

Analysis of the Readiness of Thai SME for Applying CRM

Anongnart Srivihok
Department of Computer Science, Faculty of
Science, Kasetsart University, Thailand
Email: anongnart.s@ku.ac.th

Dentcho Batanov
School of Advanced Technologies, Asian
Institute of Technology, Thailand
Email: batanov@cs.ait.ac.th

Abstract

It is commonly accepted nowadays that knowing the customers is important for running successful business. Customer Relationship Management (CRM) is a relatively new approach for enterprises to manage and understand their customers in order to provide better quality of products and services. The successful implementation of CRM applications describes the CRM models of interaction between companies and their customers, both locally and globally. It is considered as a basis for company competitive advantage because it enables organizations to understand and apply the knowledge about their customers and to bring up profitable and long-lasting personalization customer relationships. This study is based on a survey of CRM adoption by the Thai SME, showing some good CRM practices. It also investigates the existing CRM tools functionalities and analyzes their applicability to the process of running the Thai SME as well as the communication among them. The overall conclusion is that currently CRM implementation in Thai SME is still far from what should be and development of respective intelligent advisory system is necessary.

Introduction

Small and medium enterprises (SME) play a key role in worldwide economy since

they act as the grass roots which cover all the business activities around the country. In Thailand, there were more than 100,000 SME before 1997. After the economic crisis in 1997, many SME were bankrupted and wiped out from the business economy. On the other hand, the multinational retailers such as Lotus, Big C and Carrefour have been successful in their business and increased their branches in Thailand rapidly. This has become a new threat with significant impact on retailers. At present, many of SME are deceased and out of businesses; some are in the state of bankruptcy now.

In order to compete in the competitive local and global market, CRM is a significant factor for all companies including small, medium and large enterprises. It is accepted that companies spend five times more money to acquire a new customer than to keep an old one for purchasing a new product (Payne, 2002). CRM is an approach which is applied to increase the competitiveness. CRM is a business strategy providing complete combination of business functions for contacting the customers such as marketing, sales, customer service and field support via assembling of people, process, and technology (Pan and Lee, 2003). It intends to co-ordinate all business processes that deal with customers. Further, it involves the collection, collation, and interpretation of customer data to attract and keep customers through business process in

order to create long-lasting, customer centric and mutually beneficial relationships (Eechambadi, 2004, Karakostas et al. 2005).

To survive in the competitive environment, SME should be really concerned about customer retention because it is directly related to their revenues. CRM also helps SME to understand customer profiles, requirements, behaviours and problems. This is absolutely necessary for successful marketing and strategic planning. In the era of Information Technology (IT) and Knowledge-based society, the Internet, networks infrastructure, related hardware and software solutions have been broadly applying to traditional CRM converting it to e-CRM. However, implementing e-CRM in a company is costly since it needs good telecommunication system including infrastructure, technology and supporting staff (Kugel, 2004).

In Thailand, CRM has been implemented in large organisations such as banking, telecommunication, insurance companies and automobile industries. One study (Srivihok and Intrapairot, 2004) of Web sites analysis in Thailand reported that customer support of product and service information is not well published on SME Web sites. Less than half of the sample Web sites have been designed for product order, service for online transactions or CRM supports (Srivihok and Intrapairot, 2004). This implies that Thai SME do not emphasize on providing e-CRM on their Web sites. There are very few studies about CRM implementation in SME. Obviously, the status of CRM implementation in Thailand is not well known and analyzed, which if done would be significant contribution to the efforts for improving CRM in the future.

On September 11th 2002, the Ministry of Industry introduced the definition of Thai small and medium-sized enterprise. This definition is based on the number of paid workers and fixed capitals. An enterprise is

categorised as an SME if it has employees less than 200 and fixed capital less than 200 million baht, excluding land and properties. SME in Thailand are classified in three sections: production, service, and trading. In addition to the above definition in this study we accept that for the Thai SME less than 25% of assets is owned by one or jointly by several enterprises, and less than 50% of assets is owned by foreigners.

Research Methodology

The survey questionnaire employed in this study was adapted from previous study of CRM adoption (Eechambadi, 2004). The questionnaire consisted of two sections. Section1 was designed to gauge the organizational characteristics including industry, size, assets, and quality control systems. Section2 was designed for CRM implementation which focuses on applying IT to traditional CRM. The topics this section includes are IT utilizations, communication channels supporting CRM, CRM support at the management level, interest in CRM, successful and failure CRM implementations. The questions have been prepared in different forms including yes/no expected answers, multiple choices and open ended.

The survey was designed to be cross sectional mail survey. The samples were selected from eight SME industries including hotel, medical clinic, veterinary clinic, tourism, textile, software, and jewellery. These industries are selected because they have high potential to use IT-based CRM in their business. The questionnaires were mailed to more than 400 Thai SME.

Data Analysis

Samples Characteristics

After preprocessing and screening, there were 26 incomplete and 54 usable

questionnaires from 400 survey samples. This gives a response rate of 20%, which is acceptable having in mind the usual postal surveys average rate. The respondents are from software houses - 11.53 %, hotels - 15.38 %, tourism - 13.46 %, textile - 15.38 %, medical clinics - 7.69 %, veterinary clinics - 13.46 %, retailers - 7.69 %, and jewellery - 15.38 %. A half of them (48.80 %) have fixed assets about 1-10 million baht. 47.05% of the companies responded are more than ten years old. About 52% have provided their own Web sites on the Internet. Almost all are purely local companies (98.07 %). A half of the respondents (50.98 %) are owners of the companies.

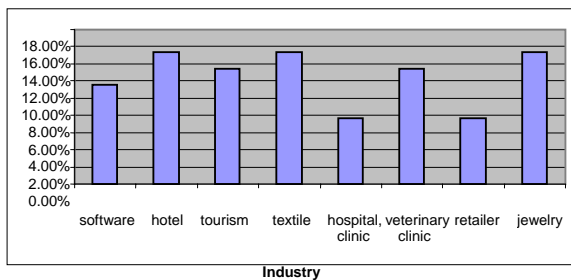


Figure 1. SME participants by industry type.

IT utilization

The IT utilization is at relatively high volume as 86.53 % of samples use computers for their businesses. In 47.05% of the samples the computer usage is more than 20 hours/week. 59.61 % use IT for marketing campaign. Another 68.00 % of samples use IT for storing sales information provided by sale persons.

Communication Channels Supporting CRM

Channels for using CRM to communicate with customers are storing and searching customer data, sending email for

advertisement, using Internet, using Web board and publishing information on the Web sites. CRM solutions have been also applied for communication with customers including call center and Web portal. About a half (52%) of the SME provide Web sites to publish their product information. Less than one fifth (18 %) of the SME provide call centers and 16% use email for communication with customers. However, the percentage of using IT to communicate with customers is high (72.00 %) while 96.15 % of them agree that technology helps them to communicate with customer.

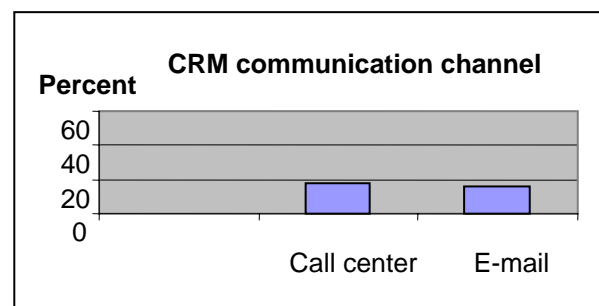


Figure 2. CRM communication channels in SME

Customer Data Collection

It is interesting to notice that the popular traditional method, conversation, is still used by 41.17% of the SME to collect customer data. Actually this is the main communication channel. The others include customer order (14%), company Web site (12%), and other channels (29%). There is no customer data collection in 4% of the samples, Thus, CRM is not the main stream for data collection.

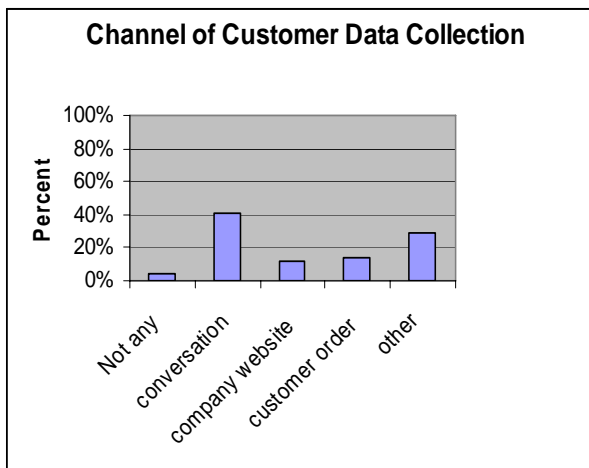


Figure 3. Channels of Customer Data Collection

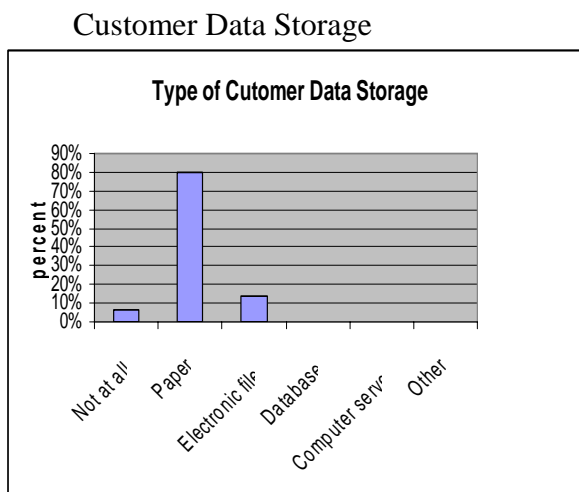


Figure 4. Type of Customer Data storages

The customer data usually include name, address, Email, salary, birth date, nationality, business type of customer, number of order, statistics of user order/month, customer financial status, credit, occupation, requirements, frequency of visit, time visit, time purchase, and customer order. Surprisingly majority of SME (80%) still keep customer data on hard copy (papers), while only 13.33% store it on electronic files without using databases. Some (6.66%) do not keep any customer data.

Usage of CRM Solutions

Although IT usage in SME samples is relatively high, the utilization of CRM solutions is not popular in Thai SME. More than half of the respondents (54.34%) do not use CRM in their company, where the most popular function is for service tracking (32.43%) followed by online customer support (27.02%). Other usages include field service (10.81%), marketing automation (8.10%), sales force automation (8.10%), call center software (5.40%), and others (8.10%).

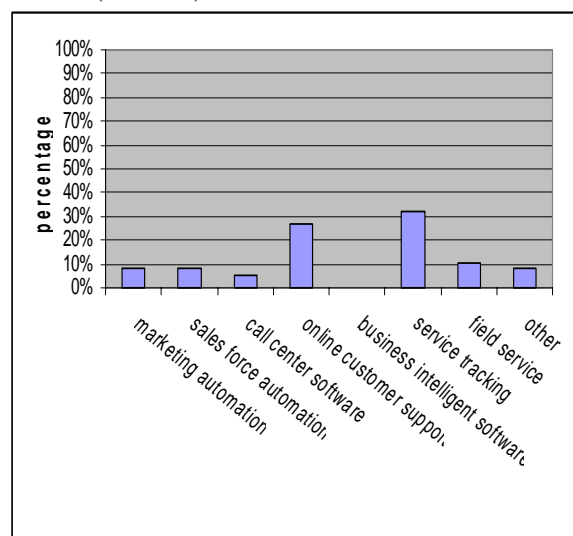


Figure 5. Company usage of CRM solutions

Since Thai SME have limitations on their low capital and liquidity, they require a low cost CRM applications which can be customised to their business model and infrastructure. The alternative - changing their business model and IT structure to fit the CRM application is not popular. In addition, preferences are expressed introducing new software to be done in little steps to not interrupt the current business process. This is in accordance with the suggestion the business processes to be gradually adapted to the changing environment in the future as well as the software be easily adaptable to these future changes (Baumiester, 2002).

Successful CRM

The participants were asked about their possible successful case of CRM implementation. The cases described include to (1) keep customer loyalty to company (2) provide direct contact to customer (3) provide customer support for quick problem solving (4) provide public relation at store front (5) communicate with customers to understand user objectives and requirements in order to develop new products and services (6) send cards, messages, newsletters or gifts to customers occasionally such as birthday or new year (7) provide information about new products and services to users regularly (8) provide extra price for good customers and (9) track customer services. However, there are no organizations for all of the above cases to be implemented systematically and as a whole.

Unsuccessful CRM

The unsuccessful cases of CRM implementation are also described. They can be summarised as follows: (1) unorganised telephone communication (2) lack of good cooperation between marketing and CRM departments in product promotion (3) lack of ongoing followed up of products and services. (4) lack of ongoing analysis of products and services and (5) online service can not be guaranteed for user acceptance.

Conclusion

CRM applications are significant factors for successful businesses. In SME, knowing more about the customers could be used to increase the company's competitiveness. The analysis of the survey results shows some optimism about understanding of the CRM's potential in Thai SME.

Thai SME still use mainly traditional methods including direct conversations for

data collection and store customer records on paper. No company among the samples stores customers' data in database or computer server. The development of new services and products needs also more attention from SME. Clearly, SME do not invest in CRM approaches and technologies to improve the core functions of their businesses. Regarding CRM support for business Thai SME seem to be more concerned with using CRM elements for customizing services, managing complaints, or providing support to their customers, which brings a positive result for customer satisfaction and loyalty. However, the current level of usage of CRM applications does not contribute significantly to the core of customer management and product and services development.

The careful analysis of the results from the survey helped the authors to identify one clear goal for assisting Thai SME in their efforts to implement CRM in their organizations, namely to develop an intelligent advisory system available on the Internet and acting as a portal to the necessary information, existing and applied in practice technologies and applications as well as serving as an intermediate communicator between the Thai SME for exchanging experience. The development of such a system has been initiated and the prototype of the system will be announced shortly as a result of joint Project between Kasetsart University and the Asian Institute of Technology. We believe that such system will make possible the successful CRM implementation in the Thai SME based on (1) Combining CRM data and reasonable cost applications with their existing IT infrastructure as well as with their business processes for customer related strategic planning and administration; (2) Building a customer-centric business processes; (3) Using IT/CRM to collect and keep customer data systematically, and (4) Including CRM technologies in the process of developing

new products and services based on customers' preferences and suggestions.

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