THE ESSENCE OF CUSTOMER RELATIONSHIP MANAGEMENT SYSTEMS, DEVELOPMENT THEORIES

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Abstract

This thesis explores the essence of Customer Relationship Management (CRM) systems and their alignment with modern development theories to enhance business operations and customer engagement. CRM systems have emerged as a cornerstone of strategic business practices, facilitating the collection, analysis, and utilization of customer data to foster loyalty and drive growth. The study investigates the evolution of CRM technologies, their integration into organizational frameworks, and their influence on decision-making and customer satisfaction. Drawing upon theoretical models, including systems theory, relationship marketing, and innovation diffusion, the research examines the dynamic interplay between technology, strategy, and human interaction. By synthesizing academic literature, case studies, and industry practices, the thesis provides a comprehensive understanding of CRM's transformative role in shaping sustainable business relationships and outlines future trends and challenges. The findings aim to offer actionable insights for practitioners and contribute to the academic discourse on technology-driven relationship management.

Introduction

Modern economic realities have significantly changed the theoretical and practical approaches to business management that dominated the market in past decades. A sharp technological breakthrough in the field of communications, the end of the industrial era, and the processes of globalization that have swept the world have significantly shifted the attention of researchers and managers from products and production processes to the customer and his needs. The economic crises of recent years have shown that one of the strongest competitive advantages of a company is the presence of stable long-term relationships with customers. Today, the philosophy of customer focus can rightfully be considered a new market paradigm, and the implementation of a customer relationship management strategy is one of the most profitable directions for development, especially for small business structures, which are considered to have very limited resources and opportunities to ensure stability in conditions of economic instability.

Modern research in the field of strategic customer relationship management is not characterized by an integrated approach. As a rule, specialists focus on the means of establishing customer relationships based on the study of customer needs using marketing technologies, organizing effective communication from the moment of receipt of an order from the client to its fulfillment using IT technologies, and prioritizing customer service. At the same time, due to the increasing instability of the external business environment, making decisions taking into account the current business situation, the process of establishing long-term partnership relationships is neglected, and strategic management is considered a separate area.

In practice, the approach to relationship management in organizations is considered as a complex system that includes political and legal, as well as organizational and technological elements aimed at regulating the activities of the enterprise, and currently a customer relationship management (CRM) system is considered as a specialized software solution for automating customer interactions.

At the same time, most authors believe that today simply offering a unique product or service is no longer enough to satisfy demand. A. K. Kohli and B. J. Jaworski argued that customer satisfaction is the basis for maximizing a company's profits.

T. Levitt emphasizes in his works that the most important thing is not the range of goods and services offered by the company, but the satisfaction of specific needs of consumers.

A strategic approach to customer relationship management (CRM) puts customers first as a priority of the business. Such a CRM system is aimed at collecting and analyzing information about customers and market trends in order to create the most attractive commercial offers.

In company practice, CRM strategy is often viewed as a long-term action plan aimed at improving customer service and increasing profits.

Within the framework of strategic CRM, specific goals for customer relations are formulated, which determine the direction of work. For example, strategies can be aimed at serving large customers or meeting the needs of individual customers. It is important to provide a detailed description of strategic plans, their possible results, as well as an assessment of strengths and weaknesses.

The CRM system remains one of the most effective tools, as it is integrated with other services that managers often use in their work: social networks, messengers, platforms for distributing e-mails and accepting payments, 1C and IP telephony. Companies using CRM report an increase in sales by 29%, productivity by 39%, and the accuracy of sales forecasts by 32%. They achieve high performance by automating routine business processes.

As a result of the industrial revolution that occurred at the beginning of the 20th century, a system of standardization was also formed, which created conditions for the development of products and services accessible to large segments of the population. In mass production, a unit of product is much cheaper than in small-scale production, and it is easier to include research and development, advertising costs in its cost. The main innovations were introduced precisely in the production sector, where new technological solutions allowed to reduce costs and increase the functionality of products, thereby conquering the market.

By the end of the 20th century, the situation began to change rapidly - all aspects of increasing production efficiency began to be considered: multi-million dollar investments in improving process and organizational management brought percentage points and shares in terms of increasing efficiency.

Enterprises began to understand that they could not solve the waste problem by optimizing production alone. This was especially noticeable in the service sector (telecommunications, finance, etc.), where enterprises were not concerned with the quality of products or services, but with improving the mechanisms of interaction of the enterprise with its customers (many of which are able to maintain quality at the highest level).

In industries where competition is intensifying along with the rapid renewal of technologies and products, there is also a factor of external investment. Attracting external investments is usually accompanied by the requirement for their quick return, which directly determines the necessary speed of increasing profits and, therefore, the customer base. In corporate strategy, attention began to be paid to increasing the efficiency of working with customers: adapting to the most convenient methods of communication for the client, which led to the diversification of channels for working with consumers. The consumer became the center of all efforts of manufacturers, and their satisfaction with their relationship with the supplier is a key factor in the company's success.

Some figures and facts confirm this:

- the cost of acquiring a new customer is on average five times higher than retaining an existing one;
- most Fortune 500 companies lose 50% of their customers every five years;
- a satisfied customer tells an average of five friends about a successful purchase, while a dissatisfied customer tells at least 10 friends;
- most customers pay only after a year of working with them (if a customer "leaves" before this period, it will cause a loss);
- a 5% increase in customer retention increases a company's profit by 50-100%;
- about 50% of a company's existing customers are not profitable due to ineffective interactions with them;
- on average, a company contacts an existing customer four times a year and a potential customer six times a year.

New strategies for providing quality service required the "industrialization" of customer relations, that is, freeing employees from routine operations, focusing on the process of their interaction with each specific customer, rather than with average impersonal tasks.

Customers are the most important component of the microenvironment of any enterprise. Establishing high-quality and long-term relationships with customers is one of the most important areas of development of any enterprise. In this regard, customer relationship management strategies are being developed, the main task of which is to effectively attract and retain the most profitable customers.

In today's highly competitive environment, enterprises need to pay special attention to the process of interaction with customers. If you implement a partnership marketing system, you can maintain your position in the market, as well as increase the efficiency and competitiveness of enterprises. The transition to relationship marketing means the formation of integrated relationships between the enterprise and customers, as well as the transition from competition and conflict to interdependence and cooperation. One of the elements of this type of marketing is to retain and develop relationships with existing customers, rather than attracting new ones.

According to researchers, the customer relationship management strategy is the most cost-effective way to achieve the organization's goals, and in this sense it is sometimes called the "low-cost growth strategy". Indeed, the company's own resources are sufficient for its implementation, it can be built on the basis of an existing customer base with the help of targeted management activities and minimal additional costs. However, in domestic practice, a customer-oriented strategy is not yet widespread, since its development still raises many questions and difficulties, which is mainly due to a misunderstanding of its specific features and basic processes by entrepreneurs. The modern marketing concept is based on establishing effective interactions with consumers. At the same time, the importance of studying consumer behavior is renewed every day, especially with the mass transition of consumers to the virtual environment, the emergence of social networks, and the rapid informatization of the economy as a whole. The concept of "customer behavior" is found in the scientific studies of many domestic and foreign researchers, but it is very difficult to find clearly defined definitions of the main components (consumer and his behavior). Often, the components of the concept under consideration do not correspond to the generally accepted understanding of this phenomenon, and sometimes even contradict it.

Understanding them as the same phenomenon, authors use the concepts of "consumer behavior", "economic behavior" and "purchasing behavior" as synonyms. However, for some areas of activity and research objects, the difference between these concepts is fundamental and requires additional differentiation.

Customer relationship management is a process aimed at increasing profits by developing relationships and retaining customers, achieving an optimal balance between the company's investments and customer satisfaction. In addition, customer relationship management is also considered as a set of changes that facilitate the entry of goods and services into the market in the current competitive environment. In order to improve customer relations, some companies today are striving to develop their sales quickly and instantly.

The main and ultimate goal of customer relationship management should be to better understand customers and provide them with effective service and support. However, the concept and main purpose of customer relationship management are not fully formed and are still in the development stage. Customer relationship management can be considered as a business philosophy, a business process or a technological tool.

As a business philosophy, customer relationship management helps companies maintain relationships with customers and maintain high customer value among the broader process management. As a business strategy, it is a professional customer-oriented strategy that evaluates their satisfaction and loyalty by providing a guaranteed offer and providing personalized services to each customer.

As a business process, it includes technologies used to improve long-term relationships with customers.

Some theorists, including A. Parvatiyar, D. Sheth and G. Miller, have argued that there are four aspects of customer relationships:

1. Customer identification;
2. Customer acquisition;
3. Customer retention;
4. Customer development.

In the enterprise management market of recent decades, an evolutionary process called the "big idea" has emerged. From concept to mass use, such a "big idea" has become part of all types of business practice. Behind each technological concept there were unique ways to increase efficiency and gain additional competitive advantages for the business.

These ideas were associated with two important concepts:

1) the efficiency of process management through enterprise resource management (ERP - Enterprise Resource Planning, "back-office" automation);

2) e-business - a new information environment that allows direct communication between manufacturers and buyers and significantly reduces costs in the interaction between enterprises within supply chains (Supply Chain Management).

In the late 1990s, the concept of CRM (customer relationship management) and CRM systems appeared, the main task of which was to increase the efficiency of business processes concentrated in the "front office" (in the field of marketing, sales, service and support), focusing on attracting customers and retaining them, regardless of the channel through which communication with the customer takes place.).

CRM is a customer relationship management system, which includes many effective tools that help improve the company's activities by automating business processes. Supporting these business tasks involves data processing, that is, collecting, storing and analyzing information about consumers, suppliers, partners, as well as internal processes of the company.

Client - client (or buyer), Relationship - relationship, Management - management. There are several definitions: this is software, a set of applications and an automated information system. A CRM system can be called any accounting and control system that helps improve customer relationships. Whether this option is stored on paper or in an Excel file, it helps manage customer relationships - in a sense it can be considered a CRM system. It should be said that these management methods go back to the past, so today when we talk about a CRM system, we usually mean special software.

However, it should be understood that it is focused on interactions with customers (consumers).

The term CRM was first used by Siebel Systems (an American software developer) to reflect the specific features of this type of software product.

If we follow the concepts of information technology, then CRM theory is implemented by a set of software and hardware applications, connected by a single business logic and integrated into the information environment of the company based on a single database.

To clarify the meaning of the CRM system, we will summarize the discussion of terms and concepts. This is a set of software and hardware applications, combined

with a specific business logic and integrated into a single information ecosystem of the organization, which is achieved through a detailed analysis of database elements. It should be noted that the CRM strategy is based on the use of special advanced methods and technologies for communicating with customers in various formats, as a result of which organizations have an excellent opportunity to establish mutually beneficial relationships with them, since in this case the needs of the customers themselves are given priority. This model leads to an increase in the company's turnover, as well as its competitiveness.
CRM software systems have been on the market for more than thirty years, but a clear list of the necessary functional components has not yet been recognized. This is due to the rapid pace of technology development, as well as constantly changing criteria and performance indicators of individual companies.
Industrialization of customer relations is necessary to move from the category of "black boxes" left to the manager for sales and customer service to the category of transparent, controlled mechanisms. It implies the presence of technologies (business processes), tools (CRM systems), rules and reports that guarantee the maintenance of the established frequency and efficiency of communication in relations with customers of this category.
The process of relations between the seller and the customer should be based, first of all, on a mutually beneficial nature. In this regard, it is appropriate to consider the issue of determining the level of importance expressed in the quantitative assessment of the customer's value from the seller's position.
The concept of customer value itself largely depends on the established interests of individual people (groups) representing a particular seller, and these interests may conflict with each other within the enterprise itself. Assessment of the beneficial effect of interaction is subjective. However, such subjectivity should be based on clear objective assessment criteria in relation to the value category of a particular customer. In this regard, the most correct way to determine the value is to involve a third party to provide more reliable information. According to I.L. Akulich: “The well-known image of the company, the high quality and competitiveness of products, as well as a trusting and friendly atmosphere in the relationship between the seller and the buyer create all the necessary conditions for the buyer to receive

high profits." A customer with such a concept of value will be very satisfied with the existing relationship with the seller and may think about making repeat purchases. The more a buyer makes repeat purchases from a seller, the more its value increases and the beneficial effect it creates for the company increases. At the same time, the customer, satisfied with the relationship with the seller, can act as a "word-of-mouth" advertising tool that influences other potential buyers or can indicate to the seller that he is ready to purchase other product ranges of his seller.

In their business activities, business entities strive to achieve two interrelated goals at the same time.

Thus, on the one hand, it is necessary to create a certain benefit (profit) for the customer, and on the other hand, the company's management must fully use the specific features of the customer's value. To do this, it is recommended to agree on the sub-goals of the seller's activities and the final results that the customer expects from his relationship with the seller.

The final results that bring a certain benefit to the customer can be expressed as follows:

- purchase of a product that meets and, most importantly, exceeds the expectations of the buyer;
- the emergence of reliable and stable business relations between the seller and the buyer;
- creation and maintenance of a high reputation of the enterprise.

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