

# Customer relationship management essay example

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It is understood that the corporate world is flooded with lots of marketing acronyms and terminology that states what seems the obvious goal of a company: that is to be profitable. Yet, in this drive of the organization to make profits for itself, the business of marketing ones product is seen as a mere tool for the company to get what wants in the expense of the customers. This is then where CRM or customer relationship management enters in the equation. If we go along the definition first given by one marketing expert, CRM states that the goals of an organization is “ attracting, maintaining and enhancing customer relationship.

” This is basically the core or foundation of every CRM. Standing under the shade of broad marketing spectrum, CRM is the new paradigm of marketing which focuses now on customer relationship. Many have seen CRM as a new tool for marketing management by which the firm can utilize to gain profits and revenue. But, basing on closer study by marketing experts, this tool is not new but rather a back-to-basic operational philosophy by modern businesses and corporation.

What CRM offers is something that is innate to the purpose of making business and running a corporation or a company. Since CRM talks about enhancing customer relationship, a company who wants to be customer-centric in its operation should acknowledge the determinants of how to satisfy the customer. CRM is another words is a management and marketing tool by which the aims and objectives primarily sit on customer satisfaction which in return will yield mutual benefits for both the organization and the customer at the same time.

On the point of view of the organization this means giving the value to the money of the customer's in exchange for its products and services. The company in return, if it is able to meet this requirement, will enhance its future business life in the industry by retaining loyal patrons and steady influx of new customers. In the language of CRM, it cannot be overemphasized that any given transaction (both B2B or B2C method) the customer at the end of the line almost always has a predetermined expectation of what he would get from the business engagement.

This expectation is what set as the value of the customer's money. This can be measured superficially by the quality of goods or services they got from the exchange. In the business paradigm being presented by CRM, this tool is a process by which five components of how to give satisfaction to the customer are being observed strictly. These five components are what called "serviqual": tangibles, reliability, responsiveness, assurance and empathy.

The tangibility is determined by the quality of the goods; reliability on the other hand is the relationship of dependency about an organization to its customer; responsiveness is the attitude of giving the customer at the other end of the business transaction the freedom to suggest and express his discontent or on other matters concerning the products that the company addresses in a timely manner; assurance is the means by which the company is understood to give its best effort to deliver the products to meet the expectation of the customer; and the last is empathy, which is really an intangible thing but the customer can feel by the way the product or services is given to him. Another factor to this business exchange that is of

importance of the philosophy of CRM is the “ what” and “ how” that transpires during the process of exchange. What answers the question as to what the product that was given to the customer? But unlike the common understanding of marketing and business engagement, the satisfaction of the customer only starts here. The factor of how still has to follow. How did the sales handle the transaction? Did the employee show responsiveness to the customer? Competency, courtesy and credibility enter this equation. What thus this can benefit a company?

As stated earlier, what is in store for the company embracing this customer-centric philosophy? First and foremost, this CRM ensures that the organization is on the right track of fulfilling the needs of its customers. When this happens - when the company is able to satisfy customers - the company is able to get a sustained patronization of its products by the customers. Brand recognition for the firm is easier since its satisfied customers turn into evangelists for the company. A customer base is built while a steady influx of new customers can be experienced by the firm. Of course, embracing the philosophy of CRM is not without challenges and opportunities.

One of the hurdles of CRM is the resistance of those on the forefront of the organization and also those in the management level since satisfying customers happens and involves almost every department of the company. Resistance to this philosophy is expected since it takes a lot of effort and change in the mindset of the employees and management in how to look the overall operation and function of the firm in its drive towards the goal of

gaining profits and revenue. Nevertheless, the opportunities that lay before CRM are the chances for the company to sustain a considerable growth and at the same time open channel for expansion of its operation and widening of its product and service portfolio.

Considering that the business paradigm that is presented by CRM is just 'new' to the modern businesses, this can be very effective in any kind of business. Yet, CRM is seen as fitted to the needs of an organization centering on providing services to the consumer public. With the philosophy of being customer-centric firm, those industries that are involved in direct contact with the consumer can benefit very well from this tool. As of the present time, there are many ways by which CRM can be implemented. Its implementation is basically centered right now on providing 24/7 customer service, full integrated back-office for the company and without any hassle on training issues.

Furthermore, the implementation of the CRM should circle around the evolution and the needs of the firm in bringing forth a good customer relationship management. The above mentioned CRM as a tool that focuses on the issue of technology: one of the present issues of CRM. The strategy that suits this kind of tool is thorough planning: marketing audit. Nothing can beat this old fashioned way of handling a project or a new business philosophy than a good designed plan. The question for example as to where does the company will get the funds for the project and what benefits and return of investment should be answered when planning for this strategy.

Next step is identifying the stakeholders for the scheme. Then there is the necessity for the use of needs analysis and benefits projections. As this foundation is laid to as the springboard for the eventual adaptation of the company to the philosophy of CRM, the head of the project should he himself be an evangelist of CRM, somebody who truly believes to the workings and benefits of CRM. KLM Airlines Background KLM Royal Dutch Airlines is a commercial aviation company with a world-wide operation. The company's operational tasks circles around these four aspects: " passenger transport, cargo transport, engineering and maintenance, and charter/low cost flights" (Viaene and Cumps, 2005).

During the fiscal year of 2003-2004 was able to gain a net profit of an estimated 24 million euro and as a strategy to strengthen its dominance in the global airline industry when it merged with Air France to form an alliance that would make it third behind American Airlines and United Airline in terms of passenger traffic (Viaene and Cumps, 2005). Yet, this does not entail the company a certain success in the commercial aviation industry considering that the European Union passed a law to deregulate the airline industry. This caused the opening of the European skies for cheaper airlines willing to bump it against the giants in the industry and make a run for their money.

With the prospect of this industry realities, KLM is pushed backward to embrace a new marketing scheme that can response to these threats posed by a deregulated airline industry. And this is where CRM re-enters the minds of the management of the company. CRM as an answer for the present problem of KLM has been previously adapted by the company as a form of

new business philosophy for the company in 1997. But CRM as a new vision and mission statement for the company takes time to seep in into the entire organizational structure of the company so it gone sour to the taste of the aviation organization and harvested only a lot of skepticism about its use in the company.

But this time when the management re-launched its second attempt to implement CRM in its organizational make-up, proponents of the philosophy took knew already that in this age of marketing evolution, who has the edge over the efficient handling of customer economy and customer relationship is posed to gain success in the industry. Reason for Entering CRM Since it is without doubt that the market in commercial aviation industry is very attractive, KLM as a company must also know whether its organization has the capabilities to compete with effectively so as to secure its success. Considering that the company already has size and share of the segment and is enjoying a considerable amount of customerloyalty, KLM must also consider its marketing strategies and the flexibility of its organization. One way or another, the company did a marketing audit of what are possible best strategies that it may implement to the whole organization.

KLM management realized that for the company to grow and differentiate itself from its rivals, have an edge over the competition, it must adopt the philosophy of CRM. The adaptation of CRM in its organization make-up will be the difference it will have over its competitors. By offering superior customer experience to its patrons, it can reverse the negative trend of declining return of investments it has been experiencing in the last several years.

Viaene and Cumps (2005) reported that the company sees to it that every customer interaction ought to be as a prospect of gaining a bonding with the company's patrons thus creating a worthwhile customer relationship. Thus was the aim for the company to infuse CRM, once again, in their business philosophy.

And there is no other way to make it happen but by enabling itself to set up also an extensive investment in InformationCommunicationTechnology (ICT) to go along with its CRM project. In summary, we can deduct that the reason why KLM decided to implement CRM in its operation and on the whole organization itself is for the reason that the aviation market is indeed very attractive but the company also must have the ability to compete in this market with an edge. And CRM is the obvious answer of the company in this aspect. CRM Application Software The application software that the management of KLM chose to use in the implementation of its CRM scheme is the application E. piphany.

Top executive of the proponents of CRM for KLM Roderik Rodermond defended the choice of the software as " the best match with our CRM goals and willing to go al long way in thinking along on how to best support our CRM business needs" (Viaene and Cumps, 2005). Through the use of this application software, the company would have then the ability to support querying and reporting on customer data. The tasks of the software then can assist the team in its marketing campaign setup and execution, monitoring and reporting, and most of all an enhanced e-mailing where customer interactions will be facilitated. By the use of this application software, the



company now can distinguish what part of their market consumer demographics they would have to direct their marketing strategies. Brochures and other advertising campaign methods are set up to target more directly the frequent flyers of the aviation firm.

This even comes to a point where KLM has already dissected their target audience that their marketing campaign is made up to address these special target audience. Because of E. piphany, KLM's market research became more efficient and reliable. What the company did not see before, they now can look and study the marketing response that they should apply to such set of information. Implementation Process The implementation process of CRM in KLM took in the hands of Paul Gregorowitsch as Head of the Commercial Division. The first order of the day for him was to make CRM as one of the strategic building blocks that would build KLM's business strategy. These building blocks consist of the customer, CRM and e-business.

These building blocks then would appear in the internal organization's marketing tools like meetings, monthly newsletters and other forms of communication with the rest of the organization like memos etc. It must be understood that the main objective of this new CRM for the company is no different from what it had during 1997. The main aim is still to make the establishment genuine customer-centric organization so as to create a turn around from the negative trend of declining profits. Learning also from the disastrous implementation of the 1997 CRM initiative, the strategy by which the new CRM will be institutionalized in the organization will not be broad-

based CRM. The implementation of this new scheme will take one step of a time in each customer interaction point.

The plan is to narrow the scope of the process and therefore expect a quick result or return of investment. Any real gains from these narrowed down targeted initial investments in CRM will act as a springboard for more major CRM projects in the future for the company. The marketing aims of the company then are to:

- Identify of customer value segments
- Better understanding of traveler's needs and preferences
- Creation of targeted marketing and sales campaign for specific customer segments
- Monitor of customer's reactions
- Application of the experience for future campaigns
- Better steering of customer buying and traveling behavior (Viaene and Cumps, 2005).

Measurement

One way to measure the performance of a company trying to apply the philosophy of a customer-centric business mindset, there is no better way to do this than creating a customer scorecard. With the case of KLM, this is basically what the management did to monitor the progress that it has been making in the aspect of customer satisfaction. In the established Customer Scorecard set by the company, a set of regularly measured Key Performance Indicators (KPIs) under the project of the entire CRM programs were used to monitor and assess the development in every department of the organization. Track performances of the Commercial, Inflight and Ground Services were monitored using this Customer Scorecard.

The result of this measurement, along with other CRM survey, was circulated monthly by top managers to KLM staff around the world. Features of the CRM

The features of CRM in KLM can be seen on the vision and mission statements which when translated into marketing action by the company will result to:

- More personalized and consistent service delivery on every interaction points
- More customer profitability based steering
- More customer-centric organization

These goals are the three pillars by which the marketing objective of the CRM in KLM will come into realization. Every project that concerns CRM in the organization ought and should be linked in some other ways to these three set goals.

Even the management of these projects must be aligned with the visions and missions. We can say thus that under these three pillars different set of objectives and goals are being targeted by KLM so that it can truly become a customer-centric organization in its truest sense. In the first pillar, the aims of the CRM project are to redesign and simplify the call center process, redesign the complaint management, and lastly identify customers in all interaction points. The second pillar is aimed at steering the company to optimize the customer segmentation, optimize the campaign management, create a customer valued-based pricing model and the organization should get an insight in purchase drivers of the customers.

Meanwhile the third pillar has the aim of evangelize customer-centric culture and to set up a customer-centric performance management process. Benefits of KLM from CRM If Viaene and Cumps (2005) set it right, the renewed application of CRM in the whole organization of KLM started in full throttle in 1992. With the foundation laid on the ground on how to improve and turn around the company into a customer-centric aviation firm,

KLM is able to attain in the first fiscal year after the implementation of CRM in its operation a net profit estimated to be 24 million euro. For the first time in recent years, the company has been able to turn-around from the negative trend of decreased revenue and profit.

Besides turning the company into a steady and self-sustaining giant in the European commercial aviation industry, the organization now is beginning to harvest positive feedbacks from its patrons because of its newly embraced business philosophy. These satisfied customers are starting to become what you can call the evangelist of the company for the company's effective customer service. Another benefit of this for the marketing campaign of the company is less cost in advertising expenses. Much more, with the segmentation of the airlines' customers, it is able to design marketing tools according to these special segments. Future of CRM within KLM

If we study the evolution of marketing as an activity shared by the producers and the consumers, we can say that marketing has already evolved into something relational coming from ideas and experiences. What then may be the future of CRM in the organization like KLM? Surely but certainly, the CRM philosophy is slowly being ingrained in the mindset of the whole organization. Basing again on the continuous evolution of marketing, the company of KLM is surely set on the right track of adapting customer relationship management in its business philosophy. The role of CRM in KLM certainly will have a tremendous use for the organization, especially during this era when customer economy and customer relationship are the top determinants of a good marketing ploy. Conclusion

If one would study the progress of the field of marketing, the role of CRM in the overall participation in this economic activity is considered a very significant one. First of all, the old economic paradigm of mix management is now being replaced by customer economy and customer relationship. Gone are the days when marketing is merely just a play of design and entertaining advertisement. One of the things that can be learned from the experience of KLM in embracing the philosophy of customer-centric business is the timely and appropriate implementation of what can be construed as the new face of marketing today. Likewise, CRM as applied in this era is better combined with the existing information communication technology (ICT).

When the intention of a company is to form a long lasting, effective relationship with its customers and with the consumers in general, the assistance that ICT provides is of great importance. With the help of application software designed to get from a set of database the basic information, expenses, behavior of a company's loyal patrons, the organization then can design and create a more effective marketing tool by which every segment of its consumers will targeted. Much more, company can address the needs and wants and at the same time the expectation of its consumers in a scientific, primary-based data driven information. If there is one more thing that can be learned from the experience of KLM in implementing CRM in its business philosophy, this is the practice of basic marketing methods and tools.

First of all, marketing audit and marketing research is done in a regular basis by the company to gauge and direct its action to a more profitable and more customer oriented kind of service. The business maneuvers of KLM are always directed towards the path of forming a bond, a relational bond with its loyal patrons and customers. This era of global economy is understood as the era where producers and consumers will have to go back to what it was like before in the beginning when a market starts to exist. Slowly, the marketing strategy of a company to keep abreast with the signs of the times should very well acknowledge this. References Viaene, S. and Cumps, B. (2005). CRM Excellence at KLM Royal Dutch Airlines. Communications of the Association for Information Systems. 16, 539-558