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**Customer Relationship Management (CRM) Operating Model in SMEs**

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**ABSTRACT**

The subject of this paper was development of customer relationship management (CRM) in small and medium-sized companies. The aim was to create a customer relationship management approach to improve the competitiveness and profitability of small and medium-sized enterprises. The framework of the paper consists of a literature review of sales and marketing and management. The research was carried out using the method of development research. Research data was collected through social media channels and interviews with those responsible for running small and medium-sized businesses. In particular, the use of social media to define customer relationship management components worked quite well and produced a clear researchable analysis of the most important boundaries of customer relationship management. During the telephone interview, the persons responsible for the operation of small and medium-sized enterprises opened up a very lively discussion on the importance of customer relationship to business profitability. Significantly, although not explicitly included in the research assignment, the employees' lack of understanding that the customer actually pays the employee's wages and also the full cost of doing business was revealed. As a result of the study, a customer relationship management operating model was created, describing the customer life cycle, which included the most critical success factors of the life cycle stages. In practice, critical success factors are the minimum requirements for successful customer relationship management functionality.

Kew Words: SME, Customer relationship management, Operating Model, functionality

## **1. Introduction**

Customer relationship management is a basic function of entrepreneurship, and its importance has been emphasized during the current recession. In India, small and medium-sized enterprises (SMEs) play an important role in providing employment and generating overall turnover. A prerequisite for profitable business is a positive ratio of satisfied customer relationships to production costs. Customers pay the salaries of the employees of the companies and enable the maintenance, continuation and development of the business. However, customer relationship management by SMEs is very fragmented and inconsistent. The most important content of customer management is to ensure sufficient resources and expertise in the customer interface of the organization. Its mission is to set realistic goals, to ensure sufficient competence and continuous development of the skills, and to motivate the employees working in the customer interface. The task of customer management is to ensure the competence of customer guidance and assistance. Customer guidance expertise is important, especially for people who are in a close customer relationship on the customer's journey from responding to a marketing message to a solid and mutually satisfying customer relationship. Customer management functions include maintaining, developing and accessing customer information, integrating company values into operations, measuring customer satisfaction and identifying customer needs [1]. In today's information society, customers have access to comprehensive information about the products and services available, which increasingly leads to poorly managed customer relationships leading to more competitive offers. A company that is not purposefully marketing, offering and maintaining customer relationships is at risk of becoming unprofitable.

Lack of a clear operating model is a particular problem for customer relationship management in small and medium-sized enterprises. This is manifested in fragmented customer relationship management whereby no one takes real responsibility for customer relationships. The purpose of this study is to create an operating model that enables an SME to develop customer relationship management implementation as part of their overall business management and thus improve their profitability.

## **2.0 Objective of the research and research questions**

The aim of the study is to create a customer relationship management business model for the SME operating in the inter-enterprise market. In addition, efforts will be made to identify the critical success factors for implementing customer relationship management. The prerequisite for building a business model is to find out what components make up customer relationship management and what the current business model of SMEs is. This paper is implemented using the method of development research.

## **2.1 Customer Relationship Management**

Since the 1990s, companies have been considering the importance of company existence, market and technological change for business development. Companies define their own strengths and define their competitive edge based on customer promise. The foundations and values of the existence of a company are rooted in the making and skills of the staff, which in turn creates the basis for the organisation's credibility and sales expertise. Businesses must continually develop their profitability and competitiveness to succeed in a changing market environment. The key to success is the process-driven operating model that helps improve production efficiency without increasing the number of employees. Production efficiency is increased by streamlining production methods and reducing production errors [2].

**Definition:** "Leadership and leadership can rightly be considered as multidisciplinary phenomena. They can be viewed from the perspectives of the social sciences, economics, behavioural sciences and warfare," he writes. The leader is also required to have talent for speech and performance, as well as emotional intelligence and the ability to cast oneself in judgment of others. Leadership and leadership qualities have been studied for decades without finding the unquestionable leadership qualities. On the other hand, there has been an understanding of the principles of good leadership [3].

Participatory leadership is implemented through the formation of perspectives, the realization of which is mapped by asking questions. Aspects of participatory leadership include:

- Life cycle perspective, which is the time from the beginning of the relationship to the end of the relationship.

- Turning moments like getting a decision, launching a product / service, using positives or negatives
- Unexpected situations that affect the continuity of the customer relationship
- Customer parity, which is expressed in the value of the customer's cooperation or commitment to the customer's terms
- A viewpoint on the comprehensiveness, accuracy and timeliness of customer information from data sources [4]

Participatory leadership focuses on developing customer expertise and customer knowledge, and controlling management is based on efficient use of organizational resources [4].

Customer Relationship Management: Customer processes supporting CRM operations are a prerequisite for profitable business. Maintaining and maintaining customer relationships requires consistent action in the current open information market. Customers can easily compete with service or product providers without knowing the company, which will cause the company to lose its customer relationship as a surprise. The company must continually analyse customer status based on customer information in order to anticipate changes in customer suppliers [5].

Analytical techniques have shaped customer acquisition methods. The impact of traditional advertising on the demand for a service or product is analysed on the basis of customer statistics, and the current type of online advertising is analysed based on the number of visitors to the advertising page. Many advertising agencies provide their clients with online marketing tools and analysis of their impact in order to improve their sales results. Online marketing allows you to reduce bad customer relationships because visiting a site always leaves a mark on the visitor [5].

Customer knowledge consists of three components: Customer Information, Customer Understanding and Customer Knowledge. Customer information is static information that is publicly available. Customer information is the basis of customer knowledge, and without high quality customer information, customer knowledge that understands and develops customer relationships cannot be created. Customer understanding and insight are refined through personal knowledge and experience. It is evaluated primarily through customer processes and business benefits [6].

## **2.2 Lean method as a sales tool**

The Lean method as a sales tool means impressive development that takes into account the industry-developed Lean thinking in implementing sales for decades. The key to the Lean approach is to understand how the customer is making decisions based on customer knowledge and behavior [7].

The most significant difference between the sales Lean method and the industrial processes is the customer activity as part of the sales process. Customers have their own needs and goals for products and services, which emphasizes the importance of customer information and understanding of the purchasing decision process. There are many stages to the customer's purchasing decision process, and at each stage the customer makes a different decision and there are also different needs. On the other hand, the customer does not always understand his or her own needs, which in turn complicates the management of customer information [7].

## **2.3 Customer journey from identification of need to purchase decision**

The customer journey is the process of awakening to the need to purchase a product or service. The customer's journey toward purchasing decisions is influenced by many different perspectives, such as the operating environment, the motive for the purchase, the context in which the product or service is being used, and the sources of information available. Guided by these environmental variables, the customer builds his own realization of the journey to purchase the product or service offered. While the customer chooses the route of the purchase journey, the seller acts as the customer's guide and makes every effort to facilitate the journey towards the purchase decision. The salesperson acts as the customer's travel manager, whose goal is to guide the customer in choosing the right product or service while providing the customer with positive experiences and benefits while facilitating the customer's decision. The goal of customer journey management is to establish a partnership with the customer that ensures a continuous and lasting customer relationship. The customer journey is promoted and maintained by the value generated for the customer, influenced by the

company's interests, targeted resources and capacity, and the consideration of the customer's interests and needs at all customer interfaces and at each stage of the customer journey. The company's mission is to adapt its own sales process dynamics to the customer acquisition process dynamics learned from the customer journey, thereby continuously improving its own sales process [11].

### **3. Experimental**

#### **3.1 Developmental Research Method**

The subject of this paper is usually a real world phenomenon, which can be viewed from many angles. The direction of study depends on the angle of view. The solution of the research problem, which is derived from the phenomenon being studied, is aimed at creating new information, the purpose of which is to improve the functionality of the phenomenon. The research problem is decomposed into research questions that seek answers [10].

Regardless of the research method, the paper always follows the same formula. The aim of this paper is to understand the phenomenon or to solve the problem. In order to understand practical phenomena, theories, models, and laws have been developed to help understand the relationships between the factors involved and the interdependencies. In order to solve a problem that has been selected for research, it is necessary to understand the core of the problem, where the topic of the paper can be found. Once the subject is delimited and refined, research methods can be selected. The cornerstone of problem solving is always the information that is collected through a suitable data collection method. The collected research data is filtered using problem solving analysis methods [9].

Developmental research is usually based on a work-related problem that results from a phenomenon, process or state of affairs. The aim of the development study is to produce a solution to the problem that can be implemented in the operating environment. The goal of the end result of the development study is to provide a functional solution to eliminate or correct the research problem. Traditional research methods seek to find the causes of the problem, whereas developmental research seeks to find a solution to the problem as well as the causes [9].

Design-based research (design-based research) is a very young method, but it has nonetheless become well established and has become more widely used as a research method in various fields of research. The method is quite complex and therefore no single unambiguous definition can be given. Developmental research involves different approaches and is theory based and at the same time produces new theory. Three characteristics can be seen in the development study method. It involves the need for change, it produces an operational end result, and it produces new information that promotes action. Developmental research differs from functional research in its scale. When functional research focuses on solving a local problem, development research implements a theoretical solution suitable for many sites or actors [8].

The basic idea behind qualitative research is understanding the phenomenon. There are generally no theories or models for the phenomenon under study. In qualitative research, the number of observation units is small and its implementation proceeds from one to the other, whereby the direction of progress is data-driven. The use of a qualitative research method is justified when the phenomenon is not widely known [10]. In this study, the choice of methods for development research is supported by the aim of the research, to create a new operating model for existing operations. Customer relationship management as a phenomenon is not unknown, so Kananen believes that (2010)[10] would not be a fully qualified qualitative research method.

Development research combines development and research processes in successive events. Developmental research is a multi-method research strategy that is based on developmental theory and combines qualitative and quantitative research methods. Development theory is an assumption of implementation that acts as a remedy. The challenge of the development study is to find a measurement method that can be used to detect the change between the two states. Because development research seeks to change, measurement can utilize the development objective to measure the change from baseline to target [9].

Development research begins with problem analysis to determine the need for development, its potential, and its key challenges. The problem analysis can already be carried out empirically by means of a user survey or theoretically based on the content of the framework. The practical implementation of development research is based on development cycles during which the results of the research are analyzed.

Development research is carried out on the principle of continuous development: design, implement, test, analyze.

Developmental research combines qualitative and quantitative research methods. Since the research approach must reach the phenomenon being studied, it directs the research approach towards a problem-oriented solution, i.e., a qualitative research method. A qualitative research method is best suited for phenomena that create a new theory and use triangulation, ie a multichannel research strategy. Qualitative research uses words instead of numbers and seeks to describe and understand the phenomenon being studied [9].

The implementation of the development study is twofold. On the one hand, it is divided into a process aimed at providing a solution to a research problem and research aimed at providing a theoretical description of the implementation of development research. The key to the success of development research is how well the problem can be identified and turned into a research question [9].

The main research problem of this paper is to develop a customer relationship management model as a tool for managing customer relationships in SMEs. The research questions derived from the research problem are how a company implements and maintains customer relationship management today, how the current business model should be developed, and what the critical success factors for customer relationship management are

#### **4.0 Results of the study**

Internalising the customer relationship management business process is a prerequisite for developing the business concept. To understand the business process, I defined the meaning of the term customer relationship and leadership. In addition to theoretical literature, I used the expertise of the Customer Leadership team on LinkedIn, a social media portal, to define customer relationships and leadership. My aim was to open up the debate on the profound meaning and meaning of the terms. Understanding the customer relationship management process also requires a mapping of the current operating model, which I implemented through a telephone interview. After researching the meaning of CRM terms and understanding the current business model, I began to develop a new CRM concept based on the CRM framework.

I introduced the first version of the concept of operation to the CEOs of selected companies based on a telephone interview. During the demonstration meeting, I wrote down the views and development suggestions of the corporate representative, which I applied where appropriate to the final version of the CRM concept.

#### **4.1 Creating a Customer Relationship Management Model**

I create a CRM business model based on theoretical background, telephone interviews and information collected from LinkedIn. I implemented the model as a PowerPoint presentation, which I developed in collaboration with companies that agreed to a development meeting in a telephone interview.

I implemented the development during separately agreed meetings. During the meeting, I introduced a CRM approach that I compared to current business practices. During the meeting, we discussed the workability of the business model and sought to identify potential needs for change in the practice. During the meetings, I addressed the need for content change in the model in the finalized version of the model.

Based on the theoretical background of CRM, research results and CRM needs, I developed a CRM business concept that aims at a cost-effective and long-term customer relationship model. Figure 1 illustrates the effects of the reference framework, research findings, and current operating model on the development of a customer relationship management operating model.

#### **4.2 Defining the concept of customer and management**

The starting point for developing customer relationship management methods is clarifying concepts. The goal is to understand what leadership in a customer context means and who or what a customer is. In order to clarify the concepts, I wrote a question paper on the LinkedIn Portfolio Customer Leadership Forum, with the aim of gathering the views of the members of the group on the topic. The writing on the group page triggered a wide-ranging debate on the subject. My writing is commented on by 28 members from different sectors of society. I think I got a very comprehensive view of the importance of the concepts of customer relationship and leadership in customer relationship management. Based on the analysis of the results, I will summarize the concepts of CRM.

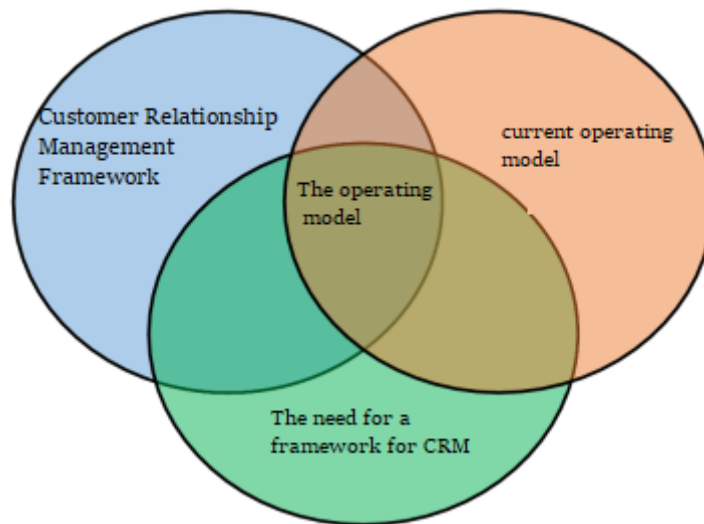


Figure 1: Customer Relationship Management Model

First, I analyze comments from a customer perspective, gathering customer-specific insights into their content. The goal was to understand at what point the customer relationship started. According to the answers:

- 1.The customer relationship begins at the marketing stage
- 2.Customer Relationship Starts When Customer Responds To Marketing Communications.
- 3.Customer may be forfeited if conflicting communications occur.
- 4.Customer relationship management begins at the moment the customer segment is selected.
- 5.A customer relationship arises from two key interactions
- 6.In the customer relationship, the customer selects the supplier, regardless of the supplier's choice segment
- 7.The start of the relationship is determined by the company on a customer-by-customer basis
- 8.The customer relationship begins when the customer chooses a supplier

According to expert comments collected from LinkedIn, the customer relationship begins at the stage when the market message initiates the interaction between the customer and the supplier. A customer relationship does not lead to a transaction if the product or service does not provide sufficient value to the customer. Next, I analyze the comments from a management perspective by gathering their content management views based on the question: "What is customer management?"

**According to the answers:**

- 1.Customer Leadership is guiding and assisting the customer journey through the customer perspective
- 2.Customer relationship management is customer relationship management, not customer management
- 3.Customer experience and customer relationship can be managed, not so much customer
- 4.Customer management focuses on the customer relationship between the supplier and the customer
- 5.Customer relationship management is the management of customer relationship and customer experience
- 6.Customer relationship management is customer guidance and sourcing

According to the respondents, customer relationship management is to guide, guide and identify the customer relationship between the customer and the supplier (customer relationship) in order to achieve a positive and customer-satisfying purchasing decision.

According to the respondents, CRM starts with the customer's response to the market message and means directing the customer-approved customer relationship and guiding them towards the purchase decision and transaction. Given the purpose and focus of the debate, it should be noted that this view is based on the needs of trade between small and medium-sized operators. It does not cover the specifics of consumer marketing and is therefore not a general statement.

**5.0 A way for SMEs to implement customer relationship management**

In order to utilize the development research method to create a customer relationship management concept for SMEs, the current business model for customer relationship management needs to be explored. In order to find out the current operating model, I sent an email questionnaire to 23 companies in the Vijayawada region. There was no response to the sent email attachment and I resent the email to the same companies. Unfortunately, the entrepreneurs did not reply to the attachment form for the other message either.

Baseline mapping is important for development research, so I selected nine of the twenty-three companies mentioned above to achieve a reliable result from different business sectors. I conducted a telephone interview with the CEOs of the selected companies, during which I conducted a questionnaire based on the above form.

Based on the analysis of the results of the telephone interview, I defined the current implementation model of customer relationship management, which serves as a starting point for development research.

**The following can be used to list telephone interviews:**

1. Companies do not use any marketing methods other than web pages, business cards and business brochures
2. Companies do not implement consistent customer segmentation
3. Businesses do not consistently acquire new customers, but seek to maintain a sufficient order book by anticipating contract customer ordering needs
4. There are methods for managing customer information from fragmented customer information to centralized customer information
5. Businesses do not implement customer relationship management in practice, there is an undocumented management plan for contract customers
6. Customer relationship management is not separately accountable but is part of overall management

Based on the telephone interview responses, it can be stated that SMEs do not pay particular attention to marketing and do not segment their customers, but offer products without taking into account the specific needs of the customer. The SMEs interviewed generally operate in the subcontracting chain, with contract customer orders being the most important sales channel. Managing customer knowledge in SMEs depends on the CEO's knowledge and practices, which means that customer relationships are either not managed at all or based on established practices, whereby customer relationship management is only part of overall management.

**5.2 Implementing the CRM operating model**

Based on the discussion on LinkedIn's Customer Management team, there are four distinct stages to customer relationship management, especially in business-to-business transactions. Based on the panel discussion, the operating model can be divided into four steps, from responding to a marketing message to ending a customer relationship.

There are four stages to the customer's life cycle.

1. Creating a customer relationship
  - targeted marketing
  - Sales, supply “enabling”
2. Customer Relationship Development
  - entering into an agreement
  - provision of supply
  - tailoring supply to meet customer needs
3. Customer Relationship Management
  - development of cooperation, accumulation of user experience
  - Increased customer satisfaction, opportunity for additional sales
4. Disclaimer of Affiliation
  - changing customer needs
  - change in one's own business

At each stage of the life cycle, critical success factors must be taken into account to ensure cost-effective customer acquisition and maintenance.

In practice, the critical success factor for each stage is the minimum requirement for CRM, so that the operating model can be implemented in a cost-effective manner while ensuring the longest possible customer relationship.

The business model created as a paper is not directly applicable to the development of the customer relationship management activities of the SME, because the theoretical model created contains significant theoretical information and there is no action plan for its implementation. In order to utilize the business model created in this paper to develop the SME customer relationship management activities, the theoretical information it contains needs to be transformed into an organization-wide action plan and tools for measuring and analyzing critical success factors.

#### **6.0 Evaluation of the study**

The reliability of studies is generally assessed by their validity and relevance, as well as their reliability and repeatability. The methods are not directly applicable to the evaluation of the reliability of a development study due to their implementation in quantitative terms.

The reliability of development research is generally applied by applying qualitative research evaluation methods, credibility, transferability, reliability, assurance and verifiability. In order to ensure the reliability of the development research, the criteria for high quality research are generally used: integrity, periodic implementation, transferability, testability, repeatability. These are used to ensure that the research results work [8].

#### **7.0 Conclusion**

Implementing an SME Customer Relationship Management operating model is a holistic task that obliges the entire organization to commit to implementation. In this paper, cyclical was utilized in the development of the operating model. In this paper, cyclical was reflected, among other things, in the implementation of the CRM business model by mapping the current business model of companies and collecting theoretical data on CRM. Based on the current operating model and theoretical knowledge, a working model to be developed in cooperation with the companies was created. The business model is transferable to all industries that have customer relationships that need to be maintained and developed. The operating model was tested in co-operation with the companies while developing the operating model. The implementation of the model is largely based on the theory of customer relationship management and the analysis of research data collected for the paper.

The telephone interview revealed that SMEs need a tool to effectively get used to customer relationship management. The lack of a consistent approach to customer relationship management and implementation found in the results reinforces the assumption that there is a clear niche market for the commercialization of CRM.

The competitiveness of SMEs and their ability to internationalize depend on their ability to maintain cost-effective production. Cost-effective production requires long-term contracts with customers. Long contracts emphasize the importance of customer relationship management functionality. A poorly managed customer relationship is usually short-term and therefore usually does not even cover the costs of product development.

The Importance of Customer Relationship Management and Operating Models in the Businesses of Large Companies Significant to India would be a very interesting subject for further study and could reveal the vulnerability of international competitiveness and possible causes of problems in international success.

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