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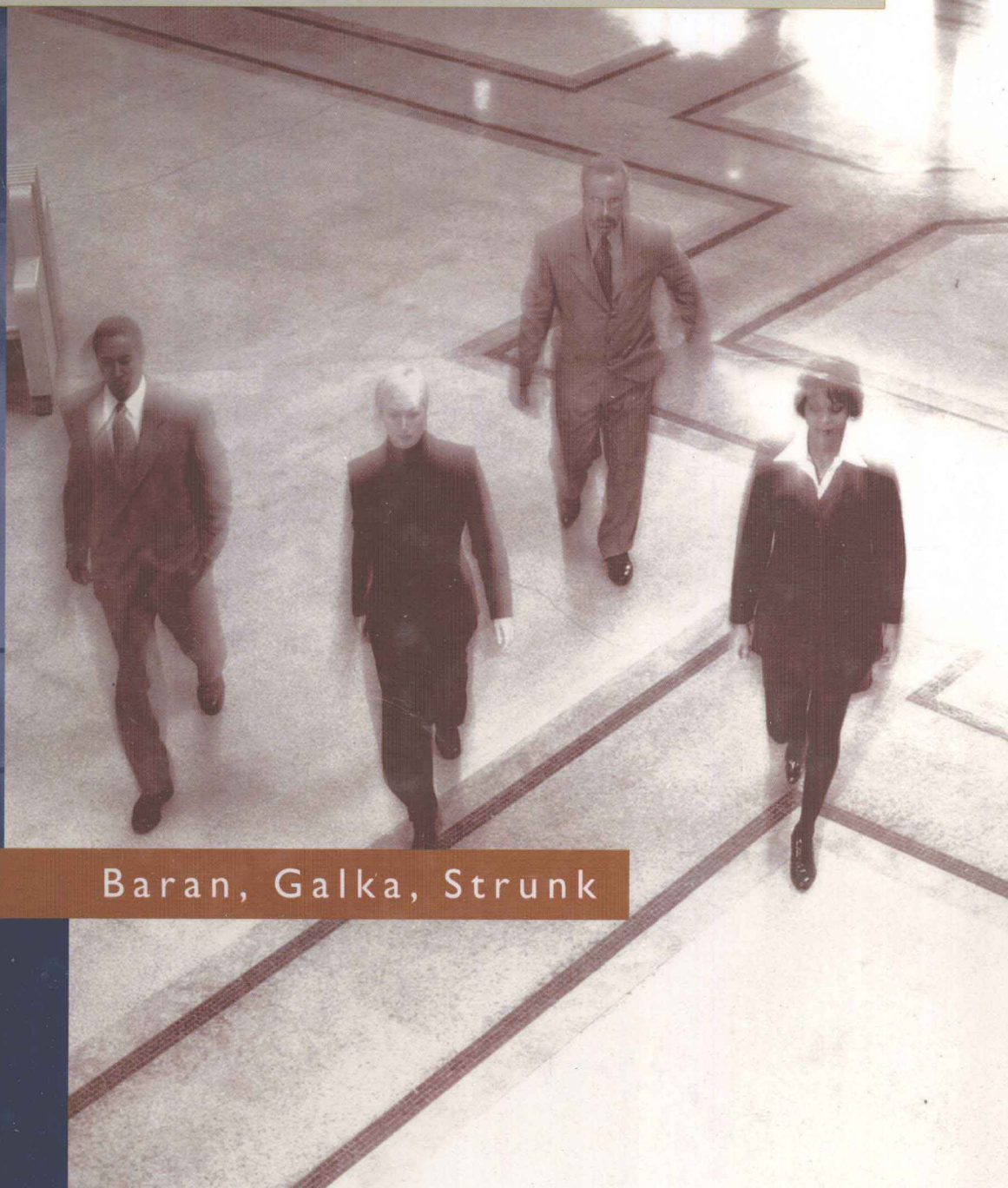# Customer *Relationship* Management

Baran, Galka, Strunk

PRINCIPLES OF

Customer *Relationship* Management

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Preface

This book is intended to provide students with an understanding of Customer Relationship Management (CRM) and its application in marketing and sales. Throughout, we strive to show how CRM aligns business processes with customer strategies in an effort to build customer loyalty and increase profits. The book discusses how relationship marketing, with its emphasis on building relationships as opposed to merely creating transactions, has created a new marketing paradigm. In this new marketing paradigm, one-to-one marketing and a customer-centric focus become as important and perhaps more relevant in today's environment than mass marketing and the 4 P's. Further, the book discusses data management, data platforms, and customer data development in a way that is understandable to business students and yet challenging enough for computer and information science students who are looking for a venue in which to apply their skills. We attempt to hold students' interest with unusual and interesting CRM vignettes from the gaming, hotel, banking, airline, charge card, supermarket, retailing, telecommunications, and package goods industries.

Our premises underlying the book are:

1. CRM makes it possible for companies to differentiate themselves from their competitors in an area that cannot be easily copied since CRM has its roots in corporate culture.
2. Maintenance, enhancement, and retention of customers through CRM strategies and tactics is as important, or more so, than simply acquiring customers.
3. CRM can increase marketing productivity through the entire range of marketing functions: identifying prospects, acquiring customers, developing customers, increasing loyalty and commitment, retaining customers, and customer win back.
4. CRM can provide marketing and sales managers with a new array of marketing strategies, sales strategies, and campaign management techniques not possible before.

We believe our CRM text is unique in that it investigates CRM and CRM technology from a marketing and sales management perspective. The text integrates CRM processes and application of CRM technology for marketing strategy, marketing communication, and sales force use. The text introduces numerous marketing strategies—thirteen retention strategies alone—that supplement strategies traditionally built around products, markets, and channels. The text provides analytical tools

to identify customer behavior patterns and campaign management tools to develop and evaluate the results of advertising and sales promotion campaigns. We have incorporated the most recent empirical findings to arrive at conclusions regarding the relationships among satisfaction, loyalty, retention, profits, and company value, and we provide up-to-date CRM effectiveness metrics within the form of marketing/business models.

Our business backgrounds are in marketing research, marketing management, CRM, and sales. The book is, in part, based on a combined ninety years of business and consulting experience—forty years almost exclusively focused on CRM.

After nearly ten years of teaching numerous CRM modules in our marketing management, sales, and research classes, we had accumulated hundreds of slides and a substantial amount of original content for use in our courses. When our university asked us to develop a stand-alone CRM course and then a series of CRM courses for a CRM concentration, we spent almost a year gathering CRM research articles, theoretical academic articles, CRM articles appearing in the business press, and every book we could find on the topic. In organizing this material, there was a glaring omission that was confirmed by academic colleagues we encountered at CRM-related conferences: there were close to 100 business and technique-oriented CRM books—primarily authored by those in the business–but there was no CRM textbook! This glaring deficiency was confirmed when we contacted the three major business textbook publishers in the United States.

We began preparing this text and, after the chapter submissions were presented to the publisher, the text neared 1,000 pages. This was due to the complex and dynamic nature of CRM. It took that long to present the theory underlying CRM, its history, data information and knowledge management, its impact on sales and marketing strategy, how its effectiveness can be measured, privacy issues, etc. When it became clear that CRM, with its roots in relationship marketing, provided a new marketing paradigm, it was also necessary to discuss in some detail how this new paradigm would affect the field of marketing itself. We also needed to demonstrate how organizations have used or are attempting to use CRM methodologies and how they create CRM plans and implement CRM strategies. But 1,000 pages was clearly too long for a textbook, and something had to be done.

We reduced the size of the text through development of a dynamic web site, instructor's manual, case matrix, test bank, and other approaches. Now, the actual text can be effectively covered in a quarter or semester course.

Professors teaching CRM courses or CRM modules in business courses now have a CRM text with exhaustive ancillary materials (described in a following section) around which their course or CRM modules can be structured. The primary market for this text is academic, with usage at both the MBA and advanced business-course undergraduate levels. Professors and students in

the areas of marketing management, marketing strategy and planning, brand management, service marketing, marketing research, and sales will find the book invaluable as will students in information sciences looking for business applications for their skills.

Organization of Text

SECTION 1 CRM THEORY AND DEVELOPMENT

CHAPTER 1 INTRODUCTION TO CUSTOMER RELATIONSHIP MANAGEMENT

This chapter addresses the questions: What is CRM and the CRMN ecosystem? What are CRM's benefits? Who uses CRM? Why has it been readily adopted and developed in some business sectors but not in others? This chapter explains how CRM, with its customer focus, enables an organization to retain loyal customers, gain a greater share of the customers' wallets, and increase customer lifetime value through cross-selling, up-selling, personalization, customization, managing migration, increasing loyalty, multichannel marketing, managing touch points, etc.

CHAPTER 2 HISTORY AND DEVELOPMENT OF CRM

This chapter discusses the roots of CRM, the barriers to successful implementation of CRM systems, and how these barriers can be overcome. Relationship marketing – with its focus on maintaining continuous relationships with customers and building long-term bonds – and service and industrial marketing – with their focus on satisfaction, trust, and commitment – provide the theoretical basis for CRM. Customer contact centers and sales force automation tools enabled marketers to capture information for customer databases. Relational databases made it possible for companies to identify, access, manipulate, and share customer information across departments. Direct response marketing techniques enabled companies to target prospects one on one. All contributed to the development of CRM. Barriers to effective CRM implementation can be lessened through the adoption of a relationship marketing philosophy; top management's continuous support; a business plan, business strategies, and success metrics developed before CRM development; and CRM start-up teams consisting of IT and business unit managers.

CHAPTER 3 RELATIONSHIP MARKETING AND CUSTOMER RELATIONSHIP MANAGEMENT

This chapter discusses relationship marketing as the theoretical foundation for CRM because of its focus on relationships rather than one-time transactions; its focus on individuals rather than mass-market segments; and its development of connections between company and customers characterized by communication and commitment. The chapter discusses why trust and commitment are better predictors of future behavior than customer satisfaction and why all customers should not be treated identically.

CHAPTER 4 ORGANIZATION AND CRM

This chapter focuses on a key success factor for CRM: organization management. Research has shown that the majority of CRM initiatives fail due to a lack of change-management within the organization. CRM requires a change to the organization's business model. Without this change, CRM initiatives are at high risk for failure. Certain organization structures can minimize the risk, but the human resource element is the key to any CRM effort. And since organizations are made up of people, it is the employee and the organization structure within which the employee works that have the biggest impact on CRM initiatives.

SECTION 2 DATA, INFORMATION AND TECHNOLOGY

CHAPTER 5 CRM AND DATA MANAGEMENT

Creating a single accurate view of a customer is a key to CRM success. A single view of the customer is created via customer data integration, or CDI. CDI is probably the most difficult and mundane CRM-related task a company must undertake; but if not optimal, it can inhibit the best CRM strategy. It is extremely time consuming, very complex, and very detailed work. It takes a certain discipline to create an optimal data-integrated environment. This chapter first identifies the different problems related to CDI and then walks through the steps necessary to perform this methodology.

CHAPTER 6 TECHNOLOGY AND DATA PLATFORMS

Discussions of technology can be overwhelming and, to many business students, intimidating. The approach used in this chapter is to reduce business students'

anxiety when it comes to technology. Therefore, the discussion and diagrams in this chapter have been developed to link the CRM strategy with technology at a functional level. The discussion is also simplified to support conceptual understanding without attempting to create experts in marketing enabling technology. This chapter makes use of the textbook's web site for current technology-enabling organizations and technology innovations.

CHAPTER 7 DATABASE AND CUSTOMER DATA DEVELOPMENT

The concept of data mining can be as complex as time and materials allowed. Marketers use multiple texts on data mining alone to gain an understanding of how it can be leveraged to assist their CRM efforts. This chapter attempts to place data mining within the context of CRM and refers to prior material to help the reader grasp the concept of the "what and why." It then uses industry examples to demonstrate practical applications. The chapter also prepares the reader to visualize why data mining is needed and anticipate potential applications covered in subsequent chapters on strategy. An appendix lists well-known providers of data-mining technology.

SECTION 3 CRM: IMPACT ON SALES AND MARKETING STRATEGY

CHAPTER 8 SALES STRATEGY AND CRM

In this chapter, we discuss several sales approaches and describe how CRM systems empower the sales force to take on additional responsibilities. Simply put, CRM can create information-rich selling. This creates better relationships through better sales performance, improved supply chain support, more appropriate promotion programming, and better customer communication and service.

CHAPTER 9 CRM TECHNOLOGY AND SALES

In this chapter, we discuss sales force automation technology and how it impacts sales productivity through more effective customer communication, intracompany communication, selling tactics, and deployment of sales resources.

CHAPTER 10 MARKETING STRATEGY AND CRM

This chapter investigates recent findings with regard to the relationships among variables in the "Customer-Company Profit Chain": service quality,

customer satisfaction, retention, loyalty, customer profitability, company profitability, and company value. The chapter also looks at the effectiveness and success of loyalty/rewards/relationship/frequency programs. It discusses fifteen CRM strategies based on the customer business-cycle stages of acquisition, retention, and win back, and it investigates factors making CRM more valuable to some companies than others.

CHAPTER 11 CRM, MARKETING AUTOMATION, AND COMMUNICATION

This chapter focuses on marketing automation and campaign management and how CRM enables sales representatives to improve their levels of service to clients. It discusses how and when CRM technology decisions should be made to optimize marketing and sales value to the customer.

SECTION 4 CRM EVALUATION

CHAPTER 12 CRM PROGRAM MEASUREMENT AND TOOLS

In this chapter, we group measures of CRM effectiveness into four categories and discuss each in depth. (1) CRM customer-cycle measures looking at effectiveness of CRM efforts in acquisition, bonding, development, behavior changes, retention, prevention of downward migration, and win back. (2) Company 3E measures: CRM's impact on company efficiency, effectiveness, and employee behavior. (3) Customer and company worth measures: computation of CLV and customer equity. (4) Customer knowledge measures: marketing research and measurement techniques for predicting customer response rates such as critical incident analysis, acquisition/defection matrices, RFM, and event history models.

SECTION 5 PRIVACY, ETHICS AND FUTURE OF CRM

CHAPTER 13 PRIVACY AND ETHICS CONSIDERATIONS

CRM technology enablers have provided organizations with an unprecedented capability to manage one-to-one relationships with their customers and prospects. This capability relies heavily on the efficient and accurate capture and use of customer information. This information is usually gathered over time and from a variety of primary and secondary sources. When customers look at how

much information has been gathered, they become concerned with privacy and ethics. Organizations have a responsibility to meet or exceed their customer's expectations to privacy; and social pressure has begun to ensure organizational compliance in the use of customer information. This chapter highlights the major concerns raised by consumers and advises what consumers and organizations can do in support of privacy and ethical compliance. Regulation and legislation is very dynamic in this area, so we direct the readers to various web resources for current information on privacy legislation.

CHAPTER 14 THE FUTURE OF CRM

This chapter focuses on the future of CRM and the factors that may make it more successful. We investigate the barriers to effective CRM usage to date and discuss how these obstacles can and will be overcome. The chapter also includes a frank assessment of the technology platforms driving the industry today and how industry investment is likely to change the CRM environment of tomorrow.

Supplements to the Book

- An Instructor's Resource CD consisting of:
  1. Instructor's Manual
  2. Power Point slides for every chapter along with teaching notes
- Text web site consisting of:
  1. Salesforce.com system and data base allowing instructors to teach students the value of using an on-demand CRM system--a real-life CRM environment.
  2. Custom developed case (A&W) enabling students to learn the salesforce.com system, explore the CRM environment for key account and buyer data, and use that information to build successful customer communication programs and presentations.
  3. Up-to-date information on the most dynamic areas of CRM such as new and changing technology enabling infrastructures and CRM best practices.
- Sample syllabi for both semester and quarter course offerings
- Course schedules for both semester and quarter course offerings with additional lecture options
- Chapter overviews, allowing instructors to become familiar with the content quickly

- Teaching objectives for each chapter to assist in syllabus development
- Lecture outlines for each chapter
- Answers to end-of-chapter questions, along with relevant page numbers
- Directions to assist in the handling of suggested end-of-chapter exercises
- Multiple choice questions for each chapter, along with answers and their page numbers
- Short answer questions for each chapter, along with answers and their page numbers
- True/False questions for each chapter, along with answers and their page numbers
- Two major essay questions for each chapter, along with detailed answers and page numbers
- Case matrix to provide instructors with a convenient reference for cases that can be used with each chapter (twenty-three cases in all)
- Article matrix to provide instructors with a convenient reference for recommended articles that can be used by chapter (twenty-two articles in all)
- Text web site where you will find additional materials that are continually updated and advice on presentation of CRM to your students

Highlights of this Book

- Numerous *"Theory Aside"* sections in each chapter that provide real-world examples of text material
- Extensive use of diagrams, charts, figures, and tables to highlight material
- Numerous within-text examples and vignettes of CRM applications
- Chapter summaries
- Key terms at the end of each chapter: a list and explanation of important terms
- End-of-chapter questions (with answers and page numbers provided in the Instructor's Manual)
- End-of-chapter CRM exercises that instructors will find creative and students will find interesting
- A complete list of references at the end of every chapter
- Book focus on the strategic application of CRM to marketing and sales

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