

## **Practices Found in Customer Relationship Management in Small and Medium Businesses**

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### **Abstract**

Information technologies have proven to be useful in achieving efficient processes in organizations. Processes related to the creation of strong relationships with customers are among those that benefit from the use of these technologies. However, in small and medium businesses, the introduction of information technology to manage customer relationships is not a widely considered strategy. This situation is more common in cities and metropolitan areas with low indices of competitiveness, such as in Zacatecas City in Mexico, where information technologies have begun to be used, but not at the desired level. The aim of this research is to determine which practices in customer relationship management are used by small businesses in Zacatecas City and its metropolitan area. The approach of this research is exploratory and uses case study methodology. The results obtained demonstrate the fact that the managers of these organizations understand information technology and how to use it to get competitive advantages in terms of managing customer relationships, but they still do not utilize them. The reason given for this is that they consider them of little help because they have been relating well to customers without them.

### **Keywords**

Competitiveness, customer relationship management practices, Information Technology, small and medium businesses

### **1. Introduction**

Economic activity in every country depends on the quantity of businesses and on their productive capacity [1]. In Mexico, this capacity strongly depends on micro, small, and medium businesses. They generate 52% of the gross domestic product and 72% of formal employment [2]. This circumstance makes these types of businesses the vertebral column of the economy of countries such as Mexico. Because of this, it is vital to create enough conditions that contribute to their establishment, development, and consolidation. The individuals who create these conditions, however, must consider the fact that these types of organizations are more vulnerable because of their lack of knowledge and financial resources [3].

One proven way to underpin these businesses' development is by using Information Technology (IT). The adoption of IT can make valuable information and knowledge about the industries that small and medium businesses belong to accessible to such organizations. Also, they can improve customer and supplier relations and maintain and increase collaboration with other companies. Thanks to IT, they can increase their efficiency as well, offer new communication and distribution channels, and reduce production costs [3,4].

In relation to customer relationship management processes, IT is used in large organizations to improve processes related to marketing, sales, order management, and customer service [5]. In small and medium businesses (SMBs), due to their flexibility and availability to respond to clients [6], relations with customers are managed through face-

to-face contact and without Information Technology support [7]. Only a few small and medium businesses consider the use of such technology in their planning processes. The improvement SMBs make on IT is focused mainly in data processing and basic management [8]. This scenario is repeated in Mexico, as a country, where a minimum quantity of small organizations (33% of them) use a computer in their business processes [9,10] and in Zacatecas City, a small metropolitan area in northern Mexico.

Unfortunately, the lack of use of IT and of a strategy to manage customers implies a loss of competitiveness for SMBs [11]. Little research has been done about the impact of customer relationship management supported by IT in small and medium businesses in regions such as Zacatecas city, and because of that, the aim of this research is to determine which practices in customer relationship management are used by small businesses in this metropolitan area.

The paper is structured as follow. Section Two provides theoretical basis for the research. Section Three presents the methodology used. Section Four includes the description of the case under study. Section Five deals with the results found, and finally, Section Six summarizes and presents conclusions.

## **2. Background**

### **2.1 Importance of Competitiveness in SMBs**

The ability to compete is related with the advantages that those competing entities have [12]. Competitiveness can be viewed in terms of the entities being studied, proving that there is country-, region-, industry-, and enterprise (or firm)-level competitiveness [13,12].

There are several definitions of firm-level competitiveness. Porter [14] defines it in terms of the innovation the organization is able to do in order to become more productive. Rubio and Aragon [15] state that enterprise competitiveness is the “ability of a business to reach a favorable competitive position that permits the obtaining of a superior performance compared with the competing businesses.” However, in this research, the ability of a firm to serve customers with valuable products and services profitable to the firm and more attractive to customers than that of the competitors was used as the definition of firm-level competitiveness [13]. The reason for this is that in the definition, the participation of the customer as a receiver of valuable products and services is taken into account.

An analysis of competitiveness factors’ impact on SMBs is vital when their importance to country-level economics is recognized. However, cultural differences and economical environments suggest that the same approach to analyzing competitiveness cannot be applied to SMBs located in Europe, Asia, or Latin America [16]. However, there exist a set of common factors that can be considered. Among these factors are knowledge, skills, cultural values, and attitudes of the human resources of the firm; the directive ability of the managers; the marketing abilities of the organization; quality; innovation; technological investments; financial standards; organization structure; and information systems [15]. Marketing abilities and information are part of the concept of customer relationship management.

SMBs’ marketing in developing countries is generally focused on reactive responses to customers. This lack of a true strategy entails a poor competitive position for these businesses because competitors can move from product-orientation to customer-orientation easily when they manage this process in a better way [17].

### **2.2 Customer Relationship Management**

Efficient customer relationship management is a source of competitiveness differentiation [18]. This includes using existent relationships to generate incomes, using integrated information to offer an excellent service, introducing continuous sale procedures, creating new value, and generating loyalty.

Customer relationship management (CRM) is a business strategy that integrates internal processes and functions, as well as external networking, to create and deliver value to objective customers and to obtain profit [19]. To achieve this, high quality customer data, enabled by IT, are needed.

IT is essential to capturing and analyzing needed information in order to make good decisions and to develop efficient key CRM processes, such as marketing, sales, customer service, and order management [5]. A CRM information system's objective is to offer a complete vision of customers through the integration of data obtained regarding the mentioned processes [20, 21].

### **2.3 Customer Relationship Management in SMBs**

For SMBs, investing in IT to create efficient business processes is complex [3]. Research shows that there are three main reasons for this: a) managers do not understand how or why to adopt IT; b) managers do not understand the relationship between IT and the enterprise or are not sure of the opportunities IT offers; and c) businesses cannot extend their IT resources for a lack of strategy, limited access to funding, and the limited capabilities of information systems and IT [22].

Many SMBs are not willing to adopt CRM in their organizations for several reasons. Among them are the cost of hardware and software and the limited technical knowledge or expertise of owners and employees when it comes to adopting and implementing IT in the organization [23]. Even when SMBs can use generic tools to impact their relationships with customers [7, 24] and obtain benefits from the use of CRM software, according with Ramaseshan and Chia [25], top management support is the most important factor influencing CRM adoption in SMBs.

## **3. Methodology**

The aim of this research is to determine which practices in customer relationship management are used by small business in Zacatecas City and its metropolitan area. Such a project requires an approach suitable to understanding the phenomena in its context and the use of methods that enable interaction with research participants. Because of this, a phenomenological approach, based on case study methodology [26, 27], was used in this research. The method used to collect data was semi-structured interviews, which allows the researchers to explore participants' experiences and also allows clarifying issues to emerge during the interview. A set of guide questions was developed to inquire about the participants' experiences with customer relationship management. The questions were open-ended. Since the study was conducted in an institution with Spanish as the main language, the questions were developed in this language.

The participant organization was selected through considering that it was not obviously information-intensive and does not have a dedicated IT department. The participant also uses basic computer applications for administrative functions, e-mail, and has a page in Facebook. The interviewee is the manager of the organization, and almost all decisions are made by her, including those related to IT adoption and customer management. The firm is an SMB according with the official classification in Mexico [28]. This classification considers SMBs to be those businesses that sell services and have less than 100 employees. The interview was recorded and transcribed in Spanish and was not translated, in order to preserve language-sensitive information.

As an exploratory research project, factors affecting IT adoption and use as part of the strategy for customer relationship management were under study.

## **4. The Case**

Zacatecas City is located in northern Mexico. Since its foundation, its inhabitants were dedicated mainly to economy's primary and commerce sectors, and, until recently, to tourist industry. Over the years, Zacatecas's metropolitan area competitiveness has descended due to factors such as security, its viability for doing business, public finances, and government transparency [29]. In a study, its competitiveness was measured as being in 43rd place out of 60 Mexican cities [30].

GM is a pre-elementary and elementary private school situated in Zacatecas. It was founded in 1986. According to the official classification [28], it is a small business dedicated to providing education services. It employs 23 people, two of them as management assistants. As with other businesses, GM has had periods of growth, but lately, the number of children attended has decreased significantly. However, considering that average life for an SMB in Mexico is two years, this enterprise is considered successful.

## **5. Results from the Case**

### **5.1 Adoption and use of IT.**

GM has been using IT for management processes for at least the last ten years, as its manager remembers. The technology used includes a computer, Internet access, e-mail, a Facebook account, a text editor, and software for electronic invoicing. Its use is mainly related to managerial activities, such as the recording of payments, e-mail communication between GM and government education authorities, and the creation of the day-to-day documents needed in a school. The manager and her assistants are the only technology users. The manager recognizes that she uses the computer more for personal activities than for professional ones.

Reasons to introduce a computer were related to saving time. They found that they could do documentation faster than with a typewriter. Eventually, their relationship with government education authorities forced them to use the Internet. GM's manager recognizes that the assistants' opinions were taken into account when the decision to invest in a computer was made.

### **5.2 Customer Relationship Management**

GM's manager recognizes children's parents as GM's customers. GM's manager recognizes the moment parents have the first contact with her institution to look for information as the first activity of the customer lifecycle. When new customers arrive, assistants give them general information and then the manager attends to them. However, no data are recorded related to this activity. When parents decide to register their child, the recording of information begins. GM's manager also agrees that communication with customers is very important to every business owner.

The value delivery strategy is focused on high quality education and the children's formation of moral and family values. GM's manager is persuaded that sometimes, customers ask for services that could go against those moral values. An example of this is the extension of the school schedule to help working parents. She thinks that the extension of time children spend in school could disintegrate families on a greater level. This understanding of the service GM provides implies that the customer accepts services as GM decides to offer them. GM does not have an explicit and structured process to divulge to GM community this thinking style.

Customer satisfaction is measured intuitively through children's results and possible conflicts with parents. While no conflicts are present and children obtain the expected results, it is suspected that everything is right. Once, a satisfaction survey was applied to children and parents. Results were mainly related with schools' physical infrastructures. The survey was applied years ago. GM's manager is not sure exactly when it was applied. As the survey presented no differences with the expected results or new information, this kind of instrument was not applied again.

GM's manager apparently takes the development of customer value very seriously. She says she has several innovations in mind. However, she does not try to put them into practice, because of the implications she has found in them. These implications are related mainly with school values, but also with costs and the availability of skilled human resources. An example of these innovations was the extended schedule mentioned earlier in this section. GM's manager does not mention considering employees' opinions in this process. No customer retention strategy is explicit.

No IT is used in customer acquisition, retaining, or value development activities. The Facebook account was created in order to search for older students when the school's 25th anniversary was going to be celebrated. It was not used again. E-mail is not used for communication with customers.

GM's manager knows how its competitors use IT. According to her, competitors use IT for promotion and managerial activities. She recognizes that the use of IT for marketing purposes gives competitors competitive advantages. However, she accepts that she does not use it in the same way because she is not very used to IT, this sort of use of IT is not part of her management priorities, she thinks it could be costly, and lastly, she does not believe it to be significant. However, the competitors do not use IT as soundly as GM's manager perceives that they do. She states that strong pressure from customers will change her attitude towards IT.

## **6. Conclusions**

This study aims to determine which practices in customer relationship management are used by small businesses in Zacatecas City. The results show that managers of these organizations understand IT uses and get competitive advantages when it is used to manage customer relationships. Its utilization is mainly focused on managerial activities. Findings show that if managers do not understand clearly how or why to adopt IT in their business processes, this technology is not going to be fully adopted. Its adoption processes are more related to a reactive response to customers' pressures. Also, while customers are happy with the products or services offered by SMBs, processes are not going to change dramatically. SMBs' managers recognize the importance of communication with customers, but as no important complications were found, they consider the way they currently relate with customers as the only way to do so. Findings also confirm previous research in the area of customer relationship management in SMBs.

This lack of use of IT and lack of a strategy to manage customers could be a reason for the decreased number of children attending GM. Further research is needed to confirm this.

This study contributes to research in the area of CRM and IT adoption in SMBs in several ways. First, it shows that research made in different locations around the world could be applied in an uncompetitive metropolitan area, such as Zacatecas City. Second, it was noted that managers are interested in IT, but more information and training about the convenience of its adoption beyond operational processes is needed, specifically about its convenience as related with the acquisition and retaining of customers. Third, the study also shows that SMBs do not have a specific strategy regarding customer relationship management. They rely more on intuition and tradition than on structured and proven strategies.

The limitations of this study derived from researching only a single case. Although this sample is reasonable representative of SMBs in the same sector in the Zacatecas metropolitan area, more research is needed to confidently generalize the theory. Further investigation should consider a wider set of factors affecting IT and CRM adoption as well as new approaches to IT in SMBs with the specific characteristics of those found in Zacatecas city. Future studies may consider a longitudinal research design in order to determine these factors in detail.

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