ISM Article

Challenges and Opportunities for institutionalizing CRM in China

By Dr Paul Loh, 28 August 2016

Customer Relationship Management (CRM) is a core business strategy integrating internal functions with external networks so as to generate value for customers at a profit. It is an enabler of customer life cycle which consist of 3 core processes: 1) customer acquisition, 2) customer retention, and 3) customer development (Buttle, 2012). This process entail answers to some key CRM related questions:

1. Which customers should be targeted for retention?
2. What customer retention strategies should be used?
3. How will customer retention performance be measured?

Robert Shaw and Merlin Stone (Atty, 2016) discuss the concept of customer life time value, which is the present value of the projected future cash flows from the customer relationship. Another predictive tool that support CRM in customer acquisition, retention and development is the RFM model (Asllani & Halstead, 2015). However, in mature markets, organic growth through customer acquisition can be difficult or costly, and customer retention is increasingly an important source of additional profit (Ang & Buttle, 2009). For CRM to be effective, Buttle (2012) highlight the importance of a customer-related database for strategic, operational, analytical and collaborative CRM through a Value Chain model. The model (Buttle, 2012) build on 5 primary stages (customer portfolio analysis, customer intimacy, network development, value proposition development, managing the lifecycle) and 4 supporting conditions (Leadership and culture, data and information technology, people, processes).

Although the institutionalization of CRM in an organization is essential, it can also be an expensive process. Building and maintaining a customer-related database can be an expensive affair. There is general perception that in accounting or ERP systems, most of the data must be right. In a CRM system, data quality may vary depending on the specific data element. Some data elements need to be perfect, such as unique keys, internal security information, order quotes and order history. Some data can be just an approximation or can be missing altogether. For example, it is not likely that the customer's customer service calling history be perfectly represented in the CRM system (Taber, 2009). So how do you decide where to make your data quality investment?

Today, the social media form disruptive technologies in CRM, where social media are tools that help to foster engagement between organization and consumer, giving rise to social CRM (s-CRM). Social CRM is the incorporation of everyday social media technologies into the CRM framework which transforms the landscape for those building relationships with customers (Harrigan & Miles, 2014). According to studies, more than 80% of Fortune 500 firms use social media, and the average firm using nearly three social media platforms. Over 70% of firms uses Twitter and Facebook, about 60% are on YouTube and about 30% use Linkedin (Smith, Blazovich, & Smith, 2015). However, some social medias are not available in China (Fu, 2016). The top Chinese social media platforms include Tencent QQ with over 850 million active users, Wechat with over 600 million active users and Sina Weibo with over 280 million (Made in China: The world's largest social media landscape, 2016). Studies also indicate that social media interactions contribute positively to upselling effort and reduce the risk of churn. These positive effects arising from social media exceed the cost due to increases in the number of service requests and the higher overall service cost. Companies that interact on social media are also more profitable (Maecker, Barrot, & Becker, 2016).

Discussion Questions

1. What are some of the challenges faced by companies in the institutionalization of CRM in China and how can they overcome it?

2. Francis Buttle discussed about the CRM Value Chain as a framework for companies building the CRM model. What are the primary stages and supporting conditions in the CRM Model, and how does each of the stages and supporting conditions influence CRM within your organization?

4. What are the advantages and disadvantages for implementing s-CRM in your organization and how can they be integrated into the e-CRM model?

Recommended Text:

Buttle, F. (2012), Customer Relationship Management (2nd ed.) New York: Routledge. ISBN: 978-1-85617-522-7

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