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Customer Relationship Management (CRM) as a Conflicting Concept: Nguyen And Mutun's (2012) Definition in Focus

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Abstract: Customer Relationship Management (CRM) is considered to be a complex concept mainly concerned with direct marketing, where personalised communications are used for the purpose of obtaining and maintaining mutual marketing relationships and for managing an organisation's interactions with customers and potential customers. A CRM system helps companies stay connected to customers, streamline processes, and improve profitability. The goal is simply to improve business relationships. This paper attempts at synthesizing and critically evaluating issues surrounding the definition of CRM based on the proposition of Nguyen and Mutun as shall find overleaf. A holistic review and further exploration of theoretical critiques of CRM reveal some drawbacks to the definition and the principle upon which it was based. The paper therefore made a case for an all-inclusive, comprehensive and cohesive approach to the definition of CRM in order to take into account the identified faults to the definition of customer relationship management.

Key words: CRM, Relationship marketing, Customer management, Social networks, Direct marketing.

Introduction

Customer Relationship Management (CRM) is considered to be a conflicted concept, mainly concerned with direct marketing, where personalised communications are used for the purpose of obtaining and maintaining mutual marketing exchange (Harridge-March, 2008), and as such is the focus of this paper. The notion of CRM, has often been used interchangeably with the term Relationship Marketing (RM), and involves the acquisition, attendance to and retention of customers, to facilitate long-term loyalty (Harridge-March, 2008; Frow, Payne, Wilkinson and Young, 2011; Nguyen and Mutum, 2012). Marketing communications, centre on the "Promotion" aspect of the 4 Ps (sometimes 7Ps, [Goi, 2009]) of the Marketing Mix (Pelsmacker, Geuens and Van Den Bergh, 2013) and include various advanced techniques, of which direct marketing is synonymous with CRM (Harridge-March, 2008). The 4Ps of marketing- Product, Price, Place and Promotion (Pelsmacker, Geuens and Van Den Bergh, 2013) and often added 3Ps- People, Physical Evidence and Processes (Khan, 2014), are blended to formulate optimal planning for exchange of ideas, goods, and services which satisfy customer and organisational needs.

Hence promotion signifies the communication of the product value, which is being developed, priced and distributed (according to the mainstay original 4Ps, [Khan, 2014]), thereby ensuring consistent fostering and management of relationships. The communication instruments which are synergistically integrated with each other to achieve this include: advertising: - non-personal mass-media communications, public relations: - publicity such as press releases and

conferences, sponsorship: - providing funds for an event, in order to receive brand awareness and sales promotion: - part of stimulating brand activities through vouchers, for example. In addition, promotion can be through point-of-purchase marketing: - such as shop displays, exhibitions/trade fairs: - mainly for businesses networking, personal selling and electronic communications: - using the internet, mobiles and digital television and the cornerstone of CRM, direct marketing: - personalised communications such as mail or telecommunications (Pelsmacker, Geuens and Van Den Bergh, 2013).

CRM has been defined as: "The purposive use of customer knowledge and technologies to help firms generate customized offerings on an individual basis based on fairness and trust in order to enhance and maintain quality relationships with all the involved parties." (Nguyen and Mutum, 2012).

Discussions

Nguyen and Mutum (2012) derived this definition from the exploration and discussion of eight principles, namely: that developing customer loyalty creates mutually beneficial exchanges between a firm and customers, that increasingly sophisticated technological direct marketing systems such as email, social networking (e.g. Face book), and CRM databases are facilitating greater interaction and monitoring of customers for personalisation, that modern informed customers now form a greater part of the value creation process, thus continued data sharing allows adaptations to relational requirements, and that CRM is difficult to define since there are multiple postulated definitions, therefore effective implementation is fluid, contingent upon the particularised usage by an enterprise.

Furthermore, the authors contend that the quality of relationship in CRM is determined by the permeation of trust-commitment, satisfaction, symmetry, dependence and fairness. That is, belief in honest intentions- instigating dedication to continued exchange, perceptions of fulfilling customer needs, an equal balance of power, thus negating feelings of vulnerability from reliance, and equity in both the output of the relationship, and how business is conducted. The sixth premise forming the basis of the definition refers to the necessity for continued interaction between firm and customer to establish consent in the use of customer information to prevent loss of trust due to misuse or excessive use. The seventh hypothesis recognises that negative customer feelings can result from preferential treatment towards patrons due to customisation strategies, therefore suggests regular perception monitoring. The eighth premise suggests incorporating all of the findings on the previous principles into a new holistic definition of CRM, as RM signifies a paradigm shift in marketing for competitive advantage.

There are several arguments meriting evaluation which support and refute the assertions of Nguyen and Mutum (2012). Harridge-March (2008) provides support for the complicated nature of the CRM explanation, exercising caution when favouring certain customers, going beyond basic loyalty schemes, continually monitoring responses to open up discussion and enforcing necessary protective measures on consumer data to prevent customer distrust, thus defection. The author confirms that the literature on direct marketing and RM has been gradually converging, with the increasing technological advancements in direct marketing (such as databases) driving the original adoption of RM in consumer goods, through providing a platform to continually communicate with a high volume of demanding customers. Both are concerned with creating and maintaining long-term relationships, so using the strengths of both is recommended, similar to the holistic approach of Nguyen and Mutum (2012).

The author additionally advocates ensuring customer data control by inhibiting duplicate messages via mail, email, mobile or telemarketing, preventing third party use of data, ensuring data confidentiality and protecting against fraud, avoid price personalisation such as that previously attempted by Amazon, instead, focusing on purchase behaviour to promote similar products and tailor the approach to individual needs as not all customers wish a relationship. Nguyen (2012), however states that not all examples of price personalisation are objected to, in the same way that occurred when Amazon priced DVD movies higher for loyal customers due to a misconception of reduced price sensitivity. The case of airline customers who did not become unhappy being on the same flight as customers, who paid different prices, was cited as an example for this.

A contrasting view towards differentiating clearly between CRM and RM, rather than the Nguyen and Mutum (2012) all-encompassing, contingent definition, is explicated by Frow, Payne, Wilkinson, and Young (2011). The authors emphasise that CRM and RM are distinct. Nguyen and Mutum (2012) hold that it is generally agreed the main differences between CRM and RM are that CRM is a tactical rather than strategic approach, plus that RM has greater indications of emotional and behavioural variables with multiple stakeholders, compared with CRM which is more managerial, and concentrated on key customers. Yet Frow, Payne, Wilkinson and Young (2011) view CRM as strategic rather than tactical in management, with customer management as a tactical separate subsection of CRM, involving customer interactions and transactions. The authors delineate that relationship marketing involves strategic relationships with multiple stakeholders, CRM involves strategic technological relationships with customers, and customer management is part of CRM which tactically manages customer interactions. This is reflected in Figure 1, and the authors state that by not adopting such a patent definition, it is detrimental to the field, due to increasing confusion.

Figure 1 Distinguishing between relationship marketing, CRM and customer management

**Figure 1** Relationship marketing, CRM and customer management
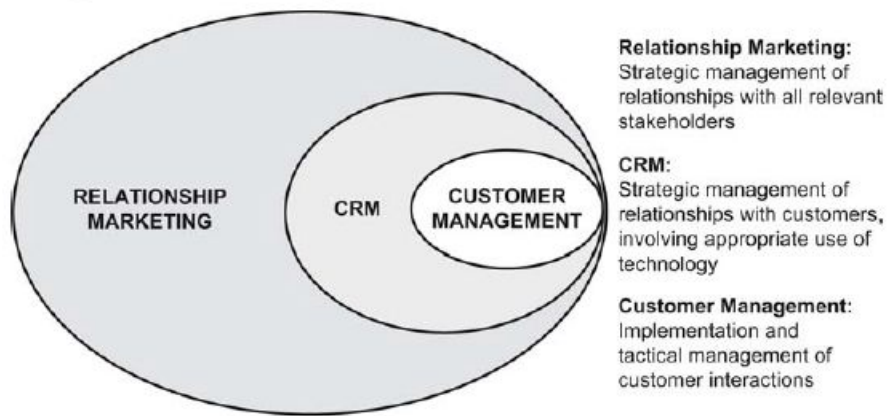
Source: Frow et al (2011, p81).

Contradicting the suppositions of Nguyen and Mutum (2012), the authors argue that the previous lack of coherence such as that outlined, has led to the practitioner use of solely tactical customer management methods towards customers, which are transactional in nature, rather than strategic management methods which elevate the customer to co-creator in the relationship. Thus to apply the definition of Nguyen and Mutum (2012) would facilitate a dysfunctional relationship in a firm who understand CRM as purely tactical in orientation. Moreover, the authors impress that there are a wider range of negative implications from lack of clarity, which has led to examples of customer exploitation, adding greater import to the list of negative CRM effects identified by Nguyen and Mutum (2012). These include contractually locking in customers through switching costs, technology causing relationship remoteness rather than increased interaction, CRM use of the internet causing intrusive promotions to non-target segments and ecological side effects from CRM such as encouraging consumption of non-nutritious foods. As a solution, a more detailed comprehensive model than the definition of Nguyen and Mutum (2012) is suggested, which incorporates strategic perspectives on CRM across the business, to effectively tackle the negative behaviours derived from previous conceptual vagueness, and balance customer participation. Figure 2 demonstrates this model:

Figure 2 Strategic Framework for CRM (Frow, Payne, Wilkinson, and Young, 2011)

Figure 2, Addressing "dark side" service provider practices- towards "enlightened" CRM
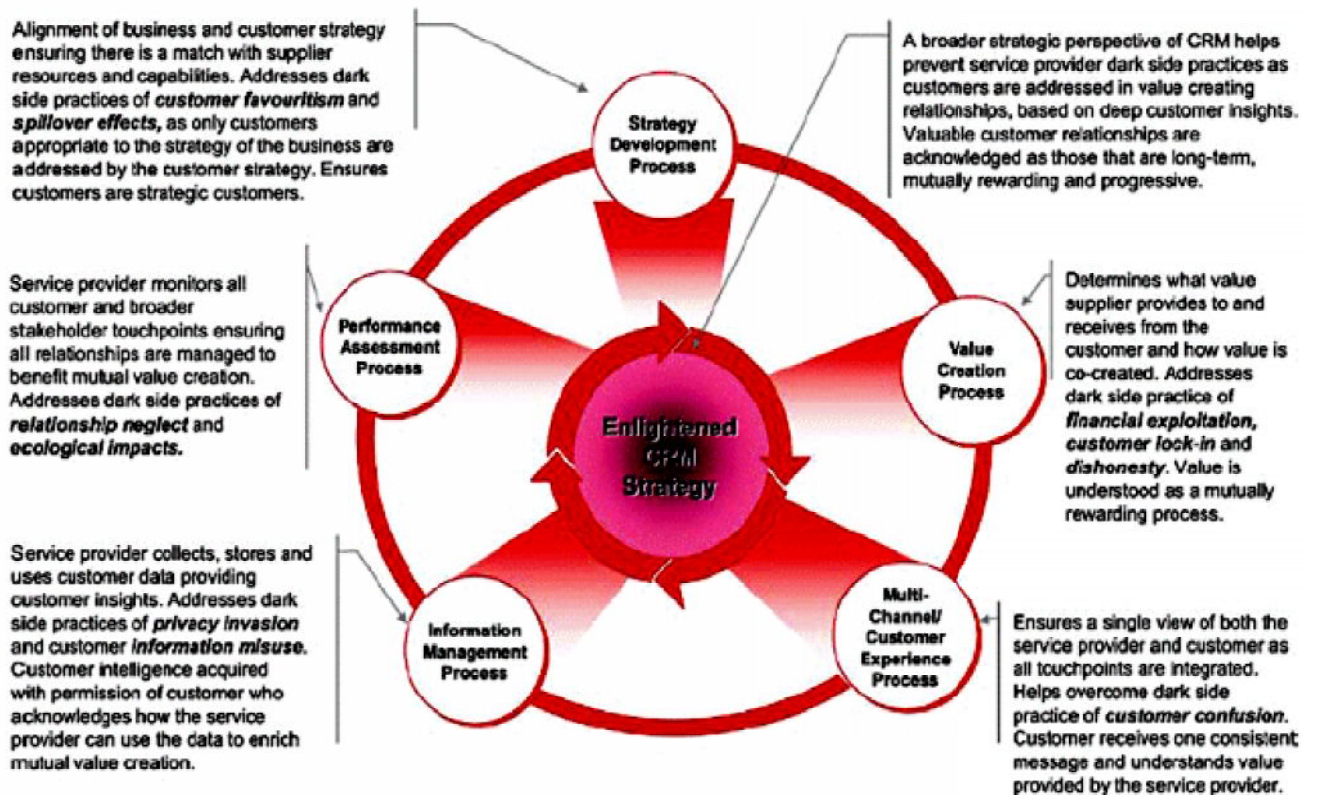
Source: Frow et al (2011, p85).

Nguyen (2012) confirms that an operationally aligned perspective on CRM is desirable across the organisation, although rather than the level of consumer guardianship presupposed in Figure 2 by Frow, Payne, Wilkinson and Young (2011), states that combined with the invocation of monitoring, fairness and trust (as previously defined), increased technological interaction via social networking sites, comparison websites, blogs, online word-of-mouth and internet forums, will provide sufficient checks on company transparency, to rebalance the relationship and previous misbehaviour. That is to say the solution lies in proliferation of social media marketing technology to foster more intimate relationships, with greater customer input. This view is corroborated by Harridge-March and Quintin (2009) who believe technology has accelerated consumer empowerment through social networking, and affords the placement on a ladder of virtual loyalty for market segmentation, similar to the loyalty ladder of RM. This enables targeting of the most loyal customers for efficient word-of-mouth referrals.

Contrarily, Ernst, Hoyer, Kraft and Krieger (2011) found that technology based CRM itself did not have significant impact on the success of new product developments (NPD), suggesting its contribution is directive rather than interactive. Instead the main mediating factors between CRM and innovation success were CRM processes (customer information management, customer segment value management, and multi-channel management) and reward systems. Reward systems were the most influential component in supporting CRM processes. The study consequently concludes that CRM technology itself is not sufficient for effective implementation of CRM, and indeed people are also an important element. Rather than basing innovations on interactions with customers, the employees who manage the relationships are recommended as sources of NPD, due to their underlying knowledge. This is reinforced by Srisamran and Ractham (2014), who explain that CRM knowledge management requires the complete use of three dimensions namely; people, processes and technology in a customer-centric, technology-driven cross-functional organisation.

This view is echoed by Canhoto (2009) in relation to customer data privacy. In their study, technological and procedural CRM management was of no consequence in relation to customer privacy, without employee endorsement- with the US having 317 cases of data breaches in 2008. Their research reflected that whilst employees may use the technological system in a bank to manage customer data, and be aware of privacy legislation, this is overridden by employee attitudes, for instance discussing accounts between each other. This was linked to the reward system in place for safeguarding customer confidentiality (see Figure 3).

Figure 3: Table of impact of regulation, technology and employees on privacy protection

Table III Role of regulation, technology and employees on safeguarding customer data

Category	Effect	Observation
Legal	Outlines obligations and expectations	Must be clear, relevant and enforceable
Technical	Reduces variability by controlling access and anonymising data	Has limited application
Employee	Attitudes have major impact on behaviour. Training is necessary but not sufficient	Behaviour is shaped by job requirements and reward schemes, as well as group norms and mental schemes

Source: Canhoto (2009, p492)

Bull and Adam (2010) view CRM as transcending relationship marketing as this is front-office, customer retention or loyalty centred, whereas according to dominant thinking, CRM concerns specifically progressing the targeting of customers according to profitability. The inherent moral questionability of this includes the potential exclusion of vulnerable customers such as the disabled, elderly, low income, or dependent remote residents. In their study of CRM packaged software systems, there were indications of over-reliance on the system such as on workload and performance measurements, which denied the input of employees which were recruited on the basis of their expertise. Besides instigating rebellious behaviour, the system had detrimental results of excessive time usage in documenting tasks, and the ineffective method of targeting customers on profitability over individual technical aspects that may be relevant to a particular case. Rather than strategic, the CRM system was front-office orientated.

Saarija¨rvi, Karjaluoto and Kuusela (2013) state that current use of customer data and CRM activity is product and firm motivated, precluding customers from the value creation process. Firms historically used customer data for customised communications, cross-selling, or segmentation, which now has gone re-evaluation as public and private initiatives demand the sharing of information with customers. This study assessed a food retailer initiative to display nutrition content of the customer's purchases at point-of-sale, in comparison to that recommended by the National Nutrition Council. The transparency of this encouraged customer loyalty, as it fostered trust, engaged the customer, and differentiated them from the competition. This example illustrates the optimal use of customer data acquired for CRM, and can account for increased promotion of energy companies for example, promoting technology which measures energy usage.

Palmer and Lewis (2009) espouse this attitude to CRM management in the context of social networks. Rather than focusing on the cognitive aspects of technological use, they highlight the emotional and experiential aspects offered by social networking. Often reviews are left as a result of altruistic intentions and the control of content is not as rigid as legislation of print/broadcasting media. Therefore indirect customer engagement on these platforms, accepting the elevated symmetry in the relationship, is crucial to future direct marketing. The authors go on to attest that direct marketing will become a misnomer since it will require employment of indirect marketing activity, such as sponsorship of online shows, that encourage interactive discussions online. Whether this indirect approach simply reinvents the reported problems with CRM due to lack of direct interaction remains to be seen.

Conclusion

In summation, the literature regarding CRM and direct marketing techniques is convoluted and subject to continuous debate. The definition of CRM by Nguyen and Mutum (2012) seems sufficiently flexible, and practice orientated to realign CRM conceptualisation and malpractice issues in the first instance. However further exploration of theoretical critiques of CRM reveal some drawbacks to the definition, and the principles upon which it was based. Included in this are the requirements for greater prominence of protecting consumer exploitation and privacy infringements, the reality of a symmetry in relationships between customers and companies due to lack of conceptual clarity between tactics and strategy, the necessity to directly involve employees in the process, rather than solely customers and the recognition of the depersonalising effects of reliance on technology, (including social networks). Therefore a comprehensive, cohesive approach requires all of these factors being taken into account.

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