CRM Chapter 3

3.1 The nature of the CRM strategy

There are 3 'value disciplines that reflect the context of CRM, namely:

1. Operational excellence
2. Product leadership
3. Customer intimacy

3.1.1 Operational excellence

3.1.1.1 Criteria

- Companies with operational excellence strategy focus on price, quality and ease of purchase. Eg; Offer customers a guaranteed low price and problem-free service.
- No spending on one-to-one relationships with customers.
- Focuses on achieving cost leadership

3.1.1.2 The key strategies in operational excellence business model:

i. Products are purchased at low prices and in large volumes.
ii. The information systems follow the flow of goods closely and remove inefficiencies.
iii. Activities within the value chain are closely aligned with one another
iv. Product is standardised and automated if possible.
v. The staff maintains high level of productivity with a centralised management.
vi. Organisational culture : efficiency is rewarded and waste is despise (should be avoided).
vii. The team is what counts, not the individual.

3.1.2 Product leadership

3.1.2.1 Criteria

- Implement innovation and renewal with the aim to become the product leader in the market.
- Important key strategy for this product is to recognise the good ideas and to expand upon these ideas so that truly new products may be developed.
- The objectives are to provide customers with the newest and best product, push limits, and discover the unknown.

3.1.2.2 Issue in product leadership strategy:

i. Success achieved by product leaders is dependent upon the success they are able to realize in the market.

ii. Investment on new products and services can be risky when customers resist to change.

3.1.2.3 Overcoming issues in product leadership strategy

i.. Managing a new portfolio of new ideas – can counterbalance the failure of certain innovations.

ii. Avoid every type of bureaucracy and guide talented worker who should be treated as the asset of the company

iii. Experienced skilled worker might not help product leadership strategy as seniority might influence less effective decision. Thus, skilled worker should be like-minded

3.1.3 Customer intimacy

3.1.3.1 Criteria

- Companies build and focused on the development of relationship with customers.
- A great deal of attention is given to customers' desire.
- The company is built up based on the knowledge of the individual customers and their preferences.

3.1.3.2 The key strategies in customer intimacy strategy

2.1 General
- Relationship describes the feelings that two people have for one another: mutual attraction & respect, consideration, dependency & the like.
- Poeisz and van Raaij (1993) describe relationship as:
  1) Interactions must take place between at least two parties; characteristics of interactions are that the activities of one of the parties influence those of the other & vice versa.
  2) A certain degree of continuity must be present in a relationship since interactions from the past influence present and future interactions; relationships will also have to extend over a longer period of time.
  3) The effects of interactions are dependent upon the actual events and the subjective approach to these events.
- Toolboom (1996) describe relationship according to primary and secondary relationship.

Primary relationship	Secondary relationship
Love relationship between a man and a woman.	Diffuse and comprise many roles, behaviours and situations.
One person cannot automatically be replaced by another.	Not limited by strict rules governing contact.
Deep emotional involvement rarely occurs.	People involved generally know one another extremely well.
Fairly clear rules of etiquette and reasonably well-defined social roles.	Such as those between customer and supplier.
Players are more easily replace in general	
Short-term interpersonal relationships with a limited degree of social interaction.	

2.2 Customer-supplier relationships

Pyramids of relationships

1. As shown above is the differences between the parties involved in customer-supplier relationships (Peelen, Ekelmans & Vijn, 198; Payne, 1995; Schijns, 1998), pp26:

   - Whether or not a transaction has already been completed: from prospect to customer.
   - If a long-term orientation is present which extends further than that one transaction: from customer to client.
   - To what degree the relationship felt by both parties: from supporter to ambassador.
   - To what degree both parties take an active position in the relationship: from ambassador to partner.

2. Customer-supplier relationships may be secondary in nature but can also lie in the transitional area between secondary and primary relationships.

Eg;   Primary relationship – Ali gets fresh bread every morning from Abu's bakery shop near his house. Both have got to know and value with one another.
            Secondary relationship – Relationship between cashier and customer at the supermarket are not involved to each other. Ali buys his groceries almost every weekend in Tesco, but the cashier did not know him by his name and their conversation is limited.

2.3 Interaction and reciprocity

- According to social exchange theories, reciprocity forms the basis for relationships.

Lacking/weak relationships	Close relationships
Concrete agreements have been made regarding reciprocation.	There are few agreements concerning reciprocation.
Agreements have a short-term horizon.	Of the few agreements that do exist, many have a long-term horizon.
Initiative for interaction is taken primarily by one party.	The initiative for interaction is distributed evenly among the parties.
A limited number of topics are raised for discussion.	A multitude of topics are raised for discussion.
Topics are treated in a limited degree of depth.	Topics are treated in a high degree of depth.
Both parties present themselves as separate individuals/entities to the outside world.	Both parties present themselves as one entity to the outside world.
Each of the parties pursues its own interests.	Each of the parties pursues its own interests and takes the other's satisfaction/fate to heart.
Intentions regarding the continuation of the relationship are present to a limited degree.	The intention exists to continue the relationship in the long term, in spite of changes in the environment.
There are few barriers to ending this relationship and to starting another one.	There are many barriers to ending this relationship and starting a new one.
The parties consider, and may experiment with, alternative partners.	With respect to alternative partners, the adage 'look but do not buy' applies.

- Reciprocity assumes that:
  1) A moral norm exists to give something back when something is received.
  2) A precise return is not desirable. Exchanges do not need to be in balance immediately as long as equilibrium is created in the long run.
  3) Reciprocity occurs in all cultures; it is universal.
  4) Reciprocity makes interaction possible because the norm of return applies; people are willing to take a chance with someone because of the valid norm.
  5) According to anthropologists, the goal of reciprocity is the survival of the group, but according to an individual psychological explanation, the goal is to better oneself in an economic sense.

2.4 Commitment

- The exchange of resources will influence the level of commitment present in the relationship.
- Commitment definition: 'enduring desire to maintain a valued relationship' (Moorman, Deshpande and Zaltman, 1993).
- Johnson identifies 3 different forms of commitment:
    1. Personal commitment
    2. Moral commitment
    3. Structural commitment

	Structural	Moral	Personal
Choice/limitation	Limitation	Limitation	Choice
External/internal	External	Internal	Internal

Characteristics of three forms of commitment

1. Personal commitment
    - It is the will that someone displays in continuing a relationship.
    - Eg; a satisfied customer at a car dealership will want to continue his relationship with that company.

2. Moral commitment
    - People feel a sense of obligation
    - They fell that they are supposed to continue the relationship
    - Eg; The small independent fresh baker has a difficult time just to stay in business, and people feel that after all these years, they really can't just go and buy their bread elsewhere, even if it is better or cheaper.

3. Structural commitment
    - The perception that 'there is no escaping it'.
    - Eg; Investments have been made in that operating system and it cannot be done away without having substantial investments in new software, training programmes and undergoing a difficult transitional period.

≈ The differences are some of them are experienced as a limitation to freedom of movement, others are based on a voluntary choice. Some are the result of the individual's own decision and others are imposed from the outside.

2.5 Trust

- Trust is a basic condition necessary in order for a relationship to grow and has been defined by Moorman, Deshpande and Zaltman (1993) as 'a willingness to rely on an exchange partner in whom one has confidence'.
- Trust may be associated with qualities, such as honesty, fairness, responsibility, helpfulness and involvement.
- Honesty is the foundation of trust as without it, there is no confidence, no integrity.
- There are 3 levels of trust:
  1) Keeping one's commitments
  2) Concern with a characteristic of the partner
  3) General standards