Improving Performance of Customer Relationship Management by Knowledge Management – A Case Study

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Abstract — In recent decade, Persian banks lose a competitive power in an international banking industry because of their poor customer relationship management (CRM). Knowledge management (KM) has a significant role for implementing and improving the CRM system. This paper is carried out in two stages. The first stage finds an efficiency coefficient of KM factors on improving CRM by using a structure equation model (SEM) and factor analysis with data of Sepah bank. According to the budget constraint of this bank, in the second stage, a mathematical model is developed for a budget assignment in order to implement the KM factors. This model maximizes the CRM improvement. Finally, this paper reports the associated results by solving the given problem.

Keywords: Knowledge management; Customer relationship management; Structure equation model; Mathematical model.

I. INTRODUCTION

Many companies have recently taken benefit of customer relationships management (CRM) to expand their markets. These companies established the CRM systems to sustain and further increase loyal customers. Most competitive power of companies has not limited to knowledge about CRM. This power contains customers and their satisfaction; however, some companies refuse to recognize its importance [1]. As the focus of business has concentrated on customers, managers have found that maximization of the existing customer values brings the profitable and sustainable return growth. As the purpose of power organization is to provide standard service, it is necessary to establish a knowledge-based intelligent customer service system for power customer and improve the communication between organization and customer in order to improve the service quality and enhance customer satisfaction [1]. To respond successfully to increasingly competitive environments, companies must examine how they can better leverage knowledge assets and create the added value. Knowledge management (KM) shows the knowledge valid to a company as a major success factor. The improvement of CRM by means of KM can create great business opportunities [2]. There is a lot of research on CRM, especially over two last years. While proof of the CRM impact on the firm performance is still not abundant, international business firms are spending billions of dollars a year on software CRM, such as Siebel and Oracle, call ‘‘CRM technology’’. In fact, early projections suggest that within the next three to four years, yearly global disbursement on CRM technology are likely to exceed US$17 billion, and that estimate is greater than US$100 billion if the market is broadened to include CRM-related services [3].

The main approach of power customer service begins with receiving customer requests by phone, fax or e-mail that means customers knowledge. To present the excellent customer service, staff needs to verify the personality of the customer and record his/her requests. From now, the staff provides some suggestions for resolving the customer queries or requests based on his/her experience and knowledge, they confess some especial knowledge about their customers. If the suggestions are accepted by the customers, the successful cases are documented for future references and reuses, if not staffs should register this knowledge, that is called staffs knowledge. It is interesting to note that the quality of customer services completely depends on the experience and ability of the staff.

Since the knowledge in performing customer services is difficult to acquire, share and diffuse among the staff, it is time-consuming and costly to train up a well-experienced staff. The enterprise will suffer from the loss of the valuable knowledge of the staff when he or she leaves [1].

Another thing, which builds better CRM, is marketing knowledge. By having enough knowledge about the market, you can propose the best suggestion for your customers, so your customer’s loyalty can be increased.

As the value of KM and CRM has been well recognized, it is necessary to make optimal reuse of knowledge of a customer among various functional units of the enterprise. As the power company provides standard service, it is important to ensure that the customer service staff can access and be trained up with dynamically updated knowledge that adjusts to the