A CRM deployment dilemma at Charger Electronics

Bernice Purcell
Holy Family University

J. Barry Dickinson
Holy Family University

ABSTRACT

Steven Alexander, CEO and Chairman of Charger Electronics, has a dilemma. He heads up one of the largest distributors of electronic chargers and power supplies in the world. His firm is extremely successful and has been in business for over 60 years. However, he just left his annual strategic planning meeting and a number of very important questions could not be answered with the data available to the firm's managers. He reflects on the situation and turns to an old friend for advice. The two of them conduct some research and discover that a customer relationship management (CRM) computer system can address many of the unanswered questions. He calls another meeting of top management the following week to present his findings and recommendation. He wonders if he is making the right recommendation.

Keywords: customer relationship management, CRM, B2B, business-to-business, manufacturing, electronics

INTRODUCTION

Steven Alexander, CEO and Chairman of the Board of Charger Electronics, just finished leading the firm's annual strategic planning meeting. From all accounts, he should feel very good about the accomplishments of his firm. It employs a workforce of nearly 500, has been in business for over fifty years, and has established an international footprint. However, he noticed something in the meeting that troubled him. Several very important questions that were raised could not be answered with the data available to management. These questions included:

- Who are our top ten customers?
- Have there been changes in our customer retention/loyalty rate?
- How often do we contact customers and how do we communicate with them?
- Do we know how long it takes to convert a prospect to a customer?
- Are we tracking customer complaints and concerns, especially since this is required as part of our ISO 9000 certification?

Steven was astonished that these important questions could not be answered. Given the fact that Charger Electronics considered itself the "world's fastest assembler," how could it respond to customer requests and demands without real-time access to this basic information? He knew that in order to continue to grow, the firm needed a system that granted access to this important information to those who needed it (Ernst, Hoyer, Krafft, & Krieger, 2011). He decided to call a special meeting of the executives of the company to discuss this matter first thing next week.

Prior to the meeting, Steven reached out to a long-time friend, Scott Jamison, concerning the value of a customer relationship management (CRM) system (Kothandaraman, Prabakar, & Anderson, 2008). Scott was an IT professional with a wealth of experience in CRM systems as well as a university professor with a great reputation. Hopefully, after several meetings with Scott, Steven would be able to frame the important questions clearly. After a bit of research he found that a CRM system is a good tool for real-time access to customer-level data and analysis of purchase behavior (Griffin, Curtis, & Barrere, 2009). This sounded like a perfect solution for the issues that were raised at the planning meeting.

COMPANY BACKGROUND

Charger Electronics is a manufacturer and distributor of precision connectors and power supplies. It acts as a distributor for some of the largest electronics manufacturers in the world, including Amphenol, Cinch, and ITT Cannon. The power supplies include laptop chargers, internal computer power supplies, and electronic device power supplies. The connector business line includes all sorts of connectors used in the electronics industry, both inside as well as outside of devices. Charger Electronics stocks over 450,000 unique stock keeping units (SKU). These connectors and power supplies are used in a variety of industries as input to the finished goods manufacturing process. As such, Charger Electronics operates in a business-to-business market, where branding is essential for success (Leek & Christodoulidies, 2011). The firm is headquartered in Philadelphia, Pennsylvania and operates production facilities in the United States and the United Kingdom. It also has over twenty sales offices located in eight countries across North America and Europe. The company offers both standard as well as customized components to its customers. It competes on the basis of speed of delivery and production capacity and flexibility. Charger Electronics boasts it can manufacture 5,000 components per hour, provide a 48-hour turnaround on connector special orders, and can fill orders of 1 or 10,000 parts with equal ease. Therefore, it is imperative that the company have a close relationship with its customers and understand their buying patterns and requirements (Gronoos & Ravald, 2011). The company serves a variety of industries, including the military, industrial, medical, aerospace, transportation, and energy sectors internationally.

Charger Electronics' products are not a major factor in overall design of its customers' manufacturing plans and, therefore, are usually not considered until the later stages of design. Consequently, Charger Electronics needs to work with customers and prospects as early in design process as possible to understand their requirements and met its own stringent delivery standards. Early consultation with Charger Electronics benefits the customer through providing access to the appropriate design tools and structured methodologies that improve finished product reliability, assembly time reduction, tooling cost minimization, and performance maximization (Jayaram, Ahire, Nicolae, & Ataseven, 2012). Therefore, it is critical that Charger Electronics have a systematic way in which it can track all of the products its customers manufacture and the stage of development of each product.

INDUSTRY BACKGROUND

The power supply industry is typically broken into three regions: North American, Europe, and Asia (Darnell Group, April 2011). The market is classified as a growth industry and expected to expand faster than its counterparts over the next five years (Darnell Group, April 2011). A compounded annual growth of 8.5% is expected, with growth expectations to be up from $9.3 billion in 2011 to $14.0 billion in 2016 (Darnell Group, April 2011). The main traditional market sectors for power supplies are communications, computers, and consumer applications (Darnell Group, April 2011). The mobile phone industry dominates the communications segment (Darnell Group, April 2011). The computer segment includes notebook computers, tablets, printers, and portable computing devices. The largest growth in the power supply industry is expected in the computer segment (Darnell Group, April 2011). Currently, there are twelve major applications in the consumer sector including Pico projectors, e-books readers, and wireless charging pads (Darnell Group, April 2011). Portable medical devices are currently a small, but promising, market segment in the sector that represent a key target for the power supply industry (Darnell Group, April 2011). A challenge with portable medical devices is the need for components to meet strict medical standards (Darnell Group, April 2011).

The connector industry is a mature industry with a market size $45.3 in 2010 (Darnell Group, July 2 011). Two major sectors in the connector market are computers and mobile phones (Darnell Group, July 2011). The quality of the connectors used in mobile phones is directly related to the quality and reliability of the phone (Darnell Group, July 2011). The largest mobile phone connector manufacturer is AMPHENOL (Darnell Group, July 2011). Mobile phone components manufactured by AMPHENAL include SIM card connectors, SD card connectors, USB connectors, HDMI connectors, and RF Connectors (Darnell Group, July 2011).

CUSTOMER RELATIONSHIP MANAGEMENT SYSTEMS

Steven and Scott met at the university library to prepare for the meeting with the executives. They discussed ways in which Charger Electronics could improve the information it gathered on both its customers and prospective customers. Both of them felt strongly that access to this information was not only critical for customer satisfaction but also innovation and product development (Zahay, Grffin, & Fredericks, 2011). It appeared clear that a robust CRM system was indeed the solution. The two examined the literature concerning CRM systems in order to write a report in support of the plan. The goal of customer relationship management (CRM) is to reach customers throughout the world and provide them with satisfactory service (Haghtalab, Ahrari, & Amirusefi, 2011). It is rooted in the relationship marketing paradigm and typically involves using a technology solution to identify, acquire, and retain customers (Wahab and Ali, 2010). It is also a way in which a firm systematically collects information about the buying habits of its own customers (Khan, Ehsan, Mirzan, & Sarwar, 2012). The global CRM applications market exceeded $(US) 18 billion in 2011 (International Data Corporation, 2011). This demonstrates the power of CRM and its importance to industry. CRM can play a variety of roles within an organization. Ru-Jen, Chen, and Chiu (2010) propose five dimensions to CRM: information sharing, customer involvement, long-term partnership, joint problem solving, and technology-based CRM. Information sharing has been found to have an impact upon the capability to innovate (Ru-Jen, Chen, & Chiu, 2010). Customer involvement in the new product development process is a strong predictor of new product launch success (Ru-Jen, Chen, & Chiu, 2010). Manufacturers and customers that maintain a long-term partnership demonstrate a significant degree of reliability and loyalty (Ru-Jen, Chen, & Chiu, 2010). Joint problem solving affects the success of product and market development (Ru-Jen, Chen, & Chiu, 2010). Technology-based CRM supports process innovation (Ru-Jen, Chen, & Chiu, 2010).

Roomi and Mojibi (2011) emphasize the importance of combining the concepts of knowledge management and customer relationship management in CRM systems. This increases the probability that the knowledge obtained from the CRM systems will have an actual impact on strategic level decisions. Integrating CRM into core marketing processes and utilizing CRM on a strategic level to improve performance are major challenges faced by CRM system adopters (Saini, Grewal, & Johnson, 2010). Top management championship practices, employees' IT skills, and knowledge of CRM are major factors in the adoption, integration, and strategic level use of CRM systems (Saini et al., 2010).

CRM IMPLEMENATION PRACTICES

Almotairi (2009) describes three key components of successful CRM implementations – technology, people, and business processes. Proper integration of technology enables CRM systems to improve the relationship with customers (Almotairi, 2009). The two important groups of people important to CRM implementation and effective use are employees and customers (Almotairi, 2009). Successful CRM implementations are based upon business practices that are customer-centric (Almotairi, 2009). The three key components must be carefully considered and properly developed within the framework of a CRM implementation for the system to be effective.

When developing the framework of a CRM implementation, a firm should consider one of several strategies: identification of the target customer, choice of an effective channel, brand value strategy, and choice of CRM application (Nguyen, Sherif, & Newby, 2007). Proper employment of one of these strategies contributes to the successful implementation of the CRM system.

The identification of the target customer strategy supports the idea of a customer-centric CRM system. Target customer identification is based on the concept of customer-centricity. Customer-centricity is a process of segmentation in which customers are grouped based upon similar attributes and then managing the segments to maximize customer benefits in addition to the organization's long-term profits (Nguyen et al., 2007). The strategy typically follows the following continuum: product-centric analysis, marketing segmentation, customer management, customer segment advisors, customer segment owners, and customer-centric profit and loss (Nguyen et al., 2007).

The choice of an effective channel strategy needs to be an on-going activity for a CRM system to be successful. An organization must evaluate all channels available, justify selection of channels from among the available options, and determine how effectively the chosen channels are used (Nguyen et al., 2007). An important consideration in selection of channels is analysis of channel conflict (Nguyen et al., 2007).

The brand value strategy is crucial to the ultimate goal of the company – understanding and recognizing the behaviors of its customers (Nguyen et al., 2007). Brand managers must be able to quantitatively measure and analyze decisions made pertaining to brands and branding (Nguyen et al., 2007). Three key characteristics of brands are differentiation, consistency, and effective communication to customers (Nguyen et al., 2007).

The ultimate choice of CRM applications requires a careful analysis of which applications can best be utilized by the particular organization in attracting and retaining loyal customers (Nguyen et al., 2007). The key steps in employing a successful CRM strategy are understanding how the CRM fits into the company's strategic plan, assessing current CRM capabilities, developing a convincing case for the new CRM system, and creation of a plan that clearly defines the goal of the implementation and how to achieve the goal (Nguyen et al., 2007).

THE DECISION

Mr. Alexander felt confident he had all of the information he needed for his meeting with his executives next week. He believed that deploying a CRM system will address all of the questions he pondered following the annual meeting. He had the research to back up his recommendation and the support of his experience friend, Scott. However, lingering questions remained in Steven's mind:

1. What is the real benefit to a business-to-business company of implementing a CRM system?
2. What is the typical investment required in deploying a CRM system, in both real dollars and other, intangible costs?
3. When deploying a CRM system, what are the typical success factors?
4. How does a company evaluate the deployment from a cost-benefit perspective?
5. What actions can the CEO take to improve the likelihood that the deployment will be successful and fully adopted by his firm?
6. What role will the customers have in the CRM deployment process and how can we include them as early as possible?

REFERENCES

Almotairi, M. (2009, July). *A framework for successful CRM implementation*. Paper presented at the European and Mediterranean Conference in Information Systems 2009, Izmir, Turkey.

Business wire http://www.businesswire.com/news/home/20111222005063/en/Worldwide-CRM-Applications-Market-Forecast-Reach-18.2.

Darnell Group. (2011, April). *External AC-DC power supplies: Worldwide forecasts – Tenth Edition*. Retrieved from http://www.researchandmarkets.com/ research/b7962b /external_acdc_pow#.

Darnell Group. (2011, July). *Global and China Connector Industry Report, 2010 – 2011*. Retrieved from http://www.researchandmarkets.com/reports /1860359/ global_and_china_connector_industry_report.htm#.

Ermst, H., Hoyer, W., Krafft, M., & Krieger, Katrin (2011). Customer relationship management and company performance: the mediating role of new product performance, *Journal of the Academy of Marketing Science*, 39(2), 290-306.

Griffin, T., Curtis, T., & Barrere, D. (2009). CRM in Russia and U. S.-case study from American financial service industry, *Journal of Technology Research*. 1(1), 2-15.

Gronroos, C. & Ravald, A. (2011). Service as business logic: implications for value creation and marketing. *Journal of Service Management*, 22(1), 5-22.

Haghtalab, H., Ahrari, M., & Amirusefi, R. (2011, October). Survey relationship between customer relationship management and service quality, satisfaction and loyalty (case study Mellat bank). *Interdisciplinary Journal of Contemporary Research in Business, 3*(A6), 439-448.

International Data Corporation (2011). IDC's worldwide semi-annual customer relationship management applications tracker forecasts global CRM market to grow by more than $1.3B in 2011, Retrieved from http://bit.ly/m7UGsm.

Jayaram, J., Ahire, S., Nicolae, M., Ataseven, C. (2012). The moderating influence of product orientation on coordination mechanisms in total quality management, *International Journal of Quality & Reliability Management*, 29(5), 531 – 559.

Khan, A., Ehsan, N., Mirzan, E., & Sarwar, S. (2012). Integration between customer relationship management (CRM) and data warehousing, *Procedia Technology*, Vol. 1, 239-249.

Kothandraraman, P., Agnihotri, R., & Anderson, Rolph E. (2008). The salesperson's role in CRM success: exploring the value of salesperson's mapping of buying center structure, *The Marketing Review*, 11(3), 249-261.

Leek, S. & Christodoulides, G. (2011). Brands: just for consumers? introduction to the special issue on B2B branding. *Industrial Marketing Management*, 40(7), 1060-1062.

Nguyen, T. H., Sherif, J. S., & Newby, M. (2007). Strategies for successful CRM implementation. *Information Management & Computer Security*, *15*(2), 102 – 115.

RNCOS. (2009, August). Global CRM Market Grew 12.5% on High Tech Investments. Retrieved from http://www.rncos.com/Blog/report_list.php?year= http://www.rncos.com /Blog& month=blog_report.php&blog_pagename=Global-CRM-Market-Grew-12.5-on-High-Tech-Investments

Roomi, A. S., & Mojibi, T. (2011, October). A study in relationship between knowledge management factors and customer relationship management (Case study: Iran Khodro Company, IKCO). *Interdisciplinary Journal of Contemporary Research in Business, 3*(A6), 677-675.

Ru-Jen, L., Chen. R., & Chiu, K. (2010). Customer relationship management and innovation capability: An empirical study. *Industrial Management + Data Systems 110*(.A1), 111-133.

Saini, A., Grewal, R., & Johnson J. L. (2010, November). Putting market-facing technology to work: Organizational drivers of CRM performance. *Marketing Letters 21*, 365-383. doi:10.1007/s11002-009-9096-z.

Wahab, S. and Ali, J. (2010). The evolution of relationship marketing (RM) towards customer relationship management (CRM): a step towards company sustainability, *Information Management and Business Review*, 1(2): 88-96.

Zahay, D., Griffin, A., & Fredericks, E. (2011). Information use in new product development: an initial exploratory empirical investigation in the chemical industry, *Journal of Product Innovation Management*, 28(4), 485-502.