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## **CUSTOMER RELATIONSHIP MANAGEMENT STRATEGY (A TEACHING CASE STUDY)**

**Tamilla Curtis\***

Nova Southeastern University  
317 Aleatha Drive, Daytona Beach, FL 32114

**Donald Barrere**

Nova Southeastern University  
1900 Pelican Landing Blvd, #1023, Clearwater, FL 33762

**Tom Griffin**

Nova Southeastern University  
2900 NE 30th St. Unit 8G, Fort Lauderdale, FL 33306

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*Despite the benefits offered by the integration of customer relationship management (CRM) strategy with advanced technology, many companies still fail to see competitive advantage results promised by CRM. This case study provides a platform for student analysis and discussion in this area.*

*This case study is presented in two parts. The first part describes the unsuccessful implementation of an integrated CRM system within a midsize financial firm based in the US; the second part provides an overview of CRM development in Russia of two telecommunication companies. Suggested questions for discussion are presented. Appendix A provides an overview of CRM that can be employed at the option of an instructor to transition between a specific curriculum and the case. Teaching notes (including example responses for each discussion question) are available by contacting the corresponding author.*

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\* Telephone: 386 226 7173  
e-mail: [curtist@erau.edu](mailto:curtist@erau.edu)

**MASHKIN GROUP**

Mashkin Group Inc. (Mashkin), a wholly owned subsidiary of Amir Inc., a British financial conglomerate, is a medium-size, asset-management group based in the US. Mashkin consists of three primary divisions: a mutual fund company with \$10 billion in assets; a separate, but closely affiliated asset management company with \$15 billion in assets; and a financial services company. Since the early 1990s, these three enterprises have shared the same client database and other software programs. The first program utilized, an inexpensive, off-the-shelf system with limited capabilities, was used by the sales department of both the mutual fund company and the asset management company primarily to store names, telephone numbers, and notes of salespeople. A second program was used by the IT department to update the database as new clients arrived and record daily sales data. A third program was installed at all internal and external salespersons' workstations and laptops to provide current data to the sales force. In addition, the Client Service Call Center used a separate designed-in-house program to track incoming call activity.

The technology systems utilized by employees in Mashkin were designed to support general sales activities. None of the software was designed specifically for the needs of their financial divisions (either the mutual fund or the asset management side) and lacked the analytic functionality as well as the collaborative functionality to interface with other systems within Mashkin. This limited functionality of technology forced employees to spend an inordinate amount of time manually jumping between applications and creating new reports to import and export data between applications that could not be currently integrated. Significant effort was also expended in e-mail and other communications between users throughout the firm to collect information that was not recorded in the system.

Working around the limitations of the technologies had been possible when the sales volume and number of clients was small, but with the expansion of the company the situation had become unacceptable. Management felt that it was time to implement a comprehensive CRM strategy with integrated technology specific to the needs of their financial divisions (both the mutual fund and the asset management sides). The three companies under the umbrella of Mashkin shared the same objectives for their new CRM approach:

1. To provide superior service to customers in addition to the benefit of the core product;
2. To identify, focus on and retain key customers;
3. To develop customer's profiles; and
4. To improve managerial decisions and workflow.

The desired (and expected) outcome of the new strategic approach, which included the internal reorganization of the use of resources, was increased productivity through faster access to comprehensive client records; faster response to customer needs; better reporting and analytical capabilities; reducing duplication of efforts; and gaining data manipulation capabilities.

## **THE CRM PROJECT**

In order to deal with the complex issues of identification and implementation of the appropriate CRM program, a CRM taskforce was formed consisting of managerial level employees. While large firms have the resources required to buy comprehensive custom systems, smaller firms are often forced to use low cost, off-the-shelf products, modify products developed for other firms, or build a system in-house; and in Mashkin's situation, budgetary constraints prohibited the outright purchase of a fully integrated custom system. An outside CRM consultant was hired to assist in the program and help select an off-the-shelf, integrated system for use throughout the firm. Working with the consultant's input, the task force determined the strategy for the implementation process including software requirements, vendor selection, budget, project timeframe, personnel involved and user training. After months of comparing programs that could be adapted to the unique needs of the companies within Mashkin, one was selected that was successfully in use by a similar, but larger, firm. Mashkin finally committed to a chosen CRM system and the software licenses were purchased. The IT department ensured that all networks for the new CRM program were in place. The new system was populated with current data that was transferred from the old databases. In order to minimize risk, the old systems were left in place to run parallel with the newly installed CRM system.

Despite careful planning Mashkin faced major challenges during the project implementation. The cost of the new CRM system implementation turned out to be substantially greater than was budgeted. Controversial issues concerning cost overruns began surfacing at every board meeting.

In the process of data transfer tens of thousands of client files with contact notes and client profiles were transferred and aggregated, without regard to their chronology. This lack of chronology meant users had to scroll through years of notes to locate recent entries and move them near the top of the file in order to render them useable. The files most affected were those of long-time clients, many of whom had done business with the firm for 10 or more years. These clients had lengthy files that were made cumbersome and difficult to navigate as a result of the data transfer. Among the users, those doing heavy sales volume and those attempting to glean useable data out of the scrambled files were affected most. User efficiencies in this less-than-optimal system declined further.

Another shortcoming was user training. The firm provided on-line training of sales personnel in the new CRM system, but the system was based on on-demand user training and there was no structure in place that ensured employees completed the training instead of merely employing it as a “Help” system. As employees left and new ones replaced them training deteriorated to an associate spending a few minutes demonstrating the system to a new employee, who was ultimately left to figure it out on their own. While an integrated CRM application specific to the financial industry was implemented, financial advisors and salespeople were not utilizing it. The end users preferred to rely on old technologies and juggled different applications instead of using the newly installed, comprehensive CRM system. Ultimately, the outcome of the CRM implementation at Mashkin was completely the opposite of what management envisioned with end results of employee confusion, wasted money and lost time.

### **AMIR LIMITED**

AMIR, a British financial conglomerate with a large telecommunication division, was interested in further expanding its business operations and was investigating opportunities in the former Soviet Union for its financial services division. AMIR’s Board of Directors sought information on the current state of CRM practices in Russia with particular interest in any specific challenges that might be faced in implementing CRM strategies in Russian firms.

James Williams, a senior project advisor with AMIR’s international division was tasked with developing a presentation on CRM in Russia for the Board of Directors. Prior to joining AMIR, Williams had been program manager at Mashkin and a member of the task force that had steered the unsuccessful CRM project.

Williams was given the following report prepared by a manager at AMIR’s telecommunications division who had been given a similar research task focusing on the communications market.

### ***REPORT TO MANAGEMENT CRM IN THE TELECOMMUNICATIONS INDUSTRY IN RUSSIA***

*Since the collapse of the Soviet Union in 1991, market reform in Russia has resulted in dramatic changes in the business climate. Economic reform resulted in a massive transfer of government ownership to the private sector (Hisrich, 1996). The economic restructuring reform promoted economic growth in Russia by making a transition from central government control to a market-based economy with large opportunities for foreign capital and investment.*

*There is an indication that foreign and Russian partners have different views of underlying business principles. Due to the emphasis of Russian management on collectivistic approaches to business and reliance on capital and functional aspects over human assets (Katsioloudes and Isichenko, 2007), a large number of foreign investment companies started joint ventures with Russian companies. The Russian market's orientation had previously focused on processing inventory with emphasis placed on supply rather than on consumer demand. As a result, Russian companies largely ignored the consumer (Hisrich, 1996). In the changing economic conditions, many firms in Russia were forced to create new methods of doing business.*

*CRM, a relatively new concept in Russia, started to gain recognition in early 2000. The finance and telecommunication industries are the largest sectors currently employing CRM strategies. Wagner indicated, "Contemporary Russian marketing practices cover only a narrow spectrum of the diversity of marketing practices observed in other nations, and overall intensity of marketing activities is low in comparison with international benchmarks" (2005:199).*

*To address the needs of the accelerating Russian CRM market, the CRM Association was founded in July 2004 to conduct CRM forums, conferences, and discussions; to assist organizations with training; to distribute publications in order to increase awareness about CRM business practices; and to conduct research. The overall goal of the CRM Association is to build CRM awareness and share the best technologies and practices. The first CRM congress was held in Moscow in December 2004, where the best Russian CRM projects were presented and new CRM systems and approaches were discussed. More than 350 top managers from Russian and international companies participated in the congress. Industries included financial services, pharmaceutical, marketing, telecommunication, and others. In March 2005, Microsoft Corporation, together with DataArt (a provider of high-end software outsourcing services with headquarters in New York), conducted a CRM systems seminar in St. Petersburg, Russia to address the development of new CRM solutions. The leading global business technology event, the Interop Moscow Exhibition, supported by the American Chamber of Commerce in Russia, was held in April 2008, and provided opportunities for international companies to examine the Russian market and to display the latest technologies available in the CRM area. According to specialists, Russia currently represents large investment opportunities for foreign CRM technology and consulting companies.*

### **EXAMPLES OF CRM PROJECTS**

*Although academic research on CRM development in Russia is minimal, the implementation of CRM practices are evident in the example of two telecommunication providers: Svyazinvest (a national provider); and MegaFon-Moscow (a regional provider).*

*Svyazinvest is a telecommunication investment joint stock company that was formed by consolidating shares owned by the federal government in regional telecom operations during the privatization of the telecommunications sector. It is considered one of the largest telecommunication holding companies in the world (Svyazinvest, 2008). Svyazinvest incorporates seven large mega-regional telecommunications operations, and national domestic long-distance and international operations. The holding company's subsidiaries operate public telephone networks with capacity exceeding 32.4 million telephone lines. In 2005, Svyazinvest, together with IBM and Amdocs (the provider of billing and CRM products and services for integrated customer management), began the largest CRM billing modernization project in Russia (Global Technology Unit, 2005). This project was designed to replace more than 180 of Svyazinvest's billing systems across seven regions with Amdocs products, and included the implementation of new voice and data services for its subscribers. The CRM project was conducted in several phases, including the introduction of a single billing system across Svyazinvest operations. The new CRM strategies and technologies eventually will provide Svyazinvest with the ability to connect different operations located in different geographic regions under one umbrella. This will give employees the ability to get a single comprehensive view of consumers. Overall, the implementation of new technologies is expected to give the company a competitive advantage by developing the efficient and effective network infrastructure in order to provide a high-quality telecommunication service to its subscribers.*

*MegaFon-Moscow, a division of the MegaFon Group telecommunication company, and one of the first Russian mobile operators in the Global System for Mobile communications (GSM), was formed at the end of 2001 due to reorganization of several telecommunication companies (MegaFon-Moscow, 2008). MegaFon-Moscow is one of the three telecom providers responsible for the wireless network coverage of the Moscow region. The cell phone market has experienced tremendous growth in recent years in Russia. Currently MegaFon-Moscow has more than five million subscribers. In March 2005, company management made a decision to implement the Amdocs CRM technology (MegaFon-Moscow, 2005). The new Amdocs automation resulted in many advantages, such as*

*time saving for consumers calling the call center, an increase in the number of customer's calls taken, and a better call routing structure. New CRM technologies allowed MegaFon-Moscow to link call centers with its stores, and to provide better access to customer information data. Amdocs CRM was able to consolidate MegaFon-Moscow data into a single unified platform, which is fully integrated with existing billing systems. Customer service employees receive fast access to customer data, giving them the ability to respond quickly to customer's requests and provide a high level of customer service.*

Williams finished reading the report and reflected on the manager's analysis of CRM practices in Russia and his own experiences at Mashkin.

### QUESTIONS FOR DISCUSSION:

Assume you are James Williams developing a presentation on CRM in Russia for the Board of Directors of AMIR limited:

1. Identify strategies for the CRM project implementation.
2. Identify reasons contributing to the failure of the CRM implementation at Mashkin.
3. Discuss the current state of CRM practice in emerging markets using the example of Russia.
4. What additional challenges might companies in Russia face in implementing CRM projects?

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## **APPENDIX A**

### **CRM: AN OVERVIEW**

With the growing emphasis on customer knowledge in service industries CRM strategy can be a very useful tool for managers. Whether or not a business focuses its effort on production innovation, operation efficiency or low price, companies must have customers (Peppers and Rogers, 2004). CRM helps companies realign their resources in order to increase operational activity and place the consumer at the center of the business. A CRM strategy is aimed at delivering a superior customer experience in order to create stronger customer relationships, which lead to customer loyalty.

In a global arena it seems that customer relationship is understood in a similar way (Ramaseshan et al., 2006). However, in emerging economies, customer service will continue to be ignored until finances become available to secure a firm's existence (Hisrich, 1996).

CRM strategies, including the technological aspect, are not as simple as they seem. Though there is sufficient empirical research to design and implement a successful CRM strategy, it does not guarantee a desired outcome though causes of high failure rates of CRM can be isolated and effectively managed. Despite a large number of success stories, many companies face a number of problems with CRM implementation even within a single market (Ramaseshan, et al., 2006).

Western forecasts indicate that the future of the development of CRM systems in Russia looks promising. According to Wagner (2005), "The Russian markets offer plenty of opportunities, but the questions remains as to which practices are successful and which are not" (2005: 207). More and more US software companies, including Microsoft and IBM, look at Russia as a potential client. In a new economy, Russian firms understand the need to restructure their organizations and to implement the latest technological advances, including CRM strategies, in order to gain competitive advantage.

Currently, Russian organizations are evolving toward financial stability and private ownership. Therefore, emphasis on customer relations will increase, which will result in the further spread of CRM practices.

While relationship marketing in the US dates to 1983 (Berry, 1995), Customer Relationship Management (CRM) as a business strategy in a customer-centric rather than a product-centric environment dates to the 1990s to a joint project of IBM and Siebel. CRM can be defined as the comprehensive strategy and process of acquiring, retaining, and partnering with selective customers to create superior value for the company and its customers (Parvatiyar and Sheth,

2001). It involves the integration of marketing, sales, customer service, and the supply chain functions of the organization to achieve greater efficiencies and effectiveness in delivering customer value (2001:5). Other definitions of CRM include integrated marketing communications, one-to-one relationship management, real-time marketing, customer intimacy, and others (Peppers and Rogers, 2004). CRM consist of two processes: analytical CRM (focuses on strategic planning); and operational CRM (focuses on the software installation) (Peppers and Rogers, 2004).

The main goal of CRM is to improve the relationship between customers and organizations that result in the repurchase of products or services and, therefore, the creation of customer loyalty (Wagner and Zubey, 2007). By applying CRM strategic approach, companies are able to generate a detailed view of each consumer that permits discrete customer differentiation. For practitioners, CRM represents an enterprise approach to develop full knowledge of customer behavior and preferences to enhance business relationships. Operationally, CRM can be viewed as the process for conducting a continuing dialogue with customers through differentially tailored approaches (Ramaseshan et al., 2006).

The variable of interest most associated with the CRM is a company's return on investment (ROI) on implemented CRM programs. ROI can be linked to an increase in customer retention or an increase in customer net present value, which could be an indicator of lifetime value (Swift, 2001). Other CRM measured variables include the total number of customers, the average annual revenue per customer, the acquisition cost, the average churn or attrition rate, or the customer gross margin. Overall, a firm's profitability can be achieved through CRM programs by maintaining loyal consumer bases and extending good relationships with customers who bring more business.

### **INTERNATIONAL ARENA**

The 21st century has brought significant changes in the marketing field that led to further development of the marketing discipline, including customer relationship management (Pels and Brodie, 2004). Recently, cross-border businesses have experienced the extensive growth. This can be largely attributed to the advances in information technology, communications, privatization and deregulation in emerging economies (Ramaseshan et al., 2006). The emergence of global companies and the importance of customer relationships have become key areas of focus. Companies all over the world have developed their own approaches to the CRM strategy in order to increase their efficiency and effectiveness in operations.

Customer relationships are widely studied in the environment of developed market economies which are steeped in Western values of self-interest and self-

gratification (Ramaseshan et al., 2006). As a result, the majority of CRM literature has a Western orientation. Not much research has been conducted on the development of marketing strategies in transitional economy specifically in the Eastern European market.

The collection and analysis of customer data, identification of customers needs, expansion of the customer base, development of retention programs, strategy implementation, and identification of value to the firm are activities that companies across cultures concentrate on when implementing CRM strategies.

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