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The Customer Relationship Management Paradox: Five Steps to Creating a Fairer Organisation

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Abstract

Purpose Favouritism of customers reveals great benefits, as focusing on the most profitable customers ensures better use of marketing resources. Scholars suggest, however, that such favouritism imposes a danger to customer management, potentially creating perceptions of discrimination. We explore the fairness of differential customer management practices and propose a framework contributing to fairer marketing practices with implications for social businesses.

Design/methodology/approach We critically review the literatures on perceptions of fairness and evaluate the customer relationship management (CRM) paradox.

Findings Within our framework, we identify four stages towards fairer customer management practices: (1) generating *awareness and diagnosing problems*, (2) *managing targeted and non-targeted customers*, (3) creating *emphasis on positive inferences and goodwill*, and (4) promoting *morality in marketing.*

Implications Our study provides important implications for the current customer management paradigm. The framework assists firms in incorporating fairness issues in their marketing schemes, improving the wellbeing of both customers and society alike. With increased fairness, all stakeholders will benefit. This, in turn, encourages more 'compassionate management,' thus we propose that social businesses should be, if not already, managed around compassion. Implications affect both organisations aspiring to become a social business, as well as those that are already engaging in social business activities.

Contribution We suggest that the CRM paradox may lead to unfairness, potentially damaging firms' reputations or erode brand equity. This paper critically reviews related literatures to suggest best practices for overcoming these dangers in a framework involving four phases, and presents an action program comprised of five steps for practitioners to practice fairer customer management.

Keywords: Customer management, relationships, social business, fairness, marketing, differential treatment, paradox.

Introduction

Is it possible to call all marketing practitioners of the future before the members of a Marketing Council to take the oath prior to calling themselves Marketers? It will be equivalent to being sworn to office for public administration, or admitted to the Bar to become an Attorney. Were only those legally qualified practitioners allowed to practice marketing management, more consumer fairness and trust would be evident (Lindgreen *et al.*, 2012). Alas, the facts illustrate a different picture: ethical issues abound regarding collection, monitoring, storage, and the mishandling of marketing information (Deighton, 2005); perceptions of discrimination are rampant as certain profitable customers are favoured over others (Frow *et al.*, 2011). For the managers who deal with customers on a daily basis, it is a well-known and accepted practice to treat some customers differently than others, without deeming it as discrimination. In a natural effort to invest in developing customer relationships (e.g. Boulding *et al.*, 2005), firms favour certain groups over others based on what they learn about their customers and corresponding profitability (Dibb & Meadows, 2004). This practice of prioritising certain important customers is known to result in more efficient use of marketing resources (Payne, Storbacka, & Frow, 2009), and provide benefits such as improved prospects for better meeting customers' needs, increased interaction, and more intimate relationships (Nguyen & Mutum, 2012).

However, the question remains: are those managers truly aware of and appreciate the consequences of such a strategy? Scholars suggest that such customer favouritism may lead to unfairness perceptions by those deprived of such favouritism (e.g. Boulding, Staelin, Ehret & Johnston, 2005). It has been well researched and known that unequal distribution of outcomes and differential treatments provoke perceptions of unfairness (Frow *et al*., 2011). Although the initial intentions of treating customers differently was to build and strengthen the relationship with each customer in unique ways, the end result may alienate other customers and weaken relationships with them precisely because of the differential treatment. This is what we label as the customer relationship management (CRM) paradox. For list of case examples, refer to Appendix A.

The purpose of this paper is to present ways to overcome the customer relationship management paradox and to provide managers with a framework for fairer marketing practices. We suggest an imperative link between increased fairness and efforts in building a social business, and present implications for social businesses to avoid the CRM paradox. According to Yunus (2014), a social business is defined as a cause-driven business that is financially sustainable and mission-oriented. The success of the business is not measured by the amount of profit made in a given period, but the impact of the business on people or the environment. Examples of social objectives include: healthcare or housing for the poor, financial services for the disadvantaged, nutrition for malnourished children, safe drinking water, renewable energy, etc. In short, social businesses are non-loss, non-dividend companies created to solve social or environmental problems (Yunus, 2014). If managers do not consider issues of fairness in social businesses, it will inevitably lead to increased distrust, calling for tighter regulation and further control, employed by laws and directives (Gershoff *et al.*, 2012). However, if managers are fully aware of the potentially negative consequences of unfairness and the CRM paradox, and further, take caution to mitigate them, we argue that CRM paradox does not always have to manifest, as seen in the airline industry (Nguyen & Simkin, 2013), thus benefitting both businesses and customers alike.

Thus, we present a conceptual framework, incorporating fairness into the dimensions of the CRM paradox. As much as it is crucial to consider issues of resulting unfairness and distrust, it is necessary to examine how they may impact the way consumers are perceiving similarities or differences in offerings in order to alleviate perceptions of unfairness (Gershoff *et al.*, 2012). Our findings are consistent with the implementation of successful marketing schemes, namely CRM, social marketing and CSR. Our framework will assist firms to consider fairness issues in their organisation and improve the social wellbeing of customers, stakeholders and the broader markets. With increased fairness, all stakeholders will benefit. This, in turn, encourages more 'compassionate management' (George, 2014), thus we propose that social businesses should be, if not already, managed around fairness and compassion.

We structure our paper as follows: First, we present a brief review of the literatures on CRM and fairness. Next, we discuss the dimensions of the CRM paradox. Subsequently, we discuss the managerial implications and present five steps for managing the CRM paradox. In our concluding section, we add final comments and give directions for further research.

Literature Review and Theoretical Framing

The idea that revolutionised marketing is that firms should focus on meeting and fulfilling customer needs rather than merely selling (e.g. Boulding *et al*., 2005). Attempts to meet customer needs mandate firms to prioritise creation of superior value (Luo *et al*., 2012). For social businesses, focusing and targeting on the needs of the disadvantaged are essential in understanding further their basic needs and requirements to improve their well-being. It becomes crucial how marketers can tailor and personalise offerings for the individual customer, ensuring their needs are met through value-added offerings and brand-related activities (Melnyk & Osselaer, 2012). Throughout the past several decades, marketers have pursued this relational approach in an effort to develop competencies across both non-profit and for-profit contexts. Examples of this effort include providing customised solutions to individual customers, most notably in segmentation (Dibb & Simkin, 2009) and relationship building schemes such as CRM (Nguyen & Mutum, 2012) and customer experiences (Klaus & Maklan, 2012). As an example, consider smartphone applications and other cellular devices that connect customers with their vendors, facilitating not only the purchase process, but also the collection of consumer behavioural data (Klaus & Nguyen, 2013). Via advanced technologies to track customers' past behaviours, firms can easily direct their marketing efforts and attention to customers who are expected to yield the most profit over their customer-lifetime. Marketers will select the customers they want to serve, favour those who are most profitable, and neglect customers who do not fit their targeting criteria (Cao & Gruca, 2005). This practice is increasingly accelerated by the speed of the development in technologies dealing with big data is remarkable. These technologies, with increased customer monitoring, enable production of offerings that no longer follow any particular standard pricing framework, but rather determined by the individual situation and person (Nguyen & Mutum, 2012). This kind of marketing is truly micromarketing at its best: on a one-to-one basis (Peppers & Rogers, 2012). One may argue that such practices of individual marketing constitute the ideal in marketing.

The ideal has a dark side, however. A growing stream of research is dedicated to the ‘dark side’ of CRM and marketing, of which favouritism is a main concept (Frow et al., 2011) and the CRM paradox is suggested to be one of the dimensions (Nguyen, 2011). The dark sides of CRM have a different perspective to consider, linking both issues of favouritism and customer monitoring. While a CRM strategy traditionally advocates building relationships as a way to increase customer retention (Gustafsson et al., 2005) and to enhance a win-win situation (Bhattacharya & Sen, 2003), it is lopsided in reality: organisations’ ‘winnings’ are increasing with CRM, whereas the customer’s ‘win’ remains little changed (Boulding et al., 2005). This can be attributed to the extensive development of various CRM applications, creating more value for the organisation, and leaving the customer with less value or benefit (Lusch et al., 2010). In other words, with current technological tools, the organisation has learnt more and more about the customer, enabling it to take a bigger piece of the created value (Payne and Frow, 2005). It seems that building customer-firm relationships has created a skewed development primarily for the marketer’s benefit, secondarily for the profitable consumers, but at the expense of sacrificing the well-being of the consumers who are deemed less profitable.

We must address fundamental issues in the search for individualised treatment in pursuit of satisfaction. Despite the advantages of a strategy that favour one customer over another (Fournier, 1998; Frow & Payne, 2009), such practices may lead to discrimination of customers (Bolton & Alba, 2006). By targeting and favouring certain customers over others, firms appeal to one group, and end up neglecting another. Such favouritism and differential treatment of customers may cause perceptions of unfairness (Bolton *et al*., 2003), resulting in buyers opting out of relationships with the firm (Dwyer *et al*., 1987), spreading negative word-of-mouth information (Xia, Monroe, & Cox 2004), or engaging in misbehaviour that may damage the firm (Gregoire & Fisher, 2008). For social businesses, such favouritism towards one group of people, while being executed with compassion in mind, may cause disapproval among other groups for instance in a separate geographical location or others with, according to them, more pressing issues. The favoured and non-favoured customers have different perceptions towards various marketing schemes, and these customers develop their unfairness based on comparative standards of what they feel that they were entitled to at the time of purchase (Nguyen & Simkin, 2013). We term this issue of favouritism as the Customer Relationship Management Paradox (hereafter referred to as CRM Paradox) and define it as, "the contradictory concept of treating customers individually to achieve satisfaction of their needs, which may imply differential treatment for each customer, that can be perceived as unfair spurred by inequitable outcomes resulting from the differential customer treatment." In order to investigate how to develop fairer marketing approaches and overcome CRM Paradox, we next explain how fairness is determined.

Perceptions of Fairness

Researchers define fairness as *"a judgement of whether an outcome and/or the process to reach an outcome is reasonable, acceptable, or just"* (Bolton *et al*., 2003:474). Fairness is a must for enhancing relationship quality between buyers and sellers (Oliver & Swan, 1989) and acts as an antecedent of trust (Morgan & Hunt, 1994), increasing the potential for creating cross-sales, up-selling, increased profits, and a long-term relationship (Ernst *et al*., 2011). We propose that, for social businesses, fairness should be managed more systematically in order to develop procedures in line for fairer distribution of offerings and improve customers' well-being in the process. We propose that fairness is the potential ‘trigger’ for for-profit organisations to become and act more like a social business, in which profit-maximisation is not the end-game, but rather that all stakeholders will benefit, to truly create the ‘win-win’ situation.

One of the main theories that investigated fairness perceptions of consumers is equity theory (e.g. Adams, 1965; Homans, 1961). Equity theory states that individuals in social exchange relationships compare each other the ratios of their inputs into the exchange to their outcomes from the exchange. Inequity exists when those ratios are psychologically inconsistent with the counterpart of a referent (Huppertz *et al.*, 1978). For example, a customer may feel that s/he has not received enough promotional deals, compared to the amount of time and money spent with a particular retailer. The customer therefore feels the inequity in the ratio of input versus output, and may feel unfairly treated as a result (Haws & Bearden, 2006). It is analogous to how a first class traveller may expect to receive better meals, more space and an overall better experience, because of the high price he/she paid. If these expectations are not fulfilled compared to those travelling business or economy class, or with the last visit, there will be inclined perceptions of unfairness.

Consumers utilise various factors to arrive at fairness, including: (a) characteristics of social comparison referents, or other customers whose outcomes are being compared with their own outcome, (b) consistency with past history, especially, the similarity of the previous transaction with the current one, (c) attributions regarding the responsible party for any given change in the current purchase situation, and (4) general social norms and beliefs. These are briefly presented next:

1. Characteristics of social comparison referents. Segmentation, one of the major pillars in marketing, has been feasible with understandable rationale behind differential treatments or pricing. Senior citizens or students receiving discounted offers have not produced resentment or unfairness perceptions, as the characteristics of those consumers explicably differ from others.

2. Similarity of the previous transaction with the current one. When the degree of similarity between current and past transactions is relatively high, buyers consider themselves entitled to the same outcome as before. Thus, if a transaction remains relatively similar to the past transaction except for one element, for example the price, it is likely for consumers to perceive unfairness (Martín-Ruiz & Rondan-Cataluña, 2008). In contrast, when the degree of similarity between transactions is low, the dissimilarity may mitigate the different outcomes, and lessens perceptions of unfairness (Campbell, 1999; Rondan-Cataluña & Martin-Ruiz, 2011). Not all transactions are equal. First, these transactions occur at different points in time; second, it may involve different brand names or different models of the same base product; third, there may be issues of the distribution channel, i.e. whether bought at department store or discount store; different terms will be involved in different transactions; and, finally, whether there were any different service providers involved in the transaction (Xia *et al*., 2004). All these elements contribute to the calculation of the degree of similarity of a particular transaction with a past one. Because we must take into account the natural passage of time, all of these features of a transaction make it different each time, and thus renders expectation of the same outcome difficult, if not impossible. Thus, if any of these vary, there is a chance it will serve as an explanation for the different outcomes and alleviate perceptions of unfairness.

3. The attributions as to who is responsible for a sudden change in the purchase situation. People are motivated to seek attributions when they perceive the inequality is to their disadvantage. According to attribution theory (Weiner, 1985), customers may infer or process possible causes for the given disadvantage, and make attributions as to who or what is responsible for a particular discrepancy (such as a price increase). Expectancies people hold for certain situations (Helson, 1948) change due to causal ascriptions being made about the outcomes. Perceived causes share common properties of locus, stability, controllability, and intentionality and globality. If the reasons why one consumer was given a certain outcome versus another can be explained with any of these properties, then it is less likely for perceptions of unfairness to be formed. For example, the sellers' cost structure is crucial when buyers assess whether a price or an increase in a price is fair. Insufficient explanation often leads to a perception of unfairness (Johnson *et al*., 2009). An increase in price without a corresponding increase in the sellers' costs is perceived to be unfair, if it is seen as an act of intentional and excessive exploitation of either an increase in demand or a scarcity of supplies (Oh, 2000). On one hand, buyers perceive more unfairness if they perceive that the seller profits beyond the entitled profit, such as gouging. An unavoidable increase in cost structure resulting in higher prices, on the other hand, may seem acceptable (Kahneman & Knetch, 1986).

4. General social norms and beliefs. Consumers incorporate their general knowledge about the marketplace to judge fairness at an aggregate level considering multiple dimensions (Xia *et al*., 2004). Consumers may trust and enlist help from their own belief systems (such as Just World Beliefs) to fine tune fairness judgements (Maxwell, 1999). The meta-knowledge about the marketplace is based upon buying experiences as well as the general flow of information, and guides customers' fairness judgements, regardless of its accuracy (Xia *et al*., 2004). For example, a customer may claim that a price is unfair without a particular reference. It is possible for him or her to base that claim on the general perceptions of granting lower price or discount to those in need. In many colleges, scholarships are given in two different forms: need or merit. As the societal norm endorses supporting need-based scholarships, one may not perceive unfairness when one student from limited income family receives larger scholarship than another student from wealthier family.

The Role of Social Media and Increased Transparency

The CRM paradox implies that firms' attempts to customise individual services, in order to build strong relationships with customers may backfire and produce a discriminative result where one customer receives better treatment than another. These are the same inequality mechanisms, which may lead to perceptions of unfairness (Campbell, 2007). Public relations experts attest that Amazon's test use of dynamic pricing was a nightmare for the organisation. Consumers quickly exposed Amazon's controversial practice of selling the same DVD movies for different prices to different customers (Adamy, 2001). With such unexpected discovery, consumers were extremely displeased with Amazon's attempt to implement a new differential pricing structure. Consumer perceptions of such unfairness eventually prompted the firm to terminate the trial. Internet discussion boards were inundated with complaints; negative word-of-mouth was widespread, severely damaging its brand reputation (Cox, 2001). As Feinberg *et al*. (2002) put it: *"Few things stir up a consumer revolt quicker than the notion that someone else is getting a better deal. That's a lesson Amazon.com has just learned"* (pg. 277). In this case, unfairness was evident because this differential pricing strategy and tracking methods were seen as a violation of society norms.

The idea that someone else is getting a better treatment on the same offer can raise eyebrows and evoke unfairness and dissatisfaction (Feinberg *et al*., 2002; Smith *et al*., 1999). Nevertheless, this is no different from the foundations of CRM, namely, the assertion that individual customers have varying needs, and therefore want different products and services with different prices, different distributional modes, and different means of promotion. All of these discussions indicate that, long-term failures may befall on firms if they condone inappropriate and incomplete use of CRM without due diligence on the firm's part to investigate the possibility of angering customers of differential treatment (Boulding *et al*., 2005). While there are no further publicly known details to the Amazon case, other than the fact that they had to close their discriminatory pricing and apologise, we can only assume that there was also damage to the sales/profit. Certainly, customers would be more suspicious – if not sceptical – of buying online and dealing with Amazon for some time into the future. The worst-case scenario for Amazon would be customers leaving the firm altogether because of the distrust they developed. Fortunately Amazon did not suffer much from it and recovered, although extant literature in unfairness demonstrated the linkage between fairness perceptions and repurchase intentions (e.g. Campbell, 1999).

In order to understand how to manage the CRM paradox, it is essential to understand the concept of transparency. We are indeed moving towards a more perfect and transparent market place. Given the increasing use of social networking sites, various Internet fora, blogs, comparison websites, etc., there exists more transparency in vendors' various offerings (Kim & Ko, 2012) and how offerings are manufactured (Gershoff et al. 2011). As a result, customers have countless number of comparative referents and abundance of information, potentially leading to more perceptions of unfairness. The use of social media and mobile technologies through Facebook, Twitter and YouTube has been an increasingly effective way for firms to learn more about their customers and facilitating interactions with them based on that knowledge base (Kaplan & Haenlein, 2010). At the same time, the same kinds of social media and the Internet have revolutionised consumers to learn more about the market in general and about particular firms. Furthermore, consumers do not keep their knowledge private. Just as much as customers are sharing their deals and positive shopping experiences with their friends and families on social media websites, they share negative experiences and opinions as well. Some information often shared in the social media landscape includes consumers' displeasure with how they have been poorly treated by certain firms, which damages firms' brand reputation (Quinton & Harridge-March, 2010).

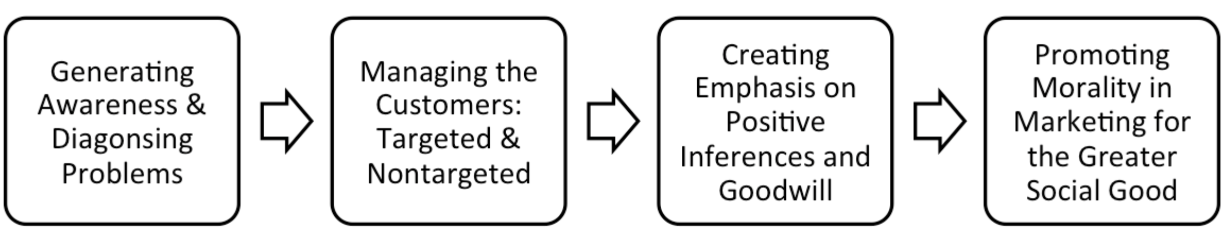
Managerial Implications

Consumer perceptions of fairness constitute one of the most important aspects in a lasting customer relationship (Lee-Wingate, 2011) and lead to desirable marketing outcomes (Oliver 1997). The inclusion of fairness into management may be suggested to be a precursor - and lead - to a more compassionate form of management (George, 2014), which is essential for social businesses. Fairness is thus crucial for organisations that are in transition towards becoming a social business as well as those aiming to achieve a higher form of management for the greater social good. Today's environment fosters an increasingly intimate relationship between the firm and customers, and firms need to detect every action a customer takes (Pine, 1993). In that process of managing the abundance of customer data in the name of segmentation, it becomes crucial and inevitable for the firms to carefully consider adapting fairer approaches. When attempting to customise customer management practices, managers identify customer risk-profiles and customer profit profiles (Ryals, 2005); however, they should further consider elements that benefits the greater social good rather than profits. The economic downturn has proved that at any given time, when one party takes any opportunity to take advantage over another group the outcome can be devastating. Rather, elements such as reason, just, trust and fairness should be imposed in any business situation, permeating the full demeanour with which customers are handled and treated (Michell *et al*., 1998).

We are not advising that firms abandon the ideas of individualised relationships and customer monitoring, or stop learning about different customer needs. Instead, we caution managers with the potential for such unfairness resulting from their customer strategies. We ask managers to consider how they can mitigate that negative consequence, in order to be perceived as a fairer and trustworthier organisation. Although difficult at many levels, it is important for the firms to occupy a positive space in their customers' minds. The main focus should be given to minimising the misuse (or over-use) of CRM tools and make management decisions to maintain and enhance relationships for long-term success. The most important lessons come from examining the relevant factors influencing the formation of consumer perceptions of fairness, as discussed before. For example, marketers need to consider what kinds of social comparison referents are available, given the background information of each customer profile. It may be key to ensure that the peer members of referent groups of each customer receive similar treatment at the minimum. Another way to lessen potential occurrences of unfairness is to emphasise how each transaction or encounter is unique and cannot be compared with past ones. Perhaps most important is about communication to manage consumer attribution. Firms must overtly and repeatedly communicate every justifiable reason behind potentially discriminatory actions or treatments. Particularly, any reasons conforming to the general societal norms and expectations should be even strongly underscored. Implementing such fairer practices accompanying CRM schemes will undoubtedly determine success of firms in today's environment.

In the next section, we identify and delineate four stages in our framework to overcome the CRM paradox, useful for firms that may be working towards becoming a social business. It starts with creating awareness about unfairness issues, diagnosing the problems and reversing them, managing both targeted and non-targeted customers, emphasising positive aspect of communication, and finally managing social business aspect of marketing ethics and social responsibility. Figure 1 illustrates the framework.

Figure 1: Framework of four stages to overcome the CRM paradox



Generating Awareness and Diagnosing Problems

The first stage underscores the importance of generating awareness and correctly diagnosing problems relevant to the CRM paradox. We suggest that firms must enhance awareness of unfairness issues throughout the organisations so that managers can deploy a fairer approach to their marketing efforts, including those of CRM practices. This will help firms minimise costly mistakes, and provide support to the managers with collegial context to better focus their resources, allocating the right efforts to the right customer groups (Krasnikov *et al*., 2009), yet with better focus on consumer perceptions of fairness. It should be recognised that fairness is just as important as any other fundamental marketing considerations in the organisation, if not more. A viable way to achieve a sustainable competency may arise from creating a fair marketing management strategy. Such practices have been already evidenced to assist in the CSR-oriented organisation (Groves & LaRocca, 2011).

During this phase, common problems arise in finding adequate ways to stimulate managers' attention and ensuring that s/he understands that fairness issues are of the utmost importance. This does not have to be insurmountable. Customers often associate issues of unfairness with exploitation, which links with unethical behaviour (Groves & LaRocca, 2011). For chief marketing officers or chief executive officers who deal with the overall brand perception or reputation, it is essential that they ultimately manage such negative associations with their brand or organisation. Ignoring a bad reputation is the poorest practice. Thus, managers must take action on the existence of the unfairness problem that may potentially plague firms because of the CRM paradox.

In this day and age of corporate social responsibility, the understanding of consumer perceptions of unfairness is becoming more vital. The existence of the unfairness problem is beyond those of favouritism of customers and is part of the 'dark sides of CRM,' as discussed in the prior section. These dark side or unfair practices include: neglecting the relationship, financial exploitation, dishonesty, information misuse and deception, and others (Frow *et al*., 2011). Consumer perceptions of unfairness transcend as a measure of negative customer perceptions. We recommend that customers' (un)fairness perceptions be measured as part of the overall customer management success (e.g. Lehmann, 2004). We highlight the need to minimise the misuse of CRM and provide the knowledge required to make management decisions to maintain and enhance relationships for long-term success (Fan & Ku, 2010).

Managing the Customers: Targeted and Non-Targeted

The second stage requires an understanding of the needs and managing the expectations of the key groups of customers. Managers dealing with customer management must distinguish between the two groups of customers with feelings of inequality, namely the targeted (favoured) and non-targeted (non-favoured). This practice allows managers to identify the group, which needs more attention and to take appropriate action in order to retain those customers and to keep their customers loyal (Verhoef, 2003). While it may be fairest to treat both customer groups the same, managers must make efforts to consider and incorporate issues of fairness in their targeting strategies (Feinberg *et al*., 2002). It will minimise the perceived unfairness potentially resulting from any differential treatment of customers (Kumar *et al*., 1995) and give the manager a head start in creating a strategy to reduce the feelings of unfairness. While CRM can be a cause for inciting unfairness perceptions as well as preventing unfairness, research has shown that some CRM offerings exert more influence than others (Nguyen *et al*., 2012). It is due to the fact that the targeted and non-targeted differ in their perceptions of the relative influence of the CRM offerings. For the non-targeted customers, price is found to be of the highest concern, whereas for the targeted customers, service quality and communication are found most influential (Nguyen & Simkin, 2013). Table 1 outlines the differences between the two groups.

Table 1: Differences between favoured and non-favoured customers

Favoured	**Nonfavoured**
• The favoured are more interested in service and in establishing a dialogue with their provider. • More relationship-oriented. • Regarded as a profit-profile. • Have positive inferences. • Tend to have increased loyalty, satisfaction and positive word of mouth.	• The non-favoured tend to be more interested in price, discounts, and offers. • More transaction-oriented. • Regarded as a risk-profile • Have negative inferences about the firm. • Tend to have increased complaints, dissatisfaction, switching behaviour, negative word of mouth.

Table 1 assumes that favoured customers equate to profitable customers, but the reason for the distinction between favoured as a profitable profile and non-favoured as a risk-profile can only be determined by the individual firms and how well their CRM systems are. Common assumption is based on the norm that profitable customers will be favoured over the non-profitable. Similarly, a group of customers is classified as non-favoured, then it usually indicates that they receive less attention than the other group, because they have been identified to fit the risk-profile (i.e. a customer imposes a risk to the firm). Using 'inferences' to distinguish the two groups is explained by the role of attributions and the fundamental nature of relationships (Campbell, 1999). The favoured customers generate *positive inferences* because they are in an advantaged situation (Wright, 1986). They are in a beneficial position having experienced benefits through communicating with their suppliers (Payne *et al*., 2009). They subsequently recognise the benefits of having a healthy dialogue with their supplier and will, therefore, be inclined to have more positive inferences towards the firm (Piercy, 2009). In contrast, the non-favoured customer will tend to generate *negative inferences* because they are usually in a disadvantaged situation and may have feelings of disappointment from their supplier's unfair treatment. They may be more reluctant and sensitive to obtaining more service from the provider, due to being treated unfairly and experiencing dissatisfaction (Vargo, 2009). They generate negative inferences because they already do not want to continue relationships with that provider.

This phase further requires the understanding as to how the differences between the two groups can be addressed. Typically, a CRM system (e.g. customer data base system such as Oracle, Microsoft Dynamics, etc.) automatically detects the targeted versus non-targeted customers. The automation depends on the initial values the firm inputs when dividing the customer groups into smaller segments (Lewis, 2005). For instance, the firm may want to divide customers into profitable vs. non-profitable, valuable vs. non-valuable, loyal vs. non- or less-loyal customers, etc., and different cutoffs on various factors on which consumer information had been collected. In pragmatic terms, a firm's customer base is often divided according to a specified set of criteria determined on an individual basis. In accordance with the rest of the organisation, inputs from the senior level management are required in order to formulate the criteria to identify the targeted and non-targeted. The knowledge in this stage will provide a direction in developing applicable marketing efforts, which can enhance customer relationships, and can be translated into actionable managerial systems for the benefit of firm (De Wulf & Iacobucci, 2001).

Creating Emphasis on Positive Inferences and Goodwill

The third stage requires probing into the customer's behavioural traits and understanding how they react to CRM. For example, studies show that some customers will attempt to keep their data private, or distort their data because they believe that firms typically exploit their data (Deighton, 2005). This sort of behaviour may erode trust in a firm's activities (Morgan & Hunt, 1994), cause dissatisfaction (Bolton & Lemon, 1999), and deprive firms of potential key advantages. Firms need to recognise this consequence and realise the importance of monitoring and managing customer perceptions of trust and fairness (Selnes, 1998). It is vital because issues of fairness and trust are closely tied to a customer's willingness to provide his or her behavioural data and satisfaction with the ensuing relationship (Raithel *et al*., 2012).

Marketers must strategically manage latent influencers of unfairness, including negative inferences that consumers make (e.g. Lewis, 2005). Managing negative inferences should be incorporated in any relationship-enhancing programmes, given the issues of opportunistic behaviour and lack of transparency. Firms must consider and incorporate these two concerns in developing a fairer CRM strategy, as they exert a direct impact on how customers perceive unfairness. Once consumers draw inferences regarding probable existence of opportunistic behaviour, (defined as: *the practice of looking for and using opportunities to gain an advantage for oneself, without considering if this is fair or right (*Nguyen, 2011)), or suspect possible lack of transparency, customers are more likely to form negative perceptions of a firm and deter firms from executing best practices (e.g. Bull & Adam, 2011; Homburg *et al.*, 2005; Xia *et al*., 2004). A lack of transparency results in customers becoming sceptical about what a firm will do after it collects their data. If customers believe that their data are used by firms for purposes of exploiting them, they will be less inclined to disclose information, and even attempt to keep their data private, or only provide partially complete or incorrect data. Not surprisingly, consumer inferences about a lack of transparency weaken CRM activities and reduce effectiveness.

Transparency works for both sides. Customers can easily compare offerings on the Internet, and firms can easily track a customer's behaviour and adjust prices. Just as easily for a price conscious customer to find a low price on the Internet, a firm can find a customer who is willing to pay a higher price. Therefore, we recognise that inferences about a lack of transparency are essential to managing and, in some cases, controlling damage. In an online context, transparency represents the trust between two parties in an exchange, and therefore a crucial element in customer relationship management (Srinivasan & Moorman, 2005). It gives the customer the freedom to readily access a plethora of information, based on which they make decisions on what to purchase (Ryals & Payne, 2001). Market transparency goes beyond the information search; market transparency is an essential element as one of the theoretical foundations required for an efficient free market (Srivastava *et al*., 1998). Problems are evidenced with a lack of transparency. For example, Amazon's failure to unequivocally explain their dynamic pricing strategy led to customer revolt. The firm's public relations programme was defensive at best when it stated that it only was testing customers' willingness to pay more. However, if Amazon had been better at communicating its scheme to pursue transparency from the get-go, it could have built goodwill with the customers instead and avoided the outrage.

Improving transparency and communication helps a firm work towards preventing unfairness (Campbell, 1999). When managers consciously make a direct effort in this regard, it shows that the firm is sensitive about fairness concerns and taking precautions to prevent unfair treatment of customers. Building goodwill in these ways will significantly improve the firms' competitive edge, as it signals credibility of the firm (Thomas & Sullivan, 2005), to encourage positive inferences towards the firm while diminishing negative inferences (Cox, 2001).

So far, we have made it clear that a firm needs to rethink and develop fairer approaches, to overcome the CRM paradox. Consider this instance where a firm chooses to categorise its customers into expert and non-expert groups (Lo *et al*., 2007). Studies show that perceptions of unfairness will not be evident if the non-targeted customers perceive justifiable reasons why the targeted customers should receive better treatment, such as being better judges or experts of a certain product or service (e.g. Nguyen *et al*., 2012). Clearly communicating these rationales that explain different treatments is the key to developing fairer approaches in CRM. Other reasons can be given, for example, level of interest or involvement. In other words, if a non-targeted customer perceives the other group as being more interested in the retailers' services or simply more involved, favouring towards this group is not considered as unfair. Additionally, a firm can utilise transparency in marketing practices; for example, a firm may choose to allow certain days have a different pricing and offer scheme, such as a 10% on every Monday, and promote it without any discriminatory aspects. This way, customers will not perceive differential marketing tactics to correspond with specific groups of customers. It then becomes acceptable from a fairness point of view, as all customers were offered the same deal on that day.

As outlined previously, it is imperative to consider consumer inferences for opportunistic behaviour and transparency for whichever the CRM schemes that are being developed (Campbell, 2007). The task is to generate *positive* inferences in the firm's offerings and decrease negative inferences about how firm's intentionality conform to opportunistic behaviours or lack transparency. The discerning consumers will ultimately select the fairer firm with whom to build lasting relationships.

Promoting Morality in Marketing

The fourth stage underscores the need for the higher management to link with higher level of philosophical thinking, and to permeate the organisation with a social and ethical proposition. At fundamental levels, we can observe several similarities in causes of the current financial crises and the issues of the CRM paradox and unfairness. The common denominator for the financial crisis and unfair CRM practices is managers' misbehaviours, including unethical and unfair conduct. Sub-prime mortgage lending meant creating loans for people who had difficulty maintaining their repayment schedule (Dibb & Simkin, 2009). These loans were characterised by higher interest rates and less favourable terms in order to compensate for higher credit risk. From the outset, problems were apparent. Had there been a stronger emphasis on fairness, integrity, and good morals, such unethical practices may have been avoided. We suggest that firms must take initiative to incorporate fairer approaches to marketing and customer management, which will keep the firms in the right track, away from unfair and unethical actions. This is the first step towards becoming a social business that operates for the greater social good.

Scholars agree and advocate on the common need to resolve these issues of unfair and unethical behaviour by emphasising honesty, impartiality, trustworthiness, uprightness, and fairness (e.g. Britton & Rose, 2004; Nguyen & Mutum, 2012). Perhaps too obvious yet rare to be found at times is moral responsibility demonstrated by companies. Ultimately, the direction every business takes depends on every single individual's behaviour as a member of an organisation, based on his or her sense of moral responsibility, self-discipline, and values. However, businesses must recognise that it is not achievable in short term; we believe that running a two-week seminar in an attempt to educate business people in aspects of fairness may not achieve much. It would be like telling someone how to paint. People get the idea and the theory, but if not regularly practiced, nothing more is achieved. The underlying issues will still remain. It is unrealistic to expect rapid changes in management values as well as it is unrealistic to expect rapid systematic changes in the global economy. The changes must start with the individuals, from the bottom up. The higher management must foster, endorse, and nurture this process. Firms must also consider awarding behaviours that show sensitivity towards fairness concerns and that promote positive inferences about the firm. Educating individuals starts from the beginning of their education, in Kindergarten and all the way through Graduate School. Firms should constantly remind and reinvigorate the sense of fairness for all employees.

Re-educating fairer ways for marketing and CRM managers must be implemented early on. Fairness issues should be taught in books and classes in early stages, in order to achieve the true concept of relationship building and to obtain quality relationships between the involved parties (Zeithaml *et al*., 1996). Employees must learn about the determinants of a good relationship (Britton & Rose, 2004). The idea is not about eliminating these technologically advanced CRM applications, philosophies and approaches, but rather to identify and prevent the causes of misbehaviour. If managers neglect the sources of unfairness in CRM, they will continue to fester. Proactively discovering and understanding of the causes can help counteract them. This message is more relevant in today's environment than ever, with the need for ethical and fairer management.

While firms may be aware of the issues of unfair treatment of customers, they may lack information as to how they can develop fairer approaches to their relationship-building activities. The following provides five actionable steps for the marketing practitioners to adapt, in order to avoid the CRM paradox and improve fairer customer management. We believe that the following propositions are applicable for both organisations aspiring to become a social business, as for those that are already engaging in social business activities.

Five Steps to Creating a Fairer Organisation

1. Is the Organisation Ready for Fairer One-to-One Marketing? In order to avoid a fairness fad or other disastrous outcomes, managers must prepare the communications infrastructure and procedures. The communications structure must handle issues of fairness among all levels in the organisation, in addition to creating awareness about the consequences of unfairness. The first step for any organisation is to ensure that there are CRM systems to identify profitable customers, but at the same time, ensure sufficient communication to share knowledge and information involving fairness concerns. This is why the use of knowledge management (KM) practices is typically a prerequisite to developing a fairer organisation.

2. How Well Can the Organisation Adopt a Fairer Approach? Managers must coordinate and convey the message to the involved parties, or the effort could be half-hearted, wasting valuable resources. The second step is to identify the key groups within the organisation who interact with customers on a daily basis. This includes but is not limited to the typical front office staff. As the creation of a fair organisation requires engagement and influence from senior management, a change in firm's philosophy towards fairer customer management starts best with an overall strategic focus. Without such direction, efforts to implement fairer mechanisms can never take full flight.

3. Can the Organisation Differentiate the Fairness Training from Other Corporate Courses? Training must be implemented, but it should not fall into the trap of inducing more corporate meetings and training that irritate the employees. As part of an on-going effort for fairness, training must be promptly and consistently implemented. The third step is to supplement the input from senior management with training for front-office staff. Depending on the nature of the organisation, a number of training and coaching sessions can be combined with customer service training and fairness awareness training. Fairness is not just a philosophy. Any practical marketing and sales training could incorporate advice into how the message of fairness may be passed on to end-customers in different ways. There exists a gap, in that there are currently no specific training programmes on fairness awareness; we believe that a new fairness-training programme should be developed and implemented.

4. How Well Do Managers Interact and Develop Interest in the Implementation among the Customers? Not surprisingly, it is important that customers are involved in the implementation of the organisation's fairness efforts. Communicate and make them realise that the fairness efforts are changing the way business is done, and more importantly, that you are the leading power. The fourth step deals with specific efforts directed at generating further interest from customers. For example, managers can conduct customer focus groups and surveys in order to understand how customers define fairness and what they expect from a fair organisation. Further, enlisting several promotional activities such as distributing leaflets, running sweepstakes or contests or organising events can attract and engage more interest. Involving customers is one of the best approaches for improving customer engagement. The aim must be on dual-value creation and on partnering with the customers in order to improve the learning relationship. Firms must clearly and consistently communicate their positive intentions to understand the customers' needs better and create 'win-win' situations, instead of a zero-sum game. Pragmatically speaking, this means treating customers as partners, to listen to and genuinely learn what their needs are. Research has shown that when consumers disclose their emotions about unfair experiences they form more favourable opinions of the marketers (Lee-Wingate & Corfman, 2011). Based on that knowledge, more personalised offers can be subsequently made to the benefit of the customers. A clear benefit will be evident with increased customer data, decreased customer switching, enhanced perceptions of the fairness, and overall firm loyalty.

5. Does the Organisation Truly Support Fairness and Effectively Evaluate and Monitor Progress? Wasted efforts are the number one enemy in any organisation. To avoid this, the final step is to monitor the implementation and address any issues that may have come up after the implementation. Regularly scheduled on-going checks should be executed with customers about their perceptions of fairness, and benchmarked against a fairness scale that should be constantly updated. Remember that the customers and the community will appreciate the efforts. A number of scales have been developed by academics for this purpose: the FairServ scale (Carr, 2007) and fairness quality (FQ) scale (Nguyen & Simkin, 2012) are two examples that help benchmark the firm's own fairness quality with that of the competition, as well as that of their past. In particular, the FQ measure is designed as an identification tool, so that companies can have a framework to consider and implement fairer approaches to their marketing efforts in areas that are perceived as unfair. As an instrument that looks into varying dimensions of fairness, it may be used to track customers' perceptions of (un)fairness more systematically. Each dimension can be analysed individually or to create an overall perceived index of unfairness. Consequently, it may be useful to categorise customers according to their perceived indices regarding (un)fairness of the firm. The use of the FQ is mainly to benchmark several clusters of companies in order to track their reputations and comparative images from a customer perspective. The organisation should develop their own fairness quality scale and execute the necessary steps to steadily increase the quality of fairness throughout a long-term relationship.

Conclusion

The framework and the actionable propositions in this paper may serve as a guide to help social business managers to implement better offerings for fairer CRM practices. As much as an organisation would earnestly want to learn as much as possible about their customers as possible to fulfil individual customers' needs and desires, individualised treatments could theoretically result in consumer perceptions of discrimination, inequity and unfairness (Nguyen & Simkin, 2013). This is the paradox in customer relationship management. Acknowledging the existence of the CRM paradox is the first step towards creating fairer organisation. Marketers must be equipped with a better understanding of unfairness with regards to customer management so that they can deploy a fairer approach to customer management, which will continue to satisfy individual customer's needs without the side-effects of emanating perceptions of unfairness. At the same time, it will help to minimise costly mistakes or waste of resources, so that a sustainable competitive advantage can be achieved. Perhaps a social code of conduct is needed for all social businesses, with which the qualities of fairness are incorporated, that is, with strong emphasis on just, honesty, morality and uprightness. In this fashion, the stakeholders of social businesses will be able to discern whom to trust.

Mistrust may surface as a consequence of ignoring fairness while exerting efforts to build relationships with customers (Heath & Heath, 2008). It is well known that both fairness and trust are essential building blocks for successful customer management (Payne *et al.* 2009) and social marketing (Koschate-Fischer *et al*., 2012). If customers lose trust, great problems will ensue, seriously undermining efforts to build and maintain customer relationship management systems that collect and manage data in order to customise products and services. Regulations may just be one of the external threats that could be imposed on unfair use of technological applications. However, we caution organisations to be internally cognizant of the fairness issues, alert managers to be aware of the possibility of how favouring certain customers may stir unfairness, and finally, urge to take voluntary actions to demonstrate such sensitivity when interacting with customers. Perhaps it may be in near future that a body of ethically-minded marketing practitioners steps forward as the Marketing Council. If unfair marketing approaches continue, there may be cases to be called before members of the Council. Once the marketing oath is taken to constantly practice fair customer relationship management and overcome the CRM paradox, only then are they ready to tackle on the future challenges regarding consumer perceptions of fairness in building better relationships as Marketers.

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Appendix A

Case examples of favouritism
In certain Asian countries, cases of unfairness, discrimination, and public outcry are often found in several areas, such as nepotism, school admission for the wealthy, fast track promotion, preferential hiring by nationality, etc. American regulators recently opened a probe on the hiring practice of JPMorgan Chase in China. Ongoing investigation seeked to establish if the investment bank's recruitment practices have been favourable towards the offspring of high-ranking and influential Chinese officials ("princelings") as a quid pro quo for coveted business deals. Such practices are prohibited under the Foreign Corrupt Practices Act (FCPA) (SAC, 2013). The case involves the son of a former banking regulator and the other, the daughter of a now-disgraced railway official.
Thailand often operates with a 'Dual Price System', in which many shopkeepers trick foreign tourists into paying more (Daoruang, 2014). In Thailand, they have their own numbering system, which is unique to the Thai language. When a tourist shops, he or she will often see the price written using Arabic numbers. While this is convenient for the tourist, especially at tourist attractions in Thailand, many do not know that these places have a two-price system where they charge foreign visitors more than local people (Daoruang, 2014).
An example relates to the preferential access to good schools given to children of alumni. Experts have found that Singapore's education system has the inclination to suppress intergenerational mobility. Under Singapore's education system, the concentration of good schools in good neighbourhoods clearly favours the rich with tuition programs that are tailored to affluent families (SAC, 2013). This suggest that, between two equally intelligent children, one from a poor family and another from a rich background, the former has a lower chance of gaining entry into good schools. It is further suggested that there are policies in place that actively reinforces inherited advantages.
Examples of the CRM paradox
Same product, different environment, different prices: Coca-Cola once introduced a vending machine, which could detect the outside air temperature and adjust prices accordingly. Whilst colder days stabilised regular prices, a hot day meant higher prices as a computer chip automatically measured the temperature in the area. Soft drink enthusiasts were reeling at news that Coca-Cola Co. had developed the technology designed to automatically boost prices in Coke machines on hot days when demands were up. Such a cynical ploy to exploit the thirst of faithful customers when they were most susceptible to price gouging was seen as shameful and was rejected immediately. When word of the scheme got out, Coca-Cola flacks denied plans to put such a machine in the marketplace. But the company's chief executive, Mr. Douglas Ivester, tipped his hand earlier that month when he told a Brazilian magazine that because the demand for a cold Coke increases on hot days, and that "it is fair that it should be more expensive. The machine will simply make this process automatic. *Same product, different customers, and different prices:* CRM systems can punish loyal customers, as they attempt to attract new customers with offers. Happens largely in mobile subscriptions and with service providers of broadband, gas and electricity. Such favouritism of certain customers over others is often perceived as unfair (by the loyal customers). A related example is when high priority customers are offered additional and superior services over other customers, because of their economic attractiveness. Such case may or may not lead to fairness – depends on other factors.

Same product, same customers, and different prices: CRM systems can punish loyal and highly valuable customers whose circumstances temporarily change. This could be the airline gold cardholder, who often travels overseas on business. But due to a temporary re-assignment to work that requires less travelling, this valuable customer may be demoted to the lowest level in a frequent flyer CRM scheme.

The manufacturer of Fastskin, a product designed to help competitive swimmers go through the water faster, gave away its product to all the Olympic teams but not to other swimmers. Consumers – even though they are being disadvantaged – did not have feelings of unfairness, because they saw the professional swimmers as experts in their field, so the consumers actually preferred to be disadvantaged in this case. Research suggests that under certain circumstances, a niche promotion that fits targeted consumers can more effectively attract both the targeted and the non-targeted customers. This is contrary to the common consensus, which advocates equitable treatment to prevent consumer outrage.

In 2006, booking online for a seat on a flight from Copenhagen to Madrid with Scandinavian Airlines (SAS) cost around $165 – that is, if you lived in the USA. If you lived in Denmark and booked via their online system, the same flight would have cost $436. In other words, Danes had to pay three times as much as an American for the same European flight and this was not even a one-time special offer for the Americans (Dukes, 2006). Rather, this differential treatment of customers and dynamic pricing initiative was part of the SAS online booking system, which quoted different prices depending on the customers' country of residence when logged on. This was not received well by the customers and when the consumer advocacy groups in Denmark demanded an explanation, the SAS claimed that there was a problem with the software and the glitch was to blame. The outcome of this case was embarrassment for the company. Such practices were not well received, creating complaints and outrage. The brand and reputation were damaged. Future purchases will be met with suspicion and it may take a long time before SAS will be able to restore the trust between the firm and its customers.