

**Adrian Payne¹ and
Pennie Frow²**

Customer Relationship Management: from Strategy to Implementation

*Cranfield School of Management,
Cranfield University*

This article examines Customer Relationship Management, or CRM, from the perspective of strategy formulation and implementation. We commence by reviewing the origins and role of CRM and highlighting the importance of adopting a cross-functional approach to CRM strategy formulation. We examine alternative approaches to CRM strategy development and, using an 'interaction research' approach, propose a model that addresses both CRM strategy and implementation. We identify four critical implementation components of a successful CRM programme and examine these in the context of five key cross-functional CRM processes. The model structure is used to help identify a research agenda

Keywords: CRM, customer relationship management, CRM implementation. CRM strategy, relationship. marketing

Introduction

Customer Relationship Management, or CRM, has developed into an area of major significance in less than a decade, with the worldwide global market for CRM systems and consultancy estimated to grow to \$US 47 billion by 2006 (Gartner 2003). Although the term CRM is relatively new, the principles behind it are not. Businesses have long practiced some form of customer

¹ *Correspondence:* Professor Adrian Payne, Cranfield School of Management, Cranfield University, Cranfield, Bedford, MK43 0AL, UK. Tel: +44 1234 751122, Fax: +44 1234 751806, email: a.payne@cranfield.ac.uk

² Pennie Frow, Cranfield School of Management, Cranfield University, Cranfield, Bedford, MK43 0AL

relationship management. What sets present day CRM apart is that organisations now have an increased potential to utilise technology and manage one-to-one relationships with potentially huge numbers of customers in a context of rapid market transformation.

The purpose of CRM is to efficiently and effectively increase the acquisition and retention of profitable customers by selectively initiating, building and maintaining appropriate relationships with them. Advances in information technology can assist with the development of improved customer relationships. Companies have at their disposal a range of database, data mart, and data warehouse technologies, as well as a growing number of CRM applications. Such developments make it possible to gather vast amounts of customer data and to analyse, interpret and utilise it constructively. Furthermore, the advantages presented by increasingly powerful computer hardware, software and e-services are augmented by the decreasing costs of running them. By using a wide range of CRM tools companies can, potentially, target their most promising customer opportunities more effectively.

However, this does not mean that such benefits will automatically be achieved by the purchase of CRM software solutions, as illustrated by many examples of CRM failure (e.g. Ebner et al. 2002). Opportunities for relationship enhancement through information technology (IT) may not be realised. Authors such as Carr (2003) and Schrage (1997) have pointed to the potential transformation of IT from a strategic to a more commodity-like factor of production and organisations' unwillingness to change behaviour in the context of too many technological choices. If the benefits of CRM are to be realised, a more integrated approach is needed for both the formulation and implementation of CRM strategy.

The purpose of this article is to examine CRM strategy development and propose a model for addressing key issues in CRM implementation. More particularly, its aims are:

1. To examine the role of CRM processes and consider the importance of adopting a cross-function approach to CRM strategy development.
2. To discuss the origins and role of CRM.
3. To review the development of alternative approaches to CRM strategy development.
4. To propose a model for CRM strategy and implementation utilising an 'interaction research' (Gummesson 2002a) approach.
5. To use the model structure to help identify future research opportunities.

The Origins and Role of CRM

CRM is based on the principles of relationship marketing which is regarded as one of the key developmental areas of modern marketing and one which has generated great research interest (Sheth 2000). We see relationship marketing as a paradigmatic shift in marketing approach, a perspective supported by several leading scholars (e.g. Grönroos 1997; Gummesson 1997; Parvatiyar and Sheth 1997).

Relationship marketing emerged from work in the 1980s in industrial marketing (Bund Jackson 1985; Levitt 1983), studies of interaction, relationships and networks by IMP and others (Håkansson and Snehota 2000) and services marketing (Berry 1983). However, publications on the importance of relationships appeared in the 1970s and earlier (Sheth and Parvitiyar 1995) and its origins can be traced back to ancient times (Grönroos 1994). Berry's (1983) paper launched the term relationship marketing where he defined it as attracting, maintaining, and enhancing customer relationships.

By the 1990s relationship marketing was a topic of great interest to marketing scholars and practitioners. The increased interest in 'one to one' marketing (Peppers and Rogers 1993) highlighted the potential for shifting from a mass marketing to individualized or 'one-to-one' marketing where the customer and supplier engage in a mutually beneficial co-production process (Bendapudi and Leone 2003). Relationship-oriented approaches have been increasingly advocated over the last fifteen years (e.g. Grönroos 1994; Gummesson 2002b; Webster 2002; Vargo and Lusch 2004). However, relationship marketing has not developed as a streamlined and integrated body of research and Coote (1994) has described how alternative approaches to relationship marketing have evolved.

A number of contributors to the relationship marketing literature emphasize the key role of multiple stakeholders (e.g. Christopher, Payne and Ballantyne, 1991; Kotler, 1992; Gummesson, 1999; Morgan and Hunt, 1994). We adopt the perspective of Ryals and Payne (2001) who suggest that relationship marketing is concerned with managing relationships with multiple stakeholders, while the focus of *customer* relationship management should be primarily on the customer (cf. Gummesson 2002c, p. 310). However, CRM does need to be considered in the context of its interface with other key stakeholders.

The Development of CRM

It is not the purpose of this paper to provide an exhaustive domain review of the CRM literature. However, some commentary should be made on its

development. With its roots in relationship marketing, CRM is a relatively new management discipline. In the academic community the two terms relationship marketing and CRM are often used interchangeably (Parvitiyar and Sheth 2001).

CRM is the outcome of the continuing evolution and integration of marketing ideas and newly available data, technologies, and organisational approaches (Boulding et al. 2005). In 2003, Zablah, Beuenger and Johnston observed that the practitioner and academic literatures have failed to produce a consensus definition for CRM and the large number of CRM definitions have caused confusion. Unfortunately, CRM technology is often incorrectly equated with CRM (Reinartz, Krafft and Hoyer 2004) and a key reason for CRM failure is seeing CRM as a technology initiative (Kale 2004). Adopting an appropriate definition of CRM is important and, as Sheth (1996) has argued, an emerging management discipline needs an acceptable definition that encompasses all facets, so as to focus understanding and growth of knowledge in the discipline.

Recently there has been some increased clarity in definition of CRM. Payne and Frow (2005) list twelve definitions and descriptions and categorise them into three broad perspectives: 'narrowly and tactical as a particular technology solution'; 'wide-ranging technology'; and 'customer-centric'. They propose that CRM, in any organization, should be positioned in the strategic context of 'customer-centric'. In a recent review of CRM, Boulding et al. (2005) argue that the field of CRM has now begun to converge on a common definition: "Specifically, CRM relates to strategy, managing the dual-creation or value, the intelligent use of data and technology, the acquisition of customer knowledge and the diffusion of this knowledge to the appropriate stakeholders, the development of appropriate (long-term) relationships with specific customers and/or customer groups, and the *integration of processes across the many areas of the firm* and across the network of firms that collaborate to generate customer value" (p. 6). We adopt their definition in this article and highlight its emphasis on integration of processes across different functions.

Zablah, Beuenger and Johnston (2003) state that "further exploration of CRM and its related phenomena was not only warranted, but also desperately needed". Some useful initial work has been done on the conceptualization of CRM (e.g. Meta Group, 2001; Srivastava, Shervani and Fahey, 1999; Sue and Morin, 2001; Winer, 2001; Zablah, Beuenger and Johnston, 2003; Payne and Frow, 2005) and on issues associated with implementation (e.g., Ebner et al., 2002; Henneberg, 2003; Pettit, 2002; Rigby, Reichheld and Scheffer, 2002), however much work still remains to be done.

CRM Strategy and Cross-functional Processes

There appears to be increasing interest in cross-functional processes in organisations today. This is at least partly in response to the problems with the traditional 'command and control' organisational structure adopted by marketing departments; with their resulting 'functional' orientation to the customer (e.g. Ostroff and Smith 1992; Gummesson 2002b). The command and control approach works under central control, through large functional (or 'vertical') departments where strategy is developed at the top and implemented through a centralized command culture. Work is divided at the functional level into departments, groups and tasks. However, as Kaplan and Norton (2001) point out this approach is incremental and inadequate for today's environment. By contrast, a process approach organizes around a small number of cross-functional (or 'horizontal') processes instead of traditional functions such as marketing, sales or operations. These processes link the organisation to its customers.

Cross- Functional Processes in CRM

However, there is only slight recognition of cross-functional management and processes in CRM. For example, Webster (2002) argues that organisational processes and capabilities represent a key means of linking customers with the organisation, while Ryals and Knox (2001) emphasize how CRM requires a cross-functional approach, involving not only the marketing department, but the entire enterprise.

Developing a cross-functional approach to CRM requires identifying its key processes and their major components. Ostroff and Smith (1992) suggest that determination of relevant processes should be driven by key performance objectives based on customer needs. Some prior work on process identification has been undertaken in different contexts. Davenport (1993), in a manufacturing firm setting, suggests a number of operational and management processes. Srivastava, Shervani and Fahey (1999), in their work on marketing and business processes, identify three core "highly macrolevel" (p.169) processes: customer relationship management, supply chain management and product development management. These latter authors also list eleven sub-processes for CRM including: identifying potential new customers; determining the needs of customers; and managing customer site visit teams. However, these CRM elements represent a predominantly operationally-oriented set of activities and do not embrace the major strategic cross-functional processes that are the focus of this article.

CRM Strategy Frameworks and Processes

CRM is complex and difficult to implement without a systematic

framework, as a study by BT (2001) illustrates. This study examined CRM adoption in a range of industry sectors and concluded that 75 per cent of companies did not have a definition of CRM and 61 per cent did not have a framework for CRM strategy. It appears doubtful that businesses can implement an effective CRM strategy if they are not clear on what CRM is and do not have a framework for developing their strategy. Authors, such as Grabner-Kraeuter and Moedritscher (2002), point to the lack of an adequate CRM strategic framework, from which to define success, as being one reason for the disappointing results of many CRM initiatives. Kale (2004) concurs with this view and argues that a critical aspect of CRM involves identifying all strategic processes that take place between a company and its customers.

A number of authors have proposed CRM strategy frameworks. However, most of these do not adopt an explicit cross-functional process-based approach. Buttle (2001) provides a 'CRM value chain' that identifies a series of 'primary stages': customer portfolio analysis; customer intimacy; network development; value proposition development; and manage the relationship. It also identifies a series of 'supporting conditions' including: culture and leadership; procurement processes; human resource management processes; IT/data management processes; and organisation design. This is one of the more detailed approaches. Sue and Morin (2001) develop a framework for CRM based on initiatives, expected results and contributions. This framework is not process-based and, as the authors acknowledge, many initiatives are not explicitly identified in the framework. Winer (2001) outlines a model, which contains: a database of customer activity; analyses of the database; decisions about which customers to target; tools for customer targeting; how to build relationships with the targeting customers; privacy issues; and metrics for measuring the success of the CRM program. Whilst all these frameworks provide insights into CRM, none adopt an explicit cross-functional process-based conceptualization.

Using an expert panel of managers with extensive experience within the CRM and IT sectors, Payne and Frow (2005) review potential cross-functional processes for CRM. They specifically focus on the formulation of CRM strategy rather than CRM implementation issues. The expert panel agreed six process selection criteria for use in determining key generic CRM processes. Five CRM processes were identified that met the selection criteria including: a strategy development process; a value creation process; a multi-channel integration process; an information management process; and a performance assessment process. Because of this framework's specific cross-functional focus, we utilise these five generic processes within the CRM strategy and implementation model developed in this article.

Research Approach

Before reviewing the model, we summarise our research approach. This article reports on part of a programme of research that utilises learning from field-based interactions with executives together with synthesis of relevant literature. This research approach used Gummesson's (2002a) 'interaction research' methodology which emphasises that interaction and communication play a crucial role in the stages of research; and that testing concepts, ideas and results through interaction with different target groups of managers forms an integral part of the whole research process. It also draws on approaches used in the work on 'contemporary marketing practices' (Coviello et al. 2002).

We utilised several methods to gain these insights and we found managers' observations and suggestions very valuable in interactively developing and refining our understanding of CRM implementation, supporting Gioia's and Pitre's (1990) proposition that multiple views created by different approaches may yield a more comprehensive view of organisational phenomena; and that assumptions may be modified by further consultation with informants.

This interaction research programme utilised executives who were primarily from large enterprises in the business to business and business to consumer sectors, including:

1. A panel of 34 experienced executives independently selected by the director of a leading European research and development institute specializing in the CRM and IT sectors.
2. Interviews with 20 executives working in CRM, marketing and IT roles in financial services; this sector was chosen as it was considered by CRM observers to be the most advanced in CRM adoption.
3. Interviews with six executives from large CRM vendors and with five executives from three CRM and strategy consultancies.
4. Workshop-based activities, supplemented by individual interviews, were held with 18 CRM vendors, analysts and their clients. In total, 35 workshops were held for the following organizations: Accenture, Baan, BroadVision, Chordiant, EDS, E.piphany, HP, IBM, Gartner, NCR Teradata, Peoplesoft, Oracle, SAP, SAS, Siebel, Sybase and Unisys. Five of these vendors account for over 50% of worldwide CRM new license revenue (Nelson 2004).
5. Piloting the model as a planning tool in two global organisations. Six workshops were held in each company.

The research approach draws on concepts suggested by Rapoport (1970),

which aim to contribute both to the practical concerns of people in a challenging situation and to the goals of science through collaboration within a mutually acceptable situation; and on an iterative approach proposed by Eisenhardt (1989). The research approach varied across the groups of executives outlined above and reflected both 'emic' and 'etic' (Pike 1954) perspectives.

For example, a more 'emic' approach was used with the panel of thirty-four highly experienced CRM practitioners, all of whom had very extensive experience within the CRM and IT sectors. Its members were selected on the basis of: substantial management and industrial experience (average 17.2 years); maturity (average age 40.2 years); international representation and international experience (managers from nine countries, most of them had international experience); and academic qualifications (degree or equivalent). This panel were involved in a day long intervention and were requested to nominate the key generic CRM processes they considered important and to consider central issues relating to CRM strategy and implementation..

After a briefing session, each of the panel members independently completed a written list representing their view of the key generic processes that met process criteria they had agreed. These lists were collected and categorized and a frequency count undertaken. This data was fed back to this group and a detailed discussion followed to help support our understanding of the relevant process categories. As a result of this interactive method, five CRM processes were agreed that met the selection criteria; all five were confirmed as important generic processes by more than two-thirds of the group. (By contrast, billing, the sixth process on the list was only supported by 15 per cent of the group, and was subsequently judged by the group to be a specialized process, rather than a generic one, and of strategic relevance in only specific industry sectors such as telecoms.)

A more 'etic' approach was utilised in the initial representation of the CRM strategy and implementation model described in the next section. Here the researchers sought to represent all the component CRM processes and the critical implementation elements previously into an initial diagrammatic conceptual model. As described in the following discussion, this was subsequently modified a number of times by what might be described 'emic' feedback with a number of the executive groups listed above.

CRM Strategy and Implementation Model

An examination of the extant literature on CRM highlights the effective management of customer relationships involves many different and interlinked aspects. Further, most of the literature on CRM does not emphasise its cross-functional nature. We posit this is a neglected and critical

component of CRM that should form the basis of any CRM implementation model.

Our model was developed using an 'interaction research' approach and combined field-based interactions, involving the executives groups outlined above, with insights from the literature to identify key implementation areas. These components were then incorporated into a first preliminary model. This initial model, and the development of further versions of it, was informed and further refined by interactions with executive groups discussed above. The model went through several iterations and a number of further minor revisions. The final version of the model is shown in Figure 1.

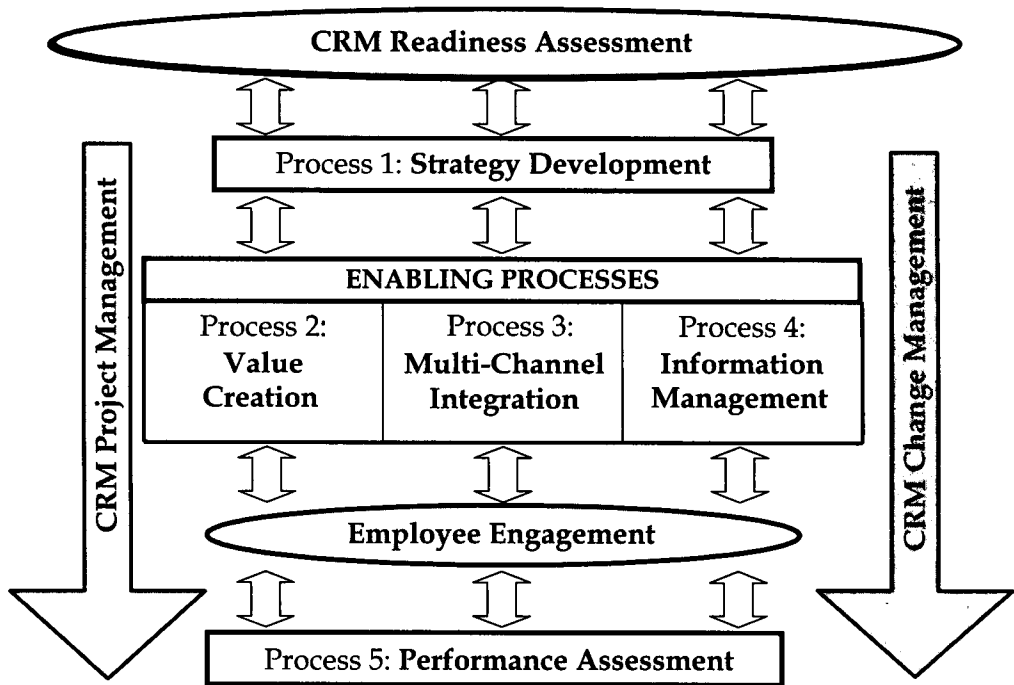


Figure 1. CRM Strategy and Implementation Model

The model has two main components: key CRM implementation elements and core cross-functional CRM processes. As a result of this research four critical elements for successful CRM implementation were identified. A longer list was initially developed from interviews, extensive discussions and group work at workshops and from the literature. They were interactively and progressively refined into the following categories: CRM readiness assessment; CRM change management; CRM project management; and employee engagement. We then integrated these four critical elements for CRM implementation with five core CRM processes (Payne and Frow 2005)

in a conceptual model for CRM strategy and implementation. The development of the model benefited from discussions and criticisms during presentations at two academic conferences.

Figure 1 illustrates an organizing model for CRM which is recursive, rather than linear, in that many of its activities need to be managed concurrently and some elements may need to be revisited as a consequence of later activities. We highlight the importance of the four implementation elements as it is in this area that CRM research especially needs further work; in particular, little attention has been given to the role of people in implementing CRM activities (Boulding et al. 2005).

Core Cross-functional Processes

The five cross-functional processes need to be considered concurrently and in connection with the four implementation elements. Each is closely related and they unite to form a CRM implementation logic. The discussion that follows in this and the following section of the article outlines each component of the model. First, we review each of the five CRM processes. Next, we discuss how a CRM readiness assessment can be used to examine progress with each of the five CRM processes and identify future priorities. Finally, change management, project management and employee engagement are examined.

The expert panel described above were not only used to help identify components key CRM implementation elements and core cross-functional CRM processes. They also provided detailed explanation regarding *why* a strategic cross-functional approach would help better realise the benefits of CRM. Each executive was requested to provide a written view on this topic. Among the many reasons reported by these respondents were: "Ensures a holistic view of the business and its customers." ; "A good client experience can usually not be delivered without all the functions within a process/service/product facing the same way." ; and, "By working in unison the cost of delivering good CRM is minimised."

The Strategy Development Process

The strategy development process is appropriately the first process we consider as it defines the overall objectives and parameters for the organisation's CRM activities. This process has a dual focus on the organisation's business strategy and its customer strategy.

The area of business strategy is well known, so it requires little commentary. An examination of industry and competitive characteristics (e.g. Porter 1980) need to be considered in terms of future possible structural change including creating challenges to traditional business models (e.g.

Anderson, Day and Kasturi 1997). The purpose of addressing business strategy, as part of the CRM strategy development process, is to determine how the organisation's customer strategy should be developed and how it will evolve in the future.

Customer strategy involves determining the appropriate level of segmentation granularity (including whether a macro-segmentation, micro-segmentation, or one-to-one is appropriate; e.g. Rubin 1997), identifying key customer segments and building strategies to address these customers. If a company operates in an intermediated market, it will have a number of customer groups and each of them needs to be fully considered in terms of segmentation approach and granularity.

Our research suggested companies have some distance to go in improving segmentation and resulting marketing efforts directed at them. For example, one manager we interviewed in a consumer service business pointed out how her company had analysed their customers into four 'macro' groups but had made no attempt to break these down into meaningful 'micro' segments. This was despite strong evidence of considerable variation on a number of key customer dimensions in these four macro segments. We examined this company's activities in more detail and learned that each of the four segments was treated equally from a promotional spend and customer acquisition perspective. This was despite marked differences in the attractiveness of each segment, where customer acquisition costs varied by a factor of three across segments and profitability by a factor of five across segments.

Alignment and integration of business strategy and customer strategy should be a priority, especially where they are developed within different functions of the business. The importance of strategy alignment and integration was highlighted in a number of our interviews.

For example, one interviewee, a country general manager, pointed out the lack of integration in his organisation: "The content of our company's business strategy has absolutely no connection to the real-life customer strategy issues at the country level".

The Value Creation Process

The value creation process involves taking the outputs of the strategy development process and building a programme that both *extracts* and *delivers* value. However, as Grönroos (2000) has observed, value has traditionally been used more in the marketing literature to address 'the value of customers for a firm'; only to some extent has 'value to the customer' been addressed. CRM programmes should identify both the value the customer receives from the company and the value the company receives from the customer; value creation is an interactive process between the two. We

consider that recent emphasis on viewing the customer as a co-creator or co-producer (e.g. Prahalad and Ramaswamy 2004; Vargo and Lusch 2004) will become increasingly important in CRM activities in the future.

To provide relevant benefits, the organisation must be able to target specific customers and develop a value proposition which explains the relationship between the performance of the product, the fulfilment of the customer's needs and the total cost to the customer over the customer relationship life cycle (Lanning and Michaels 1988; Lanning and Philips 1991).

We were interested in learning the extent to which companies had developed formal value propositions in the pursuit of their CRM objectives. To obtain a view of this aspect of CRM we used participants at four of the workshops (listed under item 4 in the earlier section on research methodology) to investigate this. These groups included 120 managers from different companies. We found that although some 65 per cent of these companies use the term 'value proposition' internally within their organisations, only some five percent of them have a formal written value proposition and a structured approach for developing them. This suggests greater emphasis needs to be put on this important aspect of CRM.

Understanding the underlying customer economics, on a market segment basis, is vital if the organization wishes to maximize the lifetime value of its customers. In seeking to increase profitability, companies need to develop integrated programmes that address customer acquisition, customer retention and other related activities such as cross-selling and up-selling at the segment level. Peppers and Rogers (1997) have developed a customer typology for understanding customer value. One company, a large British supermarket, stood out amongst our interviews as an outstanding exemplar of understanding customer value. They had an extremely highly developed and highly granular customer typology and an ability to execute their marketing at a one to one level.

The Multi-Channel Integration Process

Increasingly sophisticated approaches to customer segmentation, value propositions development and lifetime value calculation will help companies to better understand how value should be created for the customer and the enterprise. However, this will only be realised by ensuring a superior customer experience within and across all the channels in which the company interacts with customers.

The multi-channel integration process involves decisions about the best combination of channels; how to ensure the customer experiences highly positive interactions within those channels; and, where customers interact with multiple channels, how to create and present a 'single view' of the

customer. This involves managing every contact point between the customer and company, be they physical or virtual. Integrated channel management strategy involves creating better ways for customers to experience the company and ensuring the communications and services a customer receives through different channels are co-ordinated, coherent and tailored to their particular interests.

There are many individual channel options through which companies can interact with customers. These include: sales force (including field account management, service and personal representation); outlets (including retail branches, stores, depots and kiosks); telephony (including traditional telephone, facsimile, telex and call centre contact); direct marketing (including direct mail, radio, traditional TV, etc.); e-commerce (including email, the Internet and interactive digital TV); and m-commerce (including mobile telephony, SMS and text messaging, WAP and 3G services).

One company we interviewed in the telecoms sector was highly advanced in its approach to multi-channel integration with its major corporate customers. It has driven considerable cost out of their traditional channel – an expensive account management structure – by introducing innovation in this area. It has focused on utilising new and improved channels such as desk-based account management, partners, call centres and the Internet to achieve very specific objectives including: reduce the cost to serve; improve customer satisfaction; increase account directors face to face selling time; and improve revenue growth.

This large number of channels creates many opportunities for improving customer relationships. It also presents considerable challenges in managing the complexity of channels both profitably and in an integrated manner. The topic of experience management and how to create an outstanding customer experience is currently receiving considerable attention (e.g. Pine and Gilmore 1998; Storbacka 2001; Smith and Wheeler 2002; Schmitt 2003). Work by Lanning (1998) is relevant to improving the customer experience. He suggests businesses should systematically 'become the customer' by exploring, observing, analyzing, and creatively redesigning the actual experiences potential customers do and could have.

The Information Management Process

The information management process can usefully be thought of as an 'engine' that drives CRM activities. It consists of several elements that need to work closely together including: a data repository that provides a corporate memory of customers; IT systems including the organisation's hardware, software and middleware; analytical tools; and front office and back office applications. This process is concerned with two key activities: the collection and collation of customer information from all points of

customer contact; and, in combination with other relevant data, developing customer insight that can be used to enhance the quality of the customer experience.

Choosing the appropriate IT hardware, software and systems to achieve this can be a challenging task, given the constraints of legacy systems, the range of technology options, and the uniqueness of every business situation. The growing number of CRM tools and services on offer from IT vendors (Greenberg 2001) further complicates the questions of what constitutes the best CRM solution and whether to source the IT infrastructure externally or to construct it using internal expertise.

Where customer information is spread across disparate functions and departments, interactions with the customer may be based on partial or no knowledge of the customer. One company we interviewed, one of the largest in Europe, estimated it had over 200 customer data bases! Organizations need to organize their data in appropriate data repositories, such as a data warehouse (Agosta 1999; Inmon, Welch and Glassey 1997; Kelly 1997; Swift 2000). Through the effective use of analytical tools, such as data mining (Berry and Linoff 1997; Groth 2000) the data warehouse can be used to help identify the most promising customers, and to assist in developing strategies to retain them and enhance their value.

The elevation of CRM from the level of a specific application, such as a call centre, to the level of a pan-company CRM strategy requires the integration of customer interactions across all communication channels, front-office and back-office applications and business functions. What is required to manage this integration on an ongoing basis is a purposefully designed system - or what is sometimes termed an integrated CRM solution.

In our interviews and workshops, executives frequently drew attention to the need to use the information management process to capture and use the past history of customer interactions. As one interviewee stated: "One of the best ways for us to retain and grow our customer base is for us to have the same memory, or a better memory, of the past customer interactions as the customer has - and to use this information in a relevant and pro-active way."

The Performance Assessment Process

The performance assessment process ensures that the organisation's strategic CRM objectives are being delivered to an appropriate standard and that key metrics to guide future improvement are identified. This process has a dual focus on *shareholder results*, which provides a 'macro-view' of the key drivers of CRM performance, and on *performance monitoring*, which involves a more detailed 'micro-view' of the key descriptors of CRM performance (Payne and Frow 2005). The key elements that drive shareholder results include building employee value, customer value and shareholder value; as

well as reducing costs. For performance monitoring, detailed standards, measures and key performance indicators are needed to ensure CRM activities are planned and practised effectively and that a feedback loop exists to maximize performance improvement and organizational learning. Overall, this process involves focusing on two key issues: how can we create increased profits and shareholder value; and how should we set standards, develop metrics, measure our results and improve our performance?

The ultimate purpose of CRM is to deliver improved shareholder results. Recent studies, such as the 'service profit chain' research (e.g. Heskett et al. 1994; Loveman 1998) conducted at Harvard Business School, emphasize the relationship between employees, customers and shareholders and the need to adopt a more informed and integrated approach to exploiting the linkages between them. This work provides a most useful framework for improving shareholder results. The model has now been empirically tested in a number of industries (e.g. Heskett, Sasser and Schlesinger 1997; Kamakura et al. 2002; Rucci, Kirn and Quinn 1998). Recent work has linked customer lifetime value with shareholder value (Stahl, Matzler and Hinterhuber 2003), and customer satisfaction with shareholder value (Anderson, Fornell and Mazvancheryl 2004).

For performance monitoring, firms have tended to organize themselves in terms of functional responsibility and thus performance measures have reflected the individual objectives of departments, functions or strategic business units. For example, Finance has been driven by profit, Sales by volume and Marketing by customer acquisition. However, because CRM is a cross-functional activity, CRM performance measurement must use a range of metrics that span the gamut of processes and channels used to deliver CRM. One of the more popular attempts to provide cross-functional measures is the balanced scorecard approach, developed by Kaplan and Norton (1996), which proposes use of four different perspectives of performance: a customer perspective; an internal perspective, an innovation and learning perspective; and a financial perspective. Some issues cannot be measured in a quantitative sense but can be assessed qualitatively, hence qualitative assessment is also important and needs to be considered as part of this process.

One specific company application we examined in the telecoms sector had developed a sophisticated performance metrics scorecard visualisation that included the following measures: customer retention; customer loyalty; a customer advocacy rating; customer experience measure; value of existing customers; projected customer lifetime value; average revenue per customer; new customer acquisition rate; monthly installation rate; and total customer numbers. The application included the ability for these measures to be examined and compared at the customer segment or micro segment level.

Companies need to consider their CRM priorities, given their specific circumstances, and which standards and metrics should be used by them. Organisations can benefit from learning about existing standards and metrics used by other. The increasing importance of CRM measurement has recently resulted in the development of CRM standards for both general and more specific use within organisations (e.g. QCI 2004; COPC 2003). Whilst standards will never fully reflect the priorities and needs of specific organizations, a number of our interviewees stated there had been positive experiences in their companies in using these evolving standards - one in telecoms, one in logistics and one in financial services.

Key CRM Implementation Elements

Boulding et al. (2005) have pointed out there are substantive unknowns with regard to CRM implementation and that organisational issues relating to CRM are a critical area deserving attention: "Data and technology processes and systems are critical for CRM activities, but without appropriate human interaction with these processes and systems, the returns to investments in these areas are at risk." (p. 23.) We outlined, in the section on the research approach, how we used an interactive research approach to identify the following four key implementation areas.

CRM Readiness Assessment

A CRM readiness assessment can help managers assess the overall position in terms of readiness to progress with CRM implementation and to identify how well developed their organisation is relative to other companies. Research by Ryals and Payne (2001) showed that there are identifiable stages of maturity in CRM development: pre-CRM planning; building a data repository; moderately developed; well developed; and, highly advanced. Each of these stages represents a level of CRM maturity characterised by the extent to which customer information is used to enhance the customer experience and customer-generated cash flows. In our interviews we found the more experienced CRM managers tended to know the stage of CRM development in their company. However, we also found companies with a surprising lack of knowledge as to how far they had progressed with their CRM, when compared with their competitors.

If an organisation is in the early stages of CRM development, it is useful to start with an overview audit of the five key CRM processes to help get senior management understanding and buy-in at an early stage. The overview form of readiness audit can be used to rapidly form an initial view on the key CRM priorities, to define the relative importance of these priorities and to determine where effort needs to be applied. Figure 2 shows the output of

such an exercise for a major European bank. In the case of this bank, changes were considered to be necessary in all processes, with the greatest improvement needed in the value creation and performance assessment processes, as shown in Figure 2. A number of important new CRM initiatives were identified and project teams were formed to implement them. We have also used this overview audit with some of the other organisations referred to earlier and usually found significant differences in the gap between the current position and the desired position and on the relative emphasis on each process.

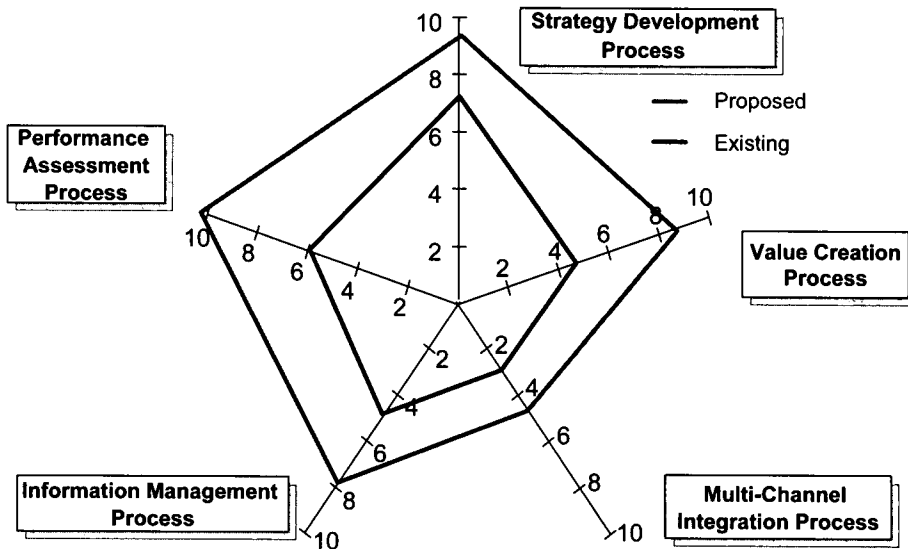


Figure 2. Overview Audit of Key CRM Processes

Although simple in concept, we found the completion of an overview audit and a structured discussion with a company's managers around the scorings was extremely valuable in highlighting areas on which an organisation should concentrate in order to improve its CRM performance. To extend the response rate it is possible to develop a simple web-based programme to collect and aggregate information from around the company.

We have undertaken overview audits on over 20 companies as part of this research. The number of executive participants participating in these audits has varied greatly from a few to over 100. In the case of a logistics company (one of two global companies listed under item 5 in the earlier section on research methodology) over 100 senior executives took part in a series of workshops. Here we used eighteen groups of five or six executives to first independently, then as a group, complete the audit. We then compared the rankings from each of the 18 groups and got extremely consistent views in

scoring. As these results on each of the five dimensions were within a very narrow band, the company's management had a high degree of unanimity on the priorities ahead.

Firms that are more advanced or wish to go into greater detail can then undertake a more comprehensive CRM audit. A number of CRM audit tools have also been developed, mainly by consulting firms. These audits vary greatly in detail and quality. Some are little more than a quiz and others show little evidence of understanding all the strategic issues relevant to CRM. One of the few audits that is more robust is the CMAT assessment tool (QCI 2004). QCI have accumulated a substantial amount of data from a large number of businesses which enables comparisons to be made not only across all industries, but within specific industry sectors. However, such audits are not tailored to the specific circumstances of an organization or industry sector and are not weighted to reflect the relative importance of specific CRM issues to the organisation. More work is needed in the area of comprehensive audit development.

CRM Change Management

To implement a large-scale and complex CRM initiative, companies will typically have to undergo substantial organisational and cultural change. A critical dimension of any large CRM programme, therefore, is an effective change management programme. Based on our discussions during interviews, we make a distinction here between change management which is concerned with strategic organisational change; and employee engagement which was seen as a more operationally-oriented set of activities. These activities are, however, closely entwined.

We also concluded from these interactions with executives involved in our research that the sheer scale of change management needed is often not recognised by companies. For example, we made a detailed study of a proposed £12 million CRM plan and budget for a large UK service company with several million customers. We found the budget provision in the plan for change management activities was minimal and insufficient thought had gone into this critical aspect of CRM. This was especially important as new systems needed to be introduced across a number of different countries all of whom had substantially different legacy systems, cultures and change management issues. When we raised this as an example with both individuals and groups during our research (and especially with the ones listed under items 3 and 4 in the research approach section) their responses led us to conclude this is a critically under-emphasised element which can potentially cause great damage to a CRM project.

Because CRM is potentially so wide-ranging in terms of the organisational ramifications, a robust analytical framework is needed help assist CRM

leaders identify the organizational change management issues in relation to a particular CRM programme. One well-known change management framework, the 'Seven S' framework (Peters 1984), is a useful tool to help the organisation identify those issues relevant to their business. This framework provides a means of viewing organizations as packages of key skills, or skill gaps. Hence, it can be used as a tool for analysing organizational deficiencies, building on positive skills and identifying new skills needed. Child et al. (1995) illustrate the use of the 'Seven S' framework in a context relevant to CRM change management.

From our interviews and interaction research, three recurrent change management issues emerged: the need to establish a senior sponsor for CRM; creating a CRM vision; and facilitating improved cross-functional working within the organization.

Senior level understanding, sponsorship and leadership is clearly critical in a complex CRM implementation. However, Rigby, Reichheld, and Scheffer (2002) conclude that one major reason that CRM fails is that most *senior* executives "don't understand what they are implementing, let alone how much it costs or how long it will take". CRM managers we interviewed pointed out the difficulties of obtaining senior-level 'buy-in' to what are often very expensive projects and how having a board-level sponsor is vital, not only for initiating CRM projects but also for overcoming delays caused by resistance to change. Employee commitment to the CRM initiative will be heavily influenced by the visible behaviour of the CRM sponsor. Effective and continual communicating of the worthiness of the CRM goals and the results obtained from CRM initiatives was highlighted in our interviews as an important element of this role.

A CRM vision is a powerful means of creating shared values and a customer focus. We identified few companies with a clear CRM mission in our research. Orange, the UK mobile service provider, was visited as part of one of the workshops. Orange represent a rare example of a company with a clear CRM vision: "Our mission is to build strong enduring relationships with our customers, thereby increasing customer lifetime value and company profitability and building sustainable competitive advantage. We will achieve this through the application of CRM strategies. CRM is about building relationships to turn customers into advocates, so that their decision to stay with you becomes more "automatic"; they buy more and spend more, and they tell their friends and colleagues about your products and services too." A CRM vision such as this can create a clear sense of purpose and direction for the organisation.

We have already emphasized the importance of CRM and cross-functional processes. Successful CRM demands that members of different functions such as marketing, information technology and human resource

management work together. In many organisations there are inter-functional tensions that inhibit a positive customer-oriented organisational culture and climate and that prevent effective cross-functional collaboration. A good starting point in achieving better cross-functional integration is to surface the different views of functional departments within the organization using a tool such as the cultural web (Johnson 1992) and then to identify what needs to be done to reconcile any negative aspects so that the functions can work together in a more joined-up manner. Establishing cross-functional teams which are drawn from across departments was found to be essential for most CRM initiatives. The organization should work to develop the skill bases of team members to ensure they have the requisite capabilities for collaboration, including IT, marketing, finance, data mining and project management skills.

CRM Project Management

CRM project management has increasing importance as the size and complexity of CRM initiatives increase. We identified two main types of CRM projects: first, where a team of specialists is brought together on a temporary basis to address a particular project with a finite completion date; second, where a cross-functional team is assembled with a remit of ongoing management of part of the enterprise's CRM initiative. Successful CRM projects deliver against the CRM objectives derived from the corporate objectives and support the overall business strategy. Our interviewees emphasised that CRM projects which overrun budgets and timescales create considerable damage to CRM credibility, hence effective CRM project management is essential. We identified several companies using the Benefits Dependency Network (BDN) framework (e.g. Wilson et al. 2000) in an effort to make their project management more effective. The BDN framework works backwards from the project's objectives to ensure that all necessary *business changes* are made, as well as CRM technology solutions implemented.

Some organisations we interviewed were adopting a large-scale and very comprehensive approach to CRM implementation. However, others had found that an incremental and modular approach to CRM development or enhancement was more appropriate. These latter companies typically engaged in a series of smaller individual CRM projects, undertaken in an appropriate sequence, each with clearly defined objectives and ROI outcomes. These projects varied in the emphasis placed on analytical CRM, operational CRM and collaborative CRM (Meta Group 2001).

Henneberg (2003) has identified two CRM implementation approaches adopted by organisations: a dominant 'hard' implementation of CRM (focusing on IT, analytics, centralization and campaign management); and a 'soft' implementation of CRM (focusing on decentralised customer

experience management and customer relationships). Of the twenty-three companies he examined, sixteen of them adopted the 'hard' approach, four adopted the 'soft' approach and three of them utilized a combination of approaches. IT-based CRM project management will be of greatest importance in 'hard' CRM implementation. He found the 'hard' or analytical dimension typically emphasised integrated customer database with marketing data marts, a shared data model, marketing analysis and data-mining tools (such as propensity modelling or targeting and triggering activities), centralised CRM management functions, the integration of all touch-points/channels with feedback-loops to the centralized database, and a standardisation of customer interaction and service processes. The main implementation activities here are software adaptation and integration, process redefinition, organisational integration, sales force automation and campaign management.

Henneberg found that the 'soft' or customer experience dimension encompasses aspects of direct customer interaction management. It is more decentralized and focuses on customer interaction skills and strategies, a deep understanding of customer or customer segment relationship needs, the development of new customer-centric touchpoints and the ability to build relationships. Companies can benefit from these findings by considering if a 'hard', soft', or 'hybrid' approach to CRM implementation is appropriate for their organisation.

As the CRM project plan is implemented, two further issues should be considered: creep in project scope and understanding the implications of scale. Ebner et al. (2002) point out that as a project grows in scope, the system's development can take on a life of its own, incorporating new features that do not support business objectives but add considerable complexity and cost. IT professionals have learnt that the bigger a project, the harder it is to integrate and the more likely it is to miss deadlines or be scrapped altogether. The business objectives that the CRM system was intended to achieve must be kept under constant scrutiny and any efforts to increase the scope of the project must be evaluated very carefully. Further, as a project is planned, it is critical that the implications of scale increase are understood. Point estimates of future demand should be replaced with estimates based on three levels of potential future demand: optimistic, most likely and pessimistic. As the numbers of users and customers grow, the system must be robust enough to accept higher possible increases in volume.

Employee Engagement

The final of the four implementation elements is the engagement of employees to support the various initiatives that comprise the overall CRM programme. Employees have a crucial role to play within the CRM processes

and implementation activities outlined in this article. An organisation cannot develop and operate appropriately customer-focused systems and processes without motivated and trained employees.

Change management and project management are particularly dependent on engagement of employees for their success. Ensuring the delivery of a superior customer experience during times of unexpectedly high demand requires the active engagement and commitment of all customer-facing staff and is a hallmark of a well-planned CRM implementation. Interviewees stated that employee engagement is now receiving greater attention as their companies focus on creating outstanding customer experiences.

Increasingly, organisations are recognizing the significant value their employees contribute to the business, which extends well beyond the basic fulfilment of core duties. Employees are instrumental in implementing processes including customer service, improving efficiencies and nurturing consumer confidence and repeat purchase. As Srivastava et al. (1999) point out: "processes are meaningless when viewed in isolation of those people charged with implementing them" (p.170). Gummesson (2002c) considers how human knowledge, attitudes, and behaviour combine with IT, and how CRM systems need to work effectively for both the companies that use them and the customers who are exposed to them.

In the written feedback on cross-functional processes from our expert panel (item 1 in our research methodology section) a number of comments were made by different respondents regarding the impact of employee engagement on CRM strategy and processes, including:

- "Happy employee will affect customer's experience."
- "Training of people is necessary to better understand customers' businesses."
- "A good client experience can usually not be delivered without all the functions within a process/service/product facing the same way."
- "By [employees] working in unison the cost of delivering a good CRM is minimised."
- "...a cross-functional approach is critical for success when implementing CRM With this approach you will get the ownership and commitment needed to have a successful implementation."
- "You can not separate Marketing from other functions - they are interdependent."
- "Every employee is somehow in touch with the customer to serve."
- "Everyone in the company becomes engaged in fulfilling the strategy."
- "Customer knowledge is spread throughout different functions."
- "Involve all key people in organisation and get their buy in ."

- "... a CRM strategy requires buy-in from back-office as well as front-office."
- "Key thing: BUY IN = SUCCESSFUL IMPLEMENTATION."
- "Firms have to make a training effort increase the employee capability to manage the client relationship."
- "Buy-in from all employees thus giving a consistent message to clients."

These comments from our expert panel highlight the obvious importance of employee engagement which requires a strong commitment from the company's personnel. However, a major global study, involving more than 9,700 full and part-time employees, shows that employees are, in general, not committed to their employers (Sweetman 2003). The research found 34 per cent of employees are 'trapped' and 27 per cent are 'high risk'. Only slightly more than half the sample felt a strong personal attachment to their employer and only six in ten employees believe their organization deserves their loyalty. Truly loyal employees are the most desirable employees as they feel a deep attachment to their organisations, want to be there and workers are prepared to go the extra mile to get the job done and often serve as role models for their peers. Among the significant findings of this study is verification that an employee's job performance is directly tied to their level of commitment to the organisation.

The role of senior executives in facilitating employee engagement is vital. At board level, issues such as governance, finance, acquisitions and cost reduction may predominate over issues of customer management, marketing and employees. McGovern et al. (2004) provide a 'business driver' approach for partly addressing this problem. This involves assessing how effectively marketing is supporting corporate strategy, and determining when marketing and strategy are misaligned. This can take the form of an interactive exercise in which business strategy, customer strategy and organization evolve in an iterative manner and employee engagement activities are focused on achieving the customer strategy.

One firm in our research, one of the top three professional service firms in its sector, has concluded the starting point for its CRM activities is employee engagement. This firm's board has taken the view that 'strategy is local' and it has commenced with an employee engagement exercise based on its ten top global accounts to align marketing and strategy. This iterative initiative has started to integrate multiple practice areas, integrate different country offices and engage employees from around the world in a manner that has not been achieved before in this firm. It will be further extended to other top accounts in the near future.

Therefore, how all the company's human resources are engaged, but

especially those who have any form of customer contact, is a key factor in determining CRM success. A wide body of research support the claim that the surest way to enhance competitive performance is through recruiting and selecting the best employees, training and motivating them and providing effective leadership. This will maximize the likelihood of employees effectively engaging with both customers and their colleagues.

As part of this overall research programme we attended workshops with a large global automobile manufacturer that is focused on improving competitive performance through its people. This company had concluded that the success of their CRM initiative would depend on a massive change in the mindset of people at every level within their company and within their distributors. A CRM employee engagement programme was devised which included 'CRM Best Practice Workshops' aimed at engaging employees and building awareness of the benefits of CRM through case studies of best practice in CRM. The workshops entailed a mix of presentations and visits to companies where successful CRM was evident. Interestingly, managers and other staff considered the greatest lessons were derived from presentations from executives from Southwest Airlines - a company renowned for its exemplary people culture and its selection, development and employee engagement activities.

McKean (2002) identifies eight overall areas the enterprise needs to focus on in order to achieve strong customer relationships, including: leading the 'human' firm; acknowledging customers; treating customers with respect; building trust; communicating humanly; implementing the human touch consistently; understanding and applying the human touch as a process; and implementing technology to 'humanise'. McKean's research highlights the need to select, develop and empower employees to bring about their full engagement and commitment to delivering an outstanding customer experience. From our research we conclude that employee engagement is, generally, the most important factor in successful CRM implementation.

Limitations, Future Research and Managerial Applications

This article is a response to the call that further exploration of CRM is desperately needed (Zablah, Beuenger and Johnston, 2003); and our experience of the confusion and problems that many companies are experiencing in their efforts to implement CRM. In this section we consider limitations of the research, review areas for future research, and discuss managerial applications of our work.

Research Limitations

There are a number of limitations to this article. First, our research was based on large companies as it is in such businesses, because of their complexity, that CRM is likely to have the greatest positive impact. We did not examine issues relating to CRM strategy in other businesses such as small or medium-sized companies.

Second, we did not explore the application of CRM strategy in non-business areas such as the government and not-for-profit sectors. A tentative conclusion, following one intervention we undertook with senior managers from a large government agency, is that the model may have applicability in this sector, with modification to elements of the strategy and value creation processes.

Third, we have not attempted to identify highly specific components that may assume strategic importance in particular industry settings. For example, the billing process, discussed by some of our respondents, is a key process in the fixed and mobile telecoms sector – but not in most other sectors.

Fourth, our attention was on enterprises seeking to develop strong relationships with their customers. There may be instances of some companies that wish to adopt a more transactionally-oriented approach. Insights from the work on contemporary marketing practices (Coviello et al. 2002) regarding the relative emphasis different companies place on transactional and relational aspects of marketing may be useful in exploring CRM in more transactionally-oriented settings.

Future Research Opportunities

With CRM at an early stage of maturity, there is considerable scope for further research. We highlight nine areas of research opportunity in this emerging domain relating to each of the key elements in the CRM strategy and implementation model.

First, particular aspects of the strategy development process in the model would benefit from research. McKinsey & Co.'s work shows that a failure to establish clear business goals before launching a CRM activity is a common and important source of problems with CRM (Ebner et al., 2002). We also found the failure to set strategic business objectives to be a key issue. Our interviews highlighted several other issues and problems with regard to CRM strategy development including: a failure to consider the potential return from CRM initiatives; viewing CRM as a technology initiative rather than a strategic one aimed at improving customer relationships; and pursuing CRM as a means of cost reduction rather than a means of value creation. A more exhaustive study of factors hindering and facilitating CRM strategy development is warranted.

Second, the value creation process represents opportunities for further work. A number of perspectives of value have been outlined in this article including: the value the company creates for the customer; the value the customer creates for the company; and the opportunity for co-creation of value. For the first of these, the concept of the value proposition needs stronger conceptual underpinnings. In terms of the value delivered to the company, this area is better represented in existing research. One gap is the lack of a framework for gaining improved customer value in the context of increasing share-of-wallet from existing customers, and more systematic managerial approaches and models for improving customer acquisition, customer retention, up-selling and cross-selling and the development of advocacy across the customer base. Context-driven research opportunities also exist in the area of co-creation.

Third, within the area of multi-channel integration, many opportunities exist for further work despite its forerunner, hybrid marketing systems, being emphasized in the literature some fifteen years ago (Moriarty and Moran 1990). In particular, work is needed to identify the relative costs and economics of different channels in a CRM environment, including migration patterns between channels. Additionally, the area of understanding and managing the customer experience needs further exploration. The question of how to create a 'perfect customer experience' at an affordable cost had special resonance with executives we interviewed. Combining insights from a body of existing work (e.g. Jones and Sasser 1995; Pine and Gilmore 1998; Storbacka 2001) with field-based empirical research is proposed as a starting point.

Fourth, within the information management process, more systematic studies of IT implementations of CRM solutions are proposed. There are now a considerable number of studies relating to the failure of CRM technology projects to deliver business benefits. However, such studies use different samples, methodologies and approaches and focus on different issues. Further, the sponsors of the study, often consultants, CRM vendors or analysts, may have particular motives which could lead to some bias in the findings. Extensive cross-sector and within-sector research is proposed.

Fifth, with respect to the performance assessment process, more detailed study of CRM assessment is needed. We identified a number of approaches to CRM performance assessment. More work is needed on the application of tools such as the service profit chain and in extension of the balanced scorecard concept so it could be used at a more detailed level in the context of a CRM performance assessment dashboard

Sixth, in the area of CRM readiness assessment more work is needed in the development of a comprehensive audit tool. The more advanced audit tools that exist are proprietary, as they have been developed by consultants

and are not in the public domain (e.g. QCI 2004). Our interviews highlighted the need for a comprehensive, independent and research-based instrument to assess and measure CRM readiness assessment.

Seventh, empirical investigation of CRM change management is warranted within and across sectors. In the limitations to this study listed we suggest a number of areas for within sector work; especially in relatively unexplored sectors such as small and medium sized businesses, the not-for profit sector and in the area of citizen relationship management.

Eighth, the area of CRM project management is almost completely neglected in the literature with the exception of a small amount of managerially oriented literature by Gentle (2002). Gentle's work raises many issues worthy of examination and in particular the value of studying CRM project successes and failures.

Finally, employee engagement and people related issues in CRM implementation have already been highlighted earlier in the article as an area where future research is needed. Initial work by Ebner et al. (2002); Gummesson (2002b; 2002c); Henneberg (2003); Pettit (2002); and Rigby, Reichheld and Schefter (2002) will provide a useful platform from which to develop this important area of research. Further avenues for research in this area are summarised by Boulding et al. (2005).

Managerial Applications

While these opportunities lie ahead for future CRM research, it is appropriate to briefly comment on some managerial implications of this research with reference to executives' initial experiences in using the CRM strategy and implementation model within their organisations. The model has been used by managers to address a number of issues, including:

To help in surfacing problematic issues. For example, in planning a CRM program in a large auto company, use of the framework surfaced integration problems between business and customer strategy. This made them highly visible within the company, resulting in actions being taken to address them.

To plan the key components of a CRM strategy and to identify which process components of CRM should be receive priority. Different companies, according to their specific circumstances, will have different issues they need to address; the framework has been used to highlight which processes need greatest attention. Use of the framework in this way can result in focusing on one specific area that will give the best return at that point in time. For example, in one company's case this was call centre management; in another company it was a sales force automation project.

To undertake a range of benchmarking activities. A large global financial services company retained a leading US strategy consulting firm to use the model to benchmark six US companies considered to be world-class CRM

leaders within the financial services sector.

To create a platform for change in a company. In the large logistics company, referred to earlier in this article, the framework was used with its senior staff in a series of workshops. Working in small groups, managers provided a team score in terms of their perception of the company's existing and desired capabilities. The findings from these groups were very consistent regarding problems. Key areas for action were identified and a critical mass of executives, sharing a common perspective, undertook responsibility for implementing a major change management program.

Summary

The literature on CRM is, to use the evolutionary metaphor applied to the services marketing literature, still 'crawling out', as opposed to 'scurrying about' or 'walking erect' (Fisk, Brown and Bitner 1993). This article makes some progress towards understanding the strategy and implementation dimensions of CRM from a cross-functional process-based perspective. CRM is a complex and challenging domain, but as the academic community starts to develop and implement a comprehensive and integrated CRM research agenda, customers, organisations, shareholders and other relevant stakeholders should be able to better realize the considerable potential benefits of effective CRM practice.

References

- Agosta, Lou (1999), *The Essential Guide to Data Warehousing*, Upper Saddle River, NJ, Prentice Hall.
- Anderson, Erin, Day, George S. and Kasturi V. (1997), "Strategic Channel Design", *Sloan Management Review*, Vol. 38, Summer, pp. 59-69.
- Anderson, Eugene W., Fornell, Claes and Mazvancheryl, Sanal K. (2004), "Customer Satisfaction and Shareholder Value", *Journal of Marketing*, Vol. 68, October, pp. 172-185.
- Bendapudi, Neeli and Leone, Robert P. (2003), "Psychological Implications of Customer Participation in Co-Production", *Journal of Marketing*, Vol. 67, January, pp. 14-28.
- Berry, Leonard L. (1983), "Relationship Marketing". In: *Emerging Perspectives on Services Marketing*. (Eds.), Berry, Leonard L., Shostack, G. Lynn and Upah, Gregory (Chicago). American Marketing Association, pp. 25-28.
- Berry, M.J.A. and Linoff, G. (1997), *Data Mining Techniques, for Marketing, Sales, and Customer Support*, New York, John Wiley & Sons, Inc.
- Boulding, William, Staelin, Richard, Ehret, Michael and Johnston, Wesley J. (2005), "A CRM Roadmap: What We Know, Potential Pitfalls, and Where to Go", *Journal of Marketing*, Vol. 69, No. 4, October, pp. 155-167.

- BT (2001), *A Survey of CRM Practice*, unpublished Internal CRM study.
- Bund Jackson, Barbara (1985), *Winning and Keeping Industrial Customers: The Dynamics of Customer Relationships*, Lexington, D. C., Heath.
- Buttle, Francis A. (2001), "The CRM Value Chain", *Marketing Business*, February, pp. 52-55.
- COPC 2003, "Benchmark Review". (accessed 14 November 2003) [available at www.copc.com].
- Carr, Nicholas G. (2003), "IT Doesn't Matter", *Harvard Business Review*, Vol. 81 May-June, pp. 41 - 49.
- Child, P., Dennis, R.S., Gokey, T.C., McGuire, T., Shennan, M. and Singer, M. (1995), "Can Marketing Regain the Personal Touch?", *McKinsey Quarterly*, No. 3, pp. 112-125.
- Christopher, M. G., Payne, A. F.T and Ballantyne, D. (1991), *Relationship Marketing: Bringing Quality, Customer Service and Marketing Together*, Oxford, Butterworth Heinemann.
- Coote, Leonard (1994), "Implementation of Relationship Marketing in an Accounting Practice". In: *Relationship Marketing: Theory, Methods and Applications*. (Eds.) Sheth, Jagdish N. and Parvatiyar, Atul (Atlanta, GA), Emory University, Center for Relationship Marketing.
- Coviello, Nicole E., Brodie, Roderick J., Danaher, Peter J. and Johnston, Wesley J. (2002), "How Firms Relate to Their Markets: An Empirical Examination of Contemporary Marketing Practice", *Journal of Marketing*, Vol. 66 July, pp. 33 - 46.
- Davenport, Thomas H. (1993), *Process Innovation: Reengineering Work Through Information Technology*, Boston, MA, Harvard Business School Press.
- Ebner, Manuel, Hu, Arthur, Levitt, Daniel and McCory, Jim (2002), "How to Rescue CRM", *McKinsey Quarterly*, Special Edition: Technology, pp. 49-57.
- Eisenhardt, Kathleen M. (1989), "Building Theories from Case Study Research", *Academy of Management Review*, Vol. 14, March, pp. 532-550.
- Fisk, Raymond P., Brown, Stephen W. and Bitner, Mary Jo (1993), "Tracking the Evolution of The Services Marketing Literature", *Journal of Retailing*, Vol. 69, Spring, pp. 61-103.
- Gartner Group (2003), Correspondence from Gartner analyst to the authors.
- Gentle, M. (2002), *The CRM Project Management Handbook*, London, Kogan Page.
- Gioia, Dennis A. and Pitre, Evelyn (1990), "Multiple Perspectives on Theory Building", *Academy of Management Review*, Vol. 15, October, pp. 584-602.
- Grabner-Kraeuter, Sonja and Moedritscher, Gernot (2002), "Alternative Approaches Toward Measuring CRM Performance," 6th Research Conference on Relationship Marketing and Customer Relationship Management, Atlanta, June 9-12, pp. 1 - 16.
- Greenberg, Paul (2001), *CRM at the Speed of Light*, Berkeley, CA,

Osborne/McGraw Hill.

- Grönroos, Christian (1994), "Quo Vadis, Marketing? - Toward a Relationship Marketing Paradigm", *Journal of Marketing Management*, Vol. 10, June, pp. 347-360.
- Grönroos, Christian (1997), "Value-driven Relational Marketing: from Products to Resources and Competencies", *Journal of Marketing Management*, Vol. 13, July, pp. 407-419.
- Grönroos, Christian (2000). *Service Marketing and Management: A Customer Relationship Management Approach*, West Sussex, UK, John Wiley & Sons.
- Groth, R. (2000), *Data Mining: Building Competitive Advantage*, Englewood Cliffs, NJ, Prentice Hall.
- Gummesson, Evert (1997), "Relationship Marketing as a Paradigm Shift: Some Conclusions from the 30R Approach", *Management Decision*, Vol. 5, No. 4, pp. 267-272.
- Gummesson, Evert (1999), *Total Relationship Marketing*, Oxford, UK, Butterworth-Heinemann.
- Gummesson, Evert (2002a), "Practical Value of Adequate Marketing Management Theory ", *European Journal of Marketing*, Vol. 36, March, pp. 325-49.
- Gummesson, Evert (2002b), "Relationship Marketing in the New Economy", *Journal of Relationship Marketing*, Vol. 1, No. 1, pp. 37-57.
- Gummesson, Evert (2002c), *Total Relationship Marketing*, second edition, Oxford, UK, Butterworth-Heinemann.
- Håkansson, Håkan H and Snehota, I. (2000), "The IMP Perspective: Assets and Liabilities of Business Relationships". In: Sheth, Jagdish, N. and Parvatiyar, Atul (Eds.), *Handbook of Relationship Marketing*. (Thousand Oaks, Ca), Sage, pp. 9-94.
- Henneberg, Stephan C. M. (2003), "An Exploratory Analysis of CRM Implementation Models", *11th International Colloquium in Relationship Marketing*, University of Gloucestershire, September, pp. 1-20.
- Heskett, James L., Jones, Thomas O., Loveman, Gary W., Sasser, Earl W. Jr., and Schlesinger, Leonard A. (1994), "Putting the Service-Profit Chain to Work", *Harvard Business Review*, Vol. 82, March-April, pp. 164-174.
- Heskett, James L., Sasser, Earl Jr. and Schlesinger, Leonard A. (1997), *The Service Profit Chain*, New York, The Free Press,
- Inmon, W.H., Welch, J.D. and Glassey, K.L. (1997), *Managing the Data Warehouse*, New York, John Wiley & Sons, Inc.
- International Data Corporation (2001), *Demand-Side Survey: A Reality Check on CRM Software*, International Data Corporation.
- Johnson, Gerry (1992), "Managing Strategic Change - Strategy, Culture and Action", *Long Range Planning*, Vol. 25, Vol.1, pp. 28-36.
- Jones, Thomas and Sasser, W. Earl (1995), "Why Satisfied Customers Defect",

- Harvard Business Review*, Vol. 73, November-December, pp. 88-99.
- Kale, Sudhir H. (2004), "CRM Failure and the Seven Deadly Sins", *Marketing Management*, Vol. 13, September/October, pp. 42-46.
- Kamakura, Wagner A., Mittal, Vikas, de Rosa, Fernando and Mazzon, Jose Afonso (2002), "Assessing the Service-Profit Chain", *Marketing Science*, Vol. 21, Summer, pp. 294-317.
- Kaplan, Robert S. and Norton, David P. (1996), *The Balanced Scorecard: Translating Strategy Into Action*, Boston, Harvard Business School Press.
- Kaplan, Robert S. and Norton, David P. (2001), *The Strategy-Focused Organization*, Boston, Harvard Business School Press.
- Kelly, S. (1997), *Data Warehousing the Route to Mass Customization*. Chichester, John Wiley & Sons.
- Kotler, Philip (1992), "Its Time or Total Marketing", *Business Week Advance*, Executive Brief, 2.
- Lanning, Michael J. (1998), *Delivering Profitable Value*, Cambridge, Ma, Perseus Publishing.
- Lanning, Michael and Michaels, Edward G. (1988), "A Business is a Value Delivery System", McKinsey Staff Paper, McKinsey & Co., Inc.
- Lanning, Michael and Phillips, Lynn (1991), "Building Market-Focused Organizations", Gemini Consulting White Paper.
- Levitt, Theodore (1983), "After the Sale is Over", *Harvard Business Review*, Vol. 61, September-October, pp. 87-93.
- Loveman, Gary W. (1998), "Employee Satisfaction, Customer Loyalty and Financial Performance", *Journal of Service Research*, Vol. 1, August, pp. 18-31.
- McGovern, Gail J., Court, David, Quelch, John A. and Crawford, Blair (2004), "Bringing Customers into the Boardroom", *Harvard Business Review*, Vol. 82, November, pp. 70-80.
- McKean, John (2002), *Customers Are People: the Human Touch*, New York, John Wiley.
- Meta Group (2001), *Integration: Critical Issues for Implementation of CRM Solutions*, Report by Meta Group Inc., February 15.
- Moriarty, Rowland T. and Moran, Ursula (1990), "Managing Hybrid Marketing Systems", *Harvard Business Review*, 68 (November/December), pp. 146-157.
- Morgan, Robert M. and Hunt, Shelby D. (1994), "The Commitment-Trust Theory of Relationship Marketing", *Journal of Marketing*, Vol. 58, July, pp. 20-38.
- Nelson, Scott (2004), "The CRM Scenario: The Current and Future", presentation at Gartner CRM Summit 2004, London, 28-29 April.
- Ostroff, Frank and Smith, Douglas (1992), "The Horizontal Organization", *The McKinsey Quarterly*, No. 1, pp. 148-168.

- Parvatiyar, Atul and Sheth, Jagdish N. (1997), "Paradigm Shift in Interfirm Marketing Relationships". In: *Research in Marketing*. (Eds.) Sheth, Jagdish N. and Parvatiyar, Atul, Vol. 13, (Greenwich, CT), JAI, Press, pp. 233-255.
- Parvatiyar, Atul and Sheth, Jagdish N. (2001), "Conceptual Framework of Customer Relationship Management". In *Customer Relationship Management - Emerging Concepts, Tools and Applications*, Sheth, Jagdish N., Parvatiyar, Atul and Shainesh, G. (New Delhi), Tata McGraw-Hill, pp. 3-25.
- Payne, Adrian and Frow, Pennie (2005), "A Strategic Framework for Customer Relationship Management", *Journal of Marketing*, Vol. 69, No. 4, October, pp. 167-176.
- Peppers, Don and Rogers, Martha (1993), *The One to One Future*, London, Piatkus.
- Peppers, Don and Rogers, Martha (1997), *Enterprise One to One*, London, Piatkus.
- Peters, Tom (1984), "Strategy Follows Structure: Developing Distinctive Skills", *California Management Review*, Vol. 26, No. 3, pp. 111-125.
- Pettit, Raymond (2002), "The State of CRM: Addressing Efficiencies and the Achilles' Heel of CRM", *Business Intelligence Advisory Service*, Executive Report, Vol. 2.
- Pine, B. Joseph and Gilmore, James H. (1998), "Welcome to the Experience Economy", *Harvard Business Review*, Vol. 76, July-August, pp. 97-105.
- Pike, Kenneth L. (1954), "Emic and Etic Standpoints for the Description of Behaviour,". In: I.K. Pike, *Language in Relation to a Unified Theory of Structure of Human Behaviour*, part I, Glendale, Il.
- Porter, Michael, E. (1980), *Competitive Strategy*, New York, Free Press.
- Prahalad, C.K. and Ramaswamy, Venkatram (2004), "Co-creating Unique Value with Customers", *Strategy and Leadership*, Vol. 32, No. 3, pp. 4-9.
- QCI 2004, "CMAT" (accessed 22 January 2004). [available at www.qci.co.uk].
- Rapoport, Robert N. (1970), "Three Dilemmas of Action Research", *Human Relations*, Vol. 23, No. 6, pp. 499-513.
- Reinartz, Werner, Krafft, Manfred and Hoyer, Wayne D. (2004), "The Customer Relationship Management Process: Its Measurement and Impact on Performance", *Journal of Marketing Research*, Vol. 41, August, pp. 293-305.
- Rigby, Darrell K., Reichheld, Frederick F. and Scheffer, Phil (2002), "Avoid the Four Perils of CRM", *Harvard Business Review*, Vol. 80, February, pp. 101-109.
- Rubin, Marc (1997), "Creating Customer-Oriented Companies", *Prism*, Arthur D. Little, Vol., No. 4, pp. 5-27.
- Rucci, Anthony J., Kirn, Steven P. and Quinn, Richard T. (1998), "The Employee-Customer-Profit Chain at Sears", *Harvard Business Review*, Vol.

76, January-February, pp. 83-97.

- Ryals, Lynette and Knox, Simon (2001), "Cross-Functional Issues in Relationship Marketing through Customer Relationship Management", *European Management Journal*, Vol. 19, October, pp. 534-542.
- Ryals, Lynette and Payne, Adrian F.T. (2001), "Customer Relationship Management in Financial Services: Towards Information-Enabled Relationship Marketing", *Journal of Strategic Marketing*, Vol. 9, March, pp. 1-25.
- Schmitt, Bernd H. (2003), *Customer Experience Management*, Hoboken, New Jersey, John Wiley & Sons Inc.
- Schrage, Michael (1997), "The Real Problem with Computers", *Harvard Business Review*, Vol. 5, September-October, pp. 178, 183 - 184.
- Sheth, Jagdish N. (1996), "Relationship Marketing: Paradigm Shift or Shaft?", Paper presented at the Annual Meeting of the Academy of Marketing Science, Miami.
- Sheth, Jagdish N. (2000), "Relationship Marketing: Paradigm Shift or Shaft?", In: *Handbook of Relationship Marketing*. (Eds.) Sheth, Jagdish N. and Parvatiyar, Atul (Thousand Oaks, Ca). Sage, pp. 609-620.
- Sheth, Jagdish N. and Atul Parvatiyar, (1995), "Relationship Marketing in Consumer Markets: Antecedents and Consequences", *Journal of the Academy of Marketing Science*, Vol. 23, Fall, pp. 255-271.
- Smith, Shaun and Wheeler, Joe (2002), *Managing the Customer Experience*, London, Prentice Hall/Financial Times.
- Srivastava, Rajendra K., Shervani, Tasadduq A. and Fahey, Liam (1999), "Marketing, Business Processes and Shareholder Value: An Organizationally Embedded View of Marketing Activities and the Discipline of Marketing", *Journal of Marketing*, Vol. 63, Special Issue, pp. 168-179.
- Stahl, Heinz K., Matzler, Kurt and Hinterhuber, Hans H. (2003), "Linking Customer Lifetime Value with Shareholder Value", *Industrial Marketing Management*, Vol. 32, May, pp. 267-279.
- Storbacka, Kaj (2001), *RED - Relationship Experience Design*, Helsinki, CRM Group Ltd.
- Sue, Patrick and Morin, Paul (2001), "A Strategic Framework for CRM", (accessed April 13, 2002) [available at crm-forum.com]
- Sweetman, K.J. (2001), "Employee Loyalty Around The Globe", *MIT Sloan Management Review*, Vol. 42, Winter, p. 16. [This is based on: Walker Information Global Network Commitment in the Workplace: The 2000 Global Employee Relationship Benchmark Report, 2000.]
- Swift, Ronald S. (2000), *Accelerating Customer Relationships - Using CRM and Relationship Technologies*, Upper Saddle River, NJ, Prentice-Hall.
- Vargo Stephen L. and Lusch, Robert R. (2004), "Evolving to a New Dominant

- Logic for Marketing", *Journal of Marketing*, Vol. 68, January, pp. 1-17.
- Webster, Frederick E. (2002), "Marketing Management in Changing Times", *Marketing Management*, Vol. 11, January/February, pp. 1-17.
- Wilson, H, Daniel, E., McDonald, M., Ward, J. and Sutherland, F. (2000). *Profiting from eCRM*, London, Financial Times/Prentice Hall.
- Winer, Russell S. (2001), "A Framework for Customer Relationship Management", *California Management Review*, Vol. 43, Summer, pp. 89 - 105.
- Zablah, Alex R., Beuenger, Danny N. and Johnston, Wesley J. (2003), "Customer Relationship Management: An Explication of Its Domain and Avenues for Further Inquiry", 2003 International Conference on Relationship Marketing, *Relationship Marketing, Customer Relationship Management and Marketing Management: Co-Operation - Competition Co-Evolution*, 2003 Freie Universitat Berlin, pp. 115-124

About the Authors

Adrian Payne is Professor of Services & Relationship Marketing, Director, Centre for Customer Relationship Marketing and Academic Leader of the Marketing Group at Cranfield School of Management, Cranfield University

Pennie Frow is a Visiting Fellow at Cranfield School of Management, Cranfield University

© of *Journal of Marketing Management* is the property of *Westburn Publishers Ltd* or its licensors and its content may not be copied or e-mailed to multiple sites or posted to a listserv without first obtaining the copyright holder's express written permission. However, users may print, download, or e-mail articles for individual, non-commercial use only. This article has been reproduced by EBSCO under license from *Westburn Publishers Ltd*.