



# An exploratory study of implementation of customer relationship management strategy

Customer  
relationship  
management

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## Abstract

**Purpose** – Efforts made in extant literature to link the components of customer relationship management (CRM) strategy to its implementation are insufficient. This paper aims to provide insights on the core components of CRM and the implementation of CRM strategy.

**Design/methodology/approach** – A case study of CRM implementation at a large Swedish firm was carried out using open-ended, face-to-face and telephone interview methods to collect data from key informants at both strategic and operative levels. The empirical studies focused on technical and cognitive aspects necessary for successful implementation of a sustainable CRM strategy.

**Findings** – Results show that relationships are not only a tactical weapon, but represent a different, strategic approach to buyer-seller exchange. Findings also show that implementing sustainable CRM strategy requires the endorsement by and commitment from top management, systematic cross-functional communication, and mandatory customer loyalty training programmes for all employees.

**Research limitations/implications** – Attempts made in extant literature to define CRM have been varied. A theoretical model on which future empirical analysis should be based when conceptualizing CRM should consist of a business strategy, a business philosophy and a database application, thereby forming a tripod.

**Practical implications** – CRM is a strategic business and process issue, not merely a technology solution as most often conceived in practice. The CRM process is a continuous learning process where information about individual customer is transformed into a customer relationship.

**Originality/value** – A process-oriented integrative framework that facilitate successful implementation of a sustainable CRM strategy. It links components of CRM strategy with the key dimension of its implementation. The depth of the anchorage of this paper in the body of literature is a contribution.

**Keywords** Customer relations, Customer service management, Relationship marketing, Cross-functional integration, Management strategy

**Paper type** Research paper



## Introduction

New forms of competition and structural modifications of exchange processes have led to the emergence of the relationship paradigm for creating long-term relationships among customers and suppliers. This is partly due to the globalisation of business, internationalisation, deregulation, information technology advances, shorter product life cycles, and the evolving recognition of the relationship between customer retention

and profitability (Morgan and Hunt, 1994; Zineldin and Jonsson, 2000; Chandra and Kumar, 2000; Sahay, 2003; Stefanou *et al.*, 2003). "Relationship paradigm" refers to all activities directed towards establishing, developing and maintaining successful relational exchanges (Grönroos, 1990, 1995, 1996, 1997; Gummesson, 1994; Morgan and Hunt, 1994, cited in Donaldson and O'Toole, 2002; Sahay, 2003). Through out the 1990s, in many organisations' strategies, there was a shift from the need to manage transactions toward relationship management (Light, 2003). While enterprise resource planning (ERP) packages dominated the transaction management era, customer relationship management (CRM) packages lead with respect to relationships.

The relationship between marketing strategies and performance has been studied from numerous theoretical perspectives, for example, transaction cost economics (Williamson, 1985, 1993; Park and Kim, 2003), market orientation (Jaworski and Kohli, 1993; Harris and Piercy, 1999; Martin and Bush, 2003; Nielsen *et al.*, 2003; Stefanou *et al.*, 2003; Shapiro *et al.*, 2003; Bigné *et al.*, 2004), and profit impact of marketing strategy (Schoeffler *et al.*, 1974; Buzzell and Gale, 1987; Kumar *et al.*, 2000). The focus on the content of marketing strategies has been valuable in identifying performance-enhancing strategies (Goodhue *et al.*, 2002; Plakoyiannaki and Tzokas, 2002; Chen and Popovich, 2003). While the concepts presented and discussed in the above perspectives are clearly valuable and have clear meaning, they also reflect a lack of accurate operating elements. Efforts made in this direction have failed to provide the concepts with sufficiently accurate and indicative operating elements (Grisi and Ribeiro, 2004). It is our view that past attempts of extant literature on implementation of customer relationship strategies have been insufficient and not gone far enough in the transition from the old to the new.

According to Narayandas and Rangan (2004), empirical research in relationship management has tended to take a snapshot of a relationship at a given time and then attempted to project its trajectory (Croteau and Li, 2003). This gap has prompted researchers such as Anderson (1995), Jap and Ganesan (2000) and Lambe *et al.* (2001) to call for more field-based research based on case studies that draw on material from the multiple exchange episodes that constitute relationships and that offer insights into the processes of relationship initiation and maintenance (Narayandas and Rangan, 2004). Work on implementation of CRM strategy has focused on database management, direct marketing techniques, e-commerce and customer relationship mechanisms (Ling and Yen, 2001; Winer, 2001; Shoemaker, 2001; Gefen and Ridings, 2002; Fjermestad and Romano, 2003; Apostolou and Mentas, 2003; Croteau and Li, 2003; Bull, 2003; Park and Kim, 2003; Chen and Popovich, 2003; Kotorov, 2003; Scullin *et al.*, 2004). This has been most noticeable in business to consumer markets, and in services and financial services in particular. According to Donaldson and O'Toole (2002), though not all, many schemes are little more than sophisticated selling. According to Hertz and Vilgon (2002), many CRM implementation projects are fraught with difficulties in terms of technically not delivering the anticipated business benefits. Hertz and Vilgon (2002) indicate that up to 60 per cent of CRM implementation projects fail to live up to expectations.

The study reported in this paper aims to contribute to the existing literature on the relationship marketing paradigm and the implementation of customer relationship strategy by examining both of these issues. This is accomplished by providing a better understanding of the components of CRM on the one hand, and the implementation of CRM strategy on the other. A process-oriented strategy implementation framework

that addresses not only the technological aspects of the performance-enhancing strategy, but also the cognitive or behavioural elements that may promote successful implementation of a sustainable CRM strategy, is therefore empirically investigated in an exploratory study. Thus, we illuminate, on one hand, the need for CRM to be regarded as a distinct strategic initiative and, on the other, link the components of the strategy to its implementation.

The basic premise for this paper is that relationship management is one and the same as the process of implementing it. Often, relationships are considered as something that purchasing, customer service or salespeople do, and relationship tactics are described for this level of implementation. As an initial step towards this goal, we carried out an exploratory study at a major company in Sweden based on the company's current situation in order to improve its customer orientation approach.

Accordingly, the following research questions were used to guide our exploratory effort:

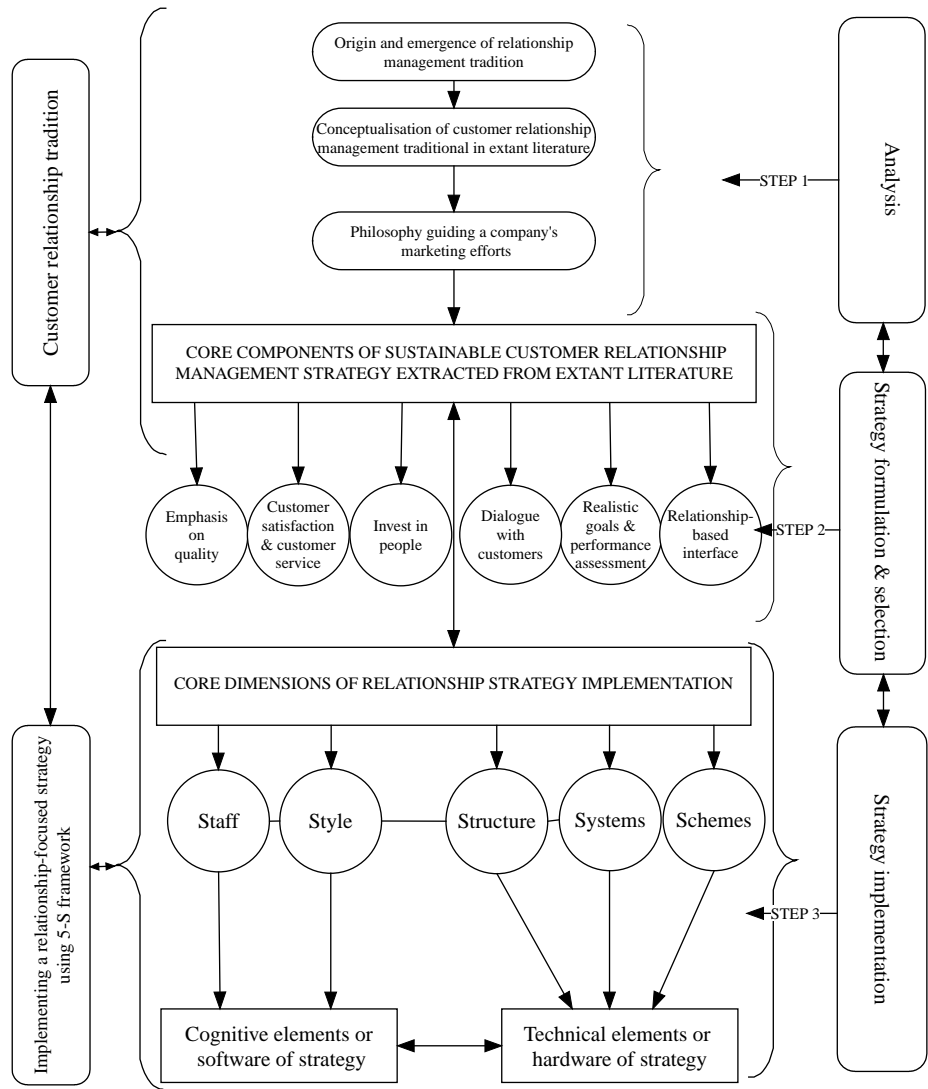
- RQ1. What is the origin of the relationship paradigm?
- RQ2. In what ways are relationships conceptualised in extant literature?
- RQ3. What should be the core of what constitutes a sustainable customer relationship strategy?
- RQ4. What are the core dimensions of relationship implementation that play an active role in the operational management of relationship strategies? In other words, what are the key dimensions of a strategy implementation framework that provide a planning methodology for linking relationship strategy to implementation? We summarise these key dimensions in a "5-S" framework: structure, staff, style, systems, and schemes. The aim of the 5-S framework is to link strategy to the implementation of social and structural ties in relationships.

## Methodology

Given the exploratory nature of this paper, empirical data needed to build the case study (Yin, 1981, 2002) was acquired using multiple data collection techniques. Methodological triangulation (Denzin, 1978) facilitated the use of multiple data collection methods consisting of open-ended, face-to-face and telephone interviews with key informants. The key informants (Kumar *et al.*, 1993) for the study were 29 employees at both strategic and operative levels who had sufficient knowledge of the phenomenon being investigated and who were appropriately positioned to provide adequate information. The data collection methods named above focused on components of customer relationship extracted from the literature (Figure 1) and their current use in the company in question. In addition, empirical studies also focused on the key dimensions of relationship strategy implementation. The strategy implementation framework consists of technological and managerial aspects necessary for successful implementation of a sustainable CRM strategy.

### *The research setting for the exploratory study*

The research setting for the exploratory study was SOS Alarm AB Sweden, a company that has a lot of effort and resources into developing its business to improve efficiency.



**Figure 1.**  
An integrative framework  
for implementing CRM  
strategy

Owing to its high expertise in advanced technology such as alarms, communications and IT, SOS Alarm AB Sweden is one of the top companies in the business. The company's vision is to become a market leader in creating security in emergencies in Europe. The company was established to receive and dispatch alarms for the government: to handle the national 112 emergency number and various other alarm services. SOS Alarm AB Sweden receives emergency calls, launches the alarms, then dispatches, directs and co-ordinates emergency, rescue and other service units to the scene. Locally, this involves municipal rescue services (fire-fighters); and at the county level, it involves all ambulance services across Sweden. In addition to these main tasks,

SOS Alarm also handle calls from individual fire, burglar and transport alarm systems, wireless security, access control, closed circuit television, personal protection, and security systems for elderly people, etc. on behalf of its three owners (the Swedish government, county councils and municipalities), industry, independent organisations, private companies and private persons. It has about 1,000 employees, 800 of whom are specially trained SOS operators. To assist the company in its operations, a software system with CRM capabilities called “Clientele” was implemented.

The scope of our empirical work encompasses in total 52 companies, including an exploratory study carried out between 2002 and 2004 at a major Swedish firm serving consumer, business, institutional and government markets. Included in the sample, are four firms that develop CRM applications/systems and 26 of their customers operating in consumer, industrial and services markets. Findings from this exploratory study provide the main structure and content for the empirical part of this paper. We also interviewed ten business academics at two Swedish and two French universities. The purpose of these interviews was to gain insights that might not emerge from the literature review and the field interviews.

### **Analytical and theoretical framework**

Figure 1 shows a schematic representation of a process-oriented framework that may help to facilitate successful implementation of a sustainable CRM strategy. The framework links components of CRM strategy with the key dimension of its implementation. The research questions presented earlier in the paper that guide our exploratory effort are summarised in the framework (Figure 1). Consequently, this paper contains:

- A presentation of what is seen as the origin and emergence of a relationship management tradition. The rationale behind this step in the research process is that if we wish to go forward with developing a framework for understanding the implementation of customer relationship initiatives in particular, and new theories in marketing in general, we need to look back and try to understand the evolution, roots and foundations of knowledge ([Möller and Halinen, 2000](#)). Relationships are often a product of a long history ([Keep \*et al.\*, 1998](#)). Unfortunately, current discussions of business exchange relationships from a relational perspective have turned their back on the past. Our view is that history shapes the way we perceive the present, and therefore dictates the answers we offer for existing problems.
- A description and identification of the body of literature on the various marketing relationship research traditions that make up the analysis part of our strategic planning process model. (A critique of this planning approach is noted in Donaldson and O'Toole (2002, p. 62), and a revision of a variety of planning approaches is available in Whittington (1993)). We then use the analysis of the historical background of relationship marketing and the extant definitions and conceptualisation extracted from the literature as a foothold from which to identify the components of CRM that we regard as important when implementing a customer-driven strategy. The identified key components are used as a springboard to analyse the current situation of the company where we carried out the exploratory study. On the basis of the first step (analysis) above, we suggest a CRM strategy (step 2, strategy formulation and selection).

- An introduction of the 5-S framework to help plan for implementation of relationship management. The aim of the 5-S framework is to link strategy (formulated in the preceding phase, step 2) to the implementation of social and structural ties in the relationship. In this regard, relationship implementation involves developing the social bonds and structural ties in a relationship by bonding people, organisational systems, and processes together (Donaldson and O'Toole, 2002). This part is step 3, the implementation phase of the strategic planning model.
- Our conclusions in the form of a presentation of the managerial and theoretical implications of the research.

*What is the origin and emergence of relationship marketing?*

The origins of a relationship-based approach to a firm's management emerged from academics and practitioners in the fields of strategy, marketing and supply chain management (Bagozzi, 1974, 1975; Berry, 1983; Osarenkhoe, 1992; Gummesson, 1999; Zineldin, 2000; Nielsen *et al.*, 2003; Martin and Bush, 2003). Brodie *et al.* (1997) states that relationship marketing has emerged from six streams of research. The first stream examines marketing in a service context (Berry, 1983; Grönroos, 1990; Gummesson, 1995; Zineldin *et al.*, 1997; Parasuraman *et al.*, 2005). The second stream focuses on inter-organisational exchange relationships (Håkansson, 1982; Ford, 1990; Hallen *et al.*, 1987; Dwyer *et al.*, 1987; Gummesson, 1995; Zineldin, 1998). The third stream underlying the new paradigm of relationship marketing is based on the channels literature, e.g. the development of effective and efficient channel relationships (Osarenkhoe, 1988, 1992; Brown *et al.*, 1995; Buzzell and Ortmeyer, 1995). The fourth one examines network relationships (Webster, 1992; Easton, 1992; Johansson and Mattsson, 1985, 1988; Zineldin *et al.*, 1997). The fifth stream stems from strategic management literature on the role or relationships in value chains (Normann and Ramirez, 1993; Zineldin *et al.*, 1997). Finally, the sixth stream examines the strategic impact that information strategy has on the relationships within and between organisations (Scott Morton, 1991; Zineldin, 1998).

It is clear that a corporation needs to orient itself towards total customer relationships, versus focusing on single transactions with a customer (Bruhn, 2003). This implies the linking of separate transactions, because only this approach enables the utilisation things such as the cost saving potentials of customer retention. If the company does not succeed in continuing and extending the relationship based on earlier transactions, a customer will have to be "newly-acquired" prior to each transaction and the corporation will incur additional acquisition costs each time. Moreover, when a company cannot readily call up stored data on a customer (e.g. on his or her use of the different products), the information must be re-entered for each transaction. Apart from the practical perspectives, there is intense debate in the field of marketing science on customer relationships and the new leading approach of relationship marketing. (For a discussion of early relationship marketing ideas, see Parvatiyar and Sheth (2000, pp. 10-3); on the difference between "relationship marketing" and "marketing relationships" see El-Ansary (1997)).

In the mid-1970s, Bagozzi (1974, 1975) began to gain an understanding of marketing activities as an exchange between the seller and buyer – thereby forming a basis for subsequent conceptualisation of relationship marketing. Accepting the view that a customer relationship comprises various exchange processes, the question arises as to



how the relationship changes over time. The possibility of being able to delineate phases within a relationship makes it necessary to design relationship marketing explicitly. This conceptualisation first appeared in the early 1980s in the research field of services marketing (Berry, 1983; Dwyer *et al.*, 1987; Ford, 1980; Hammarkvist *et al.*, 1982; Jackson, 1985; Kim and Kim, 2001; Guenzi and Pelloni, 2004; Matthing *et al.*, 2004; Åkerlund, 2005). Building upon Berry's conceptualisation of three levels of relationship marketing (Berry, 1995), the published literature on this topic can be classified into three broad approaches (Palmer, 1996). At a tactical level, relationship marketing is used only as a sales promotion tool. At a strategic level, the process by which suppliers seek to "tie in" customers through legal, economic, technological and time bonds becomes more relevant. And at the philosophical level, relationship marketing shifts the focus marketing strategy away from products and their life cycle towards customer relationship life cycles.

*What is the origin and emergence of customer relationship management?*

CRM is a concept that has its roots in the technology of sales automation and calls centre operations and has been around since the mid-1990s. At that time, it was thought that merging customer data from the field (sales) with call centre interactions would result in more informed interactions with the customer. The concept resonated with user organisations and soon mergers and acquisitions gave rise to a host of software vendors, all claiming to have an integrated set of capabilities that became known as CRM. Early relationship marketing aimed to obtain information about the customers' preferences, information that was stored in databases. This evolved into "one-to-one marketing" which implies that, through interaction and processing, companies created more customised offers for their customers. In order to secure and manage these one-to-one relations, and to create a profitable and long-term relationship with the customers, CRM was developed.

On a parallel track, internet-based tools such as e-commerce, internet marketing (Yang and Fang, 2004), personalisation (Jun and Cai, 2001) and self-help (Walters and Lancaster, 1999; Parasuraman *et al.*, 2005) were evolving. Owing to the newness of the technology, these products competed outside of the CRM sphere and were referred to as "e-business". When the concepts of CRM and e-business melded together (Light, 2003; Fjermestad and Romano, 2003; Bull, 2003), there was a short period where vendors talked about eCRM and e-everything. There are still vestiges of this transition in the industry, such as essentially using e-business to add value to vendors and referring to it as "partner relationship management" or providing tools for employment and referring to it as "employee relationship management". Similarly, ERP vendors realised that the 360-degree view of the customer had to include transaction data, so they likewise developed an integrated package with CRM capabilities. Thus, from a technology perspective, CRM consists of a set of applications that address the needs of customer-facing functions that in turn feed a common database that is supported by business analysis tools.

*In what way is relationship conceptualised in extant literature?*

There has been an unprecedented resurgence of academic, as well as practitioner interest in CRM (Deshpande and Webster, 1989; Romano and Fjermestad, 2001; Ryals and Payne, 2001; Abbott *et al.*, 2001; Greenberg, 2002; Fjermestad and Romano, 2003; Wilson

*et al.*, 2002). Some approaches on the subject driven by rapidly developing information technology have produced a primarily practice-based and consultant-driven literature on managing customer relationships. Some examples are approaches that use databases (database marketing) and direct marketing activities (Jenkinson, 1995; McKenna, 1991; Swift, 2001; Quinn, 2002; Peppers and Rogers, 1993, 1997; Pine *et al.*, 1995; Rapp and Collins, 1991; Shaw and Stone, 1988; Shepard, 1995; Greenberg, 2002; Anderson and Kerr, 2002; Wellemin, 2003; Foster, 2002).

CRM with its antecedents in services marketing implies a shift from transaction-based marketing to a relational mode (Berry, 1983; Christopher *et al.*, 1991; Grönroos, 1994; Buttle, 1996). CRM aims at lowering costs by keeping customers rather acquiring new ones. Hence, the use of vocabulary such as retention, loyalty and defection, yielding economic arguments like customer profitability and lifetime value of customers (Reichheld, 1996; Blattberg *et al.*, 2001; Yen and Gwinner, 2003). Another focal point is serving smaller segments through individualisation of a firm's offerings, a process made possible by the advancements in information technology (Peppers and Rogers, 1993, 2001; Seybold and Marshak, 1998).

Customers display a different economic sense (for different depictions of the "relationship marketing ladder of customer loyalty" see Egan (2001, p. 59) and Payne (2000, p. 113)). Once a customer has been acquired, the relationship with the company can develop in two fundamentally different directions depending on the level of customer satisfaction (Fournier, 1998; Jamal and Naser, 2002). On one hand, if the company is able to keep a customer lastingly satisfied, ideally, the customer may turn into an "enthusiast" of the company. This means that the customer becomes more and more loyal, making significant use of the entire range of company services (cross selling), while not considering competitive offers. Furthermore, this is accompanied by positive word-of-mouth communication, i.e. recommending the company to friends and acquaintances. Contrarily, in the case of a customer who becomes dissatisfied, it is possible that the customer may even turn into a "terrorist" (Jones and Sasser, 1995, pp. 96-7) towards the company, not only by causing the firm extra costs, but also by dissuading other current or potential customers from dealing with the firm.

Around 1990, particularly in the industrial sector, it was established that exchange processes occurred not only between two individual exchange parties, but also to a degree between several parties directly or indirectly in contact with each other. The result was that the attributes of interaction and networking became the subject of research on relationship marketing (Håkansson and Snehota, 1995; Anderson *et al.*, 1994; Ford, 1990). At the beginning of the 1990s, an after-effect of analysis and discussion on customer relationships was that customer retention entered the centre stage of marketing research as marketing's target parameter (Reichheld and Sasser, 1990). Relationship marketing, originally applied only in the areas of capital assets and services, has since the tail-end of the last millennium been related to consumer goods also in that brand relationships are being considered as research elements (Fournier, 1998; Sheth and Parvatiyar, 1995).

The last decade has seen much attention devoted to the subject of strategic relationship management (see the work of Donaldson and O'Toole, 2002; Klink and Sjöberg, 2003). Zineldin (2000), for example, shows how relationship management and marketing becomes a powerful tool for developing long-term relationships with clients, suppliers and distributors. Gummesson (1995, 1999), on the other hand, postulates a



macro view of potential relationship categories. According to Donaldson and O'Toole (2002), Gummesson's model is similar to the concept of a "stakeholder partnership" in strategic management cited in Freeman and Reed (1983) and Kay (1993b). The recognition of key organisational interest groups and how these interests should be balanced are the core strategic issues. What, then, happens if one interest group becomes more dominant? Gummesson's 30 relationships ("30Rs") show the potential domain of relationships as well as their multilayered, overlapping nature. Yet another approach is to conceptualise relationships as part of the pursuit of a more efficient supply chain, with an emphasis on developing closer relationships between channel participants. This minimises the costs of transactions and, by implication, the entire supply chain (McLaren *et al.*, 2002; Robson and Rawnsley, 2001; Raymond, 2001; Zhuang and Zhou, 2004).

To authors such as Christopher *et al.* (1991), a relationship-based approach appears to be a new way for marketing management to operate, based on a managerial perspective that is part of a quest to make the marketing effort more effective. In this regard, every customer relationship is important for profitability, with existing customers the lifeblood of a business organisation and therefore paramount for the future direction of the business. To others, for example, Grönroos (1994), relationships are strategic, so that interactive marketing becomes a question of strategy – its origins, development and continuation being a strategic focus for the business organisation.

Trust is seen as an expression of confidence between parties in the exchange that will not be harmed or put at risk by either party's actions (Jones and George, 1998; Humphrey and Schmitz, 1998; Blois, 1996; Sahay, 2003). Thus, trust allows firms to reduce or avoid reliance on costly formal monitoring mechanisms to maintain their partnership, encourages mutual concern for long-term benefits by partners, maintains flexibility, and allows for information exchange and mutual learning (Aulakh *et al.*, 1996). Concepts such as honest dealing (Das and Teng, 1998) veracity, openness, acceptance, support and dialogue (Fukuyama, 1995) have been used to describe antecedent conditions for trust building among collaborating partners. Relationships exist through the retention of trust and commitment (Morgan and Hunt, 1994). Consequently, interactions that lack the elements of trust and commitment do not develop into relationships. Social scientists have long recognised the centrality of trust. The higher the level of trust, the higher the degree of relationship success (Mohr and Spekman, 1994).

Cooperation, trust and satisfaction are some of the key concepts in relationships (Young and Wilkinson, 1989; Selnes, 1998; Selnes and Sallis, 2003). The ability to trust enables humans to interact in close relationships and is essential for psychological health and development (Asch, 1952; Barber, 1983; Erikson, 1959). Trust is also important in business context exchanges such as buyer-seller relations, and employee-employer and other internal relationships (Blau, 1964; Kanter, 1977). Despite recognition of the centrality of trust in human behaviour, the nature of trust remains unclear because the focus of study has been on the antecedents and the outcomes of trust (Young and Wilkinson, 1989). Additionally, diverse relationship constructs like commitment, trust (Morgan and Hunt, 1994) and relationship quality (Liljander and Strandvik, 1999; Guenzi and Pelloni, 2004; Woo and Ennew, 2004) have shifted into the midst of marketing science, to help shed light on the emergence of

customer retention and long-term customer relationships. The research field of relationship termination, whose essence is the breaking-up and recovery of customer relationships, is being increasingly subsumed under relationship marketing (Liljander and Strandvik, 1999; Strandvik and Törnroos, 1997; Keaveney, 1995; Yooncheong *et al.*, 2003). It seems that the literature emphasises the positive sides of business relationships. There are occasions when ongoing relationships could be questioned, re-evaluated and, in some cases, dissolved. The literature seldom discusses this and often disregards possible negative effects of a relationship.

*How do companies orient themselves towards the marketplace?*

If marketing management is defined as the conscious effort to achieve desired exchange outcomes with target markets, what then is the philosophy that should guide a company's marketing efforts? Six different orientations are discernible (Kotler, 2003), namely: production concept (suggests that consumers will prefer widely available and inexpensive products, thus leads to mass marketing); product concept (suggests that consumers will favour those products that offer the highest quality, performance or most innovative features, thus leads to target marketing); selling concept (suggests that, if left alone, consumers and businesses will ordinarily not buy enough of the company's products, thus the organisation must undertake aggressive selling and promotional efforts).

A company that follows the marketing concept, a fourth orientation, must deliver what the market needs and wants and do so more efficiently, effectively, and with more value added than its competitors. Both internal and external marketing efforts are necessary. This philosophy is based on a market focus, customer orientation, marketing that involves co-ordination between marketing functions and between marketing and other company units, and profitability. A variation on this, societal marketing concept, suggests that the organisation's task is to determine the needs, wants and interest of target markets, and to deliver the desired satisfaction more effectively and efficiently than competitors, and in a way that preserves or enhances the customer's and society's well-being.

The sixth orientation, customer-centric philosophy, implies that, for long-term profitability and survival, firms must be customer-focused, market-driven, global in scope, and flexible in their ability to deliver superior value to customers. At the same time, customers' preferences and expectations may change continuously as customers are exposed to new product offerings and communications. Furthermore, this concept suggests that value is defined in the marketplace, customer knowledge and customer and employee loyalty go hand in hand in building long-term relationships, innovation and continuous improvement apply more to processes than to products, and that the age of mass production and mass marketing has yielded to the era of mass customisation.

*What constitutes the core of a sustainable customer relationship strategy?*

In the above discussion, we made some effort to describe what we see as the origin and subsequent emergence of a relationship management tradition, including CRM philosophy. Moreover, some key conceptualisations of relationship management tradition in extant literature and companies' orientation to the marketplace were highlighted. The next step is to use the knowledge acquired from the presentation of

the historical background of relationship management tradition and extant literature to extract the core components of CRM and the key dimensions of implementing CRM strategies. This approach serves the purpose of linking the components of the strategy to its implementation. The key components identified are used as a springboard to analyse the company's current situation during the exploratory study. Based on this first step (analysis), we suggest a CRM strategy (step 2, formulation and selection). Thereafter, the 5-S framework will help us to plan for relationship implementation (step 3, implementation). The aim of the 5-S framework is thus to link CRM strategy (formulated in the preceding phase, step 2) to the implementation of social and structural ties in the relationship.

#### *The core components of customer relationship management*

The content of a CRM strategy consists of six mutually dependent criteria (Donaldson and O'Toole, 2002):

- (1) *Emphasis on quality.* Poor service is the dominant reason for losing business. The core product alone is no longer enough, and service quality is stressed as the key to successful business.
- (2) *Measure customer satisfaction but manage customer service.* This implies understanding and defining the various benefits that a prospect expects prior to purchase, and the management of the gap between expectations and performance after the purchase process.
- (3) *Invest in people.* Internal relationships are as important as external relationships. Implementation of a relationship orientation can only come from the people in the organisation understanding the objectives set and meeting the required standards.
- (4) *Maintaining dialogue with customers.* Building long-term relationships is the key issue in CRM. Companies that listen and adapt to preferences of individual customers have a higher propensity to retain them and make them loyal.
- (5) *Setting realistic targets and assessing performance.* Organisations must have an understanding of customer perceptions of the various elements in the offering and the elements important to each individual customer.
- (6) *Relationship-based interfaces.* This means being in touch with both internal and external customers in a responsive and flexible manner. In practice, there is a gap between what firms do, what they should do, and what is most desirable to do. The means of communication should be adapted to the needs of the individual customer.

#### *The core dimensions of relationship strategy implementation*

Structure: organisational structure for relationships, for example, team-based structures such as key account management. Staff: people dimension of a relationship, which entails managing the social structure of a relationship cross-functionally. Of utmost importance here, are training programmes of various kinds. Style: everything that managers say and do. Beliefs and actions of managers determine the outcome of an implemented strategy. Systems: set-up of relational systems like sales service processes, supply chain management system, relationship performance scorecards, and order fulfilment system. Schemes: programmes that

support relationship implementation, for example, investment and adaptation patterns, loyalty and retention programmes, and relational communication.

### Findings

The findings reported below are from an exploratory study of implementation of CRM initiatives at SOS Alarm AB Sweden. SOS Alarm AB Sweden implemented a software system with CRM capabilities called "Clientele". We begin with investigation of the six main components of CRM in our framework. Thereafter, a CRM strategy (formulation and selection) is suggested. Finally, findings based on the strategy implementation framework are presented.

#### *An emphasis on quality*

SOS Alarm AB Sweden has been ISO 9000 certified since the mid-1990s. The major owner, the state, initiated the ISO 9000 certification process, as this was a condition for operating and administering the 112 emergency numbers. The implementation of ISO 9000 penetrated the whole organisation. The process began with a clear and official implementation plan and informing all employees at the case company about when, where, how and why they would be given education on ISO 9000. Every employee participated in a 40-hour training programme over a period of 10-12 months. Two years later, SOS Alarm AB Sweden received ISO 9000 certification.

#### *Measure customer satisfaction but manage customer service*

Customer satisfaction is not measured at the various business units. Measurement of the level of satisfaction among major customers is sporadically carried out at the national level. Whether these measurements are made systematically or not, is not known at the local offices. Such information is rarely communicated within the organisation and, when it is, it is most often distributed via a memo or protocol that tends to "disappear" in the other paper work required to run the business on a daily basis. In the past, a programme was used to classify and categorise customers. Managing customer service is the responsibility of the administrators of the business unit. Only the operations assistant knows how to use the six different software systems used for customer services. These systems are not compatible, which means that the operations assistant has to update three or four systems at a time with the same information. In addition, the operations assistant is the only one being educated on the new Clientele system with CRM capability. According to one key informant, Clientele has only been introduced for internal usage. However, it has the potential to be used as a web-based online contact externally, e.g. for customer support. The main purpose of introducing Clientele was to connect existing administrative software systems. Secondly, all customer contacts, including telephone, mail, e-mail, meetings, etc. should be registered in the database, to avoid a customer relation being restricted to a single key person. Thirdly, the top management at the national level wants to have the option of obtaining a general view of the performance of different departments. The operations assistant describes this from a transaction-focused perspective.

#### *Invest in people*

The policy statement given on the company's web site regarding the new CRM system (Clientele) is as follows: "SOS Alarm AB Sweden is currently investing in a new

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customer support system, called the CRM system. (CRM stands for “customer relationship management”.) This will further improve our customer service, which in turn will make our customer relations even better.” The majority of our key informants in the various business units could not define what CRM entails, neither in a general sense nor in an internal SOS Alarm AB Sweden sense. When other administrators at strategic and operative levels were asked the same question, it was obvious that they did not know what CRM is and why SOS Alarm AB Sweden invested in such a system. When some of the benefits of a CRM system were clarified, there was an instantaneous response like “Oh that’s exactly the information I need.”

#### *Maintaining dialogue with customers*

The responsibility for pre-sales and contract formulation is delegated to the salesperson. According to my key informant, new customers are identified through current events reported in the local media. At the investigated business units, it is unclear who has the responsibility of developing and maintaining long-term relationships with customers, however. The operations managers devote a considerable amount of time to interacting with their major customers (local hospital, municipal council and ambulance). It is mainly the customers who initiate these contacts. For key customers, such as security managers, SOS Alarm AB Sweden has developed “SOS Society” a community on the web for managers working with security issues. Each department has been instructed to select VIP customers that have a professional interest in security. The purpose of the web page is for people in influential positions to be able to share experiences and ideas that provide benefit to the customers and the company. This is done by chatting, by writing short messages/questions, or by publishing articles on the web page. As a bonus, SOS Alarm AB Sweden gains with vital information that makes it easier to identify unsatisfied needs. Contacts with other customers, initiated by SOS Alarm AB Sweden, are maintained through the annual invoice procedure. Invoices are sent out once a year to all customers at the same time. Among the 2,000 customers, about 10 per cent have questions regarding their invoices. Consequently, the operations assistant in each business unit, who is the only one with adequate knowledge of invoicing procedure, receives as many as 200 phone calls daily about questions related to invoices. The company’s policy is that complaints related to invoices must be reported within a limited period.

#### *Setting realistic targets and assessing performance*

According to the respondents, the only customers that SOS Alarm AB Sweden “really knows” are the county council ambulance service and the municipal council. These are the only customers where the contacts are close enough from a relational perspective. The respondent admitted: “I have recognised this need, but there are no resources for pursuing it.” The offering is individualised when the customer is new. No customer care programme exists, however, so after that it is up to the customers to contact SOS Alarm. In addition, performance in terms of level of customer satisfaction is never evaluated. This is probably why it lost a major customer, the county council central switchboard exchange, to a competitor (a call centre). Our key informant in this business unit foresees the imminent danger of increasing competition from call centres.

In particular, the offering of service numbers and security services like automatic alarms stand the risk of being lost to competitors.

*Relationship-based interfaces*

Relationship interfaces are about where and how people exchange information internally as well as externally. When implementing any strategy, it is crucial that relevant information be communicated in order to minimise communication gaps. Gaps exist between management and customers, management and staff, and management and systems. While staff and customers, and staff and systems, can also create problems, these are also important management issues. The gap analysis epitomises the difficulties in achieving relationship objectives because of the prevailing conflict between strategy and implementation. The strategy seems to have a clear focus, but management may be unable to execute their strategy in the way intended.

The findings presented above aptly depict that the business unit investigated has a problem “closing” communication gaps, internally and externally. Internally, management has failed in communicating and explaining the purpose of implementing “Clientele” which can be part of the process towards implementing a possible CRM strategy. Consequently, the administrators at the business units investigated do not know what CRM means, neither is there a clear definition of the concept on the company’s intranet nor on their home page. Furthermore, according to my key informant, the main advantage with the “Clientele” system is that all existing systems would be linked together, Clientele system, without stressing customer service issues, is that this implies a transaction-focused culture rather than a customer-focused culture.

*Implementation of a relationship-focused strategy at SOS Alarm.* The basic premise here is that the formulated CRM strategy conceptualises CRM as a combination of business process and technology that seeks to understand the company’s customers from the perspective of who they are, what they do, and what they are like. The 5-S framework is used to implement the customer-focused strategy, thus linking strategy to the implementation of social and structural ties in the relationship discussed above. Each of the five dimensions has a role to play in the day-to-day operational management of relationship strategies.

*Structure.* While conducting the empirical studies, it was apparent that a limited number of persons handle all customer contacts. This does not mean that the employees are not capable of being customer-focused, but the current organisation certainly does not assist them in this matter. If SOS Alarm AB Sweden really intends to implement a customer-focused strategy, they need to provide appropriate organisational conditions to increase the probability of success. In order to be able to run a business that is truly customer-focused, employees should be provided with time for customer care, i.e. developing and maintaining good relations. Whether this means hiring more people or not depends on the number of customers that it is worth having a deeper relationship with, and whether the current level performance can be improved, for example, by better co-ordination. Today, the customers initiate all contacts apart from the contacts in conjunction with the annual invoicing and contacts with the most valuable customers.

*Staff.* The educational programme aims to teach the employees the essence of being customer-focused. The transformation of business practices from product-focused to customer-focused is a difficult one. From being focused on selling predetermined services, SOS Alarm AB Sweden needs to develop expertise that focuses on



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individualised customer offerings. To be able to offer individualised solutions, internal understanding is a prerequisite. To overcome the lack of understanding and empathy for the prevailing working conditions, the creation of internal forums for cross-functional communication could be a step in the right direction.

**Style.** When implementing a CRM strategy, it is vital that management communicates this strategy and how it will be accomplished. In the case studied, Clientele is implemented despite the fact that there is no clear-cut CRM strategy formally communicated throughout the organisation. At present, however, the content of management actions and communication patterns are more transaction-focused than customer-focused.

**Systems.** If the customer access module of the CRM system (Clientele) is accessible to the customers, a win-win situation is developed. For example, whenever customers want to alter their action plan in the SOS Alarm AB Sweden operational system, all they need to do is to fill in a form and send it using the system's send function or by fax. The administrators can then change the information when desired. A considerable amount of time could be saved if the customer could alter this information through online access to the system. This system could also provide the customer with online information such as general statistics and contract info that customers often currently request via telephone.

**Schemes.** When investing in a system such as Clientele, it is important to provide a training programme for employees that aim to communicate the benefits of the system. If such a programme does not support the implementation of Clientele, the investment will be in vain. In the business unit investigated, only my key informant received adequate training on the system. This is not advantageous in the long-run. When the pressure of work on the administrative personnel is taken into consideration, an imminent danger can be perceived owing to the indefinite postponement of the training programme because of lack of time.

## Discussion

The findings reported above aptly depict that the operationalised framework in this study is relevant and empirically sound in the planning and implementation of a change process of this magnitude. The degree of success with CRM implementation is directly related to the level of involvement of the employees during the early and subsequent stages in the change process. The results indicate that the endorsement by and commitment from top management, appropriate analysis to get the communication activities right, systematic communication, and mandatory customer loyalty training programme for all employees (see the core components and dimensions for CRM implementation in Figure 1 (an integrative framework for implementing CRM strategy), are of utmost importance when CRM technological initiatives are realised, and are therefore vital for successful CRM implementation. As related in the extant literature, if executives do not show any interest or involvement in the process, an organisation's members will not believe in such projects and will tend instead to resist (Croteau and Li, 2003; and Kotorov, 2003).

Results from our exploratory study show that implementation of the CRM technology initiative, Clientele, at SOS Alarm AB Sweden, entails a choice between two strategic options: a transaction-focused strategy – using a limited amount of Clientele's available functions as a means for more efficient administration in order to

reallocate resources towards pre-sales activities; and a customer-focused strategy – using Clientele’s CRM capabilities in order to develop customer-oriented services, for example, giving customers access to online information regarding their own company, and thus freeing up resources that can then be reallocated to after-sales activities that focus on developing long-term relationships. Management also needs to evaluate what they are communicating internally. The need to communicate, in a clear manner, the role of “Clientele” in the overall business strategy cannot be overemphasised. Investing in CRM technology without the creation of a customer-centric culture in the organisation decreases the probability of success. This should be done in the same magnitude as when the quality certification programme ISO 9000 was implemented in SOS Alarm AB Sweden in the mid-1990s. A key task in implementation is for management to consistently communicate the strategic priority of the organisation cross-functionally. It was apparent in our findings that a lack of communication between everyone in the customer relationship chain led to an incomplete picture of the customer.

In the theoretical frame of reference, relationships are postulated as strategic, long lasting and important for a company (Donaldson and O’Toole, 2002). This necessitates a relationship planning process, which helps the company to make strategic choices regarding customer relationships. This process, shown in Figure 1 (our framework for analysis), involves three phases: analysis, formulation and selection, and implementation, which are closely linked to each other. In the first phase, similarities from our findings are apparent owing to the fact that the case company, SOS Alarm AB Sweden, systematically gathers and analyses customer data in order to identify different customer categories in order to learn more about customers’ needs and behaviours to develop stronger relationships with them. In the next phase, business strategy is made more customer-focused in order to implement CRM strategy. The business processes that emanate from a company’s orientation towards the marketplace enable the organisation and employees to create value in customer interactions. Control, measurement and follow-up take place in these business processes, which thereby create the conditions for further development of the company. If a company’s marketplace orientation is functionally or product-oriented, the company probably does not place customer interactions at its centre. In such cases, employees have company operations or area of work as their main focus and therefore do not see the whole picture or how customers experience their work. By developing processes throughout the entire organisation from a customer perspective, all employees are able to see their part in the customer experience and create possible tools in their work. Another issue that was subjected to empirical testing in this study was the 5-S framework (structure, staff, style, system and schemes) that links the relationship strategy to implementation.

### Conclusions and implications

The current study delivers valuable insights into, on the one hand, the core components of CRM that we regard as vital when implementing a customer-driven strategy, and the key dimension of CRM strategy implementation, on the other. The main objective of this approach is to link the components of the strategy to its implementation in a large Swedish firm. Organisations considering a CRM strategy can utilise these results to become better acquainted with some of the prerequisites for

implementation of a sustainable strategy. The findings indicate that the implementation efforts are successful when adequate top management support and accurate knowledge management capabilities, supported by a suitable information technology infrastructure measured by technological readiness, are in place. The research framework has been designed such that it is better suited for analysing a CRM initiative in a broader research setting and can be used as a foundation for further study of the factors that determine the achievement of successful CRM initiatives.

Lockamy and McCormack (2004) postulated that the concept of business process orientation (BPO) is based upon the work of Deming (Walton, 1986), Porter (1985), Davenport and Short (1990), Hammer (1996, 1999), Hammer and Champy (1993), Grover *et al.* (1995), and Coombs and Hull (1996). Extant literature suggests that firms can enhance their overall performance by adopting a “process view” of the organisation. Furthermore, McCormack and Johnson (2000) conducted an empirical study to explore the relationship between BPO and enhanced business performance. The research showed that BPO is critical in reducing conflicts and encouraging greater connectedness with an organisation, while improving business performance and creating a more positive corporate climate, illustrated through better organisational connectedness and less internal conflicts. The analysis presented here and ideas conveyed in this paper take issues with this view and are a response to the series of questions set forth in this study that guided our exploratory effort. They hold numerous implications for businesses as they consider implementing CRM strategy.

It can be deduced from our findings from the exploratory study that CRM is a strategy used to learn more about customers’ needs and behaviours in order to develop stronger relationships with them. After all, good customer relationships are at the heart of business success. There are many technological components to CRM, but thinking about CRM in primarily technological terms is a mistake. A more useful way to think about CRM is as having a BPO that helps to bring together a variety of information about customers, sales, marketing effectiveness, responsiveness and market trends. Swift (2001), for example, suggests that the CRM process is based on a company’s possible interfaces with the customer, aiming to achieve growth and execute business strategies and goals. The company must therefore focus on four key factors or tactical strategies that include:

- (1) *Interaction*. A series of activities and interactions between customers and the company. This information is collected from all interfaces.
- (2) *Contact*. Mapping out and managing points of interaction between customer channels and the organisation.
- (3) *Knowledge*. Continuous learning through the collection and analysis of information on customers, products, channels, markets and competitors.
- (4) *Relating*. The ability to create relevant interaction with customers, channels, suppliers and partners, which provide opportunities for value-creating relationships (Gummesson (1995, 1999), who postulates a macro view of potential relationship categories).

Another focal point highlighted in the literature (Peppers and Rogers, 1993, 2001; Seybold and Marshak, 1998; Fjermestad and Romano, 2003) and in our findings is the idea of serving smaller segments through individualisation of the offerings, a process

made possible by the advancements in information technology. The core components extracted from extant literature and which we used to evaluate the present situation at SOS Alarm Sweden show that CRM helps businesses use technology (in our case company, the “Clientele” CRM system was implemented) and human resources to gain insight into the behaviour of customers and the value of those customers. If a system with CRM capability works as hoped, a firm can provide better customer service, make call centres more efficient, cross-sell products more effectively, help sales staff close deals faster, simplify marketing and sales processes, discover new customers, increase customer revenues, etc. These views are also reflected in extant literature (Reichheld, 1996; Blattberg *et al.*, 2001; Yen and Gwinner, 2003).

Contemporary marketing management can be viewed as a value-adding process aimed at relationship marketing. If marketing management is to achieve distinctive strategic competence and global advantage, it requires designing marketing operations that will create and sustain long-term relationships. The combined efforts of the critical set of relationships (relationships with customers, suppliers, producers, employees, distributors, governments, marketing facilitators, etc.) carry out this dynamic process. The process, in turn, involves all the activities that marketers perform to ensure that mutually beneficial relationships endure in the constantly evolving global business environment. Gummesson (1995) presents the 30Rs of relationship marketing, highlights a multilayered and overlapping nature of relationships, and postulates a macro view of potential relationship categories. However, the implementation of a customer-centric approach in an enterprise should be considered as a strategy and should be managed as such. A relationship can be difficult to repair once it is damaged. This is so because most strong relationships are based on trust. Attempts made in extant literature to define CRM have been varied. A theoretical model on which future empirical analysis should be based when conceptualizing and operationalising CRM should consist of a business strategy, a business philosophy and a database application, thereby forming a tripod.

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