

The Effect of Customer Relationship Management CRM on Organizational Performance in Food Industry

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Abstract:

The aim of present research is to study the effect of customer relationship management CRM on organizational performance. This study is descriptive correlational and classifies as applied research. The purpose of descriptive research can be better understanding of current situation or reinforcing decision making process. In the present research, the statistical population consists of the staff of Oila Company's central branch; the sampling method was random sampling. The data were collected by questioners, and data analysis was done through Structural equation modeling by PLS software. The results showed that customer orientation, empowerment, information technology and knowledge management have significant effect on CRM success, and successful CRM has significant effect on company performance.

Keywords: customer relationship management, service management, industrial markets.

I. INTRODUCTION

Considering the expansion of competitive atmosphere, the attitude of organizations and companies has to be concentrated on customer satisfaction in order to reach better sale and benefit records. Passing the era of traditional economy and intensifying competition in new dimensions have made customer the center of organization's activities; that means, competition wise, survival and

consistency of organizations depend on recognition and attraction of new customers or customer retention (Shabanollahi&Heidari, 1391). Customer relationship management is rather a new management concept.

A new perspective which combines various factors such as: technology, human resource, data banks and working processes in order to create a new business with 100% attention to customers (Galbreath, J., & Rogers, 1999. T. Cook, J. A., et al, 2016).

Analysis of different views regarding performance reveals that there are various effective variables, and one of such variables is customer relationship management (Akroush, M. N., et al, 2011).

Customer relationship management is a strategic concept which creates loyalty, customer satisfaction and retention and profits for company.

Customer relationship management is a set of approaches which establishes a firm, united and coherent view of customers for the business to ensure that every customer receives the best available service (Karakostas, B., Kardaras, D., & Papathanassiou, E. 2005).

Customer relationship management enables organization to understand the needs of customers and use this strategy to reinforce, maintain and create long-term relationships with customers, thus, making better decisions (Museli, A., & JafariNavimipour, N. 2018). Moreover, the performance of customer relationship management through which more effective and practical approaches are practiced, can result in success for the company, thus, the organization can improve its performance and conduct better analysis of its own needs by technology (Chang, W., Park, J. E., & Chaiky, S, 2010).

Customer relationship management is the process of designing company based on customers and it demands establishment and installation. The success of such process depends on several necessities.

Ahani, A., Rahim, N. Z. A., & Nilashi, M. (2017) showed that support management, staff technological knowledge, cost, comparative advantage and competitive pressure are among stimulants of customer relationship management acceptance.

Jeong, D.-Y., Kim, S.-M., & Yoon, D.-J, (2014)

presented a structural model for describing the financial performance and ability of CRM, and the results showed that even though customer orientation does not directly impact financial performance, quality of services, mediating variables and ability of CRM have indirect effect on finances; it was showed that quality of services and ability of CRM mediate the correlation of performance and customer orientation.

Chuang, S. H., & Lin, H. N, (2013), studied the methods companies employ to boost customer orientation and quality and showed that the performance of customer relationship is affected by the quality of customer information, thus, can improve the performance of business.

Al Mohammad, Bin Rashid & Bin Taher (2013), studied organizational performance from different perspectives, and showed all forms of CRM (e.g. technology based) can have positive and significant effect on hotel performance.

Chang et al. (2010), Studies the role of CRM technological evolution in organizational performance and showed that management must arrange a system and organizational culture which focuses on customer.

II. LITERATURE REVIEW

Ang, L., & Buttle, F. (2006) Showed that smart application of CRM software can have significant impact on company's business performance. The results of Chen, C. H. (2014) research also proved that customer relationship management can have significant impact on company's performance.

In a research called 'CRM the key to superior performance' by Freeland, bearing the same results as the findings of current research, customer relationship management results in better company performance.

Keramati, A. et al (2010), also said that companies with improved technological capabilities in CRM can benefit from organizational performance better. Wu, S. I., & Lu, C. L. (2012), showed that applying CRM has positive and significant effect on business performance. Chung & et al. (2010) showed that applying CRM technology improves performance.

Reimann & et al. (2010) showed that CRM has significant effect on company performance. Based on the results, organizations must consider especial services for their key and main customers and try to recognize and respond to their needs.

Staff training, structural overhaul and improving organizational abilities are among the suggestions of this research. In the end, it is suggested that steps be taken to facilitate knowledge transfer between different functional areas.

Customer relationship management system helps organizations provide better service to their customers. CRM creates more sale opportunities and makes the whole process more effective, increases response time customer service quality and improves the understanding of marketing department of trends and patterns of customer behavior.

It expands a unified vision of customers and enables individual interaction and finally allows customers to choose the mode of interaction with the company.

Customer relationship management is a customer oriented business model which concentrates company performance in customers' needs (not products, resources and procedures) in order to boost customer satisfaction, loyalty and retention (Plesis & Bon,

2004).

Customer relationship management consists of all the steps taken by an organization in order to create and maintain useful connections with customers and is defined as a necessary group work for ensuring customer satisfaction (Ebadi, 1386).

Customer relationship management helps organizations to offer better services to their customers.

CRM creates more sale opportunities and makes the whole process more effective, increases response time customer service quality and improves the understanding of marketing department of trends and patterns of customer behavior.

It expands a unified vision of customers and enables individual interaction and finally allows customers to choose the mode of interaction with the company.

Alamgir & Shamsoddin (2015), in a research named analysis of achievement factors of CRM projects, studied achievement factors in Bangladesh telecommunication industry, and after data collection using Delphi method, used content analysis technique to check the existing correlations between factors, and came up with the results that three factors of CRM procedures, customer knowledge and social feedbacks are the most important achievement factors for CRM, and CRM success is bound to high level of customer satisfaction, loyalty and benefit.

Research Conceptual Model

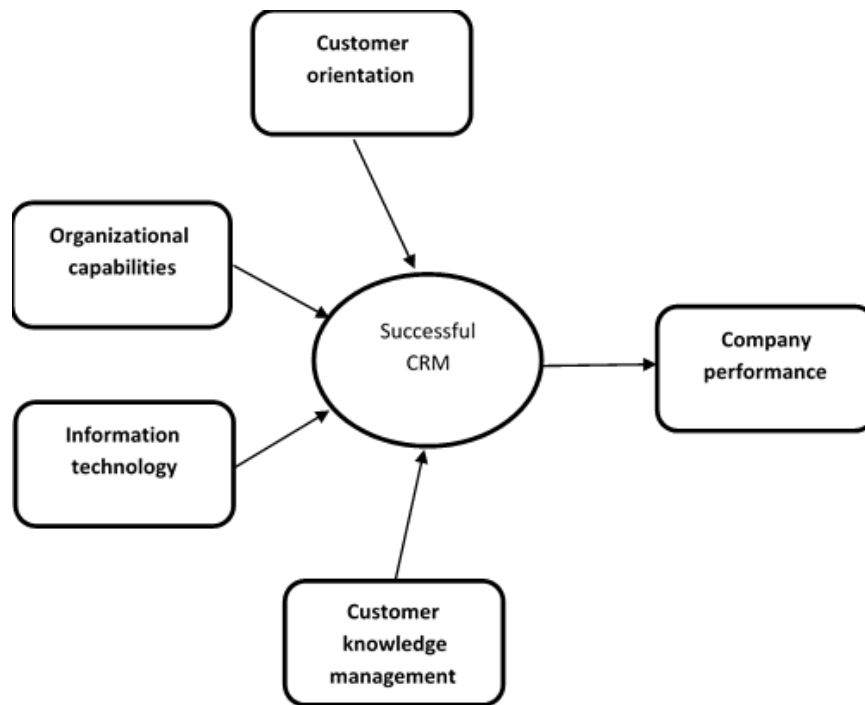


Figure 1.Research Conceptual Model

According to the model, research hypotheses are:

H1: Customer orientation has impact on success of CRM

H2: Organizational capability has impact on success of CRM

H3: Information systems have impact on success of CRM

H4: Customer knowledge management has impact on success of CRM

H5: Success of CRM has impact on company performance

H6: Customer orientation has impact on organization performance through success of CRM

H7: Organizational capabilities have impact on organization performance through success of CRM

H8: Customer knowledge management has impact on organization performance through success of CRM

Research Theoretical Framework

Customer Relationship Management

Customer relationship management is a view emphasizing on cooperation between parties in order to create value. CRM is also a set of actions in a business for the purpose of recognition, expansion, benefit and loyalty sustainability and increasing customer which is applied by offering suitable products and services in the right time to the right customer through proper channel and price (RezaeeMalek, Radfar&Reshadejoo, 1391).

Many businesses have realized the importance of CRM and its potential in creation of competitive advantage. Such organizations are in the process of making adjustments in their businesses and finding technical solutions enabling them to attract new customers, retain their old customers and maximize the value of their time period (RezaeeMalek, Radfar&Reshadejoo, 1391).

CRM is an organizational approach aiming at understanding and impacting customer behavior in order to boost customer benefit through making meaningful communications, customer acquisition, customer retention and customer loyalty (Afshar&Bazaei, 1393). Customer relationship management is strategic application of information, technology processes and people for management of relationship between customers and company (marketing, sale, services and support) in an effort to extend their life cycle (Doaei&Dabbagh, 1389).

CRM is an organizational strategy which tries to impact the processes of customer knowledge management and customer interaction management through application of information technology and people. The aim of CRM is to boost benefit by establishing meaningful communication with target customers, attracting and retaining them (Doaei&Dabbagh, 1389). CRM would enable managers to use customer knowledge to improve sale, provide and expand services and boost benefit (RezaeeMalek, Radfar&Reshadejoo, 1391).

Customer Orientation

Improving customer relationships, in original meaning of marketing, is understanding of customers' needs, expectations and customer orientation. CRM is a behavioral phenomenon and a cultural concept Gountas, Mavondo (2014). This concept that deals with customer satisfaction and understanding of customer's needs for establishing organizational relationships, is long lasting and durable (Roudrigues, Petrson and Ajan, 2015). Besides, in order to establish and maintain long-term relationship of organization-customers, customer orientation which is an independent concept from competition plays a vital role (Haris, Mone and Braun, 2005).

In Meshtop, Forly and Webster Jr. (1993) believe that

customer orientation is a set of beliefs prioritizing customer benefits over the benefit of other stakeholders like staff, managers and owners. Strong &Haris (2004) also define it as market behavioral and cultural orientation and count it as a strategic factor in practice; it means putting customer in the center of strategies and objectives. This strategy is founded based on customer's needs and expectations and shifts concentration from product to customer (Gheizazi&Taher 2015). Customer orientation is one aspect of CRM that has been confirmed by organizations as a useful mean for establishing strong relationships with customers; and since it promotes culture of customer orientation among staff, staff behavior will be positively stimulated (B.Y. Kim, 2008; Yilmaz, Alpan& Ergun. 2005). These were examples of the enormous share of customer orientation in successful implementation of CRM (Abdullatif, Mokar, Yousef and Ahmad. 2014; King & Bourges. 2008).

Organizational Capabilities

Organizational capabilities are muscles that guarantee sustainable transformation; for the same reason, companies need to strengthen their muscles. In addition, it must be considered that transformation in different fields, demands different capabilities; thus, combining organizational capabilities and development of dynamism seem necessary and important (Jalali, 2019).

Since capabilities are not easily defined, it is almost impossible to repeat the capabilities of one company for another one. Company capabilities consist of complimentary assets, approaches and skills; and they cannot be easily transferred. Their procedural knowledge is unofficial and rather implicit (Nelson, 1991). Capabilities include efficient production, information technology adaptability, and possibility of efficient production, understanding of design

procedure and product capabilities for the purpose of increasing productivity (Sirbel, 2012).

Capabilities can also be defined as different stages of

organization. Capabilities might be defined in stages of: organization, unit or team. List of common business capabilities is as follows:



Information Technology

Technology changes the way we used to work and live (Sinha & Mukherjee 2016). New century has brought unimaginable progress in information technology next to enormous computational and educational needs (Saleem et al., 2017; Y.-C. J. Wu, Pan, & Yuan, 2016). Information technology (IT) evolves quickly and makes technology competition fierce among companies.

The role of IT in fundamental redesigning of jobs for the purpose of achieving progress in organizational performance has been also recognized (Davenport & Short 1990; Museli & Navimipour 2018). Connecting internal stakeholder and innovative approaches with suppliers and customers can help in business redesign process.

CRM programs connect technological innovations and service capabilities and product value to exclusive customers, with personalized, effective and timely information, customer behavior interpretation, and customer patterns data interpretation with

development of predictive models. The role of technology in success or failure of CRM has been a matter of debate. CRM activities can significantly and positively impact business performance (Christy, Oliver & Pen. 1996; Hong Kit Yim, Anderson & Soaminata. 2004; Kandle. 2000).

Information technology partnership in a higher level can significantly and positively impact CRM (Ko, Kincade, Brown. 2008); that is while implementing CRM activities depends greatly on different business strategies (Chang, Heso, Tesay, Hoang & Tesay. 2012; Ko, Kincade, Brown. 2012).

The final success of CRM technology depends greatly on how the technology has been obtained, how much strategic marketing uses technology and how often the users have utilized the technology. We define CRM technology absorption as a skill based on information technology, strategic and compound utilization of purchase in CRM (Saini et al. 2008)

Customer Knowledge Management

Some researchers define customer knowledge as

analysis of the connection between knowledge, information and data of customers (Charband&Navimipour, 2018). Base of customer knowledge is CRM, which means taking feedback from customers, providing services and products and understanding customers' needs (Lingbo&Kaichao, 2012). CRM has been defined as a trustable and relevant data bank which can transfer customer knowledge to explicit knowledge. Customer knowledge means understanding of customers' needs, requests and objectives.

Any company aspiring to make communications with its customer in order to work in line with its processes, products and services must master such an essential knowledge. Knowledge management means organized and explicit management of critical knowledge and the processes of distribution, establishment and operation (Lopez-Nicolas & Molina-Castillo, 2008).

In other words, knowledge management is use of the knowledge which is about customers in their interaction with company and can be classified as knowledge about customer, knowledge from customer and knowledge for customer. Then, customer knowledge is combination of information and opinions collected by company about customers.

According to this definition, customer knowledge management is collecting and organizing information in a way it can be discussed and shared all across company and contain sale management, customer relationship management systems and analysis of other measurable criteria like purchase pattern and communicational activities like feedbacks from website and social channels (Woo, Gua& Shia, 2013; Soltani, Navemipour, 2016).

Organization Performance

CRM activities are executed in order to achieve maximum benefit of business and competition, increase customer satisfaction, provide unique products and services and retain loyal customers (Kendle, 2000). Executing CRM can alone increase customer loyalty and satisfaction, therefore, improve business performance of an organization through planning and utilization of approaches and processes which can result in increased customer satisfaction and attracting new customers (Chang & et al. 2012; Hang Kit Yim& et al. 2004).

III. RESEARCH METHODOLOGY

This study is descriptive correlational and classifies as applied research. The purpose of descriptive research can be better understanding of current situation or reinforcing decision making process. In the present research, the statistical population consists of the staff of Oila Company's central branch; the sampling method was random sampling. The data were collected by questioners, and data analysis was done through Structural equation modeling by PLS software.

IV. RESULTS

Descriptive results regarding age, education and work experience are presented in Table 1. Frequency distribution for age of participants was as follows: maximum reported age was 57 and minimum was 24; maximum work experience was 22 years and minimum was 1 year. The average work experience in the statistical sample was 8 years, with mean deviation of around 5 years, and age average of 35 years old with mean deviation of 7 years.

Table 1. Descriptive Results

Percentage	Frequency	Variables	
37	59	Female	Sex
63	99	Male	
7	11	College	Education
54/4	86	Bachelor	
33/5	53	Master	
5/1	8	Ph.D.	

The collected data were analyzed by PLS, as it is one of the best analysis methods for predictive models and it can easily handle reflective and formative measurement models, in addition to single indicator structures (Gefen et al., 2000; Hair et al., 2013). The first step of analysis is assessment of measurement model (Hair & et al. 2013). T-value has been reported significant for all factor loadings, besides factor loadings for most research questions have been reported over 70%. In order to test model fitting, factor loading coefficients, Cronbach's alpha coefficients and composite reliability coefficients

were used. The second criterion for Assessment of the Measurement Model Fit is Convergent validity which deals with assessment of correlation between each structure and questions. Ideal factor load must be bigger than 0.7, and if the factor load goes below 0.4, the relevant factor must be omitted. Factor loads must stay significant in 0.95 and AVE must be more than 0.5, and amounts more than 0.4 can be overlooked. As can be seen, average extracted variance (AVE) for all variables stands above 50%. For Combined reliability (CR) and RHO_A, 0.7 and 0.6 were set for threshold values.

Table 2. Evaluation of the Measurement Model

Average Variance Extracted (AVE)	Composite Reliability	rho_A	Cronbach's Alpha	Variables
0.621	0.867	0.868	0.867	CRM
0.569	0.840	0.845	0.840	Customer Orientation
0.706	0.878	0.880	0.877	Organizational capabilities
0.674	0.861	0.863	0.860	Performance

0.664	0.855	0.857	0.855	information technology
0.614	0.827	0.827	0.827	knowledge management

PLS-SEM is utilized for its predictive superiority, also almost all model estimations use Coefficient of determination R² for determining model ability in explaining and predicting latent (endogenous) values (Ringle & Straub, 2012). PLS algorithm calculates estimated coefficients of determination for every exogenous variable and the path coefficients for every hypothesis in the model. 0.19, 0.33 and 0.67 were chosen respectively for poor, average and strong R². For example, in picture 2, R² for dependent variables has been calculated 0.798 for customer relationship management and 0.758 for organization performance; considering the set values for R², fitting structural model is confirmed appropriate.

Figure 1 depicts path coefficients and factor loading of variables where all factor loadings are above average 0.5. The bigger factor loading is and the closer it is to 1, the better exogenous variable can determine the endogenous variable. If factor loading is below 0.5, correlation is considered poor. Moreover, path coefficients show correlations intensity among variables so that all correlations are significant. For example, path coefficient for the effect of customer orientation on customer relationship management equals 0.268 and is significant. That is because t-value for all correlations is above 1.96.

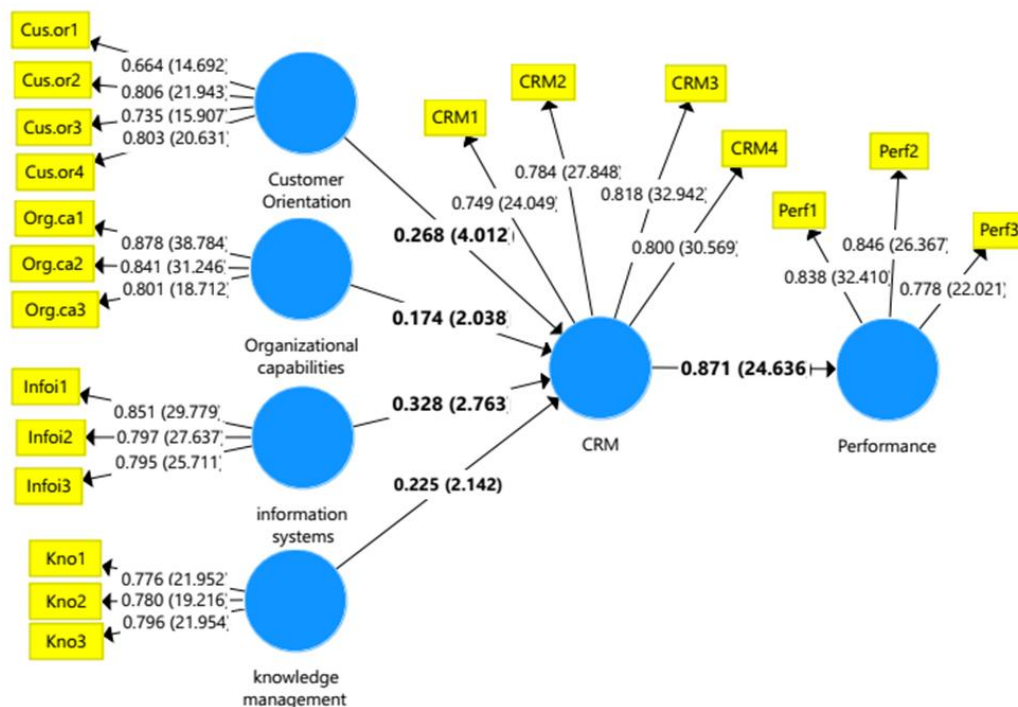


Figure 2.Results of Structural Equation Modeling for Conceptual Model

Blindfolded order in smart PLS showed that Q2 for dependent variables of research are 0.440 for customer relationship management and 0.420 for organization performance, and all in all the model

predictive power is fair (Hair et al., 2011; Ringle & Straub, 2012). Data analysis also confirms all hypotheses (table 2).

Table 3.Support of Hypotheses

	Standard estimation	T-value	Results
CRM -> Performance	0.871	24.636	Supported
Customer Orientation -> CRM	0.268	4.012	Supported
Organizational capabilities -> CRM	0.174	2.038	Supported
information technology -> CRM	0.328	2.763	Supported
knowledge management -> CRM	0.225	2.142	Supported
Customer Orientation -> CRM -> Performance	0.490	3.915	Supported
Organizational capabilities -> CRM -> Performance	0.646	2.035	Supported
information technology -> CRM -> Performance	0.753	2.704	Supported
knowledge management -> CRM -> Performance	0.270	2.127	Supported

V. DISCUSSION

The aim of this study was analysis of the effect of company resources-based CRM on organization performance. Theoretically, CRM counts as one of the most important resources by which organizations can improve their performance.

The research findings showed that smart application of CRM can play a good role in improvement of companies' business performance. It was also clear that customer relationship management has a significant impact on company performance. Results showed that companies benefit more from their improved capabilities in CRM than their

organizational performance. This study showed the ways the application of information systems and knowledge management have positive and significant effect on organization performance through CRM and data analysis. It was proved that application of CRM technology in terms of customer communication strategies formulation, data analysis and budgeting improves performance. Based on the findings of research, organizations must utilize technologies and information systems which can provide data regarding customers and business in order to perform better in their internal affairs such as recruitment of people and specialists. Moreover, it is necessary for organizations to have clear plans in order to

recognize the needs of their main and key customers and provide especial service for them. Staff training, structural overhaul and improving organizational abilities are among the suggestions of this research. In the end, it is suggested that steps be taken to facilitate knowledge transfer between different functional areas.

VI. SUGGESTIONS FOR FUTURE RESEARCH

Considering the fact that the findings of this study are limited to Iran, it is suggested that similar studies be conducted in other societies. It is also suggested that other predictive models be utilized for making new models so that the effect of other variables that were not considered here due to limitations, can be taken into account.

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