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Customer Relationship Management and its Influence on Performance (A Case Study of Small and Medium-Sized Enterprises)

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Keywords : *customer relationship management (CRM), Small and Medium-sized Enterprises (SMEs) etc.*

Abstract

This study aims to investigate the effect of customer relationship management (CRM) on the performance of small and medium size enterprises (SMEs). The study adopted survey research design and the sample size was 80. Primary data were obtained by a 5-likert scale questionnaire administered to the respondents. In this research, survey method and questionnaire were used to identify the effect among variables and data analysis was done by SPSS 22.0 software Simple t- test was used to test the stated hypotheses. Results showed that CRM has significant effect on the performance of enterprises. Technology is a key factor which influences SMEs and leads to superiority on competitors.

Introduction

The approaches of doing business and satisfying the customer are changing rapidly. Today, the marketer focuses on the Pareto's 80:20 rule which say that 80 % of the business comes from 20% of the customers. Constant changes in the market, development of service market sphere as well as limitation of traditional marketing conception (it does not analyse how to sustain long-term relationship with customers and other participants of the market) were the premises for the formation of a new marketing paradigm. The growth in the number of published works in recent years is testimony to the renewed interest in the relational marketing paradigm. During the last few years there has been a growing interest in studying the economics of long-lasting customer relationships. Customer Relationship Management has been defined as a comprehensive approach for creating, maintaining and expanding customer relationships. The unique characteristics distinguish SMEs from large

businesses and have an impact on Customer Relationship Management (CRM) implementation among SMEs. For most SMEs, customer service and customer relationships are major sources of competitive advantage and CRM improves SMEs' ability to perform these tasks. CRM is an instrument that SMEs can commonly use to deliver added value to their customers, in order to improve customer satisfaction and obtain a competitive advantage. The main focus is on the management of customer relationship by SMEs. SME characteristics do not allow for the straightforward application of large firm strategy or tactics. A review of literature in that context is done and variables of interest of CRM are studied and their impact seen in the Small and Medium Enterprises.

The concept of CRM could be explained in following few lines. From the viewpoint of the management, CRM can be defined as an organized approach of developing, managing, and maintaining a profitable relationship with customers. CRM is very famous business management application in-order to manage customers in a good way. Companies have improved their customer's satisfaction through implementation of CRM. Customer relation management is a process of acquiring, growing and retaining profitable and loyal customers to the company.

The concentration of implementing customer's relationship management ultimately results in market performance of sales and the profitability of the entire organization. It is obvious that customer relationship management is an effective strategy that when effectively implored leads to massive implement in the performance of organization. Customer relationship management uses the advancement in modern technology to enhance customer interaction to address and provide appropriate marketing offers which are specifically designed to promote, nurture and sustain on-going relationship between the organization and the target markets and individual customers.

Globalization, increasing competition and advances in information and communication technology has forced companies to focus on managing customer relationships in order to efficiently maximize revenues. Customer relationship management (CRM) is the key competitive strategy businesses need to stay focused on the needs of the customers and to integrate a customer facing approach throughout the organization. By using information and communication technology, businesses are trying to get closer to the customer so that they can create long-term relationships. Thus, deploying CRM initiatives has become very common. This study aims to define the main factors influencing the implementation of CRM and to identify factors which prevent CRM from being implemented by using data collected

from small and medium-sized tourism enterprises in Cappadocia. Initially a theoretical outline of CRM will be discussed. Then, based on empirical research results, various aspects of CRM implementation in SMEs in the tourism sector will be analysed.

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The goals of CRM are as follows:

1. Use existing relationship to grow revenue.
2. Use integrated information for excellent service.
3. Create new value and in still loyalty.
4. Implement a more proactive solution strategy.
5. Introduce more repeatable sales process and procedures.
6. Implement a more proactive solution strategy

Review of Literature

Mohammad (2014) Investigate the impact of customer relation management on small and medium enterprises in Malaysia, The researcher used conceptual model for SME, and emphasis in the importance and implementation of customer's relation management in SME organizations. Customer relation management is getting more and more key strategy for small and large organizations, in order to enhance and establish valuable performance.

Hadzagas et al. (2011) examined the extent to which Customer Relationship Management (CRM) systems contribute to the increase of: (i) customer satisfaction, and (ii) growth of Small and-Medium-Sized (SMS) companies, according to an empirical research conducted in Greece. The four hypotheses formulated from literature review refer to the influence of CRM systems to customers' satisfaction, customers' loyalty, and attraction of new customers, performance of personnel, and the operating and financial growth of SMS companies. It was concluded that CRM systems improve customers' satisfaction, personnel performance, and the growth of SMS companies. On the other hand, CRM systems do not seem to influence significantly customers' loyalty and the attraction of new customers. It concluded that implementing successfully a CRM system could enhance customers' satisfaction rate. This is due to personalized, individualized attention given to the customer, thanks to the possibilities provided by CRM applications.

Roberts-Lombard (2011) article investigates the influence of CRM on customer retention at a South African long-term insurance organisation. The study revealed that the majority of customers strongly agree that there is a relationship between CRM and intentional customer loyalty at a long term insurance organisation in South Africa. All the dimensions of the

study have high structural correlation. Organisations adopt CRM for a number of reasons, but most noticeably it is employed to increase customer satisfaction and customer retention or loyalty. The relationship with the customer can be exploited by the organisation through cross-selling, extension selling, or by some other transaction offering additional income to the organisation.

Mukerjee (2009) analysed the issues concerning CRM and create a framework to enable a more strategic approach to it. CRM is regarded as an important tool for “delivering revenue growth through improved customer experiences, retaining and growing existing customer bases, increasing customer acquisition rates and influencing the development of new product and services” (IBM’s Global CRM Study, 2004). It has been mentioned that the success rate of CRM can be increased from 15 per cent to 70 per cent, if a proper CRM strategy is adopted and CRM is ‘done right’.

Kumar and Ramani (2004) viewed Customer Relationship Management (CRM) as the process of achieving and maintaining an on-going relationship with customers across multiple customer touch points through differential and tailored treatment of individual customers based on their likely responses to alternative marketing programs, such that the contribution of each customer to the overall profitability of the firm is maximized. There is a growing recognition among firms of the importance of shaping customer-to-customer interactions. CRM strategies should reflect a firm’s understanding that certain customers need to be empowered to indulge not only in higher degrees of self-service but also collaborate with other similar customers to enhance the overall service levels of the firm.

Objectives of the Study

1. To study the role of customer focus in SMEs.
2. To explore linkages of the CRM focus with the performance outcome of the SMEs.

Hypotheses of the Study

Ho1: There is no mean difference in CRM indicators by SMEs.

Ho2: There is no mean difference in CRM indicators by training in CRM.

Methodology

The methodology adopted to conduct the study focus on the hypotheses, research design and the procedure adopted. Research instrument development, including pilot testing, data collection and data analysis procedures are the main constituents of research methodology.

Simple t test was used to test the stated hypotheses. Data analysis was done by SPSS 22.0 software.

Sample and Sample Size

The study adopted survey research design and the sample size was 80. Primary data were obtained by a 5-likert scale questionnaire administered to the respondents

Statistical Tool

The data required for the study were collected from Primary sources. Primary data were collected using questionnaires and through formal and informal discussions with the concerned members. In this research questionnaire is based on Five point Likert Scales with end points as [1] Strongly Agree [2] Agree [3] Neutral [4] Disagree [5] Strongly Disagree were used to examine respondents responses to the statements. To analyse the data collected Statistical Package for Social Sciences (SPSS) version 22.0 were employed for the present study.

Analysis and Interpretation

Table No. 4.7
t-value for CRM indicators by SAMSI (low/high performance)

S.N0.	CRM	Performance	N	Mean	SD	SE	t-value	p-value
01	CRM Vision	Low SME	45	21.28	2.44	0.3637	3.1691	0.0022
		High SME	35	19.65	2.06	0.3482		
02	Customer Loyalty	Low SME	45	22.86	2.15	0.3205	3.4217	0.0010
		High SME	35	21.28	1.91	0.3228		
03	Customer Trust	Low SME	45	14.75	1.84	0.2743	5.0513	0.0001
		High SME	35	12.89	1.32	0.2231		
04	Customer Commitment	Low SME	45	15.55	1.28	0.1908	5.1120	0.0001
		High SME	35	14.18	1.06	0.1792		
05	Overall Score	Low SME	45	148.26	10.16	1.5146	2.9379	0.0043
		High SME	35	141.20	11.28	1.9067		

Above table shows that there is significant mean difference for CRM vision, Customer loyalty, Customer trust, Customer commitment and Overall CRM by employees of SAMSI (low/high performance) as probability to reject the hypothesis was ($p < 0.05$). Higher score indicates poor agreement with the statements. Table 4.8 shows t test for CRM indicators by employees trained in CRMs.

Table No. 02

t test for CRM indicators by employees trained in CRM

S.NO.	CRM	CRM Trained	N	Mean	SD	SEM	t-value	p-value
01	Customer Loyalty	Yes	56	12.32	1.64	0.2192	3.00	0.0036
		No	24	11.08	1.81	0.3695		
02	Customer Commitment	Yes	56	13.72	2.42	0.3234	3.46	0.0001
		No	24	10.26	2.02	0.4123		

Above table shows that there is significant mean difference for Customer loyalty and Customer commitment by employees training status in CRMs, as probability to reject the hypothesis was ($p < 0.05$). The mean difference for other CRM (i.e. CRM vision, CRM Strategy, CRM Focus, Customer Satisfaction, Customer Value, and Customer Trust) indicators is not being reported as probability to reject the hypothesis ($p > 0.05$).

Findings

1. CRM indicators have been identified based on literature review studies, it was found that CRM vision, strategy, focus, customer satisfaction, value, loyalty, trust and commitment were the important indicators. t-test was then used to study mean differences for all CRM indicators by varied criterion. Significant mean difference for CRM vision, customer loyalty, trust and commitment was found among the employees of SMEs. In the rest, no significant mean differences were found. SMEs were also classified in to low and high based on their turnover.
2. T-test is used to study the relationship between training in CRM and its indicators. Customer loyalty and commitment were found to have a significant mean difference by employee training status in CRM s. The other CRM indicators i.e. CRM vision, CRM strategy, CRM focus, customer satisfaction, value and trust were found to have no significant mean difference. This is also as per the literature studies as successful CRM activities are a must to cultivate customer satisfaction (e.g. Stefanou, Sarmaniotis and Stafyla, 2003) by continuously adapting to the evolving needs and wants of customers (String fellow, Nie and Bowen, 2004).

Limitations of the Study

1. Limitations of time and willingness of the respondents dictated that the sample could not be larger than the present one. Although this fact limits the generalization of results, it is believed that it represents a necessary and economical first step in

identifying useful concepts and relationships that can be later tested in more representative sample.

2. The present research utilizes both in-depth interviews and a large sample questionnaire survey to improve understanding of CRM and its association with the performance of small and medium enterprises.
3. The factors identified provide only a glimpse of the relationship factors which could be affecting the small and medium enterprises. There is a strong possibility of many exogenous variables which might be affecting the performance of the companies.
4. Although several precautions have been taken to create CRM scale and this scale was newly created for this study and therefore, there exists opportunity for further measurement refinement.

Conclusion

The central objective of this research was to understand the CRM composite factors on performance of SMEs. The study sought to extend previous research in CRM area and the subsequent impact of these on SMEs. The major findings that are evident from the research are that as predicted CRM vision, strategy, customer focus, customer satisfaction, customer value, customer loyalty, customer commitment and customer composite are the indicators of CRM. The second finding was that SMEs studied could be classified into criteria binary groups on the basis of performance (low/high). The study also aims to study the role of CRM in the following 5 sectors of the SMEs: Manufacturing, Financial, Advertising, IT Services and Miscellaneous.

Recommendations

1. Small and medium enterprises play a very strategic role in the growth and development of any country. Customer Relationship Management can enhance the performance of these and thus contribute to the development of the same.
2. SMEs play a very critical role by generating a million of jobs, especially at the low skill level. But due to their low scale and poor adoption of technology they have very low productivity. Adoption of various technology tools by SMEs has become very imperative.
3. There is also a need to incorporate new technology and make new innovations in the SME sector and ensure a skilled work-force for the SME sector.

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