

# Customer Relationship Management and Five Forces Analysis in Nonprofit Organization in Oman

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**Abstract-** The aim of this paper is to evaluate the Customers Relationship Management (CRM) system in Nonprofit Organization in Oman by using Five Forces Analysis. In this research we are going to take Information Technology Authority (ITA) as an example of Nonprofit Organization in Oman.

**Index Terms-** CRM, Five Forces Analysis, Nonprofit Organization, Oman

## I. INTRODUCTION

The aim of this paper is to evaluate the Customers Relationship Management (CRM) system in Nonprofit Organization in Oman by using Five Forces Analysis. In this research we are going to take Information Technology Authority (ITA) as an example of Nonprofit Organization in Oman.

The key objective of CRM in any organization is to maximize the lifetime value of all customers in the whole organization. The meaning of maximizing the lifetime value of customers refers to maximizing the customer's conversion, loyalty, retention and profitability. To do this, the organization must be sure that some processes and personal practices adopt the CRM practices which should aligned with the organization goals. So by understanding the customers which are the core of CRM will result in maximizing the lifetime value of customers. So the good and strong customer understanding and actionability will result to increased customer lifetime value. In the other hand, the bad and lock customer understanding can result to decrease of customer lifetime value, which definitely effect of achieving the organization goals and profitability.

CRM can be defined in many aspects, for example in the functional, technical and strategic perspectives (E. Richard, C. Thirkell & L. Huff 2007). The definition of CRM system differs by the different viewpoints of who define it (I.Rahimi and U.Berman 2009).

Where there is an author who defends CRM as a strategy which is used to know more about customers' needs and behaviors to the purpose of building stronger relationships with the customers. And this strong customer relationship is the core of business success. The author explained that taking CRM in primarily in the technological terms is far away from it is meaning. It should be taking CRM as a strategic process which that result in understanding customers' needs.

In the other hand, there is a definition for CRM which defined it as an application for the long-term relationship in marketing. And when applying CRM in the organization this would help the organization in organizing the data and information of their customers (E. Richard, C. Thirkell & L. Huff 2007). So when taking the past history of the customer purchases and transaction to the purpose of making the suitable service or product for that particular customer that will defiantly build the customer loyalty and the retention of that customer.

## Organization Background and Details:

Information Technology Authority (ITA) is established by the Royal Decree 52/2006, which is published on the 1st June 2006 and ITA is belong to the government sector. ITA is responsible for "applying national IT under base projects and supervising all projects related to implementation of the Digital Oman Strategy while providing professional leadership to various other E-Governance Program of the Sultanate" (ITA c 2007).

## Five Forces Analysis:

Michael Porter set a model for analysis which called Five Forces Model which is used to assess the structure of any industry. The Five forces are bargaining power of suppliers, bargaining power of buyers, Threat of new entrants, Threat of substitutes, and Rivalry among competitors (C.Ehmke, J.Fulton, J.Akridge, K. Erickson & S.Linton NA).

So by applying five forces model analysis for ITA, it is showing the rate of powers as follow:

Five Forces	Rate
Intensity of competitive	Medium
Threat Of New Entrants	Low

Power Of Suppliers	High
Power Of Buyers	Low
Threat Of Substitute Products	High

**Intensity of competitive**

**Table 1: Intensity of competitive**

	<b>Rate</b>	<b>Intensity of competitive</b>
Number of Competitors	Low	Low
Industry growth rate	High	Low
Fixed Costs	High	High
Storage Costs	High	High
Product Differentiation	High	Low
Switching Costs	High	Low
Exit Barriers	High	High
Strategic Stakes	High	High
<b>Overall</b>		<b>Medium</b>

As it is seen from (Table 1) that the intensity of competitive is medium where is a needing of improving in the efficiency and to have a unique service, which this can be supported by applying the CRM system in the organization to have an advantage among the competitors. So the CRM system will play a major role to success the battle among the competitors.

**Threat of New Entrants**

**Table 2: Threat of New Entrants**

	<b>Rate</b>	<b>Threat Of New Entrants</b>
Economies of scale	High	Low
Product differentiation	High	Low
Capital requirements	High	Low
Switching costs	High	Low
Incumbent’s control of distribution channels	High	Low
Incumbent’s proprietary knowledge	High	Low
Incumbent’s access to raw materials	Low	High
Incumbent’s access to government subsidies	High	Low
<b>Overall</b>		<b>Low</b>

As it is seen from (Table 2) that the threat of new entrants is low which this mean the barriers to enter in this sector is high. The CRM system can play major role where make it is possible for the customers to involve in change or improve the service or the products by taking their opinion and feedback regarding the service which this done because CRM system improving the customers experience. As Mgr. Jana mentioned that the barriers for the new entering is that there is a need for high capital to establish the business and it is difficult for the new entrants to get distribution channels ( 2008 ). Also, there is a need for knowledge and experience for the new entrants which they are very difficult to get and need time to have it.

**Power of Suppliers**

**Table 3: Power of Suppliers**

	<b>Rate</b>	<b>Power Of Suppliers</b>
Concentration relative to buyer industry	High	High
Availability of substitute products	Low	High
Importance of customer to the supplier	High	Low
Differentiation of the supplier's products and services	High	High
Switching costs of the buyer	Low	Low
Threat of forward integration by the supplier	High	High
<b>Overall</b>		<b>High</b>

As it is seen from (Table 3) that the rate of power of suppliers is high where the CRM system can add value to the relationship with suppliers and enhance it better than other applications. There are a lot of suppliers which have a good brand in information technology for example: Microsoft, Apple,

Dell and so on. And for ITA it is costly if they want to change their suppliers which they used to deal with them because the need to replace the all components of that products or services.

**Power of Buyers**

**Table 4: Power of Buyers**

	<b>Rate</b>	<b>Power Of Buyers</b>
Concentration of buyers relative to suppliers	Low	Low
Switching costs	High	Low
Product differentiation of suppliers	High	Low
Threat of backward integration by buyers	Low	Low

Extent of buyer's profit	Low	High
Importance of the supplier's input to quality of buyer's final product	High	Low
<b>Overall</b>	<b>Low</b>	

As it is seen from (Table 4) that the rate of power of buyers is low. The most of the ITA customers are from government sector where in the information technology the ITA put the lows

and the authorities in this side. Which all these reflect the low power of buyers.

**Threat of Substitute Products**

**Table 5: Threat of Substitute Products**

	Rate	Threat Of Substitute Products
The differentiation of the substitute product	High	High
Rate of improvement in price-performance relationship of substitute product	High	High
<b>Overall</b>	<b>High</b>	

As it is seen from (Table 5) that the threat of substitute products is high for that reason the CRM system playing major role to make the organization have a unique service and improve the efficiency. In the technology sector the quality play important and major role in the success of products or the service. Also the pricing and the materials has it is effect in this side.

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