A RESEARCH ON CRM SYSTEMS IN THE CZECH REPUBLIC

F. Dařena

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Abstract

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Customer Relationship Management (CRM) is seen as a holistic framework for interaction of organizations with their customers. It is focused on gaining customers’ loyalty through providing the value positively perceived by the customers and usually incorporates information and communication technologies in the form of CRM systems. The paper discusses various aspects of CRM philosophy and utilization of information and communication technologies in relation to CRM. A survey that was conducted among three hundred organizations in the Czech Republic (among them some major companies, such as ČEZ, T-Mobile, Česká spořitelna and others). The objective of the survey was to discover the scope and level of using CRM systems, factors influencing decisions about CRM, understanding the CRM concept, evaluating CRM benefits, issues related to implementation and others. Organizations mostly perceive CRM as a profitable approach although they do not see it as a global philosophy but rather as a set of separated tools. The most relevant argument for CRM implementation include better contact management, better understanding the customers, higher number of retained customers, longer relationships with customers and higher customer satisfaction.

customer relationship management, survey, information system implementation

Within the framework of customer life cycle, most of the effort is focused on phases of retaining and enrichment of relationships with the customers more than on the phase of customer acquisition like in the past, when demand exceeded supply. This philosophy that stresses customer and his needs is the fundamental of Customer Relationship Management (CRM). CRM is seen as a holistic framework for interaction of organizations with their customers no matter what techniques are used to implement it (Karakostas, Kardaras, Papathanassiou; 2005). The objective is to gain customers' loyalty through providing the value positively perceived by the customers. This can be achieved through collecting, storing, and processing of maximum information regarding customer needs, desires, attitudes, and behavior. This information arises during all single episodes of customer–organization interaction (Storbacka, Lehtinen; 2001).

As a consequence of the changes in customer behavior, processes within organizations must also change. Traditional marketing is being replaced by relational marketing with following characteristics (Javalgi et al., 2005; Kotler, 2002):
- orientation on customer profitability and retention,
- integration of principles across entire organization,
- managing customers more than products,
- long-term approach,
- emphasis on customer service, cross-functional customer feedback,
- effort to fulfillment of customers' expectations,
- every employee is a marketer.

Because of huge amount of data that are processed and the number of processes that CRM includes, CRM approach usually incorporates information and communication technologies in the form of CRM systems (Kotler, 2002; Turban, McLean, Wetherbe; 2001). From architectural perspective, CRM systems usually consist of following parts (Dohnal, 2002; mySAP):
- Operative CRM – designed for automation of processes related to marketing, sales, and service:

○ Sales Force Automation – contacts and sales management, generating offers, orders etc.,

○ Enterprise Marketing Automation – segmentation, marketing plans, management of important business cases,

○ Customer Service and Support – customer service management, service support.

● Analytical CRM – contains centralized customer data, uses Business Intelligence tools.

● Cooperative CRM – for communication between the organization, customers, and partners, supports mobile communications, contact centers, web interface etc.

Ignoring the CRM philosophy as the response to the changes in customer behavior will likely lead to failure of the organizations. Therefore, organizations should conform to this trend and use CRM systems as tools for gaining competitive advantage over their rivals.

The objective of the research project was to discover the scope and the level of using CRM systems and understanding the CRM concept among organizations in the Czech Republic. The research should give responses to following questions:

● How organizations understand CRM philosophy?
● What aspects are important for deciding whether to implement CRM?
● What functional areas are covered by CRM systems?
● What organizational aspects determine using CRM systems?
● What problems and benefits are related to CRM?

METHODS

In the first phase, a questionnaire for interviewing the respondents was created. Current trends from the CRM field and approaches discussed in various literature were considered. Collected information was related to:

● impact of CRM approach on selected indicators of business performance (number of new and retained customers, efficiency of working with contacts, turn-over, costs, profits, market share, customer satisfaction, satisfaction of employees, differentiation, efficient team work, clear vision of the organization),

● factors influencing decision regarding CRM implementation,

● CRM impact on individual phases of customer relationship (opportunities management, negotiation, transaction realization, after-sales service),

● overall CRM impact on organization,

● tools used in individual parts of CRM systems,

● organizational barriers to success of CRM,

● ways of evaluating CRM approach,

● responsibility, implementation and operation expenses,

● subjective perception of CRM,

● organizational characteristics (location, size, industry).

Subsequently, firms from various industries were addressed with the request for participation in the research. Electronic mail was selected as a communication medium during this phase. Respondents were asked to fill a web based questionnaire and were also given possibilities of choosing an alternative way of communication (phone, printed questionnaire, and electronic document). For creating the list of organizations contacts from firms directory (distributed on CDs) and results of web searches were used.

For information gathering and basic analysis a web based research system was used. For more information on this system see e.g. (Dařena, Motyčka, Malo; 2006). In the case of using electronic documents and printed questionnaires the data were converted to the web based system in order to have all data integrated (however, there was only a small number of questionnaires that were not submitted on-line).

After all data were collected, summarization and data analyses were executed for better understanding of the information. Individual information was analyzed with regard to other information (e.g. phase of CRM project, company size) to find dependencies among the data. As a tool, a spreadsheet processor was used.

RESULTS

About three hundred firms accepted the participation in the project and entered their data through presented questionnaires. Among them were several prominent (and also international) firms – ČEZ, Husquarna, Bell Technology, T-Mobile, Tele 2, ČSOB, Chemopetrol, Česká spořitelna and others. Information related to individual topics and their interpretation appears later in the text.

Factors influencing decisions about CRM implementation and factors influencing business performance

Indicators of business performance that were mostly influenced by CRM implementation included (the order corresponds to the revealed importance) better contacts management, better knowledge of own customers, higher number of retained customers, longer time of customer-organization relation, increased customer satisfaction and ability to measure it, and more efficient team work. Relatively less important were lower costs, higher satisfaction of own employees, and higher number of new customers.

Factors that mostly influenced the decision for CRM implementation included (the order corresponds to the revealed importance) better contacts management, better knowledge of own customers, increased customer satisfaction and ability to measure it, higher number of retained customers, longer time of customer-organization relation, increased profit and turn over and more efficient team work. Relatively less important were higher satisfaction of own employees and lower costs.

The other factors (increased market share, gaining clear organization's vision, differentiation) in both

cases were considered as factors with average impact or mediumly important factors.

The respondents evaluated the factors related to CRM impact on the organization and their importance for decision about CRM acquisition by mostly the same values (differences up to 5%). Organizations were slightly more motivated to CRM implementation by increased profits rather that CRM really influences the profits. The same situation regarded the knowledge of organization's customers. Companies also thought that the efficiency of teamwork increased more that it was important for decision about acquisition.

The organizations that were already operating a CRM system considered better contacts management, more efficient team work, and lower costs as more influenced performance indicators than the other organizations (including the ones without CRM). For deciding whether to implement CRM, the organizations with implemented CRM system considered as more important factors more efficient team work, higher satisfaction of own employees, better contacts management, and better knowledge of own customers.

Benefits of CRM in individual phases of relationships

Regarding individual types of interactions with customers, organizations saw the biggest benefit of CRM systems in after-sales service (more than one third of respondents rated the positive impact of CRM as very high). Smaller benefits (about 20% lower) were related to negotiation, transaction realization and opportunities management phases. Slightly bigger benefits were perceived by companies who had already implemented CRM.

Most important were CRM systems considered during the development of customer-organization relationship (more than 80% of organization rated it very important), especially by organizations with implemented CRM system. During the termination of the relationship were CRM systems seen as a tool that could help to get the feedback and thus quite important. The remaining phases of relationship – initiation and decline were evaluated averagely in total.

Subjective evaluation impact of CRM

Only about one tenth of the respondents perceived no benefits of using CRM system. The rest considered CRM approach as beneficial – 53% of firms that were already using CRM saw the overall impact of

CRM positive and 39% rather positive (compared to all responses where 38% was positive and 47% rather positive).

Supported business processes

Tools from analytical part of the CRM systems were used by responding organizations followingly:
- customer segmentation – 79%,
- analysis of profitability and costs – 58%,
- measuring customer's value during entire life cycle – 57%,
- projections – 46%,
- analysis and modeling of customer behavior – 27%.
- For the support of operational activities was CRM used in following fields:
- sales force automation (contacts management, generating offers, sales reports, sales force management etc.) – 89%,
- marketing automation (segmentation, marketing plans, trend analysis, customer behavior recording, responses management etc.) – 65%,
- customer service support (after sale problems etc.) – 63%.

Contact center

One quarter of the organizations used a contact center as a communication tool with their customers while three quarters did not.

Types of customers

Organizations with implemented CRM used the system for managing relationships with business partners (B2B relationships) in 69% and with end customers in 65%. However, organizations that were in the phases of systems analysis, implementation or perceived the need for CRM acquisition intended to use CRM mainly for end customers (75%) and less for business partners (52%).

Measuring customer satisfaction

About one half of respondents measured customer satisfaction. In 50% cases questionnaires (online, paper) were used, 28% of the feedback was gained personally, in 12% using a phone contact, and in 7% information from service staff, sales force and work meetings was used.

Detailed structure of methods of measuring customer satisfaction in relation to the phase of CRM project in organizations is contained in table I.

I: *Methods of measuring customer satisfaction in relation to CRM project phase*

Phase	Questionnaire	Personal Contact	Meeting, sales force	Phone
Operation	44%	25%	8%	17%
Implementation	54%	38%	4%	4%
Analysis	57%	21%	7%	14%
Need for CRM	55%	28%	6%	9%

Factors unfavorably affecting CRM success

Inexperienced leading of the project was perceived as a quite important factor that could cause the failure of CRM project. However, most organizations that were already operating CRM evaluated the impact of this factor to their problems rather low (80% responses rated this factor lowly to averagely important). The reason was that they presumably paid high attention to managing their projects.

The same situation regards insufficient investments to employees (e.g. the training). In total, organization evaluated this factor as averagely influencing the success of CRM. However, firms with implemented CRM perceived this factor slightly less dangerous.

Threatening the freedom of employees was not seen as a factor that was exceedingly negatively affecting the CRM project by all organizations.

Inexplicit strategic vision was perceived as a factor that could potentially cause failure of CRM project by companies that saw the need for CRM or were in the phase of analysis. This factor was evaluated as slightly less dangerous (about 20%) by firms with working CRM or that were in the phase of implementation.

Diverting from common standards was perceived as a factor influencing the CRM success less that averagely. Exceptions were seen at the organizations that were in the phase of analysis. The reason could be the fact that during the analysis terminology, used standards etc. should be determined.

More than a half of the organizations saw problems with the documentation of CRM system as a barrier to CRM integration. The reason could be the fact that there was paid a lot of attention to creating and maintaining good documentation.

The risk of information overload caused by the amount of provided information is perceived a factor that can potentially cause failure of CRM project by companies that see the need for CRM or are in the phase of analysis. This factor was evaluated as less dangerous (about 20%) by firms with implemented CRM or that were in the phase of implementation. The reason could be a good experience of these organizations that saw that CRM systems helped them to handle the information rather than they overloaded them.

Time needed for CRM implementation

The time needed for CRM implementation was mostly under 12 months. Detailed times are shown in table II.

II: *Times needed for CRM implementation*

Time	Percent of organizations
Less than 3 months	26%
3–6 months	20%
6–12 months	33%
1–2 years	10%
Longer	11%

The length of CRM implementation was in correlation with the number of employees that the organization had. In the cases where the implementation lasted less than three months 87% of firms had less than 50 employees (39% less than 10). On the other hand, organizations where the implementation lasted more than two years had in 40% more than 100 employees. These organizations also mostly had more than 2 000 of customers (for other implementation times no correlation between the time and number of customer was obvious).

However, the amount of data that were available was not sufficient for exact results regarding the dependency of implementation time and other variables.

Evaluating CRM impact on organization's performance

In order to provide answers related to the success of any project indicators from different business activities have to be monitored. Table III contains the percentage of organizations that monitored indicators in selected business fields.

III: *Fields where impact of CRM is monitored*

Indicators	Percentage of organizations monitoring
Customer-oriented indicators (the value of a customer, loyalty etc.)	83%
Indicators of organization's development and growth (increased productivity, better information handling, improved communication, employees satisfaction etc.)	52%
Financial indicators (return on investments etc.)	46%

Responsibility for CRM

Responding organizations generally didn't have any special department that was responsible for CRM (an exception was a premier Czech organization operating in health service industry). In most cases (38%) had the responsibility sales and trade de-

partments followed by the management of organizations (30%). In 22% was responsible the marketing department and in 7% was the responsibility held by IT department. Only in very small fraction of organizations more departments (or even all employees) were responsible for the CRM philosophy.

The situation was different in different organizations depending on the phase of CRM deployment. During the phases of perceiving the need for CRM and analysis more responsibility laid on the management of organizations (almost in half of the cases). During the implementation and operation of CRM was the main responsibility on sales or marketing departments which was probably the result of the fact that these departments were in contact with the customers and were mostly using CRM systems.

Expenses related to CRM

Expenses related to CRM systems can be divided into two groups – one shot costs related to CRM acquisition (analytical phase, purchase of computers, networks, databases, communication and other technologies, training, consultations, rooms etc.) and regular costs related to CRM operation (wages, technology amortization, consulting, training, modifications of the systems etc.). Both acquisition and operation costs were under 5% of annual turnover of the organization, slightly above 1% in average (acquisition costs were in most cases higher than regular operating costs). However, in most cases the organizations did not know exact (neither approximate) number representing expenses on CRM.

Subjective understanding of CRM concept

Organizations subjectively perceived Customer Relationship Management as an approach that could be used to better understand the customers and to better manage the relationships between customers and the organization. However, some organizations did not see CRM as a complex approach but rather as one or more relatively isolated tools. Those tools included working with customer data (collecting, storing, analysis, finding opportunities) and improved communication between the organization and customers (including customer feedback).

Very small fraction of responding organizations were not familiar with CRM or evaluated it negatively as something that was not needed. However, these negative reactions didn't appear among organizations that were in the phases of CRM operation, implementation, analysis or perceived the need for CRM.

Overall impact of CRM

More that 80% of respondents evaluated the impact of CRM as positive or rather positive. Only small portion as neutral or negative – these organizations saw the biggest problem in not very clear vision of the CRM project, insufficient training of system users and information overload, lower impact had bad documentation, insufficient integration and bad CRM project management. In general, all these factors were assigned in average higher importance by these organizations than by all organization that responded in the research.

CONCLUSION

In this paper, various aspect related to application of Customer Relationship Management (CRM) philosophy and utilization of information technologies related to CRM by organizations in the Czech Republic were investigated. As an instrument, the research during which the subjects were interviewed through questionnaires was selected.

Although the portion of organizations that agreed to participate in the project (from quite large number of organizations that were addressed in the phase of information gathering) was not big the results seem to be useful. The number of respondents (about three hundred) is suitable for making some conclusions and because of participation of some major firms best practices from individual industries can be observed.

Organizations generally see the benefits of CRM approach although they sometimes don't perceive CRM as a global philosophy but rather as a subset from possible CRM technologies. The main arguments for CRM implementation are better contact management, accompanied with better understanding the customers, higher number of retained customers, longer time of the relationship and increased customer satisfaction. The paper also discusses particular areas where CRM technologies are employed, barriers to CRM implementation (ill-defined strategic vision is the biggest), duration of CRM implementation and others.

The findings in this paper have both theoretical and practical value. The results can help with understanding of the CRM approach by the organizations, the position of CRM system in business, and can be used during the education process at the Mendel University in Brno where the author is employed. The results were also welcomed by software firms that develop or implement CRM systems.

SOUHRN

Výzkum CRM systémů v České republice

V rámci této práce byly zkoumány různé aspekty aplikace filozofie řízení vztahů se zákazníky (Customer Relationship Management – CRM) a využití informačních a komunikačních technologií vztahujících se k CRM u organizací v České republice. Jako nástroj výzkumu bylo použito elektronické dotazování. Přestože počet respondentů není příliš velký, výsledky mohou být dále využitelné. Mezi

třemi sty organizacemi, které se do výzkumu zapojily, jsou i velké mezinárodní a organizace (např. ČEZ, Husquarna, Bell Technology, T-Mobile, Tele 2, ČSOB, Chemopetrol, Česká spořitelna) a je tak možné usuzovat i na doporučené praktiky v rámci daných odvětví.

Organizace většinou spatřují v CRM přínos, přestože tento přístup nechápou jako globální filozofii, ale spíše jako podmnožinu nástrojů z dostupných CRM technologií. Hlavními argumenty pro implementaci CRM jsou lepší správa kontaktů následovaná lepším porozuměním vlastním zákazníkům, vyšším počtem udržených zákazníků, delší dobou trvání vztahu a vyšší spokojeností zákazníků. V práci jsou rovněž diskutovány konkrétní oblasti nasazení CRM, bariéry implementace CRM (především špatně stanovená vize), trvání implementace CRM a další.

Výsledky práce mají teoretickou i praktickou hodnotu. Mohou pomoci s porozuměním CRM přístupu organizacemi, pozici CRM v podnikání a mohou být také použity v rámci výuky na MZLU v Brně. Výsledky byly také přivítány firmami zabývajícími se vývojem software.

řízení vztahů se zákazníky, marketingový výzkum, implementace informačních systémů

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mySAP Customer Relationship Management. http://www.sap.com/.

Address

Ing. František Dařena, Ph.D., Ústav informatiky, Mendelova zemědělská a lesnická univerzita v Brně, Zemědělská 1, 613 00 Brno, Česká republika