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The contribution of CRMs to the ability of market segmentation: The case of the VIPS group

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Abstract

The subject of study is to show CRM (Customer Relationship Management) Systems as technological resources, that properly implemented, can empower the companies' management skills embodied in an efficient market segmentation strategy. This analysis is based on the case study of VIPS Group, thanks to structured interviews with the head of the Customer's Area. We explain the organization's practices as well as the adoption of their CRM system, from early steps to their implementation and use. Through the use of this technology, companies identify both threats and achieved strengths, materialized in dynamic capabilities. The smart use of these systems allows combining different resources in order to provide new capabilities used to increase the target audience, clients who demands company's products or services, and focusing on their needs.

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1. Introduction

CRM as a technological tool is located at a mature level in Organizations. For this reason, it is possible to measure its impact on firm's performance.

In the information society context where, the barrier between communication and sales is almost invisible, it is required to follow the customer's trends in relation to the Market. For this motive, the implementation of the CRM is quite often at firms right now.

As big organizations acquire CRM systems, it is interesting to know the main motives for implementation, possibilities and results that they offer. The theory of dynamic capabilities constitutes an interesting framework to analyze the contribution of CRM systems to final firm's performance

This theory allows measuring the results from a theoretical and practical point of view. It is intended to be demonstrated that when we face a system that allows innovating, firm's capabilities can be improved.

The main motivation for this paper is to show a case of success in CRM implementation oriented to reach best results so that it can be applied to other cases of the same nature.

CRM (Customer Relationship Management) or the management of relationships with customers is a strategy derived from the business intelligence (BI) concept. It consists of establishing a close relationship with customers with the main objective to satisfy their needs and obtain the required information to innovate, adapt their preferences and reach higher degrees of efficiency in the firm's supply. The objective of its application to the business models consists in the obtaining, development and optimization of individual and group customer needs [1].

Organizations are each time more interested in making the best of these technology possibilities. They appeared in the nineties [2] as a need to align management and technology to simplify business processes. In this sense, it has helped to consolidate the business model centered in customers. Enterprise Resource Planning Systems (ERP) are the ancestors for CRM, occasionally referred as "back office" systems, that indicate that the customer is not directly involved in the process, as opposite to the open data systems (front office), that creates a direct relationship with the consumers (CRM). Therefore, this kind of technology constitutes the evolution of the previous business models.

The adoption of this system is centered on the power of information. Its value is based in the analysis of data that show customer's behavior. This way, they can better reach the consumers to offer them specific products by means of adapted strategies; that allow being more efficiency in terms of time responses and cost optimization and more direct in the firm's marketing and communication actions. The main advantage in the implementation of these systems is the returns that firms can have by reaching higher degrees of customer's satisfaction. It allows being centered on profitable users, whom by means of loyalty strategies can be even more profitable and the recruitment of new users.

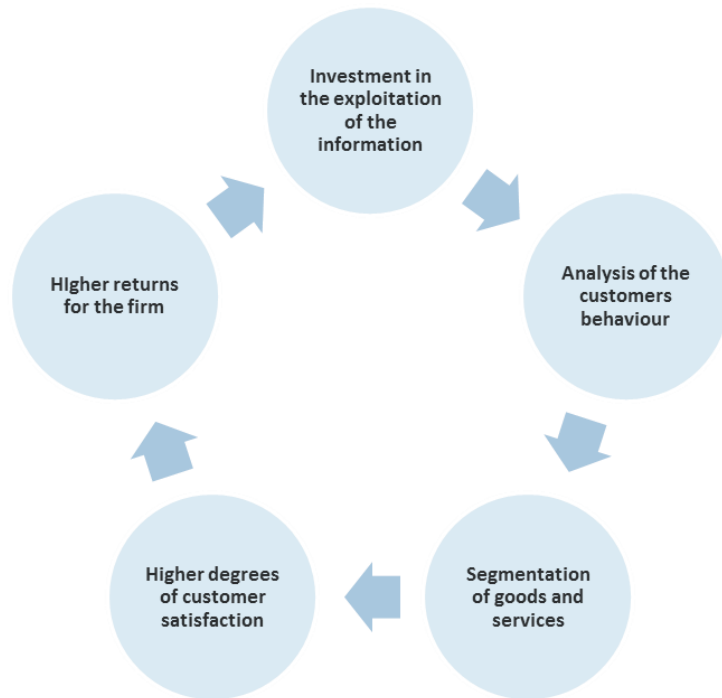


Fig. 1. Flow of the processes for the implementation of an CRM system (own elaborated, 2014)

The Figure 1 represents the flow of processes and the implementation of a CRM. It starts when the firm focus its business strategy in the customer, and it demands offer them a higher value than the one obtained in today's products and services.

This way, from the firm, resources in the exploitation and the consumption of information according to customer's preferences are invested with the main objective of segmenting the market and open new niches according to group customized strategies.

2. Theoretical framework

In the information society where the trend is focused in putting the efforts in customer's sales, marketing and communication through new channels, it is required to improve and adapt the techniques according to customer's experiences [3].

The following graph shows all the potential states of a customer in the relation with the firm's marketing. The information that the CRM offers provides all the data that allow identifying the state in which each customer is located and this way be able to drive personalized actions; mainly focused in the optimization, loyalty and cross-selling areas. In addition, and in relation to the stages of the system, the acquisition phase is part of the business strategy built around the internal and external information obtained by the firm. It is a simpler phase than the re-acquisition. When the customers leave the firm, the effort to become a part of it again, it is harder than a new acquisition, therefore the firms must put into practice all the required mechanisms for assuring the quality of the customer's services.

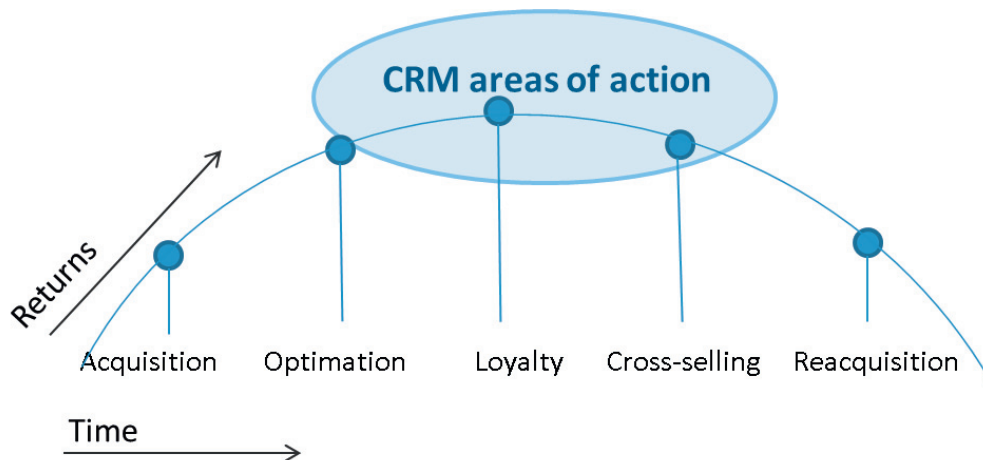


Fig. 2. Customer's lifecycle and its relationship with the different CRM's impact states (own elaborated, 2014)

Nowadays, the majority of the products tend to be rapidly imitated. Therefore, it is required to look for the differentiation in the emotional experiences that are produced when the firm contacts the customer [4]. The experience of a customer facing a product is what offers competitive advantage, since the value is not just in the usefulness that a product offers, but in the experience that the use of a certain brand offers due to image, built brand or just offering added value in comparison with other similar products. The concept of the experience economy [5] where the more innovative and reinvented products will be the ones reaching the highest positions in the markets apply. To make this happen, it is key the exploitation of information that will allow reaching the customers by offering a differential value.

The trend today shows that products may be imitated and are not longer the focus for marketing strategies. The customer has turned into the most valuable and scanty in a company. The number of customers in a organization does not make a difference [4] in final firm's success. CRM associated processes require of the development of change practices since it is the consumer the person who has the main voice and the managers and employees must adapt the customer perspectives to improve their processes [6]. Therefore it can be said that the firms that implement CRM systems put into practice a business strategy focused in the customer from the functional and technique perspectives, by making use of technological tools and preparing human beings to prioritize customer's expectations. This approach offers two perspectives: the internal one, oriented to the improvement of the processes, and the information and communication flows amongst all the business units and, the external perspective that offers all the channels to get into touch with the customers [7].

2.1. Use, consumption and market segmentation

Market segmentation allows firms quantify different relevant aspects of the market. It consists in the grouping of homogeneous groups in a heterogeneous one [8] by means of market research. Market segmentation is based in the evolution on the market demand side and it represents a more rational fit of products to final user's requirements [8].

Segmentation and later adaptation has become effective in the market areas where the customer's retention is a priority, so that firms can identify profiles, objectives and segments' reach by using their own customer's transaction database systems [9]. The new computing systems make possible the micro-segmentation by precisely offering data coming from big database systems. This allows customers' adaptations and offers them value; which is a key aspect

to understand the interactions of the customers with the firm and their referent power to attack new customers, the probability of acquiring new products or services and, definitively their potential and actual value [10].

The economic customer's value is the best financing source at any firm. Reichheld and Sasser (1990) as it is mentioned in [11] are some of the first researchers in performing studies on the economic impact of loyalty in the customer. The experience shows then that a strategy focused in the firm's success must be centered on the customer, since it is the most important asset in any company.

3. Design of the research: analysis of the development of dynamic capabilities by means of the use of CRM

The theory of dynamic capabilities can be a good framework to analyze the impact of CRM systems at firms since it allows "The obtaining of an explaining theory that makes it possible to identify the dimensions of the specific capabilities of firms that can become sources of competitive advantages and explain how the combining of resources and capabilities and be developed, deployed and protected" [16].

In addition, the concept of technology is associated to the concept of dynamic capability since "dynamic capabilities offer the ability of an organization to reach new and innovative sources for competitive advantages" [16].

The theory of dynamic capabilities defends the recombination of new resources to generate new strategies for the creation of value [17],[16], postulate the existence of a competence or capacity for the direction of the organization that consists in creating new distinct competencies, and that exploit distinct competences that already exists [18]. [16] Justifies the increase and the recombining of resources as a model to foster the change. Therefore, the firms that reach new configurations of resources in which these, emerge, are divided, evolve and die. In a dynamic context, if the firm wants to keep its competitive advantage, it must be able to alter its base (adequate, evolve, renew, adapt, reconfigure, etc.) of resources and capabilities in such a way that they allow the firm compete with a sustainable advantage in a new context [19]. The development of a technology, in the framework of a certain technological trajectory, generates new knowledge by means of a series of feedback mechanisms that contribute to improve its performance [20]. That it is to say, the different developed capabilities allow:

- Knowledge absorption to improve the processes and strategies applied to the organization. The absorption, as the ability to recognize the value of the new, assimilate the information and apply it to commercial objectives [21].
- Detection of opportunities to improve in a latent market by better making use of the detection capability that it is based in understanding the customer's needs better than the rest of the competitors [22].
- Integration of resources for formulating a strategy focused in the company employees'. The capacity of integrating resources to combine different behavior standards for interaction through its contribution, representation and interrelation [23].
- Innovation in new information systems to obtain data that represent the sales. Definitively, they change the experiences to generate changes in the strategies where the innovation is the cause for development since it promotes the putting into practice of reconfiguration capabilities and improve the existent ones through the application of new resources. The customer happens to be the centre of the study as opposite to the product. New capabilities of information management are generated. They are based in a business process reengineering that will allow the reaching of a competitive advantage. Therefore, the social-economic change has made customers to be each time more exigent, which has induced to put into practice new combination of resources, that are adapted, integrated and reconfigure the organizational skills and the functional competencies for the strategic management face the requirements of a competitive and dynamic environment [16].
- The main motivation for its application consists in analyzing if a development of dynamic capabilities has been produced to allow acquiring new managerial capabilities that can be translated into tangible benefits and specify how this have been developed. For that, a case of success in a multinational has been analyzed.

4. A case study: VIPS and the implementation of a CRM

4.1. The organization

After observing a great increase in publicity to promote the use of products associated to the VIPS brand; and detect that the customer receives a great offer of promotions by email and post mail, the VIPS group has been chosen to be analyzed.

The VIPS group is composed by 325 establishments distributed in 19 Spanish provinces and also with presence in Lisbon and Portugal. It is composed by 8.000 employees that offer service to more than 150.000 daily customers. The closing balance sheet in 2012 offers around 358 millions de Euros of turnover. In the web page of the company, www.grupovips.com the group is defined as contributors to create a more participative and caring firm from 1969. A special mention is made to maintain the trust in the consumer as a main asset to develop its business in a responsible way.

The principles of the company, part of them become the mission statements are the following ones:

- Respect human beings by valuing their diversity
- Understand the success associated to teamwork
- Reach the highest scores of customer’s satisfaction
- Understand that the profitability is essential for the present and future of the company
- Contribute positively to the society

According to these principles, they have developed their marketing campaigns. VIPS adopts a cost competitive strategy, since a great part of its promotion actions are associated with the use of the loyalty club VIPS card. Its use implies the offering of discount checks that can be used in the shops. Besides, by reinforcing the saving needs for customers, the increase of the VAT tax appeared in 2012 in Spain, is refundable according to this mechanism. In addition promotions are usually offered as 2 per 1 in dinners along the week.

Segmentation is a practice in the restaurants and cafeterias that belong to the VIPS group by offering different kinds of meals and environments, and also in their human resources program to get the best candidate for the position offered. A personalized service is offered in <http://gentevips.es/>, a link to establish a closer linkage with the society. Therefore, they are promoting a strategy of differentiation by adopting these actions. They also were pioneers in offering free wifi to customers via an OpenZone.

4.2. Methodology of the case

To better know the Group VIPS case a qualitative methodology has been used; concretely deep interviews driven to the person responsible for the CRM system in the company and 7 experts in the analysis and implementation of CRMs systems in this industry. This technique has been used to identify the origin of the use and the need to implement this information system to know the process from the best source.

The main objective consists of deepen in the adoption of the strategy for implementing the CRM in the company and how the process of change has taken place, the adoption of the system, the efforts used and the benefits obtained. The questions have been built to specifically know the case, according to the previous analysis of the literature done. To know the starting points and the evolution of the system, the following questions have been considered:

Answers	
1.	Who is the CRM provider? Why? What are the advantages of the system respect to other CRM systems?
2.	When did the firm decide to implement the CRM system? Which ones have been the main motives?
3.	Which teams were implied in the implementation of the new system?

4.	How did the selection and personalization of the system take place?
5.	What was the information system previously used to the implementation of the CRM?
6.	How did the change of management take place?
7.	Can you affirm that as a consequence of the CRM implementation you have increased or made more loyal customers?
8.	What is the tangible relationship that the segmentation of customers have got in the segmentation of products for new customers?
9.	After the implementation of the CRM system, has the firm opened new market niches?
10.	Has the system allowed more effectiveness in the processes?
11.	Do you consider that the implementation of the system has been profitable?
12.	Have you plan to improve some aspects of the system that has been implemented? Does the system offer the information that the decision makers at the firm require?
13.	In the present time, how many persons compose the CRM implementation team? Has it been increased in the last years?
14.	What is the degree of penetration of the “socialCRM” and “mobileCRM” in the current firm’s CRM strategy?
15.	Can you describe a typical day of work in the CRM area?

4.3. Case study

In 1996 the CRM is implemented with the main objective to create the VIPS CLUB. The creation of the VIPS CLUB, takes place as a part of the loyalty program for the VIPs group. The objective is to reward and to be grateful to the loyalty of all the customers. El VIPs Club is pioneer in loyalty cards created in Spain for the restoration industry.

The implementations of this information system started with the objective of being a sales catalyst and allow a more efficient management for customers. Previously to the implementation of the CRM, there was not any information system to manage the relationship with customers.

The CRM manager affirms that they are not using any CRM provider. Due to the conditions of the users and its functionalities, the creation of a personalized system was preferred 10 years ago. It was designed in en .NET. The advantage of a personalized CRM is that it offers lots of functionality to the final user.

Currently, this tool has also been extrapolated to the human resources team that manages in an individualized way the relationships with different candidates thanks to a Talent Relationship Management (TRM). The implementation of an information system to manage the relationships with customers is very profitable, since it is the base for the decision making process.

The CRM team is composed by two persons specialized in marketing.

A typical day in a work team is very busy. Users always have some new promotion to benefit from. At present the data congruence amongst systems is always checked. This is a very important aspect, since they are the base for actual and future segmentations for communication campaigns, not only the new ones but to be able to see the movement of sales in the whole business.

The VIPs group shows an advance degree of “socialCRM” penetration and advance social strategy. It is followed by more than a million of fans in social networks. However, the mobile is now being used as a new communication channel to interact with customers and partners. In 2013, a free software application is offered for Windows 8 users that allow locating the closer Group VIPs establishments.

To know the degree of penetration pieces of news from published press, and linked with social networks are analyzed. In year 2011 four pieces of news related were analyzed, two in 2012 and another one in 2013.

Table 1. Press headlines related to social media 2011-2013

Titular	Year	Articles/year
VIPs Club offers one of the first free applications for Windows	2013	1
VIPS offers its followers in twenty and Facebook be the first ones in tasting its new menu	2012	2
T.G.I. FRIDAY'S SPAIN releases new web page: www.tgifridays.es	2012	
VIPS releases web page: www.vips.es	2011	4
How Starbucks was transformed in one of the best web pages in Facebook in just 10 months	2011	
VIPS will give 200.000 new plates to their followers in Facebook and tuenti	2011	
Starbucks starts its photo Christmas contest in tuenti	2011	
Medium-High		

The VIPS group distinguishes its members through the loyalty card. For that the consumer receives EuroVips according to their consumption that is premium in discount tickets. There are different types of card: 1) Blue card: it is obtained whenever the customer starts being a member 2) Gold card: it is obtained when the total payments at restaurants and shops of the group surpass the estimated cost for the previous card. 3) Platinum card: it is exclusive for customers that have consumed over the estimated mean for the previous cards. These consumers receive more advantages than the rest of the customers. This segmentation is prefixed by the customer's level of consumption in such a way that the company adapts their restaurant options to customer's profiles to reach as much potential consumers as possible. The supply follows then the following schema:

Table 2. Segmentation of the establishments by price

Category	Establishment
Economical	VIPSmart
Economical	Starbucks
Medium	VIPS
Medium	GINOS
Medium	THE WOK
Medium	TGI FRIDAY'S
Medium-High	LUCCA
Medium-High	TATTAGLIA
Medium-High	BICE
Medium-High	IRROCO
Medium-High	EL BODEGÓN

Definitively and as a result, according to the press information offered by the VIPs Group (2012), the loyalty program offered by the CRM system has achieved success:

- The club, according to the closing dates in 2012, is composed by more than 2.200.000 members all around Spain.

- A 391 222 of persons like the club vips page (consulted the 11th of March, 2014). The ages that prefer it are between 25-34 years all and based in Madrid.
- More than a 45% of the VIPs Group sales are performed by the members, through their loyalty card.
- The CRM system has increased the detection of opportunities to improve a latent market, since the tool has allowed analysing the customers' behaviours through the information obtained from the loyalty programs. They also keep the contact and cheer up the consumption by means of driven marketing actions. It implies an increase of sales and to promote the image and the reputation of the brand.

VIPs counts on with miles of employees. For managing human resources they need a powerful management tool. The success of the CRM has implied the application of this same system to selection process and this way to centralize, avoid duplicates and have Access to potential candidates. This process, very innovative in the firm has improved the fit between recruitment abilities and managerial possibilities in all the areas of the organization. All this have a clear impact in the assimilation of new information and helps to avoid losing it.

5. Conclusions

After the analysis of the case presented and the review of the literature, the following conclusions are offered:

Considering the information provided in the interviews, the main factors that have been considered having a positive impact in the final information system are:

- The aggregation of the CRM that has enabled the creation of a CLUB VIPS: the brand has increased its recognition. Besides the club is a source of information since it was born to feed the system.
- To be closer to customers' expectations: The CRM can help performing a more personalized management to customers, in such a way that they feel that they are part not only of the company, but of the distinguished club plenty of advantages.
- To centralize the information related to customers and be able to obtain information of consumption. It can help them go wherever they want to be driven to and by properly using the CRM system the firm can make decisions on the available information from customers, where they buy, what they buy, about the timetables, etc.
- The adoption of the system implies an organizational change based in new plans to increase the competitiveness that must be studied as a change agent. New working ways imply not just new managerial changes and the use of new instruments but they require or the collaboration of the implied teams.
- The CRM is a promoter for dynamic capabilities since new work routines have first been designed and later on assimilated by learning mechanisms. The innovations in new systems, has allowed establishing a more close connection with the customer and exploit that relationship according to commercial final outcomes. In spite of the situation today, where the company is involved in a re-structuring plan, they keep on betting on online communication channels and they are conscious of the importance of information as a firm's main asset.

This work constitutes the first approach to the knowledge for a strategic use of CRM in the concrete case of a company. As a future research line, a deep analysis on how the company is using the CRM system is required and a proof if they are properly developing dynamic capabilities should be an interesting analysis too.

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