



Key success factors for foreign firms entering the Chinese customer relationship management market  
by Jingyu Wang

A thesis submitted in partial fulfillment of the requirements for the degree of Master of Science In  
Industrial and Management Engineering  
Montana State University  
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**Abstract:**

Recently, discussion about Customer Relationship Management (CRM) has heated up. CRM is a term used to describe a space of technologies that enables companies to individualize customers' services with information technology platforms. Originating in Western countries, CRM has been developing rapidly in the East. Currently, China is becoming the fastest developing market that attracted by many foreign companies. The research questions are: Which industry is an appropriate target, and has strong development potential to maximize long-term profitability? Which region is the best geographic entry point, considering sensitivity to regional differences and political climate? How does a firm best incorporate the concept of guanxi into key business relations? This thesis introduces a more focused definition of CRM. Chinese CRM market is analyzed and two decision models for foreign CRM vendors choosing target industry and region are presented after analyzing several key dimensions. Guanxi is presented from its origination of Confucianism and detailed instructions on how to have good guanxi are provided.

To answer these questions, this thesis first introduces customer relationship management and its growing importance in today's globally competitive business environment. The Chinese CRM market is then analyzed in depth, including extensive investigation of four primary industry sectors likely to have large numbers of potential CRM customers and regional geographic considerations. Next, two decision models are presented to help foreign CRM vendors choose a target industry and regional entry point after analyzing several key dimensions. Finally, the Chinese concept of guanxi is presented from its origination from Confucianism to how it manifests itself today in Chinese business relations. Detailed instructions on how to develop good guanxi are provided. The thesis concludes with challenges and research directions for the future.

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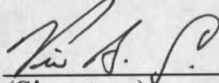
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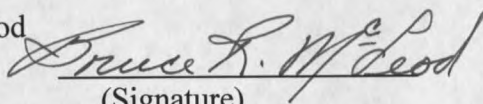
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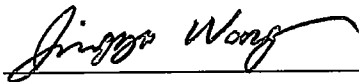
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Dedicated to the people I love:

Mom, Dad and Feiyu

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## ABSTRACT

Recently, discussion about Customer Relationship Management (CRM) has heated up. CRM is a term used to describe a space of technologies that enables companies to individualize customers' services with information technology platforms. Originating in Western countries, CRM has been developing rapidly in the East. Currently, China is becoming the fastest developing market that attracted by many foreign companies. The research questions are: Which industry is an appropriate target, and has strong development potential to maximize long-term profitability? Which region is the best geographic entry point, considering sensitivity to regional differences and political climate? How does a firm best incorporate the concept of *guanxi* into key business relations? This thesis introduces a more focused definition of CRM. Chinese CRM market is analyzed and two decision models for foreign CRM vendors choosing target industry and region are presented after analyzing several key dimensions. *Guanxi* is presented from its origination of Confucianism and detailed instructions on how to have good *guanxi* are provided.

To answer these questions, this thesis first introduces customer relationship management and its growing importance in today's globally competitive business environment. The Chinese CRM market is then analyzed in depth, including extensive investigation of four primary industry sectors likely to have large numbers of potential CRM customers and regional geographic considerations. Next, two decision models are presented to help foreign CRM vendors choose a target industry and regional entry point after analyzing several key dimensions. Finally, the Chinese concept of *guanxi* is presented from its origination from Confucianism to how it manifests itself today in Chinese business relations. Detailed instructions on how to develop good *guanxi* are provided. The thesis concludes with challenges and research directions for the future.

## CHAPTER 1

### INTRODUCTION

Recently, there has been considerable amount of research on Customer Relationship Management (CRM). CRM is a term used to describe a space of technologies that enables companies to individualize customers' services with information technology platforms. With the help of internet technology, database, and voice and video technology, CRM products now enable companies to reach new frontiers in meeting customer needs. Email management tools make rapid and efficient response to customer inquiries, and survey management tools help companies collect and analyze online marketing survey data. These and other rapidly advancing technologies are giving companies unprecedented abilities to meet the fast-paced and diverse demands of today's markets. As a result, businesses are incorporating CRM tools into their business practices at astounding rates as they attempt to reach increasingly large number of customers globally.

Originating in Western countries, CRM has been developing rapidly. According to the report from Young (2000), the worldwide CRM services market is expected to be over 148 billion US dollars by 2005, which remains well above that of the overall IT services market. As one of the most important countries in the world, the US has made tremendous advancement in CRM development and is currently the world leader. Other countries, especially in Asia (i.e., China, Japan, and Singapore) are also advancing at a surprising speed. Seeing the great potential of these Asia markets, Western countries have

started to invest in these enormously to increase profit. Among all of the above candidates, China is gaining more and more attention.

It is easy to see why China is getting so much attention from international companies. As a developing country, China kept an average GDP growth at close to 10 percent per year from 1978 to 1997 (People's Daily, 1998). The growth rate in 2002 was 8% (Liao Wang News Week, 2002), which is much higher than other developing countries (Worldwide Economy Forecasting, 2003). Furthermore, China's IT industry has total assets of 16.5 trillion US dollars in 2002, and export revenue of 32 billion US dollars, an increase of 42% over 2001. China is now the country with the highest IT investment in the world (Zhang, 2002). The most attractive feature of this market is that it still has much room to develop and grow.

Concerning CRM specifically, the total Chinese market in 2001 increased to 11 million US dollars and is estimated to be 43 million US dollars by 2004 (CCID and CIW, 2002). Although these numbers are not comparable with current market of Western countries, its rate of growth in some ways makes China more appealing than these already developed countries.

Along with the impressive prospects are some potentially thorny problems. China started its Open Door policy in 1982. However, even after 21 years of openness, there are still many barriers for foreign companies entering the Chinese market, such as culture, geography, and government control. The cultural differences between Chinese and Western people are reflected in very different ways of doing business. Different regions within China have differences in terms of education, economy, political climate, and even

personal values. And, although China has made progress in transforming to a market economy from a planned economy, it will take time to remove the government's strong hand in the Chinese market. In a word, there are many things foreign companies need to know to start a new business in China. Especially for high technological products as CRM, foreign companies have to answer some key questions, such as:

- 1) Which type of business arrangement will be most appropriate, joint venture, acquiring a local Chinese business, or establishing a foreign business (Xue, 2000)?
- 2) Deeming people as a critical factor in CRM implementation, what problems may be encountered in human resources management for the foreign firm hiring Chinese employees (Guan, 2002; Shuai, 2002, Li, 2002)?
- 3) How much customization of foreign companies' CRM products is needed? Is a simple translation of the English version into Chinese sufficient, or does the market demand a product that integrates Chinese culture with Western management practice (Zhang, 2002)?
- 4) How can a firm assess the rapidly changing expectations of Chinese people in order to help businesses satisfy these demands (Xing, 2002)?
- 5) Which industry is an appropriate target, and has strong development potential to maximize long-term profitability?
- 6) Which region is the best geographic entry point, considering sensitivity to regional differences and political climate (Ralston et al., 1996; James, 1989; He, 2003)?

7) How does a firm best incorporate the concept of *guanxi* into key business relations (Chu and Ju, 1993; Tung, 1982; Tung, 1998; Yeung and Tung, 1996)?

Several of these questions have been addressed by other scholars. For example, as different types of businesses have different advantages, Xue (2000) sets up a three-layered model to help determine which one is most appropriate for current Chinese market. He points out that acquiring a local Chinese business will help foreign companies build their reputation in very short time, which is crucial for current CRM market. However it will take more time to digest and bring each party's advantages in to play. A complete foreign business will not have the trouble of dealing with a Chinese partner, but may find it challenging to understand this totally different market alone. Xue concludes that joint venture may be the best option for foreign companies currently, as foreigners can make investment and let their Chinese partners to manage and operate the business.

Significant research is also ongoing on the human resources questions. Guan (2002) argues that it could be beneficial for companies to build one core team and one extended team in CRM implementation. He also recommended strengthening group cooperation, making investment in employees, and hiring professionals in a call center. Shuai (2002) analyzed people's effect from three different layers, such as decision-making layer, executive layer, and customer layer, to help companies choose right people and help them work effectively together. Li (2002) has investigated the effects of human resources policy in different stages of CRM implementation, such as the strategy making stage and execution stage.

On the product customization question, Zhang (2002), through a large survey, discovered that some foreign CRM vendors already have a Chinese version of their products. After investigating these products and vendors' background, he states that although some products have made integration of Chinese business culture with Western management practice, most of these products are only English products' Chinese version. Therefore, these products cannot be fully utilized in Chinese market and thus need great improvements.

Research on customers expectations has been attempted, but with usable results. As an example, after numerous efforts to collect and analyze customers' survey results, Xing (2002) found out that the only national wide identification method in China - identity card - does not have much information, especially on purchasing records. This missing purchasing history makes investigating the demands of the Chinese people difficult.

The remaining three questions, (questions five, six and seven), however, have received little attention. Normally, foreign companies will first choose the type of business they want to focus on. For CRM vendors, providing different solutions to different industries is crucial since no two industries will be the same. Now the question is, before entering into a totally new market like China, which industry has more market potential? To answer this question, a foreign company should investigate some candidate industries and evaluate their market potentials. Since not much work has been done on this issue, this thesis will analyze four prosperous industries along several important dimensions: level of IT investment, strong CRM demand from businesses, rate of growth, and level of government intervention.



After selecting the industry, foreign companies will need to choose a geographic location as an entry point. This is important because the first place chosen influences the direction of further development. Only after business develops well in one area can foreign companies seek to enlarge market share. As a large and complex society, China has different regional values (Goodman, 1992; Robertson, 1993). James (1989) described that China's billion-plus people speak a multitude of dialects, consisting of distinct ethnic groups and some local customs that have remained substantially intact over time. Ralston et al., (1996) points out that Western people should be especially careful to consider the differences due to regional diversity because it can contribute to the confounding nature of Chinese business tactics. However, there is no detailed report to analyze development potential of different cities and make appropriate recommendations. This thesis will introduce six major cities in China and compare them in some aspects, such as education, economy, politics, and personal values.

Finally, as a supplement to business practice, cultural differences should be given sufficient consideration since it explains many differences in business practice (Scott, 1997). In order to face the growing international competition, foreign firms need to become more competitive by improving the cross-cultural management aspects of their business (Kobrin 1988). Unfortunately, many foreign firms have not been successful in selecting, retaining, and developing effective managers for assignments requiring cross-cultural management skills (Adams & Kobayashi, 1969; Baker & Ivancevich, 1971; Black, 1988; Lanier, 1979; Misa & Fabricatore, 1979; Tung, 1981). In China, a unique culture practice for starting a new business and keeping it going is *guanxi* (it is originated

from Confucianism and refers to the type of connection between two individuals).

Although some scholars have discussed *guanxi*, not much work has been done to provide practical advice on how to keep good *guanxi* in business practice. This thesis will analyze *guanxi* from its origination of Confucianism and bring out detailed advice for foreign businesses to establish good *guanxi* in the Chinese market.

In sum, this thesis addresses the following central questions concerning successful entry of foreign firms in the Chinese CRM market:

- 1) Which industry is an appropriate target, and has strong development potential to maximize long-term profitability?
- 2) Which region is the best geographic entry point, considering sensitivity to regional differences and political climate (Ralston et al., 1996; James, 1989; He, 2003)?
- 3) How best to incorporate the concept of *guanxi* in key business relations (Chu and Ju, 1993; Tung, 1982; Tung, 1998; Yeung and Tung, 1996)?

### Thesis Overview

After reviewing several popular definitions of CRM, the next chapter introduces a more focused definition of CRM that will be used in this thesis. Following is a discussion of the evolution of CRM, and the importance of studying CRM. This chapter is trying to give the reader a good understanding of CRM.

The current Chinese economic situation will be reviewed in chapter 3 with good deal of data to illustrate the fast growth of the Chinese market. Then, the current CRM market

will be discussed along with a detailed report of CRM vendors in China. This chapter will give a general understanding of the Chinese CRM market.

Chapter 4 addresses the industry selection problem. The four industries mentioned in this chapter include telecommunication/internet/wireless, insurance, banking, and retailing. Four critical factors affecting market potential of these industries are addressed, specifically IT investment, strength of demand for CRM products and services, industry growth, and political climate.

Chapter 5 investigates the regional differences of China. Six major cities of China, Beijing, Shanghai, Guangzhou, Dalian, Chengdu, and Lanzhou, are introduced and compared with each other in terms of education, economy, political situation, and personal values.

Chapter 6 introduces a decision model to help firms choose industry and city in which to start businesses. This model applies Analytic Hierarchy Process (AHP) technique to prioritize different factors in different levels and generate a ranking.

Chapter 7 addresses a third important issue for foreign companies entering China, the concept of *guanxi*. This chapter discusses in detail what *guanxi* is from a native Chinese people's perspective. This chapter then explains how to develop good *guanxi*, and how to combine *guanxi* with formal contracts.

The conclusion of this thesis summarizes the above chapters and concludes that the Chinese market is full of potential. Other issues that could be researched in the future, such as Chinese people income levels, pricing of CRM products, and the difference between government owned companies and private companies, are also presented briefly.

Before delving in the main research questions, it will be beneficial to have a general understanding about CRM. The next chapter presents a full description of customer relationship management and its importance as an area of business research.

## CHAPTER 2

## CUSTOMER RELATIONSHIP MANAGEMENT

As the foundation of the whole thesis, this chapter will establish a general understanding of customer relationship management. After comparing several authors' definitions, a new definition that deems CRM as a new technology for individualizing and automating customers' demands will be introduced along with a general description of its components. Three steps in the evolution of CRM—contact management, relationship marketing, and database marketing—will be briefly reviewed. The chapter concludes with a discussion on why it is so important to about CRM.

Being a still fresh topic, different people have different understanding about CRM. Thompson (2001), the founder and president of Front Line Solutions, define CRM as follows:

“CRM is a business strategy to select and manage the most valuable customer relationships. CRM requires a customer-centric business philosophy and culture to support effective marketing, sales and service processes. CRM applications can enable effective customer relationship management, provided that an enterprise has the right leadership, strategy and culture. It is a business strategy to create and sustain long-term, profitable customer relationships.” (P1)

The author of bestseller and consultant, Richard A. Lee gives the following definition (Lee, 2000):

“CRM is a Customer-centric strategy, which drives new functional activity not only for sales, marketing and service, but often back-office functions such as accounting, production scheduling and shipping, and demands re-engineered work processes for everyone affected, and requires technology support to implement.” (P2)

Famous eNet authors, Wang Qing and Cai Zhenxin describe CRM as (Wang & Cai, 2001):

“... a business management and service that gives a central place to the customer but also offers a complete and improved package of solutions for doing business in areas where dealing with customers is a high priority, such as marketing, sales, services and support, which will increase the coordination capability between the departments in a business, expediting the related speed of customer service and support and improving the satisfaction and loyalty of the customer.” (P1)

From above definitions, several themes emerge concerning CRM.

- 1) CRM is described as a business strategy and culture. It is not just a decision made by middle level managers but an overall approach to doing business that affects companies' development in the long term. It is also described a business culture because it forms a set of norms, beliefs, and ways of doing business that put customers in the center and being different with traditional businesses.
- 2) CRM puts customer in the center. Unlike other management systems that are product-centric, CRM deems customers as the most important factor for business to survive. Doing this means everything in the business will use one, and only one criteria, which is, does this behavior meet customers' demand?
- 3) CRM seems to mainly focus on marketing, sales, and services, which all have close connection with customers. Marketing helps to know about customers' demands and let more customers know the company. Sales serves to promote products to customers and gain profit. Services help customers resolve problems and collect and analyze customers' feedback.

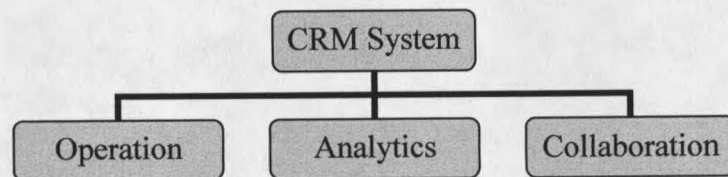
In contrast with the above definitions, this thesis takes a more focused view of CRM. It is defined as:

... a collection of technologies that gathers and analyzes customers' information to individualize services and automate processes to meet customers needs.

CRM uses information technology, such as data warehouse technology, to collect large amounts of information on customers — such as their backgrounds, their preferences, their purchasing habits, etc. Data mining technology traces and analyzes this information and categorizes it. Sales people can then use this information to target their customers more effectively and efficiently. CRM is implemented through high technology platforms, such as Internet, database, and telecommunication, which combine with software, hardware, environment and people.

CRM systems typically have three primary pieces: operational CRM, analytical CRM, and collaborative CRM.

Figure 1. Components of CRM System



Operational CRM includes the “customer facing” applications integrated among the front, back and mobile offices (e.g., front offices refer to sales force and marketing. Back offices refer to daily operation. Mobile offices refer to wireless operation). It enables the development of marketing campaigns, sales and services activities that may be targeted and focused. Through the use of business rules and functions, it streamlines the manner in which organizations transact with and fulfill their customers' needs. Main applications of

operational CRM are sales force automation (SFA), enterprise marketing automation, and customer service/support. SFA uses information technology to retrieve customers' information and helps deliver relative knowledge to sales representatives just-in-time to satisfy current, specific dictates of the sales situation. Enterprise marketing automation refers to get marketing reports from analytical CRM and bring out customers' demand. Customer service helps customer representatives get customers' information and historical service record.

Analytical CRM provides analysis of the data created on the operational side of the CRM equation to improve business performance and boost profitability. This portion of the CRM solution, which is based on data warehouse architecture, is imperative for providing the panoramic customer view to CRM success. Analytical CRM enables four tasks that aim to optimize the customer life cycle: customer identification (customer profiling and customer behavior modeling-determine customer value and letting the right customers in), cross selling (selling more to the existing customers), churn (expanding the life cycle), and "win back" (getting lost customers back). The analytical CRM process consists of the following steps: first, multiple sources of data are integrated into a custom data warehouse. Second, interactive reports uncover customer and business intelligence from data mining applications. Last, personalization tools and targeted lists enable action for higher customer value and increased return on investment.

Collaborative CRM is an enterprise architecture designed to meet the complex and dynamic environment of today's enterprises. It focuses on creating a real-time CRM infrastructure for enterprise sales, service, marketing, and product development to better



support customers. By understanding the heterogeneous environment of most enterprise application portfolios, collaborative CRM provides a framework that sales, service, marketing, and product development organizations can work together with a single view of the customer, but yet still maintain their unique way of doing business. Administration tools provide a distributed architecture for managing and facilitating collaborative business information and process. Collaboration platforms were developed to assure high performance on business process automation, robust application integration, internet-ready performance and scalability, easy and flexible configuration, and instance-based information sharing security. Data tools enable organizations to leverage their existing investments in their CRM infrastructure (Electric Light & Power, 1999).

### Evolution of CRM

Although CRM is not a new idea, the term was first coined in the early 1980s by academics at various business schools. One of the first on the scene was Dr. Jagdish Sheth, who was at Goizeta Business School of Emory University in Atlanta (Davies, 2001). CRM's evolution over the last two decades can be characterized by three major steps mixed with two different directions.

The first step was "contact management" in 1980s (Wang & Cai, 2001), which means collecting and sorting out information about connections between customers and companies. In 1990, Tom Siebel created relational database application to realize this strategy. This application was called Oracle Automated Sales Information System (OASIS). It provides sales department basic customers' information and records into

database. Used by telesales and telemarketing, OASIS was instrumental in providing broad market penetration for Oracle's relational database and was key to establishing Oracle as the dominant supplier (Fung, 2000).

The second step is the concept of relationship marketing in the mid of 1990's, which is generated from an influential book called *The One to One Future* (Rogers & Peppers, 1997). The authors, Martha Rogers and Don Peppers, challenged the way business leaders thought about marketing by putting customer in the center, not product any more. Rogers and Peppers stressed the importance of building one to one relationships with customers and these ideas have developed into a customer-centric marketing strategy.

The third step is applying customer lifetime value from database marketing in the late of 1990's. Relationship marketing is difficult and expensive to do well. Reichheld (1996) states that it is not necessary to build strong relationships with every customer since some are profitable and some are not. But the business needs a way to determine who the profitable customers are and who are not. In addition it would be useful to know which are profitable in the long term, or just in the short term. Answering these kinds of questions is complicated and requires an in depth understanding of the business dynamics in the marketplace. To address this in a systematic and logical manner, a mathematical approach called customer lifetime value (Fung, 2000) was developed. It provides the accounting mathematics to work out how to build profitable customer relationships and stay profitable.

Almost at the same time with above three steps' development, CRM developed into two different directions (Dowling, 2002). One was in the U.S. where it was mainly driven

by technology. In this country, marketers gave the initial direction and then information technology and statistical algorithms were developed to increase the efficiency and effectiveness of selling what a company makes. Thereafter these technologies' development stimulated the development of companies' business strategy, such as call centers, web sites, customer service and support teams, and loyalty programs, which are used to manage the relationships with customers.

This database-driven CRM has claimed significant improvements in identifying profitable and unprofitable customers, increasing the efficiency and effectiveness of target marketing, and increasing customer satisfaction. But there are also some problems: managers concentrated less on what customers really wanted and more on what the data patterns suggested they may want; gathering an extensive amount of information about customers raised concerns about privacy; relationships seldom developed beyond satisfaction into rapport because they started with the seller "targeting" the customers and then attempting to seduce the customers (Fournier et al., 1998).

In contrast, Scandinavia and Northern European countries focus more on strategy (Ford, 1990). This type of CRM is typically managed by marketing and sales. The emphasis is on understanding customer needs and then solving problems that create customer value. Although information technology is also important, this type of CRM is designed to support, rather than drive the customer relationship (Dowling, 2002). For example, after building call centers, marketing and sales departments will analyze customers' information and, based upon their experiences, bring out ideas on which direction is needed to go in order to make improvements. Then, these ideas are told to

technical departments and are realized. The types of relationships that develop here are often deep and meaningful- both for the companies and the people involved.

After above developments, CRM has evolved into a popular term, either in business strategy or in technology and gain more attention in the world. Thus, it is important for companies to have in depth understanding of CRM and find appropriate solutions for business customers.

### Importance of Studying CRM

The driving force behind the CRM trend is in the rapidly changing consumer market. During recent years, MRP, MRPII and ERP had already helped to manage manufacturing effectively. Now, customer's demand is becoming increasingly diversified and business competition continues to be on the rise. People won't buy the same production as 10 years before. The product that is very different from others and their preferences change often. It is widely accepted among the business community that the customer is of great importance. How does business retain existing customers and acquire new customers? If a customer is lost, how to win them back? How should businesses cross-sell other products to the same customer and up-sell more expensive products? Customers increasingly want more individual attention; even more responsiveness and more customization. Customers also want a company that treats them as an individual, not as someone who gets the same information every time with different sales representatives from different departments. They immediately want someone in the company dealing with them knows what is going on.

CRM provides a powerful set of tools to address these needs immediately and efficiently. CRM can help companies be more competitive in today's world. It has already become somewhat of an industry standard, just as ERP ten years ago. Lee (2000) points out that, by smoothing the current working process and thus improving efficiency, CRM will improve throughput across the organization. This is not only for sales, service, and marketing, but also for everyone in the company. If a company puts customers into the center, it will design and operate everything according to customers' needs, which may somewhat in return improve efficiency. CRM is so new that not every company is using it now. This means companies that use CRM now, or will use CRM in the very near future, will have greater competitive advantage.

Also it is important to understand that customers themselves actually demand CRM. They may not know what CRM is but they expect the things CRM provides: knowledge of customers that's shared by all in the company no matter how it is received; input from customers that is on the record to help a company do business their own way; attention to customers when they want it and how they want it, and access for customers to everything they need to know about their orders. Also, because customers now have more choices, they can easily change to other companies if they are not satisfied, which could mean big profit loss for a company.

After seeing the power of CRM in business, business elites began to put more effort in it. During a recent survey (Coltman et al., 2001) of 600 senior managers in six broad industry categories (financial services, government, IT and communications, retail and

utilities), most of them believed in the value of long-term relationships with customers, which is CRM, for future success.

CRM has already grown fast globally. The worldwide CRM services market is expected to be over 148 billion US dollars by 2005, demonstrating a five-year Compound Annual Growth Rate (CAGR) of 25.2%. This growth rate remains well above that of the overall IT services market, which shows a 2000-2005 CAGR of 12%. The growth rate for Asia Pacific in particular has a CAGR of 31.5% from 2.2 billion to 8.8 billion US dollars (Young, 2000).

Today, the CRM market with perhaps the largest potential and the one this thesis focuses on is China. Before addressing the specific research issues, it would be helpful to have a general understanding of current Chinese CRM market.

## CHAPTER 3

## CHINESE MARKET

Today's multi-national companies have realized the importance of gaining more global customers to increase profit, especially in this recession period. That is why a many companies that developed locally are moving into different developing countries. Of all these countries, the most important one, if not the largest, is the Peoples Republic of China. This chapter introduces the overall Chinese market in terms of GDP growth, international trade, and IT development. Then it describes current Chinese CRM development, especially in CRM brand structure, product functions, and target market. Also, a report on seventeen CRM providers currently active in China is introduced, detailing their main customers, modules, target markets, and product features. This chapter concludes with a discussion of future Chinese CRM market development trends.

Overall Market

China has come to play an important role in today's world, especially after 1978 when it began to operate under Open Door Policy (Deng, 1984). Its GDP, international trade, and IT investment have seen tremendous growth. China's Gross Domestic Product (GDP) has grown at close to 10 percent per year from 1978 to 1997 (People's Daily, 1998). Although the worldwide economy was in a recession, China still has 12.2 trillion US dollars GDP in 2002 and the growth rate was 8% (Liao Wang News Week, 2002), which is expected to be 7.5% in 2003 (Worldwide Economy Forecasting, 2003). In the

long run, experts expect GDP growth rate will be about 7.9% from 2001 to 2010 and 6.6% from 2010 to 2020 (Development Research Center of the State Council, 2003). This rate of growth far extends that of any developed countries.

In terms of its involvement in world trade, China was ranked number 7 in the world in 2000 (Thorpe, 2002). In 2002, FDI (Foreign Direct Investment) in China was over 50 billion US dollars and the number of new foreign investment companies was over 3000, which was the first time to exceed United States and become No. 1 in the world (Liao Wang News Week, 2002). Four hundred Fortune-500 companies have investment in China and there are 400 other multi-national companies that have R&D centers in China (Sino-US Trade Net, 2003). This wave of foreign investment demonstrates great opportunity in China.

Concerning advanced technology development, Chinese IT industry develops faster than most of other developed countries (Zhang, 2002): total assets are 16.5 trillion US dollars, which is 23 times that of 1997; cell phone users reached 200 million which was 20 times that of 1998; export revenue was 32 billion US dollars which increased 42% of 2002 and is No. 1 in the world. As an indicator of how active Chinese cell phone users are, they sent 80 billion short messages in 2002 through their mobile phones, which contributed one-fourth of the world. In internet development, the number of people using the internet was 59 million in 2002, which increased 29% over 2001 and was No. 2 in the world (US was No. 1). The number of computers used for Internet was 21 million, which



was increased 29.1% over 2001 (CNNIC, 2003). This high speed IT development shows great potential of Chinese market.

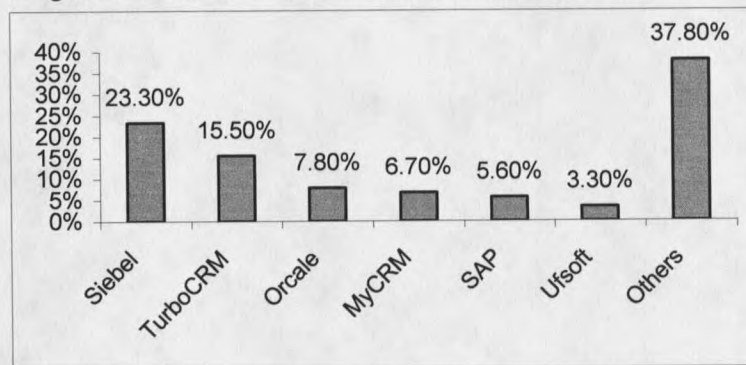
### CRM Development

Turning to the CRM market specifically, China has shown strong trend in enlarging. According to the volume survey of the Chinese CRM market made by CCID (China Computer Information Design) and CIW (China Information Web) (2002), the total CRM market in 2000 amounted to 7.2 million US dollars. In 2001 it increased to 11 million US dollars and is estimated to grow to 43 million US dollars by 2004.

At the same time, perhaps because of the unpredictability of the future, IT companies in the US have reduced their budgets and started large scale lay-offs. In order to survive and keep growing, many companies have put more effort on international markets, which will not be affected as much and may bring back profits. Since the US is facing a severe recession, most of the management software companies are in big trouble. For example, McCormick and Barrett (2003) claim that Manugistics, the manufacturing logistics expert, reported a third quarter loss of 26 million US dollars, its eighth straight quarterly loss. I2 Technologies, the supply-chain software pioneer, reported a preliminary fourth-quarter loss of 12.4 million US dollars, its eleventh straight quarterly loss. Ariba, the electronic procurement specialist, reported 55.9 million US dollars first-quarter loss, its fifteenth consecutive unprofitable quarter.

Seeing big opportunities in China, many US vendors have targeted China as their main market, along with vendors that have already entered into the Chinese market since 1989 (CTIForum-a, 2003). By the end of 2002, many US vendors have entered the Chinese market, such as Oracle, Siebel, SAP, Akup, AVAYA, NCR, Saleslogix, and Brio. According to the survey report of GreaterChinaCRM.org (2002), vendors from the US account for 29% of sales of all CRM vendors in China. Although US vendors are not large in numbers, they are giants on revenue. As shown in Figure 2, Siebel was the highest in the Chinese market according to a revenue report survey in 2001 (Annual Report of China Management Software Market, 2001-2002), which was 23.3%.

Figure 2. Brand Structure of China CRM Market in 2001

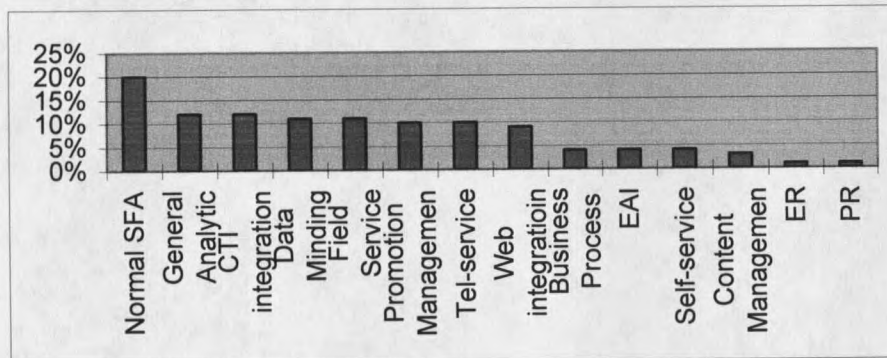


(Source: Annual Report of China Management Software Market, 2001-2002)

As far as production function is concerned, different vendors provide different functions. But, they all have some basic functions. According to the statistical research (GreaterChinaCRM Research Institute, 2002) shown in Figure 3, normal SFA and general analytical statistics are the most popular functions in current Chinese CRM products. The functions of tel-service and CTI integration, which mainly support auto-response and customer message management in call centers, are popular that 22% of the

vendors have these functions. One other function—web integration—which represents the connection of online and offline management, has had vendors' concern. 9% of the vendors provide this function.

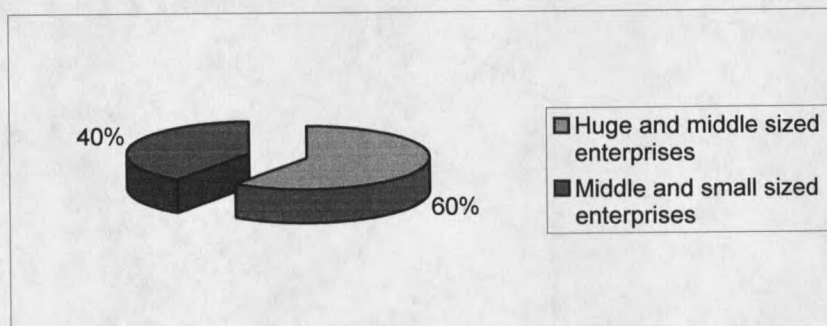
Figure 3. Product Functions of Chinese CRM vendors



(Source: GreaterChinaCRM Research Institute, 2002)

As to the definition of CRM targeted market (large-size enterprises: with CRM users of more than 150 and medium or small size enterprises with CRM users of less than 150), most of the vendors in China focus on huge and middle-sized enterprises.

Figure 4. Chinese CRM target market

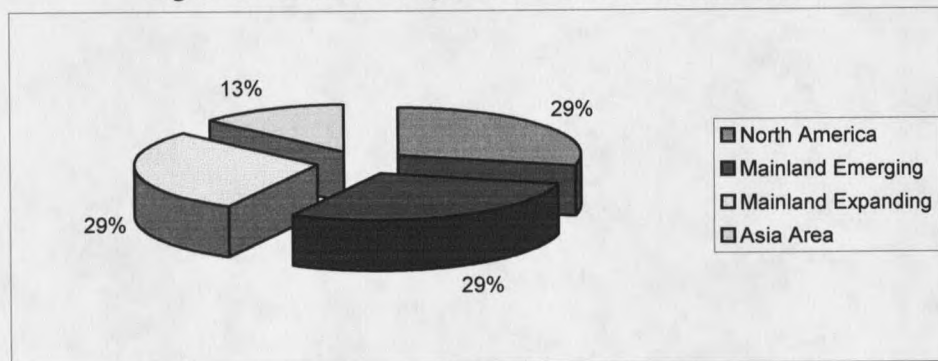


(Source: GreaterChinaCRM Research Institute, 2002)

### CRM Vendors

More than 50 CRM vendors are active in China. The definition of “active” means: the company is still operational with the current brand and there is no sign to show it will quit CRM markets in the coming three to five years. According to the above definition of “active” CRM vendors and the degree of famous, some vendors in the Chinese markets have been selected in this chapter. All the 50 vendors are divided into four categories in accordance with the differentiation of the development history and region. As seen from Figure 5, the CRM vendors from North America, mainland emerging, and mainland expanding are roughly equal in proportion. The CRM vendors from other parts of Asia account for 13%.

Figure 5. Different Categories of CRM vendors in China



(Source: GreaterChinaCRM Research Institute, 2002)

The first category is purely local CRM developers who are from mainland China and consider CRM as their main businesses. These CRM developers are ambitious and want to become the Siebel of China. However, lacking a solid foundation, their development capital is generally tighter and they are occupied with looking for the right investments

both internally and externally. Investors may not be familiar with the concepts and the market perspective of CRM. It is expected to take a rather long time for these CRM vendors to improve this situation (GreaterChinaCRM Research Institute, 2002).

The second category is the local manufacturers who have developed their businesses from ERP, call center or other enterprises management software. They are called the “Mainland CRM manufacturers of ERP expansion”. Within this category there will be three different situations. These are ERP or financial company expansions, call center and CTI business expansion, and other enterprise management software development, as well as system integration expansion manufacturers that have switched to the development of a CRM system. This category of manufacturers has already had their basic customers. These manufacturers also have strong capital backup, and they can invest more resources in systems development and marketing in the long term. However there also exists a business transformation problem that the idea is not clear enough, and there are always traces of ERP or CTI. Furthermore, the ERP and call centers in China have just started in the market. Their market is much more mature than that of CRM. Therefore these manufacturers tend to “look down on” the CRM business. Yet it is at least not like those in the first category who still have to fight for their survival.

The third category is the Asia area CRM manufacturers who have their base at Hong Kong, Taiwan, or Singapore, and target their products in the mainland market. Comparing with the mainland manufacturers, they have management experience from the East and the West along with more sufficient capital than these of the first two categories.



They are currently setting up offices in China and have a multifaceted marketing capability. However, they lack of close, friendly ties with the local customers in their marketing. Also their products have no superiority over price.

The fourth category is the North American CRM manufacturers, which refers to the American CRM manufacturers that have maintained an interest in the Chinese market. The manufacturers of this category possess expensive but efficient and strong product functions. Their targets are the huge enterprises. These CRM vendors have very successful experiences in their own countries and because Chinese people normally admire foreign companies, they could build trust easily. The problems they face are how to further understand the Chinese way of doing business and thus localize their products to accustom to the Chinese situation and how to deal with the Chinese government.

In the following paragraphs, detailed information about the selected CRM vendors are presented, who they are, where they are, what their major products are, what functions they provide and who their major customers are.

#### Category 1 - Emerging Chinese Vendors

##### Synlead

Targeted Market	Small-to-medium-sized enterprises
Modules	General SFA, basic statistics & reporting
Main Customer	Not known
Website	<a href="http://www.synlead.com">www.synlead.com</a>
Office	Beijing, Shanghai

Synlead has launched its medium and small-scale enterprise sales management system in 2001. It is suitable for enterprises with less than 200 users and its functions

includes the typical SFA functions, such as opportunity management, order management, contact management, pricing management, duty management, and competitor management. Synlead is planning to introduce its CRM service module in December 2002. This will add another important product to its full series CRM product line.

Synlead customer service structure runs on Microsoft platform. It provides a basic data interface to integrate with backend ERP or other systems.

Synlead has a comprehensive R&D plan. It is expected to complete the full operational CRM product by 2002 or 2003, to provide integrated sales, service and marketing management modules.

### TurboCRM

Targeted Market	Small-to-medium-sized enterprises
Modules	General SFA, marketing automation, CTI integration, customer service, basic statistics & reporting.
Main Customer	China Pingan Insurance Company Ltd, Hainan Deer Jet Company Ltd, China Central TV Consultancy Center, Beijing Luqiao Company Ltd, Clever Net Co. Ltd., Tsinghua Tongfang Disc Company Ltd.
Website	<a href="http://www.turbocrm.com">www.turbocrm.com</a>
Office	Beijing, Hongkong, USA

Established in 2000, TurboCRM is an emerging eBusiness software provider. The company launched TurboCRM 3.0 in June 2002. This system includes the online transaction platform TurboLINK, Supply Chain Management TurboSCM, Customer Relations Management TurboCRM, call center TurboCTI, and Decision Support System TurboDSS. TurboCRM 3.0 includes basic operational functions. The interactive and analysis functions can be realized via the call center and strategy support system.

The design platform of TurboCRM is based on Microsoft C++ and COM+. Using a multi-layer structure, it supports SQL and Oracle Database.

### MyCRM

Targeted Market	Small-to-medium-sized enterprises
Modules	General SFA, basic statistics and reporting.
Main Customer	Pacific Insurance Beijing Office, German Bitzer (China) Company, Shandong CP.FREDA.CO.LTD, Beijing Watchsmart Technologies Pty Ltd, Gaoweida, Times Group, Changchun Company, Shanghai Davanchi, Hopecom Optic Communications Co. Ltd., Shanghai YaRui, China Netcom Ningbo Company, Changjiang Shipping.
Website	<a href="http://www.mycrm.com.cn">www.mycrm.com.cn</a>
Office	Beijing, Shanghai

Beijing MyCRM Software Technology Company Ltd. was established in May 2000. It launched MyCRM 1.0 in November 2000, which was well received by the local SMEs. MyCRM for SFA 3.0 was launched in October 2001 with great enhancements.

Currently, the MyCRM 3.0 only provides SFA module. It has developed vertical SEA applications for industries like insurance, hotels, household electrical appliances, drug manufacturing, etc. There is still a need of more development in the service, marketing and other CRM business sectors. Its sales application includes customer & contacts management, calendar and events alert, sales opportunity, leads management and statistical analysis, order management, financial management (account receivable), sales statistical analysis and reporting.

MyCRM runs on Java platform. It is built on a multi-layered structure of packages and provides an open platform for the extension of products in future. It supports Microsoft SQL and is expected to support Oracle in the near future.



MyCRM targets SMEs under 300 employees. The positioning of MyCRM is more practical and it corps with most local enterprises whose size are small and with infant knowledge on CRM.

### EBaihe

Targeted Market	Small-to-medium-sized enterprises
Modules	General SFA, marketing automation, customer service, CTI integration, EAI
Main Customers	Anxiang Motor Sale Co Ltd, Fuzhou Yaxing Electronics company limited, Fuzhou Furen Co Ltd, Mindong Proficient Computer Co Ltd, Fujian Jiada Textiles Co Ltd.
Website	<a href="http://www.ebaihe.com">www.ebaihe.com</a>
Office	Fuzhou

Fuzhou EBaihe was established in Dec 2000. The latest version of its software is CareCRM 3.0. As a whole, the functionality of CareCRM is built upon four business requirements: operational, analytical, collaboration and EAI integration. Its operational function covers three core CRM sectors: marketing automation, sales automation and service automation. Its analytical functionality includes customers' value analysis, channel analysis, cooperation-competition analysis, human resources analysis, business process analysis, accounting analysis, etc. Its collaboration function has integrated the mobile desktop, call center and e-business multi-channel collaboration. CareCRM users can select one or multiple applications according to their needs. They can also select small, medium or large three different levels of product to suit their business scale, which is the real situation in China with various enterprise scales and different degree of business complexity.

CareCRM runs on Microsoft platform C++, COM+ with multi-layer structure, and is adopting Microsoft.Net.

## Category 2 - Expanding Chinese Vendors

### Hollybridge

Targeted Market	Small-to-medium-sized enterprises
Modules	On the spot service, simple SFA, automatic promotion, CTI integration, customer service, business processing design, basic statistics & reporting.
Main Customers	Beijing Telecom 189 Customer Service Center, National Y2K Information Support Network System, China Unicom Head-quarters Customer Service Center, China Unicom Beijing/Zhejiang Branch Office, Beijing Telegram Customer Service Center, Hainan Mobile Customer Service Center, g5info Customer Service Center, Beijing 8848 eCommerce Ltd Customer Service Center.
Website	<a href="http://www.hollycrm.com">www.hollycrm.com</a>
Office	Beijing

Beijing Holly Bridge Systems Integration Company was established in November 1996. This company was one of the earliest vendors who do the CTI integration for call centers. Based on the comparative more advanced call center technology, its products' functions extend to sales automation, marketing automation, real-time service, call center applications and the HollyFlow work processing design. Its products could receive the information provided by the front end of the call center platform, and the entire database from the backend database. It is therefore possible to conduct basic statistics analysis.

HollyCRM runs on J2EE structure, making it easier to combine and add features.

Currently, HollyBridge is targeting at financing, telecommunications and electricity industries. Its major customers are still the traditional call centers.

### UFsoft

Targeted Market	Large enterprises.
Modules	General SFA, Marketing Automation, real-time service, customer service, basic statistics & reporting, data mining
Main Customers	Shanghai Ron's Enterprise
Website	<a href="http://www.ufsoft.com">www.ufsoft.com</a>
Office	Beijing, Nanjing, Shanghai, Jinan, Xiamen, Hangzhou, etc.

After more than ten years development, UFsoft became one of the largest enterprise management software developers in China. UFsoft currently has 2 fully owned overseas subsidiaries, 9 share holding subsidiaries, and 3 partnership subsidiaries and is also setting up another 15 offices. UFsoft has developed gradually from its original business as a financial software developer to a comprehensive ERP provider and is ranked No. 1 in domestic ERP software vendor.

Like other ERP vendors, UFsoft has invested heavily in CRM development. In September 2001, it introduced NC/CRM into the market, targeting at large, medium and small-scale enterprises, especially for those who need centralized management for their clients' resources and have many regional branches to require centralized administration. The main functions of NC/CRM include: marketing management, sales management, service support and management control for management usage. Its business intelligence application NC/BI can conduct intelligent analysis on the data generated by the interaction of ERP and CRM. The complete set of NC/BI is comprised of three parts: EIS (Enterprise Information System), DSS (Decision Support System) and EVA (Economic Value Assessment). UFsoft is one of the few manufacturers with a strong CRM analytical capability.

The special feature of NC/CRM is based on the new structure of Java technology browser/server, and is thus able to support multiple database operation systems (Oracle, DB2, SQI Server). Also, like the other ERP+CRM manufacturers, it attracts its ERP customers by the integration capability with the backend ERP system.

## PowerCRM

Targeted Market	Medium-to-large-sized enterprises.
Modules	Real-time service, general SFA, marketing automation, CTI integration, web integration, customer services, EAI, basic statistics & reporting, data mining.
Main Customers	Guatai Junan Securities Company Subordinate Marketing Department, Weiao Biology Technology, Bank of China Wenzhou Branch, Merchants Property Company, Commercial Bank Wenzhou Branch.
Website	<a href="http://www.powercrm.com.cn">www.powercrm.com.cn</a>
Office	Beijing

PowerCRM software has produced more than 70 types of computer software and applications with its own patent by its own R&D staff, which accounts over 70% of its employee. It is one of the independent software developers in China that has a solid background.

PowerCRM introduced its product into the market in July 2001. The basic functions include operation, analytic and collaboration. The latest version, Powercrm3.1, includes leading specialty sections such as email management (Email Center) and Web Click management center (Web Center). It also possesses an analysis function that is based on data warehousing and data mining technologies. Furthermore, PowerCRM is also one of the first vendors to provide vertical CRM application in China. Currently it has vertical CRM applications in finance, telecom, securities, manufacturing, retail and government.

PowerCRM adopts the Java programming language. Recently its product has passed the test with the application platform of Sun One and is the first CRM product that has passed the test with a pure Java application Platform.

According to its own assessment, PowerCRM's market turn over in 2002 will increase by at least 200%, with the main target being the southern Chinese market. Along



with the gradual maturity of its product and more reference examples, the company has invested a huge amount of money to build the "aircraft carrier" project of PowerCRM in order to start tough competition with the other local leading CRM vendors in high-end market.

### Kingdee

Targeted Market	Medium-to-large-sized enterprises.
Modules	Real-time service, general SFA, marketing automation, customer service, EAI, basic statistics & reporting, data mining.
Main Customers	Zhenjiang Sanwei Plastic & Electrical Appliances Co. Ltd, Shenzhen Tobacco Company, Shanghai Red Lantern Media Limited, Wuxi Zhongyuan Medical Instruments Ltd, Huagong Biochemical Company, South China Auto-control Engineering Co. Ltd.
Website	<a href="http://www.kingdee.com">www.kingdee.com</a> .
Office	Beijing, Shanghai

Kingdee Software (China) Company Ltd supplies management and eCommerce application solutions. It has 46 branch organizations dealing with marketing and service business. Kingdee introduced the application server- Apusic Application Server 2.0 that is based on J2EE and became the first software manufacturer with this kind of server in China.

The application modules of Kingdee CRM include eSales, eService and eMarketing. As far as intelligent analysis is concerned, Kingdee provides the Hyperion business intelligence system and it can conduct analysis processing in ERP and customer interactive data. It possesses the ability of multi-dimension Online Data Analysis Processing (OLAP). Besides, Kingdee also provides enterprise portal applications and helps to increase the number of applications on its product line that the other vendors do

not have. On the technology aspect, Kingdee uses the latest J2EE and it is wholly based on the web browser client application.

### Ultract

Targeted Market	Small-to-medium-sized enterprises.
Modules	General SFA, CTI integration, customer service, web integration, basic statistics & reporting.
Main Customers	Beijing Tianlun Vocation Co. Ltd, Homeway Commercial and Finance Co. Ltd, Shanghai JT-Qmron Software Co. Ltd, Shanghai Aspeed Co. Ltd.
Website	<a href="http://www.ultract.com">www.ultract.com</a>
Office	Beijing

Beijing Ultract Communication Technology Co. Ltd. is an independent software development company. It focuses on customer information interaction and customer relations management systems.

The more mature products of Ultract are in the call-center sector. Its eCRM Suite2.0 was introduced into the market in April 2002. The core is call center products and it extends to email packets and network communication in web center components. Its CRM operational applications include: sales system, customer service system, marketing modules and also data statistics analysis functions.

The eCRM 2.0 is based on the JAVA/J2EE technology framework.

### Category 3 - Asia Regional Vendors

#### Akup

Targeted Market	Large enterprises.
Modules	Real-time service, general SFA, marketing automation, CTI integration, web integration, customer service, EAI, basic statistics & reporting, data mining.
Main Customers	21ViaNet China mc, ChinaByte, 163.net, 263.net, Top Consumer Bank, Union Bank of Taiwan, Kimo Taiwan, 263.net, Shanghai MecoxLane Mailorder Company, Shanghai Goodbaby Group, Hangzhou Singlee Group, Zhongheng Property Group.
Website	<a href="http://www.akup.com">www.akup.com</a>
Office	Beijing, Guangzhou, Shanghai, Hongkong, Singapore, Taipei

After many years of development, Akup International has already developed a comprehensive CRM solutions package with an advanced customer interactive technology function. It provides an eCommerce package (eNterprise I) to the large and medium-scale enterprises. The main application models are the multi-channel interactive Contact Center (Unified Contact Center), a customer behavior analysis tool, an individualized customer setting, electronic mail management (Email Master) and integration tools for special integration development eACP (e-Business Advanced Communication Platform).

The design of AKuP CRM is mainly based on Microsoft technology. Its own CTI technology and the telecommunication platform that was developed for its back end application integration have a technological superiority.

AKuP International has an impressive performance record in the Greater China Region and the percentage of its marketing turnover is 30% in Taiwan, 40% in Mainland China, 30% in Singapore and Southeast Asia. (GreaterChinaCRM Research Institute, 2002).

## Sellwell

Targeted Market	Small-to-medium-sized enterprises.
Modules	Real-time service, general SPA, advanced SFA, marketing automation, CTI integration, customer services, EAI, basic statistics & reporting, data mining.
Main Customers	Beijing East Region Post Office System, Hui's pharmacy, Siemens Mobile Telecommunication, Beijing Direct Marketing Company.
Website	<a href="http://www.sellwell.com.cn">www.sellwell.com.cn</a>
Office	Beijing, Shanghai, Guangzhou

Sellwell Information Technology Company Ltd is invested by Singapore National Computer System Company Ltd in China. It has branches in Shanghai, Beijing, Guangzhou and Nanjing.

SellWell 2000 has functionalities in sales, services and marketing. Its three modules of eSales, eService, and eMarketing, provide not only the basic business functions but also quotation module, efficiency analysis, contract management, customer complains management, telephone sales, call center and channel management. On the aspect of business intelligence, SellWell provides SBIS intelligent analysis, which is based on the SQL2000 data mining function. This is also one of the best analytics tools in China.

SellWell 2000 is based on the package design technology of Microsoft C++, COM+. Currently it supports the Microsoft SQL2000 database management system as well as other management systems that support ODBC data coordination. SellWell currently supports both Chinese and English languages.

The basic functions of SellWell products are more comprehensive and mature, but functions in the interactive sections and systems integration need to be improved. Comparing with other CRM vendors, its distribution mechanism has been built up faster and more mature. Through its successful implementation with Beijing East Zone Post



Office, SellWell has a comparative advantage over its competitors in Post Offices throughout China.

### TP Computer Group

Targeted Market	Medium-to-large-sized enterprises.
Modules	General SFA, marketing automation, CTI integration, customer service, web integration, basic statistics & reporting.
Main Customers	Hutchison Global Crossing Limited, Prineline.dot.com, HSBC Hong Kong Co. Ltd, Hong Kong Housing Committee, Far Eastone Telecommunications Co. Ltd, Taiwan Yulong Motor Co. Ltd, China Motion Telecom International Co. Ltd, China Everbright Bank Co.Ltd, Macau CTM.
Website	<a href="http://www.asianettp.com">www.asianettp.com</a>
Office	Hongkong, Shanghai, Beijing, Chengdu, Taiwan, Korea, Malaysia

TP Computer Group Co. Ltd is the leading value-added retailer of CRM software development. It is based in Hong Kong and its R&D center is in Shanghai with offices in Chengdu and Taiwan.

TP Computer Group introduced its Michelle CRM solution in January 1999. Its latest version is Michelle V.3.0. Its triple-layered structure includes the modules of the Michelle multi-channel customer contact center, Michelle customer support, sales, marketing and eCommerce. Michelle uses Microsoft technology. Through extensive cooperation with AVAYA and Huawei, it provides a base for the full integration of call centers with the other CRM functionalities.

### Category 4 - North American Vendors

#### Siebel

Targeted Market	Large enterprises.
Modules	Real-time services, general SFA, advanced SFA, marketing automation, CTI integration, customer service, business process design, EAI, basic statistics & reporting, data mining, content management, PRM, ERM.
Main Customers	Shanghai General Electrics, Shanghai F. Hoffmann-La Roche pharmaceuticals Ltd, Legend Group, Matsushita Electric (China) Co. Ltd, Hong Kong And China Gas Company Limited, Shenzhen Xianglong, CNC (China) Netcom.
Website	<a href="http://www.siebel.com">www.siebel.com</a>
Office	Beijing, Shanghai

Siebel eBusiness series products have almost covered all the functional aspects of the three CRM business sectors of sales, service and marketing. Siebel 7 has extended partner relationship management (PRM), employee relationship management (ERM), as well as the CRM applications base on its original 6.0 Version. The recent introduction of Siebel Analytics 7 has met the shortfall in Business intelligence (BI) and has lead Siebel to the leading position in the business sector concerned with the operations, analytics and collaborations. Siebel currently provides vertical solutions to different industries.

The design of the Siebel eCommerce application is based on Microsoft technology of C++, COM+. Siebel 7 has improved its web engine to realize the intelligent network customer structure and thus its product line can go entirely electronic.

Siebel is aiming towards at the high end of the market and has less sales initiative for mid-products (Mid-market). At present, besides a small number of very large enterprises in China and the foreign invested enterprises that have already implemented the Siebel system in their foreign headquarters, it is far away from the Chinese enterprises.

## Oracle

Targeted Market	Large enterprises (mainly the existing users of Oracle).
Modules	Real-time service, general SFA, advanced SFA, marketing automation, CTI integration, customer service, business process design, EAI, basic statistics & reporting, data mining.
Main Customers	Shanghai Hitachi, Beijing Lucent, Bright Dairy Company, Qingdao Guaren Group, Tianjin Taida Economic Technology Development Zone, Start Computer Company Ltd, Pacific City International (Group) Ltd, Founder Electronics, Motorola, GE Medical.
Website	<a href="http://www.oracle.com">www.oracle.com</a>
Office	Beijing, Shanghai, Guangzhou, Chengdu

Up until the present, Oracle software has conquered most management software in four sectors: database management systems (RDBMS), ERP/SCM, CRM, and application servers. It is currently the only large software company that can independently provide competitive products in the four sectors in the IT software industry.

Oracle eBusiness Suite 11i is a front and back desk enterprise applications system. Like SAP, it does not think CRM should be separated from ERP, but should be treated as a part of the enterprise's eCommerce applications. The CRM function of 11i basically covers most CRM service sectors like sales, customer service, marketing and business intelligence. Among them, the product and price setting functions, the data search and analytics tools, as well as the on-the-spot service of Oracle, are very competitive. In other aspects, however, such as sales opportunity management function, improvement is still needed. Oracle's CRM product uses Java technology, and it has been "e" (it was about a half year earlier than Siebel).

It is now already eleven years since Oracle was introduced into the Chinese market in 1991. It provides ERP and CRM systems in simplified and traditional Chinese versions and it has an outstanding reputation in the Chinese software industry.

Furthermore, Oracle entered the Chinese market when China was still in the CRM cultivation stage a few years ago; therefore, its product recognition is much higher in the Chinese industry than other foreign vendors. For those who are already the customers of Oracle, especially the ERP users, Oracle has an absolute advantage. However, for the non-Oracle users market, it doesn't have any advantage at all. Within a limited period, it is difficult for people to change their impressions that Oracle is the leading provider in the ERP and database sectors. However it is just a "follower" in CRM market. Furthermore, ERP and CRM have already become two different concepts and are both widely accepted by the market. At a certain stage, Oracle has weakened the effect of "integration promotion" in the CRM sector by the ERP+CRM manufacturers.

### SAP

Targeted Market	Large enterprises.
Modules	Real-time service, general SFA, advanced SFA, marketing automation, CTI integration, customer service, web integration, basic statistics & reporting, data mining.
Main Customers	Not known.
Website	<a href="http://www.mysap.com">www.mysap.com</a>
Office	Beijing, Shanghai, Guangzhou

The CRM sector of mySAP CRM 3.0 has much improvement than before. This product can operate its ERP R/3 system independently and also have many other business functions such as remote sales, remote service, telesales, and call center management. The portal application is based on a role (portal for customers, partners and employees), which is the latest introduction. Currently, it covers all the major CRM functionalities. SAP is one of the three CRM vendors that could provide comprehensive operational, interactive, and analytical functions. The other two are Siebel and Oracle.



SAP CRM is designed to use a Java technology platform. Its application integration technology is also leading in the application of multi-channels integration technology and mobile technology.

### Brio

Targeted Market	Medium-to-large-sized enterprises.
Modules	Basic statistics & reporting, data mining, self-service.
Main Customers	Bank of China Guangdong Province Branch.
Website	<a href="http://www.brio.com">www.brio.com</a>
Office	Hongkong, Austrila, Japan, Singapore

Brio Software Inc. was established in 1989 and is an American company that provided professional business intelligent analysis tools. It has an office in Hong Kong.

Brio Performance Suite is the intelligence analysis solution for enterprises introduced by the company. It can provide customer behavior analysis, enterprise decisions analysis and supplier analysis for the users. The product has two modules: 1) Brio Intelligence, which provides the advance search and enquiry tools. It can assist the enterprise to conduct data mining for every data in the enterprise and to have the knowledge discovery of the specific behavior mode that emerged from the big volume of transactions data; 2) Brio Portal, which provides business intelligence portal application for the enterprise and provides personalized pages for different customers while providing an advance report engine for the analysis application.

Brio Enterprise business intelligence tools support different categories of databases. It also supports fat client and network customers and can be operated in many types of

operation systems: Windows 95/98, Windows NT, Mac OS, AIX, HP-UX and Digital Unix.

Brio has entered the Chinese market in the beginning of 2001 and introduced its Brio Enterprise Chinese version. Currently, the implementation of credit card CRM solutions in the Bank of China Guangdong Province branch is the BI product of Brio.

### Sales Logix

Targeted Market	Small-to-medium-sized enterprises.
Modules	General and advanced SFA, marketing automation, service support, EAI, basic statistics & reporting, data mining.
Main Customers	China Hewlett-Packard Company, Shenzhen Huawei Technology Co. Ltd, and 51job.
Website	<a href="http://www.saleslogix.com">www.saleslogix.com</a>
Office	Shanghai, Shenzhen

SalesLogix is the CRM product of Interact Commerce. Currently its most popular software is the contact management software ACT. SalesLogix was introduced in 1996 and it was a typical SFA product, targeting medium and small-scale enterprises.

The business functions of SalesLogix 5.2 include: sales, marketing and customer support. The functions on the operation and analysis applications are comprehensive and with a specific function in knowledge management. This also supports mobile users, providing the ability to synchronize data. The latest version provides the integration function along with Microsoft Outlook that users can change their usage. This satisfies the practical needs of many Outlook users. Its marketing automation possesses a strong analytical function. There is an outstanding advantage in ROI analysis. In order to extensively satisfy the email business needs of the large and medium-scale enterprises,

SalesLogix also provides email applications and helps users build their business websites and also provides integration with the other CRM products.

The company's product development is based on Microsoft technology and supports SQL and Oracle database operation systems. It can also integrate with current office software such as Word, Excel, Outlook, and its own product, Winfax. Its application supports PDA's and Citrix's thin client application.

SalesLogix is known to be the top CRM vendor of the medium and small overseas enterprises. It entered China in 2000 and set up offices in Shenzhen and Shanghai.

#### Development Trends of Chinese CRM Market

According to the volume survey of the Chinese CRM market made by China Computer Information Design (2002) and China Information Web (2002), the total CRM market in 2000 amounts to 7.2 million US dollars. In 2001 it increased to 11 million US dollars and is estimated that this amount will grow to 43 million US dollars by 2004. Although this estimate is really low compared to other parts of the world, the rapid economic development in China will provide sufficient motivation for the expansion of CRM markets, and could possibly exceed this estimate.

Also, according to the report done by GreaterChinaCRM Research Institution (2002), there will continue to be an increase in the number of CRM vendors, in which some leading ones are from some major cities. GreaterChinaCRM Research Institution (2002) predicts that this will likely reach a saturation point after five years. And then, there will

probably be fierce price competition among the middle and small size enterprises. As a result, this competition is expected to create a phenomenon in common with other Chinese products in which there is only a concern about price but not service. This price-only-concern may cause the concept of CRM to be impossible to be practiced in the CRM product.

At the same time, foreign CRM vendors, especially the North American vendors, probably will put great efforts to gain the Chinese market in the next three to five years. They could acquire local vendors, establish their own companies, or make venture investment to increase their outspreading speed.

For all of those vendors interested in the Chinese market, some have already succeeded (Oracle, SAP, and Siebel) and some just failed that their names cannot be known. Even for those that succeed, there is still a lot of pain involved with operating in China because they have to change a lot to be accustomed with the Chinese market - their products must be fit for Chinese enterprises and their operations must be fit for Chinese customs.

One more important for these vendors before entering the Chinese market is which industry is an appropriate target, and has strong development potential to maximize long-term profitability? Although China is booming very fast, different industries have different potentialities for development in the future. Investing in different industry may produce tremendous different return on investment years later. After thoroughly research,



four most prosperous industries have been selected in next chapter, which are telecommunications / Internet/ Wireless, insurance, banking and retailing.

## CHAPTER 4

## DIFFERENT INDUSTRY

After having basic acknowledgement of Chinese CRM market, this chapter addresses the first research question, that is, how should a CRM provider choose which industry as an appropriate target, and with strong development potential to maximize long-term profitability? To answer this question, four important dimensions that affect CRM development are discussed in detail: IT investment, demand for, industry, and political climate. While many industries are developing rapidly in China, in order to adopt and implement CRM, the appropriate industry for foreign CRM vendors should have large IT investment, strong demand for CRM, significant growth rate for industry development, and minimal government intervention. After much research, four industries with strong market potential for CRM vendors came to the surface: Telecommunication/Internet, Insurance, Banking, and Retailing. These industries also have strong capital back up and huge market base.

This chapter first introduces each industry in terms of the major players and their current status is. The above four dimensions are then analyzed for each industry. A decision model for choosing appropriate industry will be introduced in Chapter 6.

## Telecommunication/Internet

### Telecommunication

China now has four major telecommunication companies, China Telecom, China Unicom, China Netcom, and China Mobile, and all of them belong to the Chinese government.

China telecommunications industry developed very fast. According to Zhang (2003), the total asset of IT industry in 2002 was 164 billion US dollars, which was 23 times of 1997; the total asset of mobile telecommunication was 24 billion US dollars in 2001 which was 20 times of 1998; the number of local phone users was 420 million, which was 5 times of what it was in 1997. For worldwide, China has No. 1 in net volume (local net and mobile net) and network users; the number of Internet users is No. 2; the scale of electronic information industry is No. 3. And, telecommunications has already increased twice the amount over China's entire economic increases (State Development and Research Center-b, 2003). All of these data are well above other developed countries, including US and Japan.

During recent years, Chinese telecommunication industries kept continuing huge investment in IT development. According to a report from the State Development and Research Center-a (2003), investments in telecommunications reached its peak in 2002, which was 20.5 billion US dollars. All the telecommunications companies increased their investment to enlarge their own market shares: 1) China Mobile uses GPRS and MMS color message as a powerful tool to optimize and strengthen their network services. The











































































































































































































































