

# **Design of a Customer-Centric Balanced Scorecard – Support for a Research on CRM Strategies of Romanian Companies from FMCG Sector**

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*Abstract:* Our research concerning the application of Customer Relationship Management (CRM) principles in the Romanian companies from FMCG sector provides relevant information about the business strategies focused on customers. Without having the pretention to be a complete survey, our research reveals the analysis of CRM principles implementation in Romanian organizations, based on a original questionnaire conceived on the four dimensions of the Balanced Scorecard (BSC). Our customer-centric Balanced Scorecard model will allow an efficient consumer response as it involves all Front-Office and Back-Office Departments’ efforts in order to deliver the best value to customers. We consider that our paper will have significant implications both on the academic and the business environment, as the integration of CRM and BSC concepts in a survey represents a real challenge for them; in this way, we hope to be able to develop more complex surveys and comparative approaches including in a sample organizations from different countries.

*Keywords:* *Balanced Scorecard, Customer Relationship Management, performance, innovation, learning*

## **1 Introduction**

The balanced scorecard links performance measures by looking at a business's strategic vision from four different perspectives: financial, customer, innovation and learning, and internal business processes. [1] These four perspectives do not eliminate, but instead support the goals of various management techniques (such as Strategic Planning, Total Quality Management, Supply Chain Management and Customer Relationship Management (CRM) implemented by the organizations. The selection of performance control indicators focuses on a set of “strategic objectives” associated to a “strategy map”. [2] The managers should identify the goals they have in each perspective of the Balanced Scorecard and must prove the relationships by means of the network links discovery. Arriving to a consensus in what concerns the goals and the relationships, the Balanced Scorecard measures are conceived by the selection of the appropriate indicators.

The real time workflows and the adaptability to change are the keywords of third millennium businesses. The information,

transmitted in real time, allows the companies to anticipate the customers’ needs and the evolution of the global market, in view to face the stronger competition.

The first wave of CRM systems was deployed in the early 1990, the same period of the Balanced Scorecard's release. [3] CRM appoints the establishment, development and optimization of relationships between an organization and its customers and focuses on the understanding and satisfaction of customers’ needs and expectations that are placed in the center of an efficient business strategy. The customer-focused companies regard every interaction with a client or a prospect (point-of-sale transaction, calls to Customer Care Centers, visit and register to a website, marketing survey, etc.) as a business opportunity that can be exploited.

The objective of e-CRM is to drive consistency within all channels related to sales, customer sales and support, and marketing initiatives to achieve a seamless customer experience and maximize customer satisfaction, customer loyalty and revenue[4].

## 2 Design of a Balanced Scorecard model for a CRM research on Romanian organizations from FMCG sector

The scientific novelty of our research consists in the design of a Balanced Scorecard model used as a questionnaire that can be used by any intelligent company due to its excellence on strategic, tactic and operational level in the CRM approach. In view to emphasize the application of the customer-centric Balanced Scorecard model, we developed a research on a sample of 30 Romanian companies which operate in FMCG sector; we chose this sector as the economic crisis didn't affect it as the other activity domains and the investments in CRM campaigns remained at a high level.

The questionnaire based on 40 questions divided in the four dimensions of the Balanced Scorecard (customers' perspective, financial perspective, internal processes perspective and

innovation and learning perspective) was addressed to the CRM representatives of the organizations included in the sample. To evaluate an organization's readiness to become customer-centric is simple, but to become customer-centric is a far more arduous task. Identifying the shortfalls is relatively easy; overcoming them is far more difficult. A customer-driven organization will efficiently manage its customer relationship. The data collected from its customers will be analyzed, either by transaction, by value, by location, etc.

For each perspective of the customer-centric Balanced Scorecard, we conceived 10 questions focused to CRM principles and we designed a scale based on three importance levels (low, medium and high) in order to evaluate the answers from the organizations' CRM representatives which participated to our survey.

The answers received to the customers' perspective of our Balanced Scorecard model are revealed in the table no. 1.

**Table no. 1**  
The approach of the customer-centric Balanced Scorecard from the customers' perspective

<b>CUSTOMERS' PERSPECTIVE</b>	<b>To a little extent</b>	<b>To a medium extent</b>	<b>To a great extent</b>
1. Your organization implemented integrated CRM systems?	3	14	13
2. Did your company formulate in the organizational scorecards at least five objectives referring to the customer orientation?	5	11	14
3. Is the customers' satisfaction a criterion use to evaluate the performances?	2	8	20
4. Are the customers exigencies and expectations took into account in the decision making process?	-	7	23
5. Your organization rewards the employees which have an important contribution to the increase of customers' satisfaction?	2	6	22
6. Does your organization perceive the information about its customers a strategic asset?	5	9	16
7. The marketing department of your organization focuses its activities on customer relationships development?	3	6	21
8. Your organization encourages dissatisfied customers to send their complaints?	6	8	16
9. Your organization anticipates its customers' needs and expectations?	8	8	14
10. Is the top management of your organization open to the customers' ideas and suggestions?	-	7	23

The answers received to the questions referring the customers' perspective of the Balanced Scorecard emphasize the fact that customer

orientation principles are respected in the majority of the companies involved in our research; the managers of the companies focus their decisions

making process on the information resulted from the customers' interactions and relationships; the customers' satisfaction represents a main criterion used to assess the CRM projects' performances, while the customer relationships development represents the most important key success factor which allow the business expansion. We also outline that numerous organizations from our sample encourage dissatisfied customers to send their complaints, in the conditions in which complaints sharing follow an exponential trend; the managers reward the employees which have an important contribution to the increase of customers' satisfaction that provide a high profitability on long term.

More than half of the managers from FMCG companies included in the sample research recognize that they didn't succeed to implement CRM systems, due to the very high costs involved by them; we consider that a passage from a business philosophy focused on short term profits to a new

one focused on customer will determine significant investments in CRM systems. We also recommend the orientation of the business strategies on the anticipation of customers' needs and expectations, which allow a better differentiation.

According to the answers received from the interviewed managers about the financial perspective associated to the customer – centric Balanced Scorecard (table no.2), in the case of most of the investigated companies, the costs referring to the customers' acquisition and loyalty are known in all their departments, considering that the average cost afferent to attracting a new customer is thought to be more important than the average cost afferent to a customer's loyalty which emphasis a mentality of attracting new customers that is specific to Romanian managers who sometimes neglect the present customers' loyalty strategies. This fact is also confirmed by the reduced importance of knowing the costs associated to losing a customer.

**Table no. 2**

The approach of the customer-centric Balanced Scorecard from the financial perspective

<b>FINANCIAL PERSPECTIVE</b>	<b>To a little extent</b>	<b>To a medium extent</b>	<b>To a great extent</b>
1. Does your company know the cost associated to the acquisition of a new customer?	6	8	16
2. Does your company know the cost to make loyal a customer?	7	9	14
3. Does your company know the costs associated to the loss of a customer?	6	15	9
4. Does your company know how much you loose from the sales target due to the dissatisfied customers?	7	14	9
5. Does your company use ROI (Return on Investment) as the main indicator for assessing the CRM performance?	10	12	8
6. The costs referring to the customers' acquisition and loyalty are known in all departments of your company?	6	15	9
7. Is your company top management satisfied about the customers' profitability?	11	8	11
8. Does your company measure the customers' churn rate?	4	11	15
9. Does your company make forecasts referring to the revenues associated to a promotion campaign?	12	7	11
10. Does your company measure the up-selling and cross-selling impact on the turnover?	11	9	10

We think that the weight associated to the use of the ROI (Return on Investment) in the customers' relation development as a general indicator of establishing performance is reduced when the companies should pay more attention to

this indicator. We also believe that the managers of the supervised companies should rely more on predictions about the estimated costs as a result of a promotion campaign and the contribution of the up-selling to the turnover.

Service quality has a positive indirect influence on customer loyalty through customer satisfaction instead of a positive direct relationship. This might be explained by the fact that good quality of service does not itself guarantee satisfied customers who would thus become loyal customers. Additionally, the positive indirect effect of customer satisfaction on customer loyalty through switching cost was found to be non-significant. This might be due to the fact that satisfied customers tend not to

turn to other service providers until unsatisfactory experiences are encountered [5].

From the point of view of the internal processes perspective, we observe an intense concern of the interrogated managers to apply the principles of the total quality management; thus, the quality of the products delivered to customers is guaranteed and their satisfaction represents the premise of the internal processes improvement strategies. (table no. 3)

**Table no. 3**

The approach of the customer-centric Balanced Scorecard from the internal processes perspective

<b>INTERNAL PROCESSES PERSPECTIVE</b>	<b>To a little extent</b>	<b>To a medium extent</b>	<b>To a great extent</b>
1. Does your company control periodically the activities focused on customers?	7	13	10
2. Are your company customers satisfied by the delivery time of the products?	-	12	18
3. Do you consider that every process from your company is tailored to the customers' expectations?	4	11	15
4. Does your company involve the customers in the process regarding the design and improvement of the products?	9	12	9
5. Does your company transpose the customers' requirements in the improvement process of the products?	2	12	16
6. Does the technical assistance department of your company guarantee the quality of the services provided to customers?	-	3	17
7. Can your company estimate the necessary time for the design and launch on market of a new product?	7	14	9
8. Is your company top management satisfied by the production technologies?	8	12	10
9. The external communication methods are adequate to the customers' expectations?	-	14	16
10. Does your company use customers' satisfaction indicator as the base for the improvement of the internal processes?	-	11	19

The delivery time of the products is usually respected and the customers' requests are transposed in activities that aim the products' improvement in more than a half of the analyzed textile companies. But, the customers' involvement in the development of new products is reduced, which proves that the marketing efforts don't rise to the level of the managers' expectations. The production technologies of the companies included in the research sample satisfy most of the interviewed

managers. We recommend a new analysis of the external communication strategies so that the customers' expectations should be completely satisfied and the principles of the internal processes restructure by reengineering should be applied.

The involvement degree of the human resources in identifying the customers' feedback can be analyzed by means of the learning dimension and organizational development within our customer-centric Balanced Scorecard model. (table no. 4)

**Table no. 4**

The approach of the customer-centric Balanced Scorecard from the learning and organizational development perspective

<b>LEARNING AND ORGANIZATIONAL DEVELOPMENT PERSPECTIVE</b>	<b>To a little extent</b>	<b>To a medium extent</b>	<b>To a great extent</b>
1. Are your company employees responsible for the resolution of the customers' problems?	4	8	18
2. Are the employees from Marketing Department free to make decisions which are focused on customers' satisfaction?	-	9	21
3. Does your company have an integration program for the new employees which allow their customer-centric training?	6	9	15
4. Are the employees interests correlated with those of the customers?	5	17	8
5. Does your company implement rewards strategies for the employees according to the customers' satisfaction level?	8	10	12
6. Does your company offer supplementary revenues to the employees that gain profitable customers?	8	9	13
7. Does your company encourage the employees to engender new ideas concerning the importance of the customers' satisfaction?	7	10	13
8. Does your company organize training programs referring to the development of the employees' skills in a customer-centric approach?	3	16	11
9. Is the strategy focused on customers disseminated constantly to all Front Office and Back Office departments?	8	11	11
10. Does your company provide opportunities for its employees to participate to training courses in order to learn new CRM strategies?	5	13	12

The marketing department has the biggest responsibility in providing a high value of the offers perceived by customers and we agree that the FMCG companies' managers who were involved in research should offer the employees of this department training opportunities represented by training courses concerning the interest in satisfying the customers. We also recommend the implementation of strategies and policies to encourage and reward those employees who succeed in attracting a higher number of profitable customers and some integration programs of the new employees by means of which they are educated about the importance of the customers' satisfaction.

### 3 Conclusions

The general conclusions of the research underline the end of the transition period from the focus on the profit maximization to a customer directed business philosophy, the organizations' approach of CRM strategies focused mainly on

acquisition of new customers and less on the loyalty of those already existent, the predominant use of the management methods by objectives and projects in the approach of customer relations, the focus of the marketing managers' efforts on the anticipation of the customers' preferences and the creation of some new need categories, the periodical elaboration of some rewarding strategies of the loyal customers that aims the reduction of the migration rate towards competitor, the resort to the partial externalization of some CRM activities, the focus of the CRM software on the operational level by the intensive use of the on-line communication subsystems with customers, the processing subsystems of their transactions and the application of the customized e-mail list management within the e-CRM campaigns.

We believe that the customers' acquisition and loyalty programs must determine the creation of customer-centric Balanced Scorecards based on the mechanisms of competitive intelligence in order to determine an increase of the customers' profitability

which generated direct effects on the organizations' performances.

As a consequence of the research result analysis, we suggest that the business strategies of the Romanian organizations should be interconnected with activities specific to CRM:

- The identification of target customers and their needs in order to establish efficiently the customized offers;
- The definition of the CRM strategy architecture in accordance with the promises made to customers that must reflect the mark value;
- The assets' alignment, specific to the marks to the organizational culture components oriented towards the total satisfaction of the customers;
- The development of some innovation programs to emphasize the impact and the relevance of the brands in the customized relation with customers.

The success of the CRM solution implementation within the organizations in Romania is conditioned by the implementation of the organizational cultures based on excellence in the customers' approach which promote a collaborative and competitive work environment. The use of the CRM solutions in Romania will mostly depend on the reorientation of the business strategies towards the customers' relation customization in order to increase their loyalty and satisfaction degree.

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