



Review

Application of data mining techniques in customer relationship management: A literature review and classification

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ARTICLE INFO

Keywords:
Data mining
Customer relationship management
Literature review
Classification

ABSTRACT

Despite the importance of data mining techniques to customer relationship management (CRM), there is a lack of a comprehensive literature review and a classification scheme for it. This is the first identifiable academic literature review of the application of data mining techniques to CRM. It provides an academic database of literature between the period of 2000–2006 covering 24 journals and proposes a classification scheme to classify the articles. Nine hundred articles were identified and reviewed for their direct relevance to applying data mining techniques to CRM. Eighty-seven articles were subsequently selected, reviewed and classified. Each of the 87 selected papers was categorized on four CRM dimensions (Customer Identification, Customer Attraction, Customer Retention and Customer Development) and seven data mining functions (Association, Classification, Clustering, Forecasting, Regression, Sequence Discovery and Visualization). Papers were further classified into nine sub-categories of CRM elements under different data mining techniques based on the major focus of each paper. The review and classification process was independently verified. Findings of this paper indicate that the research area of customer retention received most research attention. Of these, most are related to one-to-one marketing and loyalty programs respectively. On the other hand, classification and association models are the two commonly used models for data mining in CRM. Our analysis provides a roadmap to guide future research and facilitate knowledge accumulation and creation concerning the application of data mining techniques in CRM.

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1. Introduction

Customer relationship management (CRM) comprises a set of processes and enabling systems supporting a business strategy to build long term, profitable relationships with specific customers (Ling & Yen, 2001). Customer data and information technology (IT) tools form the foundation upon which any successful CRM strategy is built. In addition, the rapid growth of the Internet and its associated technologies has greatly increased the opportunities for marketing and has transformed the way relationships between companies and their customers are managed (Ngai, 2005).

Although CRM has become widely recognized as an important business approach, there is no universally accepted definition of CRM (Ling & Yen, 2001; Ngai, 2005). Swift (2001, p. 12) defined CRM as an “enterprise approach to understanding and influencing customer behaviour through meaningful communications in order to improve customer acquisition, customer retention, customer loyalty, and customer profitability”. Kincaid (2003, p. 41) viewed CRM as “the strategic use of information, processes, technology,

and people to manage the customer’s relationship with your company (Marketing, Sales, Services, and Support) across the whole customer life cycle”. Parvatiyar and Sheth (2001, p. 5) defined CRM as “a comprehensive strategy and process of acquiring, retaining, and partnering with selective customers to create superior value for the company and the customer. It involves the integration of marketing, sales, customer service, and the supply chain functions of the organization to achieve greater efficiencies and effectiveness in delivering customer value”. These definitions emphasize the importance of viewing CRM as a comprehensive process of acquiring and retaining customers, with the help of business intelligence, to maximize the customer value to the organization.

From the architecture point of view, the CRM framework can be classified into operational and analytical (Berson, Smith, & Thearling, 2000; He, Xu, Huang, & Deng, 2004; Teo, Devadoss, & Pan, 2006). Operational CRM refers to the automation of business processes, whereas analytical CRM refers to the analysis of customer characteristics and behaviours so as to support the organization’s customer management strategies. As such, analytical CRM could help an organization to better discriminate and more effectively allocate resources to the most profitable group of customers. Data

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mining tools are a popular means of analyzing customer data within the analytical CRM framework. Many organizations have collected and stored a wealth of data about their current customers, potential customers, suppliers and business partners. However, the inability to discover valuable information hidden in the data prevents the organizations from transforming these data into valuable and useful knowledge (Berson et al., 2000). Data mining tools could help these organizations to discover the hidden knowledge in the enormous amount of data.

Turban, Aronson, Liang, and Sharda (2007, p.305) defines data mining as “the process that uses statistical, mathematical, artificial intelligence and machine-learning techniques to extract and identify useful information and subsequently gain knowledge from large databases”. Berson et al. (2000), Lejeune (2001), Ahmed (2004) and Berry and Linoff (2004) also provide a similar definition regarding data mining as being the process of extracting or detecting hidden patterns or information from large databases. With comprehensive customer data, data mining technology can provide business intelligence to generate new opportunities (Bortiz & Kennedy, 1995; Fletcher & Goss, 1993; Langley & Simon, 1995; Lau, Wong, Hui, & Pun, 2003; Salchenberger, Cinar, & Lash, 1992; Su, Hsu, & Tsai, 2002; Tam & Kiang, 1992; Zhang, Hu, Patuwo, & Indro, 1999).

The application of data mining tools in CRM is an emerging trend in the global economy. Analyzing and understanding customer behaviours and characteristics is the foundation of the development of a competitive CRM strategy, so as to acquire and retain potential customers and maximize customer value. Appropriate data mining tools, which are good at extracting and identifying useful information and knowledge from enormous customer databases, are one of the best supporting tools for making different CRM decisions (Berson et al., 2000). As such, the application of data mining techniques in CRM is worth pursuing in a customer-centric economy.

This paper presents a comprehensive review of literature related to application of data mining techniques in CRM published in academic journals between 2000 and 2006. A classification of framework is also presented. The paper is organized as follows: first, the research methodology used in the study is described; second, the method for classifying data mining articles in CRM is presented; third, articles about data mining in CRM are analysed and the results of the classification are reported; and finally, the conclusions, limitations and implications of the study are discussed.

2. Research methodology

As the nature of research in CRM and data mining are difficult to confine to specific disciplines, the relevant materials are scattered across various journals. Business intelligence and knowledge discovery are the most common academic discipline for data mining research in CRM. Consequently, the following online journal databases were searched to provide a comprehensive bibliography of the academic literature on CRM and Data Mining:

- ABI/INFORM Database;
- Academic Search Premier;
- Business Source Premier;
- Emerald Fulltext;
- Ingenta Journals;
- Science Direct; and
- IEEE Transaction.

The literature search was based on the descriptor, “customer relationship management” and “data mining”, which originally

produced approximately 900 articles. The full text of each article was reviewed to eliminate those that were not actually related to application of data mining techniques in CRM. The selection criteria were as follows:

- Only those articles that had been published in business intelligence, knowledge discovery or customer management related journals were selected, as these were the most appropriate outlets for data mining in CRM research and the focus of this review.
- Only those articles which clearly described how the mentioned data mining technique(s) could be applied and assisted in CRM strategies were selected.
- Conference papers, masters and doctoral dissertations, textbooks and unpublished working papers were excluded, as academics and practitioners alike most often use journals to acquire information and disseminate new findings. Thus, journals represent the highest level of research (Nord & Nord, 1995).

Each article was carefully reviewed and separately classified according to the four categories of CRM dimensions and seven categories of data mining models, as shown in Fig. 1. Although this search was not exhaustive, it serves as a comprehensive base for an understanding of data mining research in CRM.

3. Classification method

According to Swift (2001, p. 12), Parvatiyar and Sheth (2001, p. 5) and Kracklauer, Mills, and Seifert (2004, p. 4), CRM consists of four dimensions:

- (1) Customer Identification;
- (2) Customer Attraction;
- (3) Customer Retention;
- (4) Customer Development.

These four dimensions can be seen as a closed cycle of a customer management system (Au & Chan, 2003; Kracklauer et al., 2004; Ling & Yen, 2001). They share the common goal of creating a deeper understanding of customers to maximize customer value to the organization in the long term. Data mining techniques, therefore, can help to accomplish such a goal by extracting or detecting hidden customer characteristics and behaviours from large databases. The generative aspect of data mining consists of the building of a model from data (Carrier & Povel, 2003). Each data mining technique can perform one or more of the following types of data modelling:

- (1) Association;
- (2) Classification;
- (3) Clustering;
- (4) Forecasting;
- (5) Regression;
- (6) Sequence discovery;
- (7) Visualization.

The above seven models cover the generally mentioned data mining models in various articles (Ahmed, 2004; Carrier & Povel, 2003; Mitra, Pal, & Mitra, 2002; Shaw, Subramaniam, Tan, & Welge, 2001; Turban et al., 2007). There are numerous machine learning techniques available for each type of data mining model. Choices of data mining techniques should be based on the data characteristics and business requirements (Carrier & Povel, 2003). Here are some examples of some widely used data mining algorithms:

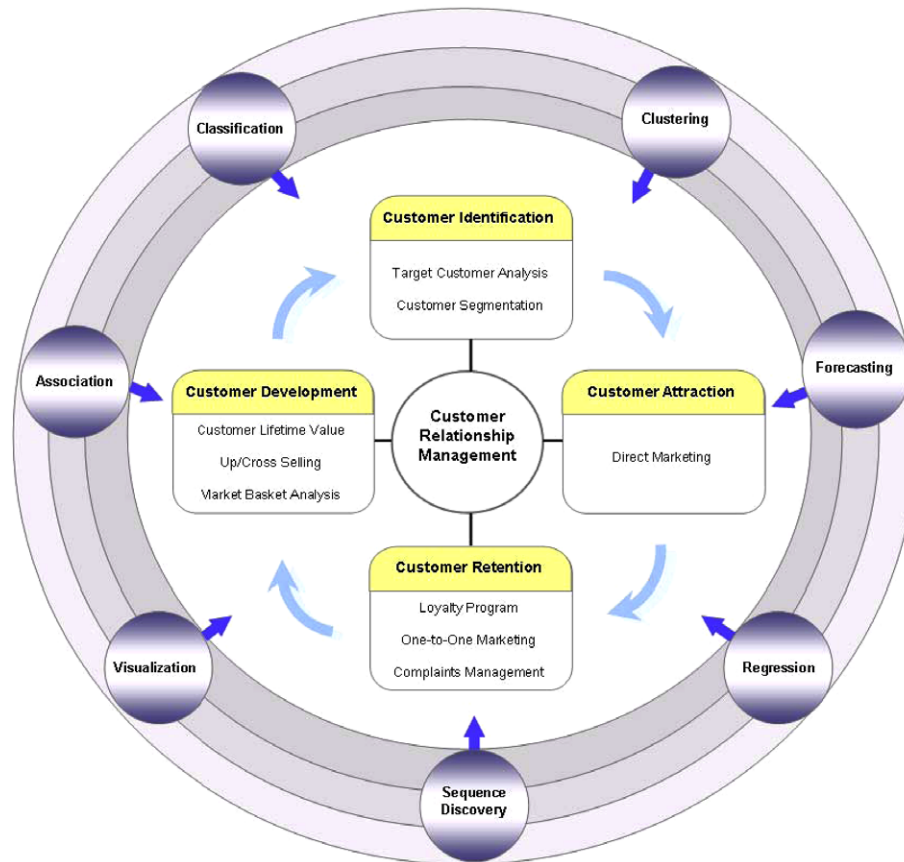


Fig. 1. Classification framework for data mining techniques in CRM.

- (1) Association rule;
- (2) Decision tree;
- (3) Genetic algorithm;
- (4) Neural networks;
- (5) K-Nearest neighbour;
- (6) Linear/logistic regression.

A graphical classification framework on data mining techniques in CRM is proposed and shown in Fig. 1; it is based on a review of the literature on data mining techniques in CRM. Critically reviewing the literature on data mining in CRM helped to identify the major CRM dimensions and data mining techniques for the application of data mining techniques in CRM. This framework is also based on the research conducted by Swift (2001), Parvatiyar and Sheth (2001) and Kracklauer et al. (2004). They described CRM dimensions as: Customer Identification, Customer Attraction, Customer Retention and Customer Development. In addition, Ahmed, 2004; Carrier and Povel, 2003; Mitra et al., 2002; Shaw et al., 2001 described the types of data mining model as Association, Classification, Clustering, Forecasting, Regression, Sequence Discovery and Visualization. We provide a brief description of these four dimensions and some references for further details, and each of them is discussed in the following sections.

3.1. Classification framework – CRM dimensions

In this study, CRM is defined as helping organizations to better discriminate and more effectively allocate resources to the most profitable group of customers through the cycle of customer identification, customer attraction, customer retention and customer

development. Detailed knowledge must be built up systematically so as to obtain a deeper understanding of each customer's behaviours, characteristics and needs. The four dimensions of the CRM cycle are essential efforts to gain customer insight (Ling & Yen, 2001).

- (i) *Customer identification*: CRM begins with customer identification, which is referred to as customer acquisition in some articles. This phase involves targeting the population who are most likely to become customers or most profitable to the company. Moreover, it involves analyzing customers who are being lost to the competition and how they can be won back (Kracklauer et al., 2004). Elements for customer identification include target customer analysis and customer segmentation. Target customer analysis involves seeking the profitable segments of customers through analysis of customers' underlying characteristics, whereas customer segmentation involves the subdivision of an entire customer base into smaller customer groups or segments, consisting of customers who are relatively similar within each specific segment (Woo, Bae, & Park, 2005).
- (ii) *Customer attraction*: This is the phase following customer identification. After identifying the segments of potential customers, organizations can direct effort and resources into attracting the target customer segments. An element of customer attraction is direct marketing. Direct marketing is a promotion process which motivates customers to place orders through various channels (Cheung, Kwok, Law, & Tsui, 2003; He et al., 2004; Liao & Chen, 2004; Prinzie & Poel, 2005). For instance, direct mail or coupon distribution are typical examples of direct marketing.

- (iii) *Customer retention*: This is the central concern for CRM. Customer satisfaction, which refers to the comparison of customers' expectations with his or her perception of being satisfied, is the essential condition for retaining customers (Kracklauer et al., 2004). As such, elements of customer retention include one-to-one marketing, loyalty programs and complaints management. One-to-one marketing refers to personalized marketing campaigns which are supported by analysing, detecting and predicting changes in customer behaviours (Chen, Chiu, & Chang, 2005; Jiang & Tuzhilin, 2006; Kim & Moon, 2006). Thus, customer profiling, recommender systems or replenishment systems are related to one-to-one marketing. Loyalty programs involve campaigns or supporting activities which aim at maintaining a long term relationship with customers. Specifically, churn analysis, credit scoring, service quality or satisfaction form part of loyalty programs.
 - (iv) *Customer development*: This involves consistent expansion of transaction intensity, transaction value and individual customer profitability. Elements of customer development include customer lifetime value analysis, up/cross selling and market basket analysis. Customer lifetime value analysis is defined as the prediction of the total net income a company can expect from a customer (Drew, Mani, Betz, & Datta, 2001; Etzion, Fisher, & Wasserkrug, 2005; Rosset, Neumann, Eick, & Vatnik, 2003). Up/Cross selling refers to promotion activities which aim at augmenting the number of associated or closely related services that a customer uses within a firm (Prinzie & Poel, 2006). Market basket analysis aims at maximizing the customer transaction intensity and value by revealing regularities in the purchase behaviour of customers (Aggarwal & Yu, 2002; Brijs, Swinnen, Vanhoof, & Wets, 2004; Carrier & Povel, 2003; Chen, Tang, Shen, & Hu, 2005; Giudici & Passerone, 2002; Kubat, Hafez, Raghavan, Lekkala, & Chen, 2003).
- for classification are neural networks, decision trees and if-then-else rules.
- (iii) *Clustering*: Clustering is the task of segmenting a heterogeneous population into a number of more homogenous clusters (Ahmed, 2004; Berry & Linoff, 2004; Carrier & Povel, 2003; Mitra et al., 2002). It is different to classification in that clusters are unknown at the time the algorithm starts. In other words, there are no predefined clusters. Common tools for clustering include neural networks and discrimination analysis.
 - (iv) *Forecasting*: Forecasting estimates the future value based on a record's patterns. It deals with continuously valued outcomes (Ahmed, 2004; Berry & Linoff, 2004). It relates to modelling and the logical relationships of the model at some time in the future. Demand forecast is a typical example of a forecasting model. Common tools for forecasting include neural networks and survival analysis.
 - (v) *Regression*: Regression is a kind of statistical estimation technique used to map each data object to a real value provide prediction value (Carrier & Povel, 2003; Mitra et al., 2002). Uses of regression include curve fitting, prediction (including forecasting), modeling of causal relationships, and testing scientific hypotheses about relationships between variables. Common tools for regression include linear regression and logistic regression.
 - (vi) *Sequence discovery*: Sequence discovery is the identification of associations or patterns over time (Berson et al., 2000; Carrier & Povel, 2003; Mitra et al., 2002). Its goal is to model the states of the process generating the sequence or to extract and report deviation and trends over time (Mitra et al., 2002). Common tools for sequence discovery are statistics and set theory.
 - (vii) *Visualization*: Visualization refers to the presentation of data so that users can view complex patterns (Shaw et al., 2001). It is used in conjunction with other data mining models to provide a clearer understanding of the discovered patterns or relationships (Turban et al., 2007). Examples of visualization model are 3D graphs, "Hygraphs" and "SeeNet" (Shaw et al., 2001).

3.2. Classification framework – data mining models

Within the context of CRM, data mining can be seen as a business driven process aimed at the discovery and consistent use of profitable knowledge from organizational data (Ling & Yen, 2001). It can be used to guide decision making and forecast the effects of decisions. For instance, data mining can increase the response rates of the marketing campaign by segmenting customers into groups with different characteristics and needs; it can predict how likely an existing customer is to take his/her business to a competitor (Carrier & Povel, 2003). Each of the CRM elements can be supported by different data mining models, which generally include association, classification, clustering, forecasting, regression, sequence discovery and visualization.

- (i) *Association*: Association aims at establishing relationships between items which exist together in a given record (Ahmed, 2004; Jiao, Zhang, & Helander, 2006; Mitra et al., 2002). Market basket analysis and cross selling programs are typical examples for which association modelling is usually adopted. Common tools for association modelling are statistics and apriori algorithms.
- (ii) *Classification*: Classification is one of the most common learning models in data mining (Ahmed, 2004; Berry & Linoff, 2004; Carrier & Povel, 2003). It aims at building a model to predict future customer behaviours through classifying database records into a number of predefined classes based on certain criteria (Ahmed, 2004; Berson et al., 2000; Chen, Hsu, & Chou, 2003; Mitra et al., 2002). Common tools used

A combination of data mining models is often required to support or forecast the effects of a CRM strategy. In such a situation, the classification of data mining models mentioned in the article will be based on the major CRM issues that the article would like to address. For instance, in the case of up/cross selling programs, customers can be segmented into clusters before an association model is applied to each cluster. In such cases, the up/cross selling program would be classified as being supported by an association model because relationships between products are the major concern; in the case of direct marketing, a certain portion of customers may be segmented into clusters to form the initial classes of the classification model. The direct marketing program would be classified as being supported by classification as prediction of customers' behaviour is the major concern.

3.3. Classification process

Each of the selected articles was reviewed and classified according to the proposed classification framework by three independent researchers. The classification process consisted of four phases:

- (1) Online database search.
- (2) Initial classification by first researcher.
- (3) Independent verification of classification results by second researcher; and
- (4) Final verification of classification results by third researcher.

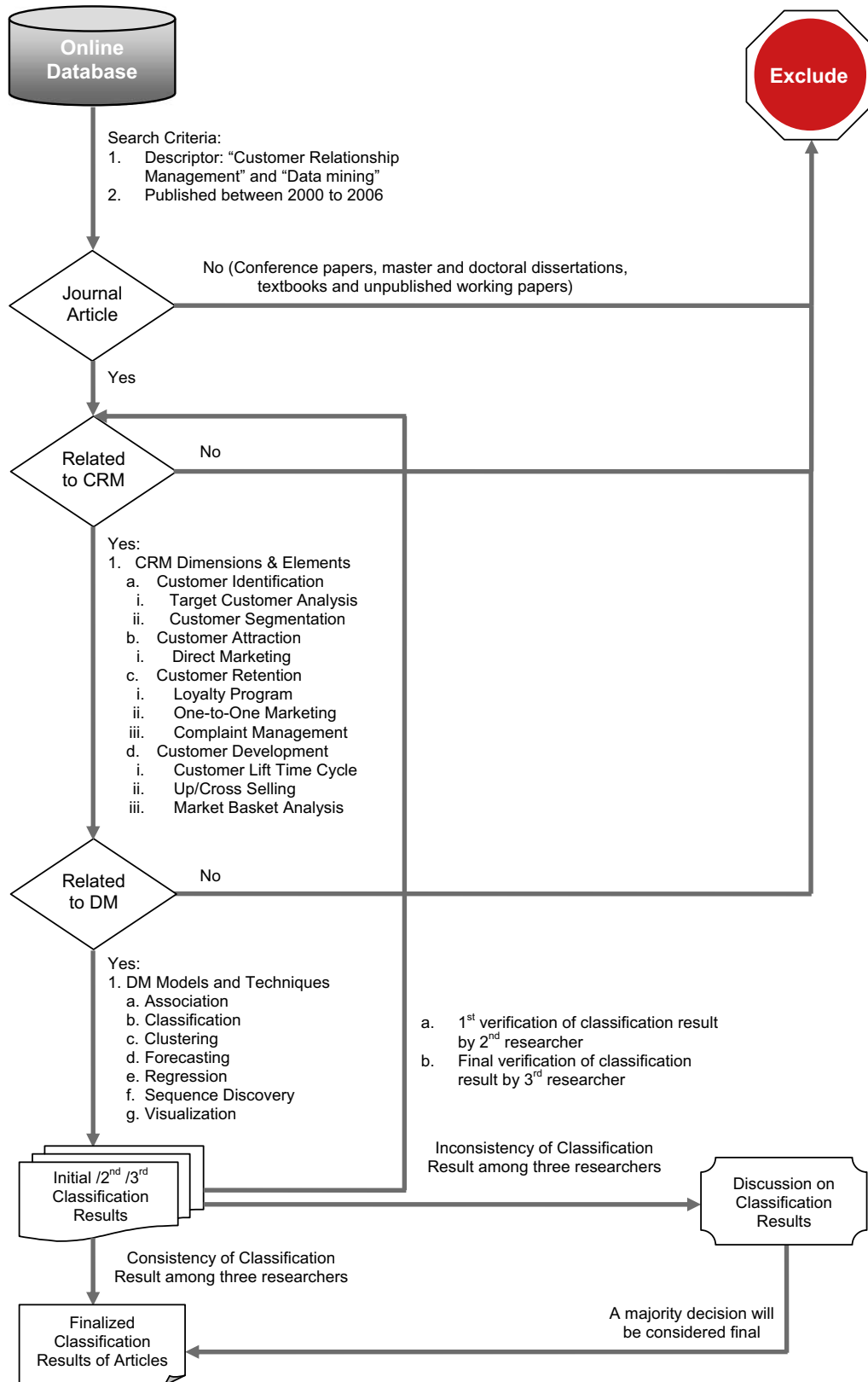


Fig. 2. Selection criteria and evaluation framework.

If there was a discrepancy in classification, each of these articles was then discussed until there was agreement on how the article should be classified from the final set in the proposed classification framework. The selection criteria and evaluation framework is

shown in Fig. 2. The collection of articles was analyzed in accordance with CRM elements and data mining models, by year of publication and according to the journal in which the article was published.

4. Classification of the articles

A detailed distribution of the 87 articles classified by the proposed classification framework is shown in Table 1.

4.1. Distribution of articles by CRM dimensions and data mining models

The distribution of articles classified by the proposed classification model is shown in Table 2. Among the four CRM dimensions, customer retention (54 out of 87 articles, 62.1%) is the most common dimension for which data mining is used to support decision making. There were 13 articles for each of customer identification and customer development covering various aspects of CRM.

Of the 54 customer retention articles, 51.9% (28 articles) and 44.4% (24 articles) are related to one-to-one marketing and loyalty programs respectively. One-to-one marketing and loyalty programs also rank first (28 articles out of 87 articles, 32.2%) and second (24 articles out of 87 articles, 27.6%) in terms of subject matter dealt with data mining and CRM. However, there were relatively few articles covering “up/cross selling” (2 articles, 2.3%), “complaint management” (2 articles, 2.3%), “target customer analysis” (5 articles, 5.7%) and “customer lifetime value analysis” (5 articles, 5.7%).

In one-to-one marketing, 46.4% (13 out of 28 articles) used association models to analyze the customer data, followed by 25.0% (7 out of 28 articles) which used classification models. With regard to loyalty programs, 83.3% (20 out of 24 articles) used classification models to assist in decision making.

Table 3 shows the distribution of articles by data mining techniques. Among 34 data mining techniques which have been applied in CRM, neural networks is the most commonly used technique. It has been described in 30 (34.5%) out of 87 articles in total. Following are decision tree and association rules which have been described in 21 (24.1%) and 20 (23.0%) articles respectively. We provide a brief description of the three most used techniques and some references as follows:

Neural networks: In the artificial intelligence field, neural network techniques have been applied successfully to speech recognition, image analysis, and adaptive control. Most of the currently employed neural network systems simulate the human brain,

and are readily applied to areas involving classification, clustering and prediction (Berry & Linoff, 2004; Turban et al., 2007). Of the 30 articles which applied neural network techniques, 16 (53.3%) adopt self-organizing map subtypes, which entails mapping structured, high-dimensional data onto a much lower-dimensional array of neurons in an orderly fashion through the training process (Song, Kim, Cho, & Kim, 2004).

Decision trees: This technique can be used to extract models describing sequences of interrelated decisions or predicting future data trends (Berry & Linoff, 2004; Chen et al., 2003; Kim, Song, Kim, & Kim, 2005). It classifies specific entities into particular classes based upon the features of the entities: a root is followed by internal nodes, each node is labeled with a question, and an arc associated with each node covers all possible responses (Buckinx, Moons, Poel, & Wets, 2004; Chen et al., 2003). Some of the most well-known algorithms are ID3, C4.5 and classification and regression trees.

Association rules: These are concerned with the discovery of interesting association relationships, which are above an interesting threshold, hidden in databases (Berry & Linoff, 2004; Brijs et al., 2004; Wang, Zhou, Yang, & Yeung, 2005). The threshold tells how strong the pattern is and how likely the rule is to occur again (Berson et al., 2000). Selected association rules can be used to build a model for predicting the value of a future customer (Wang et al., 2005).

4.2. Distribution of articles by year of publication

The distribution of articles by year of publication is shown in Fig. 3. It is obvious that publications which are related to application of data mining techniques in CRM have increased significantly from 2000 to 2005. In 2006, the amount of publication decreased by 30% when compared with 2005.

4.3. Distribution of articles by journal in which the articles were published

Table 4 shows the distribution of articles by journal. Articles related to application of data mining techniques in CRM are distributed across 24 journals. Of these, “Expert Systems with Applications”, which focuses on the knowledge of the application

Table 1
Distribution of articles according to the proposed classification model

CRM dimensions	CRM elements	Data mining functions	Data mining techniques	References
Customer identification	Segmentation	Classification	Decision tree	Kim, Jung, Suh, and Hwang (2006)
			Self-organizing map, decision tree and Markov chain model	Ha, Bae, and Park (2002)
	Target customer analysis	Clustering	K-means	Dennis, Marsland, and Cockett (2001)
			Data envelopment analysis, self organizing map & decision tree	Lee and Park (2005)
Customer attraction	Direct marketing	Regression	Logistic regression	Yang and Padmanabhan (2005)
		Classification	Bayesian network classifier	Bae, Park, and Ha (2003), Verdú, García, Senabre, Marín, and Franco (2006)
			Decision tree	Hwang, Jung, and Suh (2004)
			Genetic algorithm	Chen et al. (2003), Wu, Kao, Su, and Wu (2005), Yu, Ou, Zhang, and Zhang (2005)
			Neural network and genetic algorithm	Lee, Suh, Kim, and Lee (2004)
			Outlier detection	Woo et al. (2005)
				Prinzie and Poel (2005)
				Baesens et al. (2002)
				Buckinx et al. (2004)
				Ahn et al. (2006), Chiu (2002)
				Kim and Street (2004)
				He et al. (2004)

(continued on next page)

Table 1 (continued)

CRM dimensions	CRM elements	Data mining functions	Data mining techniques	References
Customer retention	Complaints management	Clustering Sequence discovery Classification	Self-organizing map Survival analysis	Bae et al. (2005) Larivière and Poel (2005)
			Decision tree 20 Genetic algorithm Logical analysis of data Neural network, <i>K</i> -nearest neighbor and decision tree Classification and regression tree and multivariate adaptive regression splines Logistic regression and neural network Logistic regression, neural network and random forest Neural network and decision tree Self-organizing map and Markov chain Logistic regression, neural network and decision tree Self-organizing map and decision tree Data mining by evolutionary learning Multi-classifier class combiner approach Self-organizing map Survival analysis	Cox (2002), Douglas et al. (2005), Larivie'Re and Poel (2005) Kim et al. (2003) Lejeune (2001) Datta et al. (2000) Lee et al. (2006) Kim (2006) Buckinx and Poel (2005) Hung et al. (2006) Kim et al. (2005) Koh and Chan (2002), Mozer et al. (2000), Smith et al. (2000) Chu, Isai, and Ho (2007) Au et al. (2003) Wei and Chiu (2002) Song et al. (2004) Larivie'Re and Poel (2004), Poel and Larivière (2004)
	One to one marketing	Regression Sequence discovery Association	Attribute oriented induction Logistic regression Goal oriented sequential pattern	Li et al. (2006) Cassab and Maclachlan (2006), Poel and Buckinx (2005) Chiang et al. (2003)
			Association rules	Adomavicius and Tuzhilin (2001), Au and Chan (2003), Chen, Chiu, and Chang (2005), Demiriz (2004), Jiao et al. (2006), Lee et al. (2001), Wang et al. (2004) Changchien and Lu (2001) Ha (2002), Ha et al. (2006), Hsieh (2004) Liu and Shih (2005) He et al. (2005)
		Classification	Set theory and self-organizing map Association rules and self-organizing map Association rules and <i>K</i> -means MARFS1/S2 Decision tree If-then-else Support vector machine and latent class model Decision tree, naive Bayes, rule based RIPPER, <i>K</i> -nearest network, <i>S</i> -means, <i>S</i> -means mod, farther first, expectation Max & Expectation Max Mod Constructive assignment algorithm	Kim, Song, Kim, and Kim (2005), Min et al. (2002) Leung et al. (2003) Cheung et al. (2003) Jiang and Tuzhilin (2006)
			Self-organizing map	Kim and Moon (2006)
			Association rules	Lee and Park (2003)
			<i>K</i> -nearest neighbor	Liao and Chen (2004)
			Neural network and genetic algorithm	Cho and Kim (2004)
Customer development	Lifetime value	Classification Clustering	Bayesian network classifier Neural network Survival analysis	Kuo et al. (2005) Cho et al. (2005), Min and Han (2005) Song et al. (2001) Kwan et al. (2005) Chang et al. (2006)
			Forecasting Regression Association	Baesens et al. (2004) Drew et al. (2001) Rosset et al. (2003) Etzion et al. (2005) Verhoef and Donkers (2001)
	Market basket analysis	Association	Association rules	Aggarval and Yu (2002), Brijis et al. (2004), Jukic and Nestorov (2006)
			Markov chain model	Giudici and Passerone (2002)
	Up/cross selling	Sequence discovery Association Sequence discovery	Association rules	Chen, Tang, Shen, and Hu (2005), Kubat et al. (2003)
			Neural network and association rule	Changchien et al. (2004)
			Mixture transition distribution	Prinzie and Poel (2006)

of expert and intelligent systems in industry, government and university worldwide, contains more than 40% (38 of 87 articles) of the total number of articles published.

5. Conclusion, research implications and limitations

Application of data mining techniques in CRM is an emerging trend in the industry. It has attracted the attention of practitioners and academics. This paper has identified eighty seven articles related to application of data mining techniques in CRM, and published between 2000 and 2006. It aims to give a research summary on the application of data mining in the CRM domain and techniques which are most often used. Although this review

cannot claim to be exhaustive, it does provide reasonable insights and shows the incidence of research on this subject. The results presented in this paper have several important implications:

- Research on the application of data mining in CRM will increase significantly in the future based on past publication rates and the increasing interest in the area.
- The majority of the reviewed articles relate to customer retention. Of these, 51.9% (28 articles) and 44.4% (24 articles) are related to one-to-one marketing and loyalty programs respectively. These articles could provide insight to organization policy makers on the common data mining practices used in retaining customers.

Table 2

Distribution of articles by CRM and data mining model

CRM dimensions	CRM elements	Data mining model	Amount
Customer identification	Customer segmentation	Classification	8
		Clustering	2
		Regression	5
	Target customer analysis		1
			5
		Classification	3
		Clustering	1
Visualization	1		
			13
Customer attraction	Direct marketing		7
		Regression	1
		Classification	5
		Clustering	1
			7
Customer retention	Complaints management		2
		Clustering	1
		Sequence Discovery	1
	Loyalty program		24
		Classification	20
		Clustering	1
		Regression	2
		Sequence discovery	1
	One to one marketing		28
		Association	13
		Classification	7
		Clustering	5
		Sequence discovery	3
Customer development	Customer lifetime value		5
		Classification	1
		Clustering	2
		Forecasting	1
	Market basket analysis	Regression	1
			6
		Association	4
	Sequence discovery	2	
	Up/cross selling		2
		Association	1
Sequence discovery		1	
			13
Total			87 87 87

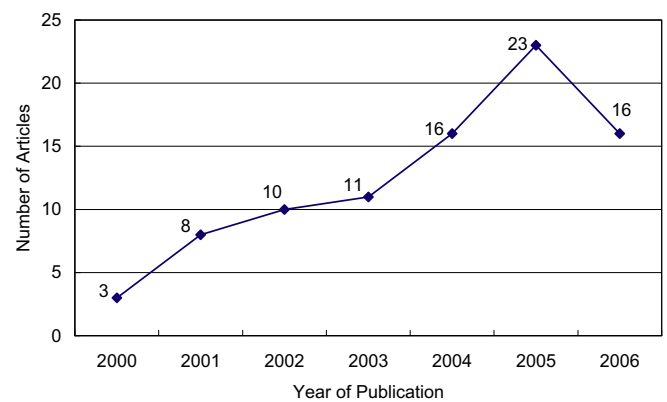
- Of the 54 articles related to customer retention, only two of them discuss complaints management. Complaints management is a crucial requirement for successful businesses when managing customers' needs and changes in behavior. Data mining techniques could be applied to discover unseen patterns of complaints from a company's database. The root of the problems may also be uncovered by investigating the association between complaints from different customers. Therefore, more research could be conducted on the application of data mining techniques in complaints management.
- There are relatively fewer articles discussing target customer analysis. Data mining techniques, such as neural networks and decision trees, could be used to seek the profitable segments of customers through analysis of customers' underlying characteristics. Despite the fewer number of articles related to target customer analysis, it does not mean the application of data mining in this aspect is less mature than in the others. Applications of data mining in other CRM domains, such as in one-to-one marketing, may also be applied in target customer analysis if they possess the same goal of analysing the characteristics of customers.

Table 3

Distribution of articles by data mining techniques

Data mining techniques	Amount
Neural network	30
Decision tree	23
Association rules	18
Regression	10
Genetic algorithm	4
Markov chain	4
Survival analysis	4
K means	3
K nearest neighbour	3
Bayesian network classifier	2
If-then-else	1
Set theory	1
Support vector machine	1
Attribute oriented induction	1
Constructive assignment	1
Customer map	1
Data envelopment analysis	1
Data mining by evolutionary learning	1
Expectation Max	1
Expectation Max Mod	1
Farthest first	1
Goal oriented sequential pattern	1
Latent class model	1
Logical analysis of data	1
MARFS1/S2	1
Mixture transition distribution	1
Multi-classifier class combiner	1
Multivariate adaptive regression splines	1
Online analytical mining	1
Outlier detection	1
Pattern based cluster	1
Rule-based RIPPER	1
S-means	1
S-means Mod	1
Total ^a	125

^a Remark: Each article may have used more than one data mining techniques.

**Fig. 3.** Distribution of articles by year of publication.

- The classification model is the most commonly applied model in CRM for predicting future customer behaviors. This is not surprising as classification modeling could be used to predict the effectiveness or profitability of a CRM strategy through the prediction of customer behaviors.
- Only one article discussed the visualization of data mining results within the context of CRM. One can view visualization as a complement to other data mining models as it is concerned with the presentation of discovered patterns or relationships. Therefore, good visualization systems could magnify the merit of data mining techniques in CRM. More research could be done on this issue.

Table 4
Distribution of articles by journal

Journal title	Amount	Percentage (%)
Expert Systems with Applications	38	43.70
Decision Support Systems	9	10.30
European Journal of Operational Research	5	6.90
IEEE Transaction on Knowledge and Data Engineering	5	5.70
Data Mining and Knowledge Discovery	4	4.60
IEEE Intelligent Systems	4	4.60
Artificial Intelligence Review	2	2.30
Computational Statistics and Data Analysis	2	2.30
IEEE Transactions on Power Systems	2	2.30
Computers and Industrial Engineering	1	1.10
Electronic Networking Applications and Policy	1	1.10
Evolutionary Computation	1	1.10
IEEE Transactions on Fuzzy Systems	1	1.10
IEEE Transactions on speech and audio processing	1	1.10
Information and Management	1	1.10
Information Systems Frontiers	1	1.10
International Journal of Contemporary Hospitality Management	1	1.10
International Journal of Productivity and Performance Management	1	1.10
Journal of knowledge management	1	1.10
Journal of Service Research	1	1.10
Journal of the Operational Research Society	1	1.10
Knowledge-Based Systems	1	1.10
Singapore Management Review	1	1.10
Telecommunication Systems	1	1.10
Total	87	100.00

- Among the 87 articles, 30 described neural networks in the CRM domain. Neural networks can be applied in classification, clustering and prediction. Thus, it is not surprising that neural networks were used in a wide range of CRM domains.
- Decision trees and association rules techniques rank after neural networks in popularity of application in CRM. The logic of both techniques can be followed more easily by business people than neural networks. Therefore, the two techniques should be a good choice for non-experts in data mining.
- With respect to the research findings, we suggest more research can be conducted in the customer development domain. In order to maximize an organization's profits through CRM, policy makers have to both retain valuable customers and increase the life-time value of the customer. As such, customer retention and development are both important to maintaining a long term and pleasant relationship with customers.

This study might have some limitations. Firstly, this study only surveyed articles published between 2000 and 2006, which were extracted based on a keyword search of “customer relationship management” and “data mining”. Articles which mentioned the application of data mining techniques in CRM but without a keyword index could not be extracted. Secondly, this study limited the search for articles to 7 online databases. There might be other academic journals which may be able to provide a more comprehensive picture of the articles related to the application of data mining in CRM. Lastly, non-English publications were excluded in this study. We believe research regarding the application of data mining techniques in CRM have also been discussed and published in other languages.

Acknowledgements

This research was partly supported by The Hong Kong Polytechnic University (Project no.: G-YF20) and National Natural Science Foundation of China (NSFC, Project no.: 70671059).

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