Customer Relationship Management. Electronic Customer Care in the New Economy

Andreas Muther
Springer
Berlin, Heidelberg, New York, NY
2002
xiii + 137 pp.
ISBN 3-540-41377-4
$44.95
Keywords Customer relationship management, Electronic commerce, Customer buying cycle

Marketing has long been subject to the ebb and flow of ideas as to how marketers ought to go about doing their business in order to be successful. The leading buzzwords by decades were: 1950s and 1960s – mass marketing; 1970s – market segmentation; 1980s – niche marketing; 1990s – micro marketing. For a few years already, customer relationship management (CRM) has been one of the "next big things" in the field. Having conceptually grown out of the older "movement" of relationship marketing, it employs the tools of electronic business to strengthen customer ties, improve customer service, reduce customer retention costs, and thus increase profitability.

In the past, the marginal costs of developing a dialog with individual customers often outweighed the expected marginal benefits. Mass customization was a strategy that had little financial feasibility, given the traditional tools of marketing management. The development of electronic marketing, both offline and online, has changed this picture completely and, in the framework of CRM, offers businesses cost-efficient options of directly engaging their customers. In today's impersonal, arm's-length marketplace, where in the vast majority of markets consumers wield significantly more market power than suppliers, customer loyalty is rapidly becoming a thing of the past. CRM promises to stem the tide, by enabling marketers to know their customers, understand their wants and needs, react to their concerns, and thus establish long-term, mutually beneficial relationships.

Under the CRM concept, hyped companies such as Siebel Systems, Kana and E.piphany have offered solutions to optimize customer processes. These companies claim high customer satisfaction and reduced costs. Also, traditional software giants like SAP, PeopleSoft and Oracle have begun to provide software for marketing, sales, and service. For many enterprises, the reorganization of so-called front-office processes is new ground. Therefore software providers find it easy to promise their customers high benefits of their solutions. But CRM projects do not always deliver. With CRM costs continuing to rise and, by some estimates, a failure rate of 70 percent, it is easy to conclude that CRM is in crisis, and fundamental questions need to be raised again. What must a company really take care of when it initiates a CRM project? What are realistic expectations, what are the technological requirements? And what makes CRM a successful lever for increasing profitability and not just another management idea sponsored by the latest gurus of note?

The present book, which was originally published in German in 1999, addresses these questions as issues of electronic customer care (ECC), a term describing "the deployment of information technology in the supplier-customer relationship" (p. 2). The author structures this relationship around the concept of the customer buying cycle (CBC), thereby creating a neutral orientation framework for CRM projects. The CBC is a generic model for analyzing and structuring customer relations. It comprises the awareness, evaluation, sales and after-sales stages and thus spans the entire marketing cycle of the supplier-customer relationship (p. 13). At each stage, IT can give specific types of support for CRM purposes, from marketing research and online advertising in the awareness stage to customer support and online user communities in the after-sales phase.

In Chapter 1, the author introduces his topic, and in chapter 2 he presents his analytical framework, particularly the CBC. Chapter 3 deals with EEC information technologies and trends such as the interactivity, standardization and integration of IT systems. Chapter 4 is probably what interests marketers most, as it analyzes trends in the supplier-customer relationship, from 24-hour information via one-to-one marketing to push information and customer portals. Chapter 5 elaborates on criteria for successful EEC solutions and assigns them to the business functions strategy, process and information system. Finally, chapter 6 overviews the CMR market and speculates on the future development of the field. Two appendices contain an ECC database with lists of case studies and the questionnaire on which an empirical research of 65 companies was based, results of which are reported in the book. It contains no case studies but gives brief, one- to five-sentence examples of applications from US and European companies.

The book is largely written from an IT perspective. Its primary mphasis is not how higher customer retention rates can be achieved through the tools of marketing management, how customer satisfaction can be measured, or how CRM can leverage the customer base for financial profitability, for example, through data mining or loyalty-based programs such as club marketing. The author takes the "lowlands" of marketing rather as a given and concentrates on how models and tools of IT, particularly of electronic commerce, can be employed for such purposes. A discussion of customer equity, its measurement and management, is missing just as much as complaint management and customer recovery, or data mining. CRM opportunities such as discovering new customer segments or cross-selling are not systematically discussed nor is the integration between e-commerce metrics (for example, Web traffic data and conversion rates) with market, sales and profitability data. The collection, processing, analysis and warehousing of data are, after all, the alpha and the omega of CRM.

This new book is useful as a first overview of the field of CRM. But it does little to advance knowledge or practice. The real problems of CRM are not at the level of IT organization but at that of consumer behavior. This cause-effect relationship must not be obscured if the high failure rate of CRM programs is to be reduced. Contrary to the conventional wisdom upon which most CRM models are still based, customer satisfaction does not necessarily translate to loyalty, since more consumers make purchasing decisions on shifting and migratory preferences, inclinations and attitudes, with satisfaction just being one factor among many. It is such limitations that cast doubt on whether this new book can do much to serve as a guideline for CRM projects. And as far as concerns practice – one of the areas of increasing importance in CRM is the integration of mobile computing, permitting, for example, the access of specific customer data, computation of prices, or management decision-support in a WAN or Web-enabled environment. This, too, is a trend missed by the book. Most sections, such as in Chapter 5, contain short check lists of questions to be addressed by successful CRM projects. Alas, the reader usually waits for the answers in vain.

Wolfgang Grassl
Hillsdale College, Michigan, USA