CUSTOMER RELATIONSHIP MANAGEMENT AND
THE ASIAN COMPANY EXPERIENCE

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ABSTRACT

This paper focuses on Customer Relationship Management-- a change in business philosophy that companies are readily adopting because of the positive impacts of customer retention on the bottom line. Made possible through transactional databases and the ability to data-mine, CRM has become a necessary business function due to customers' use of multiple touch points and the decreasing cost effectiveness of mass marketing methods. CRM has introduced into the business lexicon the concepts of customer life time value, customer equity, 360 degree view of the customer, customization and personalization, to name a few. After briefly covering the background of CRM (Section I) the paper will focus on why the adoption of CRM among Asian companies will be different than its adoption among companies in the West (Section II). Cultural, organizational, and structural reasons will be investigated. Conclusions will point to fragmented growth of CRM across countries in Asia.

CRM INTRODUCTION AND BACKGROUND

Some view CRM as being so multifaceted that it cannot be defined. "CRM is often so broad that it lacks definition. If you can't define it, how can you assess it? No one knows what it is, but we know we have to have it."[1] Even the letters "CRM" have been used as acronyms for numerous different terms such as Continuous Relationship Marketing, Customer Relationship Marketing and Customer Relationship Management. Customer Relationship Management is a difficult business practice to precisely define because: 1. It can apply to different levels of customers –for example, distributors, dealers, lateral partners, as well as final consumers. 2. Some of the key components of CRM shift when considering B2B versus B2C relationships—for example, sales force automation is more applicable to the former than the later and 3. The composition of CRM systems will be different in big versus small companies even though their objectives will be the same.

Definitions of CRM can be grouped into the following separate and distinct areas:

1. Those that equate CRM with a software package, process, system or technology

"CRM Systems are parameter-adjustable software packages that are intended to integrate and manage all aspects of customer interactions within the organization, and so considerably improve the ability of the organization to handle customer service, sales, marketing, online transactions, and orders."[2]

2. Those that equate CRM with a focus on data storage and analysis

"CRM is the process of storing and analyzing the vast amounts of data produced by sales calls, customer-service centers and actual purchase, supposedly yielding greater insight into customer behavior. CRM also allows business to treat different types of customers differently-in some case, for instance, by responding more slowly to those who spend less or charging more to those who require more expensive handholding."[3]

3. Those that equate CRM with a change in corporate culture from a transaction focus to a relationship or customer-centric focus. The key is to establish a dialogue with each customer on a one-to-one basis as opposed to generating merely a corporate monologue with large segments of customers.

"CRM is first and foremost a corporate culture change; i.e., a different way of doing business, enabled with powerful technology at every customer touch point."[4]

4. Those that equate CRM with the important concept of "managing demand".

"CRM is the dynamic process of managing a customer-company relationship such that customers elect to continue mutually beneficial commercial exchanges and are dissuaded from participating in exchanges that are unprofitable to the company."[5]

5. Those that equate CRM with new strategies focusing on acquisition and development of a customer base.

"CRM comprises the business processes an organization performs to identify, select, acquire, develop, retain and better serve customers. These processes encompass an organization's end-to-end engagement with its customers and prospects over the lifetime of its relationship with them."[6]

When CRM is viewed in terms of systems, most agree that the CRM system must do three things well: gather customer data from all touch points; provide easy access for all who need it; and deliver useable information. Touch points are any point of contact that a customer or prospect has with the company including phone inquiries, Web applications, e-mail, or in-person transactions.

When viewed as a system, most agree that a comprehensive CRM system should contain four major technology components:

1. A data warehouse containing customer data from every touch point; transaction

and channel data; sales force input; and perhaps even survey data.

2. Analytical tools to identify customer behavior patterns

3. Campaign management tools to develop and evaluate the results of marketing communications such as advertising and sales promotion campaigns

4. Interfaces to maintain the database

As expressed by Swift:

> "CRM's goal is to increase the opportunity (of customers buying again) by improving the process to communicate with the right customer, providing the right offer (product and price), through the right channel, at the right time."[7]

While the term "relationship" is important when defining CRM, the term "management" is equally important, for it pertains to the organization's ability to develop appropriate strategies and tactics that add value for the customer-- encouraging them to remain in the relationship. Effective CRM management involves identifying prospects, selecting and acquiring the right ones, and developing the relationship. Through such efforts, the organization hopes to maximize the profitable lifetime of the customer.

If the key to successful relationships is communication, successful CRM communication is founded on the ability to engage customers in a dialog that results in greater satisfaction with the brand and/or the organization. CRM can enhance brand value by providing customers with information they require, providing offers that add value, and transparently facilitating the acquisition of information to improve future CRM efforts. CRM is a link between information technology and strategies aimed at identifying, acquiring, developing, and retaining customers.

Kutner and Cripps[8] suggest that CRM is founded on four tenets: 1. Customers should be managed as important assets, 2. Not all customers are equally desirable, 3. Customers vary in their needs, preferences and buying behavior and 4. Better customer understanding leads to tailored offerings that can maximize customer overall value.
As companies gather information about current customers who don't buy frequently, buy products or services only when they are on sale, frequently return merchandise and complain often, the company has a knowledge base that will enable them to avoid attracting other customers like them. A long-distance telephone company currently has 20 million subscribers who never have used their long-distance services. This extremely large customer base costs the company millions of dollars each year simply because it has to mail out statements indicating that they have a zero-dollar balance. Many of these non-users are long-time customers.

Consequently, the purpose of CRM systems is not to retain or keep customers that would otherwise switch to a competitor. Nor is the purpose of CRM systems simply to please customers (any company can do this by giving the product or service away for free). The purpose of CRM systems is to identify, retain and please the right kind of customer and to foster their repeat usage. The goal of customer relationship

management systems is not merely to establish and maintain a relationship with customers but rather to increase the strength of the relationship from acquaintanceship to friendship to partnership.

A straightforward answer to why CRM systems are being used is that they can enhance productivity across the entire range of key marketing functions:

1. Identifying prospects
2. Acquiring customers
3. Developing customers
4. Cross-selling
5. Up-selling
6. Managing migration
7. Servicing
8. Retaining
9. Increasing loyalty
10. Winning back defectors

A recent McKinsey & Company report shows that CRM systems can be highly effective in reducing acquisition costs and in developing customers by increasing usage of company products and services.[9] In addition, CRM is extremely effective in increasing upward migration (convincing customers of the value of "trading up" to more expensive items) and increasing cross-selling (getting customers to buy an increasing array of company products and services). CRM has also proven effective in increasing client retention (CRM data bases provide an early warning as to which customers are ready to leave the relationship), reducing silent attrition (customers don't leave but they stop buying or reduce their buying significantly) through the managing of migration, and reducing downward migration (customers buying less or buying less expensive items—"trading down"). CRM systems can also dramatically increase the quality of service a company provides its customers by improving cueing, matching callers with the most appropriate CSP, and directing customers to use the most profitable channels in communicating with the company.

As Peppers and Rogers pointed out in their seminal article regarding one-to-one marketing, there are really four basic steps in CRM:

1. Identify your customers in as much detail as possible including demographics, psychographics, habits and preferences
2. Differentiate among them (for example, most and least profitable)
3. Interact with your customers (make this interaction more cost effective through automation whenever possible)
4. Customize your offerings to fit each customer's needs through mass customization or individual tailoring [10]

The benefits of a customer focus are retention of loyal customers and a greater share of the customer's wallet through cross-selling and up-selling. The pioneering work of Reichheld and Sasser [11] found a strong relationship between customer retention and company profits. They found that simply a 5 percent increase in customer retention yielded improved profitability in net present value from 20 to 85 percent across a wide range of businesses. In addition, Blaattberg and Deighton [12] found that existing

customers are much less expensive to keep than new customers are to acquire. Others point out that it costs as much as five to ten times more to obtain a new customer than it does to keep an existing one. CRM systems are proving to be a necessity because of heightened customer expectations. CRM systems are also necessary to reduce waste in an organization's communication and marketing efforts by reducing or eliminating expenditures on those individuals or segments that will never become profitable.

Who Uses CRM and Why?

There is a high positive correlation between firm size and CRM usage. In the U.S., CRM is practiced by approximately 45 percent of the nation's utilities; 50-55 percent of the companies in financial services, pharmaceuticals and transportation; and 70 percent of the companies in telecommunications and credit.[13] One study says only 20% of small businesses have implemented a CRM software solution and these companies tend to be concentrated in the financial services, communications and high tech manufacturing industries.[14] Implementation of CRM has lagged among small and medium sized enterprises (SMEs) because money, IT resources and employees are often in short supply. One result is that SMEs tend to buy their CRM systems in modular increments.

Firms develop CRM systems for many reasons with the following being the most prominent:

1. To increase customer retention and loyalty.

2. To stay even with the competition.

3. To attempt to differentiate themselves from their competitors based on their ability to provide outstanding customer service.

CRM typically includes any or all of the following functions: customer contact center, customer service, sales force automation, campaign management tools, marketing analytics, field service, order management, and online sales. Management looks at CRM as a way to increase customer satisfaction, retention, and profits through providing a 360 degree view of the customer that is shared across relevant functional areas. CRM techniques also enable management to control costs through campaign effectiveness analysis as well as better service to clients through sales force automation.

Why have CRM systems been adopted and developed so quickly by financial institutions, credit companies, and telecommunications firms, and readily accepted by their customers? The answer appears to be "involvement". Consumers are more willing to engage in relationship-type behavior with products and services that they are psychologically involved with; and these are high-involvement services for most consumers. Involvement is a function of the perceived importance of the product or service in the life of the user. Price, complexity, and risk can directly impact perceived importance and therefore customer involvement. Most customers are more highly involved in their dealings with financial institutions, luxury hotels, and medical centers than they are with the shoe section in a mass merchandise outlet. Engaging a customer in a relationship would be more likely in the former rather than the later.

Wollan and Nunes[15] posit that those companies serving large numbers of customers through increasingly complex and frequent interactions—communications companies, retail banks, insurance companies, health-care organizations and utilities—stand to gain the most from CRM systems. Profitability can rise or fall dramatically with even small changes in the cost of serving their customers. Companies that engage in minimal interactions with each customer (auto dealers, government agencies) or companies with simple customer transactions (movie theatres, retail stores) would benefit the least from CRM systems. That is not to say, however, that they would not benefit; only that the dynamics of the marketplace that they are in would prevent the same returns on a comparable CRM system.

Peppers and Rogers have an interesting perspective on which companies will benefit most from a customer-centric or relationship marketing orientation. They suggest that when a company's customers' value varies widely, and their top customers account for the vast majority of the business, they are said to have a "steep skew" and will benefit more from CRM than other companies.[16] The reason, of course, is that once identified, the company can treat their high-value customers to superior service.

Companies that interact infrequently with their customers because of the nature of their offering will find it difficult to establish a learning relationship. Companies that offer a limited number of products whose margins are slight and that are purchased infrequently will find it difficult to reap the benefits of CRM systems.

History and Development of CRM

The origins of CRM are varied and diverse. One would think that it would be easy to pinpoint the origins of a field coming to the forefront of business in the mid to late 1990s. Not so. There are many different views as to what led to CRM as we know it today. Most see the roots of CRM in the following areas:

- Relationship marketing, because it focuses on maintaining a continuous relationship with customers and building long-term bonds, is seen as the theoretical precursor of CRM. Relationship marketing with its focus on customer relationships as opposed to one-time transactions has been viewed as a paradigm shift that has reshaped the entire field of marketing. There are paybacks for both the company and its customers in such relationships and consequently marketers' focus on relationships is expected to be very long term.

- Some feel that CRM had its origins in marketing research's customer satisfaction studies of the late 1970's.

- Many claim that B2B interactions between companies and their suppliers are the origins of the B2C CRM models that are so prevalent in the market today because B2B relationships can take a very long time to develop and sales are dependent upon thoroughly understanding a customer's needs.

- Materials Resource Planning, introduced in the mid-1980's, and SAP, introduced in the early 1990's, led to the development of databases integrating

MRP functions with accounting. Once data warehouses housing these databases were established, companies had the demographic, behavioral and contact data necessary for CRM.

- In the late 1980s, telemarketing technology was build into the customer call center. In the early 1990s customer service and support applications were introduced as well. According to Freeland, the first CRM initiatives were launched in the early 1990s and focused on improvements to the call center.[17]

- Some see CRM's roots in sales force automation (SFA). SFA tools were developed and introduced to improve the capture of customer and prospect information and provide the sales force with real time information. Today's SFA tools control follow-up with potential customers, allow sales teams to collaborate in real time, identify client decision-makers, track customer account histories, and monitor leads and follow-up strategies. SFA products also provide sales personnel with all of the types of company presentations, handbooks, proposal and contract forms, etc. that they need to manage their business. Many SFA functions now reside on headquarters' Web servers instead of sales persons' laptops, to insure the information is the latest possible.

- Some feel CRM resulted from companies' needs to control excessive costs associated with media buys for mass marketing promotional campaigns. A solution came in the form of campaign management tools. Initial CRM campaign management techniques were based on customer lists containing variables that companies could target for smaller, more focused promotional campaigns.

- Channel integration, geared to gathering customer information from each touch point and integrating this information into the customer's profile in order to provide seamless service across all channels, characterizes much of today's CRM efforts. Because of this, simple customer databases were transformed into systems that link the database to call-centers and Internet systems allowing direct interaction on the one hand with data capture, data updating and data availability for future interactions.

- The diffusion of the personal computer meant every desktop had the capability of manipulating customer data, allowing company divisions to manipulate their own customer data and practice CRM at the business-unit level.

- The success of direct-response marketing: toll-free calling, direct-mail and e-mail enabled organizations to target prospects and customers on a one-to-one as opposed to a mass marketing basis. Many see this as the beginning of CRM. E-based marketing followed directly in the successful footsteps of earlier direct-response efforts such as toll-free calling and direct mail.

- Some feel that CRM had its roots in the industrial marketing and services marketing practice and literature. Industrial marketers looked at interaction theories and relationship building focusing on trust and commitment issues. Service marketers looked at service quality, satisfaction and the need to

maintain one's customer base after acquiring it. Satisfaction, trust and commitment are the bases of a successful CRM effort.

- Relational databases made it possible for companies to identify access, manipulate and share customer information across departments, making CRM possible. Databases contained customer transaction histories, all customer-company contacts through any channel, demographic and behavior information, and customer responses to company campaigns.

Winer[17] provides a general framework addressing the ease or difficulty in company data-base construction. Database construction is easiest for organizations that have frequent and direct customer interaction (banks). It is most difficult for organizations that have infrequent and indirect customer interaction (auto and furniture manufacturers). It is of intermediate difficulty for companies that have frequent but indirect customer interactions (package goods companies) or for companies that have infrequent but direct customer interactions (computer stores).

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EXHIBIT 1
DIFFICULTY OR EASE OF
DATABASE CONSTRUCTION

Customer Interaction

		Direct	Indirect
Interaction Frequency	High	EASY Banks, Retail Stores	INTERMEDIATE Package Goods Co's
	Low	INTERMEDIATE Personal Computer Stores	DIFFICULT Auto and Furniture

Manufacturers

Source: Winer, R.S. (2001). A Framework for Customer Relationship Management. *California Management Review,* 43 (4), 89-105.

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Organizations' Experiences with CRM: Success or Failure?

Brown and Gulycz report on a business survey that showed that two-thirds of all companies lacked techniques to measure the business value of CRM and nearly a fourth defined CRM as a set of tools and techniques.[18] Without performance metrics, companies' claims that CRM doesn't work cannot be considered valid. In addition, defining CRM as only technology indicates that the CRM construct itself is confused in the minds of many business executives.

Companies have been, and continue to be, frequently surveyed by institutions in the CRM field, and the findings provide further evidence of confusion with respect to whether or not CRM has fulfilled its promise: More than half of all companies investing in CRM consider it a disappointment, according to several recent surveys.[19] A Gartner Group research note projected that 55 percent of all CRM software projects through 2005 would come up empty.[20] Allegedly, 70 percent of all CRM projects fail.[21] "In a study of 100 large companies, only 52% reported achieving their business goals."[22] A 65 percent failure rate of CRM implementation projects is a testimony to the complexities of CRM.[23]

As these statistics show, perhaps the majority of all firms feel that the results for their CRM efforts to-date have been disappointing. It should be kept in mind, however, that their expectations may have been too high and, with more experience with their CRM systems, they may achieve excellent results in the end. In addition, most companies have gone into CRM efforts without clearly stated goals and objectives, making their assessment of CRM failure somewhat specious since there aren't any standards to measure results against. Companies continue to introduce technology-based systems without first developing ROI, user acceptability (both in-house and outside users), and customer satisfaction metrics to measure results against. Nonetheless, the many reports of poor results are surprising given the advances made in data technology, new middle-ware software that can link disparate databases, e-commerce, and targeted marketing programs.

There is another side to the issue of whether or not CRM systems have been successful. InfoWorld presented the findings of the study "The Financial Impact of Customer Relationship Management" released by the IDC in February 2004.[24] According to this study, the majority of respondents garnered between 51 percent and 500 percent return on their CRM investment and a third reaped returns above 500%. It is also reported that Charles Schwab, one of the largest e-brokerages, recouped its large investment in CRM systems in less than two years. A CRMCommunity.com survey in August 2000 of over 900 of its members showed that 72 percent rated their CRM projects as "successful" or better.

Challenges in Implementing CRM and How the Many Barriers Can Be Overcome

There are three major ways in which organizations can overcome the barriers to effective CRM implementation:

1. Through Communication
2. Through Integration
3. Through foresight in relating CRM functions to the strategies that drive success in their industry—business strategies must drive CRM development.

Communication includes the following components:

1. The organization must adopt a relationship marketing philosophy; and this philosophy must become imbedded in the minds of managers,

departments, functions and employees.
2. The organization must detail the benefits of the CRM system to its employees, and also detail what they personally will gain from it.
3. The top executive must communicate his/her support at the start of the CRM initiative and maintain their support throughout the development and implementation stages.

Integration includes the following components:

1. Business strategies must be integrated and serve as drivers of the CRM initiative rather than the other way around.
2. If separate "quick-results" CRM projects are initiated, they should be coordinated and integrated into a single CRM vision.
3. IT and business managers must be integrated into start-up teams and work together throughout the development of the CRM system.
4. Customer data must be integrated .

All of the databases and technological systems in the world cannot instill the necessary customer focus in managers and employees that CRM requires. This focus must be engendered in customer contact representatives, salespeople, executives and managers from the day they join the organization. Unfortunately, sometimes it is easier to create a culture from scratch than it is to change culture. Shifting the focus from products to customers is a major challenge since most companies have a product manager system and their sales force has incentives based on selling products as opposed to servicing customers. In addition, customer data should be available to everyone in the organization who can benefit by having access to it.

Top management must be involved from the very beginning in setting philosophy, managing culture change and presenting a detailed case for CRM benefits. Things never go smoothly when installing such complex systems, and the benefits may take time to accrue even once the CRM systems are running. Therefore, it is important that top executives not become disillusioned during CRM development and begin to question their decision to implement such a system. Reducing the scope or not signing off on budgetary requests will only make others question the decision for CRM system adoption.
Business strategies must drive CRM development rather than the other way around. Most organizations lack a central enterprise-wide CRM strategy and they therefore become focused on the problems faced by each individual department. They then introduce a plethora of functional solutions that don't really relate to one another and don't provide the institutional synergy that should be the goal in the first place. A CRM business plan should be developed and a business analysis conducted showing how the various features in the CRM system will relate to each business goal. As an example, the following might be business goals listed in the business plan; if so, then the CRM system that is developed must have features that will enable each of the following goals to be accomplished:

Increasing the profit from each customer
Increasing the number of items sold annually to each customer
Increasing the acceptance of new products by the customer base
Increasing customer satisfaction

Improving response rates to promotional campaigns
Increasing the speed of campaign development
Decreasing the costs involved in campaign development and assessment
    Decreasing the number of employees and time involved in solving problem tickets
    Improving the percent of the customer base that trades up to the next

item

    in the line

The issue of whether an organization should introduce and develop its CRM system in the form of a one-shot "big-bang" or "CRM suite" solution versus a series of "Quick-hits" or manageable pieces is an ongoing one. Recent opinions seem to favor the latter approach. If the piece-meal, quick-hit or phased approach is used, then the key to successful implementation is integration and coordination of all of the pieces. Organizations should also include both IT and business unit managers in CRM start-up teams. McKinsey suggests that instead of holding business people accountable for determining the requirements of a CRM system, and IT personnel for developing it, companies should make both parties responsible for all of its aspects.

Finally, the quality and usability of any CRM system is dependent upon the recency and validity of the data in its data bases. In its 2001 report, the Gartner Group cited poor data quality as the single greatest inhibitor to successful CRM implementation. "Since contact data erodes at a rate of 33% per year, without proper attention, data can become incorrect, unusable and ultimately untrustworthy."[25] It is necessary to consolidate and resolve the problems resulting from disparate databases, multiple touch points, departmental disparity, dissimilar applications, and inconsistent customer data.

Size of the Industry

- According to Cahner's In-Stat Group, total worldwide revenue for CRM software reached $30.6 billion in 2005.

- According to Forrester Research, worldwide expenditures on CRM consulting and systems integration will approach $6 billion in 2007.

- According to Gartner, the worldwide market for customer service outsourcing was $8.4 billion in 2004 and will grow to $12.2 billion in 2007.

- According to IDC, the worldwide revenue for customer care totaled $45.8 billion in 2004 and will reach $83.5 billion by 2009.

- According to Aberdeen, the largest CRM product market is sales force automation followed by marketing automation and customer service automation. Call centers, field service and partner relationship management each account for approximately 5 percent of the market.

The largest market penetration of CRM –estimates vary from 50% to 75%--is in the United States. Based on 2005 operational CRM revenues, the Asia-Pacific market is approximately three-fourths the size of the European market.[27]

THE ASIA/PACIFIC CRM MARKET

More and more companies in Asia are becoming aware of the value of CRM and are including it in their strategic plans; however, most are still years away from effective implementation. When it is implemented, most companies will not have experience in placing CRM within the context of a comprehensive customer-centric strategy. It is to be expected that early CRM efforts will be rudimentary, and disillusionment is likely to set in when companies are unable to look at customers holistically.

The Asian markets for CRM are fragmented and have to be viewed as consisting of four market tiers:
- Mature-slow growth: Australia, New Zealand, Japan
- Approaching Maturity—slow growth: Hong Kong, Singapore, Taiwan, South Korea
- Very immature with little growth in short to medium term: Indonesia, Philippines and Thailand
- Greatest growth potential: China, India and Malaysia

 (To add perspective, some feel the Chinese market over the past 3 years has grown at ten times the rate of the mature Japanese market.)

CRM software sales in China in 2004 slightly exceeded 200 million yuan compared with 1.2 billion yuan for enterprise resource planning software. According to Frost & Sullivan,
the CRM market in Asia Pacific is forecasted to grow at a compound annual growth rate of slightly over 10 percent between 2004 and 2011 to reach $388 million.
While the "shower" approach to marketing innovations globally has been successful for many consumer, industrial and business products over the past 20 years, the old-fashioned "waterfall" approach may have been more appropriate for CRM products and services. CRM first enjoyed huge success in the U.S. and then, with its introduction in 1996-1997, in Europe. But, except for the telcos and large consumer durable goods manufacturers, Asia continues to significantly lag behind both the U.S. and Europe in CRM applications. For example, e-CRM 2005 revenues were expected to be $6 billion in the U.S., $4.4 billion in Europe, but only $1 billion in Asia (as forecast by Ovum).

While CRM adoption in Asia is lagging behind the U.S. and Europe, future Asian prospects are bright. In China, for example, customers are now making more purchase decisions based on service quality as opposed to just price. According to Tony Tong, Chairman & CEO of PacificNet:

> "The emergence of competition based on customer service quality, customer loyalty and retention, CRM, and pre-sale/post-sale services have prompted the rapid demand and deployment of large scale customer contact centers. We believe

that the CRM contact center has emerged as the new core competence for the market leaders in China. To become a market leader in China, whether as a product or service provider, you need to devote resources to CRM and customer service."

Of course, Tony Tong is speaking as Chairman and CEO of a Telco. Telcos being the first to develop sophisticated CRM systems in Asia may not be reflective of other industries. Nonetheless, CRM does enable companies to escape the product-parity-type market where consumers buy only on the basis of price.

Many CRM providers have been disappointed by the lack of return on their CRM Asian investments. Let us now look at why the road to CRM sales in Asia is different than that experienced in the West.

Ten Reasons Why the CRM Market in Asia Differs From the West

1. Asian Hierarchical Structure with Decision-Making at the Top

Traditional Asian companies that are family-owned or are SMEs have a relatively strict hierarchical structure in which decision-making is reserved for those at the top. CRM with its emphasis on solving customers' problems "now" will be difficult to implement in such an environment given that the customer contact representative has to be empowered to make decisions quickly without getting approval from those at the top. Western measures of CRM success centered on "first-person resolution" or "time-to-resolve customer problems" necessitate that decision-making authority be given to customer contact personnel. This will be difficult in Asia where one often contacts a company and finds that the customer contact person cannot solve the problem without referring to those higher up in the organization.

2. Asian Consumers Prefer Person-to-Person Contact

In addition to differences in levels of authority between Eastern and Western organizations, consumers are also different. While it took approximately two decades for U.S. consumers to become comfortable with using automatic-teller machines and automated bill-payment techniques, U.S. consumers have become very comfortable with handling all types of transactions without human interface. Companies benefit because technological interfaces allow for simpler and more extensive data collection from consumers than person-to-person interfaces.

Such is not the situation in many parts of Asia where many consumers still prefer person-to-person contact. This channel may be less efficient, less effective and even less secure. Nonetheless, many Asian consumers prefer it—perhaps because they view technological transactions as having intrinsically more risk.

3. Direct Marketing, a Precursor of CRM, is in Its Infancy Stage in Asia

Direct mail, catalogue sales, TV direct sales and telemarketing, all precursors of CRM in the U.S., are still in the infancy stage in China and other Asian countries. CRM, therefore, lacks a necessary infrastructure in Asia in the form of database management and call centers.

4. Difficulty in Building Data Bases in Asia

Government agencies and local companies are very cautious about selling data to third parties, so building databases can be much more time consuming than in the West. Only large Asian companies selling expensive durable goods may be able to afford building these databases and the CRM systems surrounding them. Adding to this is the difficulty in developing customer databases in China since Chinese names can be written in several different ways.

5. Asia's Fast Growing Economies Obviate the Need for CRM

Asia has had very fast growing economies and companies have not had to focus on developing relationships with their current customers in order to achieve success. As growth slows, companies will begin to look at CRM for a differential advantage and as a way to achieve profit growth from the development of their current customer base.

6. Cost Conscious Asian Companies Have an Aversion for Western Software License Prices and Prefer to Buy "Local"

Since the vast majority of Asian businesses are SME's, they will buy Western software only if it is offered at dramatic discounts. Otherwise they prefer to satisfy their CRM needs by buying software from small, local vendors who have low sales, marketing and production costs.

7. Asia Has a Different Sales Culture

Sales Force Automation (SFA) is the number one CRM revenue-generator worldwide. SFA requires a great deal of continual input from each member of the sales force. According to former Salesforce.com CEO, Akira Kitamura, Asian companies, particularly Japanese ones, will be slow to adopt CRM for cultural reasons:

> "It is partly a cultural thing. Japanese sales people are not used to inputting their sales data into a system, especially guys in their 40's and 50's. We often hear that sales people are worried that if they give all the details of their sales accounts, they may be poached or misused by someone else in the organization."

According to Sampson Lee, founder of GreaterChinaCRM, the "people" component of CRM is not developed in Asia as well:

> "In Asia, e.g., they treat sales as a job; in the West, it's a profession. There is a high turnover rate in Asia in sales. Salespersons have little or no product knowledge, a poor customer servicing attitude, and a very passive or robotic action when serving customers."

If true, CRM in the form of SFA is still a long way off in terms of effective implementation—awaiting culture change on the part of Asian sales forces.

8. In Asia, Cheaper Labor Often Receives Resources at the Expense of IT

In an environment like China, where most businesses are relatively small and privately owned, most owners will put resources into cheap labor versus expensive CRM solutions. A quarter century of tremendous domestic growth will mask any miscalculations in the worker-CRM resource allotment.

9. In Asia, Technology Expenditures Must Result in Quick Payback

According to Henri Barenholz, PeopleSoft's CRM Asian director, Asian firms tend to be tight-fisted when allocating resources for technology:

> "Companies in Asia are very scrupulous about their technological spending. When they invest in something, they want to see the value immediately; whereas in the U.S. and Europe, companies are more likely to buy into CRM solutions full-scale."

Because there are a lot of SME's in Asia, the demand for CRM will be at the low-price CRM solutions' end. ASP, since it comes complete without initial capital expenditures, does not involve expenditures for additional IT talent, and provides fast ROI, will be a CRM application of choice in Asia.

10. Exogenous Factors

In Asia, each country is distinct, different, and carries a different degree of risk. Each country has to be marketed to differently given their different political, technological, cultural and economic environments; the quality of their local CRM suppliers; the population's experience with direct sales and internet sales; the historical role of sales; their investment return horizon; and their decision-making structure. Each of these factors varies among individual Asian markets and differs significantly from the environment in Western markets, and therefore must be taken into account when marketing CRM in Asia. A one-size-fits-all approach to CRM sales in Asia simply will not work

CONCLUSIONS

CRM has proven to be more than a technological fad, perhaps because it is based on the proven elements inherent in relationship marketing. While many companies are still grappling with the vexing problems of integration, some are effectively implementing CRM systems to satisfy customers' ever increasing demands for improved service, maintain long-term relationships, and removing themselves from competition based solely on price.

Adoption of CRM by Asian companies has lagged behind that of the West for many reasons: differing decision-making structures, investment horizons, and economic and cultural environments have all impeded the growth of CRM in Asia. In addition,

direct marketing in the form of catalogue sales, TV direct sales and telemarketing—all precursors of CRM in the West, partly because they led to database development—are not as well developed in Asia. In addition, because labor costs are low, companies tend to invest in human resources as opposed to technological innovations. Perhaps most importantly, Asia's fast growing economies obviated the need for CRM—companies were doing fine without it.

Some of Asia's larger companies have successful CRM systems in place, and with affordably priced CRM modules, CRM adoption has begun among Asian SMEs. Even though CRM sales expectations in Asia are not close to being met, the strategic advantages based on relationship marketing as implemented through CRM systems will prevail over marketing tactics. As this becomes apparent, it is likely that CRM will diffuse quickly throughout China, India and Malaysia and in the longer term throughout Indonesia, the Philippines and Thailand.

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