

PRAVCI TRAJNOGA POBOLJŠAVANJA CRM STRATEGIJE

PATHS TO CONTINUOUS IMPROVEMENT OF A CRM STRATEGY

TRŽIŠTE

UDK 658.89
Pregledni rad
Review

Prof. dr. sc. Lluís G. Renart

Profesor marketinga
IESE Business School – University of Navarra
Avda. Pearson, 21 – 08034 Barcelona, ŠPANJOLSKA
Tel.: ++34 93 253 42 00
Fax: ++34 93 253 43 43
E-mail: renart@iese.edu

Carles Cabré

Asistent
IESE Business School – University of Navarra
Avda. Pearson, 21 – 08034 Barcelona, ŠPANJOLSKA
Tel.: ++34 93 253 42 00
Fax: ++34 93 253 43 43
E-mail: ccabre@iese.edu

Ključne riječi:

marketing odnosa, upravljanje odnosima s potrošačima, lojalnost potrošača, kvaliteta odnosa

Keywords:

relationship marketing, customer relationship management, customer loyalty, relationship quality

SAŽETAK

Koncept marketinga odnosa doveo je do promjene marketinške paradigme. Tijekom posljednjih nekoliko desetljeća u brojnim je istraživanjima analiziran učinak programa upravljanja odnosima s potrošačima (CRM, od engl. Customer Relationship Management) na njihovo zadovoljstvo i lojalnost. Pronađeno je svega nekoliko CRM programa s malim ili nikakvim utjecajem. S obzirom na to da smo već objavili nekoliko članaka i poslovnih slučajeva s ovom temom, ovim radom nastojimo odgovoriti na sljedeće pitanje: Ako se pretpostavlja da poduzeće već provodi uspješnu strategiju upravljanja odnosima s potrošačima (CRM), kako se ona može neprekidno prilagođavati i poboljšavati?

Naša preporuka je da takva poduzeća uvedu kontinuirani proces poboljšanja CRM programa na četiri različite, ali nadopunjavajuće razine. Prva je osvrtnost na misiju, kulturu i vrijednosti poduzeća i njihovo ojačavanje.

ABSTRACT

The concept of relationship marketing has led to a paradigm change in marketing. Over the last few decades, numerous studies have analyzed the impact of customer relationship management (CRM) programs on customer satisfaction and loyalty. Quite a few CRM programs have been found to have little or no impact. Having already published several articles and cases on the subject, in this paper we set out to answer the following question: assuming a company already has a reasonably successful CRM strategy in place, how can it continuously adapt and improve that strategy?

Our recommendation is that such companies implement a continuous improvement process at four different but complementary levels: first, review and reinforce the company's mission, culture and values; second, reconsider and, if necessary, redesign the CRM strategy; third, manage the various relationship-

Promišljanje o strategiji odnosa s potrošačima i, ako je potrebno, njihovo redizajniranje predstavlja drugu razinu, dok je treća učinkovitije upravljanje različitim aktivnostima koje služe izgradnji odnosa između potrošača i poduzeća. Zadnju razinu predstavljaju provođenje ispitivanja i, ako je potrebno, poboljšavanje kvalitete korištenih materijalnih i ljudskih potencijala, izvedbe programa i upravljanja procesima. Sustavno ispitivanje ovih četiriju razina ili pravaca poboljšavanja trebalo bi tijekom vremena pomoći stvaranju i održavanju visoke kvalitete odnosa s potrošačima.

building activities more effectively; and lastly, review and, if necessary, improve the quality of material and human resources, program execution and process governance. A systematic review of these four levels or "paths" of improvement should help generate and maintain high quality relationships over time.

1. INTRODUCTION

Since the concept of relationship marketing was first introduced by Berry in 1983 and subsequently refined by Berry and Parasuraman (1991), Gummesson (1994), Morgan and Hunt (1994), Sheth and Parvatiyar (1995), Grönroos (1996) and others, customer relationship management (CRM) has become one of the dominant marketing approaches.¹

Numerous studies have been conducted in recent decades to measure how CRM programs impact the satisfaction and loyalty of a company's customer base.² Results show that they come nowhere near fulfilling their promise of creating loyal customers and reducing attrition.³

In this paper we propose to answer the following question: How can a company that already has a reasonably successful CRM strategy continue to improve that strategy? In other words, once a CRM strategy has been put in place, how can it be programed for continuous improvement?

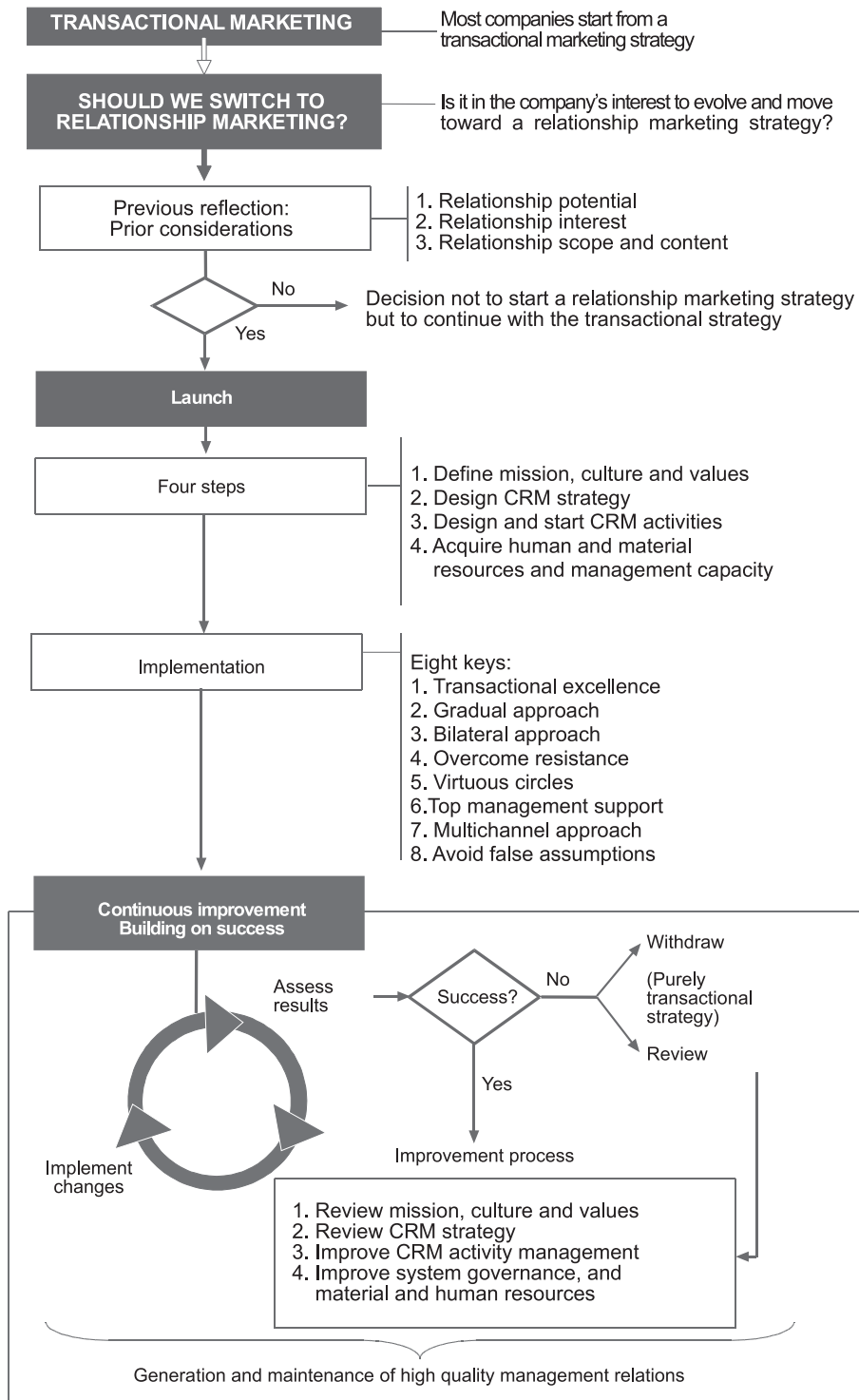
This paper should be read in light of the following considerations:

1. The authors' intention is to generate knowledge not only about what a CRM strategy consists of (descriptive knowledge), but also about how to improve a CRM strategy already in place in a particular company or organization (procedural knowledge⁴). In other words, we aim to offer what Mokyř⁵ calls "a set of instructions, derived from acquired knowledge about a problem and its environment, that leads a person to design and implement a certain action plan".
2. We have used a combination of deductive analysis of the existing literature and inductive analysis based on the writing and subsequent longitudinal analysis of a series of real-world cases, selected through a non-statistical process, or as a convenience sample. We believe that a longitudinal or process analysis is particularly appropriate to the subject matter at hand.

3. This study belongs to a phase of discovery of new facts, propositions and theories, rather than to one of confirmation or justification of discovered concepts and processes (acceptance or rejection of propositions, hypotheses, laws or theories).⁶
4. Bearing in mind that "relationships" may be taken to refer to different types of ties between different actors, we warn readers that we have focused on business relationships between a company and individual end customers. The ideas presented here may also be applicable to relationships between not-for-profit organizations (NGOs and the like) and their "customers" (in particular, their donors of funds). At least for the time being, it is not our intention to apply these ideas to business relationships between companies or organizations, i.e. contexts in which there are relatively large groups of people on both sides who may be involved in and influence the relationship.
5. We believe that ours is a general management approach. In other words, what matters is not so much the technical details (CRM software, etc.) as offering top managers a "road map" that will help them implement and improve a CRM strategy that goes beyond a purely transactional relationship.
6. Lastly, we believe that the improvement we propose is clearly path-dependent, i.e. it matters in what order things are done. Or at least, there is a certain hierarchy of ideas. In other words, the improvement must start with the corporate mission, culture and values, not with the acquisition of technical resources.

This article sets out to answer the following question: How can a CRM strategy be improved? The focus is on the companies that have decided to adopt a CRM strategy and, having done so with some measure of success, now are considering how to set themselves more ambitious goals and ensure that their CRM system improves continuously.

Getting to this point obviously is not easy. Most likely it will have involved the stages outlined in Figure 1 below.

Figure 1: Customer Relationship Management from a General Management Perspective

A number of companies start from a situation where they are pursuing a basically transactional marketing strategy, that is, one focused almost exclusively on acquiring new customers, without even aspiring to identify customers or build a loyal customer base. The various companies we have studied took the ini-

tial decision to design and develop a CRM strategy at a particular moment in their development (Table 1). As we can see, some of these companies or organizations launched "CRM" strategies before the concept even existed.

Table 1: Companies with Relationship Marketing Strategies and Year of Start-up

Company/Institution	Year	CRM strategy
IESE Business School	1959	Alumni Association, open to all IESE alumni
Lladró	1985	Collectors' Club, aimed at building a relationship with customers who collect the company's porcelain figurines ⁷
Imaginarium	1993	Imaginarium Club for families that choose to register
Spainsko	1994	Database of customers and people interested in the company's products without a formal registration process
Hewlett-Packard – large-format printers division	1998	DesignJet Online web site provides technical support and gathers information about the customer base

Source: Research

2. THREE PRIOR CONSIDERATIONS WITH RESPECT TO RELATIONSHIP MARKETING

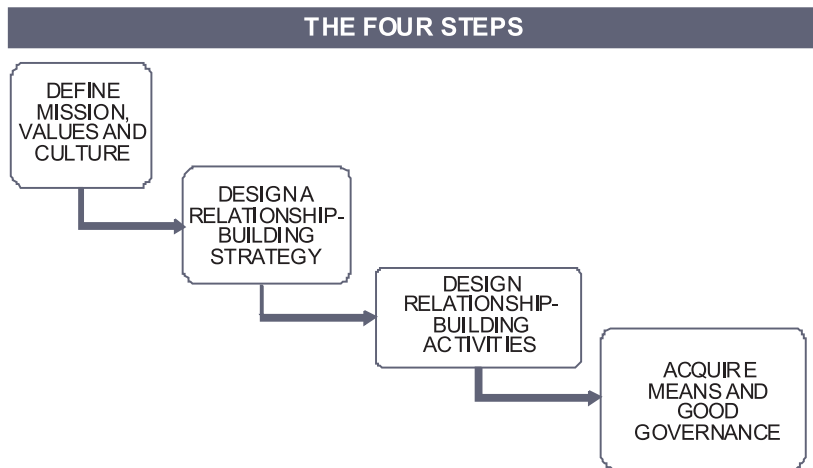
As we proposed in our article "Claves del marketing relacional bien hecho",⁸ companies that want to design and implement a CRM strategy need to ask themselves three questions:

1. Does their company have the necessary relationship potential? In other words, is a CRM program feasible and worthwhile?
2. Are customers likely to want to have a relationship with the company? Some customers may prefer to carry on buying the company's products on a purely transactional basis, i.e. without identifying themselves or disclosing any information about themselves.
3. Is a low-intensity CRM strategy appropriate, i.e. one that does not aim to cover every stage of customer relationship management?⁹

Once a company has answered these three questions and found that a CRM strategy is feasible, it needs to design and implement the strategy. Of course, customer relationship management is not suitable for all companies. Recent experience shows that it is a gradual process: the benefits emerge as the program proceeds.

3. FOUR STEPS IN ADOPTING A CRM STRATEGY

As presented in Figure 2, a company must start by defining its mission, values and culture. A company's mission will include a combination of extrinsic motives (tangible results or material rewards); intrinsic motives (satisfaction of a job well-done, learning and acquiring knowledge); and transcendent or altruistic motives (satisfying customers' real needs and helping them to develop professionally and as people). The greater the weight of transcendent or altruistic motives, the higher the program's motivational quality.

Figure 2: Four Steps to Implement a CRM Strategy

Source: Authors

The second step is to design the CRM strategy itself. Any far-reaching, medium to long-term decision that broadly defines how the company will relate at a deeper, higher quality level with its best customers is strategic.

The third step is to design and implement a set of CRM practices. A CRM strategy is composed of separable and individually analyzable activities: service initiatives or value propositions, special privileges or benefits customers receive as a result of their relationship with the company. The assumption is that such activities (training sessions, a magazine, etc.) strengthen the company's relationship with its best customers. A company's relationship-building activities give substance to its CRM strategy, just as a company's products and services give substance to its marketing strategy. The CRM strategy and each activity must be aligned with the company's mission, culture and values.

The fourth step is to acquire the means and resources to effectively and successfully implement the relationship-building activities. Specifically, a company must identify, select and implement the technology (CRM software, websites, intranet, extranet, business intelligence programs, data-mining...) and acquire the human resources to manage its CRM strategy. Lastly, it must monitor the implementation quality and oversee the whole process.

Implementation should be gradual with the launch of relationship-building carefully planned. With each new initiative the company should monitor customer acceptance, use and satisfaction.

4. EIGHT KEYS TO RELATIONSHIP MARKETING

Before a company adopts a relationship marketing strategy, it must consider the eight keys to success in the CRM program design and implementation. Based on the observation of several such programs in recent years and on the interviews with program managers, we propose the following eight keys¹⁰ to relationship marketing:

1. Ensure excellence at a transactional level: customers must be reasonably well-satisfied in each transaction with the company. If the basic transactional process does not work, it will be difficult to build a satisfactory relationship.
2. Implement the relationship strategy gradually: it is not a good idea to offer a wide range of relationship activities from day one.
3. Create genuinely two-way relationships: the benefits (for the company) of creating and running the

program and the benefits (for customers) of maintaining a relationship with the company must be greater than the costs.

4. Neutralize relationship hindrance: the company must try to minimize the costs to the customer of establishing and maintaining the relationship.
5. Create virtuous circles: as the program proceeds and customers' knowledge and satisfaction increases, the company must customize its offers and after-sales service, further enhancing satisfaction and receptivity to the company's advertising messages.
6. Top management support: from the word go, and throughout the program.
7. Multi-channel approach so that customer contact channels are integrated.
8. No false assumptions, e.g. that satisfied customers are necessarily loyal, or that loyal customers are necessarily profitable.

5. HOW CAN A COMPANY CONTINUE TO IMPROVE?

After implementing the CRM strategy, companies may want to assess its success. In the Spainsko case, for example, the results at the end of the first year were minimal and the company was almost bankrupt. In the case of HP, the results after six years of operation of DesignJet Online were excellent, though there were doubts as to how to expand the program.

The assessment may be unfavorable and some companies may actually decide to discontinue their CRM program. However, if a program has been reasonably successful and the company wants to build on its CRM strategy, it faces the questions such as: How can the company continue to progress? How can it exploit its success? How can it get a continuous improvement process under way in customer relationship management?

We suggest that such companies launch a continuous improvement process. The process should be carried

out at four different levels, or along four different but complementary paths of a successful CRM program, that are described below.

5.1. First Path: Review and, if Necessary, Improve the Company's Mission, Culture and Values

Mission, culture and values are the starting point of any CRM program and an area of ongoing review and improvement.

A company's mission – the contribution that defines an organization's identity¹¹ – tends to be stable over time, but not completely unchanging. Being a contribution and a service, the mission is likely to be revised, adapted and improved. An organization's mission is a work in progress, never static.

The mission statement must specify the contribution that the company aims to make to its customers, employees and society at large. Ideally, as we said, it will include a combination of extrinsic, intrinsic and transcendent motives. Sudden changes in the mission are to be avoided, as they may lead to confusion and disorientation among employees and customers.

A company's mission must become part of the company's management. This means that, from being a declaration of intentions, it must become a plan of action. The mission must be known to all employees and must guide their daily decision-making and activities. Internal channels must be available to communicate the mission so that it is internalized and becomes a criterion for decision-making.

According to Schein,¹² an organization's culture is "a pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think

and feel in relation to those problems". Hofstede,¹³ following Bourdieu,¹⁴ defines culture as "the collective programming of the mind that distinguishes the members of one group or category of people from another". According to him, culture, "is manifested in symbols, heroes, rituals, visible practices and a set of standards and values".

According to Rokeach,¹⁵ a value is "an enduring belief that a specific mode of conduct or end state of existence is personally or socially preferable to an opposite or converse mode of conduct or end state of existence". In a recent survey on the application of management by values in Spanish companies, Pin, Espinosa and López¹⁶ found that the most strongly present values in Spanish companies, from a total of 19 values cited, were, in this order: commitment, quality, responsibility and innovation.

The person who bears ultimate responsibility for the improvement of a company's mission, culture and values is undoubtedly the president or CEO. During the improvement process it is advisable that the CEO listen to the company's employees and external stakeholders, such as customers.

An excellent example of how to improve a CRM program by the first path is offered by Spanish company Imaginarium. In 2003, some ten years after the CRM program (called the Imaginarium Club) was launched, a team effort was made to make the company's values more explicit. As a result, the company agreed on eight "Values for a better society" and five "Development values".¹⁷

5.2. Second Path: Review and, if Necessary, Improve the CRM Strategy

A company's relationship-building strategy is part of its marketing strategy, a subset of policies and decisions that define and determine what the company wants to do (or does not want to do) in its relations with customers.

It aims gradually to achieve certain partial, sustainable and consolidable goals aimed at creating, strengthening and deepening the company's relationship with its best customers.

A strategic decision is one that sets long-term objectives, commits resources, is difficult to revoke and which cannot be changed without incurring a penalty in terms of image or economic cost.

At the same time, every strategy is a choice of what the company does not want to achieve; a deliberate rejection of possible objectives. Resource limitations make it necessary to limit the scope of action.

A relationship-building strategy must define where we want to get to (what we want to achieve), how we are going to get there and why we believe we shall succeed; how we are going to be better than our rivals; what our competitive advantage is going to be; how we are going to position our CRM program; what value proposition we are going to use to connect with our customers and keep them actively involved over time.

A CRM strategy is embodied in a specific set of relationship-building activities. Therefore, all decisions that involve launching a new relationship-building activity or terminating an existing one can be considered strategic. Decisions that automatically and simultaneously affect a whole set of relationship-building activities, services or privileges can also be considered strategic. For example, between 1985 and 1999, the famous Valencian decorative porcelain manufacturer Lladró had in place a CRM program called Collectors' Club. Then, at the end of 1999, they decided to replace it with a new program called Lladró Privilege. There were substantial differences between the two programs in the registration method, annual membership fee and membership benefits. In January 2004, the Privilege Club was further subdivided with the addition of a new membership category called Privilege Gold.

Given that decisions to define or redefine a mission, culture and values are taken at the corporate level, changes in a company's mission, culture and values

may eventually call for changes in the CRM strategy. Again, this strategy improvement process is the responsibility of general management.

5.3. Third Path: Review and, if Necessary, Improve the Way Each CRM Activity is Managed

The implementation of a strategy, even though it is the part to which the most time and resources are devoted, is always the part that consultants and academics are least interested in. The implementation of CRM strategies is no exception. There is a major gap in research about how to manage CRM activities, as it is the daily battlefield of the people who actually run CRM programs and the meeting point between the company and its customers.

In our opinion, apart from the strategic alignment of CRM programs, as discussed earlier, the third main area for improvement is the management of individual CRM activities.

Specifically, companies need to establish methods, processes and organizational structures to ensure that their CRM activities are conducted effectively.

How can the management of CRM activities be improved? The first step is to carry out an inventory of existing CRM activities, noting the following information:

- Content (value proposition); what exactly does the activity consist of, what are its specific characteristics?
- Cost/benefit for customers.
- Cost/benefit for the company.
- Target audience; who is the activity intended for.
- Conditions of access; whether the activity is free or paid, whether it is available at any time or only in certain circumstances.
- Which aspect of the mission the activity serves.
- Which part of the CRM strategy the activity implements.

This inventory is to be used to create a map of CRM activities, which should be as complete as possible, including the variants of each activity (for example, the content of an activity may be different if accessed online or face-to-face, as in the case of magazine or newspaper subscriptions) and the accompanying complementary services (customer support, professional services...).

The activity map may be used to identify the aspects of existing CRM activities that are open (undecided) or controversial (disagreements among the management team), visualize a complete range of activities, detect any interactions and points in common, analyze consistency, detect any over-concentration on particular target audiences or segments, and examine how each activity contributes to strategic goals.

The second step is to analyze customer awareness, participation, perception and attitude with respect to each activity. These four variables reveal customers' awareness that a particular activity exists (and whether they are entitled to participate), the extent of their involvement (level and frequency of attendance, for example), their opinion (via post-activity survey) and their intentions with respect to the activity (repeat attendance, receptiveness to other similar propositions).

These metrics provide valuable information for analyzing the activity map. The quantitative data on participation and opinion combined with the cost/benefit data help to identify, for example, the activities with high approval but low participation, suggesting that more promotional efforts are needed; or the activities with high participation but low approval, indicating the need to improve their quality.

The third step is to take a decision about each relationship-building activity. Based on this analysis, given a complete and up-to-date activity map and an improved mission and CRM strategy, the management will be able to take the necessary decisions, such as to:

- Reinforce a particular set of activities because it has become a strategic priority given the company's goals.
- Launch a new activity focused on a previously overlooked but promising target audience.
- Review conditions for access to an activity to improve the level of participation.
- Reinforce the marketing and promotion of an activity that is highly valued but has low participation.
- Eliminate any activities that serve no strategic objective, etc.
- Identify or recruit partners.
- Group activities by levels, families or groups.

The management must consider whether the existing CRM activities cover the full range of customer types so as not to leave any group unattended (except occasional customers or bargain hunters). One such improvement might be to define the possible variations in an activity for different customer types. For example, an activity might be a paid option for customers in the countries where loyalty is high, but initially free in new markets. This requires a flexible activity management, open to change if a new market segment or channel of interaction becomes available, as has happened with the Internet in the last few years.

It is also important to avoid a proliferation of services that customers may find confusing. In its eagerness to satisfy all its customers, a company may fall into the trap of constantly launching new activities. This can happen to companies that are too narrowly focused on customers and do not have a clear relationship strategy. A company that lacks clear objectives tends to be more reactive than proactive, responding to every request for a new activity without filtering requests in light of the company's mission and strategy.

A company's range of CRM activities defines the sequence in which relationship services are to be launched; priority setting in the development of new CRM proposals is the key to success.

A company's offer of CRM activities must be differentiated from that of its competitors. What do we offer that

our main competitors do not? It is important to identify and exploit any differences that will keep us ahead. They may be differences in content, conditions of access, price, quality, ease of use, etc. Selected CRM activities of studied companies are presented in Table 2.

5.4. Fourth Path: Review and, if Necessary, Improve Material and Human Resources and Overall Governance of the CRM System

Having reviewed the mission, culture and values, the relationship strategy and the relationship-building activities, the next thing is to ensure that the CRM systems and the CRM department or area are working properly.

For example, deciding whether a member's magazine should be sent quarterly or half-yearly, against payment or free of charge, is one thing. Making sure that each issue arrives on time and has attractive content, responding to complaints, compiling all this information in the CRM system, negotiating agreements with partners etc. is quite another.

The management and execution of a CRM program can be broken down into six large areas, in each of which there is scope to review performance and propose improvements (Table 3).

The first area to be considered is the program management team (made up of program director, managers, employees from the areas involved) and partners, suppliers and distributors. People are crucial to the successful customer relationship management. They handle the CRM activities and must have the necessary skills to do their job properly. It is important to review employee motivation, capabilities, pay, recognition and job satisfaction, given that, according to Reichheld and Teal,¹⁸ this has a positive impact on customer satisfaction.

Table 2: CRM Activities of IESE Alumni Association, HP Large-Format Printer Division, Lladró, and Imaginarium

Company	Activity	Content	Terms of access
IESE Alumni Association	Continuous education program	Two-hour sessions on topical business issues.	Members (Alumni basic IESE program and payment of annual fee)
	IESE Global Alumni Reunion	Annual academic and social reunion for all alumni, held each year in a different city.	Free attendance for Alumni and Members
	Alumni Magazine	Quarterly magazine containing feature articles and news as well as information about IESE and Association activities.	Free for Alumni and Members
	Membership card/ Amex or Visa card	Personal membership card that identifies Members in Association activities. Provides economic advantages in professional services.	Members
HP Large-Format Printer Division (HP DesignJet Online)	Newsletter	News from the large-format printer division; new models, services, events, success stories, etc.	Registered users (free registration)
	Discussion forums	Forum for sharing experiences with other HP printer users.	Registered users
	Free print samples	Samples of the print quality of different printer models: requests may be submitted online; samples are delivered to the user's office or home address.	Registered users - free service
Lladró (decorative porcelain)	Travel	Travel, social and cultural events.	Members of Privilege Club
		Visits to company facilities and the City of the Arts in Valencia.	Members of Privilege Gold Club
	Limited editions	Access to exclusive limited editions.	Member of Privilege Club / Privilege Gold Club
	Lladró Privilege magazine	Magazine with information about new products and other news.	Member of Privilege Gold Club
	Lladró Assurance Program	Guarantee against defects.	Member of Privilege Club; 33% coverage Member of Privilege Gold Club: 100% coverage
Imaginarium (toys)	Imaginarium Club	Aimed at families with children under 9, with exclusive content and activities; the corporate website has a section for club members.	Registered families (free)
	Invitations to the store	Sent whenever a new store is opened, a promotion with free gifts is launched or a new catalogue is produced.	Registered families
	Imaginarium travel	Exclusive holidays for families to destinations of particular interest for young children.	Registered families (paid)

Source: Research

Table 3: Areas for Review in the Execution of a CRM Program

<p>EMPLOYEES and PARTNERS</p> <p>Directors, program managers, Contact Center staff, customer care, relations with distributors and contributors</p>	<p>ORGANIZATION</p> <p>Organizational structure of the CRM area or department</p>
<p>TECHNOLOGY</p> <p>CRM solution</p> <p>Technology infrastructure of the entire CRM program</p>	<p>CHANNELS</p> <p>Customer touch points</p> <p>Multi-channel management</p>
<p>PROCESSES</p> <p>Relationship-management processes</p> <p>Service management and complaints handling</p>	<p>KNOWLEDGE</p> <p>Knowledge management (creating, sharing and using it)</p>

Source: Authors

Partners, i.e. the companies that offer their products and services to program participants on preferential terms (e.g. discounts or exclusive access), play a key role. In most cases, the CRM program could not be implemented without them. Therefore, it is important to review the outsourcing policy and analyze the results of the activities delegated to third parties (e.g. customer support, call center) as well as customers' acceptance of awards and discounts, and the need for more or fewer partners etc.

The second area for improvement in the program execution is the organizational structure of the area or department responsible for the CRM program. In most cases, this will be an interdepartmental structure so we will need to analyze collaboration between departments, internal communication and responsiveness to customers' needs.

The task of managing customer relationship activities is generally assigned to a person or team. In a CRM program there will usually be a program director and, depending on the size of the program, separate managers for each activity. In this way the program management is close to the relevant department (marketing, product, or general management) and more focused on improving the program execution. In today's highly competitive environment the goal of having loyal customers more than justifies the creation

of a CRM organization, not necessarily through a separate department, so as to make it easier for the top management to identify the individuals responsible and monitor program performance. It may also be useful to set up a CRM monitoring committee, made up of the CEO, the program director and outside experts.

The third area is technology: the CRM solution and the whole technology infrastructure that makes the program possible. The company will need to analyze whether customer data should be collected in a structured and unified way, whether all customer data should be included in the CRM, whether the front-office systems should be combined with the back-office systems (such as the ERP), whether all customer touch points should be included in the CRM etc.

The fourth area is channel management, i.e. how to manage all those customer touch points. More and more companies with CRM programs are finding that they have multiple channels of communication with customers. Effective multi-channel management involves integrating and coordinating strategies and activities in all channels, and ensuring consistent service quality. Good practices in this respect include: establishing a single relationship marketing strategy for all channels; consistency in communications and promotions across channels; training employees to know the channels etc.

It has been empirically demonstrated that perceived channel integration directly influences future purchase decisions and customer loyalty and retention, especially in the customers who have been disappointed by the first channel they chose but who may want to establish a second contact with the company through another channel.¹⁹

The fifth area for improvement includes customer relationship processes, such as the customer service management or complaints handling. Processes, tasks, workflows and calendars need to be reviewed. Metrics, indicators and targets (retention rate, customer satisfaction, customer value, etc.) as well as employee and customer acceptance also play a role. The sales staff's resistance to the CRM system is the most common reason for failure. Often, the sales team has to work much harder for no extra reward, which generates hostility.

CRM relies heavily on complaints handling.²⁰ Companies need to have agreed processes and practices for dealing with complaints. Though commonly neglected, this has been shown to be directly correlated with program quality and customer retention. Good practices in this area might include: documentation for a customer recovery plan, a budget for customer recovery, a person with responsibility for recovery or an established complaints handling process.

Lastly, the sixth area for review is knowledge management. It is important to review the process by which information is created through the CRM, if the CRM is shared within the company and among departments and channels, and the process by which customer data is transformed into knowledge that can be used to tailor the products to customers' needs.

In recent years, marketing has started to pay more attention to the concept of ROI. Nowadays, the profitability and results of promotional and communication activities are expected to be measurable. CRM program managers must meet this demand and be able to demonstrate, for example, that the online customer club is profitable, that the customer networking days

have resulted in an increase in sales to participants or that the special offers in the customer magazine have been taken up by readers and so on.

6. CONCLUSION

Having analyzed the four paths to improvement in a CRM program, we must consider whether the changes made to the mission, culture and values, strategy, activities and system governance have been effective.

Successful improvement will result in enhanced relationship quality,²¹ reflecting customers' trust in the company (confidence in the company's honesty and reliability)²² and stronger customer commitment and loyalty (desire to maintain the relationship).²³

Hennig-Thurau and Klee²⁴ propose a three-dimensional model of relationship quality. The first of these is customers' perceptions of product or service quality. The second hinges on customers' trust in the company's ability and willingness to achieve excellence in execution. And the third rests on customers' commitment to the relationship. The perception of quality is an antecedent of trust and commitment. These authors argue that relationship quality is the main determinant of customer retention.

As Morgan and Hunt²⁵ point out, the key elements of a CRM program are customer trust and commitment. A relationship based on trust and commitment will be more fruitful, as customers will be more open to the company's requests, policies and communications as well as being more proactive and willing to cooperate.

Specifically, the review of the corporate mission, values and culture must influence customers' perceptions of the company's integrity, honesty and consistency. The goal is to improve relationship quality so that customers may see the company as a partner whom they can trust and who can be relied upon to add value.

The review of the CRM strategy and individual relationship-building activities must tend always in the same direction. Studies on the antecedents of trust and commitment point to factors such as shared values (goals, policies, behaviors), good communication among the parties, and the determination always to give the customer the benefit of the doubt and protect the customer's interests at all times.

If the review increases trust and commitment, a quality relationship between the company and its customers will ensue. But how exactly is this to be achieved? We believe that trust and commitment are built up through experience, gradually, after a sequence of transactions in which each side has had an opportunity to judge the other's motivational quality. Customers perceive that the company is not interested exclusively in short-term gains but intends to satisfy their real needs and contribute to their professional and personal development.

It is important not to forget that building customer relationships is a long-term process. Various authors²⁶ have pointed out that relations between a company and its customers change over the years and that the benefits of customer relationship management diminish as the relationship gets older. Specifically, trust and commitment wane and a "what have you done for me lately?" attitude²⁷ holds. Customers become more sensitive and start to feel that their trust in the company is misplaced and that the company has taken advantage of them.²⁸

These empirical studies confirm the need to continuously improve CRM strategies (ranging from the corporate mission, culture and values to the CRM software) and enhance relationship quality and long-term brand loyalty. If a CRM program is well-designed and well-implemented, it will strengthen customer loyalty; if not, it will have the opposite effect, destroying customers' trust in the company.

LITERATURE

1. Ang, L., Buttle, F.: Customer retention management processes: A quantitative study, **European Journal of Marketing**, Vol. 40, No. 1/2, 2006, pp. 83-99.
2. Bendoly, E., Blocher, J.D., Bretthauer, K.M., Krishnan, S., Venkataramanan, M.A.: Online/in-store integration and customer retention, **Journal of Service Research**, Vol. 7, No. 4, 2005, pp. 313-327.
3. Berry, L.L.: Emerging perspectives on services marketing, Proceedings of Services Marketing Conference, American Marketing Association Chicago, Editors: Berry, L.L., Shostack, L.G and Upah, G.D., 1983.
4. Berry, L.L., Parasuraman A.: **Marketing services**, The Free Press, New York, 1991.
5. Bourdieu, P.: **Le sens pratique**, Editions de Minuit, Paris, 1980.
6. Cardona, P., Rey, C.: **Dirección por misiones**, IESE Business School, Barcelona, 2005.
7. Crosby, L.A., Evans, K.A., Cowles D.: Relationship quality in services selling: An interpersonal influence perspective, **Journal of Marketing**, Vol. 54, No. 3, 1990, pp. 68-81.
8. Day, G.S., Van den Bulte, C.: Superiority in customer relationship management: consequences for competitive advantage and performance, Working paper, Wharton School of Business, University of Pennsylvania, 2002.
9. Dignan, L.: CRM: dream or nightmare?, available at <http://www.cnetnews.com>. (accessed on April 3rd, 2002).
10. Grayson, K., Ambler, T.: The dark side of long-term relationships in marketing services, **Journal of Marketing Research**, Vol. 36, No. 1, 1999, pp. 132-141.
11. Grönroos, C.: Relationship marketing: strategic and tactical implications, **Management Decision**, Vol. 34, No. 3, 1996, pp. 114-135.
12. Gruen, T., Summers, J., Acito, F.: Relationship marketing activities, commitment and membership behaviours in professional associations, **Journal of Marketing**, Vol. 64, No. 3, 2000, pp. 34-49.
13. Gummesson, E.: Making relationship marketing operational, **International Journal of Service Industry Management**, Vol. 5, No. 5, 1994, pp. 5-20.

14. Hennig-Thurau, T.: Relationship marketing success through investments in customers in Henning-Thurau, T., Hansen, U.: **Relationship marketing**, Springer Verlag, Berlin, 2000.
15. Hennig-Thurau, T., Klee, A.: The impact of customer satisfaction and relationship quality on customer retention: A critical Reassessment and Model Development, **Psychology and Marketing**, Vol. 14, No. 8, 1997, pp. 737-764.
16. Hibbard, J.D., Brunel, F.F., Dant, R.P., Iacobucci, D.: Does relationship marketing age well?, **Business Strategy Review**, Vol. 12, No. 4, 2001, pp. 29-35.
17. Hofstede, G.: **Cultures and organizations, intercultural cooperation and its importance for survival**, McGraw-Hill International, 1991.
18. Hunt, S.D.: **Foundations of marketing theory: toward a general theory of marketing**, M.E. Sharpe, Armonk, New York, 2002.
19. Mokyr, J.: **The gifts of Athena: Historical origins of the knowledge economy**, Princeton University Press, 2002.
20. Moorman, C., Zaltmant, G., Deshpandé, R.: Relationships between providers and users of market research: The dynamics of trust within and between organizations, **Journal of Marketing Research**, Vol. 29, No. 8, 1992, pp. 314-328.
21. Morgan, R.M., Hunt, S.D.: The commitment-trust theory of relationship marketing, **Journal of Marketing**, Vol. 5, No. 3, 1994, pp. 20-38.
22. Naudé, P., Buttle, F.: Assessing relationship quality, **Industrial Marketing Management**, Vol. 29, No. 4, 2000, pp. 351-361.
23. Palmer, A., Bejou, D.: Buyer-seller relationship: A conceptual model and empirical investigation, **Journal of Marketing Management**, Vol. 10, No. 6, 1994, pp. 495-512.
24. Payne, A., Frow, P.: A strategic framework for customer relationship management, **Journal of Marketing**, Vol. 69, No. 4, 2005, pp. 167-176.
25. Pin, J.R., Espinosa, J., López, L.: Aplicación de la dirección por valores en empresas españolas. Un sondeo empírico, Occasional Paper, No. 05/13, IESE Business School, Barcelona, 2005.
26. Reichheld, F.F., Teal, T.: **The loyalty-effect. The hidden force behind growth, profit and lasting value**, Harvard Business School Press, Boston, Massachusetts, 1996.
27. Renart, L.G., Cabré, C.: Claves del marketing relacional bien hecho, **Harvard Deusto Marketing & Ventas**, No. 70, 2005, pp. 6-19.
28. Renart, L.G., Berastegui, L., Parés, F.: Imaginarium, Business Case M -1178, IESE Business School, ebcenter PwC & IESE, Barcelona, 2004.
29. Roberts, K., Varki, S., Brodie, R.: Measuring the quality of relationships in consumer services: an empirical study, **European Journal of Marketing**, Vol. 37, No. 1/2, 2003, pp. 169-196.
30. Rokeach, M.: The role of values in public opinion research, **Public Opinion Quarterly**, Vol. 32, No. 4, 1991, pp. 547-559.
31. Selnes, F., Sallis, J.: Promoting relationship learning, **Journal of Marketing**, Vol. 67, No. 3, 2003, pp. 80-96.
32. Schein, E.H.: What you need to know about organizational culture, **Training and Development Journal**, Vol. 40, No. 1, 1986, pp. 30-34.
33. Sheth, J.N., Parvatiyar, A.: Evolving relationship marketing into a discipline, **Journal of Relationship Marketing**, Vol. 1, No. 1, 2002, pp. 3-16.
34. Sheth, J.N., Parvatiyar, A.: Relationship marketing in consumer markets: antecedents and consequences, **Journal of the Academy of Marketing Science**, Vol. 23, No. 4, 1995, pp. 255-271.

References

- ¹ For details, see Berry, L.L.: Emerging perspectives on services marketing, Proceedings of Services Marketing Conference, American Marketing Association Chicago, Editors: Berry, L.L., Shostack, L.G and Upah, G.D., 1983. and Sheth, J.N., Parvatiyar, A.: Evolving relationship marketing into a discipline, **Journal of Relationship Marketing**, Vol. 1, No. 1, 2002, pp. 3-16. Contributions can be found at: Berry, L.L., Parasuraman A.: **Marketing services**, The Free Press, New York, 1991; Gummesson, E.: Making relationship marketing operational, **International Journal of Service Industry Management**, Vol. 5, No. 5, 1994, pp. 5-20.; Morgan, R.M., Hunt, S.D.: The commitment-trust theory of relationship marketing, **Journal of Marketing**, Vol. 5, No. 3, 1994, pp. 20-38.; Sheth, J.N., Parvatiyar, A.: Relationship marketing in consumer markets: antecedents and consequences, **Journal of the Academy of Marketing Science**, Vol. 23, No. 4, 1995, pp. 255-271, and Grönroos, C.: Relationship marketing: strategic and tactical implications, **Management Decision**, Vol. 34, No. 3, 1996, pp. 114-135.
- ² Payne, A., Frow, P.: A strategic framework for customer relationship management, **Journal of Marketing**, Vol. 69, No. 4, 2005, pp. 167-176.
- ³ As reported in Day, G.S., Van den Bulte, C.: Superiority in customer relationship management: consequences for competitive advantage and performance, Working paper, Wharton School of Business, University of Pennsylvania, 2002 and in Dignan, L.: CRM: dream or nightmare?, available at <http://www.cnetnews.com>. (accessed on April 3rd, 2002).
- ⁴ Mokyry, J.: **The gifts of Athena: Historical origins of the knowledge economy**, Princeton University Press, 2002, pp. 4.
- ⁵ Ibid., pp. 13.
- ⁶ As proposed by Hunt, S.D.: **Foundations of marketing theory: toward a general theory of marketing**, M.E. Sharpe, Armonk, New York, 2002, pp. 24-25.
- ⁷ Personal interview with Lladró managers on May 23, 2006.
- ⁸ Renart, L., Cabré C.: Claves del marketing relacional bien hecho, **Harvard Deusto Marketing & Ventas**, No. 70, 2005, pp. 6-19
- ⁹ The eight stages of CRM are: identify; inform and attract; sell; serve; satisfy; build loyalty; develop; and create a user community.
- ¹⁰ Renart, L., Cabré C.: op. cit., pp. 6-19.
- ¹¹ For details, see Cardona, P., Rey C.: **Dirección por misiones**, IESE Business School, Barcelona, 2005.
- ¹² Schein, E.H.: What you need to know about organizational culture, **Training and Development Journal**, Vol. 40, No. 1, 1986, pp. 30-34.
- ¹³ For details, see Hofstede, G.: **Cultures and organizations, intercultural cooperation and its importance for survival**, McGraw-Hill International, 1991.
- ¹⁴ For more details, see Bourdieu, P.: **Le sens pratique**, Editions de Minuit, Paris, 1980.
- ¹⁵ In Rokeach, M.: The role of values in public opinion research, **Public Opinion Quarterly**, Vol. 32, No. 4, 1991, pp. 547-559.
- ¹⁶ Pin, J.R., Espinosa, J., López, L.: Aplicación de la dirección por valores en empresas españolas. Un sondeo empírico, Occasional Paper, No. 05/13, IESE Business School, Barcelona, 2005.
- ¹⁷ Both, eight "Values for a better society" and five "Development values" can be found on Imaginarium website: <http://www.imaginarium.es>. For more details on improving the mission, culture and values at Imaginarium

company see: Renart, L.G., Berastegui, L., Parés, F.: Imaginarium, Business Case M - 1178, IESE Business School, ebcenter PwC & IESE, 2004.

- ¹⁸ For details see Reichheld, F., Teal. T.: **The loyalty-effect. The hidden force behind growth, profit and lasting value**, Harvard Business School Press, Boston, Massachusetts, 1996.
- ¹⁹ Bendoly, E., Blocher, J.D., Bretthauer, K.M., Krishnan, S., Venkataramanan, M.A.: Online/in-store integration and customer retention, **Journal of Service Research**, Vol. 7, No. 4, 2005, pp. 313-327.
- ²⁰ Ang, L., Buttle, F.: Customer retention management processes: A quantitative study, **European Journal of Marketing**, Vol. 40, No. 1/2, 2006, pp. 83-99.
- ²¹ For more details, see: Crosby, L.A., Evans, K.A., Cowles D.: Relationship quality in services selling: An interpersonal influence perspective, **Journal of Marketing**, Vol. 54, No. 3, 1990, pp. 68-81.; Palmer, A., Bejou, D.: Buyer-seller relationship: A conceptual model and empirical investigation, **Journal of Marketing Management**, Vol. 10, No. 6, 1994, pp. 495-512.; Hennig-Thurau, T.: Relationship marketing success through investments in customers, in Henning-Thurau, T., Hansen, U.: **Relationship marketing**, Springer Verlag, Berlin, 2000; Naudé, P., Buttle, F.: Assessing relationship quality, **Industrial Marketing Management**, Vol. 29, No. 4, 2000, pp. 351-361. and Roberts, K., Varki, S., Brodie, R.: Measuring the quality of relationships in consumer services: an empirical study, **European Journal of Marketing**, Vol. 37, No. 1/2, 2003, pp. 169-196.
- ²² Morgan, R.M., Hunt, S.D.: op. cit., pp. 20-38.
- ²³ Moorman, C., Zaltmant, G., Deshpandé, R.: Relationships between providers and users of market research: The dynamics of trust within and between organizations, **Journal of Marketing Research**, Vol. 29, No. 8, 1992, pp. 314-328.
- ²⁴ Hennig-Thurau, T., Klee, A.: The impact of customer satisfaction and relationship quality on customer retention: A critical Reassessment and Model Development, **Psychology and Marketing**, Vol. 14, No. 8, 1997, pp. 737-764.
- ²⁵ Morgan, R.M., Hunt, S.D.: op. cit., pp. 20-38.
- ²⁶ For example, in: Gruen, T., Summers, J., Acito, F.: Relationship marketing activities, commitment and membership behaviours in professional associations, **Journal of Marketing**, Vol. 64, No. 3, 2000, pp. 34-49.; Grayson, K., Ambler, T.: The dark side of long-term relationships in marketing services, **Journal of Marketing Research**, Vol. 36, No. 1, 1999, pp. 132-141.; Hibbard, J.D., Brunel, F.F., Dant, R.P., Iacobucci, D.: Does relationship marketing age well?, **Business Strategy Review**, Vol. 12, No. 4, 2001, pp. 29-35.; Selnes, F., Sallis, J.: Promoting relationship learning, **Journal of Marketing**, Vol. 67, No. 3, 2003, pp. 80-96.
- ²⁷ For details, see Gruen, T., Summers, J., Acito, F.: op. cit., pp. 34-49.
- ²⁸ For details, see Grayson, K., Ambler, T.: op. cit., 132-141.

Remark:

This paper presents an abbreviated and amended version of the Renart, L.G., Cabré, C.: How to improve a CRM Strategy, IESE Working paper WP No. 690, May 2007. The full text of the working paper (Documento de Investigación DI 690-E) in Spanish and English is available on the IESE website <http://www.iese.edu>. Revised and published with permission of the IESE Business School – University of Navarra, Spain.