

DESIGNING A MODEL OF CUSTOMER RELATIONSHIP MANAGEMENT FOR A MOBILE PHONE COMPANY

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Abstract

Customer relationship management refers to establishing, maintaining, developing and optimizing the relations between an organization and its customers and focuses on understanding and meeting its customers' wishes and demands, the core items of the business strategy of any performant company. This paper aims at designing and testing a model of customer relationship management applicable within a mobile phone company. Starting from this purpose, the main objectives of the research were: presenting the concept of customer relationship management; the importance of companies' orientation to the market; identifying a model of customer relationship management and, not least, analyzing the efficiency of this model. The results lead to the conclusion that the model of customer relationship management is extremely effective in the mobile phone industry, bringing significant profits.

Keywords: customer relationship management, customer orientation, CRM model, efficiency

JEL Classification: M19, M31

1. Introduction

An efficient customer relationship management involves developing an organizational culture that has at its core the customer. Promoting customer orientation throughout the organization is a priority. The marketing department or service should not be the only one to get close to the customer, by increasing customer satisfaction. The promise of a company to its customers can be met fully and continuously only through the horizontal integration of all its functions, while that company's resources and processes focus on meeting the customer expectations.

According to the philosophy of customer relationship management, is it not enough for a company to focus on the market, it is necessary to focus on each individual customer and on his or her expectations. Therefore, developing, maintaining and updating the customer databases have great importance in making CRM strategies and programs. The company becomes a real partner for the customer, being able to provide value and long-term solutions. Transactions have a secondary role, while customer relationship and net profit flow have prime importance during the entire collaboration.

This paper proposes a model of a CRM program applicable to a mobile phone company. How could this program be built most effectively?, how much would be the cost for each stage?, what would be the profit or loss recorded on each stage? ... these are the questions we intend to answer in this paper.

2. Presenting the concept of customer relationship management

Customer relationship management (a concept known in literature and business practice as **CRM**) has developed into a major element of the business strategy of many companies and it is based on creating and developing personalized relationships with customers in order to increase their profitability. A CRM strategy (Peppers, D., Rogers, M., 1999) [18] allows a rapid adaptation to the changing organizational behavior on the market, so that the company applying it could better meet the wishes and demands of its customers during the stages of their life cycle: increasing the *customer* database through attracting programs, developing loyalty strategies for the existing customers and increasing their profitability through additional and cross sales.

The premise of an effective marketing was the customer satisfaction a few decades ago. Since customers easily migrated from one manufacturer to another, customer loyalty became necessary: different marketing actions and programs, benefits such as promotional offers, discounts, loyalty cards, etc. The strategies that determine customer enthusiasm have imposed lately through personalized offers targeting reference groups.

Most companies adopt an approach directed towards customer loyalty, but find that their competitors do the same and the result is a total lack of differentiation, instead of the expected competitiveness. Before establishing

satisfaction and customer loyalty as basic objectives of the companies, they should know that customer preferences and perceptions are the result of a learning process (Carpentier, G., 1997) [4]. The objective of a strategy for customer relationship management is to adapt the company to the customers' requirements, so this learning process brings benefits to the respective company. Some experts in the field of customer relationship management (Lehua, JM, 1996) [13] believe that a company should focus its efforts on its loyal customers, the only ones who deserve personalized relationships, and less on the customers with alternant consumption. The casual customers deserve a minimal service to maintain the reputation of the brand.

The concept of CRM got a new meaning by the end of the last decade of the second millennium (Bergeron, B., 2002) [2]: a strategy through which the companies manage the relationships with their customers using information and communication technology. The connecting element in developing customer relationship is the informational flow - both internal and external data referring to customers, obtained during each contact with them; thus companies may offer a greater value to their customers. The information resulted from the contacts with the customers - "the digital gold" - will help the companies to choose the most effective ways to satisfy their customers. Often managers say they are overloaded with information. Performant managers are those who quickly get the information they need to make market-oriented decisions that meet the 100% customer needs.

In the last years, the information technology development and the availability of a great number of applications have been a tremendous boost for CRM within organizations. Designing information systems for customer relationship management has become a priority for all companies that want to survive and grow in the e-business (Sleight, S., 2002) [21].

An information system for customer relationship management has two dimensions (Panait, M.) [15]: applications that act as an interface between the customer and the company, on the one hand, and tools that measure and quantify the relationship between the company and the customer, on the other hand. The first dimension includes the following functionalities: **sales automation** - activities such as managing the lists of potential customers and the respective success rates; **customer support and service** - managing customers' problems and complaints; **marketing automation** - refers to the computerization of various activities such as managing web-marketing campaigns, distributing promotional materials, using the services of some contact centers, etc. The second dimension - **Customer Intelligence Applications** [23] - quantifies the relationship for future directions of action for the company. This dimension includes three stages: obtaining relevant information from the customers, analyzing the obtained information through data-mining techniques (Berry, M., Linoff, G., 2004) [3] and making some forecasts of customer behavior based on this analysis.

3. Customer orientation – a major trend in the new economy

Customer orientation means that everything a manager does, must be based on his/her care to meet all customer's requirements, whether a customer is very profitable or less profitable, whether it is about the public sector or a non-profit organization. This should be reflected in all issues at the strategic level - setting priorities, making decisions, planning of various management projects - and the strategy should focus on the customers' constantly changing needs.

The main features of this approach prevailing in current economy are:

- orientation towards customer's repeating purchases;
- frequent and customized contacts between companies and customers;
- focus on the value offered to customers;
- proactive attitude of all employees in dealing with customers;
- high quality customer service;
- aiming at customers' "delight".

The principles of customer orientation will dominate the business mission of any organization. Serving customers must be flawlessly and should be the very reason the companies exist, determining customer loyalty and generating a high profitability.

The real "capital" of performant companies is the sum of knowledge and experience learned from customer relations that will determine their future market value (Kotler, Ph., 2003) [11].

In order to meet the promises made to their customers, companies and managers must adopt a customer orientation attitude and pay increased attention to their customers' wishes and requirements. Those companies that do so are more likely to survive during difficult periods and develop during periods of growth.

4. Modeling the customers' value in a mobile phone company

F. Reicheld, a CRM specialist, believes that "in order to manage customers like assets, they have to be capitalized as real assets, meaning to be able to forecast the length of the relation and the profits generated at every stage of their life cycle" (Reicheld, F., 1999) [19].

We propose a model of a CRM software for a mobile phone company, broken into three phases of the customer lifecycle: attraction, loyalty and value increase through additional services.

A. The stage of attracting customers

The mobile phone company launches a new type of subscription on the market. The targets are the 750,000 customers of mobile services existing in the database of the company. The marketing specialists phone directly these customers, offering them a 6 month subscription at a price of 5 euros per month. The response rate is 85% (637,500 potential customers), and the rate of offer acceptance is 14% (89,250 real customers). The average cost of a phone call is 0.7 euros. The infrastructure and operating costs are 810,000 euros. The total costs of the program in the first phase of the customer lifecycle are 1,256,250 euros, while the revenues reach 2,677,500 euros, resulting a profit of **1,421,250 euros**.

B. The stage of customer loyalty

In order to retain the customers attracted during the first stage, the mobile phone company sends an e-mail followed by a telephone call to present an offer of re-subscription for another 6 months at a promotional price of 3 euros per month. However, each customer receives through mail a flyer that explains the terms of the promotion. As a result, 75% of customers re-subscribe (66,938 customers), generating a revenue of 1,204,875 euros. The unit costs generated by this action are 1.4 euros / client (0,5 euros / promotional flyer + 0.7 euros / call cost + 0.2 euros / e-mail cost), and the operational costs reach 240,000 euros. The **profit reaches 871,161 euros** at this stage.

In order to keep the customers loyal, the customer representatives have sent them e-mails presenting their customized promotional offer of 3 euros / month, using an e-marketing program created by the IT specialists of the company.

These are the main **functions** of the CRM information system that make it **original** compared to other systems of the same type in terms approach:

- ❖ **processing customers' transactions** – the customers' invoices are recorded in the system database; this function is found in most software programs designed for customer relationship management;
- ❖ **online communication with the customers** – the CRM representatives may send the customer newsletters or any other marketing messages; the most important advantages of the relationship marketing by e-mail are:
 - unequaled opportunities to segment and monitor the relationship with each customer;
 - the lowest communication costs compared to other advertising media;
 - establishing a permanent presence of the promoted trademarks in the customers' minds.
- ❖ **managing promotions and loyalty programs** according to the score determined for each customer, based on the algorithm implemented in the program; the users of this application may be granted special offers based on some predefined scoring intervals.

C. The stage of developing relations with the loyal customers

At this stage, the company sends to its loyal customers e-mails containing an offer to subscribe to an additional data transfer service at a price of 2 euros / month, for 6 months and sends them a gift (a prepaid phone card of 3 euros). The operational costs reach 170,000 euros. The acceptance rate of this new offer is 40%. The total costs reach 214,201.6 euros and the revenues 2,008,140 euros, resulting a **profit of 1,793,938 euros**. The economic calculations of the proposed model for a mobile phone company are presented in Table 1.

Table no. 1. **Project model of customer relationship management proposed for a mobile phone company**

I. The stage of attracting customers

Target	Potential customers	Actual customers	Call cost	Other costs	Price	Period	Total costs	Revenues	Profit
750,000	637,000	89,250	0.7	810,000	5	6	1,256,250	2,677,500	1,421,250

II. The stage of customer loyalty

Target	Loyal customers	Flyer cost	Call cost	E-mail cost	Operational costs	Price	Period	Total costs	Revenues	Profit
89,250	66,983	0.5	0.7	0.2	240,000	3	6	333,713.2	1,204,875	871,161.8

Target	Acceptance rate	E-mail cost	Gift	Additional price	Operational costs	Period	Costs	Revenues	Profit
66,938	26,775	0.2	1	2	170,000	6	214,201.6	2,008,140	1,793,938

In conclusion, the company could get a **substantial profit** during the 3 stages of the life cycle for the telephony customers, a fact that highlights the profitability of maintaining and developing customer relationships.

5. Conclusions

→ Customer Relationship Management refers to establishing, maintaining, developing and optimizing the relationships between an organization and its customers; this concept got a new meaning by the end of the last decade of the second millennium, as a strategy through which companies manage the relationships with their customers, using information and communication technology.

→ Customer orientation means that everything a manager does, must be based on his/her care to meet all customer's requirements, whether a customer is very profitable or less profitable, whether it is about the public sector or a non-profit organization.

→ We propose a model of a CRM software for a mobile phone company, which is broken into three phases of the customer lifecycle: attraction, loyalty and value increase through additional services.

→ The profit of the mobile phone company, cumulated for the three stages of the CRM software, reaches **4,086,348.8 euros**; this is a significant amount, reflecting the importance of customer relationship management for any company, in general, and for the mobile phone industry, in particular.

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