

## ANTECEDENTS OF CUSTOMER RELATIONSHIP MANAGEMENT CAPABILITIES

**Daniela Tuleu**

*Marketing and International Business Relations Department, Faculty of Economics and Business Administration, West University, Timisoara, Romania  
daniela.tuleu@gmail.com*

**Abstract:** *Customer relationship management, as a process to manage customer relationship initiation, maintenance and termination to maximize the value of the relationship portfolio, is an evolving process. In recent years, the development of interactive technologies (social media) have revolutionized the interaction between firms and their customers and between customers. The impact of technology on CRM is improving ways of collecting and processing customer information and transforming communication with customers. In the context of the development of social networks, the introduction of social media applications in customer relationship management activities bring important changes in this area. Thus, managers need to pay attention to the interaction management as an important process of CRM and enhance the customer relationship management capabilities. The study propose a conceptual research model of several antecedents of customer relationship managements capabilities and provide the linkage between this antecedents and CRM capabilities. First, following review of existing research literature related to customer relationship management, there are some conceptual clarification on customer relationship management. Second, are presented the working concepts: the adoption of interactive technologies, customer concept, customer empowerment, customer relationship orientation and customer-centric management system. Then, it is proposed the conceptual model and finally are presented conclusions, managerial implications, limitations and research directions. From a theoretical perspective, this paper highlights the importance of marketing actions at the individual customer level and reveal the impact of adoption by companies of interactive technologies so that organizations have the opportunity to engage in conversations with customers and respond in real time the requirements that they launched the online environment. Nowadays, customers feel empowered and play an active role in the relationship with companies. The business must enhance existing capabilities or develop new capabilities in order to meet this challenge. If confirmation of the hypotheses specified relations, the development level of customer relationship management capabilities, managers should invest in interactive technology and human resources to facilitate the adoption of interactive technologies within the organization and customer relationship.*

**Keywords:** customer relationship management (CRM); customer concept; customer empowerment; customer relationship orientation; customer-centric management system; interactive technologies.

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### 1. Introduction

Customer Relationship Management (CRM) is an evolving concept that has attracted interest of both researchers and practitioners. In recent years, researchers have focused on identifying antecedents and consequences on CRM performance, while increasing interest practitioners to implement CRM technology. Interactive technologies (social media) open new perspectives in the development of CRM along with the integration of these in customer relationship management (Boulding, Staelin, Ehret, Johnston, 2005). Technology influences CRM activities by improving procedures for collecting and processing customer information and interaction and communication

processes with customers. Digital communication has led to effective communication management, both within the organization and between the organization and its customers. Social networks, the latest interactive technology exponent induce significant changes in the activities of customer relationship management, facilitating obtaining customer information, both from direct interactions with them, and the interactions that take place between customers in the virtual environment. This article proposes an analysis of certain antecedents of CRM capabilities and complementary effect of these capabilities with interactive technologies (social media) on firm performance.

In the first part of the paper there are conceptual clarification on customer relationship management. Then, identified several antecedents of CRM capabilities (adoption of interactive technologies, the customer concept, customer empowerment, customer relationship orientation and customer-centric management system) and is presented a research conceptual model about the effects of this antecedents on CRM capabilities. Finally, conclusions are presented, managerial implications, limitations and research directions.

## **2. Customer Relationship Management**

The concept of customer relationship management was introduced in the 80's by Leonard Berry, defined as attracting, maintaining and developing relationships with customers (Berry, 2002). These lasting relationships need to be profitable for the firm (Kotler, 1999). Zablah, Bellenger and Johnston (2004) identified five major perspectives of conceptualization and operationalization of CRM: process perspective (Reinartz, Krafft and Hoyer, 2004; Payne and Frow, 2005); strategy perspective (Zablah, 2004); capability perspective (Zablah et al., 2004; Wang and Feng, 2012); philosophical perspective (Zablah et al., 2004) and technological perspective (Chang, Park, Chaiy, 2010; Reinartz et al. 2004).

In terms of process, CRM incorporates several sub processes, including activities undertaken in their firms trying to build lasting relationship with customers profitable and mutually beneficial (e.g. identifying potential customers, customer knowledge creation, building relationships with customers, shaping perceptions them about the company and its products) (Srivastava et al., 1999; Reinartz et al., 2003). Reinartz (2004) defines CRM process, on the customer-facing level, as a "systematic process to manage customer initiation, maintenance and termination across all customer contact points to maximize the value of the relationships portfolio" (p. 294). From the management point of view, it is necessary to identify CRM processes and sub processes with major effect on performance to that focuses the resources and capabilities of the firm. Payne and Frow (2005) analyzed several definitions and descriptions of CRM and they conceptualized CRM as a cross-functional process focuses on establishing, maintaining and strengthening long-term relationships with attractive customers. The two researchers have identified five key generic CRM processes: the strategy development process, the value creation process, the multichannel integration process, the information management process and the performance evaluation process. Kohli et al. (2001) have focused on defining the management interactions with customers in order to establish and maintain long-term, profitable relationships.

From the strategic perspective, CRM refers to develop appropriate relationships with key customers in order to create a portfolio of profitable customers for the organization (Payne and Frow, 2005; Zablah et al., 2004). Boulding et al. (2005) consider CRM as a management of the dual creation of value, the intelligent use of data and technology, the acquisition of customer knowledge and the diffusion of this knowledge to the appropriate stakeholders, the development of appropriate relationships with specific customers or customer groups and the integration of processes across the many areas of the firm and across the network of firms that collaborate to generate customer value. In terms of

capability, CRM is the company's ability to anticipate customer needs and adopt strategies according to their requirements (Zablah et al., 2004), identify attractive customers, to initiate and maintain relationships with them and turn them into profitable relationships (Boulding et al., 2005; Srivastava et al., 1999). Wang and Feng (2012) have conceptualized CRM capabilities as business knowledge and skills within the work setting, maintaining, developing and regain attractive customers, developing a measurement model of them. From a philosophical perspective (Zablah et al., 2004), CRM reveals the importance of focusing on understanding customer needs, continuously evolving needs in the process of building profitable relationships, long term with them. A loyal customer base can be constructed by tracking and evaluating company-customer interactions during the course of relations. In terms of technology, customer relationship management was approached as an investment in software technology (Chang, Park, Cha, 2010), equated with CRM technology and emphasizing the extent to which firms use information technology to support the effective management of customer relationships (Reinartz et al., 2004).

Customer relationship management increased the opportunities to use data and information in order to understand customers and create value with them, and this requires a cross-functional integration of processes, people, operations and marketing capabilities enabled through information, technology and applications (Payne and Frow, 2005). This latter approach shows that CRM is not just a technology, which is consistent with the research of Zablah, Bellenger and Johnston (2004). Information technologies are, however, necessary resources that lead to a significant increase in performance (Bharadwaj, 2000; Chang et al., 2010; Coltman, 2007). They should be implemented but with other important organizational resources so as to create distinctive capabilities of the company (Day, 1994). Definitions and conceptualizations of CRM reveals that customer relationship management "is the result of continuous development and integration of marketing ideas with the latest available information, technologies and forms of organization" (Boulding, Staenlin, Ehret and Johnston, 2005, p. 156). Given the dramatic changes induced by technology in individual and organizational behaviour, should be paid special attention to customer relationship management processes whose effectiveness can be improved by using these technologies. In this context, information management and customer interactions management are key processes in customer relationship management. The management of customer information refers to „the collection, collation and use of customer data and information from all customer contact points to generate customer insight and appropriate marketing responses" (Payne and Frow, p. 173). CRM tools and technologies that facilitate interactions with customers (Zablah et al., 2004), the firm orientation towards interaction are important resources that can cause superior capabilities of customers relationships.

Ramani and Kumar (2008) defined the interaction orientation as "the firm's ability to interact with individual customers and to take advantage of the information obtained from them through successive interactions and thus obtain profitable customer relationships" (p. 27). Companies interaction oriented differs from others in the ability to anticipate customer responses, this orientation being a source of competitive advantage (Ramani and Kumar, 2008; Day, 2000). Technology and IT applications facilitate interaction between customers and companies (Varadarajan et al., 2010), interactive technologies (e.g. social media applications) having the potential to facilitate the interaction and implementation of these applications in the business of customer relationship management can be a competitive advantage for firms that adopt such a strategy in the activities of customer relationship management.

From the perspective of resource-based theory, CRM is part of cross-functional capabilities as one of the most important marketing capabilities that allow companies to use customers relationships resources to build a competitive advantage (Day, 2000). The role of capabilities in enhancing business performance and building a sustainable

competitive advantage has been documented in the literature on resource-based theory (Barney, 1991) and dynamic capabilities theory (Morgan, 2012). According to Jayachandran, firms have superior marketing capabilities, such as capabilities related to customer relationships (Day and Van den Bulte, 2002), have superior financial performance. Idea supported by Coltman (2007) which states that a high level of CRM capabilities can create a positional advantage and therefore can improve firm performance.

### **3. Antecedents of CRM capabilities**

The antecedents that can positively influence customer relationship management capabilities studied in this research are: the uptake of interactive technologies; customer concept; customer empowerment; customer relationship orientation and customer-centric management system.

#### **3.1. Interactive technologies**

Varadarajan (2010) defines interactive technologies as methods, tools or devices that allow various entities (individuals, machines or organizations) to engage in mediated communication to facilitate the planning and achievement of exchanges between them. Interactive technologies (social media) have the potential to enable organizations to be more responsive to market demands in comparison to the competition. Interactivity is characterized by bi-directionality, timeliness, mutual controllability and responsiveness (Varadarajan et al., 2010). Social networks have the ability to complete and/or increase the value of each customer interaction, present or future (Andzulis, Panagopoulos, Rapp, 2012).

The information management, as a process of CRM, is important to collect and select information about customers for market intelligence. Market knowledge can be exploited by firms to build and support a portfolio of clients to maximize their profits. Based on this information, companies can select the right customers, prioritizing relationships and manage the interactions with them. The impact of technology on CRM is not just about improving ways of collecting and processing customer information, but the content itself transforming communication with customers. In the context of the development of social networks, the introduction of social media applications in customer relationship management activities bring important changes in this area.

Kaplan and Haenlin (2010) define social media as a group of applications built on the ideological and technological Web 2.0 that allow the creation and exchange of user-generated content. Social media and the internet using mobile technologies to create interactive platform through which individuals and communities distributed, co-create, discuss and modify user generated content (Kietzmann et al., 2011). Social media applications are communication systems that allow stakeholders to communicate over a dyadic ties (Peters et al., 2013). Social media is a technology that enhances social interaction, facilitating co-creation of value. Social media applications allow companies access to customer information deriving from the interactions between customers and the firm, and the interactions that take place between customers in the virtual environment (Trainor et al., 2014), which is important for the companies concerned to reach as many customers. Social media applications enable users to issue, distribute opinions, complaints about companies, brands etc. not controlled by the firms. We see, therefore, a so-called "democratization of corporate communication" (Kietzmann et al., 2011). To access this information, companies should integrate social media applications in their relationships with current and potential customers. Social media applications introduce new tools that facilitate customer interaction in their networks, as well as companies that are members of the same network (Kietzmann et al., 2011). Social networks such as LinkedIn, Facebook, Twitter are tools by which organizations can engage in interactions between members of a network (Trainor, 2012). Thus, companies have access to information about their

customers directly from them or indirectly from interactions between customers on the same network. Real-time communication and public nature of social media offers businesses the opportunity to collect information about the competition and its customers (social media guide - [www.coastdigital.co.uk](http://www.coastdigital.co.uk)), generating new marketing knowledge. Companies can improve their products, services and offerings based on the information obtained from social media, direct from the current and potential customers. Through social networks, companies can respond to customers in real time conversation in a language that no other means of communication does not provide. Thus, an important goal in the work of companies that use social media applications is to monitor interactions in social networks. Organizations can monitor conversations and interactions that include a specific company, brand or product, using social tools like Facebook, Google Analytics, TwitterDeck, Google Alerts. Specific social media tools are useful in managing information about customers, competitors and/or customers of the competition.

### **3.2. The concept of client**

Orientation interaction implies the existence of values and business practices of companies that put the customer at the heart of marketing. The customer concept and customer empowerment are key constructs of interaction orientation. Online social media applications allow interaction between millions of people, directly or through social groups themed around ideas or interests (Varadarajan et al., 2010). Information exchanges between them are among the most varied, from information and practical knowledge, intellectual speeches, acts of commerce, emotional support, organization of actions or events. The customer concept, according to the definition given by Ramani and Kumar (2008), is defined as the belief that unit of analysis of marketing actions and reactions are based on the individual customer approach. This concept is part of the trend developing customer-centric marketing that seeks to meet the needs and requirements of each client individually assessed (Sheth, Sisodia, Sharma, 2000).

### **3.3. Customer empowerment**

Customer empowerment reflects the extent to which the firm offers clients opportunities to connect with the firm and collaborate by exchanging information, suggestions, complaints and ideas about products, services and business practices (Ramani and Kumar, 2008). Interactive technologies enhances support and customer empowerment (Varadarajan et al. 2010), which positively influence the customer relationships management capabilities and implicitly firm performance. Interactive technology transfer more power to customers (Vardarajan et. al, 2010), because, through them, customers have the opportunity to share their views about the organization, its products and services, both with the company and with other clients of the firm. Customers using social media applications are aware of the power their relationships with suppliers of products and services and want to be actively involved in business processes (Trainor, 2012). Customers have higher requirements in dealing with companies, they want to interact with them on their terms and using the tools of their choice. The level of customer empowerment is amplified through social media applications.

### **3.4. Customer relationship orientation**

Customer relationship orientation is reflected in the mentality, values and norms of an organization and affects all interactions with customers (Day, 2000). The company's ability to create and maintain relationships with its most valuable customers is a source of competitive advantage for the firm (Day, 2000). A firm has a competitive advantage in the market, when implementing a strategy that creates value and is not used while racing or can generate higher economic value than competitors in the same market (Barney, 1991). Loyalty relations are among the most sustainable benefits because they are difficult to understand, copying or acquired by competition. Communication and information sharing

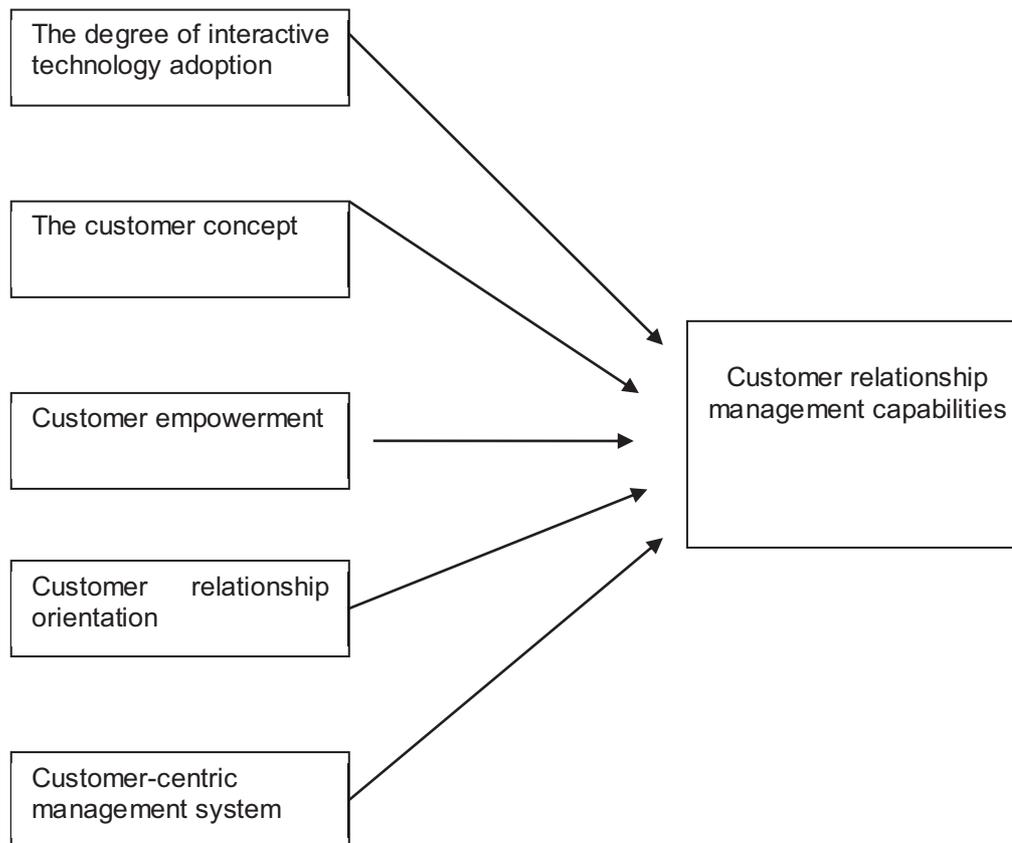
are essential antecedents of trust and development of relationship (Morgan and Hunt, 1994). Interactive technologies enable addressability and interactivity (Day, 2000) in dealing with customers, and continuing communication with them, which creates prerequisites closer relationship between the company and its customers. Interactive technologies (social media applications) provide, on the other hand, greater access to customer information (Trainor, 2012) obtained both from direct interactions with them, and the interactions that take place between customers in the virtual environment, information difficult obtain or inaccessible otherwise.

### **3.5. Customer-centric management system**

Management system are formal and informal ways to create and control knowledge (Day, 1994). A customer-centric management system is a system in which the organizational structure and processes are focused on customers, not the company's functional departments (Day, 2000). A customer-centric management system helps to keep the focus on the organization's interactions with customers and ensure that the expertise of various functional departments is implemented to promote quality customer experience. Firms whose management system is centred on client have an organizational structure that allows action to be driven by the needs of the organization to customers, not by domestic concerns times of various departments (Jayachandran, Sharma, Kaufman and Raman, 2005). On the other hand, evaluation and incentives granted to employees by the company are such that encourage behaviour consistent with a culture oriented relationship with customers by increasing the capability of the organization to focus on interactions with customers before, during and after sale (Day, 2000). A customer-centric organizational system enables a firms to initiate customer information sharing (Wang and Feng, 2012), improves the ability of the company to focus on customer interactions, influencing the development of information processes and is likely to influence the success of initiatives CRM (Jayachandran, 2005; Trainor, 2012).

## **4. The conceptual research model of antecedents of CRM**

Conceptual research model (see Fig. 1) is based on existing links between the adoption of interactive technologies (Jayachandran, 2005; Hennig and Thurau, 2010), the level of adopting the customer concept (Ramani and Kumar, 2008), the level of customer empowerment (Ramani and Kumar, 2008), the level of the customer relationship orientation (Jayachandran, 2005), the level of centricity towards the customer of management system (Jayachandran, 2005) and the capabilities of customer relationship management. Developing customer relationship management capabilities result in increased customer relationship performance.



**Figure 1:** Conceptual research model of antecedents of CRM

Interactive technologies provide opportunities for companies to react quickly (Varadarajan et al., 2010) the references, in the online customer reviews. In this context, social media applications have become an area of interest for business, being recognized as methods of maintaining lasting relationships with customers (Trainor, 2012). Based on the arguments presented, we formulate the following hypothesis:

Hypothesis 1: The level of adoption of interactive technologies directly influence significantly and positively the customer relationship management capabilities.

Customer centric organizations focus on integrating all customer-oriented activities, so as to create added value for their customers (Sheth, Sisodia, Sharma, 2000). Customer-centric marketing firm improves productivity by focusing on profitable customers. CRM, analyzed as a process on the customer-facing level (Reinartz et al., 2004), focuses on the relationship with the customer. As a result, the adoption of customer concept is expected that it will have a positive influence on CRM capabilities. Consequently, we formulate the hypothesis:

Hypothesis 2: Level of adoption of the customer concept directly influence significantly and positively the customer relationship management capabilities.

Customer empowerment is a practice that enables two-way interactive communication between the company and its customers. Empowering the customer by the firm, supported by the use of social media applications offers organizations the opportunity to re-establishing the relationship with inactive customers, but also to interact with them in real time. Therefore, we formulated the following hypothesis:

Hypothesis 3: Level of empowering customers directly influence significantly and positively the customer relationship management capabilities.

CRM is an interactive process of transformation customer information in beneficial relationships with them. The focus on customer relationship orientation determines the attitude towards customer relationship management and processes necessary to implement this type of management (Day, 2000). Consequently, we formulate the following hypothesis:

Hypothesis 4: Level firm orientation towards customer relationship orientation directly influences significantly and positively the customer relationship management capabilities.

A customer-centric management system enhances the ability of the company to focus on customer interactions influence the development of information processes and is likely to influence the success of initiatives CRM (Jayachandran, 2005; Trainor, 2012). Customer-centric management system support coordination of activities with customers in an organization, enabling the firm understanding of their customers, working with them and providing timely, answers the needs of customers. In conclusion, it is likely that an organization where business processes are designed to enhance the quality of customer interactions, interact systematic with lost customers, to re-establishing, through a systematic process, the relationships with valued inactive customers, to develop a system for interacting with inactive customers. Based on these arguments, we formulate the following hypothesis:

Hypothesis 5: Level of centricity towards the customer of management system directly influences significantly and positively the customer relationship management capabilities.

## **5. Conclusions and future research**

In research conducted are identified and analyzed several antecedents of customer relationship management capabilities (the adoption of interactive technologies, customer concept, customer empowerment, customer relationship orientation and customer-centric management system). The linkages between the interactive technology adoption, the adoption of customer concept, the empowering of the client, the firm orientation towards customer relationship, the customer-centric management system and the customer relationship management capabilities are important arguments for managers in decision making for adoption and/or development of values and practices that contribute to improving CRM capabilities. Interactive technologies (social media applications) introduce new tools that facilitate client-centred interactions in the virtual environment (Kietzmann et al., 2011) and the management of interactions between customers and companies acquire new meanings as a result of interactions developed in social networks. Level of adoption by companies of interactive technologies in specific processes of CRM influence the customer relationship management capabilities. Using social media applications is a living, dynamic process in the firm (Kaplan, Haenlin, 2012) that facilitate access to customer information and identifying their current and future needs. This research highlights the importance of adoption by companies of interactive technologies so that organizations have the opportunity to engage in conversations with customers and respond in real time the requirements that they launched the online environment. Users online involves increasingly more content creation through distribution of videos, stories, pictures and even by posting comments on websites of companies (Trainor et al., 2014). Turning customers passive consumers into active participants in creating online content and its distribution in the virtual environment can benefit companies but at the same time, represent a potential risk to them. The new interactive technologies have revolutionized communication between companies and customers and between customers on the company/product/service firms so that organizations from the sidelines regarding this development, without being part of it, is likely to lose a category customers online environment is the primary means of communication and networking. If confirmation of the hypotheses specified relations, the

development level of customer relationship management capabilities, managers should invest in interactive technology and human resources to facilitate the adoption of interactive technologies within the organization and customer relationship.

Research Directions pursuing empirical studies to test and validate the model and to extend this model to integrate the effects of CRM capabilities on business performance.

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