

Customer relationship management in small–medium enterprises: The case of Turkish tourism industry

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Abstract

In this study, the factors influencing the implementation of customer relationship management (CRM) at small and medium-sized tourism enterprises in Cappadocia were analyzed. The findings of the research indicate that communication-distribution infrastructure, business dynamics, customer relations and innovation-quality factors affect CRM. Business dynamics plays an especially critical role in customer relations. It was also determined that the most important barriers to small and medium-sized enterprises (SMEs) in the tourism sector are inadequate supporting budgets, lack of senior management commitment to CRM and poor communication.

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1. Introduction

Globalization, increasing competition and advances in information and communication technology has forced companies to focus on managing customer relationships in order to efficiently maximize revenues. Customer relationship management (CRM) is the key competitive strategy businesses need to stay focused on the needs of the customers and to integrate a customer-facing approach throughout the organization. By using information and communication technology, businesses are trying to get closer to the customer so that they can create long-term relationships. Thus, deploying CRM initiatives has become very common. This study aims to define the main factors influencing the implementation of CRM and to identify factors which prevent CRM from being implemented by using data collected from

small and medium-sized tourism enterprises in Cappadocia. Initially a theoretical outline of CRM will be discussed. Then, based on empirical research results, various aspects of CRM implementation in SMEs in the tourism sector will be analyzed.

2. A framework for CRM

2.1. The definition and the scope of CRM

Increasing competition and decreasing customer loyalty have led to the emergence of concepts that focus on the nurturing of relationships to customers. Therefore, there is a major change in the way companies organize themselves, as businesses switch from product-based to customer-based structures. A key driver of this change is the advent of CRM which is underpinned by information and communication technologies (Ryals & Knox, 2001).

Day and Van Den Bulte (2002) define CRM as a cross-functional process for achieving a continuing

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dialogue with customers, across all their contact and access points, with personalized treatment of the most valuable customers, to increase customer retention and the effectiveness of marketing initiatives.

CRM refers to all business activities directed towards initiating, establishing, maintaining, and developing successful long-term relational exchanges. CRM is the set of methodologies and tools that help an enterprise manage customer relationships in an organized way (Lawson-Body & Limayem, 2004). In other words, CRM can be defined as an interactive process achieving the optimum balance between corporate investments and the satisfaction of customer needs to generate the maximum profit. It involves (Gebert, Geib, Kolbe, & Riempp, 2002):

- Measuring both inputs across all functions including marketing, sales and service costs and outputs in terms of customer revenue, profit and value.
- Acquiring and continuously updating knowledge about customer needs, motivations and behavior over the lifetime of the relationship.
- Applying customer knowledge to continuously improve performance through a process of learning from successes and failures.
- Integrating the activities of marketing, sales and service to achieve a common goal.
- Implementing appropriate systems to support customer knowledge acquisition, sharing and measuring CRM effectiveness.
- Constantly flexing the balance between marketing, sales and service inputs against changing customer needs to maximize profit.

CRM is an active, participatory and interactive relationship between business and customer. The objective is to achieve a comprehensive view of customers, and be able to consistently anticipate and react to their needs with targeted and effective activities at every customer touch point (Piccoli, O'connor, Capaccioli, & Alvarez, 2003).

CRM is essentially a two-stage process. The task of the first stage is to master the basics of building customer focus. This means moving from a product orientation to a customer orientation and defining market strategy from outside-in and not from inside-out. The focus should be on customer needs rather than product features. Businesses in the second stage are moving beyond the basics; they do not rest on their laurels but push their development of customer orientation by integrating CRM across the entire customer experience chain, by leveraging technology to achieve real-time customer management, and by constantly innovating their value proposition to customers (Rygielski, Wang, & Yen, 2002).

2.2. The importance of CRM

Customer focus and attention to customer service is not a new concept. It is certainly a business dynamic that has been recognized for a long time by more people than the management gurus such as Peter F. Drucker. CRM is more evolution than revolution. Thus, achieving the full potential of each customer relationship should be the major goal of every business (Boxwell, 2000). Particularly, customer relationships play a major role in the competence development of SMEs (Skaates & Seppanen, 2002). SMEs are embracing CRM as a major element of business strategy, because technological applications permit a precise segmentation, profiling and targeting of customers and competitive pressures require a customer-centric culture (Gurau, Ranchhod, & Hackney, 2003).

To survive in the global markets, focusing on the customer is becoming a key factor for SMEs. It is known that it takes up to five times more money to acquire a new customer than to get an existing customer to make a new purchase. Hence, customer retention is in particular important to SMEs because of their limited resources (Baumeister, 2002). Moreover, a dissatisfied customer causes market damage because they are more likely to defect to competition and more likely to persuade others to defect. It is therefore no surprise that CRM is an important topic of conversation in business world (Feinberg, Kadam, Hokam, & Kim, 2002).

CRM is the strategic application of people, processes and technology to improve and sustain profitable relationships with customers and partners. CRM provides transform organizations into customer-centric enterprises that maximize the value of every customer (Skaates & Seppanen, 2002). CRM is based on the ability to facilitate communication and decision-making to provide consistent, high-quality, and cost-effective services to all stakeholders (Andrade, 2003). CRM can help businesses enhance their customer relationships by attracting more profitable customers and establishing stronger and more durable customer relationships (Falk, 2004). CRM gives sales force more time to sell, improves customer response times and quality of customer service, and allows marketing to better understand customer issues and trends. At businesses, CRM philosophy leverages best practices that value customer information as a corporate asset. It is committed to helping businesses implement strategies and solutions improving the way they sell, communicate service and analyze customers (Skaates & Seppanen, 2002).

CRM is currently one of the hottest topics in the fields of business strategy, marketing management and information technology. CRM differs from traditional marketing initiatives (see Table 1). CRM is also a cross-functional philosophy that calls for substantial business

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