Role and Importance of CRM in Global Competitive Environment

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Abstract: Information and communication technologies (ICT) which has flourished due to spread of microchip technologies during 1970s, created internet which interconnects entire world and eliminates the classical understanding during 1990s. The fact that electronic trade and several other transactions could be performed through internet which developed as a result of widespread use of internet, created a global economy. The knowledge in the global economy, left behind the production factors which are known as labor, capital, natural resources and entrepreneurship, has become a standalone production factor. The developed information technologies caused human-oriented approaches to flourish and production processes to restructure. With the emergence of customer-oriented approaches, the production process has become "discovering what the customer wants and produce that thus makes profit by satisfying the customer in this fashion". Marketing function within the enterprise became a leading factor even more than the production process and marketing position has become the function of all employees of the enterprise. The enterprises which fail to satisfy their customers, have become weaker economically and cannot survive. As a result, while developed information and communication technologies enabled globalization, the customer has become the most important element in the global economy and those enterprises which can sell whatever they produce, have been replaced by those enterprises who produce and sell whatever the customer wants and competition has been increased leading to global competition which influence entire world. The enterprises which have been deprived of competitive power through the classical marketing mix (product, price, distribution, promotion) now have a tendency towards customer relationship management (CRM). CRM is now used as a new name of the marketing.

Introduction

Rapid advancement and development in knowledge and communication technologies (ICT) are the most distinctive characteristics of the significant development, which has been fulfilled during the last decade of the 20th century, in the civilization history. This rapid advancement and development, being experienced, have changed the construction methods of commerce and businesses, affected the economical and social life profoundly and caused some concepts and templates to be questioned. The developments in ICT are also one of the most significant factors, lying behind the spread of the phenomenon of globalization.

Today, not the fullest extent of the effects that would be created by the innovations in the knowledge and communication technologies and by the usage of these technologies, has been revealed. As Drucker (1995) states, the age we live in is an age of transition in every field. Knowledge and communication technologies shall be able to provide incredibly significant economic and social benefits. New technologies help increase the effectiveness of the economy, create new business opportunities, spread the technical advancements and ideas more easily, establish the simultaneous communication between the people and institutions in different countries and regions. Together with globalization, technological developments have found a usage area in every area and some definite effects occurred in every sector. Definite effects and advantages of information technologies are available in all sectors, which use customer satisfaction as base (Drucker, 1995).

By this way, the role which is imposed on the mass medium is being included in new development-reconstruction theories as the innovations, which constitute the source of the basic element and growth that determine the change of technology, by being given to the technology (Başaran, 2005).
In the light of these developments, the statement of information society, which is entitled by population scientists like A. Toffler, is based on the effects to be made by ICT on the whole social structure, as well. Developments in technology have contributed to the development of globalization. The apprehension of quality products and increasing customer satisfaction, which emerged as a result of the development of technology by the businesses of the whole world, thrusted the inter-enterprise competition to the forefront. The accommodation of the businesses to the new global conditions is called global competition (Elibol, 2005:155). Since the whole world has become a market for the customer together with the increase of both technology and globalization, the expectations of the customers increased and concordantly, customer-based concept became dominant in marketing. At the end of this process, on the other hand, marketing emerged as a new conception under the name of the customer relations management. This new conception is the new name of marketing now.

Factors that Play a Role in Change

Beginning with the development of technology and continuing with globalization, the factors of the change could be organized as follows:
- Developing Knowledge and Communication Technologies
- Developing Global Economy
- Increasing Global Competition
- Developing Conception of Marketing
- Developing Human-Based Processes
- Developing Customer-Based Approaches and New Conception of Marketing: Customer Relations Management (CRM)

Developing Knowledge and Communication Technologies

The development of human capital (intellectual capital), which is described as qualified (intellectual) labor force, together with the increase of the knowledge in terms of economy, established the ground for the rise of new concepts and values like “knowledge economy”, “new economy”, “digital economy”. Rapid and extensive development in information technologies affected the economic and social life profoundly. Gathering the potential producers, suppliers, users and consumers together on the web carried the economic communication and activities into the电子ical environment. Knowledge economy and B2B, which emerged as a new e-business method in this economy, also known as from company to company e-commerce model, are among the most significant factors. In this context, they enabled the integration into the global economy and the rise of the obligations to make changes in the strategies, directed at having a share from the extending global commerce size, from the aspect of the affects, that would be actualised by BIT on the whole global economy due to its general features that affect the structures outside of their own areas and also from the aspect of the developing and underdeveloped countries together with the new operation style of the global economy (Kıyan, 2008).

Knowledge shall become much more important in the future. Some evaluations related to the future economy are already being made. Rotberg and Erickson (2005) state that in transition from the current economy to the future economy; intelligence, which is acquired through processing the knowledge, shall come into prominence instead of knowledge. Because knowledge is a value. Intelligence, on the other hand, has power.

Through benefitting from the opportunities of knowledge and communication technology, preventing the elimination of the information which often repeat in conventional documents and preventing the bureaucracy / officialism, simplifying the distribution of goods, it is seen that competition and employment move towards new goods with high value added tax and continuous service types and the employment, which increases by this way, enables economic prosperity and growth.

Compiling, analysing the knowledge at the right time and through right methods and using the human and capital sources by leaning on these knowledge without wasting, providing the chance of “enlightenment on the instant” for the individual / organization with an increasing quality and effectiveness on the face of new developments, increase the efficiency in sourcing.

Rapid developments in information technologies have caused our age to be described as the information age. Rapid technological advancements cause significant changes in the micro and macro economic basis. The basic characteristics of this knowledge and communication-based new economy could be organized as follows (Tan and Uijtenbroek, 1997):
1) Continuously accelerating technological developments,
2) Intense activities of increasing information and knowledge,
3) Entering into the shortening market and shortening of the periods of product/service life cycle,
4) Globalization of the markets,
5) Dimming of the differences between the industry branches.

In the publication, prepared by the New Zealand government, which is called Knowledge Economy, the
most impressive characteristic of the knowledge technologies (knowledge and communication technologies) is that
their technological abilities continuously increase, whereas their expenditures continuously decrease. Three rules,
expressing this relation, have been set forth.

1) Moore Rule: The speed of a microchip doubles in every 18 months without a price increase.
2) Gilder Rule: The total tape extensity of communication systems rises threefold in every 12 months
   without the change of the unit price.
3) Metcalfe Rule: The value of a communication network is proportional with the number of nodes in the
   network. Therefore, while the value of being connected to a network increases exponentially, the price
   per user remains constant; it even decreases.

In a study, which takes place in one of the most prominent B2B sites of the world, alibaba.com, the
advantages to be acquired by enterprises through B2B model could be organized as follows:
An increase in the sale and profit proportions,
- Competition superiority in the internal market,
- Taking share from the global markets,
- Increase in the market diversity,
- Decrease in per-piece costs,
- Removal of time limit in terms of requirements,
- Opportunity in terms of company growth,
- Chance of acquiring new knowledge and experience.

In this structure, which developed in a more different way than conventional commerce, some remarkable
designs are observed in the expenditures of some goods and services; while new jobs are constituted, some of them
loses their significance; customer satisfaction is brought to the forefront and transparency of the market, on the other
hand, strengthens the constitution of the open market for now. In parallel with these developments, globalization of
the competition forces the enterprises to make more investments in knowledge, intellectual staff and knowledge
technologies. Because, the most important conditions of competing are constituted in the basis of the knowledge.
Spread of electronic commerce affects areas like international commerce, employment, education, culture and social
life; rapid innovations, which are almost impossible to estimate, emerge.

Development and fall of information technologies provide the enterprises the opportunity to be able to do
business on global level. Today, where the computer technologies and internet usage increase, electronic commerce
can address to the global market more easily, therefore, market potential could be greater compared to conventional
commerce.

The basic parameter of the condition that knowledge and knowledge technology terms the era we live in, is
the fact that knowledge is the source of prosperity. The investments, which are made in knowledge and knowledge
technologies provide positive effects for the growth of the countries in the long term.

Spread and fall of the internet bring a significant time and expenditure possession in providing the valuable
information, which are difficult to acquire. The fact that internet is more rapid and cheap compared to other mass
medium, increases the opportunities for the enterprises of developing countries to acquire competitive environments
more easily.

The increase of the strength and efficiency in the resource distribution by electronic commerce could also be
provided through the decline of production costs. It is observed that electronic commerce has a cost- diminishing
effect in the commercial relationships of the enterprises with customers and other enterprises.

Developments in knowledge and communication technologies increase the significance of services sector in
the economic structure and they reveal structural changes in labour-markets. As a result of this change, some
developments in favor of knowledge and communication technologies and services sector occur, while reductions in
other employment areas may arise.

On the other hand, the development of electronic commerce causes the increase of the need for qualified
labour force with a higher education in the field of knowledge and communication technologies. The enterprises,
which perform operations such as introduction, distribution and inventory tracking in the electronic environment, can
easily meet the consumer requirements thanks to the flexibility of the virtual environment.
Developing Global Economy

The correlative connection between knowledge and communication technologies is frequently emphasized. Knowledge and communication technologies have enabled globalization by increasing the communication speed and decreasing the expenditure, providing a much more rapid and cheap integration, facilitating the distribution through territorialising many products and activities with the help of integrated networks. Through establishing direct and rapid communication connections, knowledge and communication technologies decreased the economic distances, acquired possession from the time which is required for the coordination of the activities of the business world, declined the conversion expenditures and made the financial markets active for 24 hours in the size of countries and continents. In brief, knowledge and communication technologies is a strong factor that functions in favor of the integration of the world economy.

The increase of the technological developments made the whole world a single market. Today, the globalization, which establishes strong and correlative connections between individual economies and societies and consequently, which makes psychological and economical distances and differences between the societies meaningless, is a concept, which describes the new tendencies, that emerged during the last quarter of the twentieth century within the world economy. In a much more special context, it is a concept, required for international dependence and international cooperation.

Knowledge and communication technologies depict its effect on the growth through different channels because of its multi-dimensional nature:

1. Total production increases through producing new products and services (such as computer equipment, digital equipment, magnetic card machines and applications, fax machines, mobile phones, satellite broadcastings and new financial services). New business opportunities occur rapidly in these sectors.

2. Efficiency increases through new methods, that find field of application in the production processes such as electronic commerce and computer-aided robots. Within this context, knowledge and communication technologies could be accepted as a significant production factor, which contributes to the growth of the total production factors together with unqualified labour force, physical capital, human capital and land.

3. Economic efficiency increases through internet sales, digital advertisement, cross-border production, new marketing, organization and management techniques.

The number of the new products and services, which is executed in connection with knowledge and communication technologies, geometrically increased in the last decade.

Increasing Global Competition

Together with the increase of the market size, the elements of competition change and enterprises have to recheck their competition strategies. Sometimes, a cooperation with opponent companies may be compulsory and sometimes the companies, which carry on their activities in different sectors could become opponents in the virtual environment. The fact that entering into electronic commerce market has a low cost, strengthens the possibility of coming across with new opponents at any moment.

As the competition increases, marketing CEOs continue to reveal new human requirements through developing more aggressive methods. There is no way of competing with product, price, distribution and promotion tools, known as marketing composite, any more. Therefore, the rate of meeting the human requirements by new pursuits and products in a better way, the quality of products, customer-based approaches shall gradually increase. Competition has increased the numbers of market segments, as well, and niche marketing, which addresses to very attentive features, is developing since classical market segment methods could no longer respond.

Increasing competition changed the marketing process, as well as the organizational structure. Beginning with the determination of the customer necessities, marketing changed as producing the most convenient product for the customer requirements and presenting them to the customer and by this way, acquiring profit. On the other hand, together with embedded marketing understanding, marketing became the task of everyone in the enterprise. Kotler stated as, “marketing is a too large subject to be left only to the marketing department” (Kotler, 2000).
Since enterprises go into a cutthroat competition in the whole world market in order to find demand for the increasing amount of production and supply of product variety, global competition emerged. Today, where expanding into international markets have become easy, and even the direct investments have come to the levels of convenience in the home country, the global competition has increased. While country borders are not considered as a problem in production and marketing, it is seen that in which country the product is produced is no longer considered to be significant. Because on condition that what the future scientists have already stated comes out right, China, where 25% of today’s production is made, shall become a country on which 50% of the economy of the world countries would be dependent, in 2025.

Concerning this subject, the following information are included in Global Trends 2025:A Transformed World (2008):

Economy giants of Asia – China and India – are going back to their positions prior to two centuries, when they produced respectively 30% and 15% of the world prosperity. For the first time since the 18th century, China and India have been determined as the countries, providing the greatest contribution to the economic growth worldwide. It is possible that these two countries overpass the GSMH of other economies, except of USA and Japan, until 2025, however they shall keep dropping behind for years, from the aspect of the income per capita.

**Changing Marketing concept**

As a result of the development of technology and global developments, enterprises had to change their organizational structures and marketing became the most important function through getting ahead of production. By this way, production systems started to begin with marketing, rather than production. Some changes occurred in the marketing concept through the development of the consumer market, which changes with the increase on the educational levels of the consumers, technology and globalization. This new marketing concept has more different characteristics than that of “Conventional Marketing”.

Changes in the marketing developed depending upon the development of technology, globalization and the increase of the educational level of the consumer. Depending on this change, the description, composite and role of marketing and the organizational structure of the enterprise changed, as well. In the period of change, relation marketing developed, the customer was placed in the centre of the enterprise, the concepts of value-producing and value-transmitting developed and market-directedness became the basis (Varinli, 2006).

The changes could be organized as follows:

- Supply became much greater than demand,
- Very significant developments occured in marketing, particularly during the period after 1990s,
- Determining the customer requirements and necessities in the target market, providing satisfaction started through manufacturing in a convenient way for it and presenting it to them,
- Every unit of the enterprise started to function coordinately (embedded marketing), marketing became the task of all employees of the enterprise,
- Profitability, directed at the consumer in the long term, became the target,
- Since the competition was too intense, the search for innovation increased each day,
- Value-based marketing concept developed,
- Market-oriented management and the marketing concept started to dominate.

According to this change, some significant changes in the marketing composite occured, as well, and the marketing composite, which is known as 4Ps, started to be described as Customer, Cost, Convenience, Communication –known as 4Cs- instead of Product, Price, Place and Promotion (Kotler, 1998:92).

Marketing concept changed after the conventional marketing and many new marketing techniques were developed. Modern marketing, social marketing, green marketing, guerilla marketing, post-modern marketing, one-to-one marketing, customer-oriented marketing, value-based marketing, etc. could be given as examples to them.

**Developing Human-Oriented Processes**

Human-oriented approaches, that place humans at the centre and dignify them, affect all the enterprises increasingly day by day. Human-oriented approaches have become even stronger together with the development of globalization and technology, increase of the educational levels of the people, fall of transportation and communication and the spread of the total quality management processes.

Today, the performances of the people are constantly becoming easy through the sense of “everything is for humans” in the human-oriented approaches.
Human-oriented approaches provide a brand new ground, that would gain the advantage of a sustainable competition in the enterprises. Human-oriented approaches replace the product or process technologies, marketing or advertisement strategies, which have the authorities of conventional competition, and the advantages, dependent on the capital power. Comparing with the conventional factors that constitute a competition advantage, it is much harder to be able to imitate or copy the human-oriented competition elements. For instance, every enterprise imitates the products or business secrets of a famous enterprise. However, it is very difficult to imitate the culture of an organization, which is based on human-oriented approaches (Schneider and Benjamin; 1993; p. 42).

While human-oriented approaches in the enterprises primarily aim to constitute an organization culture with employees, who are considered as internal customers, a customer-oriented approach is adopted for the external customers. Customer-oriented approaches constituted an alliance of systems, such as customer-oriented marketing, relation marketing and Customer Relations Management, which gradually develops.

Developing Customer-Oriented Approaches and the New Sense of Marketing: Customer Relations Management (CRM)

Knowing the requirements and necessities and even the expectations of the customers is very significant in terms of the path to be followed during the acquirement of the customer satisfaction. Today, the enterprises support the standards, such as ISO 9000:2000, ISO 9000:2001 and ISO 10002, aimed at developing the quality, in order to provide customer satisfaction. In this case, good practice of enterprises by concentrating on the issue of customer-orientation becomes compulsory (Kağnıcıoğlu, 2002).

The concept of customer relations management is a result of today’s sense of marketing. The competition power of enterprises has always required being different. Since differentiations, acquired through technological innovations are not long standing today, it shall not be possible to go to the customers of the enterprises with a unique sale proposal in the long term. Therefore, customer relations are depicted as one of the most important ways of differentiation. The continuing relations, devotions and gradually increasing purchase behaviors of the customers are the values to protect the enterprises under strong competition conditions (Demir and Kirdar, 2006).

Customer Relations Management could be accepted as an application of one-to-one and relational marketing, which takes the knowledge about what customers state about their expectations from the product and knowledge, collected by the enterprises concerning their customers as base and which responds to the customer personally (Ryals and Pane, 2001: 4).

Although the main reason that requires the materialization of Customer Relations Management applications is competition, it also is a need of the respect and importance, given to the human, together with the increase it provides in the service quality of the customer relations management (TaĢpınar, 2005: 19).

Customer is the most important information source in the Customer Relations Management. It is compulsory for the business process, which includes producing and presenting product or service, to concentrate on the values, perceived by the customer in today’s competition environment (Goldman, et al., 1996).

Customer Relations Management (CRM) is the life prescription of enterprises today, where competition with the elements of marketing composite have become difficult, global competition has increased, technology and internet have spread, human values have come into prominence and expectations have increased.

Conclusion

Due to mass production, which started with industrial revolution, and the fact that sale became harder than production and the increase of global competition during the 21st century, marketing started to be forced. While things to be produced can not be found since everything is already produced now, marketing has started to be forced although the movements are made in accordance with considering every way as lawful. Why did this happen this way? What has changed since the 19th century until today?

- ICT, knowledge and communication technologies developed, became cheaper and spread,
- Internet technologies developed, became cheaper and spread,
- Web systems developed and became cheaper, systems like B2B spread,
- Other end of the world became accessible through e-commerce,
- Global enterprises, functioning for 24 hours, were established,
- Total knowledge in the world increased, and access to the knowledge (communication) became easy,
- Knowledge became strategic,
• The importance of knowledge and knowledge-concentrated sectors increased,
• Global economy developed,
• The number of products became greater than before, supply was much greater than demand,
• Competition increased excessively,
• Fields of competition decreased,
• Competition case of the enterprises was removed together with marketing composite,
• Search for competition continues in new fields,
• Market segments increased, very attentive Market segments were constituted,
• Human-oriented processes started to come into prominence, everything started to be made for humans,
• Transportation and communication increased and became cheaper,
• Automatic Recognition and Data Collection (ARDC) systems developed and spread,
• Customers became traceable at any moment,
• Data mining developed, spread and became cheaper,
• Marketing systems developed,
• New marketing techniques were developed,
• Organizational structures of the enterprises changed,
• Marketing became the most significant function in enterprise, through getting ahead of even the production,
• Production systems started to begin with marketing, rather than production,
• Customer-oriented production and marketing approaches developed,
• Customer Relations Management (CRM) was developed,
• Marketing became=CRM

References


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