

FRANCIS BUTTLE AND STAN MAKLAN

CUSTOMER RELATIONSHIP MANAGEMENT

Concepts and Technologies

Fourth Edition



ROUTLEDGE



"Completely updated, this remains absolutely the best exposition of customer relationship management. Can't think of a better guide to increasing your performance and profits. This book belongs on the desk of every company that is serious about CRM. The wealth of information and insight is astonishing."

Professor Philip Kotler, S. C. Johnson Distinguished Professor of International Marketing, Kellogg School of Management, Northwestern University, USA

"The expression 'Customer Experience' is reverberating around boardrooms and Directors are desperate for robust, proven processes to be embedded in their organisations. Francis Buttle and Stan Maklan are brilliant researchers, teachers and experienced practitioners in the CRM/Customer Experience domain and I urge you to take time to read and implement this exciting, state-of-the-art book on this topic. Absorb. Apply. Achieve."

Professor Malcolm McDonald, Author of 46 books; Professor at Cranfield, Henley, Warwick, Aston and Bradford Business Schools, UK. Formerly Marketing and Sales Director of Canada Dry and Chairman of Brand Finance

"This book is a comprehensive, managerially relevant, up-to-date, evidence-based account of CRM. It provides great support for teaching and learners approaching the topics of CRM and customer experience at different stages of their careers. Among others, a key strength of the book is its pragmatic approach to the application of CRM theory into practice. Highly recommended for teaching and learning."

Dr Benedetta Crisafulli, Lecturer in Marketing, Birkbeck, University of London, UK

"In this Fourth Edition Buttle and Maklan take what was already THE reference book for Customer Relationship Management to the next level, providing a highly contemporary and deeply pragmatic view of how to create value with CRM today and tomorrow."

Ross Dawson, futurist, keynote speaker, strategy advisor and author of four books including 'Developing Knowledge-Based Client Relationships'

"The great thing about this book is that the authors keep it updated. Students get that rare combination of a comprehensive guide to theory, the injection of practical experience and the latest thinking on strategy, technology and applications."

Merlin Stone, Professor of Marketing and Strategy, St Mary's University, Twickenham, UK, and co-author 'Customer Relationship Marketing: New Thinking, New Strategies, New Tools'

"A dynamic, strategic, practical and deeply relevant guide to creating and implementing a winning customer experience strategy. A must read."

Larry Hochman, European Business Speaker of the Year, Customer Experience expert and author of 'The Relationship Revolution'

"At last, a serious reference manual for delivering what CRM always promised but generally failed to deliver. It is not, however, for the faint hearted, but only those who are serious about creating a holistic and unified organizational environment to create and deliver value to customers, and to keep them coming back for more."

Jeremy Cox, *Principal Analyst, Customer Engagement Practice, Ovum, and author of 'Mid-Market CRM: Customer Relationship Excellence in Mid-Sized Enterprises'*

"Every business is ripe for disruption, so customer obsession is an imperative. Creating scaled systematic customer managed relationships and experiences is more critical than ever. This book provides an excellent approach to truly centering businesses around the customer; strategy and execution for delivering sustainable CRM ecosystems; embracing new emerging ways to connect to customers alongside good person-to-person relationships."

Karen Ganschow, *General Manager Customer Strategy and Marketing (Banking), and Adjunct Lecturer in CRM/CXM, Macquarie Graduate School of Management, Australia*

"This book is a complete guide to Customer Relationship Management. Of course, it covers the basics of CRM, including Strategic CRM, Operational CRM and Analytical CRM, but this enriched Fourth Edition also explores cutting edge issues such as Artificial Intelligence, bots and Big Data and how these impact on customer experience. This is a 'must have' book for anyone wanting to learn about CRM."

Aina Neva Fiati, *CEO, iSystem Asia – Customer Strategy Excellence Center, Indonesia*

CUSTOMER RELATIONSHIP MANAGEMENT

Customer Relationship Management, Fourth Edition continues to be the go-to CRM guide explaining with unrivalled clarity what CRM is, its uses, benefits and implementation. Buttle and Maklan take a managerial perspective to track the role of CRM throughout the customer journey stages of acquisition, retention and development. Theoretically sound and managerially relevant, the book is liberally illustrated with examples of technology applications that support marketing, sales and service teams as they interact with customers, but assumes no deep technical knowledge on the reader's part. The book is structured around three core types of CRM – strategic, operational and analytical – and throughout each chapter, case illustrations of CRM in practice and images of CRM software demystify the technicalities.

Ideal as a core textbook for advanced undergraduate and postgraduate students on CRM or related courses such as relationship marketing, digital marketing, customer experience management or key account management, the book is equally valuable to industry professionals, managers involved in CRM programs and those pursuing professional qualifications or accreditation in marketing, sales or service management.

NEW TO THIS EDITION:

- New and updated international case illustrations throughout
- New and updated screenshots from CRM applications
- Fully updated to reflect the evolving CRM landscape, including extended coverage of:
 - Big data and its influence on CRM
 - Artificial intelligence (AI)
 - Advances in CRM analytics
 - The relationships between CRM and customer experience management
 - The role of social media in customer management strategy
 - Real-time marketing
 - Chatbots and innovative customer self-service
 - Privacy and data security.
- Updated lecturer support materials online.

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Concepts and Technologies

Fourth Edition

**FRANCIS BUTTLE AND
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PREFACE

Welcome to the fourth edition of *Customer Relationship Management: Concepts and Technologies* by Francis Buttle and Stan Maklan.

This book provides a comprehensive and balanced review of customer relationship management. It explains what CRM is, the benefits it delivers and the costs it creates across the many contexts in which it is used. Businesses of all sizes are the main adopters of CRM, but government agencies and not-for-profits are also users. Adopters use CRM principally to achieve their own objectives but also recognize that CRM has a major impact on customer – or citizen – experience.

CRM is widely, but incorrectly, thought to be synonymous with the use of information technologies to manage customer relationships. In our opinion, this is a narrow and restrictive view of CRM. The three-letter acronym CRM is, of course, shorthand for customer relationship management, and those three words should tell you plenty about CRM. It involves a focus on customers; it is about the relationships that firms wish to build with customers; and it is about active management of the processes and resources that enable those relationships to survive and prosper for the benefit of both firms and their customers. Those processes are typically housed in marketing, selling and customer service units, and include a wide range of touch points on the customer journey including, for example, customer on-boarding, cross-selling, loyalty management and customer win-back. The resources used to manage customer relationships include data, IT infrastructure, software applications, devices, workflow and people. People are critical to CRM success. People design customer management processes, apply those processes and interact with customers. Clearly, there is more to CRM than IT, though technology was an essential catalyst for its early development and remains fundamental to today's near universal adoption.

IT had been first deployed by businesses to streamline administration with a strong focus on accounting, billing and financial reporting, resulting in IT heads reporting to the CFO or VP Finance. The next waves of IT deployment focused on personal productivity (desktop computing) and supply chain management (e.g. enterprise resource planning – ERP). Then, in the early 1990s, IT was applied to customer relationship management, and most recently to customer experience management (CXM). CRM's emergence as a business discipline happened because advances in IT enabled adopters to capture, store, interpret and distribute customer-related data cost effectively in the execution of their relationship management strategies.

CRM has changed massively since the first edition of this book was published in 2004, and even since the last edition was published in 2015.

- CRM practice has conventionally relied upon its exploitation of structured data about customers, prospects and partners housed in company-owned databases. This has changed. Structured data can be easily stored in two-dimensional tables (column and rows) and subjected to statistical analysis. However, much of the data customers generate, for example on social media platforms, is unstructured and requires complex new technologies if it is to be useful for relationship management. Unstructured data includes text, audio, photographic and video data such as call center agent notes, recordings of customer engagement center conversations and uploads to YouTube and Instagram.
- Software-as-a-Service (SaaS) has largely replaced on-premise CRM implementations. SaaS essentially means that CRM users store their customer data in the cloud, and read, analyze and exploit that customer data using software applications accessed through their web browsers. Most CRM vendors/developers now have a SaaS-first, or SaaS-only, approach to service provision.
- The sheer volume and variety of data that organizations can access is growing exponentially. Big data are data that are typified by their volume, velocity and variety. Big data, including the data resident on social media platforms, are impacting the practice of relationship marketing and CRM more particularly.
- No longer do businesses set the rules about how they will interact with customers through their control of communication channels and brand messaging. Customers now decide when and how they will interact with companies, and they have multiple channels for doing so, ranging from email, to face-to-face and chatbot.
- Customers can also create and communicate their own brand-related messages on social media platforms like Facebook and Twitter. These may be very different in content and tone from the brand owner's messaging.
- New CRM solutions continue to emerge as technology firms innovate. Two solutions are generating high levels of interest and investment: chatbots and social CRM solutions. We explore how social CRM fits into the CRM landscape, and particularly whether it is a fundamental type of CRM, equivalent to strategic, operational and analytical CRM.
- Artificial intelligence is playing a more important role in CRM. AI enables companies to make sense of apparently random or chaotic datasets, and to respond automatically without human intervention in real-time.
- CRM is now aligned with customer experience management (CXM). CXM has become a hot topic in customer management. Businesses are trying to understand what it is like to be a customer of their company, and to design moments-of-truth at customer touchpoints that improve customer experience. We view CRM and CXM as two sides of the same coin. CRM resources including technologies and human skill sets change customer experience, and excellent customer experience on a large scale can only be delivered with CRM programs. We even thought about retitling the book *CRM/CXM: concepts and technologies!* Maybe you have an opinion on that – our email addresses appear at the end of this Preface.

- Privacy and data security have become very important issues for regulators, and, in turn, for CRM practitioners. Questions about data ownership and use have become critical as customers surrender personal information, in particular to online entities such as Amazon and Facebook.
- We are seeing the emergence of the next wave of technology-supported innovation in CRM featuring new business models founded on real-time, mobile data, particularly customer-generated data. CRM, the most mature of the IT-enabled customer-facing management disciplines, has an enhanced role in such an environment and we believe remains the cornerstone for marketing, sales and customer service in the future.

In producing this fourth edition we knew we had to reflect this evolving landscape, and in true, customer-oriented manner, we also surveyed readers and adopters of the previous edition. They told us what they wanted in this revision, and we have followed their guidance. We have also refined the focus of the book. We have removed content that was not valued by readers and adopters and streamlined and updated what has been retained. This fourth edition continues to draw on academic and independent research to ensure that it is both theoretically sound and managerially relevant. Research from a wide range of academic disciplines contributes to the book. These include marketing, sales, customer service, human resources, technology management, strategy, change management, project management, leadership, operations, management accounting, finance and organizational behavior. Supplementing these academic credentials, the book also makes use of research conducted by independent analysts such as Gartner and Forrester, two organizations that conduct leading edge, state-of-the-art research into CRM and related areas.

AUDIENCE FOR THE BOOK

This book has been written for a number of audiences, all of whom share an interest in improving their understanding of CRM.

- MBA and master's students, and upper-level undergraduates studying CRM or related advanced courses such as relationship marketing, database marketing, digital marketing, social media marketing, customer management, customer portfolio management, customer experience management, sales management, key account management, strategic management, customer value management and customer service management.
- Students or independent learners seeking CRM education or certification through organizations such as AARM (Association for the Advancement of Relationship Marketing) and CRMAA (CRM Academy of Asia).
- Those pursuing professional qualifications or accreditation in marketing through international organizations such as the Chartered Institute of Marketing, the Digital Marketing Institute, and the Institute of Direct and Digital Marketing, or national bodies such as the Marketing Institute of Ireland or the Canadian Institute of Marketing.

- Senior and mid-level managers who are involved in CRM programs and system implementations, whether in a marketing department, the sales force or service center.
- Students pursuing professional qualifications or accreditation through international organizations such as the Institute of Sales & Marketing Management, or corporate-based sales academies.
- CRM users who want a better understanding of this complex area. CRM tools are deployed across all customer-facing parts of organizations. Users include sales representatives and account managers, marketing managers, market analysts, campaign managers, market managers, customer relationship managers, and customer service managers. These users are exposed to just a fragment of the CRM universe. This book can put their role into broader context.

KEY FEATURES OF THE BOOK

- The book provides a helicopter view, an overview, of the domain of CRM. As an impartial review of the field, it is not tied to any particular perspective on CRM. Indeed, the book identifies a number of holistic models that provide different and competing overviews of CRM.
- Although CRM is in widespread use, there is still some misunderstanding about what CRM is. The book identifies three different types of CRM – strategic, operational and analytical. The book is structured so that the chapters on each of these types of CRM are clustered together. Several chapters are dedicated to each type of CRM.
- The book defines CRM as the core business strategy that aims to create and maintain profitable relationships with customers, by designing and delivering superior value propositions. It is grounded on high-quality customer-related data and enabled by information technology. This definition serves as a central point-of-reference throughout the book.
- We don't assume that customers want relationships with suppliers. If CRM is about developing and maintaining relationships with customers, it is important to have clear understanding of what a relationship looks like, and how, if at all, it can be managed. We discuss what is meant by "relationship" and question whether customers want relationships with suppliers and *vice versa*. We also identify attributes of successful relationships and review five different schools of thought that have influenced relationship management in a business context.
- The book emphasizes a managerial perspective on CRM. Although there is plenty of content on technology, it is not a book about technology, *per se*. The technology content of the book has been written so that readers who are unfamiliar with technology, or who are technophobes, can still understand what CRM technologies can deliver. Technology is secondary to management throughout the book. You don't need a degree in information systems to benefit from the book!
- The book has a strong academic foundation provided by research from a number of disciplines.

- The book contains many examples of CRM solutions and their application in marketing, selling or service function. Screenshots from CRM applications are a feature of the book.
- Every chapter contains case illustrations. These are not problem-based cases, but examples of CRM in practice, so that readers can better appreciate how CRM is deployed.
- All chapters follow a common format: learning objectives, text, case illustrations, summary and references.

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We hope you enjoy the book and find it a satisfying read. Writing a book is a little like painting a picture or tending a garden. You never reach a point where you can safely say that the job is finished. There is always more you can do. With that in mind, we invite you to write to us at francis@francisbuttle.com.au and stanmaklan@gmail.com or s.maklan@cranfield.ac.uk. We look forward to hearing from you.

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Section A

UNDERSTANDING CUSTOMER RELATIONSHIPS

This book is organized into six sections. Section A consists of four chapters that introduce you to the fundamentals of CRM. Chapter 1 explains what CRM is, picks out three different types of CRM, identifies CRM's main stakeholders, and describes a number of different contexts in which CRM is used. Chapter 2 explores what we know about relationships and asks why companies and customers might want to develop relationships with each other, and why they sometimes do not. Chapters 3 and 4 investigate the three main stages of the customer journey – customer acquisition, customer retention and customer development.

INTRODUCTION TO CRM

CHAPTER OBJECTIVES

By the end of the chapter, you will be aware of:

1. Three major types of CRM: strategic, operational and analytical.
2. Where social CRM fits in the CRM landscape.
3. The changing character of CRM.
4. Several common misunderstandings about CRM.
5. A definition of CRM.
6. Constituencies having an interest in CRM.
7. How CRM is deployed in a number of industries and the not-for-profit context.
8. Four models of CRM.

INTRODUCTION

The expression “Customer Relationship Management (CRM)” has been in use from the early 1990s. Since then, there have been many competing attempts to define the domain of CRM, a number of which appear in Table 1.1.

There are two main clusters of CRM definitions – those of the information technology (IT) industry and those taking a broader strategic or managerial perspective.

IT perspective on CRM

IT companies have tended to use the term CRM to describe the software tools that are used to support the marketing, selling and service functions of businesses. This equates CRM with technology. Although the market for CRM software is now populated with many players, its commercialization was greatly boosted in 1993 when Tom Siebel founded Siebel Systems Inc.

Table 1.1 Definitions of CRM

CRM is an information industry term for methodologies, software and usually Internet capabilities that help an enterprise manage customer relationships in an organized way.¹

CRM is the process of managing all aspects of interaction a company has with its customers, including prospecting, sales, and service. CRM applications attempt to provide insight into and improve the company/customer relationship by combining all these views of customer interaction into one picture.²

CRM is an integrated approach to identifying, acquiring and retaining customers. By enabling organizations to manage and coordinate customer interactions across multiple channels, departments, lines of business, and geographies, CRM helps organizations maximize the value of every customer interaction and drive superior corporate performance.³

CRM is an integrated information system that is used to plan, schedule and control the pre-sales and post-sales activities in an organization. CRM embraces all aspects of dealing with prospects and customers, including the call center, sales force, marketing, technical support and field service. The primary goal of CRM is to improve long-term growth and profitability through a better understanding of customer behavior. CRM aims to provide more effective feedback and improved integration to better gauge the return on investment (ROI) in these areas.⁴

CRM is a business strategy that maximizes profitability, revenue and customer satisfaction by organizing around customer segments, fostering behavior that satisfies customers, and implementing customer-centric processes.⁵

(now part of Oracle). Use of the term CRM can be traced back to that period. Gartner, Inc., the information technology research and advisory firm, reported that annual spending on CRM software reached US\$26.3 billion in 2015, up 12.3% from US\$23.4 billion in 2014, and forecast growth to US\$80 billion by 2025.⁶ CRM spending includes both software licenses and subscriptions, and fees for cloud services including data storage. Large businesses, for example banks, telecommunications firms and retailers, were early adopters of CRM, but the current growth in CRM spending is fueled by adoptions in other sectors of developed economies, such as small and medium-sized businesses and not-for-profit organizations. Spending is also boosted by corporate investment in new IT capabilities that enable them to exploit new forms of customer data (particularly that collected in social media) and allow them to interact with customers in technology-enabled ways such as the use of chatbots.⁷ Additional growth comes from adoptions in developing economies.

Strategic or managerial perspective on CRM

Others take a more strategic or managerial approach to CRM. Rather than emphasizing IT applications, they take the view that CRM is a disciplined approach to managing the customer journey from the initial acquisition of a customer, to that customer becoming a high-spending, profitable advocate, and that technology may or may not have a role in journey management. This equates CRM with customer management strategy, where questions such as the following are answered: which customers should we serve, what sorts of value

propositions should we present to them, and which channels should we use to serve them? Even though technology is not front-and-center in this perspective on CRM, no large organization with millions of customers interacting across multiple channels can implement a customer management strategy cost-effectively without the use of IT support, customer intelligence and carefully designed business processes.

CRM and customer experience management

This managerial perspective on CRM is closely associated with the customer experience (CX) movement.⁸ This movement is an approach to customer management that aims to understand and improve the experience of customers as they interact with business. When a company introduces new technology, new processes or new people into customer-facing roles, customer experience is often affected. CRM technologies can fundamentally change CX for the better because it reinvents what happens at customer touchpoints.

Imagine a sales rep who has always carried hard-copy brochures. He is sitting in front of a qualified prospect with a product query, but who otherwise is ready to buy. The rep goes to his briefcase. The brochure he needs is missing, and he cannot answer the query. “I’ll get back to you,” he says. But he doesn’t. He forgets, and the opportunity is lost. Supported by CRM technology, the interaction is very different. The rep carries a tablet with a current, searchable, product database and the customer’s record. He answers the query successfully. The prospect asks for a firm quote. The rep activates the quotation engine. A quote is prepared interactively with the customer. The rep requests the order. He wins the order. The rep converts the quote to an order by checking a box on a quotation engine screen. The rep shares the screen information with the customer. An electronic signature is obtained. The order is submitted immediately, confirmation is sent to the buyer’s email address and fulfilment process begins.

However, it needs to be said that CX, following a CRM technology implementation, is not always received favorably. Customers who are used to face-to-face calls from sales reps might find they are expected to place orders and pay through a sales portal. Self-service through portals deliver a completely different customer experience. Resistance, resentment and customer churn may result. Weary workers arriving home after a hard day’s labor are confronted with cold calls selling products that aren’t of the slightest interest. Customers of a multi-channel retailing firm find they receive conflicting or duplicated offers from different channels – a clear indication that customer data are held in silos. The avoidance of negative customer experience from ineptly implemented CRM is an important reason for ensuring the voice-of-the-customer is heard during CRM project planning and implementation. It also signals the importance of monitoring customer response after a CRM implementation.

THREE FORMS OF CRM

We can resolve the debate between managerial and technological schools by conceiving of CRM as taking three main forms: strategic, operational, and analytical, as summarized in Table 1.2 and described below.

Table 1.2 Types of CRM

| <i>Type of CRM</i> | <i>Dominant characteristic</i> |
|--------------------|---|
| Strategic | Strategic CRM is the customer-centric business strategy that aims at winning, developing and keeping profitable customers. |
| Operational | Operational CRM focuses on the integration and automation of customer-facing processes such as selling, marketing and customer service. |
| Analytical | Analytical CRM is the process through which organizations transform customer-related data into actionable insight for use in either strategic or operational CRM. |

STRATEGIC CRM

Strategic CRM is focused upon the development of a customer-centric business culture dedicated to winning, developing and keeping profitable customers by creating and delivering better value propositions and customer experiences than competitors. The culture is reflected in leadership behaviors, the design of formal systems of the company and the myths and stories that are created within the firm. In a customer-centric culture you would expect resources to be allocated where they would best enhance customer value, reward systems to promote employee behaviors that enhance customer engagement, satisfaction and retention, and customer information to be collected, shared and applied across the business. The heroes of customer-centric businesses deliver outstanding value or service to customers. Many businesses claim to be customer-centric, customer-led, customer-focused, or customer-oriented but few are. Indeed, there can be very few companies of any size that do not claim that they are on a mission to satisfy customer requirements profitably. Customer-centricity competes with other business logics. Philip Kotler identifies three other major business logics or orientations: product, production, and selling.⁹

Product-oriented businesses believe that customers choose products with the best quality, performance, design or features. We use the term product in a very broad sense to include anything that is offered to a customer for purchase. Products, in this sense, extend beyond tangible goods (like a cabbage or an automobile) to also include intangible-dominant services (like massage or accountancy services), experiences (like a kayak tour or a team-building weekend) and bundles of tangibles and intangibles (like a packaged vacation). In short, a product is any offer (or offering) that delivers value to customers.¹⁰ Many new business start-ups are also product-oriented. In product-oriented firms, it is common for the customer's voice to be missing when important marketing, selling or service decisions are made. Little or no customer research is conducted, sometimes because the offering is so innovative it is very tricky for customers to evaluate the offer. Management therefore makes assumptions about what customers want and/or provides visionary leadership for the market. Perhaps the most iconic example of product-orientation is Apple. Apple has created huge demand for products that customers did not know they needed. Leading fashion houses also tend to be product-oriented and try to establish new fashion trends or a distinctive look rather than respond to consumer research. Also known for product-orientation is the design-led consumer electronics firm Bang & Olufsen, and engineering firms GE and Rolls-Royce. However, these

are exceptional. Product-oriented companies risk over-specifying, or over-engineering for the requirements of the market, and therefore risk being too costly for many customer segments. The subset of relatively price-insensitive customers who marketers dub “innovators,” are more likely to respond positively to company claims about product excellence, but they are a relatively small segment, perhaps 2.5% of the potential market.¹¹

Production-oriented businesses focus on operational excellence.¹² They seek to offer the customers the best value for money, time and or effort. Consequently, they strive to keep operating costs low, and develop standardized offers and routes to market. Complexity, customization and innovation are very costly and unappealing to production-oriented businesses. Production-oriented firms rarely are first to market with truly innovative products. They focus their innovation on supply chain optimization and simplification. They tend to serve customers who want “good-enough,” low-priced products and services. Production-oriented businesses choose not to believe that customers have unique needs or wants. It is possible to be highly profitable by being the lowest cost market participant, for example Wal*mart. There is a price and convenience segment in most markets, but the majority of customers have other requirements. Moreover, an excessive focus on operational efficiency might make a business blind to disruptive changes just over the horizon; making cheap products that no one wants to buy is not a sustainable strategy.

Sales-oriented businesses make the assumption that if they invest enough in advertising, selling, public relations (PR) and sales promotion, customers will be persuaded to buy. Very often, a sales orientation follows a production-orientation. The company produces low-cost products and then has to promote them heavily to shift inventory – a “make and sell” approach. The deal-maker and persuader is king in such firms. In markets that are growing rapidly, such an approach can promote strong market share growth and attendant economies of scale. Here the risk is that the firm finds its offer is overtaken by more innovative competitors and it spends increasing amounts pushing products that fewer and fewer customers find desirable.

The business orientation that is most compatible with strategic CRM is **customer or market-orientation**. Such companies share a set of beliefs about putting the customer first. They collect, disseminate and use customer and competitive information to develop better value propositions for customers. A customer-centric firm is a learning firm that constantly adapts to customer requirements and competitive conditions. There is evidence that customer-centricity correlates strongly with business performance.¹³

Many managers would argue that customer orientation must be right for all companies. However, at different stages of market or economic development, other orientations may have stronger appeal.

OPERATIONAL CRM

Operational CRM uses technologies to automate customer-facing business processes. CRM software applications that automate marketing, selling and service processes result not only in efficiency and effectiveness gains, but may also improve customer experience and engagement. Some of the major forms of operational CRM appear in Table 1.3.

Although we cover the technological aspects of operational CRM in Chapters 8, 9 and 10, it is worth making a few observations at this point.

CASE ILLUSTRATION 1.1

STRATEGIC CRM AT HONDA AUSTRALIA¹⁴

Honda manufactures and markets a range of motorcycle, power equipment and marine products. The Honda brand has a reputation for quality, technology and performance. Honda Australia recognized that while it was diligently nurturing individual relationships with partners, dealers and customers, each segment was closed off from the others. Inevitably, this meant valuable customer data being trapped in pockets within the organization and not available to potential users. Honda realized that consolidating and freeing up the flow of data could have a huge positive impact on the effectiveness and efficiency of the business. Honda developed a strategy themed *Customers For Life*, based on data integration and a whole-of-customer view. Honda found customer-related data in numerous spreadsheets and databases across the business. These were integrated into a single CRM platform, supplied by Salesforce.com, and hosted in the cloud. This was enriched with customer information from Honda Australia Rider Training (HART), Automobile Association memberships, and several other sources to create a single comprehensive data source and reporting system. Honda then removed responsibility for managing customer relationships from individual departments, and moved it to a newly formed CRM unit. An integrated view of the customer has allowed Honda to stop different operating units from bombarding customers with multiple communications. Instead, Honda now consolidates outbound customer contact into meaningful and relevant communications, and accurately measures communications effectiveness. Honda has built workflows into customer touch-points, for example customer satisfaction surveys, guaranteeing follow-up of any negative comments. The immediate effect was a reduction in complaint resolution time from months to minutes. Honda has shifted closer to becoming a unified brand that really knows and understands its customers.

Marketing automation

Marketing automation (MA) applies technology to marketing processes.

Campaign management (CM) modules allow marketers to use customer-related data in order to develop, execute and evaluate targeted communications and offers. CM applications generally aim to lift customer engagement with the brand – be that a product brand or an organizational brand. These campaigns are predominantly digital and range from simple SMS or email campaign messaging to more sophisticated multi- or omni-channel programs that encourage engagement at various stages of the customer journey. We have more to say about customer engagement in Chapter 4.

Customer segmentation for campaigning purposes is, in some cases, possible at the level of the individual customer, enabling unique communications to be designed.

In multi-channel environments, campaign management is particularly challenging. Some fashion retailers, for example, have multiple transactional channels including free-standing stores, department store concessions, one or more branded websites, home shopping catalogs, catalog stores and perhaps even a TV shopping channel. Some customers may be unique to a single channel, but many will be multi-channel prospects, if not already customers of several channels. Integration of communication and offer strategies, and evaluation of performance, requires a substantial amount of technology-aided coordination across these channels. We

Table 1.3 Operational CRM – some applications

| |
|-------------------------------------|
| <i>Marketing automation</i> |
| Campaign management |
| Event-based (trigger) marketing |
| Marketing optimization |
| <i>Sales force automation</i> |
| Account management |
| Lead management |
| Opportunity management |
| Pipeline management |
| Contact management |
| Product configuration |
| Quotation and proposal generation |
| <i>Service automation</i> |
| Case (incident or issue) management |
| Customer communications management |
| Queuing and routing |
| Service level management |

discuss how modern marketing clouds provide such coordination across online channels in the introduction to Section C that precedes Chapter 8.

Event-based, or trigger, marketing is the term used to describe messaging and offer development to customers at particular points-in-time. An event triggers the communication and offer. Event-based campaigns can be initiated by customer behaviors, or contextual conditions. A call to a contact center is an example of a customer-initiated event. When a credit-card customer calls a contact center to enquire about the current rate of interest, this can be taken as indication that the customer is comparing alternatives and may switch to a different provider. This event may trigger an offer designed to retain the customer. Examples of contextual events are the birth of a child or a public holiday. Both of these indicate potential changes in buyer behavior, initiating a marketing response. Event-based marketing also occurs in the business-to-business context. The event may be a change of personnel on the customer-side, the approaching expiry of a contract, or a request for information (RFI).

Real-time marketing combines predictive modeling and work flow automation enabling companies to make relevant offers to customers as they interact with different touchpoints such as website and retail outlet. As consumers share more data with companies, and as the company's ability to analyze that data improves, online and mobile marketing increasingly occurs in real-time. Customer behavior online is married to their profiles, and the profiles of similar people, to enable firms to predict which communication and offers are most likely to