A Perspective of Two-dimensional Process Integration Customer Relationship Management Driven Business Model

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ABSTRACT
This study exploits an aspect of process integration to address the CRM propositions in a real business model which could examine an organization’s CRM orientation. An approach of two-dimensional process integration can separate four patterns to assist an organization toward the successful course of being CRM driven. Successful CRM in a business model should emphasize vertical alignment and horizontal alignment simultaneously to maintain sustainable competitiveness. Five categories of CRM functions and their contents are also recognized to perceive the barriers to taking action for CRM initiatives. Moreover, taking appropriate measures for adjustment that match the core business and customers is critical for true CRM initiatives embedded in a business model.

Keywords
CRM; customer relationship management; vertical alignment; horizontal alignment; two-dimensional process integration; business model.

1. INTRODUCTION
Customer relationship management (CRM) is the outcome of the continuing evolution and integration of marketing ideas and newly available data, technologies, and organizational approaches [5]. An advanced organization represents itself with customer orientation functions to achieve a sustainable competitive advantage. Customer orientation can be implemented through different sales channels as well as in the product and service program as a basis for systematic development of long-term customer intimacy [15]. An organization could create a desired customer experience and shape a strategic intent of CRM by way of adopting customer orientation approaches. CRM as a conglomerate of comprehensive disciplines involves all corporate sectors in circulation to contact customers directly or indirectly. Success in CRM depends on minimum interdepartmental conflicts, rewarding management with customer orientation functions, encouraging information dissemination across sectors, harmonizing governance structures, and mutual co-existence resources.

New information technology (IT) and innovative marketing techniques facilitate organizations to implement specific CRM solutions that neglect a whole business deployment like strategy, process, or thinking from the customers’ side. Moreover, there are some inherent factors that include complexity, cost, and business risk which influence CRM deployment. The piecemeal CRM solutions and inherent factors create the potential for more points of failure. Goodman [9] cites the recent analyst reports to identify with this perspective, such as Cap Gemini Ernst & Young reporting 70% of CRM initiatives failing, META Group indicating 90% of enterprises unable to show a positive return, Peppers & Rogers showing 80% of CRM projects failing to show a positive return, and Gartner reporting that 50% of CRM strategies will continue to fail. The CRM failure rate has given rise to software services leveling down the failure rate and creating a better interface. Companies like Oracle, Siebel, Broadvision, Kana, and others have filled this CRM space with products and new functions from tracking customer behavior to predicting their future inclinations.

With the blandishments of specific CRM solutions, some organizations have attempted to seek the most valuable consumers and build a relationship with them to reach one to one marketing. This direction of CRM thinking seems appropriate, but it might ignore the limited resource and capability that an organization has. Moreover, it also neglects the product attribute or service value. Under increasing revenue, an organization should recognize the difference between the significant consumers and the general consumers no matter whether they are approximate or not. Payne, Ballantyne, and Christopher [23] propose the six markets stakeholder model that includes customer markets, referral markets, influencer markets, employee markets, supplier markets, and internal markets to assist the customers confirmed. Through the analysis of the six markets stakeholder model, the organizations could distribute limited resources and develop applicable capability to build or maintain a relationship with the end customers and the value customers.
The specific CRM solutions should be aligned with the CRM strategy to help organizations achieve goals, such as increasing revenue, reducing costs, identifying new opportunities and channels for expansion, and improving stakeholder value. By the use of IT, the specific CRM solutions could enable all the disparate pieces of customer information to be amalgamated so that the trend of the customer demand can be realized. CRM is both a business strategy and a set of specific solutions including means, tools and technologies. This study emphasizes that CRM implementation should have both vertical alignment and horizontal alignment simultaneously and regard the interaction with end customers in order to improve stakeholder value. Moreover, this study exploits a business model to interpret the CRM process and examines the CRM position within it.

2. LITERATURE REVIEW

The position of CRM is puzzling indeed by its multi-faceted viewpoints and across-the-board sectors. There is no clear paradigm in the CRM field [11]. The academic literature has failed to produce a consensus definition for CRM and the large numbers of CRM definitions have caused confusion. CRM is rooted in the principles of relationship marketing which is based in turn on the formative work by Berry [3]. Above all, an organization is engaged in proactively creating, developing and maintaining committed, interactive and profitable exchanges with selected customers over time [11]. Payne [26] asserts that CRM is concerned with the creation, development and enhancement of individualized customer relationships with carefully targeted customers and customer groups resulting in maximizing their total customer life-time value.

As the electronic business has risen and developed, CRM has focused on the application of IT to market, analysis, and added mutual value through IT software, e-commerce and other initiatives. CRM is more commonly used in the context of technology solutions and has been described as “information-enabled relationship marketing” [30]. An organization could combine IT with business processes to integrate marketing, sales, and service [16]. Moreover, the customer loyalty and business profit would be raised by providing customization and improving stakeholder value. Nevertheless, the components of CRM could be reflected a holistic approach.

Although CRM enables an organization to build and maintain long-term relationships with profitable customers, the circulation of CRM in a real business model is blurred and hidden. It is complex and involves the functions between the organization and individual perspectives, such as the CRM continuum from “broadly and strategically” to “narrowly and tactically”. Successful CRM is predicated on strategy, people, technology, and processes [7], and when all these key areas work in concert a superior customer-relating capability can emerge [6]. In order to reflect the circulation of CRM in a real business model, this study transforms the tactical and the strategic CRM applications into CRM functions. For an organization to maximize its CRM results, it must recognize the CRM position of a business model and adjust its position toward keeping a robust CRM framework.

3. TWO-DIMENSIONAL PROCESS INTEGRATION OF CRM

Numerous organizations have declared that they have used CRM to generate improved profits from marketing efforts and long-term business stability. Nevertheless, the components of CRM could be developed on key customer focus, CRM organization, knowledge management, and technology-based CRM [32]. Some practice and consultancy reports recognize two main perspectives of CRM – operational and analytical. Operational CRM makes use of technology to automate front office processes that implement the organization’s desired customer relationship model in terms of customer access, customer interaction, sales and channel choices, and customer learning. Analytical CRM attempts to create and exploit customer insight that guide the organization’s strategic marketing, CRM, service, and go-to-market choices by building and interrogating high quality customer-related databases.

CRM is the overall process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction [17]. Organizational processes and capabilities represent a key means of linking customers with the organization [38]. Payne and Frow [22] positions CRM at a strategic level and emphasize CRM need with a cross-functional and process-oriented approach. This study exploits the aspect of process integration to address the CRM propositions in a real business
model which could examine the organizations’ CRM orientation. Figure 1 provides two dimensions that could check the level of the process integration. Vertical alignment represents the vertical process integration and horizontal alignment represents the horizontal process integration. In vertical alignment, an appropriate function of CRM strategy must vary according to organizational circumstances. The key circumstances are business goals and strategies. Moreover, the top management’s commitment to customer orientation and building long term mutually satisfying relationships is at the core of CRM process [12].

![Figure 1. Two-dimensional process integration of CRM](image)

The first dimension, vertical alignment or vertical process integration, is concerned with the position between the function of CRM strategy and other CRM functions. In order to embed the CRM strategy in an organization, the harmony between CRM strategy and functions should reinforce and support the organizational business aims and objectives. Toward the direction of CRM strategy, a strong linkage is needed between the overall vision of the CRM functions that are held in the minds of top management’s commitment, aims and objectives. This linkage will ensure that the CRM functions could be implemented to the core of the organization, and not just superficially in order to sustain competitive advantage. This link between CRM strategy and CRM functions is termed by this study as vertical alignment or vertical process integration. The vertical process integration is evolving, based on an understanding of what the business’s goals are, their stakeholders implications, and the translation of these into an overarching CRM strategy that can be used as a basis for detailed CRM functions.

The second dimension is horizontal alignment or is termed as horizontal process integration. Srivastava, Shervani and Fahey [35] list eleven sub-processes for CRM, but these CRM elements represent a predominantly operationally-oriented set of activities and do not embrace the major strategic cross-functional processes. The second dimension operates at the level of the cross-functional approach. Removing the function of CRM strategy, the aim here is the achievement of a coherent and consistent approach to horizontal CRM functions integration. This distinction is important, because this study treats putting CRM strategy into action as a trigger for vertical process integration. Moreover, the number of CRM functions is not the key point to perform a complete level of horizontal process integration. Achieving a high level of horizontal alignment implies that an organization has embraced the value of developing and articulating CRM functions that mutually reinforce and tie into a real business model.

With the two-dimensional process integration of CRM, there are four patterns to examine the CRM position in a real business model, such as simple CRM functions driven, vertical CRM functions driven, horizontal CRM functions driven, and overall CRM functions driven. An organization that is “simple CRM functions driven” has no CRM strategy to link the CRM functions. Furthermore, each function is operating independently and doesn’t interwork mutually. Shifting toward the horizontal CRM functions driven, each divisional resource could support to harmonize with the cross-functional approach. Any new projects of CRM could be merged with the current business model to accrue a new CRM function. The capabilities of each function aren’t overlapping and conflicting. Although being horizontal CRM functions driven could bring the achievement of a coherent and consistent approach to horizontal CRM functions integration, the organization’s resources are limitary and the cross-functional CRM approach may not suffice for future customers without CRM strategy support. As for vertical CRM functions driven, an organization could reinforce each CRM functions implementation through CRM strategy. Nevertheless, the effects are limitary and brief for customers without horizontal CRM functions integration. At a fundamental level of overall CRM functions driven, an organization should emphasize and attach importance to vertical alignment and horizontal alignment simultaneously. This perspective could ensure CRM success and sustainability approximately in a real business model.

4. CATEGORIES OF CRM FUNCTIONS

As a result of increasingly sophisticated customer needs, organizations can provide a high service level with the key customers. The CRM functions could be embedded in all areas of a business model including strategy, product, sales, service, marketing, finance, R&D and other fields to contact with the key customers. Moreover, novel modes of IT such as MSN, Skype, email, fax, web, blog, telephone, and so on also could be exploited to satisfy the key customer needs through a business model. A business model was perceived as a tool to create a commonly understood language to improve communication and understanding of the fundamental questions of a business [20]. As illustrated in Figure 2, the business model represents the implementation of business processes and compositions of product innovation, customer interface, infrastructure management, and financial aspects [20]. The categories of CRM functions in a business model could be classified into five patterns to express the CRM course and implementation. As illustrated in Table 1, the five categories are strategy orientation, business innovation, customer interface, infrastructure management, and profit aspects. Being associated with the five categories could create the significant CRM process and be described as the business logic of an organization.

Several articles have addressed some successful integration approaches, such as sales force automation, marketing automation, customer service and support [37], customer-facing, customer-touching, customer-centric intelligence [31], customer satisfaction management, customer contact management, customer profitability management [8], and so on. The integration
approaches are installed with the cross categories of CRM functions that are embedded together in the business process. The category of strategy orientation acts as the guiding principle and could infuse new resources into other categories. Other categories could implant the fitting of CRM functions in association with the strategy orientation. A successful approach of the CRM applications integration needs enough flexibility to allow for cross categories of CRM functions collaboration and novel tools updating.

Building a business model of CRM is the concept of viewing the situation as a whole, not the combination of two or more functions. Not all categories of CRM functions should implant the indispensability of CRM solutions to concentrate on a business model of CRM. This study emphasizes the conception of cross CRM functions collocation. As an anchor of strategy orientation, an organization adopting any functions of the CRM solutions should consider the association with other functions and the whole fit and propriety of CRM in a business model. Moreover, the elements of a business model need to be adjusted or configured again when the new CRM solutions are integrated into any functions or the existing CRM solutions withdraw from it. A business model of CRM could very much manifest the initiative of Payne and Frow’s work [24] that stresses the importance of cross-functional processes in CRM and makes use of the process-based viewpoint to interpret the CRM activities.

Table 1. Categories of CRM functions in a business model

<table>
<thead>
<tr>
<th>Categories</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategy</td>
<td>Orientation is concerned with the customer relationship policies especially</td>
</tr>
<tr>
<td>Orientation</td>
<td>those involving a top-down commitment, complex decision-making, marketing</td>
</tr>
<tr>
<td></td>
<td>intelligence, customer information, and organizational investment priority</td>
</tr>
<tr>
<td></td>
<td>to achieve corporate goals and stakeholder returns [25].</td>
</tr>
<tr>
<td>Business</td>
<td>Innovation is about a customer value proposition whereby an organization</td>
</tr>
<tr>
<td>Innovation</td>
<td>finds a way to create value for customers. The most important attribute of</td>
</tr>
<tr>
<td></td>
<td>a customer value proposition is how perfectly it nails the customer job to</td>
</tr>
<tr>
<td></td>
<td>be done [13, 20].</td>
</tr>
</tbody>
</table>

5. CONTENTS OF CRM FUNCTIONS

The CRM functions could be classified into five categories that including strategy orientation, business innovation, customer interface, infrastructure management, and profit aspects. The contents of CRM functions and the realizable instances are described in this section. The strategy orientation could be distinguished as four options including product-base selling, customer-based marketing, managed service and support, and individualized CRM [25]. A strategy orientation will influence the construct of a business model, while the contents of CRM functions should be adjusted to fit a strategy orientation. In contrast with the foregoing, new technology, innovative technique, novel management concept, and the whole environment will also modulate a strategy orientation.

This study doesn’t emphasize the choice of migration paths that have been discussed in Payne’s article [25]. The function of strategy orientation also highlights that an organization should adopt different strategy orientation toward the key stakeholders and identifies who the end customers are. Significantly, the general consumers are not the end customers; organizations should distinguish the major markets from customer markets, referral markets, influencer markets, employee markets, supplier markets, or internal markets and build relationships with end customers [23]. An organization could choose the product-base selling for the general consumers when the customer information is incomplete and the degree of customer individualization is low. Meanwhile, the individualized CRM could be adopted for the key stakeholders to create maximal profitable and long-term relationships. The outcome should be provided as feedback to the shareholders that enhance shareholder value, such as the general consumers who are loyal and who have a preference for the bundles of products and services.
With the contents of other CRM functions, a comprehensive set of relationship programs is proposed by Winer [39]. Those relationship programs including customer service, frequency/loyalty programs, customization, rewards programs, and community building, have so far applied in principle to the clear narrating of the contents of CRM. The business innovation concerns a customer value proposition that can be understood as the statements of benefits that are delivered by an organization to its external constituencies [2]. Not only the bundles of products but also the services that are inimitably impossible to copy or different from competitors are comprised in the function of business innovation. Customization means differentiated products or services that could lead to a higher market share and probably increase profitability. Three effects of customization that include manufacturing, engineering, and sales could be recognized to make a distinction about when customer involvement actually takes place [33]. Customization is one of the embodiments in the function of business innovation and can offer a competitive advantage with increased customer value and better service [34].

The remaining programs also could be attributed quite naturally to other categories of CRM functions. Customer service is the contact or “touch points” and has the potential either to gain repeat business and help CRM or to have the opposite effect. Community building is concerned with building a network of customers for exchanging product-related information and to create relationships between the customers and the company or brand [39]. Customer service and community building belong to the function of customer interface that could present the kind of link an organization establishes between itself and the customer. Likewise, rewards programs and frequency/loyalty programs are the part of the profit aspect and could present the scale and resource velocity needed to achieve the desired profits. Rewards programs could involve the incentive designs with the key markets stakeholder. As a further example of the internal markets, organizations could make use of the care rewards program for employees that motivate and reward employees to perform at the highest level by linking their compensation to measurable increases in customer satisfaction and loyalty. In addition, frequency/loyalty programs are part of the rewards programs that provide rewards to customers for repeat purchasing and could be very successful by increasing customer switching costs and building barriers to entry [39].

The function of infrastructure management is concerned with a value configuration that describes the arrangement of activities and resources that are necessary to create value for the customer. Three types of the activities that include value chain, value shop, and value network depend on a value configuration [20]. On resources, Grant [10] distinguishes tangible and intangible assets and people based skills. Plant, equipment, and cash reserves belong to tangible resources. Intangible resources include patents, copyrights, reputation, brand and trade secrets. Tangible resources and intangible resources could be created by way of human resources that an organization needs. Moreover, collaboration networks in which partnerships, alliances and hierarchical governance mechanisms co-exist also belong to resources. One can cite many examples which seem to represent the content of this function, such as CRM systems or IT systems which are efficient in customer development and customer retention activities, mastery of the customer relationship training projects which enhance the CRM performance skills, just-in-time delivery of required components, build-to-order production, and low inventories which create competitive capabilities or value to organizations, and strategic alliances which create and enhance the competitive positions of the organizations involved.

6. CONCLUSION
CRM involves not only the marketing department, but also the entire enterprise. It requires a cross-functional approach to link customers with the organization [29]. The Tata Motors’ business model could be recognized as a successful CRM application to obtain great popularity with its customers [13]. The clear strategy orientation with the potential to reach a safer alternative for scooter families is a powerful CRM initiative. Other categories of CRM functions such as business innovation, infrastructure management, and profit aspect are also embedded as fitting initiatives to develop such a product at the needed price point. Even if the functions of CRM have widespread application in a business model, many organizations still have no understanding of the position of CRM.

This study perceives CRM is the key success driver to substantial competitiveness but explorations of the association between CRM functions and the business model are lacking. The two-dimensional process integration of CRM could attempt to examine the position of CRM in a business model and guide the successful course toward being overall CRM functions driven. It assists an organization in checking up the current CRM orientation in a business model, and then recombines the usable resources to match the core business and customers. Cross-functional CRM processes should emphasize and attach importance to vertical alignment and horizontal alignment simultaneously. Moreover, the categories of CRM functions in a business model could be classified into five patterns to express the CRM course and implementation. Association with the five categories could create the significant CRM process and describe the business logic of an organization. The complete business model with CRM should harmonize the five categories of CRM functions in the two-dimensional process integration.

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8. REFERENCES


