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HOW TO IMPROVE A CRM STRATEGY

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Abstract

The concept of relationship marketing, introduced by Berry (1983), has led to a paradigm change in marketing (Sheth and Parvatiyar, 2002). Over the last few decades, numerous studies have analyzed the impact of customer relationship management (CRM) programs on customer satisfaction and loyalty. Quite a few CRM programs have been found to have little or no impact. Having published already several articles and cases on the subject, in this paper we set out to answer the following question: assuming a company already has a reasonably successful CRM strategy in place, how can it continuously adapt and improve that strategy? Our recommendation is that such companies implement a continuous improvement process at four different but complementary levels: first, review and reinforce the company's mission, culture and values; second, reconsider and, if necessary, redesign the CRM strategy; third, manage the various relationship-building activities more effectively; and lastly, review and, if necessary, improve the quality of material and human resources, program execution, and process governance. Systematic review of these four levels or "paths" of improvement should help generate and maintain high quality relationships over time.

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HOW TO IMPROVE A CRM STRATEGY

Introduction

Since the concept of relationship marketing was first introduced by Berry in 1983 (Hunt, 2002) and subsequently refined by Berry and Parasuraman (1991), Gummesson (1994), Morgan and Hunt (1994), Sheth and Parvatiyar (1995), Grönroos (1996) and others, customer relationship management (CRM) has become one of the dominant marketing approaches (Sheth and Parvatiyar, 2002).

Numerous studies have been carried in recent decades to measure how CRM programs impact the satisfaction and loyalty of a company's customer base (Payne and Frow, 2005).

Results show that they come nowhere near fulfilling their promise of creating loyal customers and reducing attrition (Day and Van den Bulte, 2002; Dignan, 2002).

In this paper we propose to answer the following question: How can a company that already has a reasonably successful CRM strategy continue to improve that strategy? In other words, once a CRM strategy has been put in place, how can it be programmed for continuous improvement?

This paper should be read in light of the following considerations:

1. The authors' intention is to generate knowledge not only about what a CRM strategy consists of (descriptive knowledge), but also about how to improve a CRM strategy already in place in a particular company or organization (procedural knowledge) (Mokyr, 2002, p. 4). In other words, we aim to offer what Mokyr (2002, p. 13) calls "a set of instructions, derived from acquired knowledge about a problem and its environment, that leads a person to design and implement a certain action plan".

We believe this to be consistent with the goal outlined by IESE professor Carlos Cavallé in the introduction to the volumes of the IESE management collection, when he says that the

collection aims to strike a balance between pure "knowing" and simple "doing", so as to produce "knowledge applicable and applied to management".

2. We have used a combination of deductive analysis of the existing literature and inductive analysis based on the writing and subsequent longitudinal analysis of a series of real-world cases, selected through a non-statistical process, or as a convenience sample. We believe that a longitudinal or process analysis is particularly appropriate to the subject matter at hand.

3. This study belongs in a phase of discovery of new facts, propositions and theories, not in one of confirmation or justification of discovered concepts and processes (acceptance or rejection of propositions, hypotheses, laws or theories) (Hunt, 2002, pp. 24-25).

4. Bearing in mind that "relationships" may be taken to refer to different types of ties between different actors, we warn readers that we have focused on business relationships between a company and individual end customers. The ideas presented here may also be applicable to relationships between not-for-profit organizations (NGOs and the like) and their "customers" (in particular, their donors of funds). At least for the time being, it is not our intention to apply these ideas to business relationships between companies or organizations, i.e. contexts in which there are relatively large groups of people on both sides who may be involved in and influence the relationship.

5. We believe that ours is a general management approach. In other words, what matters is not so much the technical details (CRM software, etc.) as offering top managers a "road map" that will help them implement and improve a CRM strategy that goes beyond a purely transactional relationship.

6. Lastly, we believe that the improvement we propose is clearly path-dependent, i.e. it matters in what order things are done. Or at least, there is a certain hierarchy of ideas. In other words, the improvement must start with the corporate mission, culture and values, not with the acquisition of technical resources.

How to Improve a CRM Strategy

This article sets out to answer the following question: How can a CRM strategy be improved? The focus is on companies that have decided to adopt a CRM strategy and, having done so with some measure of success, now are considering how to set themselves more ambitious goals and ensure that their CRM system improves continuously.

Getting to this point obviously is not easy. Most likely it will have involved the stages outlined in Figure 1 below.

Figure 1.

Customer Relationship Management from a General Management Perspective

TRANSACTIONAL MARKETING — Most companies start from a transactional marketing strategy

SHOULD WE SWITCH TO RELATIONSHIP MARKETING? — Is it in the company's interest to evolve and move toward a relationship marketing strategy?

Previous reflection: Prior considerations
1. Relationship potential
2. Relationship interest
3. Relationship scope and content

No → Decision not to start a relationship marketing strategy but to continue with the transactional strategy

Yes

Launch

Four steps
1. Define mission, culture and values
2. Design CRM strategy
3. Design and start CRM activities
4. Acquire human and material resources and management capacity

Implementation
Eight keys:
1. Transactional excellence
2. Gradual approach
3. Bilateral approach
4. Overcome resistance
5. Virtuous circles
6. Top management support
7. Multichannel approach
8. Avoid false assumptions

Continuous improvement Building on success

Assess results

Success? — No → Withdraw (Purely transactional strategy) / Review

Implement changes

Yes

Improvement process

1. Review mission, culture and values
2. Review CRM strategy
3. Improve CRM activity management
4. Improve system governance, and material and human resources

Generation and maintenance of high quality management relations

Many companies start from a situation where they are pursuing a basically transactional marketing strategy, that is, one focused almost exclusively on acquiring new customers, without even aspiring to identify customers or build a loyal customer base. Such was the case of HP's large-format printer division in 1997.[1]

As can be seen in Table 1, the various companies we have studied took the initial decision to design and develop a CRM strategy at a particular moment in their development.

Table 1.

Companies with Relationship Marketing Strategies and Year of Start-up

Company/institution	Year	CRM strategy
IESE Business School	1959	Alumni Association, open to all IESE alumni
Lladró	1985	Collectors' Club, aimed at building a relationship with customers who collect the company's porcelain figurines[2]
Imaginarium	1993	Imaginarium Club for families that choose to register
Spainsko	1994	Database of customers and people interested in the company's products without a formal registration process
Hewlett-Packard – large-format printers division	1998	DesignJet Online web site provides technical support and gathers information about the customer base

As we can see, some of these companies or organizations launched "CRM" strategies before the concept even existed.

Three Prior Considerations with Respect to Relationship Marketing

As we proposed in our article "Claves del marketing relacional bien hecho" (Harvard Deusto Marketing & Ventas, No. 70, September-October 2005), companies that want to design and implement a CRM strategy need to ask themselves three questions:

First, does their company have the necessary relationship potential? In other words, is a CRM program feasible and worthwhile?

Second, are customers likely to want to have a relationship with the company? Some customers may prefer to carry on buying the company's products on a purely transactional basis, i.e. without identifying themselves or disclosing any information about themselves.

Third, is a low-intensity CRM strategy appropriate, i.e. one that does not aim to cover every stage of customer relationship management?[3]

Once a company has answered these three questions and found that a CRM strategy is feasible, it needs to design and implement the strategy.

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[1] For more details, see IESE case no. M-1084-E, "Hewlett-Packard DesignJet Online 1997".

[2] Personal interview with Lladró managers on May 23, 2006.

[3] The eight stages of customer relationship management are: identify; inform and attract; sell; serve; satisfy; build loyalty; develop; and create a user community.

Of course, customer relationship management is not suitable for all companies. Recent experience shows that it is a gradual process: the benefits emerge as the program proceeds.

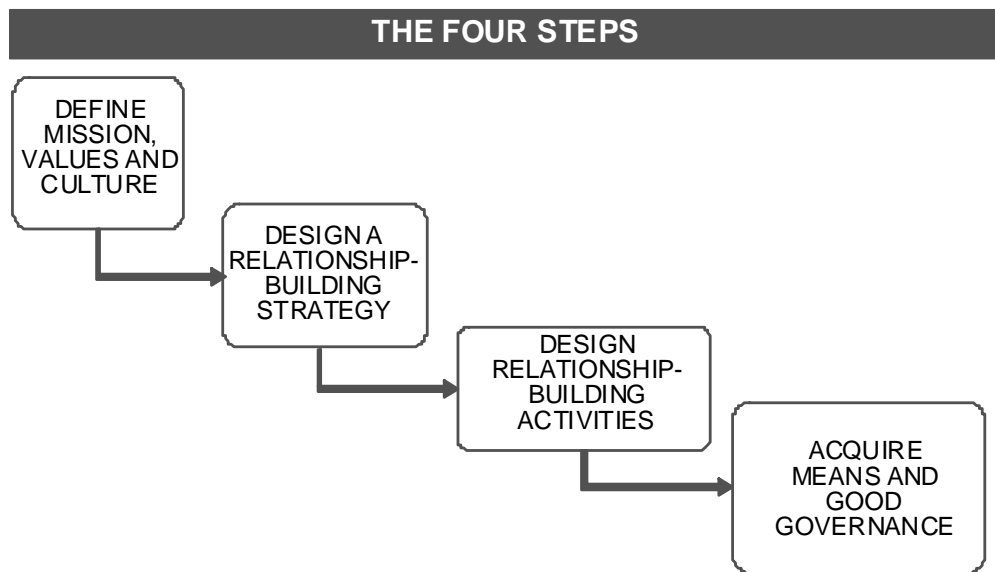# Four Steps in Adopting a CRM Strategy

A company must start by defining its mission, values and culture.

A company's mission will include a combination of extrinsic motives (tangible results or material rewards); intrinsic motives (satisfaction of a job well done, learning and acquiring knowledge); and transcendent or altruistic motives (satisfying customers' real needs and helping them to develop professionally and as people). The greater the weight of transcendent or altruistic motives, the higher the program's motivational quality.

The second step is to design the CRM strategy itself. Any far-reaching, medium to long-term decision that broadly defines how the company will relate at a deeper, higher quality level with its best customers is strategic.

Figure 2.

Four Steps to Implement a CRM Strategy

THE FOUR STEPS

DEFINE MISSION, VALUES AND CULTURE → DESIGN A RELATIONSHIP-BUILDING STRATEGY → DESIGN RELATIONSHIP-BUILDING ACTIVITIES → ACQUIRE MEANS AND GOOD GOVERNANCE

The third step is to design and implement a set of CRM practices. A CRM strategy is composed of separable and individually analyzable activities: service initiatives or value propositions, special privileges or benefits customers receive as a result of their relationship with the company. The assumption is that such activities (training sessions, a magazine, etc.) strengthen the company's relationship with its best customers. A company's relationship-building activities give substance to its CRM strategy, just as a company's products and services give substance to its marketing strategy.

The CRM strategy and each activity must be aligned with the company's mission, culture and values.

The fourth step is to acquire the means and resources to effectively and successfully implement the relationship-building activities. Specifically, a company must identify, select and implement the technology (CRM software, web sites, intranet, extranet, business intelligence programs, data

mining...) and acquire the human resources to manage its CRM strategy. Lastly, it must monitor implementation quality and oversee the whole process.

Implementation should be gradual; introduction of relationship-building needs to be carefully planned. With each new initiative the company should monitor customer acceptance, use and satisfaction.

Eight Keys to Relationship Marketing

Before a company adopts a relationship marketing strategy, it must consider the eight keys to success in CRM program design and implementation.

Based on observation of several such programs in recent years and interviews with program managers, we propose the following eight keys to relationship marketing (Table 2).

Table 2.
Eight Keys to Relationship Marketing

1. Ensure excellence at a transactional level: customers must be reasonably well satisfied in each transaction with the company. If the basic transactional process doesn't work, it's going to be difficult to build a satisfactory relationship.

2. Implement the relationship strategy gradually: it's not a good idea to offer a wide range of relationship activities from day one.

3. Create genuinely two-way relationships: the benefits (for the company) of creating and running the program and the benefits (for customers) of maintaining a relationship with the company must be greater than the costs.

4. Neutralize relationship hindrance: the company must try to minimize the costs to the customer of establishing and maintaining the relationship.

5. Create virtuous circles: as the program proceeds and customers' knowledge and satisfaction increases, the company must customize its offers and aftersales service, further enhancing satisfaction and receptivity to the company's advertising messages.

6. Top management support: from the word go, and throughout the program.

7. Multi-channel approach, so that customer contact channels are integrated.

8. No false assumptions, e.g. that satisfied customers are necessarily loyal, or that loyal customers are necessarily profitable.

The content of each of these eight keys is further detailed in our article "Claves del marketing relacional bien hecho" (Harvard Deusto Marketing & Ventas, No. 70, September-October 2005).

How Can a Company Continue to Improve?

After implementation, companies may want to assess the success of their CRM strategy. In the Spainsko case, for example, the results at the end of the first year were minimal and the company was almost bankrupt. In the case of HP, the results after six years of operation of DesignJet Online were excellent, though there were doubts as to how to expand the program.

The assessment may be unfavorable, and some companies may actually decide to discontinue their CRM program. An example is KB Toys, which on June 6, 2003 announced that it was terminating its relationship marketing program. In June 2000, Safeway supermarkets announced the cancellation of its customer card program, with an expected saving of 50 million pounds per year.

However, if a program has been reasonably successful and the company wants to build on its CRM strategy, it faces the question we asked at the beginning of this article: How can the company continue to progress? How can it exploit its success? How can it get a continuous improvement process under way in customer relationship management?

What is the right advice for companies in this situation? We suggest that such companies should launch a continuous improvement process. As before, we suggest that the process should be carried out at four different levels, or along four different but complementary paths: first, review and reinforce the company's mission, culture and values; second, reconsider and, if necessary, redesign the CRM strategy; third, improve the management of each of the various relationship activities; and lastly, review and, if necessary, improve the quality of execution by managing human resources and acquiring the technological and financial resources to implement the strategy and the associated relationship-building activities. It should also be born in mind that all this needs a proper oversight.

As we shall see in the examples presented below, if a company already has a CRM program in place, opportunities to improve may arise at any moment, at any of the four levels, without necessarily following any set order.

The four areas or "paths" of improvement are described below.

Four Paths of Continuous Improvement of a Successful CRM Program

First Path: Review and, if Necessary, Improve the Company's Mission, Culture and Values

A company's mission – the contribution that defines an organization's identity (Cardona and Rey, 2005) – tends to be stable over time, but not completely unchanging. Being a contribution and a service, the mission is liable to be revised, adapted and improved. An organization's mission is a work in progress, never static.

The mission statement must specify the contribution the company aims to make to its customers, employees and society at large. Ideally, as we said, it will include a combination of extrinsic, intrinsic and transcendent motives.

Sudden changes in the mission are to be avoided, as they may lead to confusion and disorientation among employees and customers.

A company's mission must become part of the company's management. This means that, from being a declaration of intentions, it must become a plan of action (Cardona and Rey, 2005). The mission must be known by all employees and must guide their daily decision making and

activities. Internal channels must be available to communicate the mission, so that it is internalized and becomes a criterion for decision making.

According to Schein (1986), an organization's culture is "a pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems".

Hofstede (1991), following Bourdieu (1980), defines culture as "the collective programming of the mind that distinguishes the members of one group or category of people from another". According to him, culture, "is manifested in symbols, heroes, rituals, visible practices and a set of standards and values". Hofstede studied five broad dimensions of corporate culture, namely power distance, individualism v. collectivism, femininity v. masculinity, uncertainty avoidance, and long v. short-term orientation.

According to Rokeach (1991), a value is "an enduring belief that a specific mode of conduct or end state of existence is personally or socially preferable to an opposite or converse mode of conduct or end state of existence".

In a recent survey on the application of management by values in Spanish companies, Pin, Espinosa and López (2005) found that the most strongly values present in Spanish companies, from a total of 19 values cited, were, in this order, commitment, quality, responsibility and innovation.

The person who bears ultimate responsibility for the improvement of a company's mission, culture and values is undoubtedly the president or CEO. During the improvement process it is advisable that the CEO listen to the company's employees and external stakeholders, such as customers. Mission, culture and values are the starting point of any CRM program and an area for ongoing review and improvement.

Table 3.

Improving the Mission, Culture and Values at Imaginarium

In our contacts with Imaginarium during the writing of the Imaginarium case (M-1173-E), published by and available from IESE Publishing, we made the following observations. In 2001, management already had a very clear idea of the company's mission: "to ensure that boys and girls around the world are educated in a spirit of fun and creativity, in a happy, enthusiastic environment". As far as we know, that mission has not changed.

The case mentions that, almost from the moment it was founded, the company (possibly imitating Disney) introduced cultural traits such as: the shop is a spectacle and a stage; customers must be given more than they expect; it is vital to fire customer's imagination; our customers are our "guests".

Another important cultural trait was the concept of customer service: in-store sales staff are regarded as "experts in fun". Their job is to advise parents about the toys they sell. As Imaginarium's public face, they must embody the company's culture in their everyday work.

Another feature of the Imaginarium culture is that customers are considered and treated as guests and receive personal service. An example is the fact that when an adult buys a toy as a gift, a label with the name of the girl or boy the gift is intended for is attached to the package.

Lastly, the case indicates that the company has certain values, such as that children should be able to play with their parents, or that toys should not be sexist, racist, or war-themed. It also notes that when designing a new corporate website in October 2000, Imaginarium's management considered that the site should reflect the company's values (p. 15). At the time of writing the case, however, these values did not seem to be sufficiently explicit or clearly worked out.

In early April 2006, the authors had a personal interview with Félix Tena, Imaginarium CEO. Tena explained that he considered the company's mission, culture and values a work in progress and that in 2003, some ten years after the CRM program (called the Imaginarium Club) was started, a team effort was made to make the company's values more explicit. As a result, the company agreed on eight "Values for a better society" and five "Development values".

Values for a better society	Development values
– Growing up happy – I switch off the TV and switch on my imagination – A world for everyone – Good habits – Play with me! – Playing is fun – The Earth is my home – Shall we play?	– Marvelous minds – Creating is growing up – 1, 2, 3… Go! – A thousand stimuli – Curious little hands

This statement of the company's values has been published on the Imaginarium website (*) and in print catalogues. The meaning of each value is explained in detail and linked to specific products.

However, Imaginarium's mission and values are not empty words. The company's products are designed explicitly taking into account the values they promote. That is to say, each toy is classified according to the values it promotes, and those values are stated on the label.

Qualitative market research (focus groups, etc.) is carried out at regular intervals to learn about parents' perceptions of the company's mission, culture and values.

Imaginarium is an example of how to improve a CRM program by the first path.

* http://www.imaginarium.es/vie/valoressociales.asp
http://www.imaginarium.es/vie/valoresevolutivos.asp

Source: Imaginarium case, IESE Business School, M-1173-E.

Second Path: Review and, if Necessary, Improve the CRM Strategy

A company's relationship-building strategy is part of its marketing strategy, a subset of policies and decisions that define and determine what the company wants to do (or wants not to do) in its relations with customers.

It aims gradually to achieve certain partial, sustainable and consolidable goals aimed at creating, strengthening and deepening the company's relationship with its best customers.

A strategic decision is one that sets long-term objectives, commits resources, is difficult to revoke, and which cannot be changed without incurring a penalty in terms of image or economic cost.

At the same time, every strategy is a choice of what the company does not want to achieve; a deliberate rejection of possible objectives. Resource limitations make it necessary to limit the scope of action.

A relationship-building strategy must define where we want to get to (what we want to achieve), how we are going to get there, and why we believe we shall succeed; how we are going to be better than our rivals; what our competitive advantage is going to be; how we are going to position our CRM program; what value proposition we are going to use to connect with our customers and keep them actively involved over time.

As we shall see in the third "path", a CRM strategy is embodied in a specific set of relationship-building activities. Therefore, all decisions that involve launching a new relationship-building activity or terminating an existing one can be considered strategic.

Decisions that automatically and simultaneously affect a whole set of relationship-building activities, services or privileges can also be considered strategic. For example, both Iberia and Caprabo launched or started their CRM programs with just one category of members. By 2006, there were four categories of Iberia Plus card: classic (or basic), silver, gold and platinum. The Caprabo supermarket chain recently announced the launch of a gold card alongside its regular customer card.

Between 1985 and 1999, the famous Valencian decorative porcelain manufacturer Lladró had a CRM program in place called Collectors' Club. Then, at the end of 1999, they decided to replace it with a new program called Lladró Privilege. There were substantial differences between the two programs in registration method, annual membership fee, and membership benefits. In January 2004, the Privilege Club was further subdivided, with a new membership category called Privilege Gold.

Given that decisions to define or redefine a mission, culture and values are taken at corporate level, changes in a company's mission, culture and values may eventually call for changes in the CRM strategy.

Again, this strategy improvement process is the responsibility of general management.

Table 4.
CRM Strategy of the IESE Alumni Association

Most business schools seem to pursue a basically transactional strategy: they give students the program they have enrolled in. When the program ends, the students leave and that is the end of the relationship.

Many business schools that decide to maintain a long-term relationship with their alumni adopt a low-fee, low-service approach, i.e. with a very low or zero annual fee (often less than 50 euros per year), the range (quantity and quality) of services or activities they offer is correspondingly small.

By contrast, the Alumni Association at IESE has a high-fee, high-service approach. It runs a wide-ranging continuous education program, with meetings on topical issues in various fields, as well as seminars and industry meetings. There are regular class reunions, regional gatherings and publications. Some of these educational and relationship-building activities are free to any alumnus of a long program at IESE, while others are exclusive to fee-paying Members (annual fee of around 300 euros).

The Alumni Association, thus, has a two-tier system, with a clear distinction between alumni and Members. While all alumni automatically receive free access to around eight to ten basic activities, Members have exclusive access to a total of 33 activities, notably the high quality continuous education program.

The high-fee, high-service model and the two-tier system are defining characteristics of the IESE Alumni Association CRM strategy.

To learn more about the Association's services:

http://www.iese.edu/in/Alumni/List/Listadocompletodeservicios.asp

Third Path: Review and, if Necessary, Improve the Way Each CRM Activity is Managed

The implementation of a strategy, even though it is the part to which the most time and resources are devoted, is always the part that consultants and academics are least interested in.

Implementation of CRM strategies is no exception. There is a major gap in research about how to manage CRM activities, which is the daily battlefield of the people who actually run CRM programs and the meeting point between the company and its customers.

In our opinion, apart from the strategic alignment of CRM programs, as discussed earlier, the third main area for improvement is the management of individual CRM activities.

Specifically, companies need to establish methods, processes and organizational structures to ensure that their CRM activities are conducted effectively.

How can the management of CRM activities be improved? The first step is to carry out an inventory of existing CRM activities, noting the following information:

- Content (value proposition); what exactly does the activity consist of, what are its specific characteristics?

- Cost/benefit for customers.

- Cost/benefit for the company.

- Target audience; who is the activity for.

- Conditions of access; whether the activity is free or paid, whether it is available at any time or only in certain circumstances.

- Which aspect of the mission the activity serves.[4]

- Which part of the CRM strategy the activity implements.

This inventory should be used to create a map of CRM activities, which should be as complete as possible, including the variants of each activity (for example, the content of an activity may be different if accessed online or face-to-face, as in the case of magazine or newspaper subscriptions) and the accompanying complementary services (customer support, professional services...).

The activity map can be used to identify aspects of existing CRM activities that are open (undecided) or controversial (disagreements among the management team), visualize the complete range of activities, detect any interactions and points in common, analyze consistency, detect any over-concentration on particular target audiences or segments, and examine how each activity contributes to strategic goals.

The second step is to analyze customer awareness, participation, perception and attitude with respect to each activity. These four variables reveal customers' awareness that a particular activity exists (and whether they are entitled to participate), the extent of their involvement (level and frequency of attendance, for example), their opinion (via post-activity survey), and their intentions with respect to the activity (repeat attendance, receptiveness to other similar propositions).

These metrics provide valuable information for analyzing the activity map. The quantitative data on participation and opinion combined with the cost/benefit data help to identify, for

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[4] For example, the IESE Alumni Association's mission is to promote the lifelong education of its Members and foster relations among Members, and between Members and the school. Its relationship activities can be divided into those that serve the first part of the mission and those that serve the second.

example, activities with high approval but low participation, suggesting that more promotional efforts are needed; or activities with high participation but low approval, indicating a need to improve quality.

The third step is to make a decision about each relationship-building activity. Based on this analysis, given a complete and up-to-date activity map and an improved mission and CRM strategy, management will be able to make the necessary decisions, such as:

- Reinforce a particular set of activities because it has become a strategic priority given the company's goals.

- Launch a new activity focused on a previously overlooked but promising target audience.

- Review conditions for access to an activity to improve the level of participation.

- Reinforce the marketing and promotion of an activity that is highly valued but has low participation.

- Eliminate activities that serve no strategic objective, etc.

- Identify or recruit partners.

- Group activities by levels, families or groups.

Management must consider whether existing CRM activities cover the full range of customer types, so as not to leave any group unattended (except occasional customers or bargain hunters). One improvement might be to define the possible variations in an activity for different customer types. For example, an activity might be a paid option for customers in countries where loyalty is high, but initially free in new markets. This requires flexible activity management, open to change if a new market segment or channel of interaction becomes available, as has happened with the Internet in the last few years.

It is also important to avoid a proliferation of services that customers may find confusing. In its eagerness to satisfy all its customers, a company may fall into the trap of constantly launching new activities. This can happen to companies that are too narrowly focused on customers and do not have a clear relationship strategy. A company that lacks clear objectives tends to be more reactive than proactive, responding to every request for a new activity without filtering requests in light of the company's mission and strategy.

A company's range of CRM activities defines the sequence in which relationship services are to be launched; priority setting in the development of new CRM proposals is key to success, above all when it is done with reference to the company's mission and strategy. Forecasts must be realistic, taking available resources into account, and start-up and launch dates must be specified.

A company's offering of CRM activities must be differentiated from that of its competitors. What do we offer that our main competitors do not? It is important to identify and exploit the differences that will keep us ahead. They may be differences of content, conditions of access, price, quality, ease of use, etc. A good example is Imaginarium, which through Imaginarium Travel offers families exclusive holidays to share with their children, providing monitors and guides, and a suitable menu. Family travel is not directly related to toy sales, but it fits with the preferences of Imaginarium's customers and offers parents an opportunity to give their children a treat.

Table 5.

CRM Activities of IESE Alumni Association, HP Large-Format Printer Division, Lladró, and Imaginarium

Company	Activity	Content	Terms of access
IESE Alumni Association	Continuous education program	Two-hour sessions on topical business issues.	Members (Alumni basic IESE program and payment of annual fee)
	IESE Global Alumni Reunion	Annual academic and social reunion for all alumni, held each year in a different city.	Free attendance for Alumni and Members
	Alumni Magazine	Quarterly magazine containing feature articles and news and information about IESE and Association activities.	Free for Alumni and Members
	Membership card/ Amex or Visa card	Personal membership card that identifies Members in Association activities. Provides economic advantages in professional services.	Members
HP Large-Format Printer Division (HP DesignJet Online)	Newsletter	News from the large-format printer division; new models, services, events, success stories, etc.	Registered users (free registration)
	Discussion forums	Forum for sharing experiences with other HP printer users.	Registered users
	Free print samples	Samples of the print quality of different printer models: requests may be submitted online; samples are delivered to user's office or home address.	Registered users - free service
Lladró (decorative porcelain)	Travel	Travel, social and cultural events.	Members of Privilege Club
		Visits to company facilities and the City of the Arts in Valencia.	Members of Privilege Gold Club
	Limited editions	Access to exclusive limited editions.	Member of Privilege Club / Privilege Gold Club
	Lladró Privilege magazine	Magazine with information about new products and other news.	Member of Privilege Gold Club
	Lladró Assurance Program	Guarantee against defects.	Member of Privilege Club; 33% coverage Member of Privilege Gold Club: 100% coverage
Imaginarium (toys)	Imaginarium Club	Aimed at families with children under 9, with exclusive content and activities; the corporate web site has a section for club members.	Registered families (free)
	Invitations to the store	Sent whenever a new store is opened, a promotion with free gifts is launched, or a new catalogue is produced.	Registered families
	Imaginarium travel	Exclusive holidays for families to destinations of particular interest for young children.	Registered families (paid)

Fourth Path: Review and, if Necessary, Improve Material and Human Resources and Overall Governance of the CRM System

Having reviewed the mission, culture and values, the relationship strategy, and the relationship-building activities, the next thing is to ensure that the CRM systems and the CRM department or area are working properly.

Deciding whether the member's magazine should be sent quarterly or half-yearly, for instance, against payment or free of charge, is one thing. Making sure that each issue arrives on time and has attractive content, responding to complaints, compiling all this information in the CRM system, negotiating agreements with partners, etc. is quite another.

Table 6.
Areas for Review in the Execution of a CRM Program

EMPLOYEES and PARTNERS	ORGANIZATION
Directors, program managers, Contact Center staff, customer care, relations with distributors and contributors	Organizational structure of the CRM area or department

TECHNOLOGY	CHANNELS
CRM solution Technology infrastructure of the entire CRM program	Customer touch points Multi-channel management

PROCESSES	KNOWLEDGE
Relationship-management processes Service management and complaints handling	Knowledge management (creating, sharing and using it)

The management and execution of a CRM program can be broken down into six large areas, in each of which there is a scope to review performance and propose improvements.

The first area to be considered is the program management team (made up of program director, managers, employees from the areas involved), and partners, suppliers and distributors. People are key to successful customer relationship management. They handle the CRM activities and must have the necessary skills to do their job properly. It is important to review employee motivation, capabilities, pay, recognition and job satisfaction, given that, according to Reichheld and Teal (1996), this has a positive impact on customer satisfaction.

Partners, i.e. the companies that offer their products and services to program participants on preferential terms (e.g. discounts or exclusive access), play a key role. In most cases, the CRM program could not be implemented without them. Therefore, it is important to review the outsourcing policy and analyze the results of activities delegated to third parties (e.g. customer support, call center), customers' acceptance of awards and discounts, the need for more or fewer partners, etc.

The second area for improvement in program execution is the organizational structure of the area or department responsible for the CRM program. In most cases, this will be an

interdepartmental structure, so we will need to analyze collaboration between departments, internal communication, and responsiveness to customers' needs.

The task of managing customer relationship activities is generally assigned to a person or team. In a CRM program there will usually be a program director and, depending on the size of the program, separate managers for each activity. This way, program management is close to the relevant department (marketing, product, or general management), but more focused, so as to improve program execution. In today's highly competitive environment, the goal of having loyal customers more than justifies creating a CRM organization, through not necessarily a separate department, so as to make it easier for top management to identify the individuals responsible and monitor program performance.

It may also be useful to set up a CRM monitoring committee, made up of the CEO, the program director and outside experts.

The program director is responsible for putting the strategy into practice, defining relationship-building activities, assigning a manager and resources to each activity, and aligning the activities with the corporate vision. Individual activity managers are responsible for putting together and managing a team of people from different departments. Their priority is to execute processes and meet activity schedules.

The third area is technology: the CRM solution and the whole technology infrastructure that makes the program possible. The company will need to analyze whether customer data should be collected in a structured and unified way, whether all customer data should be included in the CRM, whether the front-office systems should be combined with the back-office systems (such as the ERP), whether all customer touch points should be included in the CRM, etc.

The fourth area is channel management, i.e. how to manage all those customer touch points. More and more companies with CRM programs are finding that they have multiple channels of communication with customers. Effective multi-channel management involves integrating and coordinating strategies and activities in all channels, and ensuring consistent service quality. Good practices in this respect include: establish a single relationship marketing strategy for all channels; be consistent in communications and promotions across channels; train employees to know the channels, etc.

It has been empirically demonstrated that perceived channel integration directly influences future purchase decisions and customer loyalty and retention, especially in customers who have been disappointed by the first channel they chose but who may want to establish a second contact with the company through another channel (Bendoly et al., 2005).

The fifth area for improvement is customer relationship processes, such as customer service management or complaints handling. Processes, tasks, workflows and calendars need to be reviewed. Metrics, indicators and targets (retention rate, customer satisfaction, customer value, etc.), and employee and customer acceptance also play a role. Sales staff's resistance to the CRM system is the most common reason for failure. Often, the sales team have to work much harder for no extra reward, which naturally generates hostility.

CRM relies heavily on complaints handling (Ang and Buttle, 2006). Companies need to have agreed processes and practices for dealing with complaints. Though commonly neglected, this has been shown to be directly correlated with program quality and customer retention. Good practices in this area might include: documentation for a customer recovery plan, a budget for

customer recovery, a person with responsibility for recovery, or an established complaints handling process.

Lastly, the sixth area for review is knowledge management. It is important to review the process by which information is created through the CRM, if the CRM is shared within the company and among departments and channels, and the process by which customer data is transformed into knowledge that can be used to tailor products to customers' needs.

In recent years, marketing has started to pay more attention to the concept of ROI. Nowadays, the profitability and results of promotional and communication activities are expected to be measurable. CRM program managers must meet this demand and be able to demonstrate, for example, that the online customer club is profitable, that the customer networking days have resulted in an increase in sales to participants, that the special offers in the customer magazine have been taken up by readers, and so on.

High Quality Relationships Through Ongoing Review

Having analyzed the four paths to improvement in a CRM program, we must consider whether the changes made to the mission, culture and values, strategy, activities and system governance have been effective.

Successful improvement will result in enhanced relationship quality,[5] reflecting customers' trust in the company (confidence in the company's honesty and reliability)[6] and stronger customer commitment and loyalty (desire to maintain the relationship).[7]

Hennig-Thurau and Klee (1997) propose a three-dimensional model of relationship quality. First, customers' perceptions of product or service quality. Second, customers' trust in the company's ability and willingness to achieve excellence in execution. And third, customers' commitment to the relationship. Perception of quality is an antecedent of trust and commitment. These authors argue that relationship quality is the main determinant of customer retention.

As Morgan and Hunt (1994) point out, the key elements of a CRM program are customer trust and commitment. A relationship based on trust and commitment will be more fruitful, as customers will be more open to the company's requests, policies and communications, more proactive, and more willing to cooperate.

Specifically, the review of the corporate mission, values and culture must influence customers' perceptions of the company's integrity, honesty and consistency. The goal is to improve relationship quality, so that customers see the company as a partner whom they can trust and who can be relied upon to add value.

The review of the CRM strategy and individual relationship-building activities must tend always in the same direction. Studies on the antecedents of trust and commitment point to factors such as shared values (goals, policies, behaviors), good communication among the parties, and the determination always to give the customer the benefit of the doubt and protect the customer's interests at all times.

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[5] Crosby et al. (1990), Palmer and Bejou (1994), Hennig-Thurau (2000), Naudé and Buttle (2000), Roberts et al. (2003).
[6] Morgan and Hunt (1994).
[7] Moorman, Zaltman and Deshpandé (1992).

If the review increases trust and commitment, a quality relationship between the company and its customers will ensue. But how exactly is this to be achieved? We believe that trust and commitment are built up through experience, gradually, after a sequence of transactions in which each side has had an opportunity to judge the other's motivational quality. Customers perceive that the company is not interested exclusively in short-term gain, but intends to satisfy their real needs and contribute to their professional and personal development.

It is important not to forget that building customer relationships is a long-term process. Various authors (Gruen et al., 2000; Grayson and Ambler, 1999; Hibbard et al., 2001; Selnes and Sallis, 2003) have pointed out that relations between a company and its customers change over the years and that the benefits of customer relationship management diminish as the relationship gets older. Specifically, trust and commitment wane and a "what have you done for me lately?" attitude (Gruen et al., 2000) takes hold. Customers become more sensitive and start to feel that their trust in the company is misplaced and that the company has taken advantage of them (Grayson and Ambler, 1999).

These empirical studies confirm the need to continuously improve CRM strategies (ranging from the corporate mission, culture and values to the CRM software) and enhance relationship quality and long-term brand loyalty. If a CRM program is well designed and well implemented, it will strengthen customer loyalty; if not, it will have the opposite effect, destroying customers' trust in the company.

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