

# Customer Relationship Management : Literature Review

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## **Abstract.**

*The purpose of this article is to provide a more meaningful view of CRM starting from the CRM definitions of several figures along with their orientation and the CRM strategic model framework so that later they can contribute to researchers and companies about CRM implementation and show that by managing customer relationships with both can increase the value of the organization/company. The method used is a literature study derived from previous books and articles that analyze the CRM model. There are 10 models in this article that are presented with comprehensive discussions and reviews that explore customer-centric, technology solutions to improve customer relationships, knowledge management systems, employee involvement in organizational performance.*

**Keywords:** *Customer relationship management (CRM), strategic CRM, operational CRM and analytical CRM.*

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## **I. INTRODUCTION**

The impact of technology and innovation on 21st century business has made very essential changes. The rapid development of digital technology has encouraged companies to increase their competitiveness in marketing. Improving and maintaining customer continuity is a marketing strategy in the current digital era. In the digital era, technology will affect marketing in two basic ways, namely with new products and with new processes, but to win the competition, customers must be involved in business by optimizing the competence of each customer (Perreault Jr. and McCarthy, 2002). According to Green (2010) that companies must always be connected with customers by implementing IT anywhere. Technology is believed to provide benefits such as cost efficiency, operational flexibility and resource optimization for the company. that individuals can easily distribute their creations to a global audience without having to pass through traditional “gate keepers” such as publishers. Anyone with an internet connection can create/write a blog, write reviews, report big and small news events, or share songs, videos, or even novels with the world (Hennig-Thurau et al., 2010). Furthermore that in particular, breakthroughs in communication and information technology have given consumers various online media and possibilities to collect, exchange, and share information about services and products along with personal experiences with brands. (Hennig-Thurau et al., 2010) The paradigm shift of transformation to digital platforms can be used for competitive advantage (Hendriyani and Raharja, 2018). This strategy will achieve customer bonding. This bond will encourage customer involvement in a different way of approaching customer relationships that create purchasing decisions, interactions, and participation in sustainability (Hax, 2010). Providing customized services always helps companies to maintain better relationships with their customers.

According to the relationship marketing concept, maintaining better customer relationships involves building networks with individual customers through the services offered to them which will strengthen the network between the company and the customer and ultimately provide added value to the company (Kampani and Jhamb, 2020). Relationships with customers are not just buying and selling transactions, but their involvement in discussing, providing reviews, participating in chats and comments will build more meaningful relationships so that companies better recognize the competence of their customers. Knowing your customers better will enable the company to serve customers better and keep them loyal forever, this is the main theme of Customer Relationship Management (CRM) (Rababah, Mohd and Ibrahim, 2011). The reality is customer strategy is all about using information to gain competitive advantage to deliver growth and profits. CRM is generally thought of as a set of business practices designed, in simple terms, to put a

company in closer and closer contact with its customers, to learn more about each and to provide greater and greater value for each. , with the overall goal of making each one more valuable to the company to increase the value of the company. It is a broader approach of companies to understand and influence customer behavior through meaningful analysis and communication to improve customer acquisition, customer retention, and profitability (Peppers and Rogers, 2011). This article will provide some more meaningful views of CRM starting from the definition of CRM from several figures along with their orientations and the theoretical framework of the CRM model, so that later it can contribute to researchers and companies about CRM implementation and show that managing customer relationships well can improve customer satisfaction. the value of the company.

## II. METHODS

Literature study is used as a method in this article. The sources used come from several literature books and journal articles, proceedings that examine CRM models in various industries, both manufacturing and services. In this article, we try to study various CRM models that have been published since 2001 and are still being implemented until 2021 as a model for increasing efficiency, profitability and organizational/company value which includes aspects of service quality and customer satisfaction.

## III. RESULT AND DISCUSSION

### Customer Relationship Management (CRM)/Theoretical Framework Model

The main objective of managing customer relationships is for companies to focus on the success of increasing customer-based overall value and customer retention (Peppers and Rogers, 2011). Companies/marketers must adopt a strategic approach to maintain, improve, and even terminate relationships with customers (Lovelock and Wirtz, 2011). Swift (2001) argues, that organizations would benefit from adopting a definition of a CRM strategic model that is relevant to their company and ensures its consistent use across their organizational lines.

#### Traditional Customer Relationship Management Program

Research conducted by Fahey et.al. by comparing the two largest computer companies namely Compaq Computer Corporation and Dell Computer Corporation. This comparison was made in the early and late 1990s so that customer relationship processes changed with the new economic changes as depicted in figures 3 and 4 (Fahey et al., 2001).

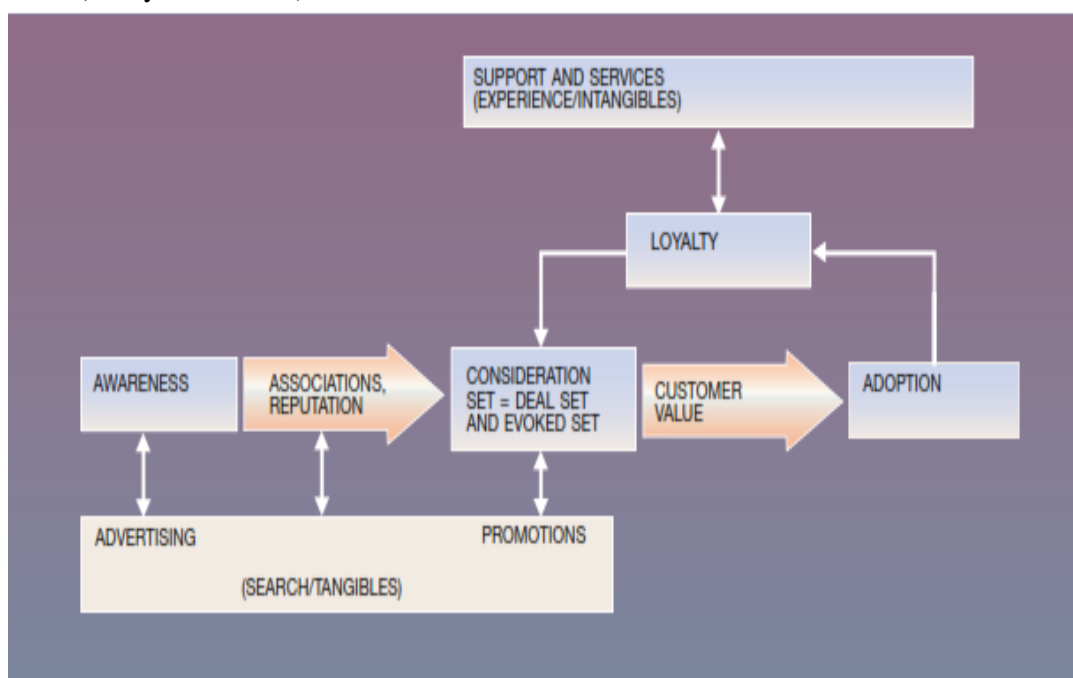
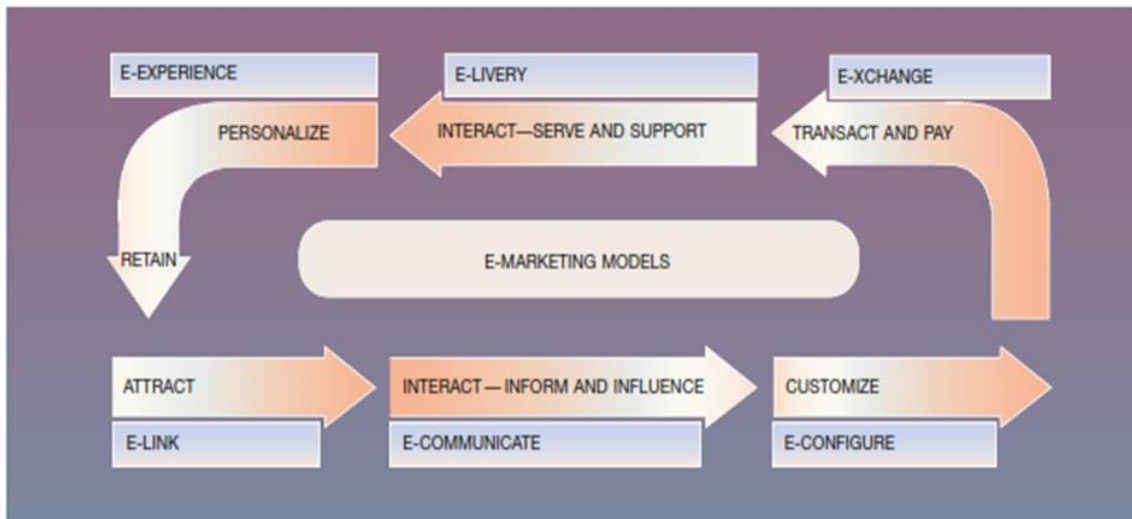


Fig 2. Traditional CRM Program (Fahey et al., 2001)



**Fig 3.** CRM in the New Economy : The Dell Online e-marketing Process (Fahey *et al.*, 2001)

**The Classification Framework for CRM**

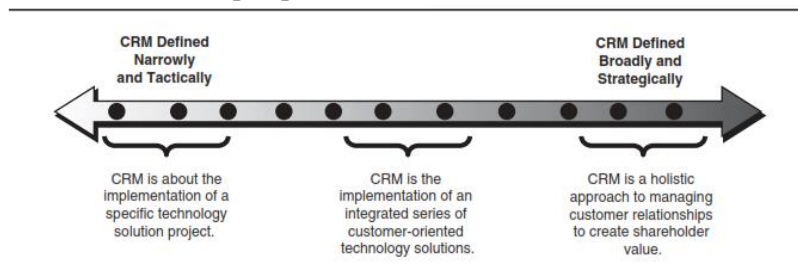
Based on (Kincaid, 2003), CRM consists of three main areas namely: marketing, sales, service and support while IT and IS are other important components in supporting and maintaining these three functional areas as well as the entire CRM process (Ngai, 2005)



**Fig 4.** Classification Framework for CRM (Ngai, 2005)

**The CRM Continuum**

The CRM Continuum put forward by Adrian Payne and Frow provides confirmation regarding the technological aspects (Payne and Frow, 2005). Because as reported by Reinartz, Krafft, and Hoyer's statement that CRM technology is often wrong in equating it with CRM and the main reason for CRM failure is seeing CRM as a technology initiative (Reinartz, Krafft and Hoyer, 2004) (Kale, 2004). In Figure 5, CRM is defined from three perspectives: narrow and tactical as a specific technology solution, broad technology, and customer centric. This perspective can be described as a continuum (Payne and Frow, 2005).



**Fig 5.** CRM Continuum (Payne and Frow, 2005)

**Payne and Frow's 5 Process Model**

Adrian Payne and Pennie Frow developed a 5 process CRM model. This model clearly identifies five core processes in CRM: strategy development process, value creation process, multi-channel integration

process, performance assessment process. and information management process (Information Management Process). Strategy Development Process and Value Creation Process are strategic CRM; Multi-Channel Integration Process represents operational CRM; Information Management Process is analytical CRM (Payne and Frow, 2005).

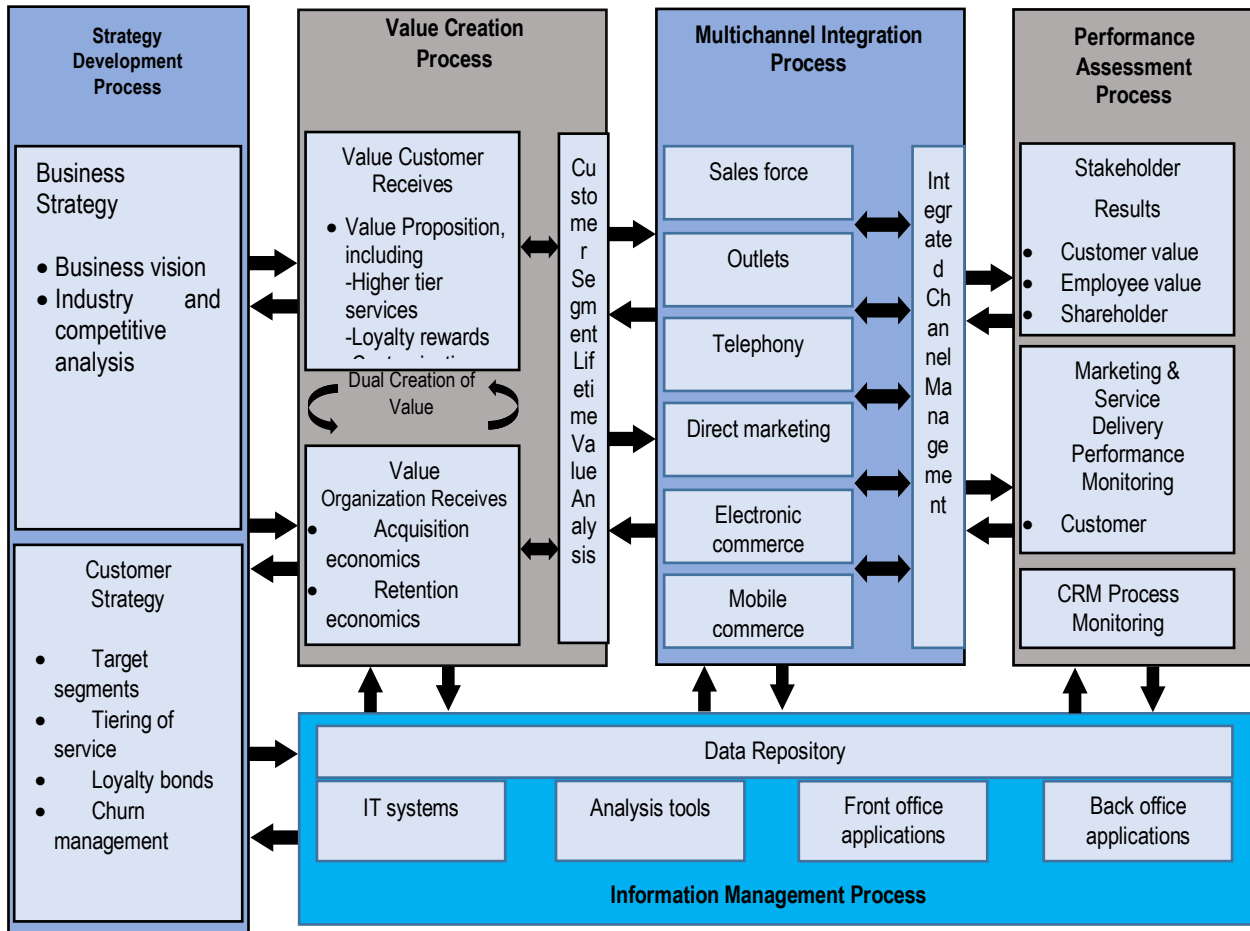


Fig 6. Payne’s Model of CRM (Payne and Frow, 2005)

**The Quality Competitiveness Index Model (QCi Model)**

In the QCi model as one of the frameworks that describes organizational activities in acquiring and retaining customers by involving technology. The QCi model describes the customer relationship process without analyzing the external environment, and that process influences the planning activities of the organization. Customer experience has an impact on customer propositions, measurements and customer management activities as illustrated in figure 7 (Journal and Basic, 2016). Customer management has three distinct factors; namely, acquisition, retention and penetration, in order to be successful in a CRM implementation strategy (Buttle, 2008).

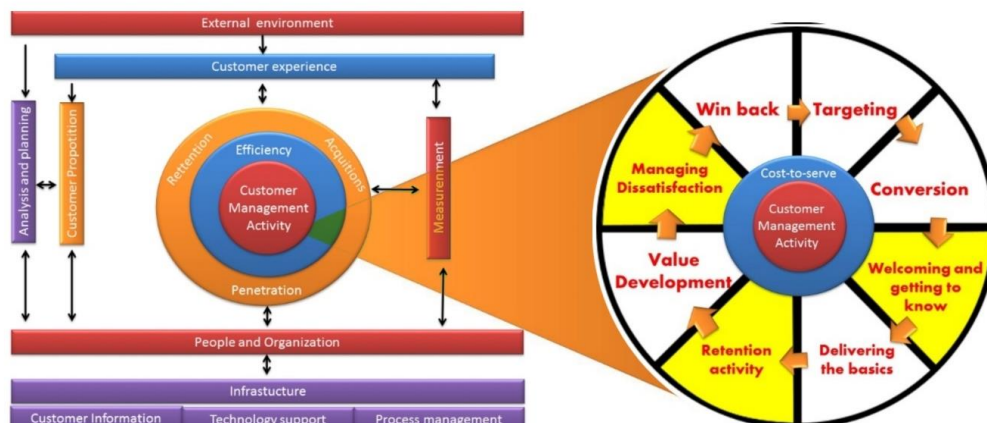
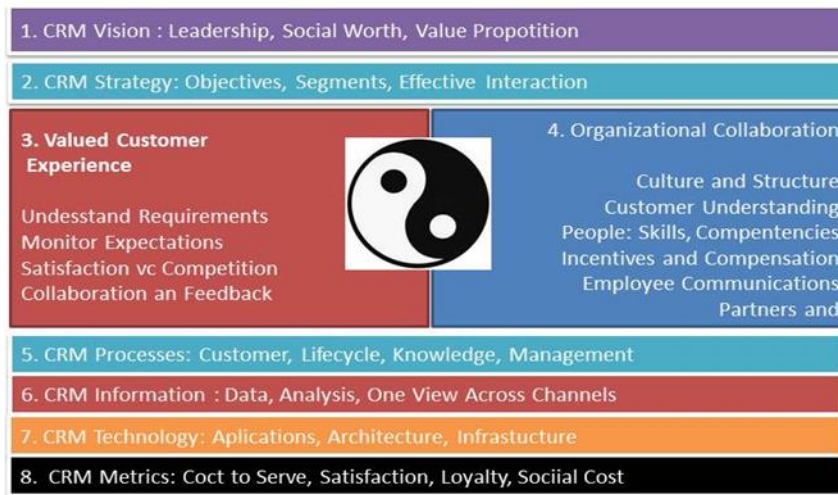


Fig 7. The QCi model (Buttle, 2008)

**The Gartner Competency Model**

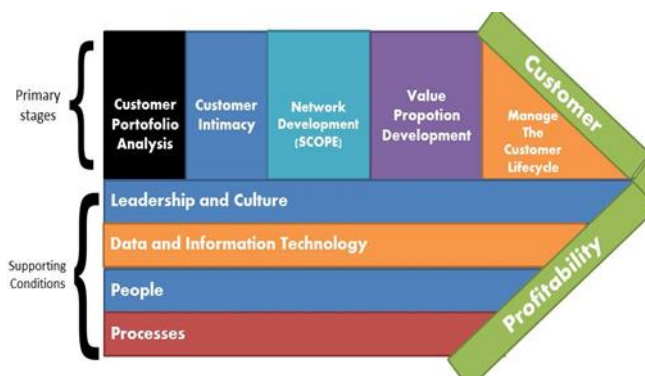
Gartner Competency Model is from Gartner Inc. Figure 8 presents Gartner's Competency Model CRM. The model suggests that companies need competencies in eight areas for CRM to be successful. Included in the Gartner model are building a CRM vision, developing a CRM strategy, designing a customer experience value, intra- and extra-organizational collaboration, managing customer life cycle processes, information management, implementing and developing technology measuring indications of CRM success or failure (Buttle, 2008).



**Fig 8.** Gartne’s CRM Model (Buttle, 2008)

**The CRM Value Chain**

The Francis Buttle model, shown in Figure 9, consists of five main stages and four supporting conditions that lead to the ultimate goal of increasing customer profitability. The main stages of customer portfolio analysis, customer intimacy, network development, value proposition development and managing the customer life cycle are sequenced to ensure that a company, with the support of its network of suppliers, partners and employees, creates and delivers a value proposition that acquires and retains profitable customers. Supporting conditions are the leadership and culture, data and IT, people and processes that enable the CRM strategy to function effectively and efficiently. The ultimate goal of the CRM value chain process is to ensure that companies build mutually beneficial long-term relationships with strategically significant customers.



**Fig 9.** The CRM Value Chain (Buttle, 2008)

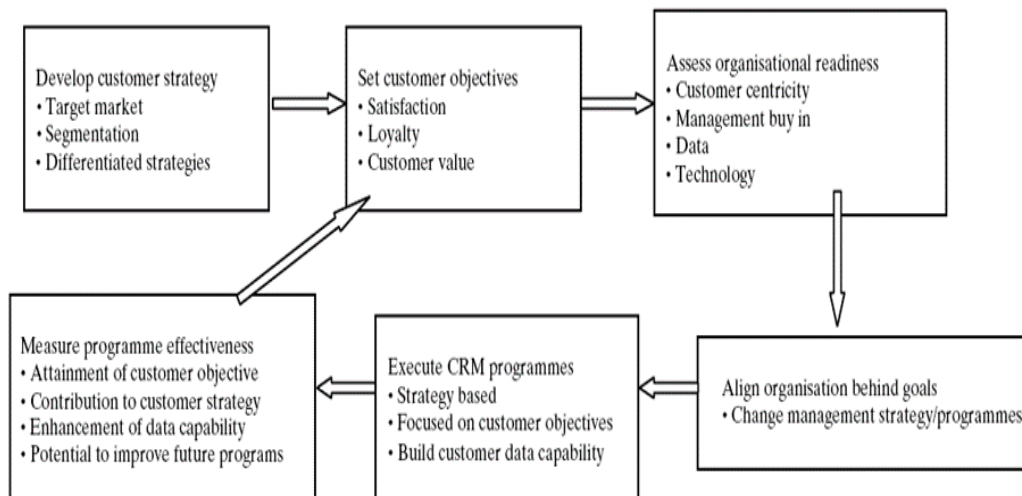
CPA (Customer Portfolio Anaysis), the first step in the CRM value chain confirms that not all customers have the same value as the company. In this step, the company collects customer history data based on categories, namely: sack, re-engineer, nurture and invest. The sack category is a category that represents a type of customer that has no potential value in the future. The re-engineer category is a category of customers that does not provide potential future profit value, but would provide an advantage if re-engineered to maintain this type of customer. Furthermore, the nurture category is customers who currently provide benefits to the company but only provide small profits in the future. Finally, the invest category is a

type of customer that will provide benefits both now and in the future. From this grouping the company can determine strategic steps.

Customer intimacy relates to how to establish closeness with customers through data collected through market research, loyalty cards, geodemographic data and others. The challenge for companies is to use these data to better understand customer behavior (who, what, why, where, when and how). The network consists of partners like these, employees, suppliers and owners/investors. For CRM to be successful, the network of suppliers, employees, owners/investors and partners must be aligned and managed to meet the needs of the selected customers. Value proposition development in the Buttle chain provides clues as to which specific customers to serve and with which the relationship will be or is being built. To achieve a competitive advantage, not only focus on products but companies must also pay attention to people, process and service, such as how to handle customer complaints. And the last stage of Buttle is managing the customer lifecycle, the bond between the customer and the business is denoted as the customer life cycle and is directly related to business revenue and profitability. Therefore it is very important for a business to adjust its marketing plan by segmenting and targeting its customers wisely, from a CRM perspective.

### The CRM Process Model

The CRM Process has been proposed by Fahey et.al (2001) which emphasizes company and marketing requirements for the success of a customer relationship (Fahey et al., 2001). In figure 10, Khalid et.al (2011) describes it in a CRM Process model that starts with a customer development strategy. Then, customer goal setting is carried out which aims to achieve customer satisfaction, customer loyalty, and customer value where the target market is identified. After that, assessing organizational readiness and aligning based on the goals to be achieved by the new company executing CRM programs and the final step is evaluating the effectiveness of the CRM program (Rababah, Mohd and Ibrahim, 2011).

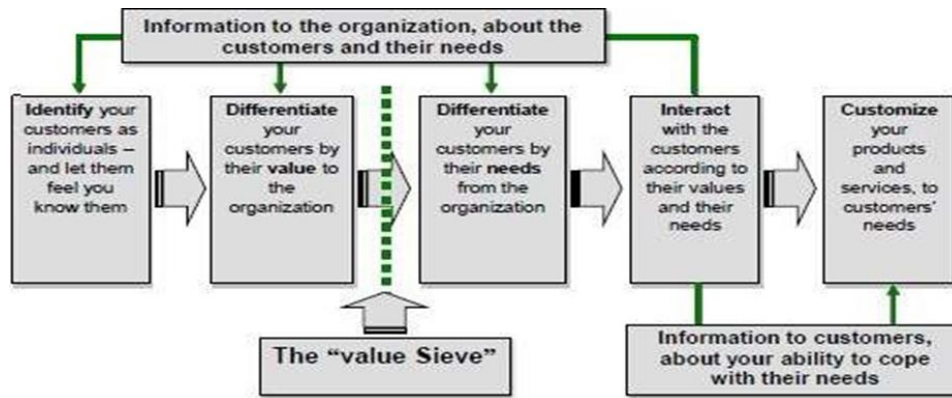


**Fig 10.** CRM Process Model (Rababah, Mohd and Ibrahim, 2011)

### The IDIC Model

The IDIC model was developed by Don Peppers and Martha Rogers, of the Peppers & Rogers Group (Buttle, 2008). The IDIC model suggests that companies should take four actions to build closer one-to-one relationships with customers:

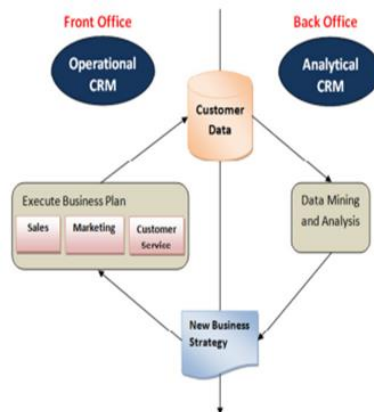
- Identify who your customers are and build a deep understanding of them.
- Differentiate your customers to identify which customers have the most value now and which offer the most in the future.
- Interact with customers to ensure that you understand customer expectations and relationships with other suppliers or brands.
- Customize offers and communications to ensure that customer expectations are met.

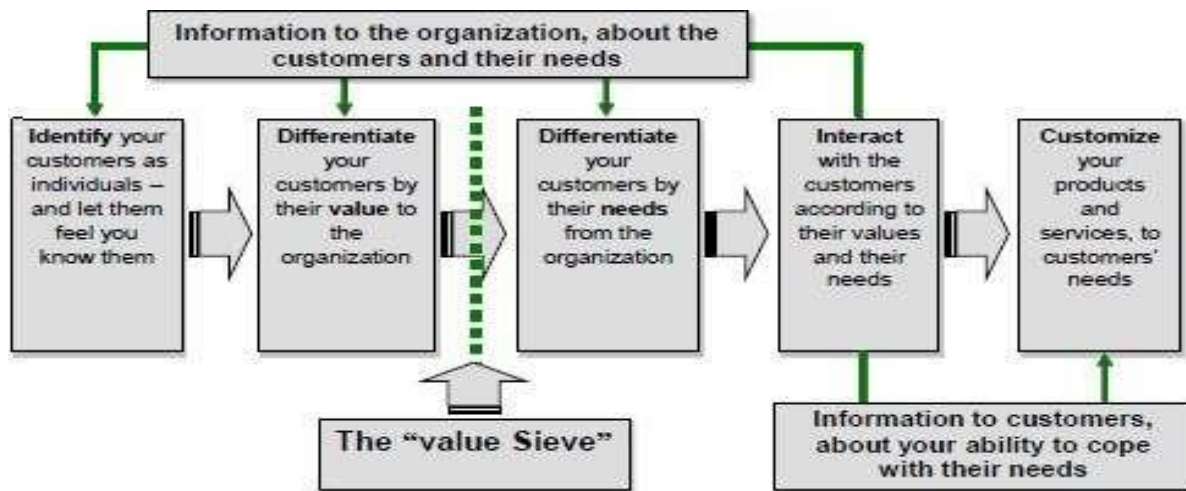


**Fig 11.** The IDIC Model (Peppers and Rogers, 2011)

All the strategic models discussed above focus on building, maintaining and sustaining long term relationships with customers. By using specific marketing strategies in each organization/company which in the end is to achieve customer satisfaction and increase the performance or value of the organization/company. Each model has strategic, operational or analytical characteristics. As Buttle (2008) stated that there are 3 types of CRM, namely (1) Strategic CRM is a customer-centric core business strategy that aims to: win and retain profitable customers (2) Operational CRM focuses on customer-facing automation processes such as sales, marketing and customer service and (3) Analytical CRM is a process by which organizations transform customer-related data into actionable insights for both strategic and tactical purposes (Buttle, 2008). Strategic CRM is focused on developing a customer-centric business culture, namely to win and retain customers by creating and delivering better value than competitors. Culture is reflected in one of them in leadership behavior. In the analysis unit in government organizations, by providing attractive services to customers, let's call them Boards, relationship characteristics such as loyalty and trust, customer satisfaction, and service quality will be built.

Good reciprocal relationships allow stakeholders to view local government authorities as customer centric institutions (Chiguvi and Mahambo, 2021) Operational CRM makes sales and marketing processes as well as services for customers integrated by using software applications and automating business processes faced by customers . Analytical CRM, also called analytic CRM, is concerned with capturing, storing, extracting, integrating, processing, interpreting, distributing, using and reporting customer related data to increase customer and enterprise value. Strategic and operational CRM can be applied in various types of organizations/companies, but it is different from Analytical CRM, which is based on customer-related data. The data is needed to identify which customers are likely to generate the most value in the future and to identify which types of customers or customer segments have different requirements. That way the company will also provide different offers to be communicated to each customer with the aim of optimizing the value of the company and customers in the long term. If this data is missing then analytical CRM cannot be implemented (Buttle, 2008). But two or all three can be combined as a form of collaboration. As in figure 12, an example of implementing the relationship between operational and analytical CRM (Ayyagari, 2019)





**Fig 12.** Relationship between Operational and Analytical CRM (Ayyagari, 2019)

To assess an effective CRM strategy includes five main processes (Lovelock and Wirtz, 2011):

1. Strategy development, including choice of target segments, service levels, and loyalty design.
2. Value creation, including providing benefits to customers through tiered service and loyalty programs (eg priority waiting lists and upgrades).
3. Multi-channel integration to provide a unified customer interface across many different service delivery channels (eg, from website to branch office).
4. Information management, which includes data storage, analytics tools (eg campaign management analysis and churn alert systems), and front and back office applications.
5. Performance appraisal, which must answer three questions: (1) Does CRM create value for customers and the company? (2) Are the marketing objectives achieved? (3) Does the CRM system itself perform as expected? And performance appraisal should lead to continuous improvement of CRM strategy and systems

#### IV. CONCLUSION

CRM is not just a marketing data base or a marketing function that provides information about market segments and targets. CRM can support the company's mission to become more customer-centric, which means that customer-related data is shared more broadly across company lines. CRM is a continuum of processes and people who design and implement processes that deliver customer value and company value. The CRM models discussed in the previous session are designed to generate data that can be used to guide customer acquisition, retention, and development. Furthermore, CRM can be seen based on the type of strategic CRM, operational CRM and analytical CRM, although its application requires collaboration. This article does not include criticism for each model and the development of the CRM model, so that future research can criticize and find the type or model of CRM based on the type of organization/company.

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