

Original Article

The Empirical Implementation of Customer Relationship Management on Customer Satisfaction in Health Product Business: A Case of Small & Medium Enterprise in Thailand

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Abstract

Currently, customer relationship management (CRM) is one of the most effective customer oriented business strategies to strengthen relationship between customers and companies. To achieve that relationship, customer satisfaction is the initial outcome of CRM. Not only service market, but health product business is also a candidate to use CRM as a business driver. Health products are popular and the trend of sale is growing up day by day. The objectives of this study were to explore the empirical implementation of CRM in health product business and to identify the tactical approaches of CRM to achieve customer satisfaction. Literatures were reviewed and expert interviews were performed to get the initial CRM conceptual framework. Payne and Frow's framework was a theoretical guide. A new company, namely Greenie Health (Thailand), was established. Products, sold in the company, were focused on health products. The way of implementing and running the company was strictly complied with the five processes of Payne and Frow's framework.

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Strategy development and value creation were established. Multichannel integration was executed and marketing activities, such as newsletter, seminar, and call center, were directed to the Greenie member and focused on key values of company, product benefits, and member benefits as well as rewards. Information management had been created and operated to support CRM execution. Lastly, performance assessment was evaluated to ensure the implementation in line with the plan. Participant observation and customer interviews, to understand customer insight, were performed. The results showed that the key drivers to enhance customer satisfaction were perceived quality of the product value, effective communication in multichannel integration, loyalty campaign – such as seminar or workshop, and special service. Attractive contact point was face-to-face contact, including booth exhibition, workshop, shop and sales force. To accomplish successful CRM implementation, the company must start with strategy development and keep focusing on value. Nevertheless, Intervention period and budget or business investment, especially in small and medium enterprise, were the constraints in this study. In practice, other marketing strategies should be run parallel with CRM to synergize and enhance business outcomes.

Key Words: Customer relationship management, customer satisfaction, CRM campaign, health product

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Introduction

In the past, business mindset was mainly product-oriented. Companies sold what they had and did not response customers so much. The concept was continued into the 1920s and manufacturers faced increased competition and companies started to focus on selling as the foundation of marketing initiative. Consequently, the paradigm was then moved to sales-oriented. However, in the middle of 20th century, many companies realized that they should produce what customers want. Finally, customer-oriented becomes the crucial business paradigm instead. Focusing on new marketing concept, Kotler (1997) depicted in details that it comprises four pillars: target market, customer needs, integrated marketing, and profitability. The idea starts with a well-defined target market, focuses on customer wants and needs, integrates all marketing activities or contact points and finally satisfies customers to produce profitability. The goal of marketing has shifted to customer satisfaction, customer loyalty, and customer retention. This loyalty and retention are

achieved through long-term customer satisfaction, based on the creation of value for customers. To create customer satisfaction, something of value must be offered. Kotler, Jain & Maesincee (2002) stressed that one of the most important parts is value delivery and one of key strategies to do that is customer relationship management (CRM). CRM is absolutely mentioned as the critical part of many new marketing concepts. For more instance, Ed Peelen (2005) mentioned that relationship marketing, now named CRM, was high on the agenda of top management. Many researchers confirmed that CRM has attracted an interest of practitioners and scholars and has emerged as one of the most successful areas in marketing and management (Parvatiyar & Sheth, 2001). As known, CRM plays an important role in strengthening relationship between customers and companies. The initial outcome of CRM is usually recognized as customer satisfaction, consequently creating customer retention, customer loyalty, and profitability. CRM can be utilized in many different markets, such as information management, finance,

service, air line, mobile phone, even in health business (Hong and Goo, 2004; Bhalla et al., 2004). Health products are popular and the trend of sale is growing up day by day. Thailand health campaign has been supported by the government and business sector has responded quickly to this market trend. Great marketing strategy would enhance company profitability. *Thus, the purposes of this study are to explore the empirical implementation – practical execution on planning – of CRM in health product business and to identify the tactical approaches or key success factors of CRM to achieve customer satisfaction.* The company can focus on major influencers identified in the study and utilize limited resources to maximize business outcomes.

Literature Review

In an aspect of definition, the terminology of CRM is uncertain that neither business managers nor experts seem to agree on a common definition of CRM. Before the mid 2000s, there was no universally agreed definition, although CRM had become widely recognized as an important approach (Ngai, 2005; Ling & Yen, 2001). It was not just a theoretical problem for marketing experts, but also a practical problem for business managers. Some experts explained definitions of CRM, describing it as a business and technology discipline that helps companies acquire and retain most profitable customers. Others elaborated CRM as the implementation of customer-centric business strategies that drive re-engineering of work processes. Fayerman (2002) summarized that CRM is a business strategy designed to optimize revenue and customer satisfaction and Dave Sutton, CEO of Zyman Marketing Group, cited that CRM is the process to deliver the right messages to the right people at the right time in order to activate more purchasing and deliver value to the customer differently and better than the competition

In a point of technology, Paul Greenberg summarized the definition of CRM that is “a philosophy and a business strategy, supported by a system and technology, designed to improve human interactions in a business environment” Even if CRM is emerged from information technology but it is not seen only technology but also process, strategy, application and so on (Ling & Yen, 2001). More importantly, CRM technology is often incorrectly equated with CRM and a crucial reason for CRM failure is focusing CRM as a technology initiative (Kale, 2004).

However, after the mid 2000s, the clear definition from some researchers, experts, and authors can be found and CRM in-depth information can be utilized effectively. CRM definitions can be summarized more strategically and unidirectionally.

Javalgi, Martin & Young (2006) defined CRM as a strategic concept which incorporates the strategic outcomes of satisfaction, loyalty, customer retention and profitability while relying on technology to harness market-relevant data and guide decision making. Cunningham, Song & Chen (2006) showed, similarly, that CRM is a strategy that integrates concepts of knowledge management, data mining, and data warehousing to support an organization’s decision-making process to retain long-term and profitable relationships with its customers. The key meanings of CRM are rather scattered among strategy, process, development, application, and technology. However, Payne and Frow (2005) expressed their definition, covering wide-angle meaning.

In conclusion, even there are many definitions and meaning of CRM, Payne and Frow’ definition is preferred and inclusive but the final definition, for this study, is as below:

Customer Relationship Management (CRM) is the strategy for strengthening long-term relationship and enhancing customer value and shareholder value with individual key customers to increase customer

satisfaction, customer retention, customer loyalty and finally profitability.

“Customer Relationship Management” Framework

For CRM model and framework, Chan (2005) suggested an integrated framework for CRM, including external CRM, conceptual CRM, and internal CRM. Different types of data from web-based transactions, call centers, point of sales, marketing surveys, mailing and other touch points can be consolidated via the conceptual CRM model creating useful customer information and knowledge. CRM process and technology implementations at the external and internal levels are also mapped to the conceptual model creating roadmap for the integration of data, processes and technologies.

Fayerman (2002) presented the CRM Ecosystem, which is a component-based application that automates customer-related business processes. The major components are the operational CRM, the analytical CRM, and the collaborative CRM. The operational CRM involves the automation of horizontally integrated business processes regarding front-office customer touch points and back-office applications. The analytical CRM is created a data warehouse that feeds various analytical applications and data marts. The objective of this component is to develop a panoramic view of customer. Collaborative CRM facilitates interaction between customers and companies. Marketing communication and customer interaction are included in this process.

Another model of Parvativar and Sheth (2001) was developed to a four-stage CRM process framework, such as a customer relationship formation process; a relationship management and governance process; a relational performance evaluation process, and a CRM evolution or enhancement process. Similarly to earlier framework, Kim, Suh, and Hwang (2003) expressed the cause-and-effect relationship

and related perspectives in the CRM evaluation process. Four perspectives are demonstrated including customer knowledge, like customer information; customer interaction, like marketing communication or touch points; customer value, like customer loyalty and acquisition; and customer satisfaction, finally to increase profitability.

Moreover, Kim, Suh, and Hwang (2003) showed the evaluation process of CRM and examples of communication channel in CRM process, including service center, retail branch, call center, sales force, internet virtual community, e-mail, and others. Focusing on customer communication and information technology, Chen and Popovich (2003) presented customer touch points, including web-site and internet, e-mail, call center, voice response system, and kiosks. CRM technology and data warehouse are supportive to front and back office functions. Considering the CRM whole process, Osarenkhoe & Bennani (2007) proposed a process-oriented framework to facilitate successful implementation of CRM strategy. The core components of CRM are emphasizing on quality, measuring customer satisfaction, investing in people, maintaining dialogue with customers, setting realistic targets and assessing performance, relationship-based interfaces. In an aspect of technology, CRM is focused on information system and CRM architectures are mainly on customer warehouse (Ling & Yen, 2001). It is believed that customer information and the associated technology tools are the foundation upon which any successful CRM strategy is built. Nevertheless, another interesting process-oriented CRM framework - Payne & Frow framework - are demonstrated with the whole process and shown with some applicable constructs. Actually, the processes are similar to and are integrated all components from earlier CRM framework. Payne and Frow elaborated more components and showed some relationships among those processes.

Payne & Frow's CRM Framework

The conceptual framework for CRM strategy (Payne & Frow, 2005) consists of five key components including strategy development process, value creation process, information management process, multichannel integration process, and performance assessment process. This process-oriented CRM starts from business and customer strategy to initiate company vision and mission and then create customer values. Integrated marketing communication is utilized and supported by information technology. Finally, monitoring system is operated to control an outcome to enhance customer and shareholder values. The detail of this framework is as follows:

Strategy Development Process

This initial process consists of 2 parts – business strategy and customer strategy. Business strategy must be considered first and it would be developed to customer strategy. It focuses on business vision and industry and competitive characteristics. At first stage, CRM strategy is aimed to integrate into corporate strategy. Customer strategy is considered an aspect of customer choice, customer characteristics and segment granularity. It involves examining the existing and potential customer base and identifying which segmentation are appropriate.

Value Creation Process

This process is a direct consequence of strategy development process. It involves extraction and delivery of value. The value the customer receives is exploring and determining what value a company can provide to customers. Another issue is the value the organization receives and lifetime value which is a perspective that a company must recognize and understand the customer value. An organization should learn a profitability of customers from cross-selling, up-selling and building customer advocacy.

Information Management Process

The information management process is concerned with the collection, collation, and use of customer data and information from all customer contact points to generate customer insight and appropriate marketing responses. The process includes data repository – company memory of customers, IT systems – computer hardware, software, and middleware, analysis tools, front office and back office applications – the technologies to support all contact points.

Multichannel Integration Process

This process is absolutely recognized as the most critical process in CRM because it contacts, transfers and delivers all values directly to customers. It comprises many elements such as sales force, outlets [branches, stores, or kiosks], telephony [telephone, facsimile, telex, and call center], direct marketing [direct mail], electronic commerce [e-mail, the Internet], mobile commerce [short message service].

Performance Assessment Process

This process is established to ensure that CRM activities go to the right direction and get the right performance. It comprises two key components. Firstly, shareholder results – employee value, customer value, shareholder value, and cost reduction – are the ultimate goal of CRM. Secondly, performance monitoring is to set up standards, metrics, and key performance indicators for CRM, particularly reflecting five main processes.

Methodology

A new small and medium enterprise, namely Greenie Health (Thailand), had been established since June 13, 2008 – particularly for this study – and executed marketing activities under CRM strategic direction, complied with the Payne and Frow's framework. Every single step of company movement

was recorded, analyzed, and monitored to elaborate on how the company satisfied customers and implemented CRM. CRM campaign and loyalty program were run to members for 6 months. After that, participant observation and customer interviews were performed. Population and samples were the Greenie members, recruited from Greenie shops and booth exhibitions. Total number of members was 160. Total members were invited to join the “laughing with stress relaxing” workshop but only twenty members were attended the workshop and then interviewed to gain an understanding on customer insight and behaviors. Group interviewing was performed and separated into 3 groups. Trained company staff led the interview in each group. The objectives of interviewing were to explore the effective way of CRM implementation related to company plan, to study which key marketing communications could reach customers’ mind and to find out key success factors of CRM to satisfy customers. Questions in the interview were constructed and related to customer satisfaction scales (Hallowell, 1996).

Company Establishment and CRM Implementation

The new company was set up to comply with the initial CRM framework. The CRM process was created step by step from strategy development, value creation, information management, multichannel integration, and finally performance assessment. For company profile, total number of staff was 5 members; 1 managing director, 1 consultant manager, 1 operation staff, and 2 marketing staff officers. The company’s headquarter was located at Ploenchit area.

Implementation on Strategy Development

Starting from strategy development process, the company focused on CRM strategic direction. Business vision and mission were set. Market analysis, especially in health products, was conducted.

The vision of the company was to be trusted as the distinguished natural and herbal business for health promotion with the key value of effective products, high product standard, and professional consultation. Company’s name and logo were created and chosen to fit the company vision and direction. Greenie Health (Thailand) was the name agreed upon company staff. Related to the company vision, all products must be effective and met high quality standard. The products of the company were categorized into 3 groups. Firstly, natural and herbal foods were the most popular products. One of highlighted natural foods was GABA rice, which was very popular in the past one – two years. Secondly, herbal teas – panjakan and mulberry tea – were very high quality standard. Lastly, Biodegradable food packaging was additional product which was safe and natural food packages. Total items of products are 30 SKUs (Stock Keeping Unit). Market penetration and product development were considered in selecting new products for the company. After that customer strategy was analyzed and customer segmentation was evaluated. Customers were grouped into 4 kinds of members, including classic, silver, gold, and platinum member.

Implementation on Value Creation Process

This process had 2 steps. Firstly, value customer received was seriously discussed. Products and services were screened and developed with the emphasis on key value of the company – effectiveness, standard, and consultation. Herbal teas, panjakan (Jiaogulan) and mulberry were picked up first. These herbal supplements were tested and promoted by Department of Medical Sciences, Ministry of Public Health. Many researches on Jiaogulan and mulberry have been under developed. Jiaogulan (*Gynostemma pentaphyllum* [Thunb.] Makino) has been found that gypenosides, an active ingredient, was potentially beneficial for patients with hypertension, diabetes, and hyperlipidemia (Blumert & Liu, 2003). Jiaogulan,

in a dosage form of capsule, has been manufactured by the Government Pharmaceutical Organization (GPO) as well. However, for the product value in the company, Jiaogulan herbal supplement was promoted as a supplement with no pharmaceutical effect. It was also approved by Food and Drug Administration as a healthy drink only. Biodegradable packaging was considered next because it was naturally produced from sugar cane paper and safe from any hazard materials. Lastly, GABA rice, drink and powder were chosen to be a star of company's products. It possibly improves memory and physical health because of many minerals and vitamins inside. Nevertheless, they were promoted, in the company direction, as supplement rice with no any pharmaceutical effects.

Secondly, value organization received was planned. The company planned to communicate company value directly to customers. The marketing communication focused on satisfying customers' need and retaining existing customers. Customer acquisition was done by enrolling members through booth exhibition, outlet, and shop.

Implementation on Information Management Process

IT systems were prepared for CRM execution. Own customer database, designed to facilitate CRM program and loyalty program via internet, was set up and customized to the company plan. Product category and purchasing information among customers were also recorded to closely monitor customer profile and profitability.

Implementation on Multichannel Integration Process

One of the most powerful processes in CRM implementation is multichannel integration or integration of marketing communication. The channels, as mentioned in framework, were approached and contacted, including sales force [consultant], outlet [shop], telephony [contact center and facsimile], direct marketing [newsletter], electronic commerce [e-mail and internet], and mobile commerce [short message service, SMS]. Most importantly, integration

of all communication was emphasized to ensure that customers would get the same functional and emotional messages, and same direction.

Sales force or consultant was one of the key values of company. Pharmacist and nutritionist were trained to give a consultation service directly to customers. Consultant would be available during booth exhibition and workshop.

Outlets or shops were operated at headquarter near Chidlom market. The products were also consigned to 6 specialty health stores.

Telephony was selected with contact center and facsimile. Contact center was accessible for members to approach, complain, and communicate with the company. Facsimile was another channel for customer contact.

Direct marketing in this CRM execution was newsletter and informative brochure. Newsletters were sent out to members for two times. Contents in these newsletters were health issues and key messages concerning company value, loyalty program, and so on. For brochures, product knowledge and benefit, company information, and member benefits were included in these communication tools.

Electronic commerces, like e-mail and internet, were employed as another channel for customer communication. Contents in this channel were the same as those in other communication channels, such as newsletter and brochure. The website was designed to build company image and customer characteristics. Customer tracking and database were also linked to this internet channel. All of the content and design, in the website were closely related to those contained in other channels.

Mobile commerce, like SMS, was implemented to inform any events for members or remind member benefits, such as member get member campaign. Before the start of events, members would be called to invite to the activity.

Loyalty program, operated as a workshop, had been run for members who were interested in this kind of activities. The topic was laughing with stress relaxing. Invitation was sent out directly to members via direct marketing. At the workshop, total number of members was 20. The members enjoyed exercising, learning the way of laughing, and relaxing with the workshop. The atmosphere of workshop was very impressive. Most of them requested this kind of workshop next time.

Implementation on Performance Assessment Process

Business strategy, company culture, and company value were considered to set up performance evaluation- competency assessment to ensure that company outcomes would be in line with strategy development process. Business strategies, such as customer-oriented and value establishment, were viewed as a guideline to create the competency. For company culture, determination and positive thinking were regarded. Lastly, consultation in company value was judged. All mentioned considerations would be considered to create the competency. Competency assessment was divided into core and professional competency. Core competency, consisting of attitude, skill, and knowledge, was compulsory for all staff. Some considerations were picked up into core competency. For example, positive thinking and can-do attitude were one of attitude parts in core competency assessment. Consultation skill was one of skill parts and product knowledge was one of knowledge parts. For professional competency, it was depended on staff's responsibility. However, every staff in the company had to fulfill both core and professional competency scores at least 80% otherwise it would affect on salary increase and yearly bonus.

Result

The samples were 121 out of all 160 Greenie members. The participants worked as a freelance or

business owner (37.5%), employee (30.0%), housekeeper (15.0%), government staff (8.3%), student (1.7%) and others (7.5%). Their education were at the bachelor's degree graduate (48.3%), lower than bachelor's degree (30.6%), master degree (18.3%), and above master degree (2.5%). The incomes of the samples were 10,000 to 19,999 Baht (27.7%), below 10,000 Baht (17.6%), 40,000 to 49,999 Baht, (16.8%), above 50,000 Baht (15.1%), 30,000 to 39,999 Baht (12.6%), and 20,000 to 29,999 Baht (10.1%). The members' ages were 41- 50 years (35.8%), 31 - 40 years (25.8%), 51 - 60 years (22.5%), above 60 years (10.0%), 18-30 years (3.3%), and below 18 years (2.5%).

After implementing the CRM program and loyalty program as mentioned earlier, the key observation was detected. Customer satisfaction is the initial outcome of CRM (Kim, Suh, and Hwang (2003), Fayerman (2002), Parvatiyar & Sheth (2001), Javalgi, Martin, and Young (2006), Javalgi et al. (2005)) and can be enhanced by tactical approaches or key success factors as follows:

Product Value

Greenie products have core values, including benefit, standard, variety, and being product in trend. All products were guaranteed with truly benefits. Product standard were also highlighted, for example royal project of GABA rice, gamma ray of herbal tea, and high standard of biodegradable packaging. Variety of product caused cross-selling and up-selling. Customers had many more options to purchase products and they were satisfied. Obviously, GABA rice had line extension to GABA powder and GABA drink, not only GABA rice. Moreover, trend of GABA was raising so much and the demand had increased and sales were growing up. For example, the company could enroll a significant number of new members, once GABA rice was in the product list.

Customers hung on the trend, so the company could get many more new members from this tactic. So the more value products are, the more satisfaction customers get.

Contact Points or Channel of Communication

Customers were satisfied with some key contact points – booth exhibition, shop, newsletter, contact center, and consultation service. For instance, customers could directly talk with company staff and consultants during booth exhibition, namely Ambassador's wife exhibition and held at Siam Paragon Hall during February 28 to March 1, 2009. They could see the products and ask for some product information. At this event, 65 new members, nearly half of all members, enrolled for Greenie member. Greenie shop also played an important role to enroll for member, like exhibition. For newsletter, the target, with 31 – 60 years old, usually prefer hard copied materials, instead of soft copied ones, like the internet or e-mail. Thus, customers were satisfied with this marketing tool. However, contact center was not visited by the customers so much even the information on contact center was publicized to the member in all promotional materials. Actually, contact center would be powerful marketing tool but its system must be developed in next step. Most importantly, integration of all communications must be the same direction, same communication, and same emotional approach.

From customer interview, the rest of communication channel, including facsimile, e-mail, the internet, and sms were not popularly recognized. They might be inconvenient to the target group of Greenie. Nevertheless, for younger generation with age of 18 – 30 years old, these contact points might be useful for their communications.

Loyalty Program

Some loyalty program had been launched to the members. Each level of customer segmentation, like classic, silver, gold, and platinum, got different loyalty benefit. One of the organized loyalty campaigns was seminar concerning laughing exercise, held at November 7, 2009. The members who joined the seminar were very impressed with the event. By joining together in the seminar, they got involvement in the activity. Moreover, at the event, there was a consultation counter for checking physical health and consulting health issues by pharmacists and nutritionists. Products were available at the seminar as well. The participants also requested for more seminar in the future. Not only seminar, but special discounts, newsletter, workshop, and outdoor activity were included in the loyalty program.

Special Service

Special service was very effective to retain some customers. For example, a high volume customer requested the company to leave some products with the company guard on the weekend and she would pick up and then pay for the products on the next day. It was an extraordinary service to key customer. The customer appreciated the service very much and still retained as a customer.

Other Findings

Potential market is another key supporter for implementing CRM. For this study, major customers, 44% of total members, earned below 19,999 baht per month. If the income level of market target is higher, CRM campaign can be executed with high profitability and subsequently input in loyalty program can be increased much more. For the CRM organized in booth exhibition at Siam Paragon, many members could easily access and the members were very much interested in loyalty campaign.

Star product is extremely important issue for business development, especially CRM. Once the company launched GABA rice, every activity, effort, and campaign was effective and received positive response from the customers. So the company must have at least one star product to create product value and establish the flagship in the customers' eyes.

Discussion

The CRM framework in the study focused on process-oriented, not tactic-oriented. Some implementation tactics must be considered (Osarenkhoe and Bennani, 2007). For example, team-based structure should be managed to support CRM execution. Even in a style or the way staff does, it should harmonize with the CRM direction. Thus, the results could be more completed if tactical issues are considered. For another issue, budget constraint is the obstacle of business, especially in small and medium enterprise. In competition nowadays, if the company has small budget, CRM campaign might be limited and final CRM outcomes could be minimized. Not only focusing on CRM, but also utilizing other marketing strategies, in parallel, should be a synergy to enhance business outcomes. In this intervention, stressing on integrated CRM communication only, the business results were rather slowed down because the company faced more difficulty to enroll new member. In reality, the new company must invest more budgets in marketing campaign to initially push up the growth as fast as possible. For integrated marketing communication, attractive contact point is face-to-face basis, including booth exhibition, workshop, outlet and sales force. Because of age of the target - around 31 to 60 years old, direct selling would strengthen strong relationship among them.

Conclusion

One of the most crucial marketing strategies is customer relationship management (CRM) which is

the key to strengthen long-term relationship and enhance customer and shareholder value with key individual customers. This study explored the empirical implementation of CRM in health product business and to identify the tactical approaches of CRM to achieve customer satisfaction. Payne and Frow's framework is a process-oriented CRM so they are all integrated to successful CRM implementation. Five processes of this study - strategy development, value creation, multichannel integration, information management, and performance assessment have an individual role to execute CRM. The first three processes were very crucial for CRM implementation. Product value, effective multichannel integration, loyalty program, special service, potential market, and star product played a crucial role in the effective CRM execution.

Limitation

As mentioned earlier, the company in this study was small and just established with budget constraints. As a result, the effectiveness of the CRM program was very limited. Intervention period - around six months - was another limitation. Customer satisfaction can be evaluated at least six months after activities had been executed to customers. However, if more time was devoted to the CRM campaigns, the impact of the program may be greater. Thus, the next interesting research might be focused on long-term implementation of CRM campaigns to explore key marketing communication in health product business.

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