CUSTOMER RELATIONSHIP MANAGEMENT

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A Chinese proverb says, „Don't open a shop unless you like to smile"

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INTRODUCTION

The term "consumer behavior" can be defined as behavior that consumers exhibit while researching purchase and usage, evaluation and deployment of products and services that are expected to meet their needs. The behavior is not easy or simple category and cannot be explained by only one element, whether it is the quality, price or something else. It is unknown even for experienced managers as it is happening in the minds of consumers, and what is the primary goal of every purchase. Reasons for should be look for in tradition, mentality, trust in the brand or manufacturer, price or quality, or the influence of the family and friends, or something else entirely.
An understanding of marketing comes down to understanding of how people think and act in the exercising of the choice of offered products and services.
"**The consumer is king**" is the axiom, which means that needs, desires, and reactions before and after the purchase are the main determinants of success of any company.
Marketing management must be harmonized with the social processes and global trends in the most optimal way, i.e. harmonized according to the measure of society. In conditions of strong competition and big changes, marketers need to treat people-consumers as to the most important resource that will contribute to the interests of the company, and thus as the ultimate goal - customer satisfaction.
Successful marketing strategies are based primarily on the desires, needs, motives, and behavior of consumers, especially in interpersonal relationships, and attention to them.

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Consumers have become one of the most important resources of the companies, so managing relationships with them have the greatest share of the profits, and it is an important challenge of management. Fighting for their loyalty, in situations of continuous increasing of demands and expectations of consumers, with intense struggle in the market competition, especially in the global market reach unsuspected limits. Only those companies that adequately identify and understand the problems, wishes, needs and desires of consumers, find better ways to address them, manage to find their place on the market. This is especially important, because in terms of global competition, consumers have a great opportunity to chose and meet their subtle requirements, needs, and desires. Customers relationships management is a wider business strategy, it is designed to reduce costs i.e. business risks and increase profitability through increased customer loyalty and attention to customers.

Marketing theory has responded to the surrounding challenges by creation of new approaches, in terms of strategies, concepts, and models. One of the most important new concepts that came out of marketing relationship is the concept o Customer Relationship Management - CRM). CRM consists of the organization, processes and systems, a company that manages the customer relationship, that methodology is based on information technology in order to increase satisfaction of buyers. Definitions that best reflect the CRM are:

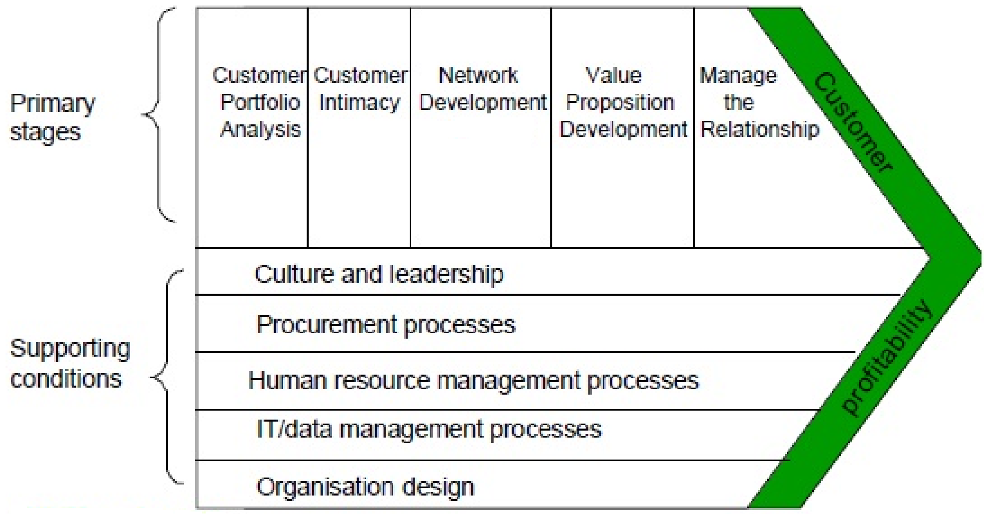
"Information integration of data across multiple contact points for clients, in order to create appropriate offers for different customer groups" or, "CRM is a consumer-oriented marketing model applied by the organizations, and focuses on understanding and creating customer relationships as a means to improve customer satisfaction and can be applied to the market of final or organizational consumer (B2C or B2B market)".

The basic idea is to integrate three pillars on which the concept of CRM is based - a: ***Strategy***, ***Marketing***, and ***IT*** (***information technology***) and allow enterprises to seamlessly manage the customers. Relationship marketing or CRM – very common in practice – is about whether it is a market of business or personal consumption. The consumer has the ability to access large amounts of information on manufacturers, bidders, prices and terms of payment, delivery, design and so on. Visiting Web sites, increases the power and choice of products and services, but on the other hand, that large amount of information sometimes confuses consumers. Marketing experts - marketers need to pay attention to promotional messages to specific consumer of products or services, which reduces the risk of non-buying, i.e. it is necessary to adapt to consumers, given their previous behavior and interests. Exchanges between marketers and consumers become interactive and immediate, because direct communication makes them closer and more direct and therefore any product or service more valid. In the focus of this concept is to treat different customers in a special and adapted way, taking into account their different needs and values that have for the company. Thus, the concept is based on highly valuable consumers and construction of long-term relationships with them as the most effective way of retaining these customers and creates high profit. Good service is a strategic objective of each company, as it leads to loyal customers, and thus to long-term profitability. If we want to properly implement the concept of long-term relationships with customers, to gain their loyalty and satisfaction, it is necessary to give equal attention to assumptions and all stages of development with them. Assumptions may relate to culture, procurement, leadership, human resource management, database management and design of the organization, while the basic stages in the value chain concept (Figure 1) consists of:

Analysis of customers' portfolio;

- Getting familiar with customers,
- Developing of a network,
- Development of the supply value,
- Relationship Management

Figure 1 - CRM value chain



Source: Gordon, I., "*Relationship Marketing*" John Wiley & Sons Canad, Ltd, 1998, pp. 22-32

Defined strategic objectives as well as their achievements, good analysis of the target segment, positioning on the market, evaluation of individual customers or groups, constant interaction with customers, adjusting positions are pre-steps in implementing CRM in business practices, and benefits received by the company on the global marketplace. Benefits of CRM, on the global market, are given in Table 1.

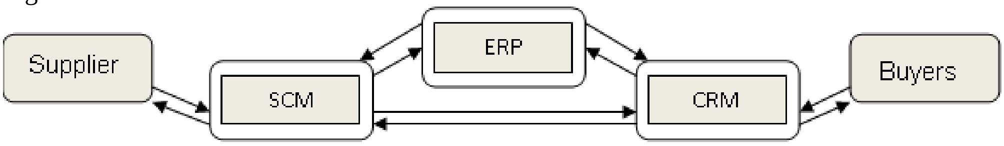
Table 1 – The benefits of CRM

• Finding the most profitable customers,
• Serving better the most profitable customers,
• Manage better less cost effective situations,
• Establishing the value of clients throughout the life cycle,
• Reduces going away of customers
• Finds the payable cost customers
• Placing the right products to market,
• Increases the success of marketing communications and direct marketing,
• Creates a better customer service,
• Directs electronic commerce over the Internet to the right customers,
• Directs marketing to real customers,
• Develops a marketing strategy
• Gets a competitive advantage, and
• Wins

Source: Malcolm McDonald, "*Marketing plans*" Masmedia Zagreb, p. 497

Integration of traditional and modern channels of direct marketing, and marketing based on a database, makes CRM possible and efficient, because they allow profiling database where consumers can register and track transactions and contacts with individual customers. The basic premise of the concept of CRM is a collection of relevant information about consumers, necessary for the determination with which consumers develop relationships is valuable, designed to establish and develop a personal communication, anticipate problems and take corrective actions. We can say that CRM rounds Porter's value chain, i.e. the process on the one side described by through the SCM (Supply Chain Management - (Raw materials flow management), which continues to ERP (Enterprise Resources Planning - Planning and management of resources of the entire company, which can be the end of a SCM chain or the beginning of the CRM chain), which is completed with CRM, Fig. 2)

Figure 2: Schematic view of the entire Porter's value chain



Source: Lovreta, S., et all, „Customer Relationship Management", Datastatus Belgrade, 2010, p. 397.

The main causes of CRM concept occurrence are shown in Table 2.

Table 2 - The causes of CRM and their impact

Market causes Competitive environment, standardization of products/services, reducing the costs of moving, aggressive pricing competition, market saturation	**Impacts** The efficiency of CRM strategy is a critical factor for achieving goals, such as competitive differentiation and customer loyalty
Causes associated with consumers The inefficiency of mass marketing, the growing importance of relationship marketing	**Impacts** Personalization of products/services, increase the comfort of buying and raising high levels of post-sale support. To traditional 4P marketing mix must be added 4Cs relationship marketing: cost, convenience, communication, and value for consumers
Causes associated with business performance Rule 80: 20 (20% of customers generate 80% of profit), the retention of existing customers is cheaper than acquiring new ones, loyal customers are more profitable than new, long-term relationships make more profit	**Impacts** Creating added value for consumers becomes a source of competitive advantage
Causes of technology Development of interactive communication techniques such as the phone lines, front office development, data mining and so on	**Impacts** IT and the Internet create new communication channels to increase customer retention rates and reduce costs of servicing

Adapted according to Hamill, J., Internet Supported CRM, Discussion Paper, www.crm-forum.com

When a company wants to make a decision on the implementation of CRM systems, it is necessary to examine how the leading competitive companies did it, so it is necessary to apply a benchmark concept. Investments related to the introduction of CRM are large capital investments, and therefore it is necessary to make a feasibility study, because pumping of their own databases does not mean that we have guessed that our customers want to develop such a "relationship" with us. Top marketing managers generally note these elements as the rules of good positioning and successful and profitable business enterprises as follows:

- **Superior knowledge of the market**,
- **Market segmentation**,
- **Differentiation, positioning and brand management, and**
- **Integrated marketing (marketing plan)**

Recent studies show that, despite large investments in CRM, there is a discrepancy between initial enthusiasm and application of CRM in practice. Based on the researching results by Qci consulting firm, specialized in the assessment of CRM activities, and finding solutions how to improve it, we come to a very interesting data. Only one in ten analyzed organizations develops Consumer Life Time (CLT), one of five values LTV and understands it; of fifteen organizations, only one has prepared a program for high-value customers; half of them has cross-sale activities, and understand the relationship between satisfaction and loyalty. Similar results are obtained regarding some elements of the CRM analysis and planning, customer management activities, people and organizations, understanding the consumer experience, information technology and the functioning of the CRM and measurement of effects.
The reasons for such research should be sought primarily in the quality of collected data and databases, human resources for the implementation of CRM, using the necessary knowledge about consumers or small investments in CRM, as well as lacking optimal software that is not supported by strategic and operational activities. However, even though the consumer has greater power than ever before, because using "intelligent agents" to find the most appropriate products and services in terms of price, delivery, payment terms, bypass the dealers, and buy on the global market; the following question arises:
Where digital revolution will lead us and to whom it will help? Is it really a means and power in the hands of consumers, or power in the hands of large and powerful multinational companies to gain even greater profits?

RESUME

The marketing concept is based on the assumption that company should produce what they can sell, instead of trying to sell what is produced.
Consumer behavior is a complex and not always logical process. The consumer in making its decisions manages a variety of reasons, starting from the rational to emotional and illogical.
Prediction of behavior can be explained as a positivist and a variable expression with following proverb – **„Measure what is measurable, and make measurable what is not so“**.
Consumers, as one of the most important company stakeholder represent the purpose of both, the arbitrary and services companies, so it is necessary to constantly listen to their needs and build lasting relationships with them.

It is necessary to wake up the stimulus, the reaction among consumers so they would react to the activities of companies and brands. Depending on the circumstances and environments for businesses that are advertised, the customer should be respected, understood his needs and desires and try to understand the role played in his life has a certain product or service.

The best communication and relationship with consumers must be bidirectional, i.e. from the ads of the manufacturers to consumers and vice versa.

Experience has proved that the best advertisement is the one word-of-mouth advertising.

Marketing managers have realized that consumer behavior is a process, not only the interaction that occurs at the moment when the consumer gives money and in return receives a specific product or service.

By comprehension and understanding of consumers and fostering long-term relationships with them, marketing experts gain a great competitive advantage on the market because post-buying customer satisfaction is a sure guarantee of stable operation and long-term profits of the company.

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