

Relationship between Customer Relationship Management and Marketing Performance

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Abstract

This paper aims to find out the theoretical foundations of customer relationship management and its relationship with marketing approaches from different perspectives. CRM was derived from systematic comparative analysis of the relevant relationship marketing literature, there are additional elements that relating to the important of focus on main customers, the organizational efficiency and customer knowledge management elements and their influence on the marketing performance. The study findings concluded positive relationship between CRM and marketing performance. In additional to, being effect of the dimensions of CRM on marketing performance in financial institutions. The study treats the question of CRM and its relationship marketing performance for marketing academicians and professionals by investigating structural relationship among focus on main customers, the organizational efficiency and customer knowledge management, and marketing performance.

Keywords: *Customer Relationship Management (CRM), Marketing Performance, Relationship Marketing.*

Introduction

As a logical result of the appearance of the concept 'Relationship Marketing' since the 1920s, the concept 'Customer Relationship Management' (CRM) has been brought to attention in late nineties, especially among the academics and practitioners,. The new concept has directed the attention towards various vital aspects, including the necessity of direct relationship between customers and marketers, the importance of keeping current customers, as well as the inevitability of building long-term relationships with customers instead of the customer-oriented transaction method in order to augment the profitability of the institutions, especially in today's increasingly competitive economy (Ismail & et. al., 2007, p.16; Jayachandran & et. al., 2005, p.177).

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Therefore, the organizations have directed their attention to CRM and abundant investing in the necessary infrastructure, with special concern to the great advance in Information Technology (Ismail & et. al., 2007, p. 16; Jayachandran & et. al. 2005, p. 177). Some considered, therefore, that improving the performance could be achieved through directing more attention to CRM (Malmi & et. al., 2004, p.2).

Now, CRM is considered one of the most important targets in about 60% of the projects around the world. Great advance in technology helped in better dividing of the market territories, enhancing communications with customers, providing an environment rich with information so as to contribute in improving efficient strategies to deal with customers. Possible to say that CRM systems would only have more future realization and understanding on the part of the beneficiaries if they were easy to use and carry out. In a modern study of De Paul University about the best practices of sales administration, only 50% of companies of which sales reached more than one million dollars- admitted that they practice CRM, and only 55% of these companies made it clear that their CRM programs greatly helped establish relationships with customers. While, 81% of the companies, which achieved sales of less than 100 million dollars and adopted ready-made CRM programs, admitted that these programs were useful; 75% mentioned that they helped establish customer relationships.

Generally speaking, the easier the system is, the stronger it can help establish customer relationships. Accordingly, the future of CRM technology signals essential improvements in CRM systems, which would be able to improve electronic and direct marketing programs, enhance prediction models, improve planning systems of the project resources and change the framework and the organizational culture. Consequently, this will lead to better manage selling teams, enhance sales and increase the investment revenue rate in addition to helping users understand the advantages that they would gain. In conclusion, achieving the above depends on the ability to simplify systems and provide time for users to learn be experienced and skilled in CRM (Baran. 2008, p.p. 474-488).

Concept of CRM

Writers diverged in formulating a specific definition for CRM. This divergence may be owed to a difference in the scientific background of these writers. To begin with Swift (2000, p.p. 12-13) defined CRM as a method of understanding the customer behavior through intense communication with him/her to improve the performance which is represented in attracting the customer, keeping him/her and increasing his/her loyalty and profitability. It can be noticed that this definition regards CRM as mere communication on the part of the organization to understand the customer's behavior. Stone & Findlay (2001, p. 167) defined CRM as the organization carrying out a lot of information about the customer from various resources and keeping it in order to divide the territories, analyze and reuse. This definition regards CRM as only collecting and recording information about the customer. Fross & Stone(2001, p.1) defined CRM as the company use of its abilities in the field of research methodology, technology and e-commerce in order to manage customer relationships. This definition for CRM regards it as the ability to use technology in the domain of dealing with

customers. Parvatiyar & Sheth (2002, p.5) mentioned that CRM is a comprehensive strategy that includes the process of acquiring certain customers, keeping them and cooperating with them to create a distinguished value for both the company and the customer. This strategy requires integrating the functions of marketing, sales, customer service and exposition chain so as to achieve the highest competence and efficiency in delivering value to the customer. As it shows, this definition regards CRM as a strategy with a main goal of delivering a distinguished value to the customer through improving the marketing productivity.

On the other hand, Payne & Frow (2005, pp.167-168) demonstrated that there are various points of view related to the concept of CRM. Whereas, some points of view were in favor of regarding CRM as correspondence in direct mail, a diagram for customer loyalty programs or databases, other points of view regarded it as an assistant office work or a call center. Still, some considered it data storage or taking care of data search and processing. Finally, some considered it gaining the systems that make it able to perform e-commerce. Payne & Frow (2005, p.168) mentioned that the obvious lack of accepted and appropriate definition of CRM may lead to the failure of the project of CRM, particularly if organizations adopt the limited point of view, which is related to specific technology (the technological dimension). Therefore, the two researchers tried to put a more comprehensive definition which pays attention to the strategic point of view. So they defined CRM as a strategic method related to creating a distinguished value for the contributors through improving good relationships with the main customers and other customer categories, as it (CRM) seeks to unify the strategies of marketing using relationships and information technology to create profitable, long-term relationships with customers and other parties. This value is created through providing good chances to use data and information to understand customers and provide them with value. Consequently, this requires the integration of customers, individuals and marketing abilities, which happens through information, technology and applications.

Kumar & Reinartz (2006, p.6) agreed with the above definition that CRM is merely a strategic process by which the institution's more profitable customers are chosen, and interactions between this institution and these customers is determined, in order to achieve the goal of maximizing the present and future values for customers. Unlike all the above Ramaseshan (2006, p.196) defined CRM from the employment point of view as a process of achieving a continuous dialogue with each customer on their own, using all the available means to know the quantitative expected response of that customer as a result of practicing marketing activities to the degree that maximizes the general profitability of the organization.. It is clear that this definition only concerns about short-term CRM, and not long-term CRM. Brink & et.al., (2006, p.5) defined CRM as a definite marketing activity by which the institution prepare its customers to use its resources to produce and market a valuable product for them. CRM aims at two goals: supporting the social cause and improving the marketing performance.

In an attempt to summarize the most important concepts of CRM, Zablah & et. al., (2004, pp. 475-489) demonstrated that there are five points of view for defining CRM. The points of view are the process, the strategy, the philosophy, the ability and the technology .Table (1) demonstrates the most important differences among the above points of view (Zablah, 2004, p.578). It also demonstrates that since there are various points of view related to CRM

concept, writers have not reached an agreement on that concept. In the light of the above, then, the researcher has tried to put a definition that suits the goal of the present study. This definition is: CRM is the activity which is interested in the main customers of the organization, in the efficiency of organization and in the customer knowledge management, with the aim of enhancing the effectiveness of the organization decisions related to customers, leading, therefore, to the improvement of the marketing performance in particular and the organizational performance in general.

Problem of the research

Reviewing the above studies indicated a shortage of such studies in the field of CRM and its relationship to marketing performance, either on the level of different kinds of companies in the one hand or on the level of financial institutions in the other. Not to mention that most of these studies did not provide a theoretical or a practical model for the relationship between CRM (from the marketing point of view) and marketing performance in the financial institutions. According to the above, the main problem of the research is "the extent of the relationship between CRM and marketing performance in the financial institutions of Bangladesh.

Hypotheses of the research

In the light of the problem and goals of the research, the study hypotheses can be formulated as following:

Hypothesis 1:

It is expected that no statistically significant correlation be found between CRM and marketing performance in the organizations subject to the study.

This hypothesis leads to the following sub-hypotheses:

- It is expected that no correlation of statistical significance be found between focusing on main customers and the marketing performance.
- It is expected that no correlation of statistical significance be found between organization efficiency and the marketing performance.
- It is expected that no correlation of statistical significance be found between customer knowledge and the marketing performance.

Methodology of the research

Population and Sample of the research: The population of the research is represented in all the financial institutions working in Bangladesh. The researcher composed a stratified random sample consisted of 20 banks, 10 insurance companies and 69 brokerage companies., Gay & Diehi, (1992, p.141) had mentioned that the acceptable percentage used for the purposes of scientific research is 20% ; the scholar raised that percentage to 50% in case some subjects refuse to answer the questions.

Sampling unit

The Sampling unit is represented in supervisors of senior management in the financial institutions.

Method of collecting data

The researcher depended on the interview style to collect data using the investigation list which contained 20 phrases on Likert hexagon scale to measure CRM. Performance included three phrases on a hexagon scale varied between 'better than' to 'worse than'. The researcher modified some of the phrases of the previous scale for dependent and independent variables, reduced the number of phrases from 23 phrases (dependent and independent) to 21 phrases and also reduced the scale stages to be five stages (5- likert scale) instead of six, transforming the scale to be pentagon. For simplifying, The following table (table 3) demonstrates how the questions list is designed.

Table (1): Design of investigation list

Question number	Phrase number	Number of phrases	Goal
	1-5	5	Measuring the degree of focus on main customers
X1	6-12	7	Measuring the degree of organizational efficiency
	13-15	3	Measuring the degree of customer knowledge management
X2	1-6	6	Measuring the marketing performance
X3- X9	-	-	Personal data

Data analysis method

The researcher used (SPSS) consisted of descriptive statistics in terms of means, standard deviation and variation coefficient for each item. In addition to analytical statistics in terms of spearman rank correlation, factor analysis and multiple regression analysis.

The Field Study

Data collection and response rate

The following table (2) demonstrates the number of distributed, retrieved and sound lists and the response rate.

Table (2): Number of distributed, retrieved and sound lists and the response rate.

List	Number of distributed lists	Number of retrieved and sound lists	Response rate
Banks	150	101	67.3%
Insurance companies	169	93	55%
Brokerage companies	138	67	48.5%
sum	457	261	57.1%

The above table (2) shows that the response rate was 57.1%. In the social sciences, this rate is considered reasonable, especially that one of the studies that was conducted in Bangladesh demonstrated that the response rate, in case of using other means like telephone, reached 33% (Bazar'a , 1995, p. 176). Table (2) also demonstrates that the least response rate of 48.5% was that of brokerage companies due to the hard difficulties, like the geographical scattering of these companies, the data collection team had met when obtaining data. While the highest response rate of 67.3% was that of banks because of the increasing awareness of the heads of these banks about the importance of the study topic, especially that the common trend now is improving customer relationships to improve performance.

Validity test

The researcher tested the validity of the criteria used in the study by using alpha coefficient and the coefficient of validity. According to the stability coefficient 'Cronbach's Alpha', (which measures the consistency and internal stability of elements which measure the independent and dependent variables of the study) if the coefficient is less than 0.60, the consistency and internal stability is considered weak, if the coefficient varies between 0.60 and less than 0.80, it is considered accepted. But, if the coefficient is varies between (0.80 - 0.85), it is considered good. In case the coefficient is higher than 0.85 to one, it is considered excellent. Generally speaking, the closer the Alpha coefficient is to integral one, the more it is considered consistent and internally stable. As for the credibility coefficient, it demonstrates how credible are the answers of the investigated subjects. So, If the coefficient is higher than 0.70, this means high credibility in the answers of the investigated subjects (Sekaran, 1992, pp.173-287)

The next table (3) demonstrates the validity test of the investigation list used by the researcher as follows:

Table (3): The validity test of the investigation list

Question	Sub-items	Number of	Value of Alpha	Value of credibility
		phrases	coefficient	coefficient= $\sqrt{\text{Alpha}}$
	1-5	5	0.85	0.92
First	6-12	7	0.861	0.93
	13-15	3	0.668	0.82
Sum		15	0.908	0.95
Second	1-6	6	0.845	0.92
Overall sum		21	0.806	0.897

This table (3) shows high consistency and credibility, as the Alpha coefficient reached 0.806 and credibility coefficient reached 0.897.

Testing the hypotheses of the study and the results:

1- testing the hypothesis (the relationship between CRM and marketing performance)

1/1- Analysis of the hypothesis:

To prove the validity of the first hypothesis, the researcher used many statistical tools to demonstrate the relationship between CRM with its different dimensions and marketing performance. Here follow the analyses of the results of the hypothesis:

1/1/1- Specifying the degree of correlation between CRM and its different dimensions and the marketing performance.

The researcher used Spearman rank correlation matrix to specify the strength and the direction of the relationship between CRM with its different dimensions and the marketing performance, as shown in the following table (4)

Table (4): The degree and significance of correlation between CRM and marketing performance in the sample organizations of the research

List	Marketing performance		
	Degree of the correlation	Level of significanc	Significance
CRM	0.765	0.000	significant
1- focusing on main customers	0.618	0.000	significant
2-Organization efficiency	0.736	0.000	Significant
3- Customer knowledge management	0.607	0.000	Significant

From the above table (4), the researcher noticed that:

1. There is a positive, strong direct and statistically significant correlation between CRM and marketing performance in general, as the correlation coefficient was 0.765 at less than 0.01 level of significance, which signifies the presence of an effect of CRM on the marketing performance of the research sample organizations.
2. There is a positive, strong direct and statistically significant correlation between focusing on main customers and marketing performance, as the correlation coefficient was 0.618, at a level of significance less than 0.01.
3. There is a positive, strong direct and statistically significant correlation between focusing on main customers and marketing performance, as the correlation coefficient was 0.736, at a level of significance less than 0.01.
4. There is a positive, strong direct and statistically significant correlation between customer knowledge management and marketing performance, as the correlation coefficient was 0.607, at a level of significance less than 0.01.

The above demonstrates that CRM along with its different dimensions has a strong relationship with marketing performance, as focusing on main customers, taking care of them, organization efficiency and effective customer knowledge management may lead to enhancing the marketing performance. Therefore, we can say that CRM leads to enhancing marketing performance.

1/1/2 Specifying the importance and proportional strength of the items of each item:

The researcher used factor analysis to specify the importance and proportional strength of the items of each variable, as the table (5) demonstrates. The table (5) -which demonstrates the results of factor analysis-, shows the following:

- * The standard of sample sufficiency for all variables is more than 0.50, which signifies that the sample is sufficient to carry out the factor analysis.
- *The significance of correlation for all the research variables is less than 0.01, underlining the significance of correlation between the items of the main independent variables and the items of the dependent variable.

As for the proportional importance between the items of each variable, the following can be noticed:

For the main independent variable (CRM), the most important item was the financial institution's exerting much effort in order to discover the needs of its main customers, as this item got a proportional strength of 0.789. The item related to the possibility of customers' prediction of the exact time of doing their services was the least important item, as it got a proportional strength of 0.433. The researcher may attribute this lack of importance to the difficulty the service provider's find in controlling the time of service performing, as this control depends on the kind of the requested service, the kind of the customer (individuals, organizations) and etc.

For the secondary dependent variable (focusing on the main customers), the most important item was the institution exerting a lot of effort so as to discover the needs of its main customers. This item got a proportional strength of 0.828. The less important item, which got a proportional strength of 0.751, was that represented in the much care given to the main customers by the employees of the financial institution, thus proving the insufficient care the main customers received from the financial institution.

As for the secondary dependent variable (the organization efficiency), the most important item was the financial institutions' assessment of their employees' performance and rewarding them on basis of their capability to successfully answer and serve the needs of the customer; this item got a proportional strength of 0.762. While the least important item was represented in, the financial institutions' specifying of the necessary time and resources needed for CRM, for this item got a proportional strength of 0.719, representing a weak point in the financial institution.

For the secondary independent variables (CRM), the most important item was represented in the financial institutions' understanding of the needs of their main customers, as this item got a proportional strength of 0.813. While the least important item was represented in, the availability of continuous two-way communication channels between the financial institutions and the main customers, as this item got a proportional strength of 0.747.

For the dependent variable (the marketing performance), the most important item was 'the help of CRM in attracting new customers', as this item got a proportional strength of 0.798. While the least proportional strength was that of the item of the contribution of CRM in the preservation of current customers, as this item got a proportional strength of 0.705, meaning that the research sample regards that what concerns the financial institutions most is the necessity for the help of CRM in attracting new customer.

Table (5) Importance/ quantitative strength of the items of each variable

Independent and dependent variables	Sample sufficiency measurement	significance of correlation	The percentage of what the dimension explains of the whole variety of standards	The arrangement of the importance or proportional strength of the items of all variables in a descending order	
				Items	Proportional strength
1- CRM (1-15)	0.908	0.000	43.947%	4	0.789
				7	0.729
				6	0.715
				5	0.705
				11	0.694
				10	0.684
				3	0.681
				8	0.680
				9	0.673
				1	0.673
				12	0.661
				2	0.627
				15	0.604
				13	0.517
14	0.433				

2- focusing on the main customers (1-5)	0.813	0.000	62.521%	4	0.828
				1	0.809
				3	0.795
				2	0.768
				5	0.751
3- organization efficiency (6-12)	0.864	0.000	54.586%	10	0.762
				11	0.758
				12	0.736
				7	0.734
				8	0.733
				6	0.728
				9	0.719
4- customer knowledge management (13-15)	0.650	0.000	60.120%	15	0.813
				14	0.764
				13	0.747
5- marketing performance (1-6)	0.874	0.000	56.390%	2	0.798
				3	0.768
				5	0.752
				4	0.743
				6	0.736
				1	0.705

Results of analyzing the first hypothesis:

From the above analysis, it appears that the first hypothesis is invalid.

Conclusion and Recommendations

Through the results concluded in this study, it is possible to present the following recommendations to the financial institutions in general as follows:

As for CRM and its different dimensions:

1/1- The necessity for the support and participation of the researchers and practitioners to reach a definite definition of CRM and its different dimensions so as to contribute to improving the theoretical and practical thinking.

1/2- People in charge of financial institutions management must enthusiastically support the organizational culture about CRM. This support consists of two parts:

The first part is the responsibility of the country as a whole for providing these institutions with the necessary financial resources to establish administrations responsible of CRM and provide the senior management with the necessary recommendations to take the decisions that would maximize the use of the process of focus on main customers, organizational efficiency and customer knowledge management, which may lead eventually to improve the organizational performance in general and the marketing performance in particular.

The second part is the responsibility of universities and scientific research centers, as they are to conduct different researches concerning CRM and its different effects and offer the conclusions of these researches to the branch of financial institutions to improve their processes and enhance their performance.

1/3- The necessity that different organizations such as ministries, trade chambers, banks, universities and etc. hold symposiums, conferences and lectures to treat CRM and its different effects, that businessmen are encouraged to tackle this topic and that its importance is explained in the different publication media; visual, audible or readable.

1/4- Encouraging the different centers to set up training programs which treat CRM and the various related topics.

1/5- The necessity that the country and its different bodies take care of preparing certificates of merit and offering them to the best financial institutions that could establish integral institutions for CRM and exceed due to them.

As for adapting the organizational climate:

The people- in- charge of the financial institutions' comprehension of the importance of CRM is not enough. Also the organizational climate must be adapted through spreading the culture of CRM among the employees of the financial institutions, holding symposiums for them, pushing them towards specialized training programs and discussing openly and transparently with them the advantages resulting from a good application of CRM. Besides, employees should also know how to make use of these advantages, keep them and enhance them.

General recommendations

-Attention must be paid to the presence of information systems, so that they are supported with all information related to customers in order to support decision-making.

-It is necessary to promulgate the culture of marketing through relationships based on the presence of long-term relationships with the customer through the commitment to satisfy his/her needs and the great concern about quality on the part of each individual in the financial institution.

-Customer-orientation through understanding the market and directing the resources of the financial institution towards achieving the desires and the needs of the customers and measuring the ability to provide a value for the customer.

Future Research

The researcher suggests some researches that the academics and the researchers can conduct in the future:

1. Studying the scope of the effect of CRM on the general performance of the financial institution.
2. Studying the degree of the integration of the financial institution in the light of CRM.
3. Assessing the performance of Bangladeshi financial institutions in the light of CRM (comparative study).
4. Studying the role of CRM in supporting information systems and the effect of this support on the quality of the organizational decisions taking.

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