

CRM – A RESEARCH AGENDA

Prof. M J Xavier obtained his Doctorate in Management (1984) from the Indian Institute of Management, Calcutta. He has been a teacher, trainer and consultant for over 17 years. He has authored three books and published more than 50 articles in Journals and Magazines in India and Abroad. His book '**Marketing in the New Millennium**' has won the DMA-Escorts Award for the best Management Book of the Year 1999. He has served as Visiting Faculty to a number of business schools in India and abroad including The University of Buckingham, U.K. , Post Graduate Institute of Management, Sri Lanka and The Texas Christian University, U.S.A. He is currently the Dean of the Academy for Management Excellence at Chennai, India.

Dr. M J XAVIER

Dean

Academy for Management Excellence

30, Kothari Road

Chennai – 600 034, India

Phone: (91)-44-8273801

xavier@ifmr.com

and

Dr. Daniel K. Shanthakumar, is currently a Visiting Senior Professor with Academy for Management Excellence, Chennai. He received his Masters and Doctorate in Organizational Behavior from Brigham Young University, Utah, U.S.A. He has been a consultant, teacher, and trainer for over 20 years. He has taught at Brigham Young University and National University of Singapore.

Dr. D K SHANTHAKUMAR

Sr. Professor

Academy for Management Excellence

30, Kothari Road

Chennai – 600 034

dkskumar@iffmr.com

Paper will be presented by the first author – Dr. M J Xavier

CRM – A RESEARCH AGENDA

ABSTRACT:

Customer Relationship Management (CRM), being a relatively new discipline, is replete with opportunities for research studies. Some of the ideas discussed in this article include the development of a scale to measure the depth of relationship, stages of relationship development and also the underlying dimensions of business relationships. Further, the research should identify ideal timing (in terms of the stage of relationship and depth of relationship) for cross selling and up-selling of products and services.

Taking the customer lifecycle into account, the article explores research opportunities at different stages, viz., (1) customer need assessment and acquisition, (2) customer development through personalization and customization, (3) customer equity leverage through cross-selling and up-selling and (4) customer retention and referrals for new customers.

KEY WORDS:

Depth of relationship
Relationship stages
Types of relationships
Relationship dimensions
Psychological theory of relationship
Customer acquisition
Customer development
Customer equity
Customer retention
Cross selling
Up selling

CRM – A RESEARCH AGENDA

Is there any thing whereof it may be said, this is new? It hath been already of oldtime , which was before us.
Ecclesiastes 1:10

INTRODUCTION

Relationships are as old as mankind. It has been studied by sociologists, social psychologists, anthropologists, philosophers, theologians and many other people. For that matter even the traders and businessmen of yesteryears relied on relationships for their success. However the modern marketers started taking a fancy to the same only recently.

In the early 90s the concept of relationship marketing was formally introduced into the field of services marketing. Financial service institutions, airlines and other service providers found it profitable to retain and reward the existing customers than running after new customers. It was established that building closer relationship with customers resulted in better returns to companies through the following means (Reichheld 1993):

- Increased use of company services by loyal customers
- Charging of price premiums for customized services and
- Referrals by satisfied customers that brought new customers.

The concepts developed for services marketing also found application in the case of industrial as well as consumer products too. This has led to the debate as to whether the whole marketing should be re-written with the new relationship paradigm or should it rest on the traditional 4Ps [Product, Price, Place and Promotion] approach (Gronroos – 1994). However, a whole lot of questions need to be answered before the relationship paradigm is accepted as a foundation on which the entire marketing theory can be built. This paper attempts to throw up a number of research ideas that need to be explored in depth.

PSYCHOLOGICAL PERSPECTIVE ON RELATIONSHIPS

There are four theories offered by social psychologists on relationships. They are attraction theory (Aronson 1980), social penetration theory (Altman and Taylor 1973) , social exchange theory (Thibault and Kelley - 1959) and equity theory (Messick and Cook 1983). Attraction theory postulates that one is attracted to others on the basis of four major factors: attractiveness (physical appearance and personality), proximity, reinforcement and similarity. Social penetration theory describes relationships in terms of breadth and depth. Breadth refers to number of topics we talk about. Depth refers to the degree of personalness with which we pursue topics. Social exchange theory holds that we develop relationships, which yield the greatest profits. We seek relationships in which rewards exceed costs and are more likely to dissolve relationships when costs exceed

rewards. Equity theory claims that we develop and maintain relationships in which rewards are distributed in proportion to costs. When our share of rewards is less than is demanded by equity, we are likely to experience dissatisfaction and exit the relationship.

SCALE TO MEASURE THE DEPTH OF RELATIONSHIP

Similar to the SERVQUAL (Parasuraman, Zeithaml, and Berry) instrument developed for measuring the quality of service, an instrument to measure the depth of business relationships can be developed. Different dimensions of relationships have been brought out by theoreticians from varied disciplines, such as law, economics, and social scientists. A new holistic approach adopting an eclectic model needs to be developed.

In order to stimulate such a thinking we provide a partial listing of some of the dimensions of relationship.

- Reciprocation
- Mutual benefit
- Trust
- Transparency
- Concern
- Interdependency
- Commitment
- Shared values
- Adaptation

We need to dwell deep into some of the early works on relationship to arrive at the underlying dimensions of any relationship, which in turn can be used to construct a scale to measure the depth of any relationship.

TYPES OF RELATIONSHIP

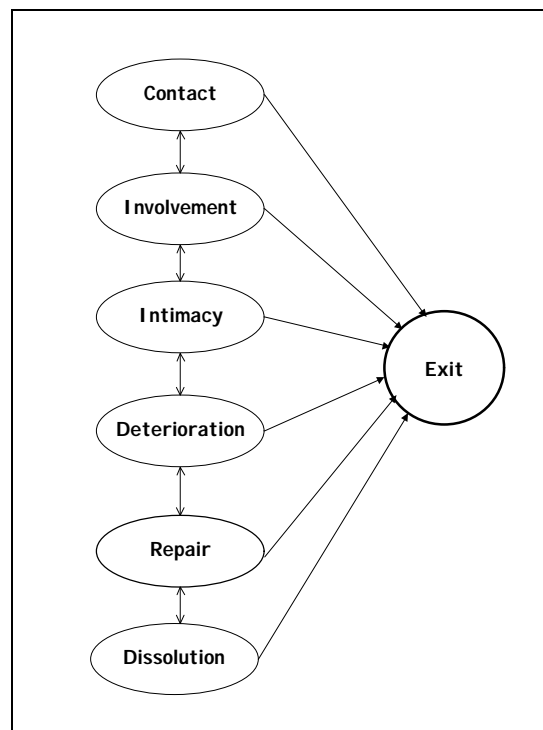
The nature of relationship varies from situation to situation. Alan Mitchell (1997) has identified the following types of relationship and their relevance for different business situations.

- Parent-child (loan marketer)
- teacher-student (mass marketer of Internet Software)
- leader-follower (fashion brand)
- comrade-at-arms (pressure group)
- fellow enthusiast (sports car)
- confidante (financial services advisor)
- idol to be worshipped (luxury brand)
- casual friend (beer, crisps)
- soul mate (special whisky)
- old flame (brands your mum used)
- a friend whom you seek out to escape from everyday reality (holiday)

A detailed research may be undertaken to classify business relationships into different categories.

STAGES OF RELATIONSHIP

Relationships do not get formed overnight. A typical man-woman relationship goes through stages such as dating, romance, marriage, honeymoon etc. Behavioral scientists commonly use the six stage model, shown in Figure –1, to describe the development of relationships (Devito – 1993). The six stages are contact, involvement, intimacy, deterioration, repair, and dissolution.



(Adapted from DeVito, Joseph A. (1993), Messages : Building Interpersonal Communication Skills, New York, HarperCollins college Publishers. Page 260)

Figure – 1
Six Stage Model of Relationship

There has been a number of studies that have looked at relationship between importer and exporter or a company and its vendors. However there are no significant studies carried out to understand the relationship stages in a consumer products situation.

Are there some universal models available that define different stages in a relationship? Can we develop a comprehensive relationship stages model for business relationships too. Depending on the type of relationship (as defined in the earlier section) will the relationship stages differ?

Research needs to be carried out to understand the stage at which cross selling and up-selling should be attempted. Even some stage may bring better results than others when it comes to seeking referrals from existing customers.

CUSTOMER LIFE CYCLE

Basically CRM revolves around the management of customer life cycle as indicated in Figure – 2. We start with customer acquisition either through the traditional advertising or through referrals. Then we move on to customer development through personalization of communication and customization of products and services through a mutual learning process. Then we go on to leverage the customer equity through cross selling and up selling. We work for the retention of existing customer and also benefit by the new customers that they get through their personal referrals.

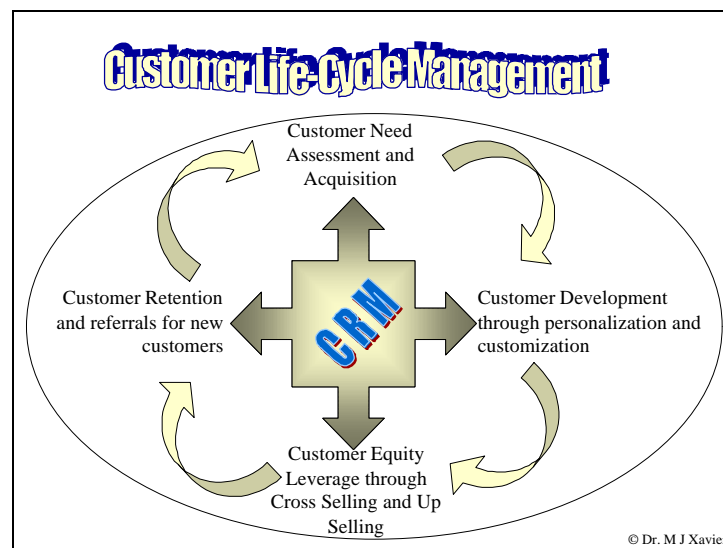


Figure - 2

Each stage in the customer life cycle offers immense opportunity for research.

CUSTOMER ACQUISITION

Though the CRM literature advocates that customers should be brought in through referrals, we do find that many companies (including dot.com companies) continue to use the traditional mass media advertising to get new customers. Basically we need a critical mass of customers before referrals can bring further customers (or do we?). There is a lot of potential for research as to when and under what conditions do we resort to mass

media? How long do we rely on mass media? Under what circumstances, can we do away with mass media advertising?

Personalization and Customization

Though this part has been extensively studied, the question remains as to whether customization is needed in all product categories. Do customers expect customization in commodity type of products?

Cross selling, up selling and referrals

Theoretically cross selling and up selling can meet the customer requirements. However the idea seem to predominately meet with the sellers need to maximize his revenues by exploiting his relationship with the customers. Are there methods to ensure that these CRM techniques result in the enhancement of mutual economic values.

Customer Migration

Whatever be the CRM programs used by companies, there will be a certain amount of customer migration at different stages of the customer life cycle due to various reasons (See Figure – 3). Studies need to be conducted to assess customer attrition at various stages to arrive at recommendations for managers to minimize the same.

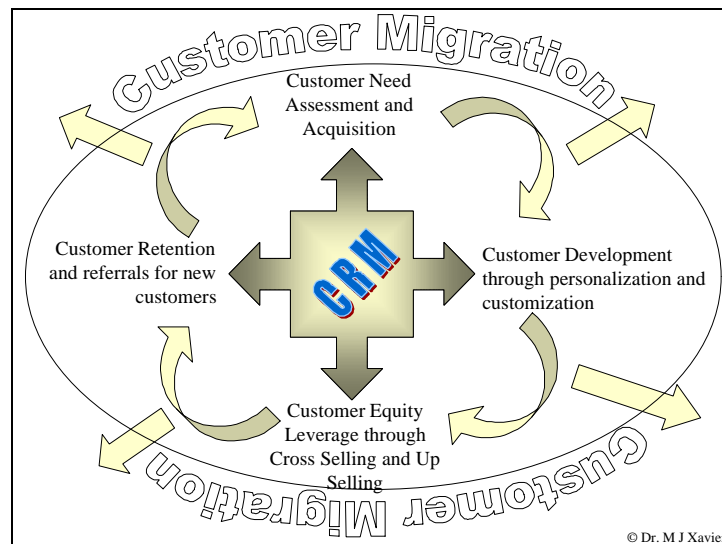


Figure - 3

In sum, the approaches developed so far have only contextual relevance and consequently they may not be helpful in developing an universal theory of relationship marketing.

Most of the studies conducted in the area of relationship marketing, try to look at relationships in a narrow perspective. We need to first of all understand relationships in general and then relate the same to marketing. As relationships are built on the edifice of mutual benefit, the models developed should ensure that they are not exploitative in nature.

REFERENCES

Altman, Steve and Dalmas Taylor (1973). *Social Penetration: The Development of Interpersonal Relationships*, New York: Holt, Rinehart Winston.

Aronson, Elliot (1980). *The Social Animal*, 3rd ed. San Fransisco, CA:W.H.Freeman.

DeVito, Joseph A. (1993), *Messages : Building Interpersonal Communication Skills*, New York, HarperCollins college Publishers.

Messick, R.M. and K.S. Cook, eds. (1983) *Equity Theory: Psychological and Sociological Perspectives*, New York: Praeger

Mitchell, Alan (1997) 'The Secret of a Good Relationship', *Marketing Week*, August 28, 7

Parasuraman, A., Zeithaml, V. A., and Berry, L.L. (1988). SERVQUAL: A multiple theme scale measuring consumer perceptions and service quality. *Journal of Retailing*, 64, 12-40.

Reichheld, Christopher J. (1993) 'Loyalty-based Management', *Harvard Business Review*, March-April, 71.

Thibaut, J.W. and H.H. Kelley, (1959). *The Social Psychology of Groups*. New York: Wiley.

@ @ @ @ @ @ @ @ @ @ @