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The Future of Customer Relationship Management

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The Future of Customer Relationship Management

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Abstract

Customer Relationship Management is no longer considered a business trend, but an industry standard that is required to secure and maintain competitive advantage. CRM, when correctly and effectively utilized, results in increased profitability and greater customer loyalty, two key needs for any organization. This paper will address the future of CRM, and will support assumptions for future CRM value based on effective examples of modern day success. The internet can be effectively utilized for CRM, and one company that is an example of customer loyalty success is Harrah's Casino. Furthermore, multi-channel approaches are essential for future CRM success, as shown by Amazon.com, who has developed a successful relationship marketing program.

The Future of CRM

Introduction

Customer Relationship Management is not a new concept. In fact, CRM in some form or fashion has been around for a few decades. Kennedy (2006) defines customer relationship management as being “about identifying a company’s best customers and maximizing the value from them by satisfying and retaining them” (p.58). There are those on both sides of the fence who argue for and against CRM, but the research remains consistent that a properly implemented, company-wide CRM initiative will truly save company money, increase revenue, and grow customer loyalty. Competitive times such as these, and a future to only grow more competitive in the commercial industry, require competitive advantages to give companies a leading edge.

To shed light on the future of CRM, this paper will cover the impact of the internet on CRM, an example of a successful customer loyalty program through the example of Harrah’s Casino, a discussion of future trends in multi-channel approaches, and an example of a successful CRM marketing program through the analysis of Amazon.com. These studies will collectively provide an expectation for the future of CRM as drawn from examples of today. In conclusion, it is the recommendation of this author that the cost for implementation of company-wide CRM initiatives is greatly offset by the value obtained from customer loyalty and increased profitability, and thereby this author sites an increase in future companies implementing CRM initiatives.

The impact of the internet on CRM

Freeland (2003) asserts that the internet is a channel that will continue to increase in customer relationship management and utilization for all companies both now and in the future. The Internet is terminology which includes all of the following: “email, world wide web, chat rooms, e-forums,” blogs, and so forth (Kennedy, 2006, p. 59). The internet can provide an overall better and more consistent customer experience, and also allows for increasing data collection and better customer personalization experiences. This, in turn, all lead to increased profitability from customers and greater customer loyalty (Freeland, 2003). The research of Hamid and Kassim (2004) determines that “click-and-mortar companies show a higher percentage of using the Internet technology for CRM compared to pure dotcom companies. There is a positive impact on the utilization of Internet technology on CRM” (p. 103).

Hamid and Kassim (2004) further determine through their research that customer loyalty, while partially impacted by the internet, also is determined by a combination on online experience with things such as the quality of after sales service. Furthermore Hamid and Kassim (2004) found that the internet is currently most being used by companies “primarily for providing corporate information in order to build brand identity” (p. 107). Therefore they are “providing corporate information rather than [using the internet] for other strategic purposes” (Hamid and Kassim, 2004, p. 107). This research supports the claim that there is still ample room for companies to embrace broader CRM initiatives including a more customer-focused and useful online presence.

Kenney (2006) asserts in her research that eCRM is “the proverbial double-edged sword, presenting both opportunities and challenges for companies considering

its adoption and implementation” (p. 58). Kennedy (2006) furthermore notes that the internet can provide a platform for e-CRM initiatives that will help companies to develop and better manage customer relationships and improve and facilitate customer supplier relationships, as well. Along with the internet’s ability to facilitate an increase in customer loyalty, some companies who go above and beyond institute a specific customer loyalty program. One such company is Harrah’s.

Harrah’s: an example of CRM loyalty program success

One company that has excelled in customer loyalty development programs is Harrah’s Casino. Krell (2006) notes that Harrah’s and other casinos can now predict very accurately to what level and how much a customer will spend in a visit, day, or year. This ability to predict information can assist casinos with developing strategies to keep the high rolling customers returning and feeling like a privileged group: and privileged builds customer loyalty. Customer loyalty programs such as Harrah’s are tailored to provide increasingly valuable rewards to top paying customers, all with the intent to keep them returning and spending more money with the one company over competitors. The software development and information gathered are precious few minutes of effort compared to what can result in a lifetime of customer loyalty and thereby, company profit.

In order to attract and retain customers and build loyalty, Harrah’s has implemented a “total rewards” loyalty program. According to Littman (2005), “in the late 1990s Harrah’s made Total Rewards just one part, of a far-reaching initiative that rewards employees for pleasing guests, ties pay to customer satisfaction and most important for the stockholders of the publicly traded company—boosts revenues” (p. 71).

This CRM solution keeps all of a customer's personal information, preferences, and purchases in one spot for easy marketing and research attainment. The company has attached rewards benefits to levels such as "gold" and "platinum", and rewards grow more generous by the level increase (Krell, 2006).

Harrah's customers can be divided then into segments, and behaviors analyzed in order to determine rewards and processes that will make these most profitable customers loyal. Specifically, Harrah's keeps a keen focus on customer happiness because those customers who are happy will stay longer and spend more money in the casino (Krell, 2006). Furthermore, Harrah's hired experts who trained front-line employees in how to treat top customers, how to call them by name, and even changed hiring strategies to focus on hiring candidates who truly like people (Krell, 2006). This level of personalization leads to customer loyalty and increased revenues, as shown by Harrah's success. Harrah's utilizes many different channels for marketing and customer contact. The next section will focus on current and future trends in multi-channel methods to connect more effectively to customers.

Future trends in multi-channel approaches

The future is wide open for companies to adopt multi-channel approaches to customer relationship management. The research of Warrington, Gangstad, Feinberg and de Ruyter (2007) asserts that "multi-channel retailers that utilize an e-CRM approach stand to benefit in multiple arenas by providing targeted customer service as well as gaining operational and competitive advantages" (p.57). For example, Freeland (2003) asserts that technologies such as PDA's, mobile phones, and other wireless technologies have not yet been as fully embraced as they can be in assisting to

maintain the customer relationship. Some companies, however, have embraced text messaging to reach out to and keep their customers informed of deals, info, and trends to assist in developing customer loyalty and satisfaction. The current trend for marketing is to include multi-channel communications across many platforms all for the same message.

For example, television is no longer a passive experience. Customers of cable companies and those who watch specific shows can participate through text messaging. Many shows today allow customers to text in and possibly have their message displayed on the television in real time. They furthermore can blog about what they are seeing on the television on the show's website, and then interact with other customers who watch the same shows. This utilization of different channels to create an overarching customer experience is truly the future of multi-channel CRM marketing and customer relationship development. Kennedy (2006) asserts that mobile technologies are safe, reliable, automatable, and are able to be customized and personalized with little additional cost. Warrington, et al, (2004) assert that "if retailers are offering shoppers multiple channel options now, it is expected that pressure will increase for all retailers to do so in the future" (p. 64).

It remains valuable for a company to utilize multiple channels because research has proven that multi-channel shoppers spend more money than those who utilize simply one channel (Warrington, et al, 2004). One company who has excelled in utilizing multiple channels to assist with developing a strong customer relationship marketing program is Amazon.com.

Amazon.com: a successful customer relationship marketing program

Once company, an example of the success and profitability of a well-deployed customer relationship marketing program, is Amazon.com. The company's use of personalization software combined with significant amounts of research can draw conclusions regarding what books customers would like to purchase based on their past behavior and the behavior of others similar to themselves (Harney, 2003). The result of their efforts is a constant flow of personalized up-sell.

Amazon.com has created a forefront that implements the tactics noted by Freeland (2003) of incorporating buyer behavior and buying process to tailor experience to each individual customer. Their marketing strategies relate to the customer's behaviors of habitual, variety seeking, dissonance reducing and complex, tying into awareness, consideration, preference, purchase and resulting loyalty (Freeland, 2003). First, "Amazon starts by supporting awareness through virtual storefronts on affiliated Web sites" (Freeland, 2003, p. 226). The links at Amazon "seamlessly move customers from awareness of their book needs and desires to consideration of a purchase" (Freeland, 2003, p. 226).

Conclusions

This author asserts that the future of Customer Relationship Management is to become standard operating procedure for organizations across industries. Research consistently supports that companies that implement organization-wide CRM solutions and initiatives that are all connected can achieve increased customer loyalty and greater profitability and revenue generation. The world as it is today is far more competitive than it was even just a few years ago. Therefore, companies must find ways

to increase their industry presence, and achieving customer loyalty has truly become a core competency.

Companies no longer have the option to include internet connectivity, presence, and customer buying and service. This has now become the imperative. If customer behavior continues to progress to the technological, it is possible that in the future customers will refuse to do business with those companies who do not have an online presence. Furthermore, if the economy continues in the direction that it is currently headed, many companies may downsize their brick-and-mortar companies and instead move to a more online central focus as this can save them significantly within their budget.

Companies will continue to realize that targeted marketing messages are essential, and only accurate and complete customer data can create the segmentation required to develop marketing initiatives that offer multi-channel, personalized approaches tailored to specific customer buying behavior to thereby produce a sale. As previously noted, CRM will be the imperative, not the option, for business protocol when managing customer relationships in the future. Technologies such as the internet will be the core of customer relationship management, and companies will become fluid in multi-channel approaches to the customer while still creating a one-faced approach. The future for CRM is very bright.

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