firms face challenging competition. In the like scenario, the enterprises have to fascinate the new customers. Also they have to initiate certain loyalty programs for the retention of their existing customers for winning in the competitive environment as well as profitability [1]. The loyalty programs are launched by the firms to customize their products and convert their ordinary customers to the loyal ones. Profits can be enhanced if the organizations customize their products or services to increase customer's loyalty [14].

[15] developed a framework for the customization process and, thus, divides the customization process into three main elements: learning, production process customization and marketing mix customization. Learning the customer's needs and preferences regarding a certain product is as vital as the decisions to market the products. To get hold of the customers' preferences is considered too important by [16]. In their study, they bring to light two alternative learning approaches viz a viz 'ask' and 'infer'. Some studies highlight the implication of customization in terms of marketing mix decisions like

pricing and promotion [17, 18, 13, 19]. This study, therefore, considers as well the third part of the customization process, namely 'marketing mix customization' to be critical and vital. This discussion will lag behind if we do not opt to highlight the importance of the loyalty generated pursuant to the process of customization.

Customer Knowledge: The customer knowledge is defined as the information of the customers' needs and his profiles duly generated by the use of relevant technology (Yang *et al*., 2010). Similarly, according to [20] the customer knowledge management provides details about the customer's insight, profiles, behavior and contact preferences. This information helps the firm take decisions regarding the customers' attraction and acquirement, products and channels to be used, also as to how to make use of the CRM for delivering the quality. [8] give input in the literature of the knowledge management where by they focus on the importance of the customer knowledge. They highlight the importance of management of the customer knowledge. For this purpose, they put forward numerous reasons in its favor, like segmentation and identification of the customers to be targeted with the view to prioritizing the customers, coining the effective marketing messages, enhancing the customers' loyalty, improving the existing products as well as the innovation. Likewise, [21, 22] relate the CRM to the knowledge management (KM) and especially to the customer knowledge management. The customer knowledge process helps the organizations not only in identifying the customer's evolving needs, but also it discovers the profitable market segments to be targeted, hence it guarantees faster decision making [23].

The importance of the CRM application is vital for generating the customer knowledge. Technology plays a critical role in creating the customer knowledge. The competence and ability of the firms engaged in generating the customer knowledge has become possible merely because of the information technology [24]. [25] tested the relationship of CRM implementation and customer knowledge. They find it a significant relationship. Further, they suggest using customer knowledge as a mediator.

Organizational Performance: Certain literature opts to distinguish between the subjective and objective approaches to measure organizational performance [26-28]. [26] stated that the difference of objective and subjective measures often are confused by human beings.

The researchers elaborate that the subjective measures are the self-reported ones whereas the objective measures base on the financial data. They are of the view that some financial data are utilized in decision making by the management. Hence, such financial data can be generated subjectively also. In support of the subjective approach for measuring the firm's performance, some studies suggest that the collection of the objective and absolute measures is somewhat difficult for the two reasons. First, the company's financial information is always confidential. Second, the objective as well as the subjective measures strongly is interlinked [27, 28]. Likewise, [9] abhor using the objective approach for assessing the performance for want of appropriate, absolute measures. [28] suggested the use of a broader concept of organizational performance that bases on two categories i.e. the marketing performance which is based on the customer trust and satisfaction whereas the financial performance bases on return on investment and return on sales.

Many researchers prefer to measure the sales growth/ return on sales with the view to estimate the financial benefits [29-31] while a few prefer the return on investment and the market share [29]. On the other hand, some researchers are of the view to use the perspectives, the 'financial perspective' and the 'customer perspective' for measuring performance [6, 25]. In this study, therefore, both perspectives are made use subjectively for measuring performance.

Methodology: The total population of the study is the service industry in Pakistan. The target population includes three service industries namely the cellular operators, the airlines and the five star hotels. The selected service sectors have the characteristics of maintaining a large number of customers as well as greater competitiveness. The like service organizations focus more on the customer satisfaction and their retention due to low switching cost of customers. Another reason for the selection is that these organizations have opted for high investments towards the implementation of the CRM technology and, hence, are using the CRM database extensively to store customers' profile and their needs, as compared to other industries with the view to improve their service performance. Purposively the sample data was collected from the top management and middle management of marketing and sales divisions.

The purpose was to collect the responses from all the managers who directly or indirectly were dealing with the data duly stored and generated from the CRM application. We, therefore, used a non-probability purposive sampling technique.

The instrument contains 32 items. We adopt the items of CRM Implementation and Customization from the study of [13] and the items of Customer Knowledge and Organizational Performance are adapted from [23, 32, 27, 10, 5, 13, 28] respectively. The sample data was collected through the structured questionnaire. 1326 questionnaires were floated to top and middle management. Out of 1326, 689 questionnaires were distributed among the cellular companies, 152 questionnaires were provided to the five star hotels, whereas remaining 485 questionnaires were floated in the airlines for responses. The questionnaires floated to the respondents were self-administered. We received 255 filled in questionnaires out of 1326 and the response rate was 19.23%. The details of 255 useable questionnaires are: 126 responses were received from the cellular companies (49.4%), 77 responses from the airlines (30.2%) and the remaining 52 from the five star hotels (20.4%).

RESULTS AND DISCUSSION

Sample Characteristics: Respondents in the industries like the cellular operators, the airlines and five star hotels were the sample population of the study. The respondent's demographics are given in table 4. Out of 255 three fourth respondents were male whereas one fourth were female. Majority of the respondents fell in the age group of 25-29 (23%) and 30-34 (22%). While, 15% respondents were below 24, 18% were among 35-39, 15% were between 40-44 and only 8% respondents were above 45.

As discussed in section 3, the data was collected from three service sectors. The percentage responses of cellular operators, airlines and hotels are 49%, 31% and 20% respectively. It reveals that cellular operators are more eager to implement the CRM technology as approximately half of the responses were received from them. Nearly 37% of the responses were received from top management; where as 63% of the responses were received from middle management. Majority of the employees working for CRM were post graduates (53%) and graduates (33%). Only 6% were undergraduates and 8% were MS qualified.

Table 1: Respondents Profile

	Frequency (N=255)	
Gender	N	%age
Male	190	75%
Female	65	25%
Age	N	%age
24 and Below	37	15%
25-29	59	23%
30-34	56	22%
35-39	45	18%
40-44	37	15%
45 and above	52	8%
Service Sector	N	%age
Mobile Networks	126	49%
Airlines	77	31%
Hotel	52	20%
Service Sector	N	%age
Top	94	37%
Middle	161	63%
Education	N	%age
Under Graduate	15	06%
Graduate	83	33%
Post Graduate	136	53%
MS/MPhil	21	08%
PhD	0	0%

Descriptive Analysis and Reliability: The descriptive statistics for the scale have been presented in Table 4. The statistics show the means and standard deviations of constructs, dimensions and all items. The mean of independent variable: CRM implementation is 3.70 which shows employees' reply regarding the CRM application often used in their organizations and they well know that the features of the CRM application are utilized i.e., as to how the customer data is stored, analyzed and applied in the decision making by higher management. The mean of mediating variable i.e., customization is 3.45. The mean value represents the moderate responses of employees who hold that the customization is not practiced frequently in their organizations.

The variable mean is 3.75 which demonstrate employee's agreement regarding storing the customers' profile, managing it in the database and assessing customer future needs. The dependent variable i.e., organizational performance measures performance in terms of the customers' satisfaction and the financial achievements. 3.86 mean of the variable symbolizes the employee's strong agreement on the achievement of the customers' satisfaction and the financial benefits. The descriptive analysis results give a clear picture of the employee's opinion about the use of the CRM application and its possible outcomes.

Table 4: Description of Measures

Measures	Mean	Std. Dev.	Cronbach's Alpha
CRM Implementation	3.7	0.67	0.827
CRM data warehouse	3.56	0.7	0.649
• We consolidate customer data by their name	3.78	1.13	
• We share customer data within each department	3.45	0.78	
• We share customer data among functions	3.45	0.78	
Analytical CRM	3.66	0.82	0.773
• We systematically process and analyze customer information	3.99	1.03	
• We analyze transactions in terms of frequency, spend	3.75	0.98	
• We practice data mining by using customer data	3.55	1.11	
• We test hypothesis using customer data	3.34	1.15	
Strategic customer data use			
• We use customer data for managerial decision making	3.88	0.96	N/A[a])
Customization	3.45	0.82	0.868
FSP customization	3.54	0.76	0.863
• We change promotion methodology based on purchase frequency data	3.56	0.95	
• We change product/price range on offer based on purchase frequency data	3.75	0.93	
• We change promotion methodology based on purchase financial data	3.62	0.96	
• We change product/price range on offer based on financial data	3.71	1.03	
• We change promotion methodology based on purchase recency data	3.29	1.06	
• We change product/product range on offer based on purchase recency data	3.34	0.95	
Loyalty marketing			
• We change product offer and price range based on acquired points	3.36	1.1	N/A[a])

Table 4: Continued

Measures	Mean	Std. Dev.	Cronbach's Alpha
Customer Knowledge	3.75	0.64	0.857
Customer need assessment	3.73	0.65	0.698
• We regularly meet customers to learn their current and potential needs for new products	3.64	0.96	
• Our knowledge of customer needs is thorough	3.81	0.77	
• We regularly study our customers' needs for new product or service development	3.84	0.89	
• Marketing personnel in our business unit spend time discussing customers' future needs with other functional departments	3.65	0.97	
Customer profile	3.76	0.78	0.827
• Profiles and other information of both existing and potential customers are stored and managed in central database	3.72	1.15	
• We manage important socio-demographic data (age, marital status, occupation, income) of existing and potential customers	3.71	1.05	
• We manage important psychographic data (lifestyle, interests) of existing and potential customers	3.62	1.00	
• We manage information of buying patterns (dates, products, quantity)	3.78	1.10	
• We manage important contact information (contact whom, when and how)	3.98	0.9	
• We manage reaction data (reaction date, purchase date, complaints)	3.75	1.14	
Organizational Performance	3.86	0.7	0.877
Customer Satisfaction	3.8	0.72	0.703
• We provide very good convenience for our customers	3.91	0.88	
• Our customers are committed to our company (based on relationship period, relationship intensity, number of referrals the customers make, etc.)	3.78	0.88	
• Customers are satisfied with our services	3.71	0.96	
Economic Performance	3.92	0.8	0.861
• Market share in our company has been improved after the implementation of CRM	3.91	0.93	
• Our sales growth during the past years has been enhanced after CRM implementation	3.85	0.96	
• Our profitability has been increased after the implementation of CRM	3.87	0.95	
• Financial performance of our company has been improved after implementing CRM application	4.04	0.97	

[a] Dimension is measured through single item; hence single item reliability cannot be computed.

The study confirms the reliability of scale and calculates Cronbach's Alpha not only of each construct but also of the criteria of a construct for analyzing the internal consistency. The reliability values are given in table 4. All the alpha values surpass the benchmark of 0.7 as identified by Chiang, 2010. This proves that the scale items and constructs are reliable.

CONCLUSION

Conclusion and Recommendations: This study adds to the existing literature by descriptively analyzing the important factors of customer relationship management which help in its successful implementation. Furthermore, it also highlights the importance of CRM applications as it helps organizations in maintaining long term customer relationships by customizing products and services. Many studies have addressed the benefits of customization and building loyalty programs as a source of improving performance. On the other hand other studies have raised a question on benefits achieved from customization

and loyalty programs. This controversy is resolved by analyzing data from three service industries that uses CRM technology extensively.

Implications and Future Research: Before making huge investments in implementing CRM, managers should notice the factors that contribute in the success of CRM. Because it is evident from this study that CRM application once successfully implemented helps organizations in generating revenues. To ensure successful implementation of CRM, it is necessary for managers of CRM to align their customer strategy with overall organizational goals. This practice helps organizations in improving their customer performance and economic performance.

The study grabs management attention towards the significance of customer data storage. The customer knowledge is important for identifying the customers' needs, altering existing products and developing new ones. The existing study focuses on three service industries. Future studies may include other service sectors of Pakistan for wider generalization.

Another contribution may to collect data from other related departments like Operations, Administration and Information Technology; as CRM is "all-encompassing endeavor" [5]. Moreover, future researchers may empirically contribute by analyzing the relationships between the variables.

REFERENCES

1. Yang, C.C., K.J. Yang and L.Y. Cheng, 2010. Holistically integrated model and strategic objectives for service business. The TQM Journal, 22(1): 72-88.

2. Goodhue, D.L., B.H. Wixom and H.J. Watson, 2002. Realizing business benefits through CRM: Hitting the right target in the right way. MIS Quarterly Executive, 1(2): 79-94.

3. Rigby, D.K., F.F. Reichheld and P. Schefter, 2002. Avoid the four perils of CRM. Harvard Business Review, 80(2): 101-109.

4. Zablah, A.R., D.N. Bellenger and W.J. Johnston, 2004. An evaluation of divergent perspectives on customer relationship management: Towards a common understanding of an emerging phenomenon. Industrial Marketing Management, 33(6): 475-489.

5. Keramati, A., H. Mehrabi and N. Mojir, 2010. A process oriented perspective on customer relationship management and organizational performance: An empirical investigation. Industrial Marketing Management, 39(7): 1170-1185.

6. Coltman, T.R., 2007. Why build a customer relationship management capability? Journal of Strategic Information Systems, 16(3): 301-320.

7. Ball, D., P.S. Coelho and A. Machas, 2003. The role of communication and trust in explaining customer loyalty: An extension to the ECSI model. European Journal of Marketing, 38(9/10): 1272-1293.

8. Davenport, T.H., J.G. Harris and A.K. Kohli, 2001. How do they know their customers so well? Sloan Management Review, 42(2): 63-73.

9. Day, G.S. and R. Wensley, 1988. Assessing advantage: A framework for diagnosing competitive superiority. The Journal of Marketing, 52(2): 1-20.

10. Becker, J.U., G. Greve and S. Albers, 2009. The impact of technological and organizational implementation of CRM on customer acquisition, maintenance and retention. International Journal of Research in Marketing, 26(3): 207-215.

11. Chalmeta, R., 2006. Methodology for customer relationship management. Journal of systems and software, 79(7): 1015-1024.

12. Dimitriadis, S. and E. Stevens, 2008. Integrated customer relationship management for service activities: An internal/ external gap model. Managing Service Quality, 18(5): 496-511.

13. Minami, C. and J. Dawson, 2008. The CRM process in retail and service sector firms in Japan: Loyalty development and financial return. Journal of Retailing and Consumer Services, 15(5): 375-378.

14. Peppers, D. and M. Rogers, 1993. The One to One Future: Building Relationships One Customer at a Time. New York: Doubleday.

15. Zipkin, P., 2001. The limits of mass customization. Sloan Management Review, 42(3): 81-87.

16. Fay, S., D. Mitra and Q. Wang, 2009. Ask or infer? Strategic implications of alternative learning approaches in customization. International Journal of Research in Marketing, 26(2): 136-152.

17. Ansari, A. and C.F. Mela, 2003. E-customization. Journal of Marketing Research, 40: 131-145.

18. Chen, Y. and G. Iyer, 2002. Research note: Consumer addressability and customized pricing. Marketing Science, 21(2): 197-208.

19. Shaffer, G. and Z.J. Zhang, 2002. Competitive one-to-one promotions. Management Science, 48(9): 1143-1160.

20. Xu, M. and J. Walton, 2005. Gaining customer knowledge through analytical CRM. Industrial Management and Data Systems, 105(7): 955-971.

21. Romano, N.C., 2000. (August 10-13). Customer relations management in information systems research. Proceedings of the America's Conference on Information Systems, Long Beach, California.

22. Massey, A.P., M.M. Montoya-Weiss and K. Holcom, 2001. Re-engineering the customer relationship: Leveraging knowledge assets at IBM. Decision Support Systems, 32(2): 155-170.

23. Jayachandran, S., K. Hewett and P. Kaufman, 2004. Customer response capability in a sense-and-respond era: The role of customer knowledge process. Journal of the Academy of Marketing Science, 32(3): 219-233.

24. Campbell, A.J., 2003. Creating customer knowledge competence: Managing customer relationship management programs strategically. Industrial Marketing Management, 32(5): 375-83.

25. Mithas, S., M.S. Krishnan and C. Fornell, 2005. Why do customer relationship management applications affect customer satisfaction? Journal of Marketing, 69(4): 201-209.

26. Cano, C.R., F.A. Carrillat and F. Jaramillo, 2004. A meta-analysis of the relationship between market orientation and business performance: Evidence from five continents. International Journal of Research in Marketing, 21: 179-200.

27. Jaworski, B.J. and A.K. Kohli, 1993. Market orientation: Antecedents and consequences. The Journal of Marketing, 57(3): 53-70.

28. Sin, L.Y.M., A.C.B. Tse and F.H.K. Yim, 2005. CRM: Conceptualization and scale development. European Journal of Marketing, 39(11/12): 1264-1290.

29. Greenley, G.E. and G.R. Foxall, 1998. External moderation of associations among stakeholder orientations and company performance. International Journal of Research in Marketing, 15(1): 51-69.

30. Palmatier, R.W., L.K. Scheer, M.B. Houstan, K.R. Evans and S. Gopalakrishna, 2007. Use of relationship marketing programs in building customer-salesperson and customer-firm relationships: Differential influences on financial outcomes. International Journal of Research in Marketing, 24(3): 210-223.

31. Sandvik, I.L. and K. Sandvik, 2003. The impact of market orientation on product innovativeness and business performance. International Journal of Research in Marketing, 20(4): 355-376.

32. Li, T. and R.J. Calantone, 1998. The impact of market knowledge competence on new product advantage: Conceptualization and empirical examination? The Journal of Marketing, 62(4): 13-29.