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CRM Implementation: Not for profit organisations and profit-making CRM compared (Case Study)

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Abstract

The research will focus on how CRM definition will influence implementation success in a profit making organisation and a not-for-profit organisation. Special focus is placed on how implementation success can best be achieved in both profit making and NFPs. Performance appraisal methods will be explored and appraised using a case study approach.

Keywords: CRM, Customer satisfaction, customer loyalty, NFP

Introduction

In preparing for the MMU 2010, doctoral symposium the paper is aimed towards outlining CRM definition and how this influences implementation success of this business strategy. The paper will cover literature review, research objectives and research methodology.

Literature Review

Payne and Frow (2005) defined CRM as the strategic implementation of specific technological solutions to a holistic approach of managing customer relationships that simultaneously creates value both to the firm and the customer. CRM enables organisations to gain strategic competitive advantages, reduce the cost of serving customers, improves customer satisfaction as well as improve the revenue growth. These benefits accrue through identifying, attracting and retaining the most profitable customers. Greenberg (2008) highlighted that for every 5% customer's retention, profits in the auto industry increased by 28%, while the same retention percentage resulted in profit increases of 35% for the retail banking sector and a mind-blowing 50% for insurance brokerage industry. The Pareto principle states that 80% of organisational profits come from 20% of the customers, organisations need to concentrate their efforts in servicing the highly profitable clientele. Organisations need to incorporate data mining and data interrogation to provide the organisations with 360-degree view of what customers, competitors and organisational capabilities provide and ensure the creation of loyal customers.

Boulding et al (2005) defined CRM as a strategic management strategy designed to develop long-term relationships with profitable customers using information technology to gather and analyse the information. CRM literature has developed from the profit making organisations where customers who are in contractual relationships can be measured for profitability and loyalty. This is contrasted with not for profit organisations (NFPs) where donors and volunteers offer services and funding with no contractual obligations (Rothschild, 1979). This absence of exit barriers will increase the need for maintaining customer loyalty and retention in this fiercely competitive NPO market. Donors look for trust from the NPO when they

donate their services and resources (MacMillan et al, 2002). Part of this trust is ensuring that organisations use the resources gathered for the betterment of key beneficiaries and investing in CRM that has low success rates can be viewed as gambling away limited resources (Zablar, et al., 2004). Considering CRM has very high failure rates (Kale, 2004) NPO implementation of CRM could be viewed by donors as inappropriate use of limited resources. This research will aim to explore how NPO implementation can be justified in the eyes of donors.

Dimitriadis and Stevens (2008) cited that CRM should be viewed as a strategy, or as a philosophy as a capability that is technology enabled but should not be reduced to merely seen a technological tool as defined by Zablar, et al (2005). This definition is strongly supported by Jayachandran et al (2005) who highlighted that CRM should be viewed as a strategic tool located at the strategic core apex of the organization and core to the whole organization. Technology is only viewed as an aid to CRM in these definitions.

CRM allows an organization to have more customer knowledge about their most profitable customers and then develop services and offerings that will improve customer satisfaction and eventually customer loyalty (Dimitriadis and Stevens, 2008). Customer knowledge allows an organization to carry out better segmentations and targeting and come up with product and service offerings that meet customer needs better than competition thereby creating a strategic competitive advantage (Xu and Walton, 2005). Xu and Walton (2005) however also highlighted that it is not enough for customers to be satisfied, as can still defect to competition even when they are satisfied, they advocated for organizations to go beyond customer satisfaction and aim for customer loyalty, which CRM helps with. With Reichheld (1996) indicating that 65-85% of satisfied customers can still go to the competition it therefore calls on organizations to aim for customer loyalty. Fitzgibbon and White (2004) however further divided the type of loyalty to behavioural loyalty where customers are only loyal due to higher switching costs or easy of transaction and attitudinal where customers are loyal because they share the company values with the organization. Organisations should ultimately aim for the attitudinal customer loyalty that is more long lasting (Fitzgibbon and White, 2004).

This research will explore how NFPs implement and use CRM and contrast with CRM implementation and use in profit making organisation. Emphasis will be on how loyalty will be developed and measured in NFPs where there are no contractual obligations to remain in doing business with donors and sponsors.

Research Objectives

A case study approach will be conducted with NFP and a profit-making organisation. Contrasting CRM implementation in these two businesses will help highlight how CRM can be adopted in these two different sectors. To evaluate CRM implementation success the Cognitive Dissonance Model of Organisational Innovation (Zablar et al, 2004) will be used. Analysis of the three gaps for that is employee process gap, technology employee gap and process gap analysis will be used to explore CRM implementation and usage differences in these two markets. This gap model will be selected as it covers the three key success factors of people, process and technology as highlighted by Chen and Popovich (2003).

The research is hoped to highlight the differences between implementing CRM for NPOs where there are no contractual obligations between donors and NFPs and CRM implementation for organisations where there are contractual obligations. This research is hoped to shed light into the complications and differences of implementing CRM in different customer environments adding to existing CRM knowledge.

Research Methodology

A two case approach will be used. A profit-making organisation that has successfully implemented CRM will be identified, one of UK's largest NFP will be explored, and comparisons of how these have implemented CRM, what success measurements were used to appraise CRM and how the results sit in current literature beliefs.

Secondary data will be collated on financial investment by the two organisations in implementing CRM and also to analyse financial returns using return on investment (ROA) appraisal, revenue increases looking at increased sales, donations, reduced advertising costs.

Operations staff will be given self-completing questionnaires designed to gather information on responses on how CRM implementation influenced frontline workers and how this affected the roles of operatives. Interviews will be designed to gain information on how operations staff view CRM, how they view its usefulness and whether they feel CRM enhanced their jobs after implementation.

Five senior managers from the NFP and five from profit making organisations will be interviewed on how CRM implementation they defined, planned, resourced, supported and monitored throughout the organisation. Face to face, in-depth interviews and phone interviews will be used depending on practicality and resource availability. In depth, interviews are preferred for the richness of data that this can provide.

Expected Contribution to Knowledge

This research is expected to add knowledge on how organisations need to prepare for successful CRM implementation. With current failure rates of over 70% (Kale, 2004) there is still lessons to be learnt on how organisations can improve success rates. Taking a longitudinal research approach will add to existing knowledge since most published research has little such research.

The bulk of the research currently available on CRM is from profit making organisations and hence researching on NFPs will add knowledge of how these tackle CRM and also how CRM implementation and management works with customers that is donors with no contractual obligation but only moral obligation.

Proposed Research Plan

The MRes dissertation will be done on NFP CRM implementation focusing on how the process, technology and people were re-engineered to facilitate implementation. Due to time constraints, I will only interview five marketing managers in the north-west region of UK.

I am planning to design my questionnaires six months in the first year of PhD programme. I will use the first year of the PhD programme to prepare the literature review and also start communicating with the CRM vendors in a bid to identify other

CRM success stories.

Second year PhD will be used to collect primary data and analysing organisational secondary data on financial resourcing of the CRM projects. The plan is to write as I go along in the research. Since I will only be working on two case studies, gathering information will not be too complicated and I am expecting to complete the programme within the four-year projection.

Final year will be utilised for concluding the literature review, transcribe findings and prepare for submission of the final write-up. If all goes to plan I should be able to conclude the research way within the set time frame.

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