Evaluation of performance and efficiency of the CRM

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Abstract. In order to achieve customer satisfaction, enterprises must manage their own value chains together with their complete system of proving customer oriented values. The aim of enterprises is not only customer acquisition, but mainly their retention. It is customer relationship management that deals with this issue. However, the question raised is how to measure the level of customer relationship management (CRM). This issue is addressed in our contribution.

Keywords: customer, company, customer relationship management, minimum and optimal level of CRM.

JEL codes: M31.

1. Introduction

Nowadays the business environment is in not a very enviable situation, the market is affected by crisis and today’s customers have the opportunity to choose from a number of comparable goods and services. Since the sellers’ market changed to buyers’ market and customers are and competitive advantage for companies, therefore they need to try to keep them. Customers decide whether the company will retain on the market.

Therefore only those who are able to estimate duly and in time the trends and risks in their field and to adjust their activities to current requirements are winners on the market. An effective care for customers, creation and long-term maintenance of close links not only with customers but also with suppliers and other partners is a proven key factor.

For the companies to achieve customers’ satisfaction they need to handle their own value chains and the whole system of providing values with orientation on customers. The aim of companies is not only the acquisition of customers but also keeping them. Customer relationship management deals with this issue.

2. CRM – Customer Relationship Management /CRM – philosophy

Customer Relationship Management (CRM) means managing relationships with customers. It is an interactive process which aims at reaching optimal balance between company’s resources and satisfying customers’ needs. An optimum balance is characterized by maximum profit of both parties. The prerequisite of reaching this optimum is in creation of long-term partner relations with customers. Long-term perspective
cooperation brings significant value quantifiable in monetary terms to both parties (Chlebovský, 2005, str. 23).

According to many authors dealing with the issue of CRM the understanding of this term stabilized in the sense of business strategy of choice and management of the most valuable relationships with customers. „CRM is thus a business philosophy and business culture focused on customer that supports effective marketing, business and servicing processes. CRM is a way how the company deals with its customers, what relations it keeps with them and how it uses these relations to mutual benefit.“ (Storbacka, Lehtinen, 2002, s. 16).

3. Measuring the level and performance of CRM. Introduction

The best way to find out how big the contribution and importance of CRM is for the company is by the measurement of the level and performance of CRM. There are a number of methods used for measurement of the level and performance of CRM and of / for satisfying customer needs. An example of this can be CRM – Body Check, CRM Scorecard, CRM Maturity Model, Method of qualification of development abilities, CRACK Model and others. Most of them are built on the basis of sophisticated questionnaire structures and their subsequent objective assessment.

If we want to create a methodology for measuring the level of CRM, we need to rely on a concept of CRM oriented on the company strategy. It is almost impossible to reach a total generalization while adding specific recommendation valid in optional ideal situation. On the other hand, it is possible to develop a basic design of a measurement system and methodology procedures which could be effectively adjusted to the requirements of a given company.

Chlebovský (2005, s. 135) alleges „number of companies state that they carry the measurement of performance of CRM. In fact their measurement is limited only to monitoring the number of newly acquired contacts on potential customers, sale productivity, performance of call centers or alternatively they rely on customers’ profitability. They often forget key factors which influence the financial results“.

Further the author gives a definition „the system of measuring the performance of CRM should connect long-term vision, strategy and goals in CRM with specific short-term tactical, action and evaluation plans creating the moving power of CRM.“

4. Measurement and evaluation of the level of CRM in a chosen furniture company

4.1. Chosen method of measuring the performance and level of CRM

By the analysis of individual methods we came to the conclusion that it is important to define what variables in the sphere of management of customer relations the company wants to examine and according to that it needs to decide what method it will use when measuring the performance of CRM. On the basis of carried out analysis and comparison of single methods we decided to use for the measurement of the level and performance of the CRM the method CRACK which we applied on a chosen company and its key customers.

Evaluation of performance, use of CRM was divided into these main parts as follows:

- determination of monitored variables, criteria,
- calculation of importance of individual variables through Saaty matrix,
- assessment from the point of view of the company,
- calculation of complex indicator of the level of CRM,
• assessment from the point of view of customers,
• confrontation, or comparison of obtained findings from the assessment made by company and customers.

„It is always true that it is not possible to develop the system of assessment or measurement in an absolute general form which would be immediately usable in every company. It needs to be adjusted to specific company, it’s structure, environment in which it operates and needs which it’s management follows” (Chlebovský a kol., 2005, s. 134).

With regard to the above-stated it was needed to thoroughly consider the choice of specific criteria which will be the subject of monitoring. We had to consider the following factors when making a choice:
• we need to identify mainly what is the overlook of the future in main areas and not only past and present state,
• monitor also internal processes and company activity which are closely connected to subsequent behavior and attitudes of customers and not concentrate just on these behavior and attitudes.

CRACK Model (Customer Relation Analysis Complex Kit) was defined as a basis for the choice of suitable criteria. The choice of criteria was always carried out on the basis of discussion with the representatives of relevant departments and specifically from departments of marketing, business, logistics, production as well as with a director of the company. All criteria stated in the CRACK model were discussed, however only those which are possible to follow and evaluate properly from the point of view of the specific company, were chosen. The following criteria were chosen and evaluated:

1. sphere Marketing – the brand:
   f₁: quality of the brand – on what qualitative level the customers perceive the brand,
   f₂: loyalty to the brand – what is the relationship of the customer to the brand.

sphere Marketing – supply/offer:
   f₃: satisfaction with supply – how satisfied the customers are with the supply,
   f₄: value of supply – how is the acquired value perceived by customers.

2. sphere Customers
   f₅: probability of success – success rate in negotiation,
   f₆: loyalty to customers – relationship of company to key customers,
   f₇: business relation risk – jeopardizing the relationship with key customers,
   f₈: attractiveness of customers – perceiving key customers attractiveness.

3. sphere Service
   f₉: handling of claims – satisfaction of customers with claims handling,
   f₁₀: legitimacy of claims – the percentage of legitimate claims from the total number of claims

4. sphere Logistics
   f₁₁: orders not executed in a set date – the percentage of orders which were not executed in a date set by the company,
   f₁₂: orders executed in required date – the percentage of orders executed in a date required by the company.

5. sphere Complex indicators
   f₁₃: transition to competitors – likability that the customer will transfer to the competition,
   f₁₄: overall satisfaction – rate of overall satisfaction of business partners in business relations.
The next step following the choice of appropriate indicators for measurement and evaluation of level and performance of the CRM lied in the need of setting the weights of these criteria. It is needed because of the fact that not every criterion has the same importance in comparison with others. Before the weights of each criterion were set, preferences between individual spheres were defined. The method of quantitative comparison of criteria was used for setting the preferences and subsequently calculating the weights.

In this step the weights of individual criteria from all chosen spheres were set but in the contribution we mention only one – Marketing.

After setting the weights for individual areas and criteria it was necessary to „objectify“ these weights. The point is that it is necessary to recalculate values of weights in a way that their amount would be equal to 1. Only by this it will be possible to use the weights in further evaluation of performance of the CRM. The recalculation of the weights was conducted in a way that each of the criteria weights was multiplied by the value of weight of a given sphere.

<table>
<thead>
<tr>
<th>Weight of criteria</th>
<th>Weight of the sphere</th>
<th>Final weight of criterion</th>
<th>Ranking of criteria</th>
</tr>
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<td></td>
</tr>
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<td>f1</td>
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<td>0,16740</td>
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<td>f4</td>
<td>0,20820</td>
<td>0,08506</td>
<td>5</td>
</tr>
</tbody>
</table>

Fig. 1: Recalculation of weights and defining the ranking of criteria

The next necessary step for the evaluation of performance of the CRM is to get values for individual criteria. Usually the values are acquired from employees responsible for ensuring the CRM however in our case there is not specific person in the company who would have this responsibility. Thus we decided to get evaluations from more representatives of the company. A questionnaire containing 14 questions linked to individual evaluating criteria in a way that it would be possible to get value for each of them was handed out to every evaluator. In principle it was about defining the importance (0 – 10) or percentage value (0 – 100 %) of a given criterion.

4.3. Evaluation from the point of view of company

Each of the company representatives assessed all criteria regardless the fact that the given sphere falls directly into his competence or not. However to reach objectiveness of final value of indicators we decided to set weights of individual departments when responding to specific questions. By this step we ensured that for example the criteria in the marketing sphere are in main competency of a representative of this department but also the business department and company director have certain share.

From the values acquired by this process we subsequently developed a weighted average and obtained the level of CRM in percentage whilst 100 % is the theoretical ideal state. For the calculation of weighted average the relation below was used:
The calculated value of weighted average is 78.08 which means that the level of the CRM in observed company is 78.08 %, and therefore to achieve theoretical ideal it misses 21.92 percentage points.

On the basis of this process by the obtained value of the level of the CRM we can state that the company fulfills the values of the CRM on 78.08 %, which explains the relatively good level although distance from the „ideal“ is a premise for further improvements mainly by thorough analysis of examined spheres and criteria.

It derives from the already mentioned and partly used CRACK model but also from the consultation with company representatives that to meet the ideal 100 % value is more or less unreal. Thus we decided to set optimal values which would express the level of individual spheres and criteria which is sort of a real maximum for the company. When achieving these values the company would be satisfied because the required planned level would be reached.

On the other hand we consider it essential to set also so called minimal values. These would create some kind of critical limit for the spheres as well as for individual criteria. In case of achieving set minimal values or the values would be even lower, the company would need to adopt quick measures to change the bad situation which could seriously jeopardize especially relations with key customers.

Mentioned optimal and minimal values were set by individual departments, nevertheless each department has different competencies. To reduce the influence of this factor the acquired values were multiplied by weights of individual departments for every criterion.

These values will serve us for fast and simple comparison where the real level of the CRM which we calculated is placed.

On the basis of these results it is obvious that the current level of the CRM is placed in a span between optimal (84.42 %) and minimal (67.58 %) level. While current level is 6.34 percentage points far from the optimal and 10.5 percentage points from the minimal level. From the determination of this distance it results that the current level of the CRM is closer to the optimal however missing percentage shows a space for improvements.

4.4. Evaluation from the point of view of customers

Although the company already set its current level of the CRM, it is assessed only from the inside. Since the goal of the CRM is a dull management of relations with customers we considered it important to find out how the CRM of the company is perceived by its customers. Primarily the CRM is focused on the most important customers and therefore when detecting the perception of the CRM by customers we decided to address only those who were identified as key and thus most important purchasers.
For calculation and determination of the value of the CRM from the point of view of customers we used the same procedure as in the case of the company itself. Therefore only the simplified process will be given in this contribution while we focus mainly on the sphere of Marketing.

To ensure comparability of evaluations the same criteria and individual values obtained from customers by questionnaires were kept. However to ensure „customer view“ all five customers (business partners) were requested to express their preferences in comparison with individual criteria as well as individual spheres containing these criteria.

As well as in the case of the company here the Saatys matrix was also set based on preferences. Through them we calculated weights of each sphere as well as weights of individual criteria. Final weight of criteria was set as well as in the case of the company based on multiplying their weight by the weight of a sphere in which they belong. Final weights will be used in further calculations leading to definition of the level of the CRM perceived by customers.

For calculation of the level of the CRM from the point of view of the customers we used weighted average in the same way as for calculation from the point of view of the company.

By these calculations we reached a value of the level of the CRM perceived by customers and that is 79.86 %, which is in comparison with the level of the CRM from the point of view of customers (78.08 %) a little bit higher (0.78 %), from which we can assume that globally the perception of customers is at the same level or just a little bit better than the point of view of the company on itself.

Based on the fact that we received similar results from both approaches, meaning from the company as well as from customers, we state that the level of the CRM in the company is at a good level because to reach theoretical maximum it misses approximately 20 % which is not much but even this difference creates a space for improvements and mainly not in self-perception but from the point of view of customers.

To be able to define precisely the spheres or specific criteria in which the improvement is needed, it is necessary to carry out further thorough analysis. Determination of minimal and optimal values set by customers that will represent a minimum that customers are willing to accept and optimum, a value that means a maximum expected in given sphere and criterion will serve us in this matter. Achieving lower values that is the customers’ minimum can greatly damage mutual relations and lead even to termination of cooperation. Optimal values set the limit achieving which will result in maximal satisfaction of customers and therefore exceeding it is not necessary. If the real values are lower than optimal, however still situated in a span formed by minimal and optimal values, there exist a space for improvement in a given criterion and utilization of which will mean achieving the optimal value.

5. Total evaluation

At this stage we focused on comparing the results from the evaluation of the level of the CRM from the point of view of the company and evaluation from the point of view of key customers.

We decided to do this comparison because we consider it necessary to look for and find mutual points of the evaluation but also the differences which could be incorrectly oriented when applying the CRM and finally they could function in a wrong direction and thus damage or even threaten the relations with key customers.

We decided to carry out the comparison in a simple way meaning that minimal, real and optimal values obtained from the determination of corresponding values of the CRM will be compared and that from the point of view of the company and key customers.
It is obvious from the comparison that customer values are lower however except the current value. Basically, we can state that this situation is good for the company. In fact, customers’ minimum is lower than the minimum set by the company and therefore it is enough for the company to achieve the level of its minimum and it will still be in the zone which is accepted also by the key customers. On the other hand, lower value of customers optimum in comparison with the company means that the company will be more easily able to reach the value expected by customers and in case of reaching the optimum set by itself it will even exceed their expectations. We can say that customers’ satisfaction will exceed the level which they consider as a real maximum.

What is positive is that the current value of the level of the CRM is according to customers’ perception higher than how the company perceives it. However it is also important that from the current level of the CRM it is needed to increase the level of the CRM by 1.33 % to be able to reach the maximum expected by them. Knowing the importance of individual criteria for customers as well as their expectations while meeting each of them is a great precondition for reaching this optimal level of the CRM and that not only from the point of view of purchasers but also from the point of view of the sole company.

6. Conclusion

The changes to market environment caused by the development of new Technologies, the process of globalization and deregulation bring divergence in the market structure, increase the intensity of competition and significantly change the way of doing business. The growth of competition intensity, the similarity of basic products and lack of loyalty of customers force companies to look for new ways of getting a competitive advantage and thus create a more unique, valuable offer for customers than the competition brings. To keep the competitive advantage in a global economy it is highly important to understand specific needs of each member of a supply chain and also implementation of modern technologies into a business process in a way that it will be possible to effectively manage all the market needs.

This situation forces companies to seek the way to ensure the returns from each investment more quickly and how to reach a great flexibility extent. It requires permanent detection and creation of opportunities for consolidating the relations with customers. Nowadays, companies are set in different phases of development
towards customer-oriented thinking, they try to utilize the CRM for increasing their income and profits, lowering costs and increasing customers satisfaction. The implementation of the CRM into every sector is becoming a strategic necessity for the development and survival of individual business entities.

For the realization of the CRM in the company there should be a system of measuring the level and performance of the CRM ready beforehand as it is important to find out about its effectiveness. The process of measurement which was conducted in the company can be applied also in other companies, other sectors and can serve as a methodical procedure for measuring the level and performance of the CRM however each company needs to adjust the indicators to its own structure, an environment where the company is situated and needs which the management follows.

When adapting the system of measuring the level and performance of the CRM of a certain company it is necessary to consider the stability of competitive environment, forecast of future development, technological and organizational aspects. At the end it is important to emphasize that each system of measuring the level and performance of the CRM is considered to be a unique tool of an individual company.

7. References