A review of customer relationship management: successes, advances, pitfalls and futures

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Abstract

Purpose – The purpose of this paper is to provide academics and practitioners working with customer relationship management (CRM) with a review of key topics, such as advances in CRM, the shifting role of consumers, issues with conceptualisation and consumer exploitation. The authors further integrate concepts of fairness, trust and paradoxes of one-to-one marketing, which are little researched within customer management. As a result, the authors suggest eight propositions for improving the CRM scheme.

Design/methodology/approach – This paper reviews extant literatures in CRM, with a particular emphasis on the pitfalls of CRM.

Findings – The authors find that the risks of depleting customer trust as they perceive themselves being exploited by firm's CRM offerings should be openly discussed, as it poses a significant threat to the CRM scheme if it is overly used and misused.

Practical implications – It is proposed that the concept of dual value-creation and win-win relationships are fundamental to successful implementation. However, the danger of implementing CRM in such a way as to lead customers to believe that they are worse off requires more research. Managers must therefore define their CRM, understand their pitfalls and look at where their CRM is headed.

Social implications – Advances in CRM must consider issues of fairness, transparency, honesty, trust and with the emergence of social media, understand how CRM will adapt and immerse itself in such a future.

Originality/value – In total, eight propositions are made about CRM's successes, advances, pitfalls and futures. A focus is on the fairness of CRM and a new definition is offered.

Keywords Customer relationship management, Consumer behaviour, Trust, Success, Advances, Pitfalls, Futures, Fairness

Paper type General review

1. Introduction

This article reviews extant literatures in customer relationship management (CRM) with a particular emphasis on the pitfalls of CRM. An overarching objective of this article is to provide CRM academics and practitioners with a perspective on contemporary issues in CRM relating to fairness, trust and the paradoxes of individual treatment of customers. We suggest eight propositions about CRM including what these potentially damaging pitfalls are to CRM implementation. We first engage in a discussion around the nature of CRM, its development, issues facing CRM before concluding on these topics and offer recommendations for where the future of CRM lies. Figure 1 shows our paper.

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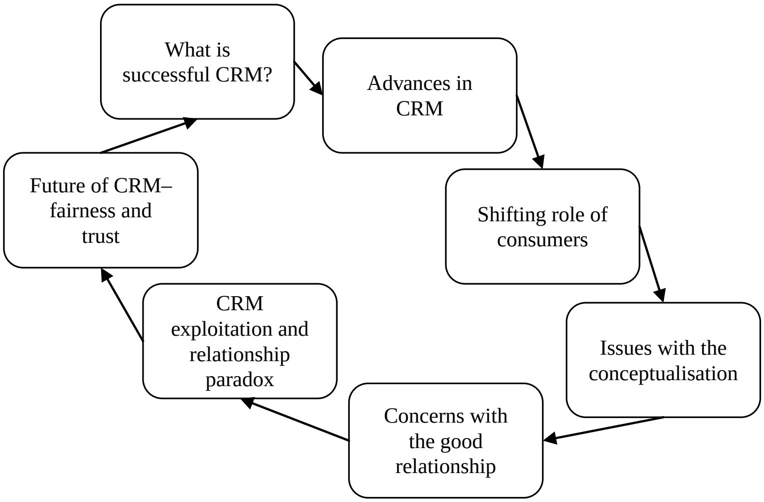

Figure 1.
CRM advances, issues and futures

2. What is successful CRM implementation?

The history of marketing suggests that a paradigm shift has occurred over the past few decades. In the past, many firms' quests for market leadership were dominated by production efficiency that was aimed at cutting down operational costs per produced unit, resulting in the ability to sell products and services at a lower price. Over the years, this often proved not to be sustainable as the strategies were easily imitated by competitors over a short period of time. Time has changed, and today, firms have gone from centring their attention on a transaction based selling platform to a more relational based approach (Gummesson, 1999; Grönroos, 1994; Morgan and Hunt, 1994; Peppers *et al.*, 1999; Boulding *et al.*, 2005; Frow and Payne, 2009; Bull and Adam, 2011). Indeed, the relationship marketing (RM) paradigm suggests that a particular business should be defined by its customers through an ongoing relationship (Webster, 1992; Peppers and Rogers, 2004; Payne and Frow, 2005; Vargo, 2009). As Treacy and Wiersema (1995, p. 5) put it:

> Whether a business focuses its efforts on product innovation, operational efficiency and low price or customer intimacy, that firm must have customers or the enterprise isn't a business – it's a hobby.

The idea of creating a relationship with customers based on quality, dialogue, innovation and learning is regarded as a more sustainable strategy and could be seen as largely inimitable by competitors – in essence, a strategy that could create a long-term competitive advantage (Grönroos, 1996; Payne and Frow, 2006). That paradigm still holds today.

Discussions now focus on CRM and loyalty approaches. This transition in marketing is putting more emphasis on involving and engaging customers in long-term relationships so that the firm can learn about customers' individual needs (Payne *et al.*, 2009; Peppers and Roger, 2010). This in turn will give the firm the knowledge to customise products that suit the individuals' needs on a one-to-one basis and thus, create a differential marketing strategy. While the 4 Ps of marketing still remain important tools and tactics to attract and retain customers, research in CRM highlight the need to include other variables in order to better capture the mechanisms behind the establishment of buyer-seller relationships. These come in various variations termed as relationship marketing instruments (RMIs) or relationship marketing tactics (RMTs) or more broadly, CRM activities (Bhattacharya and Bolton, 2000; De Wulf and Iacobucci, 2001) and CRM offerings (Nguyen and Simkin, 2009). Examples of these include bonus and loyalty programmes, dynamic pricing, service quality programmes, value offers and deals, social media web sites and internet blogging as a way to create buyer-seller interactive relationships (Lo *et al.*, 2007; Greenberg, 2009; Peppers and Rogers, 2010; Kaplan and Haenlein, 2010; Nguyen, 2011).

Over the past decades, CRM has proven to be a critical tool in increasing a firm's profitability by enabling it to identify the best customers and satisfy their needs, in order to make them remain loyal to the firm's activities (Thomas and Sullivan, 2005). Certainly, pursuing long-term relationships with customers, instead of a transaction-oriented approach, is more profitable for firms (Morgan and Hunt, 1994; Jayachandran *et al.*, 2005) as it is often suggested that, "it is from two to 20 times as expensive to get a new customer as to retain an existing one" (Goodman *et al.*, 2000, p. 1). This is a view that is supported by most researchers today, including Reichheld and Teal (1996), whom suggest that acquiring customers is much more expensive than keeping them. Others suggest that long-term success is contingent upon customer retention over customer acquisition and notes that building and retaining long-lasting relationships with existing customers is more profitable than continually to recruit new customers to replace lost ones (Gummesson, 1987; Grönroos, 1994; Hollensen, 2003; Payne and Frow, 2006; Frow and Payne, 2009). By developing customer loyalty, it seems that a steady stream of sales can be achieved over the lifetime of their relationships with the firm (Dibb and Meadows, 2004). Having reviewed the logic of CRM, we offer our *P1* for successful implementation:

P1. The premise of CRM is that it is a process of relationship building and dual creation of value between a firm and its customers, to create win-win situations, enhance customer life time value and increase profitability.

However, building customer relationships is much more complex. Simply putting focus on customers is no longer adequate. Managers are becoming deeply concerned about declining customer loyalty as competitors lure away their customers with lower prices and purchasing incentives (Peppers and Rogers, 2004). The sole focus on a customer-strategy business model has come of age. Today, firms are facing a radically different landscape: the liberalisation of markets requires firms to be more conscious of how they do business in an increasingly global and intense competitive environment – ethically, socially and culturally; the technological advancements have boosted customer information and created a demand for more interaction between the firm and its customers through blogs, fora and social networking web sites; the increasing trends in advanced economies to be service-oriented, niche-oriented and information-oriented; the increasing fragmentation of consumer markets; rapidly changing customer buying patterns and life styles; more sophisticated and demanding customers; and the increasing demand for higher standards of quality (Grönroos, 1994; Buttle, 1996; Gummesson, 2002; Wilson *et al.*, 2002; Peppers and Rogers, 2010; Ernst *et al.*, 2011). This landscape increasingly calls for a more individualised and interactive approach to CRM than in the past (Peppers and Rogers, 2004; Payne and Frow, 2005; Boulding *et al.*, 2005;

Harridge-March and Quinton, 2009). As a result, CRM applications have largely been driven by technology and newer approaches to customization (Nguyen and Simkin, 2011). This is discussed next.

3. Advances in CRM applications

Recently, we have seen marketers' attempt to engage in this challenging environment. In particular, we have seen how the adoption of new technology and the internet have enabled CRM practices to flourish. The communication directed towards potential buyers can now be customised at an individual level through e-mails, social media, e.g. Facebook pages, YouTube and Twitter and blogs (Greenberg, 2009; Quinton and Harridge-March, 2010). At the same time, the interactions between buyer and seller can now be effortlessly stored in a CRM database system for the benefit of the marketer. This interactive era has not only increased collaboration between firm and customer but coupled with continuing technological advances, a marketer has now the ability to track and store customer information optimally, in order to customise offerings to suit individual customer needs and desires. For the firm, this technological impact has meant that CRM activities can be utilised to deal with customers individually, one customer at a time. Ultimately, these relationships may give them an advantage over their competition.

Certainly, the purpose of CRM implementation is that it should considerably enhance firm performance – a quality of any marketing activity (Lehmann, 2004; Rust *et al.*, 2004; Krasnikov *et al.*, 2009). Recently, research has developed specific CRM applications that are designed to increase a firm's overall performance. For instance, Cao and Gruca (2005) centre their attention on acquiring the "right" customer; Lewis (2005) focuses on identifying dynamic customer behaviour that enables a pricing scheme to increase long-term profits; and Thomas and Sullivan (2005) develop a decision support system using an enterprise database that allows the firm to modify its communication message depending on where customers live and how they shop. All cases suggested an increase in profits and enhanced firm performance. Advancements in CRM are getting increasingly sophisticated. Recent developments have developed methods to understand consumer behaviour and needs through brain scanning, whereas others have developed methods for machines to have "eyes" so they can recognise customers individually and monitor their shopping patterns (*The Economist*, 2009; *Trends Magazine*, 2010). Gray (2011) reports that IBM are working on technology which will lead to consumers being shown tailor made adverts that reflects their personal interests on digital advertising screens in train stations and bus stops. This is possible due to RFID chips that are found in their travel cards which recognise individual consumers and their personal interests.

In this changing landscape, Peppers and Rogers (2010) suggest that the impact of technology has spawned another revolution led by the customers themselves. Customers now know exactly what they want, and demand products just the way they want them. They want flawless service, and to be treated less like "a number" and more like the individuals they are. This suggest that firms must put a coordinated effort on learning more about customers in order to attract, keep, maintain, grow and retain valuable customers who have taken on a far greater role than previously. By using recent advancements in CRM to build relationships, a firm can build links and ties with its customers through learning, resulting in a successful long-term and profitable business strategy. In other words, CRM provides a framework for achieving coordination between marketing, customer service and quality programmes (Christopher *et al.*, 1991; Boulding *et al.*, 2005). This learning relationship is a key factor for success in CRM (Payne and Frow, 2006; Lusch *et al.*, 2010; Galitsky and De la Rosa, 2011).

Building learning relationships offers a particular organisation many benefits, including repeat purchases, increased purchases, cross-sales, up-selling, reduced costs, free word of mouth advertisements, employee retention, added customer life-time value, partnership activities and less price sensitivity (Zeithaml and Bitner, 1996; Bowen and Shoemaker, 1998; Payne and Frow, 2005; Lusch *et al.*, 2010). This leads to our next proposition:

P2. Technological advances have increasingly developed sophisticated ways for firms to understand customer behaviour and to customise marketing offerings to suit individual needs and desires. Interaction, innovation and learning are key capabilities needed to operate successfully in this landscape.

4. The shifting importance of consumer awareness

The customer has always been a part of a firm's activities. Historically, firms have not been reluctant to encourage customers to participate in their research and development process of their products and services. But firms' views on customers have dramatically changed over time (Gummesson, 2002; Peppers and Rogers, 2010). In the past, firms were driven by assembly line technology and mass production as products were highly commoditised which created a need to reach out to as many customers as possible. Branding in particular, emerged as a differentiation strategy that created awareness about manufacturers' products and services. It was a way to create familiarity, image and trust. Branding from its beginning was, in a way, an expensive substitute for relationships (Fournier, 1998; Peppers and Rogers, 2004; Veloutsou, 2009). Its goal was to improve brand awareness, which eventually would lead to brand preference and brand loyalty among customers. However, brand consumers were often content as long as they were able to get the one brand that they know and respect. Whether this was bought in a store, online, or from a catalogue, customers were satisfied if a retailer carries a trusted store brand or a manufacturer's brand (Peppers and Rogers, 2010). Brands remained untouched for many years. Firms competed on creating the best brands. This was not a surprise as the inflexibility of mass-marketing gave nourishment to the existence of brands.

Today, however, the changing economy created a fragmented mass consumer market that was more sophisticated and more demanding (Peppers and Rogers, 2004; Payne and Frow, 2005; Harker and Egan, 2006). Whilst recognising that the traditional marketing mix still needs to be addressed, it is also required that firms adopt a relational approach to create an integrated cross functional focus on marketing (Christopher *et al.*, 1991; Boulding *et al.*, 2005). Today, firms have moved into creating a two-way brand, or branded relationship, to accommodate the interactive era where information about customers are readily available (Gummesson, 1987; Grönroos, 1991; Peppers and Rogers, 2004; Payne and Frow, 2005, 2006; Veloutsou, 2009). By interacting with customers and developing an ongoing dialogue, the firm is able to be aware about its customers so that the firm constantly can monitor and where needed, make changes to suit the needs of the individual.

During the 1990s, Peppers and Rogers (1993) introduced the concept of one-to-one marketing and Pine (1993) introduced the concept of mass customization. Since then, firms have embraced the idea that detecting and collecting data about customers could help them acquire and retain profitable customers through a learning-based and evolving relationship. With the significant interest among marketers, the concept soon evolved further into various streams. For more detailed review, see Harker and Egan (2006) who described how three different schools of thought in RM have emerged. This leads to our *P3*:

P3. With CRM, the customers' roles have shifted from being a buyer to becoming an integrated partner within the business model. As data are increasingly shared between the two parties, learning based relationships is a way for firms to evolve and modify their behaviour.

Following our extensive review of the development of the CRM literature, we now turn our attention to issues and pitfalls that are less researched, but require more focus as these issues could potentially damage the way in which CRM is practiced.

5. Issues with the conceptualisation of CRM

The discourse on CRM has produced a rich and diverse set of meanings with the extensive contribution of authors whom have defined CRM. However, CRM has not developed into an integrated and a streamlined body of research (Payne and Frow, 2005). While some regard this as a confusion about what constitutes CRM and notes that it creates a significant problem for adopting CRM (Reinartz *et al.*, 2004; Harker and Egan, 2006; Frow and Payne, 2009), others view the attempts to cover CRM definitions to reflect the multi-faceted nature of the scheme itself (Buttle, 2001). To understand this issue, it is important to direct our attention to the concept of RM, which is a predecessor to CRM.

Both RM and CRM neither have universally accepted definitions, so often, both are used interchangeably which has caused much confusion (Sin *et al.*, 2005). In RM, Barnes and Howlet (1998) refer to the lack of consistency in how academics define RM and consider that there is even less consistency in how practitioners apply the concept. For instance, Harker (1999) outlines 26 definitions of RM and seven conceptual categories. Gummesson (1999) identifies 30 types of relationships, which are divided in four levels. Similarly, in CRM, there is a challenge in defining CRM in that any definition is contingent on the level at which CRM is practiced in an organisation, or what the researcher believes about the correct level of CRM (Reinartz *et al.*, 2004). Thus, conceptualising and operationalising the CRM concept is difficult due to the numerous definitions of CRM. Indeed, with so many differing definitions, it is not surprising that there is so much confusion. Some software vendors and major management consultancies have even tried to associate CRM with the implementation of a particular technological solution (Khanna, 2001). However, on the other hand, this myopia of definitions may be regarded as a multi-faceted nature of the broader CRM scheme and seen as a flexible and a more adaptive marketing approach.

Despite many commonalities, there are some important differences between the RM and CRM concepts. Sin *et al.* (2005) offer three points, namely: first, it is suggested that RM is more strategic in nature whilst CRM is used in a more tactical sense (Ryals and Payne, 2001; Zablah *et al.*, 2003). Second, it is also suggested that while RM is relatively more emotional and behavioural, centering on variables such as bonding, empathy, reciprocity and trust (Morgan and Hunt, 1994; Yau *et al.*, 2000), CRM is more managerial, focusing on efforts to attract, maintain and enhance customer relationships from a management perspective. And third, while RM embraces relationship building with all stakeholders including suppliers, internal employees, customers and government (Morgan and Hunt, 1994; Sin *et al.*, 2005), CRM is more dedicated to building relationships with key customers (Tuominen *et al.*, 2004; Lewis, 2005; Galitsky and De la Rosa, 2011).

In spite of the lack of consensus in the literature for a definition, as CRM increases in exposure, a growing number of scholars emphasise the need for a holistic approach and view CRM as a process reflecting integration of market orientation and information communication technology (Srivastava *et al.*, 1998; Payne, 2001; Plakoyiannaki and Tzokas, 2000, 2002; Grabner-Kraeuter and Moedritscher, 2002; Hart *et al.*, 2003). As a result, Boulding *et al.* (2005) have more recently proposed a convergence of CRM on a common definition. According to Boulding *et al.* (2005), CRM is no longer a customer focused orientation, but rather, an integration of all relationships and use of systems to collect and analyse data across the firm, linking the firm and customer value along the value chain in order to develop capabilities to integrate these activities across the firms network to subsequently, generate customer value, while creating shareholder value for the firm. This is a view that is supported by recent studies, such as Piercy (2009), Fan and Ku (2010) and Ernst *et al.* (2011).

The literature on CRM shows a great number of attempts to provide a classification of the concept. For instance, according to Palmer (1995), CRM can be classified into three broad approaches that consist of tactical-, strategic- and philosophical CRM-aspects. Zablah *et al.* (2003) go further to distinguish between CRM as a process, a technological tool, a capability, a strategy and a philosophy. Peppers and Rogers (2004) conceptualise CRM as two broad areas; namely, operational CRM that focuses on the IT-related processing which affects the day to day operations, and an analytical CRM that focuses on the strategic planning of how a firm can build customer relationships and enhance their value base as well as the cultural measurement, and organisational changes required to implement the strategy successfully. Reinartz *et al.* (2004) view CRM entirely as a process, consisting of three stages, namely: initiation, maintenance and termination. This issue of conceptualisation and use leads to our *P4*:

P4. CRM is defined on the level at which CRM is practiced in a firm or what the researcher believes about the correct level of CRM. Conceptualisation is difficult due to the numerous definitions. Success is dependent on a firm's own understanding of their utilization of CRM.

6. Concerns related to what constitutes a good relationship

As previously mentioned, a good relationship between a firm and its customer is vital for CRM to be effective (Boulding *et al.*, 2005; Frow and Payne, 2009). Certainly, there are many similarities between a business and a personal relationship. For example, in a marriage, two individuals exchange with one another only if the balance of trade is favourable to both and greater than what can be derived from the greater market (Kumar *et al.*, 1995a; Britton and Rose, 2004). However, in CRM, it is not always clear what constitutes a good relationship. To create successful CRM implementation and long lasting relationships, it is important to look at the fundamental mechanisms pertaining a strong relationship. This section looks at four factors, namely:

(1) trust and commitment;
(2) satisfaction;
(3) symmetry and dependence; and
(4) fairness (Smith *et al.*, 1999; Britton and Rose, 2004).

Each will now be briefly presented to review what constitutes a good relationship.

6.1 Trust and commitment

Although the study of trust has resulted in various context-specific contributions, there is nevertheless a common and shared notion that trust is a feeling of security based on the belief that favourable and positive intentions towards welfare are on the agenda, as opposed to lying or taking advantage of the vulnerability of others (Moorman *et al.*, 1992; Morgan and Hunt, 1994). The existing literature suggests that trust is an essential component of commitment and conceptually, links with satisfaction and loyalty (Morgan and Hunt, 1994; Ballester and Aleman, 2001).

Important outcomes of relationships based on trust include:

- *Improved co-operation*. Trust reduces feelings of uncertainty and risk and thus, acts to engender increased cooperation between relationship members (Dwyer *et al.*, 1987; Moorman *et al.*, 1992; Morgan and Hunt, 1994).
- *Increased commitment*. Trust increases commitment, however, customers are selective to trustworthy partners, as commitment results in their own vulnerability of personal data (Morgan and Hunt, 1994; Selnes, 1998).
- *Relationship duration*. Trust encourages investment in long-term relationships by securing future business rather than short-term gains, and thus, opportunistic behaviour and self-interest may be avoided (Morgan and Hunt, 1994; Ballester and Aleman, 2001).
- *Better quality*. Disputes among trusted parties can be solved in an efficient and amicable way, while in the absence of trust, disputes are perceived as signals of future difficulties and usually bring about relationship determination (Morgan and Hunt, 1994; Selnes, 1998; Michell *et al.*, 1998; Britton and Rose, 2004).

6.2 Satisfaction

Studies show satisfaction and loyalty are positively related (De Wulf and Iacobucci, 2001; Zins, 2001; Verhoef, 2003). Satisfied customers are more inclined to remain in a relationship, whereas dissatisfied customers are likely to look for alternative options. In a service context, overall satisfaction is similar to overall evaluations of service quality (Zeithaml *et al.*, 1996; Gustafsson *et al.*, 2005). Hence, as firms seek effective ways to measure customer relationships, many have turned to the traditional tool of customer satisfaction monitoring, which historically was used to understand consumer perceptions of products and services.

Another positive relationship exists between satisfaction and the duration of the relationships. Bolton and Lemon (1999) show a positive effect of overall customer satisfaction on the duration of the relationship for telecommunication subscriptions services. The duration of the relationship depends on the customers' subjective assessment of the value of a relationship that is continuously updated based on perceptions of previous experiences (Britton and Rose, 2004).

6.3 Symmetry and dependence

Being dependent on another party is not a strategically favourable position and would cause a member to seek for other relationships. Thus, while dependence plays a role in long-term development it is not sufficient to maintain the relationship.

Relationship symmetry refers to the degree of equality between relationship members. Through various relationship elements, including information sharing, dependence and power, the balance of power determines the stability of a relationship. In a symmetric relationship, members have equivalent stakes in the relationship. In contrast, asymmetric relationships undermine the balance of power and create motivation for the stronger party to act opportunistically; with diverging interests, this is a determinant of conflict and eventually, a less stable relationship. Hence, commonality of interest is strongest when the relationship is symmetric. This is supported by Adams' (1965) theory of equity which suggests that justice in interpersonal relationships is achieved when the distributions of resources are fair and equal.

In contrast, asymmetric dependence refers to one member being dependent on the other, whereas symmetric interdependence exists when the relationship members are equally dependent on each other. Increased dependency by one party will result in a more asymmetric and less stable relationship, as one party may feel vulnerable and constantly look for more favourable relationships. In other words, a bad relationship.

6.4 Fairness

Research has shown that the perception of relationship fairness also enhances relationship quality (Kumar *et al.*, 1995b). It is, in particular, important to develop processes and procedures which the other member of the relationship judges as being fair, in order to sustain the relationship. The various definitions suggest two distinct types of relationship fairness – distributive and procedural.

Distributive fairness is based on the weighing of relationship rewards versus relationship obligations and thus, looks at the outcomes of a particular relationship. Procedural fairness is based on whether the used procedures and processes are fair, and thus, more behaviour-oriented independent of the outcomes (Thibaut and Walker, 1975). Of the two types, procedural fairness has a much stronger effect on the development of trust and commitment. Thus, while distributive fairness tends to be unstable as outcomes change, in contrast, procedural is more likely to constitute the basis for a sustainable relationship. It can be said that procedurally fair exchange systems have a more enduring quality and accounts for better CRM (Britton and Rose, 2004).

As CRM puts emphasis on the good relationship, all of the above mechanisms are vital to understand since they are fundamental to successful relationships. An agreement of what constitutes a good relationship is the first step towards fairer, more trustworthy and more long-term collaboration. This leads to our *P5*:

P5. Building good buyer-seller relationships require firms to consider issues of trust, commitment, satisfaction, symmetry, dependence and fairness. The objective is to create mutuality, interaction, iterative and shared benefits.

Next, we present various CRM approaches with particular focus on issues of consumer exploitation which could undermine CRM activities. Without careful execution, they can diminish customers' role in the relationship, causing issues of privacy and violating consumers' perceptions of what is fair.

7. Exploitation in consumer markets

As mentioned earlier, one of the factors in an ideal relationship includes a growth of value so that both are better off; or in CRM relationship, an expansion of the value creation pie so that both customer and firm are better off. However, Boulding *et al.* (2005) note that the extensive research into CRM from a firm perspective may be considered as a focus on creating more value for the firm and leave the customers with the lesser value. CRM can, in this case, be seen as a pie-splitting mechanism, whereby the firm can learn things about the customer that enables it to take a bigger slice of the created value.

For example, consider the collection of customer data. If a customer starts to anticipate what a firm will do with its data after it observes and collects them, that customer may modify its behaviour (Wright, 1986; Lewis, 2005). These customers may choose to try and get a larger share of the value creation pie and leave the firm with a smaller share. As for a customer, this is a way to act strategically and to keep their information for themselves and be selective about the given information or even distort their data. Therefore, a firm must be aware of these issues as it can put itself in substantial risk if information reciprocity (i.e. giving and receiving information in return) breaks down and customers choose to opt out of the relationships (Boulding *et al.*, 2005; Nguyen, 2011). Because a firm must rely on customers to provide this information, an ongoing dialogue between customer and firm is crucial. When interacting with customers, the firm must anticipate that customers are likely to set limits in terms of what firm's behaviour or request is acceptable and what is not. For example, if a customer decides to order a pizza online, but the web site not only asks for the necessary information about the order itself, but also requests personal details such as household income, age, gender, etc. it is likely that the customer may find the request unacceptable, and choose not to proceed with the transaction. In other words, the customer could not see the returns by giving the firm such information.

Hence, it is not always in the interest of the customer to provide data to these firms, especially if they begin to consider that firms are using it to make excessive profits (Campbell, 1999, 2007). This is supported by the theory of Schemer's Schema (Wright, 1986) which maintains that customers hold intuitive beliefs about marketers influence tactics and acts or modify their behaviour accordingly if they dislike what they see or experience. Indeed, recent studies have shown increasing mistrust in marketing and CRM schemes (Heath and Heath, 2008; Nguyen and Simkin, 2011).

For example, through the increasing use of social networking web sites, blogs and fora, there are greater transparency and consumers may write about their negative experiences. If customers become less trusting of a firm's behaviour, over repeated transactions, customers will spread negative word of mouth and thereby reduce the firm's value creation pie if they hold beliefs about a firm's misbehaviour. In today's internet setting, there has been an explosion of spyware which are used by firms to track customer behaviour. This has led to a general distrust in online shopping and a desire for more consumer privacy. In these cases, issues of trust and distrust have emerged as customers infer how firms will use their data.

If a firm does not consider these issues, potentially, CRM activities will cross the line in terms of what the consumers consider as being fair. As a result, this may decrease trust in firm activities and cause dissatisfaction and loss of potential key advantages (Deighton, 2005). In particular, customers who believe that firms are exploiting their data will attempt to keep their data private or alter their data making them unusable.

Ultimately, this could lead to both individually-, or collectively-based efforts to keep all data private or to campaigning for more privacy regulations (Deighton, 2005; Boulding *et al.*, 2005; Nguyen, 2011). Thus, long-term successful implementation of CRM requires that firms consider with foresight the issues of trust, privacy implications and perceptions of fairness (Boulding *et al.*, 2005). A firm must adequately consider a fair value creation for both the firm and the customer, or they may lose access to the data required for the dual value creation process. This leads to our *P6*:

P6. CRM requires careful consideration to monitoring, tracking and using customer data and privacy. Firms that collect data excessively may damage future opportunities due to increased regulation.

8. The CRM paradox

Recently, Nguyen (2011) has put forward the issue of a CRM paradox. In CRM, it is a well-known practice to treat some customers differently, but do marketers appreciate the consequences of such a strategy? There are clear benefits of a strategy that favors one customer over another. By targeting and favoring some customers over others, firms may increase the attractiveness of their offerings to a certain group and thus increase the potential for creating cross-sales, up-selling, increasing profits, and for developing a long-term relationship. However, recent research have shown that such favoritism and differential treatment of customers may cause perceptions of unfairness, resulting in buyers opting out of relationships, spreading negative information, or engaging in misbehavior that may damage the firm. This is termed as the CRM paradox and an inherent part of what is known as the dark side of CRM (Nguyen, 2011; Nguyen and Simkin, 2011).

Because CRM fundamentally involves treating customers differently based on the assumption that customers are different and have got different needs, each individual customer will receive different offers. Consequently, this may cause dissatisfaction and issues of distrust and unfair practices due to the perceived inequality. As suggested by Boulding *et al.* (2005), the precursor to issues of consumer trust is fairness. For example, a customer shows trust to bond in a relationship with a firm when they know that the firm is acting fair in creating a win-win situation. However, will customers trust that firms will be fair in splitting the value creation pie in the first place? Amazon.com's test use of dynamic pricing was a public relations nightmare for the company. As Feinberg *et al.* (2002, p. 277) put it:

> Few things stir up a consumer revolt quicker than the notion that someone is getting a better deal. That's a lesson Amazon.com has just learned [...] Amazon was recently revealed to be selling the same DVD movies for different prices to different customers.

The idea that someone else is getting a better deal on the same offer can raise eyebrows and evoke dissatisfaction. Nevertheless, foundations of CRM lie in the fact that separate customers have varying needs and want different products and services – even different prices and ways of promotion.

However, there are also examples whereby customers did not become upset by being treated differently. For example, Reitz (2005) cites an example of customers who did not become upset even when they were on the same airline flight. He notes that customers have norms for what is perceived as fair and what is unfair in terms of differential treatment of customers, and that it is easy for firms to cross over the line of unfairness. Consequently, firms need to recognise the concern in monitoring and managing customer perceptions of trust and fairness because issues of fairness and trust are connected with customers' willingness to provide data and their satisfaction with the relationship. Inappropriate and incomplete use of CRM may put the firm at risk of long-term failure. Our *P7* relates to the above issues within the dark sides of CRM:

P7. Implementing a one-to-one strategy causes concern for favouritism as some customers will receive better offers than others. Thus, CRM create the potential for negative consumer feelings due to differential treatment of customers and unequal distribution of outcomes. Building trust may be a way to reduce such perceptions.

In the final section of the paper, we discuss future developments in CRM. We consider CRM as a flexible marketing strategy that is adaptive to future technologies and future environment.

9. Future of CRM

Peppers and Rogers (2010) note that too many firms have jumped on the bandwagon of CRM without proper preparation. They hold that the mechanics of implementation are complex. For instance:

> [. . .] it is one thing to train a sales staff to be warm and attentive; it's quite another to identify, track, and interact with an individual customer and then reconfigure your product or service to meet that customer's needs (Peppers *et al.*, 1999, p. 151).

However, even with the complexity of CRM implementation, it does not necessarily mean that it requires sophisticated analyses, concepts, or advanced technologies to be successful (Boulding *et al.*, 2005).

Recent studies in the application of CRM reveals that most firms still focuses on known methodologies, such as segmentation (Lewis, 2005; Thomas and Sullivan, 2005; Dibb and Simkin, 2009); and, in some cases, research still focus on small pieces of the overall CRM activities, such as in the use of customer life time value in studying the effects of CRM on performance (Ryals, 2005). Additionally, in the definitions of CRM, the idea that every firm's offers should be customised for individual customers was put forward. Yet, research shows that the use of basic market segmentation in CRM still yields benefits for the firm (although in the context of CRM, the segments were not based on simple demographics but rather on detailed analyses of prior observed behaviour) (Cao and Gruca, 2005; Lewis, 2005; Ryals, 2005; Thomas and Sullivan, 2005; Boulding *et al.*, 2005; Simkin, 2008). Nevertheless, it is still far from the segmentation on an individual level as imposed by the definitions (Boulding *et al.*, 2005).

In determining what the similarities and differences between the implementation of basic marketing techniques to a more advanced CRM implementation, Boulding *et al.* (2005) found that most made use of customer information with the aim to create firm value. This applied in all the researches with the application of CRM. It did not matter how simple the customer database the firm used; as long as customer data were provided, there was a difference. In essence, the key element of successful CRM implementation was information. Indeed, Jayachandran *et al.* (2005) show that as long as the firms had good relational processes in place, linking customer data and implementation, they were able to obtain good firm performance. Thus, it was concluded that even simple CRM activities could yield measurable benefits for a firm, as long as a firm acquired customer knowledge and used it wisely for a dual creation of value (Fan and Ku, 2010).

While an increase in shareholder profits is the ultimate objective for any firm as well as a good way to measure the effects of CRM, one of the real advantages of CRM is that the firm will obtain other measures and information that are of strategic value, including information about customers' lifetime value or acquisition and retention costs – all of which can contribute to the value creation process. In the end, this information would create a better picture and deeper insight into the implementation of CRM, which in essence is one of the key benefits.

For a successful implementation, CRM needs to be integrated into the overall operations of the firm (Piercy, 2009). However, because different firms have different core capabilities, CRM activities have differential effects depending on the context of where and when they are implemented (Jayachandran *et al.*, 2005; Boulding *et al.*, 2005). For example, in an online context, e-retailers' prior experience in both a "bricks and mortar" – and online setting affect the level of impact of CRM investments (Srinivasan and Moorman, 2005). In such cases, Srinivasan and Moorman (2005) show that investments could affect firm performance both positively but also negatively, e.g. by creating unnecessary rigidities and thus, decreasing firm performance. Hence, it was concluded that CRM does not always enhance a firm's activities but may also reduce firm performance, depending on where and when they are implemented (Krasnikov *et al.*, 2009).

Jayachandran *et al.* (2005) show that the effects of CRM technology investments are enhanced when the firm has the appropriate relational information processes in place. They show that as long as a firm has good processes to harvest the knowledge, they were able to obtain good firm performance. This was further supported in a different context, where Thomas and Sullivan (2005) showed how an enterprise CRM system coordinates and integrates data from different channel sources, enabling a firm to gain new knowledge about individual customers and thus, enhanced firm performance. Therefore, although the effectiveness of CRM may vary depending on the context, it appears that the most important element in CRM implementation is for the firm to acquire customer knowledge and use it to create added value (Boulding *et al.*, 2005; Canhoto, 2009). The idea of co-creating or dual creation of value is at the core of CRM and future approaches to CRM should focus on collecting, storing and utilising customer information.

Given the increasing use of social networking sites, various internet fora, blogs, comparison web sites, etc. more transparency in retailers' various offerings exist. As a result, customers' behaviours are changing and so must the CRM schemes. Indeed, using social media and mobile technologies have been an increasingly effective way for firms to interact with their customers through Facebook (Pages), Twitter, and Youtube (Harridge-March and Quinton, 2009; Greenberg, 2009). "Deal of the day" companies such as Groupon have in particular been successful at capitalising on such channels and many are following in their footsteps. So whilst customers are sharing their deals and shopping experiences with friends and families on social networking web sites, CRM must tap into this market with new applications. That is, web-based user-generated content to allow consumers an easy way to use these technologies – social media, blogs, and mobile comms – to quickly share with many fellow consumers their pleasure with how well they have been treated and so can improve on a firm's brand reputation (Greenberg, 2009; Kaplan and Haenlein, 2010). The uncertainty in the future of CRM is vast and unpredictable, but technological advancements such as social media are certain to be a major part of the future. We therefore consider our final proposition as a more philosophical proposition, incorporating previous issues about fairness and trust, but at the same time, focusing on the adaptive strengths of the CRM scheme. Thus:

P8. The paradigm of CRM and the relational approach is at the forefront of marketing thinking. The scheme must be flexible and adaptive to follow technological advancements. At the same time, it should consider issues of fairness and trust so that the overuse or misuse of CRM may be avoided and long term efforts not wasted. This is essential for future CRM.

10. Conclusion

In this paper, CRM researches have been extensively reviewed and it is proposed that the concept of dual value-creation and expansion of the pie such that both customers and firms are better off, are fundamental to successful implementation. However, the danger of implementing CRM in such a way as to lead customers to believe that they are worse off requires more research. The risks of depleting customer trust as they perceive themselves as being exploited by firms' CRM offerings have been discussed and pose a significant threat to CRM if it is overly used and misused. Advances in CRM must consider issues of social media, fairness and trust. Given these issues related to the pitfalls and dark sides of CRM, we offer a revitalised definition of CRM, as:

> The purposive use of customer knowledge and technologies to help firms generate customized offerings on an individual basis based on fairness and trust in order to enhance and maintain quality relationships with all the involved parties.

Future studies should examine the factors that affect a particular relationship between a customer and the firm, i.e. the factors that are likely to contribute to building customer relationships. Bansal *et al.* (2005) calls for research to enhance our understanding of the specific factors that push or pull customers away from a firm. With the emergence of social media, how will CRM adapt and emerge itself in such a future? We believe that relationship building within social media is taken to a new level – more personal and intimate, and thus, a stronger emphasis must be put in fairness. Sophisticated technologies are an integral part of future CRM and must be further studied. We hope that this article will generate a renewed interest in issues of fairness and trust in CRM, so that future marketers can continue to collect data and customise offerings. Indeed, we hope that in the near future one of the fundamental questions in marketing will be answered, and that is of course, what comes after CRM.

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