CRM Chapter 4

The relationship-oriented organisation

In order to set up a relationship-oriented organization, company should consider several factors including:

1. Mission
2. Culture
3. Structure
4. People
5. Communication and information
6. Systems

4.1 Mission

4.1.1 Definition

A mission statement is a brief description of a company's fundamental purpose. A mission statement answers the question, "Why do we exist?"
The mission statement articulates the company's purpose both for those in the organisation and for the public.

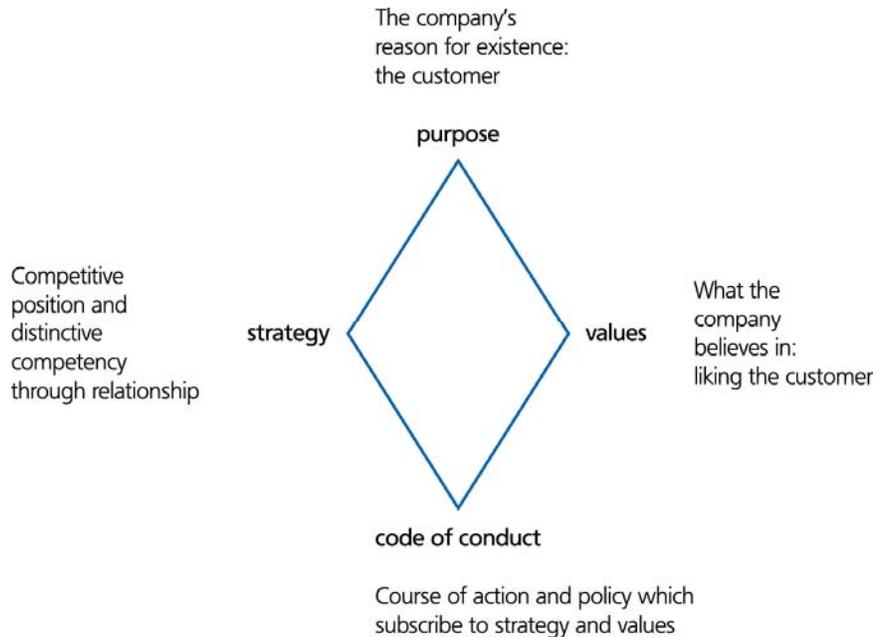### *4.1.2 The foundation of relationship-organisation*

1. Trust
2. Customer satisfaction
3. Commitment
4. Switching cost

4.1.3 Traditional organisation vs. relationship-oriented organisation

Traditional	Relationship-oriented
1. Profit-oriented. 2. Focus on groups of homogeneous customers. 3. Spend more to attract new and floating customers. 4. Strategies: offer new products, interesting offers, appealing brands.	1. Primary interest lies on the lifetime value of the customer. The goal is to increase the net present value of the profit contribution made by a relationship. 2. Focus on individual relationships. 3. Spend to attract new and floating customers; retain existing customers. 4. Strategies: learn more about the needs and desires of individual customers, and examine uncertainties experienced within the relationship.

4.1.4 The Ashridge mission model

According to the Ashridge-model, a mission statement should consist of 4 reinforcing basic elements: purpose, strategy, Code of conduct, and value.

The company's reason for existence: the customer

purpose

Competitive position and distinctive competency through relationship

strategy

values

What the company believes in: liking the customer

code of conduct

Course of action and policy which subscribe to strategy and values

THE ASHRIDGE MISSION MODEL

Purpose / objective:
- The organisation's primary reason for existence is to serve the customer.
- If relationship with customer goes smooth, then the secondary goals of the organisation which is profit, will automatically be realised.

Strategy:
- Company uses its identity, brand image, and knowledge on customers to strengthen the relationship with customers.
- The primary focus of attention is not the products or transactions but the relationship.

Code of conduct / behaviour:
- In setting up its mission, company should develop a relationship ethically.
- This will encourage trust, attractive profile, sincere and honest relationship.

Values
- 'The company likes customers'; the company takes the customer's situation seriously.

4.1.5 Factors lead to the failure of a relationship-oriented company

1. Focuses too much attention on the short term and the costs
2. Is composed of 'number crunchers'
3. Does not dare to take enough risks
4. Displays too much reactive behaviour
5. Does not have enough entrepreneurial spirit
6. Does not have enough vision

4.1.6 Effective mission planning process

1. Sense of mission
2. Goals
3. Strategies
4. Values and codes of conduct
5. Values involved members of the organisation

4.2 Culture

4.2.1 The relationship-oriented culture

- 'People dare to show their true selves.'
- People with 'well-developed right brain hemispheres' are deployed. (Emotional intelligence to empathise with others). Not only rely rational intelligence.
- Overtures are made in the proper manner; a sufficient level of empathy is shown in the other.
- People come across as sincere.

4.2.2 Interest

- Employees become emotionally involved in the organisation.
- Employees willing to make extra efforts in the interest of the relationships.
- Customers involved in the corporate culture.
- Employees share the same beliefs, preference for similar actions and solutions, independent of one another.
- As a result, responsibilities and decision-making authority may be delegated, which promote more efficient and faster decision making.

4.2.3 Creating a corporate culture

To create a corporate culture, it is important to:
1. Describe the common values and norms.
2. Position those persons who spread the culture and who are seen as an example by others, in the appropriate positions within the organisation.

3. Communicate seriously with employees regarding the values and norms, and translate these into concrete actions.
4. Deploy symbols and other information carriers to spreading the philosophy. (mascot, pin, card, etc).
5. Apply the culture to human resource management:
   Which persons will be appointed or fired?
   How does the company advertise to acquire new employees?
   How are they trained and educated further?
   How is behaviour that fits within the culture rewarded and other behaviour discouraged?
6. Take measurements.
   Measure performance based on relationship orientation. Any improvement can be made according to the performance measurement.

4.3 Structure

4.3.1 Organising around customer contacts

- Organising activities based on functions or products lead to a situation in which customers' needs are not met quickly and accurately enough.
- Non-relationship-oriented culture - Exclusive privilege were given to product manager to set objectives, to allocate budgets, and direct marketing activities.
- Relationship-oriented culture - Product managers, will have to recognise that customer managers will become the captains of the value chain, decide which customers will be addressed, when and with which proposition.

4.3.2 Organisational forms

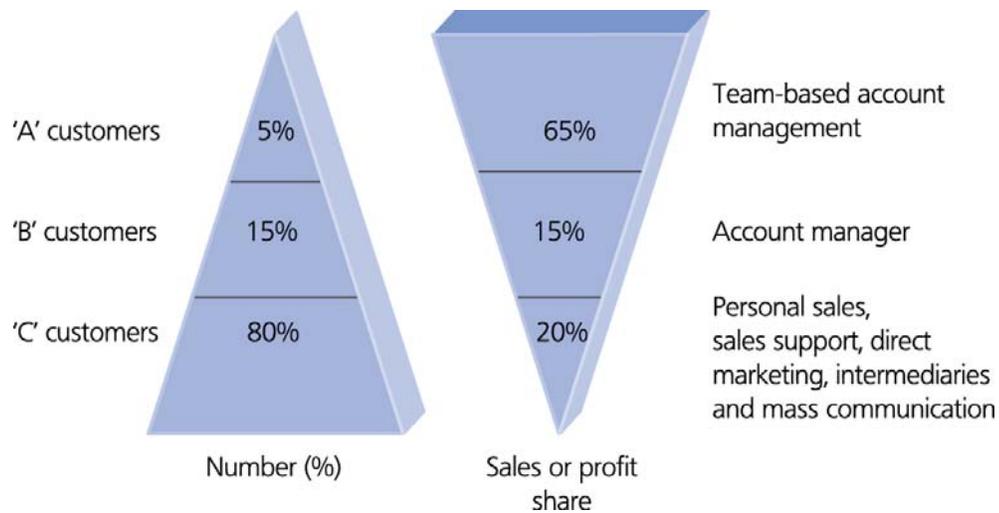Customer management may be organized in a variety of ways such as:
- Outsourcing
- Hands on customer management

4.3.2.1 Outsourcing
- Retailers are responsible for the sale and delivery of product.
- Direct contact with the supplier is minimized.
- Low involvement products.
- Extensive communication / promotion on the product cannot be done because of the margin on the product.

4.3.2.2 Hands on customer management approach
- Consumers' involvement with suppliers is high.
- Lifetime value of the customers encourages relationship culture.
- Customer pyramid can be used to assess a suitable relationship strategy to approach different customer categories.

'A' customers — 5% — 65% — Team-based account management

'B' customers — 15% — 15% — Account manager

'C' customers — 80% — 20% — Personal sales, sales support, direct marketing, intermediaries and mass communication

Number (%) — Sales or profit share

THE CUSTOMER PYRAMID

CUSTOMER	CHARACTERISTICS	STRATEGIES
A	• Customers who represent a substantial portion of sales. • The sales from this type of customer are so high. • Contact must be maintained with too many people at too many different locations. • Customisation for each customer is crucial.	• Set up an account team to manage relationship with these customers. • Some team members should develop and/or supply parts of the products for the customers. • Other team members should handle logistics or service.
B	• Customers are smaller in proportion compared to customers A. • Less complexity than customers A.	• Appoint an account manager or customer manager to handle one or a limited number of customers.
C	• Numerous customers with small sales potential. • Spend very little on their purchases from the supplier • Customisation is difficult for this type of customer.	• Assign a customer group manager, customer service, or a help desk to fulfill customers need. • Motivate and develop the 'front line' employees so that relationship with these customers can be enhanced. • Company should invest in the employees' skills and attitude to make them emotionally attach to the relationship culture. As a result, employees are willing and able to meet the challenges offered by the customer. • Offer prospect for future growth in the organisation for the staff.

4.3.3 The role of CRM systems in the various organisational forms

- CRM systems are usually developed for the purpose of maintaining exclusively customer databases.
- It is designed especially to serve the 'C' customers since they are numerous.
- This system assists the employees to keep customer profile though relationship development remains largely as a human task.

4.4 People

- In an organisation, there will be some individuals who are capable of influencing customers' perception towards the products or services offered.
- These individuals communicate with customers directly regarding the product information, invoices, purchases, complaints, etc.
- They are known as the key person in a relationship-oriented organisation, such as:
i. Agents in call centres
ii. Representatives of the organisation
iii. Service staff
iv. Administrative staff

4.4.1 Social competencies

Social competencies help to strengthen the relationship with customers as well as within the organisation. According to Peelen et al, 1996, important aspects of the social competencies include:

- The capability for empathy
- The ability to create congruence
- The ability to use an unconditionally positive approach to the other person

4.5 Communication and information

CRM Illustration
Even commercially oriented people within companies have a *fear of investing in the relationship*. Relationship strategy is closely related to communication improvement. Improving communication will require many modifications including:
- Product specialists will have to become customer specialists. They will have to offer an emotional quality product.
- Emotion and intuition will have to play a larger role.

- Relationship-oriented organisation depends on the quality of mutual communication.
- Employees should have the social skills to 'carry on a good conversation', content wise on long term.

4.3 Systems

- Relationship-oriented organisation not only has to focus on relationship development with customers, but also employees.
- There are 2 systems that organisation should use to assist an effective relationship-oriented mission and culture:
    1) Service-profit chain
    2) Balanced scorecard

4.6.1 Service-profit chain

- The 'service-profit chain' model helps managers to make sound decisions on investments so that a higher level of service will be achieved.
- This model analyses a successful relationship-oriented organisations from 'hard' and 'soft' performance indicators.

> **Hard criteria – Material achievement. Eg, Profit earned on customers, Cost saved**

> **Soft criteria – Emotional achievement. Eg, Satisfaction and commitment to customers, employee satisfaction level.**

4.6.2 Balanced scorecard

The balanced scorecard suggests to view the organization from four perspectives:
Financial, Customer, Learning and Growth, and Internal Business Processes.

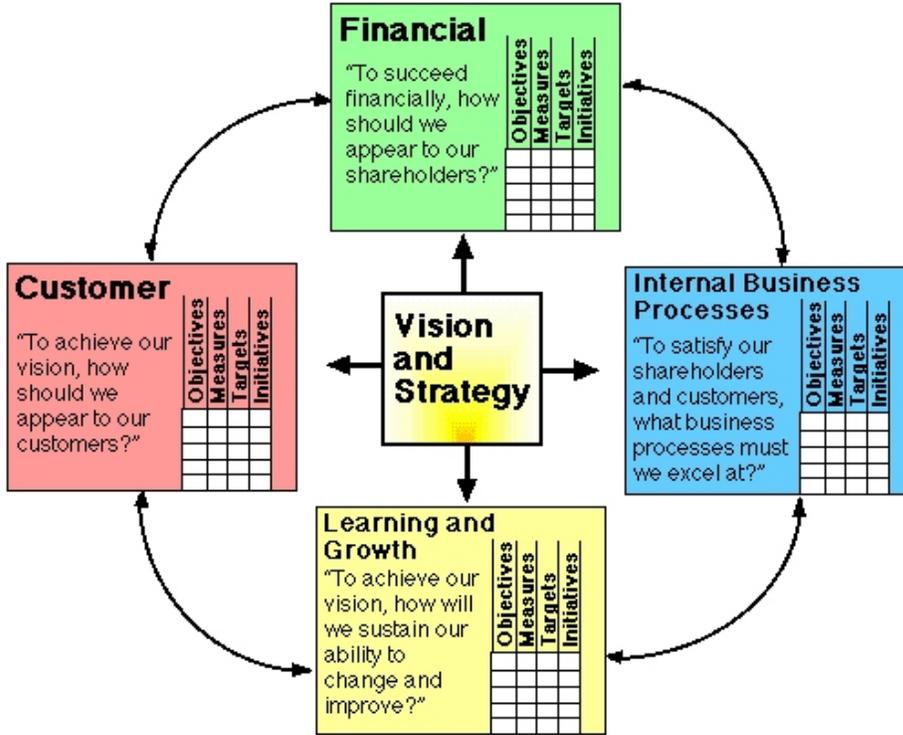Figure 1   Balanced scorecard

Figure 2   Balanced Scorecard for a Japanese Restaurant