



# **CRM IMPACT ON SME'S PERFORMANCE IN INDIA**

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## ***ABSTRACT***

The aim of this research is to examine the motives for which India's SMEs adapt the elements of CRM practices with particular reference to whether this has impact on organizational performance. The customer relationship management (CRM) is getting more and more a key strategy for large and small companies. In particular, small and medium enterprise (SMEs) have to implement CRM practices into their business operations in order to strategize on establishing high performance and value added technical and innovative capabilities, and competitive advantages over rivals. This research proposed a conceptual model for SMEs organizations to highlight the importance of practicing customer relationship. The model then enables several empirically testable propositions that are relevant to develop a survey instrument for this study.

***Keywords:*** CRM, SME

## **INTRODUCTION**

The purpose of this paper is to present a conceptual framework for which India's SMEs adapt the elements of CRM practices with particular reference to whether this has impact on organizational performance. The practices of CRM are necessary to ensure delivering better customer value, retaining customer and having a good relationship with customers. CRM is a managerial strategy that helps firms collect, analyzes and manages customer related information through the use of information technology tools and techniques in order to satisfy customer needs and establish a long term and mutually beneficial relationship. The ultimate goal of CRM is to help SMEs turn into customer-focused organizations that conduct business processes centered on customers. A systematic literature search technique was performed.

## **Background of the study**

Nowadays, CRM is widely accepted within marketing sales business unit of major firms. In the growing competitive global economy, most firms are trying to focus on delivering better customer value against the competitors. As a strategy to optimize lifetime value of customers, CRM can help firms to succeed in the world of e-business. According to Ata & Toker (2012)



firms that have adopted CRM as a corporate strategy are expected to grow at a faster pace than those firms of the same industry who have not adopt CRM. In most countries, SMEs dominate the industrial and commercial infrastructure (Deros et al., 2006). According to Samsudin et al. (2011) nations like India are bound to face difficulties in competing in the global trade economy because it is mostly dominated by the stronger economies. Thus, the SMEs today need to identify, prioritize and minimize their business challenges in order to be more competitive and relevant in the business world.

## **METHODOLOGY**

In order to fulfill the objective of this research to achieve the objectives of conceptualizing the CRM issue, an extensive review of literature was carried out. . A total of six international databases were selected as the major source of data comprising article related to CRM. The keywords search of the six major online database Emerald, Science Direct, EBSCO, Sage Journal, Springer Link and Wiley. These databases were chosen as they embody extensive literary coverage on various issues related to marketing and the areas of business. 70 articles were selected consisting of empirical and non-empirical studies. This lead to the concept presented.

## **Influencing elements of customer relationship management**

Influencing elements to form CRM practices in firms have been examined from different theoretical viewpoints and have received significant attention. Theories that have been utilized to understand the elements of CRM practices include resource-based view (RBV) (Halawiet al., 2005; Keramati et al., 2010) and relationship marketing theory (RMT) (Berry, 1995). The RBV provides a suitable multidimensional perspective to the application of CRM because it attempts to link superior firm performance to the various resources that leads to and competitive advantage (Coltman, 2007). In this study, CRM resources are classified as technological CRM resources, knowledge management and customer focus. RMT fulfills to promote the customer and supplier on an adversarial, stimulus-response, view of marketing's feedback (Rese, 2006). The more balanced and general concept of marketing opens up new lines of enquiry that are hard to see and justify otherwise, which have both managerial and policy relevance.

## **Customer relationship management**

The term of CRM defines by Sin et al. (2005) is a comprehensive strategy and process that enables an organization to identify, acquire, retain and nurture profitable customers. Additionally, CRM is a core organizational process that focuses on establishing, maintaining and enhancing long term associations with customers as advocated by relationship marketing theory (Srivastava et al., 1999). The comprehensive approach of CRM is to maximize the relationship withal customers. Beside the technological advances, CRM also covers the activities of acquisition management and regain management at the initiation stage, maintenance stage and termination management with the purpose to maximize the value of



relationship portfolio (Chen & Popovich, 2003; Dutu & Halmajan, 2011). Additionally, CRM involves all aspects of identifying customers, creating customer knowledge, building customer relationships and shaping their perceptions of the organization and its products (Srivastava et al., 1999). Moreover, factors such as efficiency, competitive advantage, customer support, inventory control and accessibility have become drivers to CRM (2010). Hence, CRM involves individual and collective actions of organizational members, namely customer facing and support staff, and management whose perceptions of the of the organization and its products (Srivastava et al., 1999). It is clear that CRM is not just a technology, but is a new way of doing business. Reynolds (2002) suggest that the comprehensive definition of CRM might be the business strategy, process, culture and technology that enables organization to optimize revenue and increase value through understanding and satisfying the individual customer's needs.

## **CRM Antecedents**

### **Key customer focus**

Key customer focus involves the establishment of links between customer needs (Donaldson & O' Toole, 2002; Sousa, 2003) and customer satisfaction (Gebert et al., 2002; Sousa, 2003). A good knowledge of customer needs also increases customer loyalty and encourages repeat business which are important competitive priorities under CRM (Sousa, 2003). However, previous scholars state that a customer focus develops a strong customer focus (Das, 2004; Sheth, 2000; Vandermerwe, 2004), continuously delivers superior value to selected key customers (Parvatiyar & Sheth, 2001), provides customized product or service through customer expectations (Dyche, 2002) and overwhelm customer centric focus (Sin et al., 2005). An important condition that can enable the organization to be truly customer-focused is to adopt a cross-functional approach in the way organization delivers value to its customers (Payne & Frow, 2006). CRM improves customer retention and loyalty thus increasing their long term values to the business. Sousa (2003) highlights that customer focus practices in the manufacturing industry are highly dependent on the organizational strategy in place. Customer focus practices are categorized as customer relationships, customer involvement in new product design, collection of information on customer needs, and dissemination of information collected on customer needs within the organization and responsiveness to that information. Research by Sin et al. (2005) and Akroush et al. (2011) found key customer focus dimension include customer-centric marketing, key customer lifetime value identification, and interactive concretion marketing. Additionally research by Das et al. (2009) obtain additional dimension of key customer focus is personalization. Therefore, in this study define key customer focus as a focus on customer needs, satisfaction and loyalty to provide excellent service to customers. Based on discussion, the following proposition is: Proposition 1 The key customer focus is positively related to the organizational performance.



## **Knowledge management**

In an organization knowledge management includes learning about customer needs and wants, dissemination of this knowledge within the organization (Sin et al., 2005). CRM practice uses customer knowledge as a means for enhancing customer relationships. CRM process can provide an opportunity for companies to profitably communicate with relevant customers (Plakoyiannaki&Saren, 2006). On the first hand, knowledge is viewed as one of the important and high valued organization assets for an enterprise. Knowledge management capability has four factors such as acquirement, transformation, application and protection. On the other hand knowledge management has significant impact on the customer loyalty and satisfaction (Wang et al., 2010). Furthermore, knowledge management also followed the trend, with systems commonly being defined as technologies that support four knowledge management activities: knowledge creation, codification, transfer and application (Nevo& Chan, 2007). Although information and data management are important pillars of knowledge management, knowledge management encompasses broader issues – in particular, the creation of processes and behaviors that allow people to transform information within the organization and create and share knowledge. Much of the knowledge management research during this time therefore focused on specific technology solutions, such as discovery, representation or dissemination (Gold et al., 2001; Schultz & Leidner, 2002). Hence, this study defines knowledge management as a value, resource and asset for business support to knowledge creation, Codification, transfer and application for organizations. Therefore, the proposition is: Proposition 2 The organization's knowledge management is positively related to the organizational performance.

## **Relationship marketing**

Relationship marketing has been introduced in the service marketing by Leonard Berry in 1983. The focus of relationship marketing is to facilitate and support the customers' consumption and usage processes throughout the relationship, in which value for customers is created by the customers and in interactions with the supplier or service provider (Seth & Parvatiyar, 1995). Relationship marketing is a tactical implication in a firm (Gronroos, 1997). Armstrong and Kotler (2000) point out that relationship marketing is a relationship process for creating, retaining, and enhancing mutual value between enterprises and customers or other stakeholder groups. Landry (1998) defines relationship marketing as a long-term database system application by an enterprise to understand a customer's profile and further develop relationship through various communication channels to deliver value and service. Additionally, RM involves building long term interactive relationships, especially with customers, which is the most important benefit for the organizations which have adopted this concept (Webster, 1992). This is underlined by Gronroos (1991) who states that the purpose of relationship marketing is to establish, maintain and enhance relationships with customers and other partners. Communication with customer partners is necessary process of relationship marketing. Having strong relationship marketing helps in relationship development, fosters trust, and provides the information and knowledge needed to undertake the cooperative and collaborative activities. This study defines relationship marketing as customer interactions in long term relationship to



enforce value and benefit with organizations. Following the discussion above, the proposition is that: Proposition 3 The relationship marketing is positively related to the organizational performance.

### **Technological CRM resources**

In achieving successful CRM, organizations should go beyond the conception of CRM as a set of technological solutions. A review of different studies, see example (Chen & Popovich, 2003; Xu & Walton, 2005; Zablah et al., 2004) reveals three aspects of CRM technology- external operation with customers and facilitate a two way communication, internal operations and to analyze data, information and disseminate the resulting knowledge throughout the organization. This definition, which is based on META group segmentation, divides CRM technologies into collaborative, operational, and analytical categories. Technological resources has reach across customer touch points such as e-mail, phone calls, fax and website pages as channels by firms interact with their customers (Payne & Frow, 2006). Furthermore, operational CRM technologies involve the Intranet and Extranet to link various applications and systems together in order to make the information and knowledge available at all touch points within the firm and between the firm and its business partners (Xu & Walton, 2005). Hence, its much importance to enhance the customer experience, moreover various available channels to improve the strength of business customer relationships (Hamid & Kassim, 2004).

### **Organizational performance**

As CRM is the core business strategy that integrates internal processes and functions and external networks to create and deliver value to targeted customers and, finally, increase profits (Buttle, 2004). The most common categorizations of organizational performance are regarding to financial and non-financial and also tangible and intangible success measures. In terms of financial or tangible measures, measures such as net profit, net sales, reduced costs, market share, customer share and cash flow (Payne & Frow, 2005) can be considered. The measurement of customer satisfaction, customer loyalty, increased customer lifetime value, service and quality improvement, innovation and competitiveness are considered as nonfinancial or intangible measures (Payne & Frow, 2005). In this study, organizational performance captures outcomes of the relationship through measures of customer satisfaction (Stefanou et al., 2003; Verhoef, 2003), perceived performance (Li & Dant, 1997), customer retention (Kim et al., 2004) customer loyalty (Matear et al., 2002; Sanzo et al., 2003) and relationship performance. Relationship performance is measured separately as a consequence of relationship (Hausman, 2001).

### **Mediating variable: market orientation**

Jaworski and Kumar (1993) define market orientation (MO) as the organization wide generation of market intelligence pertaining to current and future needs of customers, dissemination of





intelligence horizontally and vertically within the organization, and organization wide action or responsiveness to market intelligence. Additionally, Kohli et al., (1993) developed a valid measure that includes intelligence generation, dissemination and responsiveness. Moreover, Kohli et al.(1990) echo this point by describing MO as the ability of an organization to generate, disseminate and use superior information about both customers and competitors.

## CONCLUSION AND FUTURE DIRECTION

In today's highly competitive business environments and the expanding global marketplaces, SMEs are continuously searching for ways to maintain their competitiveness. Hence this research attempts to study conceptual model on the antecedent's factor of achieving successful implementations of CRM practices in SMEs organizations. Follows with the model of CRM practices proposed and pinpointing the most critical ones within a justified industry that will help the sector in better planning for CRM introduction among SMEs.

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