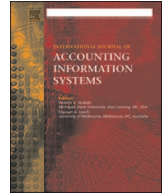




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## The effect of Customer Relationship Management systems on firm performance<sup>☆, ☆ ☆</sup>

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### 1. Introduction

The extant literature does not thoroughly investigate the benefits of Customer Relationship Management (CRM) systems. CRM systems are different from enterprise resource planning (ERP) and supply chain management (SCM) systems in that they focus on relationships with customers. Therefore, it could be argued that CRM systems can have the greatest effect on firm performance. Thus far, the research finds evidence that CRM systems do improve customer satisfaction (Mithas et al., 2005), but implementing CRM systems does not improve stock returns or profitability (Hendricks et al., 2007). This raises the question: If there are no measurable benefits achieved while implementing CRM systems, then why do companies continue to invest heavily in them?

CRM is a strategic approach to marketing that focuses on developing and maintaining appropriate relationships with customers often with the aid of information technology (IT), or CRM systems (Payne and Frow, 2005). In their attempts to define what CRM is, Payne and Frow (2005) state that, “CRM provides enhanced opportunities to use data and information to both understand customers and cocreate value with them. This requires a cross-functional integration of processes, people, operations, and marketing capabilities that is enabled through information, technology, and applications.” Simply put, the purpose of CRM is to develop and maintain relationships with customers. This notion is supported by Coltman et al. (2011) and Krasnikov et al. (2009), as these papers show that implementing CRM management philosophies positively affects performance. However, the literature looking specifically at CRM systems is lacking in conclusive results.

Vendors that sell CRM systems boast of the numerous benefits that these systems provide such as improving profitability, customer satisfaction, sales productivity, and sales predictability (Taber, 2013). Given these benefits, it is not surprising that companies were forecasted to spend \$23.9 billion on CRM systems in 2014 (Gartner, 2014). However, it is surprising that the academic literature identifies few tangible benefits of CRM systems given the large investments and capabilities of the systems. It is possible that many companies overestimated the benefits of CRM systems, underutilized their CRM systems, inadequately trained their company staff to use CRM systems, or simply received too much information from their CRM systems (Taber, 2014).

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