BUILDING A RELATIONSHIP WITH THE CUSTOMER: A CRM VERSUS A QM PERSPECTIVE

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Customer relationship management (CRM) and quality management (QM) both define the customer as being the focus of all business activities. The question arises on how these two concepts work together. In the change defined environment, where getting ahead of the competition means survival, how should one juggle the two concepts? This paper defines the terms, compares them and gives a clue for managers on how they might dose their effort on customer focus.

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1. The evolution of the CRM concept

From the first suggestion Levitt made in the late 1960s of the importance of creating relationships with the customers (Mendoza, et al., 2007, p. 914), the evolution of relationship marketing (RM) is directly linked with the evolution of the business environment. Sheth (Sheth, 2002, p. 290-291) presents the main factors that contributed to the development of RM as follows:

-the energy crisis of the 1970s and the consequent economic stagflation which confronted companies with excess capacities and high material costs;

-the emergence and development of services marketing;

-the collaborative as opposed to combative attitude towards suppliers stimulated by the quality drive in the 1990s;

-the rapid evolution of the information and communication technology which created the support for addressing customer needs directly and more specific.

In addition, the issue of profitability resulting from the customer-company relationship led scientific research to focus on identifying the most profitable segment and designing models for customer valuation. Sheth concludes that the focus in marketing shifted from customer acquisition to customer retention and thus RM "emerged as a popular new paradigm".

The 1990s are marked by the popularity of the new RM concept. The rise of RM and the emerging research interest have been regarded by Webster (1992) and Nevin (1995) (as quoted by Greenberg and Li, 1998, p. 208) as "a fundamental reshaping of the field", respectively as "one of the most revolutionary changes" within the marketing area. Loyd (Loyd, 2000, p. 12) even gives the number of articles publishes on the concept between 1995 and 2000 – in this five year period 500 scientific articles were published.

Loyd (Loyd, 2000, p. 15) selected a set of definitions for RM to show the evolution of the concept: Copulsky and Wolf (1990), Gronsroos (1990), Shani and Chalasani (1992). Copulsky and Wolf regarded RM in 1990 as a combining "elements of general advertising, sales promotion, public relations, and direct marketing to create more effective and more efficient ways of reaching consumers. It centers on developing a continuous relationship with consumers across a family of related products." Although stressing the focus on a long term relationship with customers this definition doesn't recognize RM as a new paradigm. It is rather a combination of various instruments of the promotion policy within the marketing mix. Gronroos' definition from the same year offers a different perspective: "To establish, to maintain, enhance, and commercialize customer relationships (often, but not necessarily always long-term relationships) so that the objectives of the parties involved are met. This is done by a mutual exchange and fulfillment of promises." This time RM appears as an activity with the scope of creating and sustaining relationships with the customers. In addition, the definition includes the implication of the customers with their objectives and promises. Interesting for this definition is the time perspective – Gronroos doesn't regard the long term perspective as a must. Shani and Chalasani offer in 1992 a more comprising definition, corresponding with the version accepted also in the recent years: "An integrated effort to identify, maintain, and build a network with individual consumers to continuously strengthen the network for the mutual benefit of both sides, through interactive, individualized, and value-added contacts over a long time period." RM is referred to as an *integrated* effort, reaching all company levels and departments. The relationship acts out through interaction and individualization; in an effort to offer value to the customer.

As Sheth predicted (Sheth, 2002, p. 291), RM shifted and evolved into *Customer relationship management* (CRM). It emerged as a concept defining the implementation effort at the overall company level of RM. Teo et al (Teo et al, 2006, p. 1614-1616) categorized the definitions CRM into three complementary perspectives: technology, business

and customer. The technology perspective regards CRM "as the underlying infrastructure and sophisticated applications to understand customers and analyze customer information." The second, business perspective considers CRM as "the strategy of identifying, understanding and predicting consumer behavior to foster long-term profitable relationships". From the third perspective, the one of the customer, CRM is viewed as focusing "on all interaction points of the customer with the organization". All three perspectives rely on the use of IT and change management. While the technology perspective uses IT infrastructure on a high level, for the other two perspectives change in the mindset of employees is needed.

Another way to classify CRM definitions is presented in a recent article by Richard and Jones (Richard and Jones, 2008, p.121). They make the distinction between the strategic and operational definitions different other authors give. "A comprehensive strategy and process of acquiring, retaining, and partnering with selective customers to create superior value for the company and the customer" is one strategic definition offered by Parvatiyar and Sheth (2001). On the other side, operational definitions are more closely related to the processes and technologies associated with enabling better customer relationships. Such a definition is offered by Rigby et al (2002): "CRM allows companies to gather customer data swiftly, identify the most valuable customers over time, and increase customer loyalty by providing customized products and services".

2. CRM implementation and its problems

In spite of the positive definitions, stating that CRM enables the creation of superior value to both company and customers or that CRM allows the increase of loyalty, the reality companies face seems to be rather different. Studies analyzing the results of companies undertaking CRM projects show alarming figures. A Forrester Research report of 2006 indicates that "only 10% of the business and information technology executives surveyed strongly agreed that expected business results were achieved from implementing CRM" (Richard and Jones, 2008, p.120). A Gartner Group study from 2001 reveals that only 3% of the companies are developing successful CRM projects (Mendoza, et al., 2007, p. 914). In fact 55% of all CRM projects don't produce results. According survey of 451 senior executives from 2001, 20% of the users reported that their CRM initiatives not only had failed to deliver profitable growth but also had damaged longstanding customer relationships. According to Bain's 2001 survey of management tools CRM ranked in the bottom three for satisfaction out of 25 popular tools (Rigby, et al., 2002, p. 101).

These reported bad numbers apparently don't reduce the popularity of CRM among practitioners. During eight years of analysis CRM reveals itself as the fastest-growing technique. And, "according to the research and consulting firm META Group, the CRM software market is expected to more than double from $20 billion in 2001 to $46 billion by 2003" (Rigby, et al., 2002, p. 102).

The importance of *correct CRM implementation* is obvious. In order for companies to be successful, Mendoza et al underline that CRM projects need to be viewed as more than the implementation of IT. Companies need adequate planning, coordination and controlling – 35% of the companies have started projects without any type of coordination and 45% have not evaluated CRM. Another study, performed by Forsyth on a sample of about 700 companies, names the main causes of failure as being:

-Organizational change (29%).
-Company policies/inertia (22%).
-Little understanding of CRM (20%).
-Poor CRM skills (6%) (Mendoza, et al., 2007, p. 914).

3. Quality dimensions

Quality has evolved during time and turned into a multifaceted concept (see fig. 1), becoming part of the steps necessary to deliver products that comply with customers' needs. Thus, the latest developed form of the quality notion is total quality management, „a management approach that places emphasis on continuous process and system improvement as a means of achieving customer satisfaction to ensure long-term company success" (Summers, 1997, p. 12).
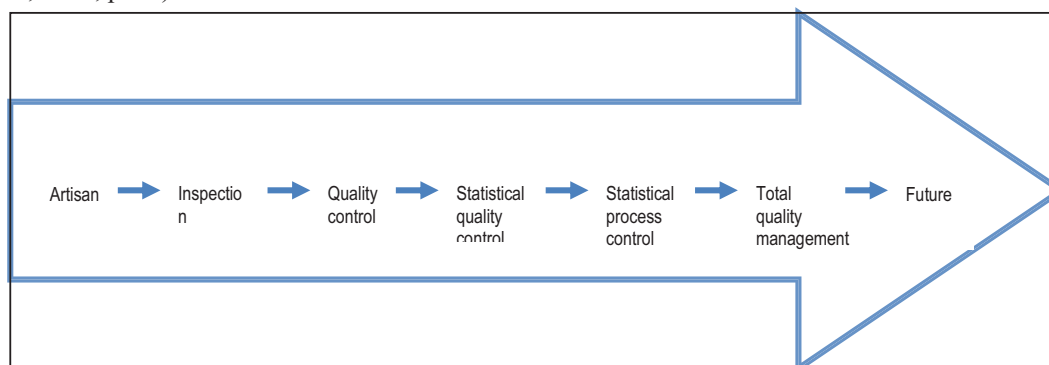
From artisan to inspection, from quality control to statistical process control and total quality management, quality is a complex notion. So, how would one define quality? On a primary level it indicates the "characteristic, property or attribute" of things, "character or nature, as belonging to or distinguishing a thing" (Webster's Encyclopedic Unabridged Dictionary of the English Language, 1996, p. 1175). On more elaborated levels its meanings become, as well, more sophisticated:

-"character with respect to excellence, fineness" (Idem, p. 1175),

-"fitness for use" (Juran, 1974 in Wonigeit, 1994, p. 17),

-"conformance to requirements" (Crosby, 1979, p. 15), "zero defects"[313] (which is   step   7   of Crosby's 14 Step Quality Improvement Process[314])

-"the total composite product and service characteristics of marketing,   engineering,   manufacture,   and maintenance through which the product and service   in use will meet the expectations of the consumer" (Feigenbaum, 1983, p. 7),

-"Quality in a product or service is not what the supplier puts in. It is what the   customer gets out and is willing to pay for." (Drucker, 1993, p. 228).

As one can observe, the definition of quality, though pointing towards a customer related perspective, begins to be more and more directly, explicitly related to satisfying clients' needs. Thus, customers become the binding element of both quality and customer relationship management.

Building a relationship with the customer, and thus, building customer loyalty is the premise of successfully adopting relationship marketing (Morris et al., 1999, p. 660).

4. QM – what lies behind the customer perspective?

According to Garvin (in Oess, 1993 p. 31-34; in Wonigeit, 1994, p. 15-20), apart from its user related definition which places the customer as the decisive factor in judging the usefulness of the product/ service in satisfying needs and expectations, quality bears more meanings that will be further on briefly presented (see fig. 2).
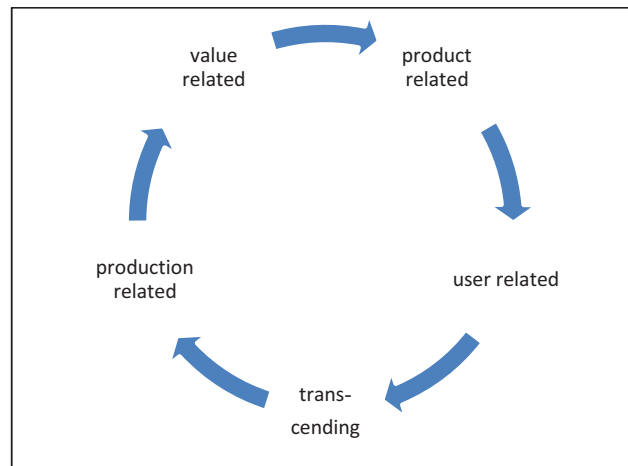

Fig. 2: Quality approaches
Source: cf. Wonigeit, J. (1994), *Total Quality management: Grundzüge und Effizienzanalyse*, Deustcher Universitätsverlag, Wiesbaden, p. 15-20 and Oess, A. (1993), *Total Quality Management: die ganzheitliche Qualitätsstrategie*, Gabler, Wiesbaden, p. 31-34.

If the client holds the central role in the QM-CRM equation, should quality be restricted only to this dimension, should, under these circumstances, all the other quality approaches be banned?

From a transcending perspective, quality is to be understood as something exceptional, absolute, whose high standards leave no room for compromises in their aim to reach them. It is extremely difficult to find measures and benchmarks for such a perception, experience being seen as a possible way to reach such a state. Within this approach could lie the germ of a possible intrinsic need which requires further exploration.

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313 The concept "zero defects" does not mean that everything must be done perfect and no error must occur; it refers to communicating employees a performance standard (Crosby, 1982), namely if someone does things right the first time, then a certain number of errors is not allowed to occur within a product/ service.

314 See Winter Park Public Library (Ed.), links to Philip Crosby's Essays and Writings, retrieved on 8 May 2009 from: http://www.wppl.org/wphistory/PhilipCrosby/grant.htm

A product related approach brings within quality differences as identified in different and divergent product characteristics. Within this approach, quality becomes an objective attribute of products/ services which provides a basis of comparison between *similar* outputs, while a product/ service classification becomes possible. Though within this approach quality is associated with the sum of comparable higher (better) product characteristic, one can conclude, as well that customers' needs are different and that their fulfillment corresponds to different levels of quality.

Production related quality highlights the idea that along the supply chain levels, product/ service related norms, standards, specifications have to be met. *Conformance with requirements and doing things right the first time are not so much related with fulfilling customers' demands, but with meeting given specifications*. A much expected consequence of keeping standards is the delivery of *reliable* products/ services for clients. This approach brings within the idea that despite keeping similar specifications, two products/ services may differ and have a different impact on consumers. Though highly reliable products/ services are being marketed, it often happens that by not fulfilling customers' needs, these are being rejected.

Last, but not least, quality is perceived by customers as a price-benefit relation, approach which is beginning to gain supporters on the market. In this respect, quality is that particular benefit that a customer enjoys by paying a certain price, by blending a user related and production related approach.

The meaning of quality should, thus, not be limited only to a customer-focused approach. It needs the whole range of meanings because of all them generate a more or less significant impact on customers.

3. QM versus CRM and the customer approach

So what do QM and CRM have in common except for a customer focus?

-*A quality centered offer* (see fig. 3),

-which refers not only to a *quality based output*, but also to *quality based processes*,

-and a *customer centered interaction,*

-which sets the ground for *receptiveness towards customers' needs* and requirements,

-and *involvement of the entire personnel,*

-by not limiting contributions only to the marketing and sales *departments*,
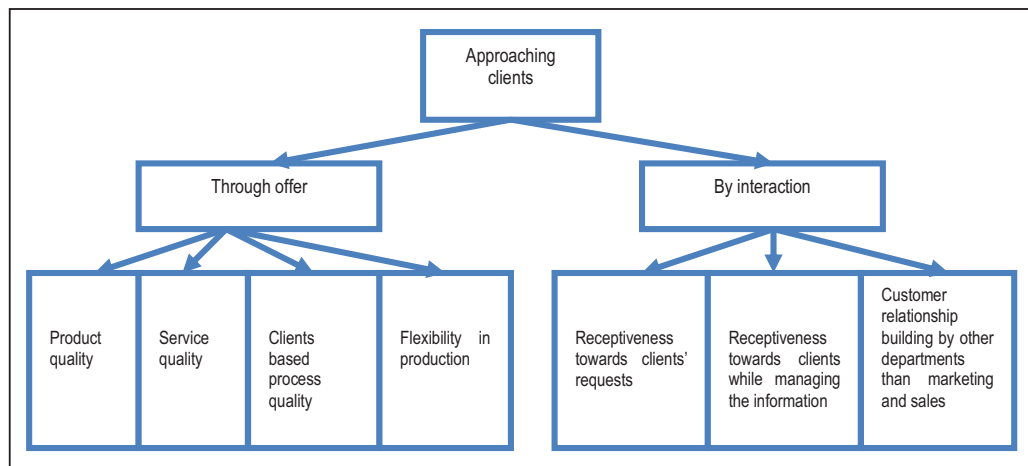
are the main binding elements.

Fig. 3: The concept of „customer approach"

Source: Cf. Bruhn, M. (2001), *Orientarea spre clienţi. Temelia afacerii de succes*, Ed. Economică, Bucureşti, p. 20.

From a more technical perspective, the integrative character the two concepts together build, resides in their capacity to employ tools and techniques and serve joint goals. If we take, for example, the notion of „customer satisfaction", then, reaching this CRM goal implies implementing total quality management (TQM) tools, such as scatter diagram, as well as TQM techniques, such as gap analysis customer needs mapping (Morris, 1997, in Morris et al., 1999, p. 663). CRM and QM, respectively TQM have to team up in order to fulfill clients' intrinsic needs and expectations. Often, it is CRM „intrinsic promise" (Morris et al., 1999, p. 663) that needs to be made explicit by using TQM related tools and techniques.

In *conclusion*, to meet customer expectations and motivate customer retention, high levels of customer awareness and service need to be present throughout the product service delivery process. TQM offers a solution to operationalize such a system and insure the success of CRM implementation.

The marketer must remain an active agent in the pursuit of quality throughout the organization (Morris et al., 1999, p. 663) in order to successfully fulfill its goals. This means that the marketer does not necessarily need to personally employ the tools and techniques of TQM but an understanding of them would prove beneficial.

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