Oct 28th, 9:00 AM - 10:30 AM

# The Evolution of CRM from the Perspective of an Emerging Country: Past, Present and Future

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**Abstract.** In the marketing literature, it's been accepted that, from production to relationship orientations, marketing has passed through different ages in history based on societal changes. However, it's obvious that the principles of relationship marketing have been practiced since the pre-Industrial period, especially by traditional groceries, even if its name had not been spoken yet. Nowadays, with the development of technology, companies are able to implement "mass one-to-one relationships." This short paper summarizes the development of CRM from point of view of an emerging country, Turkey, and suggests different stages of CRM in this country.

**Keywords**: Customer Relationship Management (CRM), Emerging Market

## Introduction

The industrial revolution in the 1880s, with its mass production, especially Henry Ford's production line in the 1920s, has been considered to be the first historical era of marketing. The main focus was to produce as much as possible, since the demand exceeded the supply. Later, the effects of the Great Depression as a global economic crisis caused people's purchase power to decrease, and companies focused their products by creating sales teams; thus, this period was called *sales-orientation*. In these two eras until the 1950s, companies applied an "inside-out" perspective. In other words, companies considered first their own resources and products and then they considered their consumers. After the Second World War, a period when most factories were dedicated to the production of war equipment, companies again transferred their efforts to bring new supplies to the markets. The variety of the products increased, and there were new types of consumers who desired to buy products offering higher value. The prevailing attitude in this era was "the consumer rules! Find a need and fill it." This consumer-orientation was called a marketing concept, in which companies devoted their efforts at satisfying its consumers for a profit. The fourth era in the history of marketing, which continues today, is *relationship marketing*; this emerged in the last decades of 20th century. In this era, companies have worked to create long-term relationships with their customers and other partners in their value chain [1]. CRM has evolved from advances in information technology [2]. On the other hand, it should be noted that CRM is not only a technology but is rather a business process management strategy intended to maximize relationships [3].

Although relationship marketing has been considered to be an emerging phenomenon, its practices date back to the pre-Industrial era, during which time producers and consumers interacted directly with each other and developed emotional and structural bonds in their economic market behaviors [4]. So, the principles behind Customer Relationship Management (CRM) are not unfamiliar; companies have already been practicing these principles for a long time, even if they haven't called it by this name. What is new is that while companies implemented one-to-one relationships with few customers in the past, today they can do so with many more customers [5]. In other words, nowadays, companies are able to implement a "mass one-to-one relationships" strategy by using CRM.

## Brief Overview of CRM

Although the roots of CRM are derived from relationship marketing, most of the IT firms have defined it as the software applications that automate the marketing, selling, and service functions of businesses [6]. On the other hand, some authors view and define it from a business strategy perspective, such as the following [7]:

> *CRM is the strategic process of selecting customers that a firm can most profitably serve and shaping interactions between a company and these customers. The ultimate goal is to optimize the current and future value of customers for the company.*

In other words, with CRM strategy, companies are able to identify, attract, and retain the most profitable customers [8]. Customer retention is crucial and is the central point in CRM strategies, since it helps companies increase profitability via cross-selling (selling other products or services), upselling (selling more expensive products or services), or customer referrals [9]. So, CRM as a business strategy characterized with customer retention may date back to pre-industrial periods and has evolved over time with technological advancements.

## Different CRM Stages in Turkey

Relationship marketing strategies are built on trust [10]. In Turkey's collective culture in the 1980s, traditional grocery stores existed with a strong relationship built on trust between the seller and the store. The owner was called "uncle grocery" and usually came from the same quarter as the customers. In this era, which can be called as "CRM 1.0," sellers knew their customers well. They knew their needs and their domestic troubles, and they even knew about their family lives. They addressed them by name. Some customers had difficulty paying their bills at the end of the month, and borrowing was prevalent. For this reason, the "uncle grocery" owner used a notebook to note his customer's debts. In this way, the seller's and customer's relationship was strong. Customers often shopped at the same store; they didn't change it, and groceries didn't have that many customers. For this reason, the basic information system used by the sellers was a simple "notebook" to check customer debts.

Over time, the small, family-owned, traditional stores, which had weak traditional retail systems, were replaced by supermarkets [11]. A few years after their introduction in Turkey at the beginning of the 1990s, shopping malls emerged into the market. It's possible to call this era as "CRM 2.0." These large stores offered products cheap, as they bought them from their suppliers in huge quantities. This meant that people left their own quarters to go shopping and preferred these markets instead of the grocery stores of old, due to their cheap offerings. The number of customers at these markets started to increase, and the owners employed cashiers to process the transactions. As a result, the owners no longer recognized their customers, and they had to analyze customer bills in order to offer better applications—for example, personalized promotions, coupons, in-store activities, and so on. For this reason, the concept of CRM was introduced as a popular marketing phenomenon to collect and analyze customer data and to develop adequate marketing strategies. Most of the competitive tools were based on statistics to analyze numerical data collected from customer purchases. Companies developed loyalty cards,

and different market segments were called “platinum, gold, business, silver, economy, etc.” Different strategies were applied to different customer segments.
In today’s competitive environment, companies are forced to use latest technological developments to be differentiated from their competitors. There are several sources that have developed to collect customer data nowadays. For instance, data takes the form of text from comments on web sites, messages sent via email, images posted on social media, readings from sensors, GPS signals from mobile devices, etc. [12]. As a result of the development of technology, it’s now possible to discuss “CRM 3.0,” an era in which the Internet has become the focus of customers’ digitalized shopping lives. This era began in Turkey in the 1990s, and online commerce has soared in the last decade, paralleling the development of mobile commerce. Nowadays, the nature of data has changed, and numerical data were replaced by aural, visual, photographic, and textual data derived, for example, from daily social media use. Today, all kinds of data should be analyzed, particularly “big data” provided by consumers. It is important to note that the size of today’s customer data is huge (referring to the volume), that data are produced quickly (velocity), and that data take different forms from various sources (variety). Therefore, most of the time, statistics are insufficient to analyze customer data. This is why “data-mining techniques” are implemented to explore the hidden information stored in data. Using these techniques in CRM (for the purposes of association, classification, clustering, forecasting, regression, sequence discovery, and visualization) in order to analyze and understand customer behaviors and characteristics complements the use of statistics in this era. Instead of the databases that were used for numerical data in the previous stage, “data warehouses” are being created to deal with the variety of data in this era. For instance, textual data on third-party websites should be analyzed to develop a competitive advantage in the tourism sector based on travelers’ experiences. For this case, a text- or Web-mining tool would be the best approach.

## What would CRM 4.0 be?

The evolution of technology continues at a great pace, and the next step is said to be the Internet of Things. This approach has been discussed in terms of its ability to change the way we manage customer relationships, as stated by Ric Merrifield [13]. As an example of the type of change in this period, refrigerators will be able to detect what is missing and order the items via the Internet. Until now, the ever-evolving role of the seller has been from “uncle grocery” to “mobile commerce.” Maybe in the future, an evolving customer will emerge, evolving from “humans” to “objects,” which will create important risk considerations [14].

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