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What Is the Relationship in Customer Relationship Management?

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Abstract

Organization-Customer relationships are best characterized as utility relationships where each party seeks a mutually agreeable value exchange. By employing the rhetoric of care, organizations attempt to portray what they do in terms reflective of more intimate, personal relationships. This paper examines the consequences of using language appropriate to personal relationships to describe what transpires in the information-mediated Agent of the Organization-Customer relationships.

Keywords: CRM, narrative identity, philosophy, relationship, trust

Introduction

The aim of Customer Relationship Management (CRM) applications is to enable large and mid-sized organizations to use personalized information about their customers to provide more individualized service and offerings. CRM systems are closely linked to data warehouses and data mining applications. Data warehouses as applied to CRM, aggregate detailed information about customers that may have been collected throughout the organization. Data mining is used to discover patterns and trends about customer desires and behavior. This offers the potential to create customer profiles that can be used by an agent of the organization to provide personalized service or other offerings to customers.

One depiction of CRMs is that they allow organizations to simulate the personalized small shopkeeper-customer relationship of the past. The shopkeeper's knowledge about customers' preferences as well as about fragments of their personal lives naturally grew out of many transactions that unfolded over time. Through observation and conversation shopkeepers learned more about their customers and could employ that knowledge in ways that better served their customers. Some may argue that it is the embodied, personal relationship that grows as a byproduct of the commercial transaction that bonds the customer to the shopkeeper, and keeps the customer returning to the shop.

Though instances of the small shopkeeper-customer relationship may be a dying breed, some believe that their spirit has been captured in information-mediated business-customer relationships. The more information an organization has about its customers' wants and needs, the better it can design, develop, and deliver products and services that meet those wants and needs. From the customer's standpoint, dealing with an organization that has detailed information about customer preferences makes purchasing goods and services easier and more convenient.

Organizations solicit, maintain, and use customer profile information to extend customer relationships beyond the transaction level to a long-term relationship (Lynch, 2000). Organizations enact this "deepening" of relationship when they articulate transaction-based attributes in the language of long-term relationship. When businesses employ the vocabulary belonging to a more bonded relational sphere to a transaction relationship, expectations and entailments from the more bonded relationship appear in the more transitory one. Since the foundations for both types of relationship are different and distinct, conflating these relationships may create unanticipated effects. When the **model** of relationship evolves from a commercial transaction into a more intimate relationship, expectations and emotions that are absent in the former type of relationship come into play. In more enduring relationships persons behave and are characterized in ways that may be inaccessible to or unrepresentable in information systems that reflect the assumptions of transaction relationships.

This paper will explore the following:

- Alternative views of an individual and how these affect relationships
- Foundational models of relationship and their requisite characteristics
- The nature of relationship and relational boundaries and the role of information disclosure
- Where information-mediated organizational agent-customer relationships break down

Characterizations of Individuals

Before we can more closely examine the types of relationships that individuals participate in, we need to consider what constitutes an individual. A basic tenet of individuals is that they endure over time and can be observed by others to persist over time. Thus, it is possible to make observations of their external behavior. Additionally, individuals are able to string together experiences from an internal, "privileged" perspective, which give them a sense of personal identity. Individuals have a special first person awareness of the content of their own mind and that experience is distinct from their awareness of the world and of the content of other people's minds. Memory allows individuals to access their past history in a way that is different from accessing another person's history. (Goldman, 1988). Hence, individuals have access to an "internal landscape" of recollected and felt experiences that can neither be accessed nor observed by another person.

Using masses of data to characterize individuals assumes that externally captured facts portray essential facts about the "who" that is engaged in these transactions. This assumes a reductionist (Teller, 1992) view of human beings that posits that essential features can be deduced from capturable facts. Hence, organizations make sense of their customers from an external perspective, whereas individuals make sense of themselves and their experience from an internal perspective, which is inaccessible to anyone else.

An alternative to the reductionist view states that what is essential about a person cannot be captured nor deduced from ostensible facts about that person. Kavanaugh (1994) describes a cultural preferencing of a decentered (non-person-centered) worldview where "money, power and pleasure are enthroned as a driving motivation in human behavior and institutions." Individuals are constantly bombarded with slogans that co-opt them into defining themselves by the products they consume. Counter to this externally imposed self-view, Kavanaugh defines "person" to be "an embodied reflexively-conscious career" who unfolds and develops though time. He goes on to state that if we are incapable of observing some capacity about another, that does not reveal whether the other has that capacity, but rather reveals about the extent of our observations.

Much of Ortega y Gasset's work centers around the unity of self and environment. Life consists of self and circumstances inextricably bundled together due to their close interdependency, neither one's self nor one's circumstances can be fully understood in isolation of the other. The interaction between and interdependency of self and circumstance is dynamic and changing. (Ortega y Gasset, 1969). This unification of self and context also can be seen in Buddhist thought. Oneness of person and environment means that self and environment are two phases of the same entity while the Japanese term *ichinen sanzen* (a single life moment possesses three thousand realms) refers to the dynamic change that occurs within a single life. From a practical standpoint, a life has the potential of manifesting any life state at any moment in time (NSIC 1983). Taken together, these two concepts describe the life of an individual as dynamically changing together with its own environment in a way that can't be adequately described by a bundle of data.

Ricoeur (1992) posits that we come to understand ourselves and our life circumstances through narrative. Our stories and narratives shape our awareness and approach to life, other people and things. Our selves and our experience cannot be separated from the way that it has been constituted through narrative. Narrative arranges and creates our life; and since it functions in this way, our self as "being" is not reachable or attainable except through narrative. The facts and details about our life offer little insight into a person's life without the unifying narrative.

The idea of narrative and sense making about one's life can be seen in recent work reporting how memory works. Our memories do not remember things accurately, and in many cases forget much about the details that we know or have experienced. Current theories about memory suggest at the power that personal narrative has on what we remember and what we forget (Schacter, 2001). We do not have a perfect detail memory similar to a database. Rather, much of our life-details fade and are forgotten over time. We also tend to filter memories through our current knowledge and life experience. Thus, if we represent the details and facts of our lives imperfectly, perfect repositories of them do not accurately reflect our current attitudes and approach to life. Thus, the values and goals that structure our lives may be missed or misconstrued by placing too much weight on externally interpreted persistent facts. Mark Hauser, an evolutionary psychologist, states that "memory makes intelligent errors. Information that is no longer needed, retrieved, or rehearsed falls away. We keep memories of the gist of what happens instead of the details."

Types of Relationships

In *Nicomachean Ethics*, Aristotle (1941) characterizes three foundational relationships or friendships: Friendships of utility, friendships of pleasure, and friendships of virtue. The two relationships that apply to our purposes of characterizing the organization-customer relationship are friendship of utility and friendship of virtue.

A "friendship of utility" is based on the usefulness both parties find in the relationship. If I wish to buy a sound system, the relationship enacted between the salesperson and me is useful to us both. If the salesman has a sound system that meets my requirements, when I make the purchase, I benefit because I have the sound system and the salesperson benefits by making the sale. We have been useful to one another in this relationship, and when the transaction is complete, the reason for the relationship goes away. The parties participate in the "friendship of utility" to satisfy their own goals, purposes and objectives and come to the relationship from a self-interested point of view. Since what is useful is impermanent and changes with circumstances, these relationships begin and end according to circumstances and needs. This friendship typifies a commercial, transaction relationship.

A "friendship of virtue" is based on wanting what is best for one's friend. We 'love' our friend for who our friend is. Friendship is intrinsically valuable in itself, and the friendship is not entered into for personal gain. This type of relationship is not self-interested, but can be more accurately characterized as altruistic. Because this type of friendship exemplifies human ideals in relationship, words such as "love," "care," "loyalty," and "trust" are associated with it.

If we take a robust, non-reductionist view of an individual, we see that individuals can partake in many types of relationships. Rachels (1975) stresses the importance of individuals being able to maintain a diversity of relationships; that each person should be able to choose the level of relationship that they have with other people. Rachels identified information disclosure as being a crucial element in distinguishing types of relationship. The degree of closeness we have in a relationship is based on a level of trust, narrative and information disclosure we have with another person.

Trust involves a dynamic give and take on both sides of the relationship and unfolds over time. A level of trust can be deepened or lost dependent on current and future action within relationship. Relationships endure and evolve throughout time. As a relationship becomes closer, over time, a deeper level of trust develops by observing how the other treats you and assessing its appropriateness. When trust is broken, a sense of violation and betrayal occurs—this is felt personally. We choose whom we allow to know what things about ourselves through differing levels of disclosure. Thus, we have a different type of relationship with our banker than with our friend based on the amount and type of personal information disclosed in each relationship.

Sometimes we encounter the socially and personally awkward situation when someone who we consider to be an acquaintance, and hence to whom disclose very little, asks us a questions that assumes a more intimate level of disclosure. If we answered the "inappropriately asked" question, then we would feel a sense of violation, in that someone who we deemed had the right to know minimal information about us, found out more about us than we were comfortable in revealing. Intrusive situations or people sometimes justify individuals protecting themselves informationally by not disclosing or revealing what is asked for or expected. Allen (1999) goes so far as to argue that sometimes lying is morally justified when responding to others seeking information to which they have no right.

As can be seen in Table 1, we partakes in many different types of relationships throughout the day and throughout our lives. We might imagine that our relationships form different contexts where certain types of behavior and information exchange are appropriate. Each relationship allows for certain attributes and characteristics to come to the fore, while others remain dormant or in the background.

Another way to characterize our relationships is based on intimacy. Whereas our many relational roles require differing behaviors, levels of information disclosure, and goals, we may enact different levels of intimacy with different individuals in each of the relationship categories. For example, at work, we might develop a close friendship with one co-worker, while maintaining relationships at the professional level with others. Or, perhaps we discover a common passion for fly-fishing with our insurance agent, which alters the commercial relationship by adding the common interest dimension to it.

Given the commonplace nature of the above situations, we might imagine our relationships to be a series of concentric circles. The outermost circle represents our most casual and least intimate relationships, such as the relationship we have with an anonymous passenger on a train, or with someone we notice while shopping at the same store; we have hundreds of these types of relationships in a day. The next level would represent acquaintances, the level after that would represent friends, the next level would represent intimate friends, and the inner-most circle would represent our self. As the level of contact and intimacy increases, the number of people with whom we have relationship decreases. Thus, the number of close friends and intimates is very small. With the increase in intimacy come increased obligations and responsibilities.

Table 1. A Sample of Relationship Type, Purpose, and Expectation

Type of Relationship	*Purpose*	*Expectation*
Family	the intrinsic relationship, to pass one's genes to the next generation	care, love, wanting what is best for each family member
Friendship	the intrinsic relationship	care, wanting what is best for one's friend
Student	to learn a skill or body of knowledge	guidance and evaluation from teacher
Co-worker	to work together toward a common organizational goal	civility, cooperation, respect, collaboration on projects
Common Interest	to share interest in a topic with others who share that interest	common background and interest
Acquaintance	to share a common experience or pleasantries at a distance	civility, surface pleasantries
Community	to co-create the community in which one lives and has other relationships	the benefits of living in community, the possibility to enact change through the political process if one disagrees with the status quo
Commercial	to buy and sell goods or services	a mutually agreeable value exchange

Professional Relationships

Bayles (1989) presents five models of professional-client relationships that account for the apportioning of authority and responsibility in professional-client decision-making relationships The models that pertain to our examination of business relationships are paternalistic, contract and friendship. In the paternalistic model, the professional has all the authority and responsibility for decision-making, and the client takes a dependent position. In the contract model, the professional and client jointly share authority and responsibility in decision-making and together determine the conditions of their relationship by way of a mutually agreeable contract. The friendship model is based on cooperation and trust and is very personal in nature. The professional applies special care, attention, and skill to attaining the client's goal. The reader can sense echoes of Aristotle in Bayles's account of professional relationships. Whereas these models of professional relationship do not precisely translate into commercial relationships that organizations wish to enact with their customers, they do provide a structure for further examining commercial (business) relationships.

Business Relationships

A business relationship is based on a mutually beneficial exchange between the parties involved. A transaction occurs when both parties are satisfied that an exchange of equal value has transpired. When either party perceives inequities, the business relationship may be discontinued without repercussion.

The Challenges with Customer Relationship Managed Relationships

Information technology enables organizations to capture, analyze and interpret large amounts of customer data from the transaction level. In addition to creating overall summary reports and providing trend analyses, businesses can isolate data about individual customers to perform the same types of analyses at the individual level. An organization can use individual buying and transaction histories to create customer profiles that will help it better serve and provide for their customers. Having detailed information about a given customer makes it easier for that customer to interact with the organization. Table 2 illustrates the benefits CRMs provide to both organization and consumer.

Let us examine a simple transaction. Imagine that we need to write something down, and discover that we do not have a pen. We make a request of someone who we observe has a pen, she loans you her pen, we write down what we need to, and return the pen. Do we owe this person anything beyond a gracious "thank you" for enabling us to write what we needed to with the pen?   Can we assume that the transaction ends at this point, or do we owe this person something further? Has she earned the right to know our name? Where we work? What kind of pen we like? What kinds of things we buy?   What our credit card balance is? We would argue, on the basis of loaning us the pen, this person would have no right to any of this information about us. We would

argue that if we bought the pen from this person, we also would be under no obligation to disclose any personal information. Imagine how this scenario changes, if instead of borrowing (or buying) someone's pen, we purchase a pen at a store that tracks customer information. We are reduced to commercial data in one instance while we maintain our personhood and autonomy in the other. We will now examine some of the irregular aspects of CRM enacted relationships.

Table 2. Benefits of CRM to Both Organizations and Customer

Organization	*Consumer*
cost cutting	company knows buying preferences
detailed customer preferences improved customer service	company knows demographic information
can mass-customize; detailed customer base	making purchases is easy and convenient
can target market to specification and identify consumer patterns	can expect types of products to be available when you want them
can identify customer trends	company can provide lower prices to customers

What Can and Cannot be Captured about a Customer

When more closely examined, we discover that the information exchanged between customer and organization is not the same in type. The organization attempts to establish information relationships with customers from byproducts of transactions; the organization creates this relationship without the customer taking action. Hence, the organization, through its collection and capture of data, makes a unilateral decision about the nature of the relationship (Johnson, 2001). When information about us is stored in databases, we may not know what information is associated with us, if it is accurate, or how it is used to form profiles about us, which determine the way that an organization interacts with us. When we lose control over information about ourselves, we lose control over relationships that use that information. We may be exposed to reveal more information than a context warrants and be at risk in that relationship (Johnson 2001).

The organization builds information profiles about an our behavior and preferences, while offering to us information about products or services; hence the type and level of information exchanged is different. The organization wants personal information about us while it provides us with information about things that we can purchase.

CRMs are based on the reductionist view that a person can be characterized by a collection of attributes. An underlying assumption in an information-mediated organization-customer relationships is that details and facts can be interpreted to represent or stand for the customer; that an externally imposed structure or narrative derived from these isolated, transactional facts accurately captures the gist of the customer as a person. The organization makes sense of their customers from an external perspective, whereas individuals make sense of themselves and their experience from an internal perspective, which is inaccessible to anyone else. Thus, an external account of our facts and behaviors can not accurately reflect our irreducible internal, narrative account (Ricoeur, 1992). CRMs assume that a person can be reduced to attributes that can be combined, manipulated, and interpreted. In this view, the individual's elusive narrative, by not being amenably captured by information systems, is discounted while what can be captured, retained and manipulated is preferenced. Even if a CRM could capture components of a narrative, this reduction would distort the gist of the narrative as a whole.

Persistence of Facts is Not Equivalent to Persistence of Persons

When compared with a human-to-human relationship, a major difference afforded when representing an individual by facts in an information base, is that the facts persist, and are not affected by the sedimenting of the individual's experience over time. Hence, the persistence of persons over time is not equivalent to the persistence of facts over time. The context of a human-to-human relationship affords each individual the flexibility to understand how shared life-facts relate to their individual narratives and to collectively co-opt facts of their relationship into narratives of their own.

The facts or data representing a person persist, and do not change. Some are not emphasized, de-emphasized in salience or importance, nor are they covered over, shaped, altered, or distorted by an individual's experience and memory. As was stated earlier, memory is malleable (Schacter, 2001). For example, we can remember the gist of letters that were sent by a friend a

number of years ago, and be quite surprised as to their actual contents when they are taken out and re-read today. Although the facts remain constant, our memory of them and relation to them change as a function of time, life experience, and the role that the "facts" play in our narrative.

For another example, if we flunked a seventh grade science test, that fact will always be attributed to us. In embodied life, over time facts like this are forgotten and are never considered because they have no relevance to our current life experience. Of course, there may be the case that flunking the 7th grade science test had a profound effect on our life, and caused us to abandon our goal of becoming a nuclear physicist and instead pursue a career in music. The fact in and of itself tells nothing of its relevance to us—only the way that the fact is represented (or not represented) in our personal narrative determines its importance.

Throughout our life, hundreds of thousands of facts can be collected and attributed to us, however, in a non-narrative-based system, there is no way to separate consequential facts from inconsequential ones. All facts are attributed to us, regardless of their current relevance and viewed as equally important. This distorts the "picture" of us being represented.

Shifting the Foundational Assumptions of a Relationship

When organizations change the basis of their customer relationships, assumptions about the relationship's purpose, type and expectations change as a result. Organizations attempt to create closer relationships with customers by employing language that is appropriate to Aristotelian "friendships of virtue" to business settings that would be better characterized using the language of "friendships of utility." This substitution of the vocabulary of close relationship may engender expectations in customers that organizations are unable to provide. Using "friendship" metaphors implies types of obligations that organizations are unable or unwilling to keep. Thus, if a break down in the relationship or trust occurs, the customer will respond to it from the basis of the closer relationships, and thus feel a sense of betrayal or violation that they would not feel if the relationship was maintained strictly at the level of commerce.

If an organization believes that it can get more detailed data on its customer base, it may partake in data combining, or "Virtual Gossiping" with other organizations. From the standpoint of a trust-based relationship, this is akin having friends talk behind our back to discover more about us than we have chosen to disclose. In this case, both the organization and person find out more about an us without behaving in a manner that is worthy of further, future disclosure.

Power Asymmetry, Paternalism and Deception in Relationship

Organizations argue that collecting vast amounts of customer data will help them better serve and better care for their customers. The organization, using its power to dictate the shape of the relationship, acts in a paternalistic way, stating that its business-oriented actions entail a way of doing what is best for their customers" –appearing similar to the "wanting the best for the other" characteristic of the "friendship of virtue." Omitted from the statement is the benefit that the business, itself, achieves. Also, the customer cannot choose NOT to be "better served." The motivation for working on achieving a more intimate description of an organization's customers is to lead to greater sales and better service—ultimately translatable to the bottom line (Stackpole, 2001).

In addition to their being composed of static, unintegrated facts about a person, another problem with customer profiling is that customers may never escape their profile—a profile that determines the way that the organization relates to them. Note that the customer has little if any power to negotiate or change how she is represented by the system. Friendships of virtue can only occur between equals.

The Inherent Difficulties of Information-Mediated Personalized Relationships

The "personalized" relationship is not possible in principle, because the organization's "agent plus customer profile-base" model leaves a gap in the relationship. This model assumes that information can substitute for a relationship's development over time. The organization cannot enact the "rhetoric of care" because its customer base is too large. Customers as persons are reduced to attributes and properties in a database. The agents are replaceable, have little power to take action on an individual basis, and have no personal interest in any given customer. "Any" agent enacts the relationship between the customer and the organization; "personal" contact and knowledge of the customer is replaced with codified information. Agents cannot speak in their own name, and hence cannot be responsible for the "anonymous" relationship between the customer and themselves—let alone the customer

and the organization. In this limited environment, there is no recognition of essential personal identity on either the customer's or the agent's part. There can be no mutual negotiation as the relationship unfolds throughout time. Since the customer is not represented as a "person" the mechanism to discourse using narrative is lacking and there is no accounting for context and growth throughout time.

Conclusion

The type of relationship we have entail how we are perceived and understood as individuals. Organizations that view their customers using a reductionist model are unable to hear and speak in narrative to form the bonds necessary to create and sustain "friendships of virtue." Models of the self and behaviors that are appropriate to "friendships of utility," where each party wants to know enough about the other to form a relationship that will mutually satisfy a need, fall short of the equal "selves" who participate in "friendships of virtue." The more intimate the relationship, the higher the level of trust, self-disclosure and shared narrative. More intimate relationships also imply higher levels of trust, obligation, and mutual self-disclosure.

Current CRMs exemplify what happens when relationship models clash. Behaviors appropriate to "friendships of utility" do not translate well into "friendships of virtue," and using the vocabulary of "virtue" to "stretch" customers into an apparently closer relationship falls short for many reasons. CRMs containing masses of data can not truly represent a person in isolation of narrative. Static facts do not reflect a person's robust remembering and lived-experience that alters facts through narrative. While only equals can have "friendships of virtue," the large power asymmetry and paternalistic stance that organizations enact make this kind of relationship impossible.

CRMs are enacted unilaterally in organizations, without consulting the customers who will be "managed." Managing relationships implies a one-sided manipulation of customers. Customers are treated as things in this model and their personhood and individuality are not considered. Customers are expected to behave in ways that the organization determines for them. When treated with such little respect, many times customers use their autonomy to influence these organizationally imposed relationship by boycotting stores who exploit customer choice data to manipulate prices, lying about personal data when they can, and taking their business elsewhere. If organizations truly want "relationships" with their customers, they need to stop reducing, objectifying, and manipulating their customers and to begin respecting them as narrative persons.

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