

# Customer Relationship Management in Business-to-Business Marketing: The Impact on Corporate Performance

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## ABSTRACT

The main purpose of this study is to examine the theoretical and empirical evidence on the causal relationship between the implementation of customer relationship management (CRM) and corporate performance. A research conceptual model was developed to depict the impact of three - organizational, strategic, cultural - factors on CRM implementation and its implications on corporate performance. The analyses was made up of 120 questionnaires from courier companies all over Indonesia. Since in courier industry, customers' need and preferences change frequently, as do the competitors, so the moderating effect of market turbulence (market dynamism and market uncertainty) on the relationship between CRM implementation and corporate performance was also investigated. A structural equation modelling (SEM) test with maximum likelihood estimation was performed to test the relationship among organizational-strategic-cultural factors, CRM implementation, and corporate performance. The results showed that organizational, strategic, and cultural factors had positive effects on CRM implementation. The results also revealed that CRM implementations had significant positive effects on corporate performances of courier companies that performed business-to-business marketing. Additionally, it was found that market turbulence negatively moderated the relationship between CRM implementation and corporate performance.

**Keywords:** *Customer Relationship Management, Business To Business Marketing, Corporate Performance, Market Turbulence, Courier Industry.*

## 1. INTRODUCTION

The implementation of customer relationship management (CRM) has been widely accepted as important aspect for increasing corporate performance. However, some research found different specific findings. Reference [1] found that CRM implementations failed to meet fundamental business goals and even damaged existing customer relationships [2] CRM implementations also had a high probability of failure [3-5]. Several studies showed that there were positive relationships between a company's CRM implementation and its practice of organizational, strategic, and cultural issues. Three organizational issues - organizational integration, executive commitment, system readiness; and three strategic issues - vision, planning, customer-centred culture; and two cultural

issues - networking, human interaction, had an impact on a company's CRM implementation [6].

Meanwhile, CRM is a multi-dimensional construct consisting of three broad behavioral elements: key customer focus, knowledge management, and relationship marketing [7-9]. The other important findings from previous research is that CRM implementations had a significant positive effect on organizational performance [10]. This study demonstrates how CRM systems are implemented by courier companies that perform business-to-business marketing in Indonesia and how they affect corporate performances.

### 1.1. Business-to-Business (B2B) Marketing

Business-to-business (B2B) marketing is the marketing of goods and services to commercial

enterprises, governments, and other non-profit organizations for use in goods and services they produce to sell to other industrial customers [11]. B2B marketing is also called commercial marketing or industrial marketing [12]. In the post-industrial era, the parties communicate with other buyers or sellers in order to better understand the character of the potential business partner. As both partners are more committed, they are more eager in terms of their relationship in taking greater risk, such as sharing more confidential information in order to be successful [13].

### **1.2. Customer Relationship Management (CRM)**

Customer relationship management (CRM) is defined as a management philosophy arising in close connection with the union of marketing and information technology [14]. Reference [15] provided a technical definition of CRM by describing it as a method that significantly uses information technology like databases and the internet to make effective use of the process of relationship marketing. The implementation of CRM is one of the core organizational processes that focuses on establishing, maintaining, and enhancing long term associations with customers as advocated by relationship marketing [16]. CRM solutions enable organizations to achieve positive effects, such as increased sales, profits, greater competitive advantage in the market, increasing customer loyalty and customer satisfaction, generate new knowledge about customers, improve the performance and the quality of customer relationships, acquire new customers, encourage existing customers to purchase, maintain good relation with customers as well as increase value for customers, and thus the image of an organization can be improved [17]. CRM can also support the organization in strengthening customer relationships, customer satisfaction, efficiency of internal processes, and achieving higher incomes [18]. CRM implementation is made up of three constructs which are key customer focus, knowledge management, and relationship marketing [19]. First indicator, key customer focus is when the employees focus on delivering the outstanding services to regulars [20]. Secondly, core competences are found due to the abilities and experience of the people who do the work, and may not be present in person [21]. They need to be shared inside organization so they turn into the cumulative. CRM can be defined as knowledge management approach related to customers with the purpose of exploring and using customer knowledge to build lasting personal relationships with customers [22]. The third indicator of CRM implementation is relationship marketing performed to establish, maintain, and enhance relationships with customers and other partners, at a profit, so that the objectives of the parties involved are met [23]. The success of CRM implementation is

influenced by three corporate components which are organizational, strategic, and cultural factors.

### **1.3. Organizational factors**

CRM is not just a marketing projects but an organizational-wide project. Research indicated that organizational factors were closely related to a company's performance in CRM [6]. The implementation of CRM strategy requires the approval and commitment of senior management, effective communication between the different departments of the company, and mandatory training programs on customer loyalty for all employees [24]. CRM is a complex concept requiring appropriate business process and integrated systems. In addition, the study demonstrated the relevance of the need for effective leadership, sourcing, communication and evaluation within CRM strategies [25]. For a better implementation of CRM solutions, it was demonstrated that the establishment of CRM in banks could not be effective without taking several organizational factors into account [26]. Moreover, CRM technology is characterized as costly and complex innovation that needs integrated information systems, costly infrastructure facilitation, and advanced technological knowledge and skills for its usage and implementation [27]. CRM technology also helped improve organizational performance by using networking technologies to expand CRM applications to major suppliers and customers [28]. Thus, organizational factors such as degree of integration [29], executive commitment [30], and system readiness [31] can have positive impact on CRM implementation.

### **1.4. Strategic factors**

CRM is a business strategy based on a customer focus philosophy. Reference [32] viewed CRM as a strategy that can help commercial banks to build long-lasting relationships with their customers and increase their profits through the right management system and the application of customer-focused strategies. Reference [33] also described CRM as an enterprise-wide business strategy designed to optimize revenue and customer satisfaction by organizing the organization around customer segments. Reference [34] defined CRM as the core business strategy that integrates internal process and functions, and external networks, to create and deliver value to targeted customers, at a profit. A clear strategy ensures the focus of CRM implementation [35]. As a business strategy, CRM implementation is affected by strategic issues such as clear vision [6], project management [35], and project budgeting plan [36]. Furthermore, it is critical for the corporate to have a customer-centred culture while implementing CRM [37].

### **1.5. Cultural factors**

CRM is about building long term relationship with profitable customers, so that culture has significant impact on the relationship building process. Creating an organizational culture that encourages organizational adaptive learning will help in creating the change needed to gain the benefits intended from the implementation of CRM projects [38]. Recently, there has been an increase in reported CRM failures which indicate that the implementations are not just technical issues, but encompass wider behavior and cultural factors. Reference [39] found that culture was of high importance for the design and use of CRM systems. This importance of culture is relevant in the fact that the successful use of CRM systems depends in large parts on the underlying individual, organizational and societal cultures. Organizations with an appropriate organizational culture are more likely to enjoy financially desirable CRM outcomes [40]. CRM implementation will not succeed unless a proper cultural foundation exists. In relationship management, networking is also considered as an important method for relationship building especially in buyer and seller relationships [41]. Networking can be considered as drawing on connections or networks in order to secure business favours. Human interaction is also a critical aspect of the relationship building process [42]. Another finding showed that human interaction, organizational integration components, and vision were important in the implementation of CRM [6]. Following the review above, it is hypothesized that:

H1. Organizational, strategic, and cultural factors have significant positive effects on CRM implementation.

### **1.6. Corporate Performance**

Corporate performance refers to how well a corporate achieves its market orientation and financial goals [43]. Some studies showed that there was a significant effect between CRM implementation and corporate performance. It was found that relationship marketing had a positive influence on the four aspects of organizational performance in services namely financial, customer, internal process, and learning and growth [9]. In financial institutions, [44] found a positive relationship of CRM on marketing performance. In SMEs of food and manufacturing industry, CRM practices are the important element in increasing organizational performance [10]. Another study found that CRM had a significant effect on the SMEs performance [45]. In banking sector, the role of customer relationship management had a positive or a very good sign to explain the level of organizational performance [46]. There was also a significant effect of CRM dimensions on bank performance [47]. In tourism sector, [48] study demonstrated a significant relationship between CRM dimensions and hotel performance. The study which was conducted in three countries - Austria,

Germany and Switzerland in Fall 2001 by [49] found that implementing CRM processes had a moderate positive association with both perceptual and objective company performance. On the other hand, CRM did not affect firm performance directly. Rather, the CRM-performance link was fully mediated by differentiation and cost leadership [50]. Corporate performance is made up of four constructs which are finance, customer, internal process, and learning and growth. To examine the impact of CRM implementation on corporate performance, hypotheses were constructed as follow:

H2. CRM implementation has significant positive effect on corporate performance.

### **1.7. Market Turbulence**

As a moderating variable, market turbulence moderated the relationship between CRM implementation and corporate performance. Market turbulence reflects rapid changing buyer preferences, wide-ranging needs and wants, ongoing buyer entry and exit from the market place, and constant emphasis on offering new products [51]. One of study results showed that there was a negative relationship between market turbulence and organizational performance [19]. On the other hand, [52] found that market turbulence had a positive moderating effect on quality management infrastructure practice and product innovation performance. Reference [53] found the moderating influence of external environment such as technological turbulence and market turbulence on the relationship between technological innovation capabilities and business performance. Those mean that the increasing market turbulence will affect the relationship between CRM practices and organizational performance [10]. However, another study found that relationship between CRM effectiveness and business performance was not moderated by market turbulence [54].

The market turbulence concept tries to simultaneously evaluate the market dynamism and the market uncertainty [55]. The market dynamism refers to the change that the firms face from a set of clients and competitors. Apart from environmental conditions, market dynamism is emphasized as another important factor that affects firm performance [56]. In a market economy there is always a factor of uncertainty that could cause the "known information" to change substantially. The market uncertainty refers to the difficulty to prepare the organization to cope with the new competitive scenarios. To examine the moderating effect of market turbulence on the relationship between CRM implementation and corporate performance, hypotheses were constructed as follow:

H3. Market turbulence negatively moderates the relationship between CRM implementation and corporate performance.

The research model showing relationship between all variables which have been discussed above is presented in Figure 1.

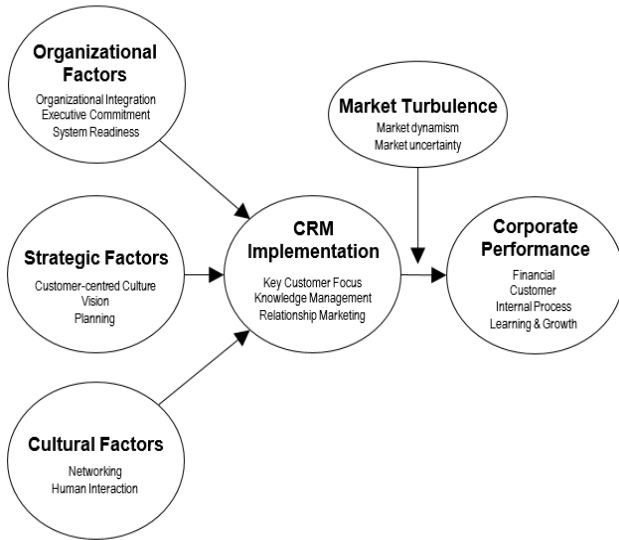


Figure 1 Research Model

2. METHODS

This study aims to determine the depiction and the effect of perceived ease of use on interest in using mobile commerce applications. This study used an explanatory survey with the research object of Indonesian e-commerce consumers who previously used e-commerce websites. The sampling technique used quota sampling with a total of 400 samples. The data analysis technique was multiple linear regressions with the SPSS 22.0 for Windows program.

3. RESULTS AND DISCUSSION

The results for structural equation model fit indices meet the requirement of satisfactory fitting as shown in Table 1.

Table 1. Goodness of fit indices

Fit Indices	Value
Chi-Square	95.027
Significanced Probability	.173
RMSEA	.035
GFI	.915
CMIN/DF	1.145
TLI	.992
CFI	.994

\*Result of statistical test 2019

Furthermore, the results shown in Table 2 demonstrates a positive and significant relationship between organizational factors and CRM implementation, strategic factors and CRM

implementation, and cultural factors and CRM implementation. This findings support the hypotheses H1. The result also indicates that CRM implementation has a significant and high positive effect on corporate performance. This result shows that the hypotheses H2 is supported according to regression analyses.

Table 2. Standardized regression weights

	Estimate	P
CRM Implementation ← Organizational Factors	.286	.022
CRM Implementation ← Strategic Factors	.299	.034
CRM Implementation ← Cultural Factors	.274	.047
Corporate Performance ← CRM Implementation	.936	.***

<sup>a</sup>. \* Result of statistical test 2019

Additionally, interaction test for moderating variable was conducted to investigate the role of market turbulence. The result shows that there is a negative and significant effect of market turbulence on the relationship between CRM implementation and corporate performance. It means that the hypotheses H3 is supported. The results of the interaction test are shown in Table 3.

Table 3. Interaction test results

	Estimate	P
Corporate Performance ← CRM Implementation	.876	.***
Corporate Performance ← Market Turbulence	.127	.007
Corporate Performance ← Moderator	.005	.***

\* Result of statistical test 2019

4. CONCLUSIONS

The purpose of this study was to examine the relationship between CRM implementation and corporate performance. The results showed that CRM implementation positively affected corporate performance. This findings support the [10] findings that CRM practices had a significant positive effect on organizational performance. The results also support other previous studies of CRM impact on organizational performance [44-46, 49]. This finding is different from [50] research finding where there was not a direct effect of CRM on firm performance. The relationship between CRM and firm performance was fully mediated by business strategy, namely differentiation and cost leadership. Reference [57] also found that new product performance mediated the relationship between CRM and company performance. Reference [58] found that the

indirect effect of CRM on firm performance through innovation was significant. Marketing capability could also mediate the association between CRM technology use and performance [28].

The other finding showed that all indicators of organizational, strategic, and cultural factors were important in implementation of CRM. While [6] found that only organizational integration, vision, and human interaction were important.

The results of this study also showed the significant moderating effect of market turbulence. Its negative moderating effects support previous studies [10, 19, 53, 54]. On the other hand, [52] that market turbulence had a positive moderating effect. The other study even found that the relationship between CRM effectiveness and business performance was not moderated by market turbulence [54].

### *Limitation and Future Research*

This study has several limitations that can open up avenues for future research. First, data was collected from one side of courier companies that performed B2B marketing. Although this method is consistent with previous researches, responses from both sides of the relationship are recommended for future research. Second, the data of this study were cross-sectional nature which means that only a snapshot of CRM implementations and corporate performances were obtained. Time series data will explore more understanding of the relationships evolve over time. Future research should examine the performance impact of CRM implementation longitudinally. Third, this study only investigated the direct effect of CRM implementation on corporate performance. Future research could investigate other variables that might mediate the relationship between CRM implementation and corporate performance, such as business strategy [50], new product performance [57], marketing capability [28] and innovation [58]. Reference [50] underscored the need to move beyond a focus on the direct link between CRM and performance in seeking to understand the mechanisms and conditions that influence how and when CRM affects organization success.

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