

Understanding CRM Implementation in SMEs

Vanessa Gaffar^{1,*}, Arief Budiman², Benny Tjahjono³

¹ Universitas Pendidikan Indonesia

² Universitas Pendidikan Indonesia

³ Coventry University

*Corresponding author. Email: vanessa@upi.edu

ABSTRACT

This study aims to analyze the implementation of Customer Relationship Management (CRM) by Small Medium-sized Enterprises (SMEs) in West Java Province, Indonesia. This research is qualitative research using in-depth interviews for the data collection. Five small enterprises participated in this study. They cover different fields of business, namely fashion, travel, food, sneakers, and photography. Interview guidelines were set up to observe customer relationship management programs in every company. This was categorized into three programs: continuity marketing, one-to-one marketing, and partnering program. The study shows that participants basically have implemented CRM in their businesses. They have known the fundamental function of CRM, although they are not fully aware of CRM terminology. It is crucial for those enterprises to know and understand more of what CRM is and the benefit of its implementation to perform well and create customer loyalty.

Keywords: *Customer Relationship, Management, Small Medium-Sized Enterprise, Loyalty.*

1. INTRODUCTION

Researchers, academics, and practitioners show notably growing interest in SMEs' performance because of their contributions to the economy [1]. Preceding literature concludes that SMEs confront many challenges. For instance, they face institutional barriers, the need for qualified employees, low demand, lack of funding, and resources. The barriers hinder their expansion and development [2-4]. Therefore, the ability to innovate is critical for SMEs to beat their competitors and establish a competitive advantage [5- 7]. CRM is a marketing strategy to win a competition. Stanley A. Brown [8] defines CRM as a process of obtaining, retaining, and increasing profitable customers. It requires a clear focus on service attributes that will produce value to customers to create loyalty. The keyword to this understanding is that CRM is a process.

Furthermore, Gray and Byun in [8] mention that the entire process and application of CRM are based on treating individual customers' fundamental principles. Therefore, CRM is based on a personalization philosophy. Namely, goals and services to customers must be designed based on customer preferences and behaviors.

It is assumed that CRM can only be applied in large-scale companies since the use of technology and the high cost of CRM software.

Prior studies reveal that SMEs lack of process automation because of challenges around technical expertise and resources [9, 2, 1]. The CRM strategy too weighty for people, but it is comfortable with technical understanding [10].

Actually, the core of CRM is to build relationships with customers. Technology is only a tool to be more effective. Nevertheless, this depends on the type, characteristics, and scale of the business. Like large-scale corporations, many SMEs have implemented CRM. They can compete effectively in the current highly changeable economic and market climate [11].

The focus of this research is CRM on MSMEs. The importance of this research is to demonstrate that CRM can be applied at various business scales, including MSMEs. This study aims to observe the implementation of CRM in West Java's MSMEs covering various business fields.

1. 1 Customer relationship management

Three programs measure CRM. They are continuity marketing, one-to-one marketing, and partnering program. In the opinion of reference [12], as well as [13], continuity marketing is a program to maintain and to increase customer loyalty through long-term special services to increase value through mutual learning of each characteristic [12, 13]. The main concept of the continuity-marketing program aims to increase loyalty in special services and give attention to customers to maintain and reward special services [14].

Furthermore, Pappers and Rogers in [8] clarify that the one-to-one marketing approach aims to meet the needs of unique and individual customers. Hence, one-to-one marketing is an activity that can meet the satisfaction and provide information to satisfy the needs, handling, speed, and desires of consumers individually.

Reference [15] say that currently, most companies have networks, which are very dependent on partnerships with other companies. It is in line with [13], who states that companies establish a partnership with customers by marketing products that are complementary to existing customers. Reference [12] state that a partnering program is a cooperation program undertaken by a company with third or outside parties to create customer loyalty. Collaborating programs will foster and maintain long-term relationships between the company and customers. The relationships will benefit both parties.

1. 2 Small and medium enterprises

Indonesia defines SMEs in Law Number 20 of 2008. In Article 1 of Chapter I (general provisions), it is stated that microenterprise (MIE) is a productive business that is independently owned by an individual or a business entity that fulfills the criteria of MIE as stipulated in the law. A small enterprise (SE) is a productive economic enterprise undertaken by an individual or a business entity. It is not a subsidiary nor a branch of a company that is owned, controlled, or becomes part, directly or indirectly, of a medium enterprise (ME) or a large enterprise (LE) that meets the SE criteria as stipulated in the law.

The law regulates criteria to define an MSME as outlined in Article 6. Its net asset value excludes land and building of business premises or annual sales. Based on the criteria, MIE is a business unit with an asset value of at most 50 million Indonesian Rupiah or annual sales of a maximum of 300 million Indonesian Rupiah. SE is a business unit with an asset value of more than 50 million up to a maximum of 500 million Indonesian Rupiah or annual sales of more than 300 million up to a maximum of 2.5 billion Indonesian Rupiah. ME is a company with a net worth value of more than 500 million up to a maximum of 10 billion Indonesian Rupiah, or annual

sales of over 2.5 billion to a maximum of 50 billion Indonesian Rupiah. Alternatively, the Central Bureau of Statistics (BPS) adopts the number of workers as the criteria. MIE has 0–4 employees, SE has 5–19 employees, ME has 20–99 employees, and LE has more than 99 employees.

2. METHODS

1. 1 Participants

The study participants were 4 SMEs engaged in various fields: shoes, fashion, travel agents, and food. SMEs are Saint Barkley, Fatih, Siliwangi Holiday, and Cakue Ceu Enox.

1. 2 Measures

This research is a qualitative study using in-depth interviews. Interview guidelines are based on CRM program indicators from [12]. The CRM program is one on one marketing, continuity marketing, and partnering programs.

The list of questions compiled based on research indicators show by Table. 1.

Table 1. List of CRM Implementation Interview Questions

Nr.	Indicator	Questions
A.		Does the company have a customer database?
		If yes, how long has your organization used it?
		Does the company use specific programs or software to store customer databases? If yes, please state.
		What are the company's objectives for using a customer database?
		Does the company have data on the number of customers who have made repeated purchases at your company?
	Continuity Marketing	Does the company give membership cards to them? If so, is there a type of membership card?
		What are the benefits of the membership card?
		Does the company provide discounts for customers? If so, when/under what conditions? How much? Are the customers receive various discounts?
	One to One Marketing	Do customers receive special facilities or treatment?
		Can customers order special products or services according to their needs?
		Does the company send personalized birthday cards, new year greetings, or other holidays to each customer either by post/courier or online?
		Does the company invite customers to events/gatherings held by the company? If yes, mention the event or gathering.
	Partnering	Does the company build a partnership with customers by involving them as part of the company, for example, making customers an endorser or soliciting customer input and considering it for future improvement?
		Is there other information that will be submitted related to how the company maintains customer relationships?

3. RESULTS AND DISCUSSION

This research focused on three CRM programs conducted at SMEs. The three programs are continuity marketing, one-to-one marketing, and partnering programs. In-depth interviews of four SMEs engaged in various business fields showed differences in the implementation of CRM.

Seeing the implementation of CRM, Saint Barkley has run various CRM programs, namely continuity marketing, by creating a loyalty program through discounts given to its customers. They explain the program through various social media and chat facilities. Although they have not yet issued a membership card, they have another way to gather all customer databases in a social media platform and chat service. This is seen from the cost efficiency and the benefits they get. Not only discount information, but they also provide information about their new products to their customers, so the customers know in advance compared to other consumers.

Besides, Saint Barkley carries out one-to-one marketing by inviting customers to various company events. The events are gathering on Saint Barkley's anniversary or other events where Saint Barkley is a sponsor, such as music events. Saint Barkley also sends a greeting card on religious holidays to its customers through e-mail.

For partnering/co-marketing programs, they make customers their partners. This is proven by how the company engages customers in providing various criticisms, inputs, and hopes regarding Saint Barkley products for further development.

Subsequently, the implementation of the CRM program run by Fatih is more varied. The continuity marketing program is carried out by giving various discounts as an effort to create customer loyalty. Membership cards will begin to be developed in 2019. However, the socialization of membership cards with various benefits has begun touted from now on.

The customer database is used to determine customer characteristics and what are the special needs of customers. This is under the company's one-to-one marketing program. The company sends greetings for religious holidays to their customers. Fatih has also begun to provide special treatment to special customers in the form of special discounts and special services or special product orders tailored to the desires and needs of customers in particular. With the existing database, Fatih utilizes a variety of customer data to provide special treatment to customers. The company also invites customers to attend events such as customer gatherings to strengthen customer relationships, talk shows, and various exciting classes.

What is interesting about Fatih is the partnering programs that have been run. They established a customer community called the Fatih Friends Community. The main purpose is not only to receive all input and criticism for the company. This community is also engaged in the social field. The strength of the community is felt necessary for Fatih to be able to strengthen relationships with customers. Positively, this is not only related to business orientation but also in the social and humanitarian fields such as disaster response. In addition, this community also carries out regular monthly classes.

Next, if we pay attention, the CRM program run by Siliwangi Holiday is unique because they are engaged in services. To implement a continuity marketing program, the company provides not only discounts to customers. They also provide more facilities than previous travel facilities. This can be done by providing an upgrade at no additional cost. Therefore, the latest travel data is critical to determine what additional facilities the company can provide to its customers.

Siliwangi Holiday also gives personalization and special treatment to its customers as the company's one-to-one marketing program. For example, travel schedules are made based on customer needs and desires. For customers who prefer to explore tourist destinations, visiting various tourist destinations will be more than visiting shopping places. Individual greeting to the coordinator or liaison between the company and business customers is essential considering the CRM run by Siliwangi Holiday is focused on business customers such as universities, schools, government agencies, SOEs, and private companies. They also give a birthday greeting to a contact person, an anniversary greeting to an institution, and religious holiday greetings sent through e-mail. Sometimes, the company also sends gifts or parcels to their customers. In addition, a sales visit and courtesy call is made by Siliwangi Holiday to continue to maintain good relations with its customers. They are also invited to various events held by the company.

In running partnering programs, Siliwangi Holiday always engages customers to improve in the future in the form of input and criticism. This can make customers feel valued and recognized by the company.

Judging from the program, there are two CRM programs: continuity marketing and partnering programs. Continuity marketing is related to providing various promos for customers. This is to encourage customers to make repeated purchases. Even without a membership card, the customer loyalty program is still run by the company. Considering the company also maintains a customer database that contains various customer information.

It is interesting that, compared to using individual greetings to its customers, Cakue Ceu Enox uses general

greetings that are familiar to all of its customers by calling them “ucu” which means grandchild in Sundanese. This shows that Cakue Ceu Enox wants to treat all customers as part of their own family.

Cakue Ceu Enox runs the partnering program by involving customers primarily in product quality. This means that the company’s attention to customer involvement in improving its products is very significant by making customers as partners who provide various suggestions and critics to the company.

Finally, complete content and organizational editing before formatting. Please take note of the following items when proofreading spelling and grammar:

4. CONCLUSIONS

Although theoretically, a membership card is a part of continuity marketing, three companies, Saint Barkley, Fatih, and Siliwangi Holiday, have never issued a membership card. Fatih plans to issue a membership card next year and has socialized it at this time. Cakue Ceu Enox once had issued a membership card and stopped it because it is considered ineffective. This shows that even though the membership card program is vital to support sustainable marketing, the companies see it as unimportant. They create another program to stimulate purchasing power of the customer, such as discount and sales promotion. This shows that the companies are still focusing on transaction-based rather than relationship-based.

For the one-to-one marketing program, both Saint Barkley, Fatih, and Siliwangi Holiday invite customers to come to various company events, either hosted by them themselves or events that they sponsor. Personalization and special orders are given by Fatih and Siliwangi Holiday because their products make it possible to be custom made or customized. On the other hand, Saint Barkley and Cakue Ceu Enox do not have any customer customization since their product is a mass product. The type of product also determines whether special service delivery is possible or not. If this is not possible, personalization can be in the form of a greeting with the customer's name or a birthday or other holiday. Another way that can make an intimate relationship is by calling a standard greeting to all customers. This is done by Cakue Ceu Enox by calling its customers “ucu” or grandchild to all of its customers.

In general, Saint Barkley, Fatih, Siliwangi Holiday, and Cakue Ceu Enox involve customers as company partners in partnering programs. They pay close attention to various critics, suggestions, input, and customer expectations for future improvement of the companies’ products. Fatih has founded a community of customers not only for commercial purposes but also for social and humanitarian purposes.

CRM programs for each company are not necessarily the same. It really depends on the type, the scope, and the characteristics of the business. The customers are also not necessarily the same in terms of their characteristics, needs, and desires. Which CRM program is best will significantly depend on each company's consideration and assessment, especially in terms of costs and benefits provided.

SMEs need to know and understand more about CRM since one of its aims is to create a long-term relationship with customers and thus could create customer loyalty.

REFERENCES

- [1] R. Eid, and H. El-Gohary, “The Impact of e-marketing use on small business enterprises marketing success,” *Service Industries J.*, vol. 33, no. 1, pp. 31–50, 2013, doi: 10.1080/02642069.2011.594878.
- [2] R. Doern, “Investigating barriers to SME growth and development in transition environments: a critique and suggestions for developing the methodology,” *International Small Business J.*, vol. 27, pp. 275–305, 2009, doi: 10.1177/0266242609102275.
- [3] M. O’Dwyer, A. Gilmore, and D. Carson, “Innovative marketing in SMEs,” *J. of Strategic Marketing.*, vol. 17, no. 5, pp. 383–396, 2009, doi: 10.1080/09652540903216221.
- [4] M. Xu, R. Rohatgi, and Y. Duan, “E-business adoption in SMEs: some preliminary findings from electronic components industry.” *International J. of E-Business Research* vol. 3, no. 1, pp. 74–90, 2007, doi: 10.4018/jebr.2007010105.
- [5] X. Li, and R.K. Mitchell, “The pace and stability of small enterprise innovation in highly dynamic economies: a China-based template,” *J. of Small Business Management.*, vol. 47, no. 3, pp. 370–397, 2009, doi: 10.1111/j.1540-627X.2009.00275.x.
- [6] N. Rosenbusch, J. Brinckmann, and A. Bausch. “Is innovation always beneficial? a metaanalysis of the relationship between innovation and performance in SMEs,” *J. Business Venturing.*, vol. 2, pp. 441–457, 2011, doi:10.1016/j.jbusvent.2009.12.002.
- [7] S. Guha, P. Harrigan, and G. Soutar, “Linking social media to customer relationship management (CRM): a qualitative study on SMEs,” *J. Small Business & Entrepreneurship.*, 2017. doi: 10.1080/08276331.2017.1399628
- [8] V. Gaffar, *CRM dan MPR Hotel*. Bandung: Alfabeta, 2007

- [9] D. Carson, S. Cromie, P. McGraw, and J. Hills, *Marketing and Entrepreneurship in SMEs*. London: Prentice Hall. 1995.
- [10] D. Finnegan, and L. Willcocks, *Implementing CRM: From Technology to Knowledge*. Chichester, West Sussex, United Kingdom: John Wiley & Sons, Ltd, 2007.
- [11] S. Alshawi, F. Missi, Irani, and Zahir “Organizational, technical and data quality factors in CRM adoption – SME perspective,” *J. Industrial Marketing Management*, 2011, doi: 10.1016/j.indmarman.2010.08.006.
- [12] Parvatiyar, and J.N. Sheth, *Conceptual frame work customer relation manangement in CRM: emerging concepts, tools and application*, New Delhi: tata Mc Graw Hill. 2001
- [13] Zigmund, G. William, R. McLeod, Jr, and W. Faye, *Customer relationship management: integrating marketing strategy and information technology*, USA: Jhon Willey&Sons, Ltd. 2003.
- [14] Yateno, “Dampak continuity marketing, one to one marketing dan partnering marketing pada kepuasan nasabah eka save pada bank bumi artha metro,” *J. Fidusia – J. Ilmiah Keuangan dan Perbankan.*, vol. 1 no. 1, 2018.
- [15] P. Kotler, and G.M. Armstrong, *Principles of Marketing*. Pearson/Prentice Hall. 2008.