A CRITIQUE OF RUSSEL WINNER'S MODEL OF CUSTOMER RELATIONSHIP MANAGEMENT (CRM)

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ABSTRACT

This paper attempts a critique of Russel Winner's (2001) CRM framework as a working model in the CRM adoption process. Indeed, this researcher faults the framework both in conception, structure and in functional fluidity on the grounds that building a CRM programme should not start with the creation of a database down to terminating at the metrics level as his model suggest. This author attempts a better structuring to enable a more fluid process. Therefore, the paper hypothesizes that the process of building an effective CRM programme should start from engaging in promotional activities to attract customers, then using data capture devices to analyse customer profile, engage in customer selection and targeting down to metrics and performance evaluation. Finally, a feedback processes (loop) to ascertain whether the original objectives have been attained is of crucial essence, and if not, the initiation of a corrective measures to make the programme better become of essence. The paper proposes a Model II framework (as captured hereunder) as the ideal/correct sequence the process should follow. This researcher therefore makes this modification as a salient recommendation for all organizations as they attempt to adopt a CRM programme to drive their organization competitively.

Keywords: *CRM: Customer Relationship Management, ES: Enterprise System, RM: Relationship Marketing*

INTRODUCTION

Many studies from western countries have eulogized customer relationship management (CRM) as a dynamic and evolving tool of competition in the 21st century that is software driven (Markus and Tanis, 2000, Di'Maria and Micelli (2008)). Indeed, their conception of a CRM programme as an Enterprise System (ES) technique for managing customers makes CRM tilts heavily towards an IT orientation. CRM therefore is argued to enable forward looking organizations to acquire capacities to manage a large potpourri of clients using their databases as support platforms to aid strategic decisions that is customer-centric.

Also, it is touted that the use of IT and software devices to drive CRM enables CEOs and captains of industries to garner a lot of gains across several spectrum of business. As a matter of fact, researchers such as Winner (2001) Sepulcri (2003) and Pepers and Rogers (2007), a leading CRM consulting firm in the USA, adduced profitability as a key dividend derivable from deploying CRM and related techniques to drive business organizations in dynamic markets globally. Before these, research study by Potter and Miller (1985) identified competition a key dividend of CRM. For them, CRM was a cutting edge tool organizations were increasingly turning to interface between business-to-business, business-to-individuals etc to secure better advantages over their rivals.

Furthering the dividend argument, Scholars like Davids (2005) says it can be deployed as a platform to improve service delivery. This position received support from later scholars. As Kotler and Keller (2008) put it, service delivery in the 21st century should go beyond merely creating service platforms to satisfy customers. In their opinion, merely satisfying customers will not make for effective customer retention; hence they suggested that service givers should add delight to the menu to spice up the entire sales-contact points as a facilitator of customer loyalty.

As markets become more fluid and rival companies contest for clients become fiercer by the day, the need to form tighter bonds with existing customers has become not only a matter of necessity but of policy. Small wonder Davids (2001) suggest that effective CRM should consist in a combination of policies, processes and strategies to unify its customer interactions and provide a means to track customer information. Markus and Tanis (2000) opines that ES like CRM enable better integration of transaction-oriented data and business processes. The imperative of forming tighter bonds through integration of transaction enables trust and commitment which is another imperative to the success of a CRM programme (Hunt, 2000; Varadarajan and

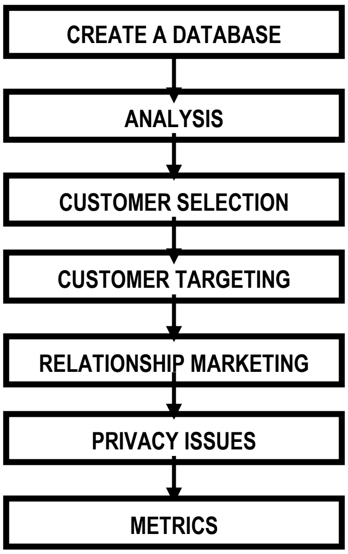
Yadav ,2002). CRM therefore can be said hold lofty prospects to business organizations; it perhaps deserves a model or programme of some sort to drive and guide adoption and implementation.

This perhaps spurred Winner (2001) to put forth a model for an effective CRM programme. In his model (Model I) he articulates that CRM should start from the creation of a database of clients, then analysis. It should then be followed by customer selection, customer targeting, relationship management, privacy issues and metrics. In the thinking of this researcher, this process is rather mechanistic, flawed in structure and sequence. Insightful as his Model I may seem, a re-think and a re-order have become imperative to make it more organic if organizations are to have better success in their CRM programme adoptions and implementation. This is the crux of this paper.

CONCEPTUAL FRAMEWORK
In the very insightful work of Winner (2001), a framework of the CRM adoption process was developed for study and also to serve as a guide in the implementation of a CRM programme. This model of the CRM process shall guide our coming discussions conceptually, taking each in turn.

<u>CRM: Model 1</u>

Customer Relationship Management Model



Source: Russel S. Winner 'Customer Relationship Management: A Framework, Research Directions, and the Future' *Haas School of Business University of California* at Berkeley (2001)

The conceptual understanding or poise of this model tends to proffer a sequential process of the adoption process. Let us attempt an exposition of Winner's (2001) model, - for the purpose of clear understanding, it will be referred to as Model 1 in this discourse.

<u>Create a Database:</u>
Winner (2001) avers that creating a database involves the building of a customer information profile. Such should involve the transaction accounts of valued customers and it should be comprehensive. Winner (2001) suggests that the database should contain the following information:

- *Transactions.* This should include a complete purchase history with accompanying details (price paid, and delivery date)
- *Customer contacts.* Today, there are an increasing number of customer contact points from multiple channels and contexts. This should not only include sales calls and service requests, but any customer- or company-initiated contact.
- *Descriptive information*. This is for segmentation and other data analysis purposes.
- *Response to marketing stimuli.* This part of the information file should contain whether or not the customer responded to a direct marketing initiative, a sales contact, or any other direct contact.
- The data should also be over time.

Analyse Database:

In the conception of Winner (2001) customer databases have to be analysed for the purposes of defining appropriate market segments. MIS and marketing intelligence system are both useful strategies of building data and customer profile. Kotler and Keller (2008) opine that the customer database will contain every customer's name, address, past transactions and sometimes their demographics and psychographics (i.e. activities, interest, and opinions).

In analysing databases, skilled and sophisticated statistical methods may be used as an aid in ranking customers according to purchase recency, frequency and monetary value. This will enable a trend observation which can help in administering the needs of the customer. Often data analysis can enable the process of data "mining" to reveal a pattern of neglected customers, recent customers' trends and other useful information.

These will help in identifying "performing" from "non-performing" market segments and sales territories. This will also furnish under studying of data behaviour and trend behaviour; what each customer or market segment needs and what revenue each customer/market segment can deliver in terms of profits.

Customer Selection:

Winner (2001) avers that this stage of the CRM program consist in the use of information from above analyses to identify valued customers who would be of long-term benefit to the organization. This is done by targeting these customers with the organization's marketing program. Thus customers with high purchasing rate, volume and those with greatest brand loyalty profile can be targeted. According to him: "the goal is to use the customer profitability analysis to separate customers that will provide the most long-term profits from those that are currently hurting profits."

Customer Targeting:

For Winner (2001) the targeting of customers should involve specific target approaches to individual customers using direct marketing, e-mail, direct mail, personal selling and telemarketing instead of using mass media approach like advertising. The customer targeting task can become easier by following some serial steps identified by Pepers and Rogers (2007); these include:

1) Identifying your prospect and customer – do not go after everyone, build, maintain and "mine" rich customer databases with information derived from all the channels and customer touch points.
2) Differentiate customers in terms of 1) their needs 2) their value to your company – spend proportionately more effort on the most valuable customers (MVCs). Apply activity-based costing and calculate customer lifetime value. Estimate net present value (NPV) of all future profits coming from purchases, margin levels, and referrals, less customer specific servicing cost.
3) Interact with individual customers to improve your knowledge about their individual needs and build stronger relationships; formulate customized offerings that you can communicate in a personalised way.
4) Customise products, services and messages to reach each customer – facilitate customer-company interactions through the company contact centres and web site.

Relationship Marketing:

Davids and Thompson (2005) provides deeper dimension into the existential context of relationship marketing. For them, it consists basically in:

- Helping an enterprise to enable its marketing departments to identify and target their best customers, manage marketing campaigns and generate quality leads for the sales team.
- Assisting the organization to improve telesales, account, and sales management by optimizing information shared by multiple employees, and streamlining existing process e.g. taking orders using mobile devices.
- Allowing the formation of individualized relationship with customers, with the aim of providing customer satisfaction and maximizing profit; identifying the most profitable customers and providing them with the highest level of services possible.
- Providing employees with the information and process necessary to know their customers, understand and identify customer needs and effectively build relationship between the company and its customer base, and distribution partners

Customer Privacy:

This involves designing the CRM program to guarantee privacy through provision of individualized transaction that are not public knowledge (Margulis 2003; Lewin, Jochen and Jerome 2007).

In Winner's (2001) Model I conception, the basic attractions of CRM is its promise to guarantee privacy and indeed personalized attention. Customers will feel more comfortable if they realize that the information they volunteer in their data bases will not be divulge (Westin, 1967; Sheehan and Hoy 2000). By definition, privacy focus on issues of control and access (Ahman and Weston, 1967). Privacy is also seen as the "claim of individuals, groups, or institutions to determine for themselves when how, and what extent information about them is communicated to others (Weston, 1967) the conception here is ability of individuals to control access to and dissemination of their personal information. Jourlord (1966), Fried (1968) and Parker (1974) among others focus their understanding of the concept of privacy to involve information control. Thus Haag (1971) argues that privacy is the exclusive access of a person to a realm of his own.

METRICS: CRM Scorecard Analysis

This involves crucial issues of measuring the success of the CRM program through sales volume, profitability, ROI etc. It should give customer acquisition costs, conversion rates, retention/churn rate, loyalty measures etc. Winner (2001) opines in his model that these measures imply doing a better job acquiring and processing internal data to focus on how the company is performing at the customer level.

REVIEW OF LITERATURE

Many researchers in the field of marketing, to which CRM is sub-unit, have put forth theoretical and conceptual understanding of the art and craft of CRM to expand the knowledge frontiers of the concept.
The general philosophy of RM can be summarized into the following vibrant points:

- Retaining customers is far more profitable than losing them
- Customers typically generate more profit for a business with each additional year of the relationship
- It has been noted that a 5% gain in customer retention can lead to an 80% increase in profits.

CRM is about the drive of companies towards building and maintaining a good record of valued customers and relating with them dynamically to meet their needs in order to grow or survive in a competitive environment – improved financial performance is its basic and overall objective.

RM is the development, growth and maintenance of long term, cost-effective relationships with individual customers, suppliers, employees and other partners for mutual benefits. Hence it can be said that RM involves using methods and tactics to develop long term relationships with customers in order to retain them. Judging from above expositions on the nature of these two concepts, we can see that both concepts are of strong business import and a strong string tie them together as they both have to do with "quest to satisfy the customer need" to "guarantee continued relationship". It is therefore safe to conclude that their common objectives exceed just the drive to deliver customer satisfaction and value – it cuts deeper into developing and maintaining a healthy relationship with both customers and the firm's publics. In this vein therefore, this study intends to treat CRM and RM as being the same thing and all reasoning (both inductive and deductive) will be carried on with this understanding.

The importance of RM comes in the following chain of valued activities: customer retention, customer loyalty which guarantees repeat purchases, life-time value of customers, reduction of funds spent on acquiring new customers, furnishes competitive advantage, allows an organization to target its customers more effectively, and it guarantees the long term strategic goals of the firm in terms of profitability.

In this regard, Parvatiyar and Sheth (2001) conceive CRM as a comprehensive strategy and process of acquiring, retaining and partnering with selective customers to create superior value for the company and the customer. Thus CRM is about the company and the customer. Christopher, Payne and Ballantyne (1991) had earlier identified the company's clients (markets) in their six market model as consisting in: 1) referral markets, 2) supplier and alliance market, 3) recruitments market, 4) influencer market, 5) internal market and 6) customer market which they subdivided further to include present customer market and potential customer market.

However, the need to build these markets and relate with them structurally and functionally is crucial and is the focal building material in the attempt to crystallize a dependable CRM programme.

TAXONOMY OF CRM.

Managerial support and commitment are twin imperatives to the success of any CRM programme. It is in the light of the above statement that the researcher attempts to hypothesize a **Taxonomy of CRM.** Managerially it consists in the following key issues below:

- Having a clearly defined CR vision and policy woven around certain core values held sacrosanct by the organization

- Deployment of an effective PR programme that is dynamic, persuasive and responsive
- Synthesizing a comprehensive, purposeful and dependable client database using appropriate technology
- Striving to understand the psychological systems that influence customer feelings, emotion and buying behaviour
- Establishing a functional feedback and complaint handling systems and responds.
- Striving to ascertain customer present and future requirements (needs, wants, preferences etc) and meet them at reasonable cost.
- Righting the 4ps and product mix at the right time and place from the customer perspective
- Evolve a dynamic tact of informing, educating, persuading and changing negative brand beliefs; helping customer reach a profitable purchase decision with a guarantee
- Keeping and maintaining a cordial and responsive relationship with customers, one that guarantees privacy.
- Never leave the customer unsatisfied or angry

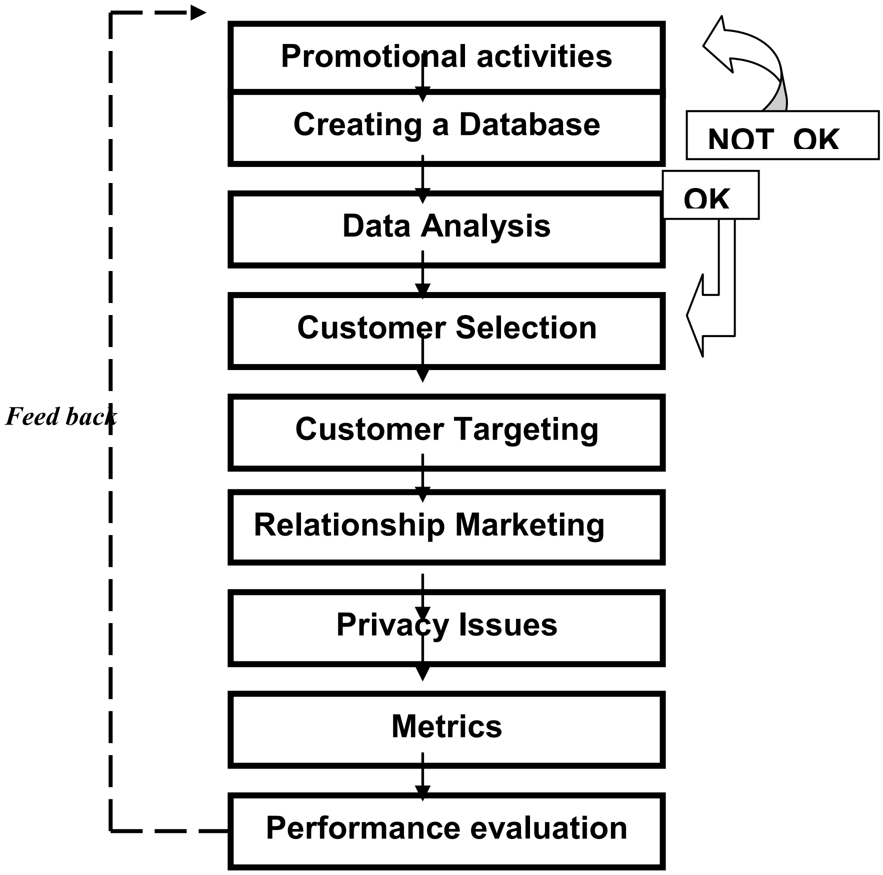
FILLING-IN THE MISSING LINKS

CRM Model II

RE-ORDERING THE MODEL: From above discourses, one can notice certain critical areas the Model I overlooked and did not pay credence to. These require re-ordering, restructure and changing to make the model better and workable in the market place. The sequence below is of essence: while Winner's Model 1 was a 7-step process, the Model II is a 10-Step process. It begins with promotional activities through marketing communications, creating a database, customer data analysis, customer selection, customer targeting, relationship marketing, privacy issues, metrics, performance evaluation and feedback. A critical strength of the Model II is the 'feedback' and a 'query' at each step which tends to establish a criterion for its continuation.

DEFECTS OF THE MODEL I

Attracting customers through e-mail, internet & telemarketing: The creation of awareness and entrenching strategies to attract customers are the first task needful to be done in the task of building a CRM programme. Hence Kotler and Keller (2008) aver that information and communication through advertising, personal selling, sales promos etc., in creating customer pool from which we can get target "warm, hot and cold" customers.



Whereas Winner's Model 1 (2001) stipulates the use of e-mail, internet and delved straight into the creation of a database and thence to analysis. This will not work for African and LDCs environment. Again, one would expect that customers first have to be attracted through information, sensitization and persuasion to create opportunity for responses before their data can be captured as regards to: what they buy, how often they buy and in what quantity (Jobber, 2004 Lancaster and Massingham, 2000). To subsume this function under "customer targeting" is structurally wrong and unworkable. The Model II above is therefore of better conception and sequencing in the task of creating an effective CRM model.

Lack of Standard Criteria: In the Model I process, Winner (2001) gives an impression that creating a CRM programme is a continuous flow process of some sort. It failed to introduce specific criteria set to be achieved before the next sequence can take off or deemed qualified to take off. Thus if the substantive step were wrongly implemented or is suboptimal, it should automatically go ahead to the next step. By way of logic and programming, this is untidy and can precipitate an evolution of a sub-standard programme and thus failure of the CRM programme can result. The Model II initiation of a control 'query' and 'criteria' function has capacity to midwife a CRM programme that can meet customer expectations and thus work for both organization and client.

Assuming the CRM process is terminal: Model I assume that the CRM process terminates at the "metrics" rung of the ladder. The sequence is presented to proceed downward in a free-flow manner. At each step specific functions should be carried out according to the author. The termination of the process at the metrics level does not give room for a looping system. A loop represent a feedback which serve to report system efficiency/effectiveness or otherwise to warrant the introduction of a correction factor. Model II appropriately recognizes the need for this feedback and 'correction factor' to make the CRM process an open system which can receive inputs from environment (markets) as customers and markets can be dynamic in nature and character.

The Model I too IT & Science-focused: A clinical study of the Model I reveal that data capture devices, info-tech and software are core functions of the CRM programme whereas they should serve as an aid. Specifically, Model I assume that capturing data via e-mail, telemarketing etc is better than through the use of media platforms like advertising, and sales promotion. Scholars can easily be misled into thinking that CRM is all about automation and technology. This can cause an aversion of some sorts as less developed countries like Nigeria without a reliable technical infrastructure like power can find it very tasking. Thus the impression that CRM is mostly about technology can be frustrating to less endowed organizations. Whereas CRM is an art, a strategy that powers policies and processes at various customer contact points. CRM is customer centric with a strong bias for the customer orientation. Rigby, Reichheld and Schefter (2002) in their study cited an example of Grand Expeditions, a Florida based company that manages eight tour operators. It started its CRM project by identifying the low-tech operations that are already working well and could be applied to the entire company. According to them, "Bob DeVres (the CEO) discovered that handwritten "thank you" notes to customers could be very effective. Customers loved this personal touch, and DeVries realised that this was an effective and simple way that the whole company could strengthen relationships in an industry where customer-acquisition costs are high and clients are risk-averse.

CONCLUDING REMARKS

The mechanics of making a system or programme function fluidly is not dependent on the sophistication or complexity of the system. Marketing functions and customer activities are not all systematized, some are art-focused, some have psychological and emotional connotations. In order to harness the various potentials of these intervening variables there is the necessity to make a right mix or blend that would give the right results. According to Rigby, Reichheld and Schefter (2002) CRM programme must be made to suit peculiarities of each organization. A common mistake they hinted CEOs and their marketing team make is the over-assumption that more-IT can lead to better effectiveness and a dangerous assumption that what worked in LG Inc. will also work in TOSHIBA. Organizational leaders should seek that platform that can make their CRM programmes less mechanical and more customer-centric and friendly or amenable.

In adducing reasons why some organizations fail in their CRM programme, Davids (2005) points to challenges such as exorbitant cost, inadequate focus on desired objectives, insufficient company resources, inappropriate metrics and slow returns.

RECOMMENDATIONS

In the light of the above discourse, certain postulations are necessary. One, there is the need to adopt and observe the dictates of the Taxonomy of CRM as elucidated earlier by this researcher. Two, consequent on the findings of studies by researchers such as Igbokwe and Salami (2008), Rigby, Reichheld and Schefter (2002); when organizations delve straight into implementing CRM before adopting a working strategy; when they fail to reengineer internal capacities for change; and when they stalk instead of wooing customers, they are bound to have hi-cups in their CRM programme. It is strongly recommended that CEOs be critical of these pitfalls.

Lastly, this study strongly recommends a more tactful handling of customers, knowing that customer needs of yesterday may not be adequate for today. Organizations attempting to imbibe a competitive strategy like CRM should look more to adopting the Model II processes to drive their CRM programming in increasingly globalizing markets.

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