

## Introduction to CRM

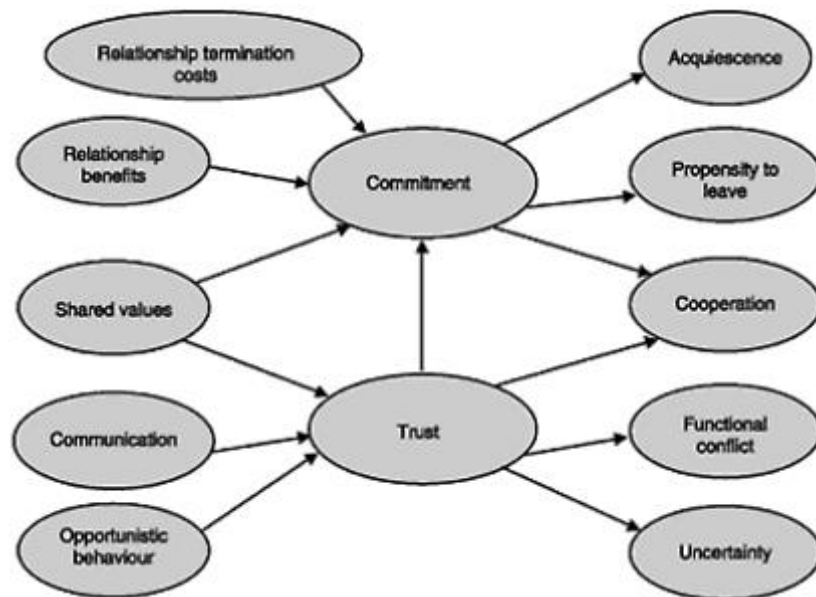
- CRM is the core business strategy that integrates internal processes and functions, and external networks to create and deliver value to targeted customers at a profit.
- Benefits
  - Higher satisfaction and customer loyalty
  - Repeat business
  - Decreased costs associated with acquisition
  - Stronger brand value
  - Increased profitability
  - Increased positive WOM
- Four components
  - Strategic – customer centric business strategy that aims at winning and keeping profitable customers
  - Operational – automation of customer-facing processes, e.g. selling, customer service, etc.
  - Analytical – intelligent mining of customer data for strategic purposes
  - Collaborative – the application of technology across the organisation to optimise value

## Relationships – Theories and attributes

- Adaption – form relationships for survival and reproduction (family/intimate relationships)
- Validation – form relationships because of the reinforcements received (peer/community relationships). Rational and effective components highlighting attitudes and emotional loyalty have an effect
- Social exchange – maximise rewards and minimise costs (intimate and non-intimate relationships)
- Equity – rewards are proportionate to costs/inputs, essentially the exchange of value (organisational/professional relationships)
- Investment theory – satisfaction, quality, and alternatives of the investments made which suggest past costs also influence the relationship (intimate and non-intimate)
- Social exchange theory
  - Rewards = love, money, status, information, goods, services
  - Costs = time, money, energy
  - Weaknesses – assumes people act rationally, and in their own self interest above anything else, also only suitable for one on one relationships
- Equity theory
  - Individuals maximise rewards and minimise costs
  - Negotiation encourages fairness
  - Inequity causes stress in the relationship and those being disadvantaged work hardest at making it fair
- Investment model
  - Satisfaction = rewards – costs
  - If outcome > personal acceptable standards, people are satisfied
  - People stay in relationships because there are limited acceptable alternatives
  - Relationship investments (e.g. time, money, possessions) will be lost when that relationship is over

- From the SET perspective, customers seek relationships for economic or value-based motivations.
  - Recognition – familiar to the seller
  - Personalisation – customised products/services/offerings
  - Risk reduction – lower perceived risks (financial, social)
  - Status – positive brand transference
  - Affiliation – social needs can be met (e.g. social clubs/interactions)
- From an organisational perspective, motivation to form relationships with customers is economic and strategic. Better financial results are achieved through customer retention, and this creates
  - Larger customer base
  - Longer lasting customers
  - Reduced marketing costs
  - Better understanding of customer needs
  - More opportunities to cross-sell and up-sell
- Relationships evolve and develop with the negotiated exchanges between partners in the relationship, and this relationship evolves and changes constantly
- Stages of relationships – SET (Thibault and Kelley)
  - Sampling – consider potential costs and rewards, and compare this
  - Bargaining – partners give and receive rewards, test if continuing the relationship is worthwhile
  - Commitment – each partner knows how to elicit rewards as relationship deepens, costs are lowered
  - Institutionalisation – norms are developed which establishes costs/reward patterns
- Stages of relationships (Dwyer, Schurr and Orr)
  - Awareness
  - Exploration
  - Expansion
  - Commitment
  - Dissolution
- Attributes which indicate the level and nurture of highly developed relationships are trust and commitment
- Trust
  - Benevolence – a belief that one party acts in the interests of the other
  - Honesty – a belief that the other party's word is reliable/credible
  - Competence – a belief that the other party has the necessary expertise to do what they say they will
  - Emerges as experiences are shared, and as motives are interpreted and assessed, and risk is lowered as trust is built.
- Commitment
  - Commitment arises from trust, shared values and the belief that these relationships will be hard to replace
  - Instrumental – customers are convinced that no other company will do a better job of meeting their needs
  - Relational – customer develops an emotional tie with the company
  - Values based – customers' values are aligned with those of the company

- Evidence of commitment is found in the investment parties place in the relationship, and these are reflected in the costs of termination
- Model for trust and commitment



- IMP school
  - B2B transactions occur within the context of broader long-term relationships which are situated within broader networks
  - Any relationship between suppliers and customers is composed of activity links, actor bonds and resource ties
    - Actor bonds – interpersonal contracts resulting in trust and commitment
    - Activity links – technical, financial and administrative connections between companies
    - Resource ties – human, financial, legal, physical and managerial strengths/weaknesses
- Nordic school
  - Role of service is emphasised
  - Interaction – inter-firm exchanges occur in a broader context of ongoing interactions
  - Dialogue – suppliers/customers are in dialogue
  - Value – need to generate customer perceived value in order to get any value from the customers
- Anglo-Australian school
  - Companies form relationships with stakeholders to improve results, retain customers loyalty, satisfaction and value creation
  - 6 customer markets
    - internal
    - referral
    - influence
    - recruitment
    - supplier/alliance
- North American school

- Links successful inter-firm relationships to excellent business performance, as they focus on trust and commitment in reducing costs and increasing rewards in business
  - Relationships are tools that a well run company can manipulate for a competitive advantage
  - Focus on one-on-one relationships rather than networks
- Guanxi school
  - Informal social bonds and reciprocal obligations between various actors that result from some common social context; and these relationships encourage continual cooperation and exchange of favours