

Review

Customer relationship management concept and competitiveness of companies from Western Balkans

Dejan Stojkovic^{1*}, Dejan Djordjevic² and Zvonko Sajfert²

¹Railways of Republic of Srpska S.C. Doboje, 74000 Doboje, 71, Svetog Save Street, Republic of Bosnia and Herzegovina.

²Technical Faculty, University of Novi Sad, "Mihajlo Pupin", Zrenjanin, 23000 Zrenjanin, bb, Djure Djakovica Street, Republic of Serbia.

Accepted 28 November, 2011

On the global market level, the competitiveness of companies from Western Balkans, except Slovenia and Montenegro, is at a very low level. According to Global Competitiveness Report 2010 to 2011, companies from Western Balkans were ranked from 45th to 102nd positions. The main objective of modern business should be to achieve business excellence and reach world class of product and services. The companies which actively and constantly apply modern methods and techniques of management have significantly better chances to improve their competitive capacity on the global market and to take stable market position with a perspective for further market growth. In order to make Western Balkan countries competitive internationally, it is necessary to change their way of thinking and, in some time, to adopt modern world achievements in the sphere of organizational management. One of the ways to considerably effect on improvement of the competitive advantage is the acceptance and application of customer relationship management (CRM) concept. This paper is an analysis of the concept of customer relationship management and competitiveness of companies from Western Balkans. In addition, it offers specific recommendations for improving the competitiveness of companies from Western Balkans within regional and global frames.

Key words: Customer relationship management (CRM), customer satisfaction, competitiveness, business quality, business excellence, competitive advantage.

INTRODUCTION

Competitiveness capability is hard to gain in modern business environment but easy to lose. Fast technological advance created such conditions in which anyone in the world has the access to the technology, under acceptable conditions. On the other hand, consequences of the world economical crisis clearly showed the fact that it was necessary to develop new models of business operation in order to establish competitiveness at the global market.

Modern business operations imply restructuring of

business functions. From the traditional understanding, determined by the linear way of thinking where all business functions had comparable significance, the companies have to turn to proactive way of thinking, which imply understanding and creation of changes, as well as giving importance to those business functions that allow the company to create, maintain and improve competitive position at the global market. The functions that have strategic importance for operations of the company are: research and development, quality and marketing.

Global competitiveness becomes increasingly intensive, more offensive and visible. Considering complexity and intensiveness of competitive relations in the global economy, it is much harder to achieve market success

*Corresponding author. E-mail: magistardejo@gmail.com. Tel: +387 66615794.

in the beginning of 21st century. The reasons for that are contained in the following facts (Kotler and de Bes, 2005):

- i. The power was transferred from producers to distributors
- ii. Multinational companies become even more powerful
- iii. New products have ever-shortening lifespan
- iv. Consumer goods do not last that long as they used to
- v. Digital technology allowed the development of many new products
- vi. Number of registered trademarks and patents is increasing
- vii. Number of available products is increasing
- viii. Markets are hyper-fragmented
- ix. Advertising space is more and more saturated
- x. Customers started to be picky.

Four factors shape modern business operations. Kenichi (2007) calls these factors as 4C: communications, capital, corporations and customers. The economy of Western Balkan countries for the number of years had problems with productivity, business quality and gaining competitiveness ability.

The 1990's of the last century are characterized by the tendency to integrated observation of marketing, sale, managing distribution channels, technology and logistics support with the aim of increasing customer satisfaction. Nowadays, all modern organisations take care of every individual customer. Business practice proved that the customers are the biggest asset of a company, they are in permanent change, becoming more demanding, more profiled, more informed and usually precisely know their own needs and desires. Today, in the time of very developed flow of information, a customer is able to change a company very easily. Due to all mentioned reasons, in the 9th decade of the last century, a special strategy had been developed, and was focused to the relationship of a company to its own customers. It was called customer relationship management, or shortly, CRM. It represents strategy that demands total devotion and acceptance of the concept from the management (Stojkovic, 2008a). CRM is the key competitive strategy businesses need to stay focused on the needs of the customers and to integrate a customer facing approach throughout the organization.

Improvement of business quality becomes an imperative of modern market and global movements and it becomes the main factor in achieving competitive advantage of a company. Modern concept of quality comprehension does not imply only its technological basis, but the quality concept is transferred from production to executive management level, where on the long run it gains characteristics of improvement of company business quality on the whole, whereby customer and achieving customer's satisfaction are in the focus (Sajfert et al., 2008). Business quality implies

managerial approach (Stojkovic, 2008b).

According to research of Ravald and Gronroos (1996), effective management of a relationship can affect customer perceptions of quality of service. The rationale for CRM concept is that it improves business performance by enhancing customer satisfaction and driving up customer loyalty. Quality components, such as solving complaints, cooperation of company's representatives with customers, availability of products and services, cost and price policy and activities related to making contracts, have a great influence on customer satisfaction (Saraph et al., 1989; Dale and Ritchie, 2000; Conca et al., 2004). On the other hand, customer satisfaction influences the company's characteristics, such as spreading positive information about the company and its services and products (Evans and Burns, 2007).

There are many definitions of quality in the literature. The short accepted definition says: the quality equals customers' satisfaction (Juran and Gryna, 1999). Customer satisfaction can be defined in different ways. According to Kotler (1996), satisfaction is "the level of a person's felt state resulting from comparing a product's perceived performance (or outcome) in relation to the person's expectations." Briefly, satisfaction level is a function of the difference between perceived performance and expectation (Stahl, 1999).

For a long time, customer satisfaction has been considered the key success factor for every profit-oriented organization as it affects companies' market share and customer retention. In addition, satisfied customers tend to be less influenced by competitors, less price sensitive, and stay loyal longer (Dimitriades, 2006).

Many executives seem to trust their intuitive sense that high customer satisfaction will eventually translate into higher loyalty and with it, ultimately into improved company performance (Paulssen and Mirk, 2007). Thus, achieving high customer satisfaction has become a central focus of corporate strategy for most firms (Homburg et al., 2005).

Managing customer relationships effectively and efficiently boosts customer satisfaction and retention rates (Jackson, 1994). The objective of an organisation should be to achieve and understanding the optimum level of customer satisfaction (Sajfert et al., 2008). Application of CRM concept for companies from Western Balkan countries creates preconditions for the realisation of that goal, gaining competitiveness ability as well as improving business quality.

Kotler and Armstrong (2004) define CRM as "the overall process of building and maintaining the profitable relationships with customers, delivery of superior value and satisfaction for the user". Building the firm relationships with the users is a prerequisite for creating the competitive advantage of the organization (Mckenna, 1991).

Delivering superior customer value has become an ongoing concern in building and sustaining competitive

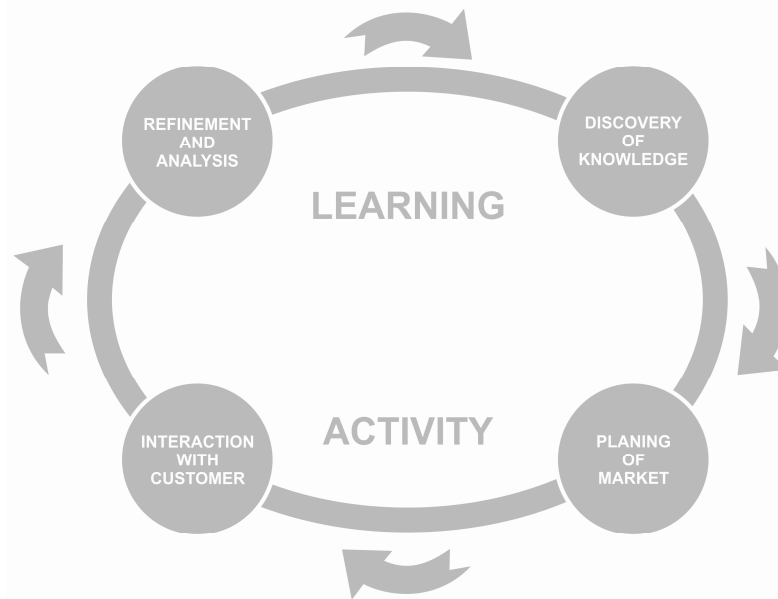


Figure 1. CRM as cyclic process (Stojkovic, 2008a).

advantage by driving CRM performance. Customer satisfaction is also influenced by customer value. Some researchers see these two terms as interrelated as customer value contributes to an improvement in customer satisfaction and customer satisfaction is a consequence of unique customer-perceived value. Satisfied customer will show a strong tendency to be loyal and repeat the purchase of the goods or services, and thus increase a company's market share and profits, which signifies its significance to successful competition in customer-centred era. Furthermore, it is likely that a satisfied customer will spread positive word of mouth among his or her acquaintances. According to Hansemark and Albinsson (2004), CRM strategy can provide high level of satisfaction by optimizing the business processes and making every interaction with the customer more customer centric.

The majority of firms from transitional countries have problems achieving and maintaining competitive ability on international markets. Obviously, the role of CRM concept in the process of improving the competitiveness of companies from Western Balkans is not well known and analyzed, which if done, would be significant contribution to the efforts for achieving and maintaining competitive ability on international markets in the future.

APPROACHES TO CRM CONCEPT

A new approach to actual business in modern economic environment indicates that there is no existence without accepting modern marketing approach, which, among the

other elements, also implies the high level of own CRM skills. CRM basically means essential changes in the way in which the firms are organized (Ryals and Knox, 2001) and business processes are conducted (Hoffman and Kashmeri, 2000).

Many authors agree that there is no unified definition of CRM / electronic CRM (e-CRM). The term has been defined in different ways, with no clear agreement, but there are two approaches to define CRM / e-CRM; management approach, and information technology approach. However, when we emphasise on management approach, some authors have defined that customer relationship management is an integrated approach to identifying, acquiring and retaining customer (Ellatif, 2008).

CRM was born from relationship marketing and is simply the practical application of long standing relationship marketing principles which have existed since the dawn of business itself (Gummesson, 2004). However, a number of authors propose that an emphasis on the 4Ps (product, price, place, promotion) marketing mix is no longer the dominant marketing logic and that relationship marketing may be a more appropriate "new" paradigm for marketing thought theory and practice (Dwyer et al., 1987). With increasing focus upon relationship marketing, the CRM linkage becomes clear: CRM provides management with the opportunity to implement relationship marketing on a company-wide basis effectively.

As shown in Figure 1, customer relationship management is a continuing process, based on iterative, cyclic realisation of four identical activities, where every new

cycle represents annexing of previous one (Stojkovic, 2008a). Possession of quality database about customers is in the base of the process, while information emerged from the database analysis serves to the purpose of adaptation of the ways of achieving interaction with customers. Analysis of collected experiences is done at the end of the cycle in order to further adapt the activities.

CRM as cyclic process implies running of four activities: discovery of knowledge, planning of market, interaction with customer, refinement and analysis.

It is also recognized that CRM is a process, and as such can be understood either in terms of distinct phases of the relationships or in terms of the strategic phases that need to be undertaken to achieve relationship objectives. The process can be summarised to include four stages of the buyer-seller relationship: identification of relationship partners, development of the relationship, maintenance of the relationship, and re-evaluation of the relationship or its termination (Heide, 1994).

The strategic phases, on the other hand, may include: customer/segment identification, customer targeting, relationship marketing and management and the evaluation of the relationship and company performance. Business-to-business (B2B) researchers prefer to understand CRM in terms of its process stages, while business-to-customer (B2C) researchers frequently conceptualise CRM in terms of its strategic activities. As such, the focus in B2B relationships appears to be centered around the development of long-term relationships through the building of trust and commitment among the exchange partners. On the other hand, central role is given to the development of loyal customers in B2C relationships. While the CRM priorities appear to be different in B2B versus B2C relationships, closer inspection would reveal that their aims are the same. Both attempt to create a small numbers of situations between the company and the customer (or supplier) in otherwise competitive markets, and both seek enhanced profitability as the end-result of CRM activities.

(UN)COMPETITIVENESS OF THE COMPANIES FROM WESTERN BALKAN COUNTRIES

The economy of Western Balkan countries for the number of years had problems with productivity. That was the consequence of inadequate ways of business operations, which was not established on the market principles. The results were unrealistically high prices of certain products that could not be successfully sold in the world market. Therefore, in order to be able to become competitive at the world business scene, companies from these countries had to lower the prices for export, while local consumers through high prices of the same products compensated the difference arisen from bad productivity. The market was protected through unrealistically high customs fees and other import limitations.

When the transition process started, transformation happened in the business sphere as well. Processes of privatisation, liberalisation, restructuring, institutionalisation and stabilisation have started. The most important results of commenced transition process in the sphere of economy are establishment of market mechanism and change in property relations in the economy (from mostly state owned to mostly privately owned).

Competitive position of companies from Western Balkans, except Slovenia and Montenegro, based on reputation in the world market is extremely unfavourable because the most of them did not undertake adequate business efforts in that direction. According to the global index of competitiveness of the World Economic Forum (Schwab, 2010), Serbia was on 96th place by the end of 2010 out of total 139 countries ranked in that index. Serbia dropped 3 places in one year. Slovenia, Montenegro, Croatia, F.Y.R. Macedonia, Hungary, Romania and Bulgaria are ahead of Serbia, even the countries like Panama, Kazakhstan, Rwanda, Honduras and Georgia are ahead. Only Bosnia and Herzegovina is below Serbia, from the regional countries, on 102nd place (Table 1).

Obsolete technology, insignificant application of information technologies, bad quality, unattractive packaging and high prices are the main reasons why the products from mentioned countries are not competitive. The least competitive is processing industry, metal production and electronics, where no technological renewal occurred for many years. Businessmen consider that in order to increase competitiveness, it is necessary to introduce customs and tax subsidies, decrease state excises, and the prices of electricity, gas and fuel. It is necessary to increase the level of technical equipment. The average age of machines in Serbia is 30 years. Compared to the rest of the region, that is 12 years behind. The economy of Serbia is technologically behind European Union countries (EU) for 29.5 years. This was determined on showcase sample of 154 small, medium and big companies in 6 industrial branches with similar production programmes (Anon, 2009). Comparison was made in textile, foodstuff, pharmaceutical, machinery and chemical industries, as well as the industry of construction material. Austria was taken as criterion because it had similar natural, social and population characteristics compared to Serbia. Companies from textile branch are the most behind (35 years), then the companies from machinery industry (34.5 years). The least behind are pharmaceutical companies – 21 years.

World Bank, 7th time in a row, published the report titled 'Doing Business', whose goal was to rank the countries based on the quality of business environment. Unlike similar reports that rank regulations, 'Doing Business' ranks business practice (Paunovic, 2009).

According to World Bank data, market of Western Balkans countries, except F.Y.R. Macedonia and Slovenia, received bad marks (according to total index

Table 1. Ranking of countries of Western Balkans according to competitiveness in 2010. (Schwab, 2010).

Country	Place
Slovenia	45
Montenegro	49
Croatia	77
F.Y.R. Macedonia	79
Serbia	96
Bosnia and Herzegovina	102

Bosnia and Herzegovina - 116th place, Croatia – 103rd place, Serbia – 88th place, Montenegro – 71st place, Slovenia – 53rd place and F.Y.R. Macedonia – 32nd place).

The majority of business organizations from transitional countries have problems achieving and maintaining competitive ability on international markets. According to Imai (2008), although delays in the implementation of new technologies are very expensive, delays in applying new management techniques are no less so. Domestic companies have to create clear development strategies in accordance with European and global integration trends and the implementation of modern management methods and techniques, such as CRM concept, represent the basic precondition for successful market development.

CRM CONCEPT, QUALITY MANAGEMENT AND COMPETITIVENESS

Customers' satisfaction is one of key factors for achieving competitiveness advantage of an organization in the modern business operations. Achievement of customers' satisfaction is closely connected with the achievement of goals of quality management, especially in achieving business excellence.

Achievement of business excellence in global market creates preconditions for long-term growth and development of a company through satisfaction of all social segments – customers, partners, employees, owners, state administration, public, etc. Concepts and criteria of business excellence are important and applicable in definition of policy, goals, tasks and activities, in other words company's business operation in general. Fundamental concepts of business excellence are (EFQM ed., 2002):

- i. Results orientation
- ii. Customer focus
- iii. Leadership and stability of purpose
- iv. Management by processes and facts
- v. People development and involvement
- vi. Continuous learning, innovation and improvement
- vii. Partnership development

viii. Corporate social responsibility.

Criteria of business excellence are the base for self-evaluation, with the intention to estimate "grown-up phase" that the company is currently in, and to focus on the problems of further improvement of business operation of the organisation.

The criteria of business excellence consist of: leadership, policy and strategy, people, partnership and resources, processes, customer results, people results, society results and key performance results.

Achieving customers' satisfaction is closely connected with achieving goals of quality management, especially in achieving business excellence (Djordjevic and Cockalo, 2004). There are at least two concepts that essentially "rotate" around a customer and its demands and wishes; concepts of business excellence and customer relationship management.

European foundation for quality management (EFQM) determines total quality management as the method of management in the company, for achieving business excellence, based on the focus on customer, partnership with suppliers, development and involvement of employees (Heleta, 1998). The final goal of total quality management (TQM) is achievement of business excellence and catching up with world-class level of products and services, which in the environment of business globalisation creates preconditions for long-term growth and development of the organisation on the base of satisfying all social segments. The force that was pushing the adoption of CRM was the total quality movement (Parvatiyar and Sheth, 2001). When companies embraced the total quality management (TQM) philosophy to improve quality and reduce costs, it became necessary to involve suppliers and customers in implementation of the program at all levels of the value chain. This created the need for closer working relationships with customers, suppliers, and other members of the marketing infrastructure. Thus, several companies, such as Motorola, IBM, General Motors, Xerox, Ford, and Toyota, formed partner relationships with suppliers and customers to practice TQM. It can be established that the roots of CRM concept are located exactly inside the concept of Total Quality Management.

It is necessary to understand that without providing

Table 2. Overview of procedure of resolving credit application before and after CRM application: A case study of Hypo Alpe-Adria-Bank d.d. Zagreb (Stojiljkovic, 2009).

Before the application of CRM	After the application of CRM
Faxing credit applications	Automatic replication of the database
Making multiple copies of credit application for the members of credit commission	Credit commission members receive e-mail with the link to the credit application
Review/approval of credit application on the meeting of credit board that takes place once a week	Credit commission does not meet but electronically approve credit application
Inaccessibility of credit commission members to customers and associates	The members of "virtual" credit commission are always at disposal to customers and associates
Slow circulation of paper documents especially if conditions change	The documents circulate automatically through the paths defined in advance
Difficult management of changes of forms and rules	Changes of forms and rules are automatically propagated to all location
Aggravated reporting and analysis	Reporting and analysis are automatic
Whole procedure takes 2 weeks	Whole procedure takes 3 to 5 days

quality product and service based on TQM concept, which is basic precondition for successful business operations, the success of CRM strategy is absurd. No technology or strategy can successfully sell a product of bad quality. It is therefore necessary to constantly follow and improve the quality of products and services in order to satisfy customers' needs.

Total quality management represents main standpoint of the CRM. Essentially, CRM concepts and TQM have identical target and that is customers' satisfaction and competitiveness ability of the company.

Market dimension of quality consists of: customers' satisfaction, convenient usage, market positioning and competitive advantage. CRM concept has great importance for improvement of all dimensions of quality, especially its market dimension.

Satisfied customer will show a strong tendency to be loyal and repeat the purchase of the goods or services, and thus increase a company's market share and profits, which signifies its significance to successful competition in customer-centred era. According to Hansemark and Albinsson (2004), CRM strategy can provide high level of satisfaction by optimizing the business processes and making every interaction with the customer more customer centric.

Competitive advantage must be found in the adequate application of CRM concept. Customers' satisfaction may be improved in that way as much as possible and then used as the mean to achieve and maintain the advantage over market competitors. Only satisfied customer represents the person that allows business organisation to seize stable market position. Namely, lower costs and better productivity achieved through the application of CRM concept, allows for more flexible prices policy – sale of products of standard quality for the lower price than the competition. Optimization of the price – such as quality relation which affects seizing of stable market position,

achievement of development goals – secure jobs and create new jobs.

According to research made in European Union (EU) during 2006, companies that have developed CRM concept (Domazet et al., 2008):

- i. Grow almost 60% faster than their competitors without CRM
- ii. Increase their market share by 6% yearly
- iii. Charge their product 10% higher
- iv. Have ROI (return on investment) at the level of 12%
- v. Only 5% increase of customer loyalty can increase profitability by 25 to 85%.

Modern banks that have advantage over their competitors have found out the importance of getting to know their customers, and of mutual cooperation in which customers become partners and help the bank to create additional value.

Through the application of CRM concept, bank creates mutual partnership relation with the customer. In that way satisfaction and benefit is increased on both sides while customers are offered with exceptional quality of service and the banks increase productivity and decrease costs of transactions.

Hypo Alpe-Adria-Bank d.d. Zagreb (Stojiljkovic, 2009) is one of the fastest growing banks on the market of the Republic of Croatia (Western Balkan country), in which the time needed for processing of credit application was significantly shortened through the application of CRM, from two weeks to three to five days only (Table 2). Shortening the time needed to decide about customer's application led to higher efficiency and reduced operational costs.

This case study indicates that customers were satisfied as result of the increased speed, improved quality and reduced price after application of CRM in the Hypo Alpe-

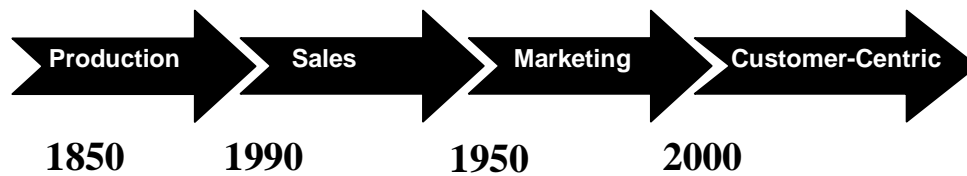


Figure 2. Business orientations of the last 150 years (Bose, 2002).

Adria-Bank d.d. Zagreb. The results of the research performed in 150 banking companies in the USA that adopted CRM, pointed out significant importance of CRM in productivity (Dong and Zhu, 2006). According to the research of the 'Insight Technology Group' (Anon, 2000), successful application of CRM achieves increase of productivity of employees for 20%.

SIGNIFICANT VIEWPOINTS OF CRM CONCEPT FOR COMPETITIVE ADVANTAGE

Marketing exchanges have shifted from transactions to relationship (Foss and Stone, 2001). In the contemporary global economy and highly competitive business environment, it may be fatal for a business organization to be non-customer oriented. To gain competitive advantage, big companies are now moving to a new orientation which is termed as customer-centric orientation (Bose, 2002). Figure 2. shows the direction of businesses.

A customer-centric firm is considered as one which has the capability to treat every customer individually and uniquely. According to Thompson (2004), CRM is a business strategy to acquire, grow and retain profitable customer relationships, with the goal of creating a sustainable competitive advantage. He goes on to say that, product/price-based differentiation is waning because of four broad trends: maturing markets, global trade, efficient manufacturing and the Internet. Thompson (2004) again stated that, "now CRM is emerging as a critical strategy simply because relationships are coming to the forefront of the competitive battleground". He further supported this by saying that CRM should mean creating mutual wins for customers and all the company stakeholders, including employees and business partners.

Modern companies have realised that it is no longer simply enough to offer excellent products: ease of duplication and market saturation can quickly dispel initial indications of a winning formula. Today's key differentiator is exceptional service provided on a consistent and distinctive basis. Service is more difficult to imitate than a product because service requires customer input and involvement. Competitive advantage can therefore be gained by leveraging knowledge of customers' expectations, preferences and behaviour. This involves creation of an ongoing dialogue with customers and exploitation of the information and insights obtained at

every customer touch point. CRM is aimed at increasing the acquisition and retention of profitable customers by, respectively, initiating and improving relationships with them.

Managing of customers' relationships cannot be limited on one-time project that gets forgotten soon after the realisation. It is exactly the opposite; success in this area can be guaranteed only through comprehensive strategy. Since every strategy has the aim to insure certain advantages to the companies, which will have decisive influence to the final result of market game, the same also applies to the customer relationship management.

Advantages that may be gained through the acceptance and application of this strategy arise from the fact that the activities envisaged in it cover all three dimensions of the time (Swift, 2000):

- i. Past – company gains the capability to learn from previous events, which allows it to avoid repetition of past mistakes.
- ii. Present – company has the possibility to analyse current events very fast and to adapt its behaviour through manoeuvring in real-time.
- iii. Future – the company gains knowledge and ability to anticipate future events, which opens the space for more quality preparations for upcoming opportunities.

So, key strategic advantages over the competition that customer relationship management can bring to companies, include:

- i. Learning – current business reality does not forgive those who are not ready for constant learning and adaptation of the behaviour using the things learned. At the same time the most important part of learning is the learning from mistakes, which may occur but must not be repeated.
- ii. Manoeuvring – relates to the ability to find the best possible way according to given circumstances. Success in manoeuvring is first of all determined by the ability to avoid traps that are daily present in the market.
- iii. Anticipation – detailed insight into events that should take place in the future is the necessary precondition for success. The companies whose managers are able to recognise something other managers are not able to, are in great advantage over the competition.
- iv. Foreknowledge – it is developed competitive intelligence that allows creation of awareness about

expectations of customers and plans of competition in the near and far future.

In other words, by allowing employees the access to huge amount of information about customers, products and sales partners, in accordance with CRM concept, the company trains them to learn from the past and successfully adapt to current situation, and position toward the future.

For the companies that understand CRM concept in that way, such strategy will ensure success in their efforts to improve the relations with the customers, suppliers and other business partners, and even with the competition.

Availability of updated information at the right place and time will bring many positive effects in the business operations. Employees will be able to build their knowledge, share it, communicate and influence each others several times per day, to solve problems, to make business decisions and to control their part of the business process.

More intensive impact of CRM strategy is possible to expect with the increased volume of data that are at disposal to the customers, and also through the increased number of employees who have access to the data.

All in all, the companies that manage to engage maximal number of their employees into CRM activities possess very powerful weapon that brings advantage in the market battles against the competition.

CRM CONCEPT AND IMPROVEMENT OF COMPETITIVENESS OF SMEs ON THE MARKET OF THE WESTERN BALKANS

Today, small and medium industry occupies a position of strategic importance in the Western Balkans economic structure due to its significant contribution in terms of output, exports and employment. Unique characteristics of small and medium-sized enterprises (SMEs) are: lack of business and information technology strategy, limited access to capital resources, greater emphasis on using information technology and information systems to automate rather than inform, influence of major customers, and limited information skills (Ballantine et al., 1998).

To survive in the global markets, focusing on the customer is becoming a key factor for SMEs. It is known that it takes up to five times more money to acquire a new customer than to get an existing customer to make a new purchase. Hence, customer retention is in particular important to SMEs because of their limited resources (Baumeister, 2002).

Particularly, customer relationships play a major role in the competence development of SMEs (Skaates and Seppanen, 2002). SMEs are embracing CRM as a major element of business strategy, because technological applications permit a precise segmentation, profiling and

targeting of customers and competitive pressures require a customer-centric culture (Gurau et al., 2003).

Stuart Anderson, Director, Sales and Marketing at Pegasus Software, explores the growing need for CRM amongst SMEs (Anon, 2011). Financial Directors within SMEs have, in the past, dismissed CRM as the preserve of larger organisations, instead relying on regular, informal contact with customers. A lack of skills, resources and budget are some of the main barriers. As we make tentative steps out of recession, CRM has become more important than ever in identifying and exploiting opportunities to boost the bottom line through effective customer retention and management. Against this backdrop, CRM systems which formalise and optimise the management of customer relationships have therefore moved away from being a "nice-to-have". Firmly on SMEs' "essential" list, they represent a strategic tool for retaining customers and acquiring new ones as the business grows. Testament to this is Gartner's forecast that \$ 12 billion will be spent on CRM in 2012 alone.

In order to success in the competitive market, scholars have long suggested that a customer-centred is a powerful strategy for organization like SMEs to hit their business target. According to Ryals and Payne (2001), Kumar and Ramani (2004), and Boulding et al. (2005), an organization either a large enterprise or SMEs need to be in constant touch with their customers in order to build up a long-term relationship. In this case, SMEs adopts the CRM concept realizes that customer relationships are the important assets that need to be protected in order to increase future business.

Small and medium-sized enterprises play a vital role for the growth of Western Balkans economies. The most of business organizations operating on the market of the Western Balkans are classified into the group of SMEs. For example, the majority of companies operating on the market of the Republic of Serbia are, according to official indicators, classified into the group of small and medium-sized companies. Namely, companies with staffing of up to 250 make up 98.2% of active companies in the Republic of Serbia (Djordjevic et al., 2002). Small companies make up 94% of the total number of active companies, while medium sized companies make up 4.2% of the total number of active companies. These companies are mainly private, which creates good conditions for successful appearance on the market.

The development of sector of SMEs represents one of the key directions of revitalization of Western Balkans national economies. Improvement of development of business operation and sector of SMEs creates conditions for more efficient circling of the privatization process. Enhancement of competitiveness in Western Balkans national companies is possible with the following prerequisites:

- i. Privatization
- ii. Development of small and medium-sized companies
- iii. Attraction of foreign direct investments.

As one of main factors that can improve competitive advantage of national companies operating on the market of the Western Balkans is wider application of customer relationship management concept in the group of small and medium-sized companies, and prerequisite for this is improvement of knowledge of employees of companies, particularly directors, managers and owners of the company. This especially gains importance both for those companies that want to appear on the market independently, and for those companies wishing to operate as sub-suppliers in the wider business system.

CONCLUSION

The majority of business organizations from transitional countries have problems achieving and maintaining competitive ability on international markets. According to Imai (2008), although delays in the implementation of new technologies are very expensive, delays in applying new management techniques are no less so. Domestic companies have to create clear development strategies in accordance with European and global integration trends and the implementation of modern management methods and techniques, such as CRM concept, represent the basic precondition for successful market development. The implementation of CRM concept is of great importance for companies from transitional countries because these companies should improve their competitive abilities on the global market and the implementation of CRM concept represents one of the means of achieving this aim.

Business decisions based on complete and reliable information about customers are very difficult for competitors to replicate and represent a key and sustainable competitive advantage. To gain competitive advantage, companies from Western Balkans should move to a new customer-centric orientation by acceptance and application of CRM concept.

Acceptance and application of customer relationship management allows companies of Western Balkans to achieve optimal level of customers' satisfaction and gaining competitiveness ability, as well as improvement of quality of business operation.

The key strategic advantages over the competition that companies can gain through the application of the CRM concept, involve: learning, manoeuvring, anticipation and foreknowledge. By allowing employees the access to huge amount of information about customers, products and sales partners, in accordance with CRM concept, the company trains them to learn from the past and successfully adapt to current situation, and position toward the future.

The key for the success of companies from Western Balkans is in the improvement of business quality, based on the increase of productivity. Improvement of business quality through the application of CRM strategy decreases the costs of business operations of a

company, which have the influence on the improvement of productivity and which, in the end, causes improvement of price competitiveness at the market, and competitiveness ability in general. The biggest possible number of employees should be involved into the application of CRM strategy. They should be adequately educated and trained for its realisation.

As one of the main factors that can improve competitive advantage of national companies operating on the market of the Western Balkans is wider application of customer relationship management concept in the group of SMEs, the prerequisite for this is improvement of knowledge of employees of companies, particularly directors, managers and owners of the company.

REFERENCES

- Anon (2000). CRM – Winning and keeping customers in the new economy, Management Today, Special Edition produced for Microsoft, Siebel Systems and Anderson Consulting.
- Anon (2009). Serbia opposite the European Union countries (EU) has technological lag of the three decades, (in Serbian), Blic, Ringier, Belgrade.
- Anon (2011). CRM for SMEs: An FD's Guide: A White Paper by Pegasus Software, <http://www.profile.co.uk> (accessed on 2nd of November, 2011)
- Ballantine J, Levy M, Powel P (1998). Evaluating information systems in small and medium-sized enterprises: issues and evidence. *Eur. J. Inform. Syst.*, 7: 241-251.
- Baumeister H (2002). Customer relationship management for SME's. Institut fur Informatik, Munchen, Germany, pp. 1-7.
- Bose R (2002). Customer relationship management: key components for IT success. *Ind. Manage. Data Syst.*, pp. 89-97.
- Boulding W, Staelin R, Ehret, M, Johnston WJ (2005). A Customer Relationship Management Roadmap: What Is Known, Potential Pitfalls, and Where to Go. *J. Mark.*, 69(4): 155-166.
- Conca FJ, Llopias J, Tari JJ (2004). Development of a measure to assess quality management in certified firms. *Eur. J. Oper. Res.*, 156(3): 683-697.
- Dale BG, Ritchie L (2000). An analysis of self-assessment practices using the business excellence model, In: *Proc Instn Mech Engrs -Part B*. 214: 593-602.
- Dimitriadis AS (2006). Customer satisfaction, loyalty and commitment in service organizations: some evidence from Greece. *Manage. Res. News*, 29(12): 782-800.
- Djordjevic D, Andjelkovic M, Bogetic S (2002). Contribution of small and medium-sized companies to economic development, KAS, Belgrade.
- Djordjevic D, Cockalo D (2004). Quality management, (in Serbian), University of Novi Sad, Technical faculty Mihajlo Pupin, Zrenjanin.
- Domazet I, Zubovic J, Draskovic B (2008). CRM concept in function of the improvement of direct marketing, (in Serbian), XI International symposium: SymOrg 2008., University of Belgrade, Faculty of Organizational Sciences, Belgrade.
- Dong D, Zhu K (2006). The Business Value of CRM Systems: Productivity, Profitability, and Time Lag, University of California, Irvine & University of California, San Diego. <http://digital.mit.edu> (accessed on 10th of January, 2009).
- Dwyer F, Schurr P, Sejo O (1987). Developing buyer-seller relationship. *J. Mark.*, 51(4): 11-27.
- EFQM (2002). EFQM - The Fundamental Concepts of Excellence, Brussels. <http://excellenceone.efqm.org> (accessed on 14th of December, 2009).
- Ellatif, MMA (2008). A Cluster Technique to Evaluate Effect of ECRM on Customers' Satisfaction of E-Commerce Websites.
- Evans S, Burns AD (2007). An investigation of customer delight during product evaluation: implications for the development of desirable products, Proceedings of the Institution of Mechanical Engineers,

- Part B: *J. Eng. Manuf.*, 221(11): 1625-1640.
- Foss B, Stone M (2001). *Successful Customer Relationship Marketing*, Kogan Page, London.
- Gummeson E (2004). Return on relationships (ROR): The value of relationship marketing and CRM in business-to-business contexts. *J. Bus. Ind. Mark.*, 19(2): 136-148.
- Gurau C, Ranchhod A, Hackney R (2003). Customer-centric strategic planning: Integrating CRM in online business systems. *Inform. Technol. Manage.*, 4(2): 199-214.
- Hansemark OC, Albinsson M (2004). Customer satisfaction and retention: the experiences of individual employee. *Manag. Serv. Qual.*, 14(1): 40-57.
- Heide JB (1994). Interorganizational Governance in Marketing Channels. *J. Mark.*, 58 (1): 71-85.
- Heleta M (1998). TQM – Model for business excellence, (in Serbian), Educta, Belgrade.
- Hoffman T, Kashmeri S (2000). Coddling the customer. *Computerworld*, 34(50): 58-60.
- Homburg C, Koschate N, Hoyer WD (2005). Do satisfied customers really pay more? A study of the relationship between customer satisfaction and willingness to pay. *J. Mark.*, 69(2): 84–96.
- Imai M (2008). Kaizen, (in Serbian), Mono and Manjana, Belgrade.
- Jackson D Jr (1994). Relationship selling: the personalization of relationship marketing. *Asia-Australia Mark. J.*, 8:45-54.
- Juran J, Gryna F (1999). Quality planning and analysis: From product development through use, (in Croatian), Mate, Zagreb.
- Kenichi O (2007). The Next Global Stage, (in Croatian), Mate, Zagreb.
- Kotler P, Armstrong G (1996). *Principles of Marketing*, Prentice Hall International editions, Englewood Cliffs, New Jersey.
- Kotler P, Armstrong G (2004). *Principles of Marketing*. 10th ed., Prentice-Hall, Englewood Cliffs.
- Kotler P, de Bes FT (2005). Lateral Marketing, (in Serbian), Adizes, Novi Sad.
- Kumar V, Ramani G (2004). Taking Customer Lifetime Value Analysis to the Next Level. *J. Int. Commun.*, pp. 27-33.
- Mc Kenna R (1991). *Relationship Marketing: Successful Strategies for the age of the Customer*. MA: Addison-Wesley.
- Parvatiyar A, Sheth JN (2001). Customer Relationship Management: Emerging Practice, Process, and Discipline, *J. Econ. Soc. Res.*, 3(2): 1-34.
- Paulssen M, Mirk MM (2007). Satisfaction and repurchase behavior in a business-to-business setting: Investigating the moderating effect of manufacturer, company and demographic characteristics, *Ind. Mark. Manage.*, 36: 983-997.
- Paunovic M. (2009). Doing business in Serbia, (in Serbian), Focus – quarterly report on institutional reforms, Centre for Liberal-Democratic studies, Belgrade, pp. 8-12.
- Ravald A, Grönroos C (1996). The value concept and relationship mark., *Eur. J. Mark.*, 30(2): 19-30.
- Ryals L, Knox S (2001). Cross-functional issues in the implementation of relationship marketing through customer relationship management. *Eur. Manage. J.*, 19(5): 534-542.
- Ryals L, Payne A (2001). Customer Relationship Management in Financial Services: Towards Information-enabled Relationship Marketing, *J. Strat. Mark.*, 9(1): 3-27.
- Sajfert Z, Djordjevic D, Besic C (2006 Please cite). Management trends, (in Serbian), Faculty of Engineering Mihajlo Pupin, Zrenjanin.
- Sajfert Z, Djordjevic D, Besic C (2008). Quality management-prerequisite for accomplishing competitiveness of national companies. In: *Tehnika*, No. 1, AETI of Serbia, Belgrade, ISSN 000-2176, pp. 19-26.
- Saraph J, Benson G, Schroeder R (1989). An instrument for measuring the critical factors of quality management. *Decis. Sci.*, 20: 810-829.
- Schwab K (2010). *The Global Competitiveness Report 2010-2011*, World Economic Forum, Geneva, Switzerland.
- Skaates MA, Seppanen V (2002). Managing relationship-driven competence dynamics in professional service organizations. *Eur. Manage. J.*, 20(4): 430-437.
- Stahl MJ (1999). *Perspectives in Total Quality*, Blackwell, Milwaukee, WI.
- Stojiljkovic N (2009). CRM in the praxis of the Hypo Alpe-Adria-Bank S.C. Zagreb: A case study of Hypo Alpe-Adria-Bank S.C. Zagreb, (in Croatian), <http://www.swing.hr> (accessed on 10th of January, 2009)
- Stojkovic D (2008a). Customer Relationship Management (CRM) - business strategy, components, needs and process, (in Serbian) In: *Technique*, No. 4, AETI of Serbia, Belgrade, YU ISSN 0040-2176, pp. 19-26.
- Stojkovic D. (2008b). The basic principles of CRM business strategy, (in Serbian), International convention on quality 2008, "Quality for European and World Integrations", Belgrade, May 27th – May 29th, 2008. *Int. J. Total Qual. Manage. Excell.* 36(1-2): 121-122.
- Swift RS (2000). *Accelerating Customer Relationships: Using CRM and Relationship Technologies*. Prentice Hall PTR, New York.
- Thompson B (2004). *Successful CRM: Turning Customer Loyalty into Profitability*. www.crmguru.com.