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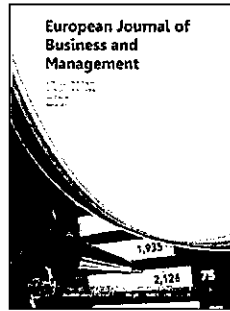
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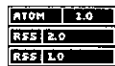
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Articles

# Customer Relationship Management Practices: The Impact on Organizational Performance in SMEs of Food Manufacturing Industry

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## Abstract

The successful implementation of customer relationship management (CRM) practices is becoming widely accepted within marketing and sales department in manufacturing industry. Moreover, establishing the customer relationships have always been an important aspect of business. Hence, this study aims to explain the impact of CRM practices to organizational performance through a proposed conceptual model in Malaysian small and medium enterprises (SMEs) food manufacturing industry. A model developed and empirically tested through survey data obtained from 369 organizations. The results indicated that CRM practices have a significant positive effect on organizational performance. Similarly, the results revealed that enhanced key customer focus and relationship marketing leads to better organizational performance. Market turbulence was found to have a negative moderating effect on the relationship between CRM practices and organizational performance. This paper contributes to existing literature by incorporating CRM practices as a construct in the proposed model. The conclusions drawn have implications for CRM practices of key customer focus, relationship marketing and market turbulence in research literature.

**Keywords:** customer relationship management practices, market turbulence, organizational performance, small and medium enterprises, food manufacturing industry

## 1. Introduction

In the contemporary business environment, customers are considered to be the central element of all marketing actions, and customer relationship management (CRM) has become a priority for firms marketing strategy (Karakostas et al., 2005). Academics and practitioners proclaimed that a customer relations is necessary for firms to survive and be successful in contemporary business environment (Heinrich, 2005). Business firms, regardless of the size of their organization, as a whole, are spending billions of dollars each year on CRM systems or applications (Ngai, 2005; Zablah et al., 2004). The CRM gained importance as popular business tools of a number of CRM projects implemented successfully in the early 1990s. However, about 70% CRM projects resulted in loss or no bottom line improvement in firm performance (Richard et al., 2007). Additionally many academic and business reports have shown disappointing results on CRM itself (Cheng & Dogan, 2008; Richard et al., 2007; Rigby et al., 2002; Zablah et al., 2004). This could be one of the reasons that CRM is an emerging field of inquiry (Richards & Jones, 2008). To remedy the situation, this study should first determine from where the problems stems. Going through literature, this study implied two problems that are revealed to the CRM practices and organizational performance.

Firstly, instead of customer issue in CRM, food manufacturers in SMEs are not very common in term of CRM systems. Most organizations do not implement CRM systems due to several reasons such as lack of knowledge about CRM and lack of financial resources to implement CRM systems. According to Ata and Toker (2012), Sudhakar and Sudharani (2012) Chuchuen and Chanvarasuth (2011), and Ko et al. (2008) the organizations that have adopted CRM systems as a corporate strategy are expected to grow at a faster pace than those firms who are non-adopters within the same industries. Therefore, food manufacturer need to implement CRM in order to improve business values and gain more competitive advantage on which to base business prospects for longevity (Deros et al., 2006). Secondly, it is related to the concept of CRM. The current trend in competitive market, focusing on customer is becoming a key factor of manufacturers. 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 (Payne & Frow, 2006). Customer retention in CRM is important to food manufacturers based on the organization's limited resources (Baumeister, 2002). Kalakota and Robinson (2000) argue a firm's strategy should focus on how to find and retain the most profitable customers instead of just providing superior services. The practices of CRM are necessary to ensure delivering better customer value, retaining customer and having a good relationship with customers.

However, the practices of CRM is a commonly a success in services sectors, whereas a little attention has been paid to research on CRM in manufacturing sectors (Akroush et al., 2011). Akroush, Dahiyat, Gharaibeh, & Abu-Lail, (2011) have proposed that the direction for future research is to replicate modified scale of CRM