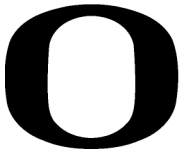

UNIVERSITY OF OREGON

APPLIED INFORMATION MANAGEMENT

Presented to the Interdisciplinary Studies Program:
Applied Information Management and the Graduate School of the University of Oregon
in partial fulfillment of the requirement for the degree of Master of Science

Building a Strong Customer-centric Strategy to Enable CRM and Develop Customer Loyalty

CAPSTONE REPORT

Kristen Ballard
Project Manager
Intel Corporation

University of Oregon
Applied Information Management Program

February 2008

722 SW Second Avenue
Suite 230
Portland, OR 97204
(800) 824-2714

Approved by

_____

Dr. Linda F. Ettinger
Academic Director, AIM Program

Building a Strong Customer-centric Strategy to Enable CRM and Develop Customer Loyalty

Kristen Ballard

Intel Corporation

Abstract

Customer Relationship Management (CRM) requires a customer-centric focus that aligns business strategies with customer needs to generate profit through maximizing customer lifetime value. Many business managers implement CRM technology without addressing the customer-centric strategic orientation that must be present for CRM to be successful. This Review of the Literature examines 22 articles published between 1973 and 2007 that emphasize customer-centric business strategy as a foundation for CRM and a facilitator for customer loyalty.

Table of Contents

INTRODUCTION TO THE LITERATURE REVIEW 1

GUIDING QUESTIONS 1
RESEARCH CONTEXT 3
How to shift an organization to a customer-centric strategy. 3
What is customer loyalty and how is it measured. 5
What is CRM and how does it impact customer strategy and loyalty. 6
SIGNIFICANCE AND INTENDED AUDIENCE 7
RESEARCH LIMITATIONS 8
INTRODUCTION TO THE WRITING PLAN 10

DEFINITIONS 11

RESEARCH PARAMETERS 13

SEARCH STRATEGY REPORT 13
PROBLEM AREA SEARCH TERMS 13
SUB-TOPIC SEARCH TERMS 14
SEARCH ENGINES 14
ACADEMIC DATABASES 14
PROFESSIONAL PUBLICATIONS 14
PEER REVIEWED JOURNALS 15
OTHER JOURNALS 15
SUMMARY TABLE OF SEARCH RESULTS 16
DOCUMENTATION APPROACH 16
DISCUSSION OF SEARCH RESULTS 17
EVALUATION CRITERIA 21
Relevancy of the selected literature. 21
Quality of the selected literature. 21
WRITING PLAN 22

REVIEW OF THE LITERATURE BIBLIOGRAPHY 26

CORPORATE STRATEGY/ STRATEGIC CHANGE/ STRATEGIC CREATION/ STRATEGIC ADOPTION (4 ENTRIES) 26
HOW A COMPANY MOVES FROM A PRODUCT-CENTRIC TO A CUSTOMER-CENTRIC STRATEGY (5 ENTRIES) 28
HOW CUSTOMERS DEVELOP LOYALTY TO A COMPANY (3 ENTRIES) 30
HOW CUSTOMER LIFETIME VALUE CAN BE MEASURED (2 ENTRIES) 31
THE ROLE THAT CRM SYSTEMS PLAY IN INCREASING CUSTOMER LOYALTY (5 ENTRIES) 32
THE IMPACT OF CUSTOMER LOYALTY ON A COMPANY'S FUTURE REVENUE STREAM (3 ENTRIES) 34

REVIEW OF THE LITERATURE 36

INTRODUCTION 36
OVERVIEW 37
CORPORATE STRATEGY AND STRATEGIC CHANGE 40
How to encourage an organization to adopt a new strategy. 41
The importance of market segmentation. 42
How a company transitions from a product- to a customer-centric strategy. 44
The role of CRM in strategic planning. 48

The role of corporate culture in strategy adoption. *49*
DEVELOPING CUSTOMER LOYALTY 50
How customers develop loyalty to a company. *50*
Barriers to customer loyalty. *54*
How to measure customer lifetime value. *55*
Customer segmentation based on loyalty levels. *56*
The financial impact of customer retention *60*
HOW CRM INITIATIVES CAN INCREASE CUSTOMER LOYALTY 61
The role of CRM in process integration. *62*
Selecting CRM technology. *64*
CONCLUSIONS **66**
REFERENCES **71**

List of Figures

Figure 1: Map of Research Design Process.....2

List of Tables

Table 1: Summary Table of Search Results.....16
Table 2: A Comparison of the Product-Centric and Customer-Centric Approaches (Shah et al., 2006, p. 115).....46
Table 3: Comparison between a product-oriented online firm and a consumer-centric online business in terms of strategic planning process (Gurau et al., 2003, p. 211).....47
Table 4: Choosing a Loyalty Strategy (Reinartz & Kumar, 2002, p. 14).....59
Table 5: CRM Information Requirements and Value Added (Stringfellow et al., 2004, p. 46).....69

Introduction to the Literature Review

The primary research question under investigation in this inquiry is *How can an organization assess readiness to migrate from a product-centric to a customer-centric strategy, as a way to improve customer relationship management and facilitate customer loyalty?* As a way to address the question, the inquiry is organized into the following sections. The larger problem area incorporates literature that examines how an organization assesses readiness to migrate from a product-centric to a customer-centric strategy. Then, literature is examined that addresses: (a) the concept of customer loyalty, specifically how it can be measured; and (b) the potential changes in customer loyalty that might occur as a result of a CRM initiative.

Guiding Questions

In order to best frame the primary research question, a set of guiding questions is developed. Questions that address the larger problem area context for this inquiry focus on literature that addresses corporate strategy and strategic change, and include:

- How do you encourage an organization to adopt a new strategy?
- How does a company move from a product-centric to a customer-centric strategy?

The examination of customer loyalty is focused on literature that addresses these two questions:

- How do customers develop loyalty to a company?
- How do you measure customer lifetime value?

Literature that examines the relationships between customer relationship management systems strategy and customer loyalty, answers these additional questions:

- What role do CRM systems play in increasing customer loyalty?
- What impact does customer loyalty have on a company's future revenue stream?

Figure 1 provides a visualization of the primary research question and related areas of literature, as a way to better demonstrate the grouping of relevant research.

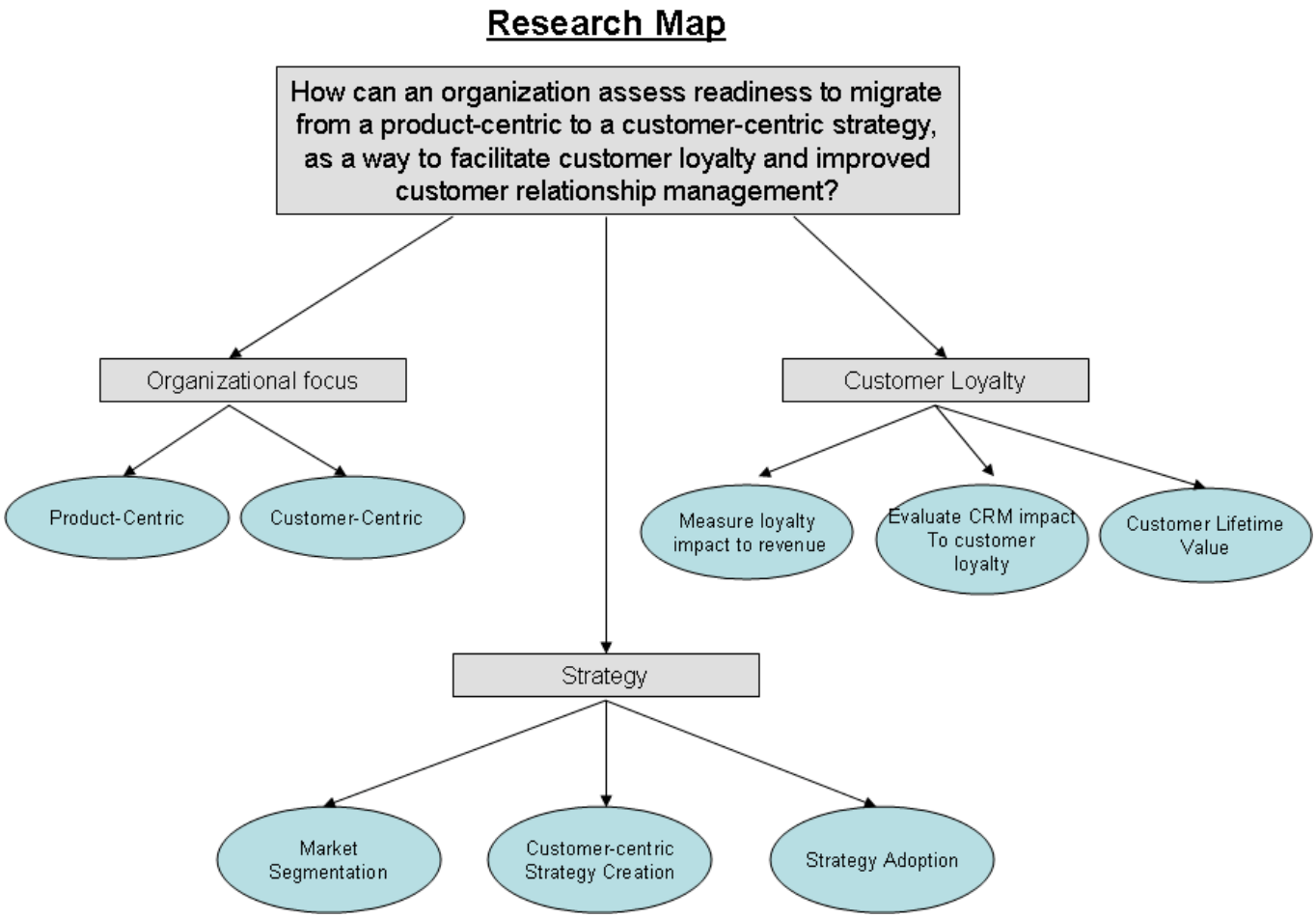

Figure 1: Map of Research Design Process

Research Context

Customer Relationship Management (Payne, 2006) is based on the belief that in order for a company to maximize long term profit, customer needs must be understood and leveraged (Stringfellow, Nie & Bowen, 2004). Payne and Frow (2005) report that the definition of CRM varies widely. One end of the spectrum deals with very tactical and targeted technology solutions while the other end considers customer relationship management a holistic and strategic approach to increasing shareholder value (Payne & Frow, 2005). The latter definition supports this literature review.

How to shift an organization to a customer-centric strategy.

During strategic planning (Saloner et al., 2001), strategies are formulated by creating long term corporate goals, defining company scope (products and services offered, markets serviced), clearly defining the corporate position on how the firm will gain and sustain competitive advantage, and detailing which strengths the firm will leverage to maintain that competitive advantage (p. 19). Brache (2002) notes that when creating a strategy, there are a number of questions that need to be addressed as they relate to the fundamental values and beliefs of a company: the timeline for the strategy, where business will be done (customers and geographies), where investment needs to be made, which competitive advantages will be exploited, which systems/skills/processes are required to support the competitive advantage, and which metrics will be used to measure results (Brache, 2002, p. 51).

According to Galliers and Leidner (2003), information systems strategy should complement corporate strategy. They suggest that strategic systems information planning

focus on four areas: 1) using business goals as the starting point for IT investment, 2) looking for opportunities to leverage IT for competitive advantage, 3) managing information technology workers in an "efficient and effective" manner, and 4) clearly defining enterprise architectures and policies for technology (2003, p. 182). Reynolds (2002) also emphasizes CRM technology must be preceded by a customer-centric strategy. Although CRM can bring value to a product-centric organization, only the customer-centric organization will attain the full benefits that CRM technology can offer (Reynolds, 2002).

Customer segmentation lays the groundwork for specific customer focused strategy formulation. Once a strategy is defined, corporate culture plays a significant role in driving behavioral results that might otherwise differ from the natural behavior of employees (Saloner et al., 2001). Culture is often not dictated explicitly through the strategy, but learned through observation of the actions of executives and senior management and how they carry out the strategy in day-to-day business transactions (Badaracco & Webb, 1995). Saloner et al. (2001) believe that through alignment with corporate culture and an understanding of a company's context, including both internal and external variables, employee actions are more likely to align with corporate strategy. Speier & Venkatesh (2002) note that involving employees in strategy creation poises a company for more broad strategy and technology adoption.

What is customer loyalty and how is it measured.

Understanding the connection between organizational strategy and customer loyalty is the next area of investigation. Oliver (1999) explains that customer loyalty will keep a customer coming back for future purchases "*despite* situational influences and marketing efforts having the potential to cause switching behavior" (p. 34). Many believe that customer satisfaction is a primary driver of customer loyalty (Kotler & Keller, 2006), however Oliver (1999) and McAlexander, Kim and Roberts (2003) caution that satisfaction is only one driver of customer loyalty and that other factors should be considered, including potential obstacles to creating and maintaining loyalty (Gurau, Ranchhod & Hackney, 2003).

In order to determine a methodology for identifying the most profitable customers, this literature review examines the following:

• Definition of customer lifetime value as the present value of all future revenue that can be gained from a customer (Berger and Nasr, 1998).

• Analysis of customer value through calculation of a customer's life expectancy including defection rates (Reichheld, 1996).

• Assessment of a customer's potential future value to a company by determining available share of wallet (Ratekin, 2007).

• Further expanding the customer focus to analyze customer experience, not just satisfaction, to deepen the understanding of subjective elements that influence a customer's purchasing decision (Meyer & Schwager, 2007).

At the same time, through careful loyalty segmentation analysis, one may uncover the relationship between customer loyalty and corporate revenue to determine which customers a company should focus its time and resources on attracting and retaining, (Reinartz & Kumar, 2002).

What is CRM and how does it impact customer strategy and loyalty.

According to a Gartner Group survey, approximately 55% of CRM projects are not expected to have a positive return on investment (Stringfellow et al., 2004, Shah, Rust, Parasuraman, Staelin, & Day 2006). Another consulting agency, Bain and Company, reports that one in five senior executives (of a survey group of 451) reported that their poorly implemented CRM solutions not only failed to deliver a return on investment, but actually worsened relationships with existing, long-term customers (Rigby, Reichheld & Schefter, 2002). In contrast, a survey of executives at 101 US-based firms reveals that 46% of respondents pointed to measurable increases in terms of customer retention and customer satisfaction as critical success measures for CRM undertakings (Bohling, Bohman, Lavelle, Mittal, Narayandas, Ramani & Varadarajan, 2006). These reports suggest that there is a gap between strategic intention and results.

The assumption underlying this inquiry is that this gap, or disconnect, is a direct result of an organization lacking a customer-centric focus, and that close alignment and integration of CRM strategies and corporate strategies enables attainment of customer relationship management goals (Payne, 2006). A 2003 Gartner Group report estimated that marketing organizations who focus 50% or more of their time on improving customer related marketing processes will see a return on investment at least 30% higher than

organizations that do not focus on customer-centric marketing capabilities (Shah et al., 2006). There is much literature to support the link between loyal customers and increased revenue (Kumar, Lemon, Parasuraman, 2006). However, Stringfellow et al. (2004) explain that customer relationship management requirements will differ by customer; it is essential to predict customer needs through segmentation analysis. Reinartz & Kumar (2002) suggest organizations create specific customer strategies to decide which customers to focus on and what the segment focus should be.

Significance and Intended Audience

This literature review is written for information technology teams and their management, considering CRM implementations. The intent is to address foundational organizational strategy and alignment aspects that must be in place as a precursor to CRM technological implementation. As a way to frame audience context and need, a fictional scenario follows.

Many organizations chartered with implementing CRM are puzzled as to what CRM actually means (Payne, 2006, p. 17). Individuals, teams and managers may be struggling with where to begin in the CRM process. In many cases they may have received a directive to "implement a CRM solution" with little guidance on what this actually means. Payne (2006) indicates that some of this confusion may be due to the fact that there are many vendors who offer CRM-based solutions for information management thus skewing the definition of customer relationship management away from fostering customer relationships and toward technology (p. 18).

At the same time, a *Marketing Week* survey revealed that that 30% of survey participants believed database level tracking of transactional data was the intent of CRM (Stringfellow et al., 2004). Stringfellow et al. (2004) stress "transactional data is an inadequate basis for CRM" and that a "clear understanding of customer needs" is essential to unlock the potential value of CRM (p. 45). Because of the pressure to implement a 'solution' (aka technology), these organizations have not likely taken the opportunity to evaluate the breadth of customer relationship management and how it relates to the company's external customers, and how they can leverage a customer-centric strategy to develop customer loyalty and increase future revenue.

Research Limitations

• When collecting materials to be used in a formal literature review, Leedy and Ormrod (2005) recommend selecting resources with recent copyright or publication dates to provide the most "current perspective" on a particular topic (p. 65). As such, the majority of resources chosen for this literature review have publication dates between 2000-2007. In some cases, articles with publication dates prior to 2000 are referenced as they represent the original theories or research upon which the more recent literature is based.

• Selected literature is retrieved via Google Scholar, EBSCOHost, ERIC, and LexusNexis Academic Databases, from prior University of Oregon Applied Information Management courses, as well as through professional publications and journals. As prescribed by the research evaluation questions outlined by Leedy & Ormrod (2005), preference is given to literature with stated objectives, which provide an in-depth analysis related to the problem area or sub-topics within this literature review. Additionally selected literature

is examined to ensure that it is built upon published ideas and hypotheses within the context of strategy, CRM and/or customer loyalty.

• This literature review is targeted at managers who work in organizations charged with implementing customer relationship management information system solutions. It is focused on the necessary strategic foundational factors that must be in place to support a successful system implementation.

• While CRM tends to be closely associated with technology (Payne, 2006), much of the literature selected for use within this study meets a criterion framed by Rigby, Reichheld & Schefter (2002) who say that technology should server as a facilitator to the customer relationship management process, not the total solution.

• Limiting the definition of 'customer' to internal operations personnel is an incomplete assessment; one should also consider the needs of *external* customers, and business process, structure and technology should respond to their unique needs, rather than only those of personnel serving in internal functional areas (Jayachandran, Sharma, Kaufman & Raman, 2005).

• In the broader information management community, literature selected for use in this review augments research relative to CRM best practices.

• While this review does not focus on the actual implementation aspects of a CRM technological solution, it does focus on the necessary organizational alignment foundation which is required to move from a product-centric to a customer-centric strategy.

• Problem, sub-topic, and audience selection are framed based upon real challenges presented by this author's professional organization's sales force automation undertakings. Selected literature examines how a customer-centric strategy can be defined and implemented within a particular organization to pave the way for successful CRM initiatives and increased levels of customer loyalty.

Introduction to the Writing Plan

The structure of the Review of the Literature is based upon a thematic approach provided by the University of North Carolina Library where the selected literature is presented by topic area, rather than chronologically (n.d.). As such, the themes explored follow the path of the problem area and subtopics listed above, namely: business strategy creation, customer-centricity, customer loyalty and how it can be measured, customer relationship management, and how customer relationship management systems can improve customer loyalty. The goal of this review is to "emphasize the relatedness" of these topics (Leedy & Ormrod, 2005, p. 80) in order to encourage the audience to examine the ways in which business strategy and customer-centricity drive customer loyalty and the impact and value that can result from a holistically focused customer relationship management strategy.

Definitions

Customer Experience - The internal and subjective response customers have to any direct or indirect contact with a company (Meyer & Schwager, 2007).

Customer Equity - The present value of customer lifetime value for all current and potential customers (Kumar, Lemon, Parasuraman, 2006).

Customer Lifetime Value- The sum of all cash flow derived from a customer adjusted for the weighted average cost of capital (WACC) (Kumar, Lemon, Parasuraman, 2006).

Customer (consumer) loyalty - "A deeply held commitment to rebuy or repatronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, *despite* situational influences and marketing efforts having the potential to cause switching behavior," (Oliver, 1999, p. 34).

Customer Loyalty Management (CLM) - "Customer loyalty management (CLM) takes a broad view of the customer relationship – **including** customer experiences, but also looks at the images, attitudes, and commitments that are shaped by these experiences and what benefits (in terms of desired customer behaviors) are realized through these," (McAllister, 2006, pp. 7).

Customer Relationship Management (CRM) - The holistic management of customer relationships from strategy and processes to information technology in a manner that builds profit for shareholders (Payne, 2006, Rigby et al., 2002).

Customer satisfaction - Occurs when a customer's good experiences or interactions with a company exceed the negative experience or interactions with the company (Meyer & Schwager, 2007).

External variables - External influences on a company such as: resource providers, suppliers, customers, competitors, government, the economy, society and community, parent corporation priorities, and shareholders (Saloner et al., 2001, p. 17).

Internal variables - Internal influences on a company such as: leadership, strategy, business processes, goals and measurement, human capabilities, information management, organizational structure and roles, culture and the issue resolution process (Saloner et al., 2001, p. 17).

Sales Force Automation (SFA) - A set of tools, encompassed within customer relationship management technology, that support the sales process by increasing the effectiveness and efficiency of a salesperson through "improving the speed and quality of information flow among the salesperson, customer, and organization," (Speier & Venkatesh, 2002).

Share of wallet - The portion of a customer's budget that can be allocated to purchase a company's goods or services (Ratekin, 2007).

Solutions Provider - A company that "offer[s] solutions to customers instead of stand alone products," (Galbraith, 2002, p. 3).

Strategy - The specific plan, through which a company will achieve its goals (Kotler & Keller, 2006).

Strategic CRM - The aspect of customer relationship management that focuses enterprise business strategy designed to cultivate customer relationships over time to generate long-term wealth for shareholders (Payne, 2006).

Strategic planning – An annual or multiyear business plan that identifies priority areas of focus, assessment of internal resources and competitive threats, and identifies the specific strategic long range (5 years) and tactical (next year) plans for the business (Saloner et al., 2001).

Weighted Average Cost of Capital (WACC) - The accumulation of all future cash flow, discounted to its present day value. The time value of money. (Copeland, Koller & Murrin, 2000).

Research Parameters

The goal of this section is to document the research methods used to develop the literature review, including the search tools and techniques used to find relevant data. This section also contains information on the data documentation process and evaluation criteria used to determine the relevancy and quality of the selected literature. There is also a detailed review of the search process and usefulness of the search results. Finally, this section concludes with a writing plan that describes the way ideas are organized for the Review of the Literature, in the form of a detailed outline.

Search Strategy Report

The Search Strategy Report contains a summary and description of the tools that have been used to locate and retrieve the selected literature. Such tools, as outlined by Leedy and Ormrod (2005) include library resources, internet resources such as databases, as well as the key search terms (language) used to retrieve the information (p. 13). This report should inform future researchers on potential locations and means by which to find related literature.

Problem Area Search Terms

- Customer Relationship Management (CRM)
- Sales Force Automation (SFA)
- Sales
- Technology
- Strategy
- Customer-centric
- Product-centric

Sub-Topic Search Terms

Customer Loyalty & Customer Lifetime Value

- Customer Loyalty
- Customer Lifetime Value
- Modeling
- Developing

CRM Strategies & Future Revenue Generation

- Productivity
- Revenue
- Profit
- Implementation

Search Engines

Google Scholar http://scholar.google.com/

Business Publication http://www.bpubs.com

Academic Databases

EBSCOHost Database

ERIC Database

LexisNexis Academic Database

Professional Publications

Sales Executive Council: https://www.sec.executiveboard.com

Walker Information: http://www.creatingloyalty.com/

Peer Reviewed Journals

Information Technology & Management

Journal of Interactive Marketing

Journal of Marketing

Journal of Marketing Research

Journal of Marketing Theory & Practice

Journal of Service Research

Other Journals

Business Horizons: http://www.elsevier.com/locate/bushor

Harvard Business Review: http://www.hbsp.harvard.edu/

Sales and Marketing Management: http://www.salesandmarketing.com/msg/index.jsp

Summary Table of Search Results

Search Engine/Database	SearchTerms	Results: #	Results Quality	Comments
Google Scholar	Customer + Relationship + Management	393,000	Good: many articles focused on the practice of managing customer relationships	Google Scholar provides an excellent starting point for research. Many of the initial articles for this literature review were retreived from Google Scholar
	Customer + Relationship + Management + Sales + Productivity	47,100	Fair	
	Customer + Relationship + Management + Sales + Productivity + Revenue	22,700	Fair: many of the top articles overlap with the prior search term results	
	CRM + Implementation + Sales + Productivity + Revenue	2,090	Good: a number of articles focused on successful CRM technology implementations	
	Product + Centric + Strategy	35,800	Good	
	Customer + Centric + Strategy	15,900	Good	
	Modeling + Customer + Lifetime + Value	21,100	Excellent	
	Developing + Customer + Loyalty	47,300	Good	
Lexis Nexis Academic Database (Accessed through the University of Oregon Libraries)	CRM + Implementation + Revenue	129		Many of the articles returned from Lexus Nexus appeared to be brief news-related items touting the general benefits of CRM, mentioning market leaders in CRM technology or recounting successful CRM
	Sales + Force + Automation + SFA	13		
	Sales + Force + Automation + Loyalty	10		
Business Publication	CRM	26	Poor	Hyperlinks to relevant articles were broken. There were no useful results from this search engine.
Harvard Business Review	CRM	41	Excellent	HBR was an excellent resource for academic publications.
	Loyalty	29	Excellent	
	Sales + Methodology + CRM + Profit	364	Excellent	
EBSCOHost ERIC Database	CRM + De=Literature Review	0	Poor	
Sales Executive Council	Sales + Technology + Strategy	1114	Fair	Much of the CRM related content focused on summary level reports of survey results
Walker Information	ROI	23	Fair	Many articles on customer loyalty from Walker Information's monthly publication, *Creating Loyalty*.

Table 1: Summary Table of Search Results

Documentation Approach

Lester and Lester (2002) suggest using different word processing documents, grouped in a common repository to easily move information between working documents (p. 135). Three Microsoft Word documents are used for initial documentation, 'Quotes', 'Working Bibliography' and 'Potential ideas'. Selected articles are grouped by topic area and marked for further analysis. Those that fall short of the criteria are either immediately discarded or filed away for potential use in the 'Potential ideas' document, should they support the chosen literature. The 'Quotes' document is used to capture citations and to

paraphrase key concepts and ideas presented within the literature. As Lester and Lester (2002) suggest, all note taking can be captured within this single working document, adding any new information to the top of the document page (p. 136). This 'Quotes' document also serves as the working board for the writing plan. All literature that is quoted or paraphrased within the 'Quotes' document includes in-text citations for ease of referencing authors. At the same time each article included in the 'Quotes' document is added with corresponding abstracted information to the bibliography section of a separate Microsoft Word document (Lester & Lester, 2002), which facilitates an easy way to review summary level information and easy retrieval of each article (Leedy & Ormrod, 2005).

A third document, entitled 'Potential ideas' is used to capture any key thoughts or potential sources stemming from review of the selected literature. Further analysis and research is based upon concepts in the 'Potential ideas' document. Any fruitful results are moved over into the 'Quotes' and 'Working Bibliography' documents, respectively.

Discussion of Search Results

In general, there is much academic, corporate and research-oriented information available on the topics of customer relationship management, customer-centric strategies, and customer loyalty. The most difficult aspect of the research process is to determine the most current and widely accepted concepts in each of these areas that build upon academic foundations. The text that follows recounts the search experience within the selected search engines and databases.

Within Google Scholar, *Customer Relationship Management* as a search term returns many articles focused on the practice of managing customer relationships. The result sets from each Google Scholar search provide links to related articles as well as a count for how many times an article has been referenced in other research which helps provide an indication of the level of peer acceptance of an article's content.

One article located via Google Scholar, *CRM Implementation: Effectiveness Issues and Insights* (Bohling, Bowman, Lavelle, Mittal, Narayandas, Ramani & Varadarajan, 2006) introduced the *Journal of Service Research*. This online journal provides a number of helpful search tools including published bibliographies for each of the articles, links to other articles by the authors as well as suggestions for related articles published by the Journal. A number of scholarly-based articles are found within the *Journal of Service Research*, which are helpful to augment existing literature as well as directing additional research.

Many of the articles returned from Lexus Nexus appear to be brief news-related items touting the general benefits of CRM, mentioning market leaders in CRM technology or recounting successful CRM implementation stories, rather than academic research on the topic of CRM or customer loyalty.

While the Business Publication search engine returned a handful of promising results, the hyperlinks to these articles are broken (a search for the article titles on Google Scholar returns the same error). Within the context of the search criteria, there are no useful results from this search engine.

The Harvard Business Review website generated a number of useful CRM related articles, many also relating to the subtopic of customer loyalty. Searching with *Loyalty* as a singular search term resulted in many articles that are focused on creating loyalty programs; not quite within the scope of this literature review. The CRM articles found at the Harvard Business Review website provided very lengthy resource lists, which have contributed additional related articles published through the Harvard Business Review and/or available via Google Scholar. Much of the research located on the subject of CRM reference these Harvard Business Review articles.

The Sales Executive Council provides members with many business based studies and research. Much of the CRM related content focuses on executive level reports of survey results rather than in-depth analysis of specific customer relationship or loyalty concepts. One particular article *Conducting Customer Loyalty, Satisfaction, and Profitability Research* (CEB, 2005) reports on loyalty and profitability conclusions drawn from many different academic sources, some which are already obtained via prior searching and a few additional articles that are located by further Google Scholar title and author searches.

Walker Information, a research and consulting company, provides customer loyalty measurement reports and services to companies. Walker Information publishes a monthly online newsletter, *Creating Loyalty,* which explores various aspects of customer loyalty. There are a number of articles at this website touting the importance of measuring loyalty, although most are non-academic in nature. A couple of articles are selected from this website, specifically Ratekin's (2007) *Inspire action by linking*

customer loyalty data to financial metrics, which uses academic theories to relate customer segmentation analysis with customer value to a corporation. Walker Information's (2005) *Walker Insight Report: Financial Impact of CLM Programs on the subject of the financial impact of customer loyalty management* was also selected as a supporting article as it provides verbatim survey responses that indicate the current usage and difficulties with analyzing the link between financial information and customer loyalty.

A number of book titles within the Google Scholar searches are not available online. Books 24x7 (http://skillport.books24x7.com/bookshelf.asp), an online book membership allowed access to a number of these titles. By performing title and author searches, the following titles are retrieved: *Designing the customer-centric organization* (Galbraith, 2005), *A Practical Guide to CRM* (Reynolds, 2002), and *The Loyalty Effect: The Hidden Effect Behind Growth, Profits, and Lasting Value* (Reichheld, 1996).

Many of the articles that retrieved from the Harvard Business School and *The Journal of Service Research* contain rich bibliographies. In order to track down these resources, Google Scholar has been useful. While some of these articles are not available publicly, access through the University of Oregon and Intel Libraries has been permitted.

Evaluation Criteria

Relevancy of the selected literature.

Per guidelines recommended by Lester & Lester (2002), initial review of the articles focuses on reviewing the article title, abstract, opening paragraphs, topic sentences and closing paragraphs to examine how well the article addresses the topics and subtopics within this literature review (p. 111). Articles that meet this initial criteria further analyzed, according to guidelines adapted from Leedy and Ormrod (2005) and Lester and Lester (2002), through which relevancy to the research topic is determined by the following criteria:

1) foundational theories within a given field that address the problem area or subtopics within this review (Lester & Lester, 2002, p. 109), or

2) further analysis and/or research based upon the foundational theories, or

3) analysis derived from research surveys on the problem area or sub-topics (Lester & Lester, p. 109), and/or

4) literature that relates the problem area *and* one or more sub-topic areas within this literature review, providing a cross-dimensional analysis (Leedy & Ormrod, 2005, p. 80).

Quality of the selected literature.

The majority of the literature selected for this review consists of academic course books, articles published in peer-reviewed journals or from other resources available through the University of Oregon and Intel's Libraries. According to Boston College, "most books found in an academic library have been vetted by editors and others prior to publication,"

(n.d.). All peer reviewed journals listed above are indicated to be "refereed" by Ulrich's Periodicals Directory (n.d.). Two of the journals, *Business Horizons* and *Harvard Business Review*, while not peer reviewed, are published by university business schools and undergo rigorous review processes. Each of these publications is often cited within other scholarly works.

For the literature that falls outside of the parameters above, the founding principles of Hope Tillman (n.d.), Director of Babson College's Libraries evaluative criteria are applied in addition to the following criteria: the ease of finding information about the author, consistency between published content and other peer-reviewed information on the subject, credibility of the publisher (no apparent bias) and breadth of the content available by the publisher.

Writing Plan

Leedy and Ormrod (2005) recommend using the problem statement as a starting point for attaining the proper 'psychological orientation' for a paper. Lester and Lester (2002) further suggest using the key terminology to organize (p. 89) a research paper such as a literature review. As such the organization of this literature review is first patterned after the primary search terms and phrases found within the guiding questions: strategy, customer loyalty, customer lifetime value, customer relationship management. By grouping related notes within each of these categories, general patterns emerge.

The next step is to use these patterns to generate a series of sub-sections (Leedy & Ormrod, 2005) which leads to a formal outline (Lester & Lester, 2002). The formal outline is structured according to key themes. Each of the major topic areas, business

strategy creation, customer-centricity, customer loyalty and how it can be measured, customer relationship management, and how customer relationship management systems can improve customer loyalty begin with a conceptual explanation and presentation of the theories from the selected literature. The themes are carried throughout the body of the literature review in order to underscore the connections between each of the sub-topics (Leedy & Ormrod, 2005). Specifically, this literature review examines the business strategy creation process and how a company can analyze customer segments in order to develop a united customer-centric focus. Building upon the foundation of a customer-centric strategy, the second section of the literature review explores the customer loyalty continuum and investigates how loyalty can be cultivated and measured to fine tune customer relationship management. The final section of this literature review explores customer relationship management systems (technology) strategy and the role it plays in increasing customer retention (loyalty), and long term corporate profitability. The intent of this literature review is that upon conclusion, the reader shall have a greater understanding of the relationships between customer-centric business strategy, customer loyalty, and the benefits derived from a holistically focused customer relationship management strategy.

The formal outline follows:

1) Questions that address the larger problem area context for this inquiry focus on literature that addresses corporate strategy and strategic change, and include:
    a) How do you encourage an organization to adopt a new strategy?
        i) Strategy defined
            (1) Strategy benefits
            (2) Strategy formation process

ii) Market segmentation defined
(1) Segmentation criteria
(2) Needs-based segmentation
(3) Market segment viability

b) How does a company move from a product-centric to a customer-centric strategy?
i) Product-centric and customer-centric strategy defined
(1) Product v. customer-centric approach to business
(2) Product v. customer-centric strategic planning process
(a) Customer-centric strategy organizational alignment
ii) The role of CRM in strategic planning
(1) Customer Relationship Management defined
iii) Corporate culture and strategy adoption

2) The examination of customer loyalty is focused on literature that addresses these two questions:
a) How do customers develop loyalty to a company?
i) Customer satisfaction defined
ii) Customer loyalty defined
(1) Customer loyalty stages
(2) Ultimate loyalty defined
(3) Brand community integration
(4) Customer loyalty barriers
b) How do you measure customer lifetime value?
i) Customer value creation process defined
(1) Customer lifetime value and customer equity defined
ii) Customer segmentation based on loyalty levels
(1) Matching a customer strategy to loyalty level
iii) The financial impact of customer retention

3) Literature that examines the relationships between CRM initiatives and customer loyalty, answers these additional questions:
a) What role do CRM initiatives play in increasing customer loyalty?
i) The role of CRM in process integration

(1) CRM as a predictor of customer behavior

(2) CRM process selection criteria

ii) CRM technology selection

(1) Examples of CRM technology

(2) CRM strategy as a pre-cursor to technology implementation

Review of the Literature Bibliography

While the amount of literature available on the following subjects is copious and far-reaching, the 22 articles selected represent the current train of thought on customer-centric strategy, customer relationship management and customer loyalty as they relate to the problem area and sub-topics in this review. For the purpose of simplicity, literature are grouped into problem area and sub-topic categories below (six in all), however, much of the literature addresses more than one topic area, therefore specific references to each of these texts may be found throughout this literature review.

* Denotes abstract is written by Kristen Ballard.

Corporate Strategy/ Strategic Change/ Strategic Creation/ Strategic Adoption (4 entries)

Brache, A. (2002). *How Organizations Work: taking a holistic approach to enterprise health*. New York: John Wiley & Sons, Inc.

Abstract (from book cover): Alan Brache uses his revolutionary "Enterprise Model," an organization model analogous to human biology, to provide a clear, integrated solution to performance improvement that takes into account all the variables that influence performance. Here, Brache provides a comprehensive "physical exam" for checking your organization's vial signs and provides a 360-degree picture of how organizational dynamics can be harnessed to effect permanent improvements in performance.

Gurau, C., Ranchhod, A., Hackney, R. (2003). Customer-Centric Strategic Planning: Integrating CRM in Online Business Systems. *Information Technology and Management (4)*, 199-214. The Netherlands: Springer Netherlands. Retrieved November 2, 2007 from http://www.springerlink.com/content/j93012x215840117/

Abstract: Customer Relationship Management (CRM) is increasingly found at the top of corporate agendas. Online companies in particular are embracing CRM as a major element of corporate strategy, because online technological applications

permit a precise segmentation, profiling and targeting of customers, and the competitive pressures of the digital markets require a customer-centric corporate culture. The implementation of CRM systems in online organisation determines a complex restructuring of all organisational elements and processes. The strategic planning process will have to adapt to new customer-centric procedures. The present paper analyses the implementation process of a CRM system in online retail businesses and develops a model of the strategic planning function in a customer-centric context.

Payne, A. (2006). *The Handbook of CRM - Achieving Excellence in Customer Management*. Great Britain: Elsevier.

Abstract (from book cover): CRM is a holistic strategic approach to managing customer relationships, to increase shareholder value, that is the central premise of this major Handbook giving complete coverage of the key concepts in this vital field. It is about achieving a total understanding for the concepts that underlie successful CRM rather than the plethora of systems that can be used to implement it. CRM at its best is the successful acquisition and retention of profitable customers- and this demands a firmly grounded strategic grasp of the business and its markets, allied to the powerful data management systems and channels that connect them.

Saloner, G., Shepart, A., Podolny, J. (2001). *Strategic Management*. USA: John Wiley & Sons, Inc.

Abstract: This book is written for current and future general managers who have or will have overall responsibility for a business. These managers have what can be the most rewarding of managerial jobs: to craft a strategy that will guide their business, to build an organization that can achieve their strategic goals, and to make the fundamental strategic decisions to navigate a changing world. The authors provide a set of frameworks, tools, and concepts to build this capability. The goal of the book is to provide insights into organizations and strategy that will help general managers make strategic thinking in their firms pervasive, effective, and rewarding.

How a Company Moves from a Product-Centric to a Customer-Centric Strategy (5 entries)

Bohling, T., Bowman, D., Lavelle, S. Mittal, V., Narayandas, D., Ramani, G. & Varadarajan, R. (2006). CRM Implementation: Effectiveness Issues and Insights. *Journal of Service Research (9) 2*, 184-194. Retrieved October 23, 2007 from http://jsr.sagepub.com/cgi/content/abstract/9/2/184

Abstract: Conceptually, customer relationship management (CRM) has been widely embraced by businesses. In practice, however, examples of success contrast with anecdotes where the diffusion of CRM into organizations continues to be a slow process and/or where CRM implementation outcomes have fallen short of expectations. Successful implementation depends on a number of factors such as fit between of a firm's CRM strategy and programs and its broader marketing strategy, and intraorganizational and interorganizational cooperation and coordination among entities involved in implementation. Building on the results of a survey of the CRM-implementation-related experiences of 101 U.S.-based firms, in this article the authors identify factors associated with successful CRM implementation and advance directions for future research.

Galbraith, J. (May, 2002). Organizing to Deliver Solutions. *Organizational Dynamics.* Retrieved November 2, 2007 from http://www.marshall.usc.edu/ceo/teleconferences/2002_org_design/Organizing_Deliver.pdf

Abstract: This article defines what is meant by a customer-centric unit. It then identifies the different solutions strategies that will determine different degrees of customer-centricity and different forms of organization. The article concentrates on the structure and management processes that are needed to implement reasonably complex solutions. The recommended structure is the front-back hybrid model that has been adopted by IBM and Nokia. The five key processes that need to be added are customer strategy, product portfolio planning, solutions development, solutions ordering and pricing, and the assembly and disassembly of teams. These key processes are the primary vehicles through which the leaders manage the tensions between product- and customer-centric units. In addition, the redesign of reward systems is mentioned. To complete the organization, the issues of developing and selecting talent for account management and project management are highlighted. Overall, the development of skills to manage conflict and the management of this conflict through the five key processes are the organizational challenges that are featured.

Jayachandran, S., Sharma, S., Kaufman, P. & Raman, P. (October 2005). The Role of Relational Information Processes and Technology Use in Customer Relationship Management. *Journal of Marketing (69) 4.* 177-192. Retrieved October 29, 2007 from EBSCOHost Database http://search.ebscohost.com/login.aspx?direct=true&AuthType=ip,url,uid&db=bch&AN=18302836&site=ehost-live

Abstract: Drawing on the relationship marketing and market information processing literature streams, the authors conceptualize and measure relational information processes, or organizational routines that are critical for customer relationship management (CRM). The authors examine the key drivers and outcome of relational information processes and the role of technology in implementing CRM using data collected from a diverse sample of firms. The results show that relational information processes play a vital role in enhancing an organization's customer relationship performance. By moderating the influence of relational information processes on customer relationship performance, technology used for CRM performs an important and supportive role. The study provides insights into why the use of CRM technology might not always deliver the expected customer relationship performance outcome.

Kotler, P. & Keller, K. (2006). *Marketing Management* (12e). New Delhi: Prentice Hall.

Abstract (from Chapter 5): Today companies face their toughest competition ever. Moving from a product and sales philosophy to a marketing philosophy, however, gives a company a better chance of outperforming competition. And the cornerstone of a well-conceived marketing orientation is strong customer relationships. Marketers must connect with customers - informing, engaging, and maybe even energizing them in the process. John Chambers, CEO of Cisco Systems, put it well: "Make your customer the center of your culture." Customer-centered companies are adept at building customer relationships, not just products; they are skilled in market engineering, not just product engineering.

Shah, D., Rust, R., Parasuraman, A., Staelin, R. & Day, G. (2006). The Path to Customer Centricity. *Journal of Service Research, 9,* 113 - 124. Retrieved October 26, 2007 from http://jsr.sagepub.com

Abstract: The concept of customer centricity and its benefits have been discussed for more than 50 years. Despite this fact, many firms are still struggling to fully align themselves to the customer-centric paradigm. This article identifies fundamental issues and challenges that typically deter a firm from becoming customer-centric. These are mainly related to the organizational culture, structure, processes, and financial metrics of the firm. To overcome these barriers, the article suggests a path to customer centricity that is driven by a strong leadership commitment, organizational realignment, systems and process support, and

revised financial metrics. The article concludes with directions for further research.

How Customers Develop Loyalty to a Company (3 entries)

Jacoby, J. & Kyner, D. (February, 1973). Brand Loyalty vs. Repeat Purchasing Behavior. *Journal of Marketing Research (10)* 1. 1-9. Retrieved November 14, 2007 from EBSCOHost database http://search.ebscohost.com/login.aspx?direct=true&AuthType=ip,url,uid&db=bch&AN=5005251&site=ehost-live

Abstract: Brand loyalty is first distinguished from simple repeat purchasing behavior and then conceptually defined in terms of six necessary and collectively sufficient conditions. An experiment designed to test this conceptualization provided strong empirical support for the distinction as conceptualized.

McAlexander, J., Kim, S. & Roberts, S. (October 1, 2003). Loyalty: The Influences of Satisfaction and Brand Community Integration. *Journal of Marketing Theory & Practice*. Retrieved November 14, 2007 from http://preview.factiva.com/archive/default.aspx?an=MTP0000020040331dza100005&fid=0&category=article

Abstract: This paper empirically explores the relative impacts of satisfaction, brand community integration, and consumer experience on customer loyalty as expressed by future purchase intentions and behavior. Data drawn from qualitative research and a survey of 1000 patrons of a Native American casino who indicate a willingness to engage in formal marketing relationships indicate that satisfaction yields to brand community integration as a key driver of loyalty. We discuss important implications of the findings for marketing theory and practice.

Oliver, R. (October, 1999). Whence Consumer Loyalty? *Journal of Marketing (63)* 4. 33-44. Retrieved November 6, 2007 from EBSCOHost Database http://search.ebscohost.com/login.aspx?direct=true&AuthType=ip,url,uid&db=bch&AN=2444274&site=ehost-live

Abstract: Both practitioners and academics understand that consumer loyalty and satisfaction are linked inextricably. They also understand that this relation is asymmetric. Although loyal consumers are most typically satisfied, satisfaction does not universally translate into loyalty. To explain the satisfaction-loyalty conundrum, the author investigates what aspect of the consumer satisfaction response has implications for loyalty and what portion of the loyalty response is due to this satisfaction component. The analysis concludes that satisfaction is a necessary step in loyalty formation but becomes less significant as loyalty begins to set through other mechanisms. These mechanisms, omitted from consideration

in current models, include the roles of personal determinism ("fortitude") and social bonding at the institutional and personal level. When these additional factors are brought into account, ultimate loyalty emerges as a combination of perceived product superiority, personal fortitude, social bonding, and their synergistic effects. As each fails to be attained or is unattainable by individual firms that serve consumer markets, the potential for loyalty erodes. A disquieting conclusion from this analysis is that loyalty cannot be achieved or pursued as a reasonable goal by many providers because of the nature of the product category or consumer disinterest. For some firms, satisfaction is the only feasible goal for which they should strive; thus, satisfaction remains a worthy pursuit among the consumer marketing community. The disparity between the pursuit of satisfaction versus loyalty, as well as the fundamental content of the loyalty response, poses several investigative directions for the next wave of postconsumption research.

How Customer Lifetime Value Can Be Measured (2 entries)

Berger, P. & Nasr, N. (1998). Customer Lifetime Value: Marketing Models and Applications. *Journal of Interactive Marketing (12)* 1. 17-30. Retrieved November 6, 2007 from EBSCOHost Database http://search.ebscohost.com/login.aspx?direct=true&AuthType=ip,url,uid&db=bch&AN=348356&site=ehost-live

Abstract: Presents information on customer lifetime value which has been increasingly considered in the field of general marketing. Information on the literature on this topic; Mathematical models for determination of customer lifetime value; What the choice of models are based on; Selection of managerial applications of these general models.

Kumar, V., Lemon, K., Parasuraman, A. (2006). Managing Customers for Value: An Overview and Research Agenda. *Journal of Service Research (9)* 2. 87-94. Retrieved October 23, 2007 from: http://jsr.sagepub.com/cgi/reprint/9/2/87

Abstract: This article provides an introduction to and overview of this special issue on "Managing Customers for Value." The field of customer management has grown rapidly in recent years, with significant research examining approaches with which firms can manage customers as key assets. Starting with the notion that firms seek to maximize customer lifetime value and customer equity, the authors identify eight key challenges that firms and researchers face in understanding, managing, and implementing successful customer management strategies. The authors then present an organizing framework and use it to offer an overview of the rest of the special issue, outlining how each of the remaining articles in the special issue (each addressing one of the key challenges) fits into the framework. Based on a synthesis of the overall insights from the articles, the

authors conclude with a research agenda that highlights potentially fruitful avenues for further investigation.

The Role That CRM Systems Play in Increasing Customer Loyalty (5 entries)

Meyer, C. & Schwager, A. (February, 2007). Understanding Customer Experience. *Harvard Business Review* (No. R0702G). Boston: Harvard Business School Publishing. Retrieved October 26 from http://www.hbsp.harvard.edu/

Abstract: Anyone who has signed up for cell phone service, attempted to claim a rebate, or navigated a call center has probably suffered from a company's apparent indifference to what should be its first concern: the customer experiences that culminate in either satisfaction or disappointment and defection. Customer experience is the subjective response customers have to direct or indirect contact with a company. It encompasses every aspect of an offering: customer care, advertising, packaging, features, ease of use, reliability. Customer experience is shaped by customers' expectations, which largely reflect previous experiences. Few CEOs would argue against the significance of customer experience or against measuring and analyzing it. But many don't appreciate how those activities differ from CRM or just how illuminating the data can be. For instance, the majority of the companies in a recent survey believed they have been providing "superior" experiences to customers, but most customers disagreed. The authors describe a customer experience management (CEM) process that involves three kinds of monitoring: past patterns (evaluating completed transactions), present patterns (tracking current relationships), and potential patterns (conducting inquiries in the hope of unveiling future opportunities). Data are collected at or about touch points through such methods as surveys, interviews, focus groups, and online forums. Companies need to involve every function in the effort, not just a single customer-facing group. The authors go on to illustrate how a cross-functional CEM system is created. With such a system, companies can discover which customers are prospects for growth and which require immediate intervention.

Payne, A. & Frow, P. (October 2005). A Strategic Framework for Customer Relationship Management. *Journal of Marketing (69) 4*. 167-176. Retrieved from October 29, 2007 from EBSCOHost Database http://search.ebscohost.com/login.aspx?direct=true&AuthType=ip,url,uid&db=bch&AN=18302844&site=ehost-live

Abstract: In this article, the authors develop a conceptual framework for customer relationship management (CRM) that helps broaden the understanding of CRM and its role in enhancing customer value and, as a result, shareholder value. The authors explore definitional aspects of CRM, and they identify three alternative perspectives of CRM. The authors emphasize the need for a cross-functional, process-oriented approach that positions CRM at a strategic level. They identify

five key cross-functional CRM processes: a strategy development process, a value creation process, a multichannel integration process, an information management process, and a performance assessment process. They develop a new conceptual framework based on these processes and explore the role and function of each element in the framework. The synthesis of the diverse concepts within the literature on CRM and relationship marketing into a single, process-based framework should provide deeper insight into achieving success with CRM strategy and implementation.

Reynolds, J. (2002). *A Practical Guide to CRM.* CMP Books. Accessed November 15, 2007 from http://skillport.books24x7.com

Abstract: This book is a guide to achieving customer satisfaction by choosing the right CRM systems, and explains how to use CRM to integrate all channels of customer contact.

Rigby, D., Reichheld, F. & Schefter, P. (February 1, 2002). Avoid the Four Perils of CRM. *Harvard Business Review* (No. 8946). Boston: Harvard Business School Publishing. Retrieved October 26 from http://www.hbsp.harvard.edu/

Abstract: Customer relationship management is one of the hottest management tools today. But more than half of all CRM initiatives fail to produce the anticipated results. Why? And what can companies do to reverse that negative trend? The authors--three senior Bain and Company consultants--have spent the past 10 years analyzing customer-loyalty initiatives, both successful and unsuccessful, at more than 200 companies in a wide range of industries. They've found that CRM backfires in part because executives don't understand what they are implementing, let alone how much it will cost or how long it will take. The authors' research unveiled four common pitfalls that managers stumble into when trying to implement CRM. Each pitfall is a consequence of a single flawed assumption--that CRM is software that will automatically manage customer relationships. It isn't. Rather, CRM is the creation of customer strategies and processes to build customer loyalty, which are then supported by the technology. This article looks at best practices in CRM at several companies, including the New York Times Co., Square D, GE Capital, Grand Expeditions, and BMC Software. It provides an intellectual framework for any company that wants to start a CRM program or turn around a failing one.

Stringfellow, A., Nie, W., & Brown, D. (September 15, 2004). CRM: Profiting from understanding customer needs. *Business Horizons* (No. BH158), Indiana University. Retrieved October 26 from http://www.hbsp.harvard.edu/

Abstract: Customer relationship management (CRM) requires the alignment of three building blocks: insight into customer decision making, information about customers, and information processing capability. However, its emphasis on the latter has outpaced the first two, so that CRM rarely realizes its full potential. The guidelines presented here can help managers build a full-spectrum information portfolio for CRM that, through the thoughtful integration of existing tools, information properties, and communication channels, can provide a more complete picture of customers and form the basis for long-lasting and profitable relationships with them.

The Impact of Customer Loyalty on a Company's Future Revenue Stream (3 entries)

Ratekin, M. (March, 2007). Inspire action by linking customer loyalty data to financial metrics. *Creating Loyalty*. Retrieved November 6, 2007 from http://www.creatingloyalty.com/story.cfm?article_id=968

Abstract: This article explores how to link financial information to customer data to determine which customers are most financially valuable to a company.*

Reichheld, F. (1996). *The Loyalty Effect: The Hidden Effect Behind Growth, Profits, and Lasting Value.* Boston: Harvard Business School Press.

Abstract: Reichheld reveals the secrets of successful companies that base their business strategies on loyal relationships. With concrete advice that has stood the test of time, he analyzes the true economics that drive long-term business success, and his startling conclusions show how even a small improvement in customer retention can sometimes double profits. Reichheld lays out the principles that connect value creation, loyalty, growth, and profits and shows how great companies like State Farm, Toyota/Lexus, MBNA, John Deere, and the Leo Burnett advertising agency have used these principles to build unassailable franchises of loyal customers, loyal employees, and loyal owners. He describes the fundamental business philosophies that underlie the remarkable results of these loyalty leaders.

Reinartz, W. & Kumar, V. (July 1, 2002). The Mismanagement of Customer Loyalty. *Harvard Business Review* (No. 1407). Boston: Harvard Business School Publishing. Retrieved October 26 from http://www.hbsp.harvard.edu/

Abstract: Who wouldn't want loyal customers? Surely they should cost less to serve, they'd be willing to pay more than other customers, and they'd actively market your company by word of mouth, right? Maybe not. Careful study of the relationship between customer loyalty and profits plumbed from 16,000 customers in four companies' databases tells a different story. The authors found no evidence to support any of these claims. What they did find was that the link between customers and profitability was more complicated because customers fall into four groups, not two. Simply put: Not all loyal customers are profitable, and not all profitable customers are loyal. Traditional tools for segmenting customers do a poor job of identifying that latter group, causing companies to chase expensively after initially profitable customers who hold little promise of future profits. The authors suggest an alternative approach, based on well-established "event-history modeling" techniques, that more accurately predicts future buying probabilities. Armed with such a tool, marketers can correctly identify which customers belong in which category and market accordingly. The challenge in managing customers who are profitable but disloyal--the "butterflies"--is to milk them for as much as you can while they're buying from you. A softly-softly approach is more appropriate for the profitable customers who are likely to stay loyal--your "true friends." As for highly loyal but not very profitable customers--the "barnacles"--you need to find out whether they have the potential to spend more than they currently do. And, of course, for the "strangers"--those who generate no loyalty and no profits--the answer is simple: Identify early and don't invest anything.

Review of the Literature

Introduction

Customer Relationship Management (CRM) became a common term in the "information technology (IT) vendor community and practitioner community in the mid-1990's," (Payne & Frow, 2005, p. 167). Reynolds (2002) explains that CRM is a 'business philosophy' that sets the stage for customer-centric strategies. CRM is based on the belief that in order for a company to maximize long term profit, customer needs must be understood and leveraged (Stringfellow, Nie & Bowen, 2004). Payne and Frow (2005) report that the definition of CRM varies widely. One end of the spectrum deals with very tactical and targeted technology solutions while the other end considers customer relationship management a holistic and strategic approach to increasing shareholder value (Payne & Frow, 2005). The latter definition supports this literature review.

The primary research question under investigation in this inquiry is *How can an organization assess readiness to migrate from a product-centric to a customer-centric strategy, as a way to improve customer relationship management and facilitate customer loyalty?* As a way to address the question, the inquiry is organized into the following sections. The larger problem area incorporates literature that examines how an organization assesses readiness to migrate from a product-centric to a customer-centric strategy. Then, literature is examined that addresses: (a) the concept of customer loyalty, specifically how it can be measured; and (b) the potential changes in customer loyalty that might occur as a result of a CRM implementation.

Overview

Brache (2002) states the strategy creation process must consider the fundamental values of a firm and address where business will be done (customers and geographies), where investment needs to be made, which competitive advantages will be exploited, which systems/skills/processes are required to support the competitive advantage, and which metrics will be used to measure results (p. 51). According to Galliers and Leidner (2003), information systems strategy, such as CRM systems strategy, should complement the corporate strategy. As CRM and CRM technology become more popular, many businesses will need to shift from a product-centric to a customer-centric focus and develop customer-centric strategies to realize the full potential CRM technology can provide (Reynolds, 2002).

Kotler and Keller (2006) suggest customer segmentation as an exercise to guide customer-centric strategy creation. Customer segmentation allows a company to determine which customers to focus on (Payne, 2006). In order for a customer-centric strategy to be successful, a company's employees, structure, processes and rewards system must align with the strategy and reinforce the importance of maintaining the customer relationship (Galbraith, 2002).

There is much literature to support the link between loyal customers and increased revenue (Kumar, Lemon, Parasuraman, 2006). Oliver explains that customer loyalty will keep a customer coming back for future purchases "*despite* situational influences and marketing efforts having the potential to cause switching behavior" (1999, p. 34). Many believe that customer satisfaction is a primary driver of customer loyalty (Kotler &

Keller, 2006), however Oliver (1999) and McAlexander, Kim and Roberts (2003) caution that satisfaction is only one driver of customer loyalty and that other factors should be considered. Understanding what influences customer loyalty helps a company devise a strategy appropriate to the needs of each targeted customer segment.

In order to determine a methodology for identifying the most profitable customers, this literature review examines the following:

• Definition of customer lifetime value as the present value of all future revenue that can be gained from a customer (Berger and Nasr, 1998).

• Analysis of customer value through calculation of a customer's life expectancy including defection rates (Reichheld, 1996).

• Assessment of a customer's potential future value to a company by determining available share of wallet (Ratekin, 2007).

• Further expanding the customer focus to analyze customer experience, not just satisfaction, to deepen the understanding of subjective elements that influence a customer's purchasing decision (Meyer & Schwager, 2007).

As a result of careful loyalty segmentation analysis, one may uncover the relationship between customer loyalty and corporate revenue to determine which customers a company should focus its time and resources on attracting and retaining, (Reinartz & Kumar, 2002).

According to a Gartner Group survey, approximately 55% of CRM projects are not expected to have a positive return on investment (Stringfellow et al., 2004, Shah, Rust, Parasuraman, Staelin, & Day 2006). Consulting agency Bain and Company, reports that one in five senior executives (of a survey group of 451) indicated that their poorly implemented CRM solutions not only failed to deliver a return on investment, but actually worsened relationships with existing, long-term customers (Rigby, Reichheld & Schefter, 2002). In contrast, a survey of executives at 101 US-based firms reveals that 46% of respondents pointed to measurable increases in terms of customer retention and customer satisfaction as critical success measures for CRM undertakings (Bohling, Bohman, Lavelle, Mittal, Narayandas, Ramani & Varadarajan, 2006). These reports suggest that there is a gap between strategic intention and results.

The assumption underlying this inquiry is that this gap, or disconnect, is a direct result of an organization lacking a customer-centric focus, and that close alignment and integration of CRM strategies and corporate strategies enables attainment of customer relationship management goals (Payne, 2006). A 2003 Gartner Group report estimated that marketing organizations who focus 50% or more of their time on improving customer related marketing processes will see a return on investment at least 30% higher than organizations that do not focus on customer-centric marketing initiatives (Shah et al., 2006).

Payne (2006) cautions that CRM is not simply a technological solution to identify and expand the right customer base, but rather "it involves a profound synthesis of strategic vision, a corporate understanding of the nature of customer value within a multi-channel

environment, the utilization of the appropriate information management and CRM applications and high quality operations fulfillment and service" (p. 20). Many CRM system application implementations are not successful because they lack the necessary foundation of a strong customer strategy (Rigby et al., 2002). While the temptation to jump to technology to address CRM needs can be great, Reynolds (2002) explains that clearly defined business and customer-centric strategies combined with a thorough understanding of how business objectives relate to CRM functions must be in place ***before*** technology solutions are considered.

Corporate Strategy and Strategic Change

Strategic planning is the process through which an organization creates an annual or multiyear business plan that identifies priority areas of focus, assessment of internal resources and competitive threats, and identifies the specific strategic long range (5 years) and tactical (next year) plans for the business (Saloner et al., 2001). Strategy allows a company to be competitive and creates a common sense of purpose for employees (Saloner et al., 2001). Reynolds (2002) states that strategy enables a company to recognize ripe opportunity and make the most of customer interactions; Payne (2006) and Reynolds (2002) agree that a strong strategy is a prerequisite to focus CRM solutions (both process and technological) on the business objectives which will yield the highest return on investment. Gurau et al. (2006) cite a study by the Association of Management Consulting Firms which reveals strategic planning as the "leading management concern in many business organizations", a trend that is expected to continue (p. 199). This comes as little surprise as the Daniel Group reports 54% of companies actively engaging

in strategic planning saw three solid years of financial improvements; those that did not utilize strategic planning showed no improvement in financial performance during the same time frame (Gurau et al., 2003).

How to encourage an organization to adopt a new strategy.

Kotler and Keller (2006) describe strategy as the specific plan, through which a company will achieve its goals. Business strategy propels a company to attain corporate objectives through building a shared corporate direction and aligning internal functions such as marketing, human resources management, operations and finance in order to achieve the business strategy (Payne, 2006, p. 42). According to Payne (2006), business strategy creation is a tops-down management exercise (p. 42); primarily driven by the CEO or board of directors (p. 61). Brache (2002) states that business strategy delineates the character and course an organization will chart, and he outlines five areas that a strategy should address: 1) The principles and convictions that influence corporate culture and decision making, 2) The goods and/or services the company will provide, 3) The customers and target markets to pursue, 4) The criteria that will be used to measure success, and 5) The specific goals that will be achieved (p. 10).

While strategy formation should ideally start with close examination of the corporate vision (Payne, 2006, p. 43), Brache (2002) reveals that many executives and top level managers fail to consider important factors that influence the performance of the company. Saloner et al. (2001) note that many internal and external factors play a role in how a company operates and should be considered when creating the business strategy (p. 17). For example, internal factors include: leadership, business processes, goals and

measurement, human capabilities, information management, organizational structure and roles, culture and the issue resolution process. External factors include: resource providers, suppliers, customers, competitors, government, the economy, society and community, parent corporation priorities, and shareholders. Saloner et al. (2001) also underscore the need for managers to understand how these factors interrelate, how to influence these factors and to take a holistic view of the entire set of internal and external factors rather than focus on an insufficient few (p. 10). Brache (2002) agrees that a robust strategy hinges upon an intimate understanding of how well management understands the "trends, needs, priorities and processes" as they relate to the internal and external variables, as well as the manner and magnitude by which each factor "does and should influence" the business and similarly how the business "[does] and should influence the variable," (p. 7).

The importance of market segmentation.

One critical aspect of strategy development requires a company clearly define the markets in which it will conduct business, and those where it will not, (Brache, 2002, p. 21). This exercise is called market segmentation (Kotler & Keller, 2006). Stringfellow et al. (2004) propose proper market segmentation as a means to allow a company to "creat[e] the appropriate value proposition [in response to the needs] of one or more market segment" (p. 47). As Kotler & Keller (2006) explain, markets can be segmented based on many different attributes; segmentation criteria can include customer demographics such as location, family circumstances, gender, income, social class, employment status or religious preference (p. 248). Another segmentation strategy groups customers by value sought (Payne, 2006, p. 66) which influences buying

preferences, such as 'price-oriented customers' who desire transactional selling, 'solution-oriented customers' who prefer consultative selling, and 'strategic-value customers' who actively participate in enterprise selling through close partnership with the supplier and downstream customer (Kotler & Keller, 2006, p. 261).

Kotler and Keller (2006) propose a third segmentation strategy, which aligns well with the principles of CRM by grouping customers relative to variables such as "occasions, benefits, user status, usage rate, loyalty status, buyer-readiness stage, and attitude," (p. 255). While the ways in which a company's market can be segmented are plentiful, Payne (2006) cautions that in this increasingly competitive era, it is not realistic for a company to try to be 'all things to all people' (p. 61). The magnitude and balance of value creation between a company and each customer varies (Payne, 2006). Payne (2006) suggests that companies initially do a segmentation analysis based on "value or benefits sought" to uncover which factors most influence a customer to buy a product or service, then try to further segment the "value preferences…with other segmentation criteria," (p. 68).

Kotler and Keller (2006) use the seven steps of needs-based segmentation developed by Roger Bets to explain how a company can use market segmentation to tailor customer strategy. The seven steps of needs-based segmentation include:

1. Define distinct customer segments based on specific consumption needs and the benefits they are seeking.
2. Identify each of these segments and what makes it unique.
3. Assess the attractiveness of each segment as a source of future sales.

4. Determine the profitability of each segment.
5. Create a segment positioning strategy based on each segment's unique needs.
6. Test the positioning strategy to evaluate the likelihood of success.

Kotler and Keller (2006) further recommend evolving each segment's strategy to factor in segment-specific product, price, placement and promotion guidelines (p. 261).

Payne (2006) summarizes four generally accepted principles for evaluating the viability of a market segment. The first two principles require the size and uniqueness of the segment to be quantifiable and financially sound, and likely to return long-term profits at a level that warrants a distinct market strategy (p. 65). Principle three commands the segment be accessible within the marketing budget constraints (Payne, 2006). Lastly, the characteristics that make each segment unique must be 'durable' such that should "the service mature," the "distinction between segments [would not] diminish," (Payne, 2006, p. 66). Kotler and Keller (2006) provide one additional principle for market segmentation which requires the segment to be 'actionable', allowing for "effective programs [to be] formulat[ed] for attracting and serving the segment[s]," (p. 262).

How a company transitions from a product- to a customer-centric strategy.

Incorporating customer segmentation into the strategic planning process allows a company to shift from a product-centric to a customer-centric business model (Gurau, et. al, 2003, p. 211). Galbraith (2002) provides a clear delineation between the goals of a product-centric and a customer-centric focus; whereas a "product-centric company tries to find as many uses and customers as possible for its products…a customer-centric company tries to find as many products as possible for its customer" through focusing on

product integration (p. 5). Shah et al. (2006) summarize the differences between the product-centric and customer-centric approaches to business (see Table 2). The customer-centric approach puts the customer's needs and the relationship with the customer at every core aspect of the business, whereas the more traditional product-centric approach focuses on the transactional sale of products.

	Product-Centric Approach	**Customer-Centric Approach**
Basic philosophy	Sell products; we'll sell to whoever will buy	Serve customers; all decisions start with the customer and opportunities for advantage
Business orientation	Transaction-oriented	Relationship-oriented
Product positioning	Highlight product features and advantages	Highlight product's benefits in terms of meeting individual customer needs
Organizational structure	Product profit centers, product managers, product sales team	Customer segment centers, customer relationship managers, customer segment sales team
Organizational focus	Internally focused, new product development, new account development, market share growth; customer relations are issues for the marketing department	Externally focused, customer relationship development, profitability through customer loyalty; employees are customer advocates
Performance metrics	Number of new products, profitability per product, market share by product/subbrands	Share of wallet of customers, customer satisfaction, customer lifetime value, customer equity
Management criteria	Portfolio of products	Portfolio of customers

	Product-Centric Approach	**Customer-Centric Approach**
Selling approach	How many customers can we sell this product to?	How many products can we sell this customer?
Customer knowledge	Customer data are a control mechanism	Customer knowledge is valuable asset

Table 2: A Comparison of the Product-Centric and Customer-Centric Approaches (Shah et al., 2006, p. 115).

Gurau et al. (2003) further outline how the strategic planning process differs between product-centric and customer-centric online businesses (see Table 3). A product-oriented business focuses on environmental scans to research customers and competitors, creates operational plans around the sale of the product and promotes future sales based on the product sold. The customer-oriented firm looks at the historical relationship with the customer, groups customers with similar needs and creates segment specific strategies to fulfill these needs and updates future business plans based on feedback and analysis.

The strategic planning process in a product-oriented online business		
Phase I: Market research→ -Customer research -Assessing competitors -Evaluating suppliers' offers -Assessing company's resources and capabilities	Phase II: Planning → -Establish objectives -Select marketing mix -Detailing operational plan -Delegate responsibilities for implementation	Phase III: Implementation → -Send marketing mix offer -Process the demands -Supply the product -Send a follow-up offer

The strategic planning process in a customer-centric online business		
Phase I: Market research→ -Collection of historical data -Customer Lifetime Value (CLV) calculation -Customer segmentation -Customer profiling	Phase II: Planning → -Creating multi-functional teams -Agreeing on realistic objectives for value creation -Designing CLV-based targeted strategies -Detailing implementation plan -Delegating responsibilities for day-to-day customer management	Phase III: Implementation → -Implementing operational CR procedures -Measuring results -Collecting data -Adjusting operational plans according to results obtained

Table 3: Comparison between a product-oriented online firm and a consumer-centric online business in terms of strategic planning process (Gurau et al., 2003, p. 211).

Galbraith (2002) explains the customer-centric organization is "structured around customer segments" with management analyzing information and financial results that are categorized by each segment (p. 5). The degree of customer-centric focus required within an organization depends on a company's solution strategy (Galbraith, 2002). Within the context of 'company as a solutions provider', i.e., a company that offers its customers more than a 'stand alone product', Galbraith explains there are four conditions that necessitate an increase in customer-centricity: 1) The strategy targets an increase in vertical solutions, 2) The solution provided grows in "scope and scale", 3) There is an

escalation in the interrelationship of the "components comprising the solution", and 4) An increase in revenue resulting from the solution (p. 9).

In order to institute and sustain a customer-centric focus, Shah et al. (2006) and Galbraith (2002) caution that organizational structure, processes, people (culture) and rewards must consistently align with the strategy. For larger organizations, this requires a high level of coordination across business units, customer-centric profit centers, high levels of customer awareness across the employee base and strong management direction to ensure that product-centric business units align with the customer-centric units (Galbraith, 2002). With respect to internal measurements and rewards, Galbraith (2002) highlights a specific case -- a metrics model introduced at Nokia, which created a 'Customer Operations' unit that serves as the corporate face to the customers. This department is evaluated on customer satisfaction and customer share levels, which are intended to "make the customer more profitable," reinforcing the customer-centric strategy (Galbraith, 2002, p. 13).

The role of CRM in strategic planning.

Payne and Frow (2005) indicate that much confusion exists around the definition of CRM. As a result, these authors developed the 'CRM Continuum' to illustrate the varying degrees of CRM- focused strategy. The most narrow and tactical definition of CRM focuses on 'a specific technology solution project' such as Sales Force Automation. The second point on the continuum provides a wider definition of CRM as the implementation of "customer oriented IT and Internet solutions," (Payne & Frow, 2005). The third point of the continuum views CRM as a "holistic approach to managing

customer relationships to create shareholder value," (Payne & Frow, 2005). To expand on this third point on the continuum, Payne and Frow turn to literature and interviews with CRM practitioners and offer the following definition of CRM:

> CRM is a strategic approach that is concerned with creating improved shareholder value through the development of appropriate relationships with key customers and customer segments. CRM unites the potential of relationship marketing strategies and IT to create profitable, long-term relationships with customers and other key stakeholders. CRM provides enhanced opportunities to use data and information to both understand customers and cocreate value with them. This requires a cross-functional integration of processes, people, operations, and marketing capabilities that is enabled through information, technology, and applications (p. 168).

Payne and Frow (2005) recommend all organizations adopt this holistic to approach to CRM to ensure the greatest likelihood of successful CRM initiatives. Since CRM strategy requires a strong partnership between marketing and IT, much attention should be given to "alignment and integration of business strategy" between these organizations, (Payne & Frow, 2005, p. 170).

The role of corporate culture in strategy adoption.

As Payne (2006) elucidates, the most lucrative businesses are characterized by a robust cultural identity. The resulting strong "people and process skills" create a competitive advantage for these companies (p. 45). Brache (2002) clarifies the relationship between strategy and culture as follows, "strategy delineates the boundaries of your organization's

pond; culture is the water in which you swim," (p. 103). Brache (2002) sheds further light on the importance of relationship when he writes "culture is important because of its profound influence on strategy formulation, strategy implementation, and employee satisfaction…an enlightened culture cannot substitute for a clear strategy…a clear strategy can only be implemented through an aligned culture," (p. 103). Payne (2006) stresses culture must be fostered through active collaboration and cooperation wherein each and every employee understands that they work for the customer, whether that customer is internal or external.

Developing Customer Loyalty

The argument under consideration in this section of the Review of the Literature is how customer loyalty is developed and how it can be measured. When outstanding customer value is delivered on a consistent basis, strong customer relationships are formed (Payne, 2006). As Reinartz and Kumar (2002) report, corporate spending on customer loyalty programs is significant. In 2000, Europe's top 16 retailers spent over $1 billion on loyalty initiatives (Reinartz & Kumar, 2002). Since marketing budgets are finite, Payne (2006) encourages consideration of the potential financial value of each customer segment to help prioritize customer relationship marketing initiatives. He further notes that once customer value is understood, a company should focus on customer retention as a means to propel future business.

How customers develop loyalty to a company.

Customer satisfaction occurs when a customer's good experiences or interactions with a company exceed the negative experience or interactions with the company (Meyer &

Schwager, 2007). Kotler and Keller (2006) encourage regular measurement of customer satisfaction levels arguing that a customer who is highly satisfied will make repeat purchases, provide positive word-of-mouth about products to other potential customers, is less likely to switch to competitor's offerings of lower price substitutes, is a source of new product development ideas, and is cheaper to serve than a new customer (p. 145). McAlexander et al. (2003), however, caution the common belief that high levels of customer satisfaction will automatically result in increased customer loyalty, may not represent the full loyalty equation. They explain that "loyalty is developed in ways that are more dynamic and complex than reflected in the common 'satisfaction builds loyalty' models" therefore it is important to understand all of the factors that contribute to customer loyalty (p. 1). Meyer and Schwager (2007) provide similar guidance. While companies have generally collected a great deal of information to segment their customers,

> they know little about the thoughts, emotions, and states of mind that customers' interactions with products, services, and brands induce…unless companies know about these subjective experiences and the role every function plays in shaping them, customer satisfaction is more a slogan than an attainable goal (Meyer & Schwager, 2007, p. 11).

Customer loyalty is the "deeply held commitment to rebuy or repatronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing despite situational influences and marketing efforts having the potential to cause switching behavior," (Oliver, 1999, p. 34). Loyalty levels vary by

customer (Reichheld, 1999). Jacoby and Kyner (1973) further outline brand loyalty as "the biased (i.e. nonrandom), behavioral response (i.e. purchase) expressed over time by some decision-making unit with respect to one or more alternative brands out of a set of such brands is a function of psychological (decision-making, evaluative) processes". Loyalty does not occur by chance.

Oliver (1999) describes four stages of customer loyalty. The first stage is cognative loyalty. Cognative loyalty occurs when a customer is loyal to the price, features or some other aspect of the product. Affective loyalty is present when a customer chooses a product simply because they have a preference for it, "I buy it because I like it" (Oliver, 1999). The third loyalty stage, conative loyalty represents the "I'm committed to buying it" mindset. While conatively loyal customers will tolerate some levels of customer dissatisfaction, if they are still vulnerable to competitor's product offerings. The final stage of customer loyalty is action loyalty. At this level of loyalty the customer is intent on buying a specific brand and "also has acquired the skills necessary to overcome threats and obstacles [ability to tune out] to this quest," (Oliver, 1999, p. 37).

For a select few products, a state of ultimate loyalty can be attained (Oliver, 1999). The characteristics of ultimate loyalty require the product to be desirable due to its special design, glorified by a market segment that can generate significant profits, and entrenched within a social network (bringing consumers into the same social village) to increase the enthusiasm for the product. In order for the village to sustain, the company must invest heavily in resources to support the village which requires a great deal of analysis to understand what characterizes the truly loyal and find a way to attract and

retain them (Oliver, 1999). Ultimate loyalty will only endure when the "consumer can be conditioned to adore and commit unfailingly to the use of the brand," the individual is resilient against competitive offerings and the social network is strong (Oliver, 1999, p. 41).

According to research by both Bain and Company (Oliver, 1999) and the University of Texas (Reynolds, 2002) as many as 65-75% of satisfied or very satisfied customers will be lured away. Reynolds (2002) clarifies that customer satisfaction reveals what a customer thinks about a company, but loyalty will determine the action that a customer will take. As such, Meyer and Schwager (2007) advise companies to go further than simply measuring customer satisfaction levels since this singular metric does not provide any insight on what drives the levels of satisfaction. Jacoby and Kyner (1973) suggest that the various levels of brand loyalty (as evidenced in Oliver's definition of loyalty levels) may "contain a variety of specific brand loyalty indices," requiring more than one approach for "measuring such a complex multidimensional phenomenon as brand loyalty," (p. 1).

In this vein, McAlexander et al. (2003) undertook a study to examine the impact of brand community integration on customer loyalty. McAlexander et al. (2003) refer to the social networks that emerge around products as the 'brand community' which "can develop synergistically, strengthening interpersonal ties, and enhancing appreciation for the product, the brand, and the facilitating marketers in ways that integrate customers into the brand community and bear upon loyalty," (p. 2). In a study of 1000 casino customers, McAlexander et al. (2003) research the impact of brand community integration to

customer loyalty levels, as measured by "indicators of purchase behavior and repurchase intent," (p. 2). The study carried out by McAlexander et al. (2003) found that higher levels of brand community integration result in an increase in both customer satisfaction and customer loyalty. Citing Oliver (1999), McAlexander et al. (2003) concede that while satisfaction is the primary driver of customer loyalty for inexperienced customers, brand community integration plays a larger role in driving customer loyalty levels for more experienced consumers than does customer satisfaction. The role of brand community integration can raise the 'exit barriers' which prevent the customer from defecting, (McAlexander et al., 2003). Oliver (1999) provides an allegorical description for the relationship between customer satisfaction and customer loyalty,

> satisfaction does not transform into loyalty as much as it is a seed that requires the nurturance of sun, moisture, and soil nutrients. These are the analogies to personal determination and social support. Without these additional factors, satisfaction, similar to the seed, stays dormant. The consumer remains satisfied but does not grow beyond that state (p. 42).

Barriers to customer loyalty.

Sometime even loyal customers defect. Oliver (1999) provides an explanation for why this can occur. Customers may no longer have a use for a particular product, may seek product diversity (products offered by a competitor), may be loyal to multiple brands or might be swayed through "competitively induced dissatisfaction creation," (Oliver, 1999, p. 37). Each of these makes the customer vulnerable to competitor offerings and responsive to 'switching incentives' (Oliver, 1999). Gurau et al. (2003) suggest that the

most vulnerable customers (those most likely to switch) are those that are unhappy in their relationship with a company. As a counteractive measure, Gurau et al. (2003) recommend developing 'customer-firm relationship satisfaction' in parallel to the more traditional 'product-related satisfaction' in order to deepen the level of loyalty. Brache (2002) suggests companies also consider employee satisfaction as a lever to improve customer-firm relationship satisfaction since research shows a "high correlation between customer satisfaction and employee satisfaction" (p. 104).

How to measure customer lifetime value.

Berger and Nasr (1998) reveal the true intent of marketing based on customer relationship management requires "development and maintenance of long-term relationships with customers, rather than simply a series of discrete transactions" (p. 18) with the goal to increase the value equation for all participants. Payne and Frow (2005) identify three facets to the value creation process: (a) assessing the value that the company provides to the customer, (b) understanding the value the customer can return to the company, and (c) fostering this value exchange through marketing strategies which maximize the lifetime value from the most profitable customer segments. Reichheld (1996) indicates that the value of loyal (long-term) customers actually exceeds the value of new customers because of the acquisition costs associated with attracting new customers. Reichheld (1996) further suggests current accounting methods essentially conceal the financial benefit received through loyal customers since costs associated with customer acquisition are realized in the current period, rather than depreciated over the length of the relationship.

Berger and Nasar (1998) warn companies against focusing solely on creating and maintaining relationships without considering the cost associated in fostering these relationships. By calculating the Customer Lifetime Value (CLV), the company can segment customers into 'profit tiers' from the most to the least profitable (Kotler & Keller, 2006, p. 149). CLV analysis involves calculating the net present value of the potential revenue (value) each customer will generate less all the costs to serve the customer (Berger & Nasr, 1998). In order to carry out CLV analysis, Berger and Nasr (1998) suggest consideration of the following factors: the number of customers that can be acquired through 'specific acquisition spending', the revenue generated from the original sale to a customer, the likelihood that a customer will make repeat purchases, the impact of promotional spending on repeat purchases, and the point in time in which the customer will defect. Berger and Nasr (1998) also stress the important role the customer's purchase cycle plays in CLV analysis since "a major advantage in retaining your customers is that the profits generated by them tend to accelerate over time," (p. 19). Customer equity represents the total CLV for all of a company's customers; increasing customer equity is the goal of CRM (Kotler & Keller, 2006, p. 151).

Customer segmentation based on loyalty levels.

Reinartz and Kumar (2002) encourage companies to explore ways to "measure the relationship between loyalty and profitability so that they can better identify which customers to focus on and which to ignore," (p. 8). Ratekin (2007) introduces the concept of a vector analysis to allow a company to match the financial value (cost and reward) of retaining a customer with the loyalty level of each customer segment. This vector analysis groups customers into four segments based on their levels of attitudinal

and behavioral loyalty levels. Those that are high on both spectrums are considered to be 'truly loyal' these are the customers that are likely to continue their relationship with the firm. Those with high levels of attitudinal loyalty and low levels of behavioral loyalty are considered 'accessible' meaning with the right marketing actions, their levels of behavioral loyalty may be increased, thus improving the likelihood that they will remain customers in the future. Customers who fall into the category of high behavioral loyalty and low attitudinal loyalty levels feel 'trapped'. If given the right opportunity to defect, these customers would jump ship. Lastly, customers that have low levels of attitudinal and behavioral loyalty are considered 'high risk'; these customers are not likely to stick around in the long-term unless some significant action is taken to strengthen the customer-firm relationship. By overlaying the financial returns from each of these customer groups, it becomes clear where marketing actions are required. For example, if the highest profit a company currently earns comes from the customers who fall in the 'high risk' category, the company should take swift action to increase the loyalty levels within this group. By tracking the loyalty and financial metrics over time, a company can prove if the "most loyal customers are, in fact, [the] most valuable customers," (Ratekin, 2007, p. 8).

Part of the assessment of a customer's potential value entails analysis of the customer's 'available share of wallet', or the portion of a customer's budget that can be allocated to purchase a company's goods or services (Ratekin, 2007). For these customers, it is important to create marketing strategies that align with what the customers are asking for (Ratekin, 2007), as pleasing these particular customers provides an immediate opportunity to increase revenues through expanding share of wallet.

Reinartz and Kumar (2002) also use a vector analysis to demonstrate how marketing actions differ based on the profitability level and expected duration of the relationship with the customer (see Table 4). For example highly profitable, yet short-term customers (labeled Butterflies) should be reached through transactional satisfaction and only serviced while they remain active accounts. On the opposite end of the spectrum, lowly profitable but long-term customers (labeled True Friends) should be carefully assessed to determine their available share of wallet, and actions should be taken to maximize the wallet share to gain the most profit possible from this group.

	Short-term customers	Long-term customers
High Profitability	**Butterflies** • Good fit between company's offerings and customers' needs • High profit potential *Actions* • Aim to achieve transactional satisfaction, not attitudinal loyalty • Milk the accounts only as long as they are active • Key challenge is to cease investing soon enough	**True Friends** • Good fit between company's offerings and customers' needs • Highest profit potential *Actions* • Communicate consistently but not too often • Build both attitudinal and behavioral loyalty • Delight these customers to nurture, defend, and retain them
Low Profitability	**Strangers** • Little fit between company's offerings and customers' needs • Lowest profit potential *Actions* • Make no investment in these relationships • Make profit on every transaction	**Barnacles** • Limited fit between company's offerings and customers' needs • Low profit potential *Actions* • Measure both the size and share of wallet • If share of wallet is low, focus on up- and cross-selling • If size of wallet is small, impose strict cost controls

Table 4: Choosing a Loyalty Strategy (Reinartz & Kumar, 2002, p. 14).

Gurau et al. (2003) state that "using the value/behavior profiling of the existing customers, specific objectives can be established for each targeted segment, and then specific strategies can be designed and applied in order to reach these objectives," (p. 207). Understanding the impact of retaining loyal customers provides a company with the financial data necessary to determine which loyalty retention programs will deliver the required return on investment (Reichheld, 1996). Knowing how to analyze customer lifetime value allows a company to determine where (which segments) to focus and how much to spend on promotional efforts and to calculate the effectiveness of marketing strategies, (Berger & Nasr, 1998).

The financial impact of customer retention.

As Reichheld's (1996) research shows, retaining a loyal customer can result in handsome profits. Examining the financial benefit of retaining customers within the insurance brokering industry revealed that a mere 5 percent increase in customer retention resulted in doubled margins and a similar 5 percent increase in retention within the credit card industry can mean as much as a 75% increase in profits from a given customer over the lifetime of the relationship (Reichheld, 1996). Bain and Company (in Reynolds, 2002) reports similar financial returns in their *Making CRM Work* study claiming that a 5% increase in retention of the most profitable customers can increase a company's revenue up to 85%. As a real world example of the financial impact a loyal customer can have on a company's profits, Payne (2006) points to Domino's Pizza, a US pizza chain which "estimates that a customer who purchases one pizza for $5 may represent a net worth of approximately $5,000 over the 10-year life of a Domino franchise," (p. 9). Similarly,

"Ford Motor Company has calculated that a loyal Ford customer is worth $142,000 over their lifetime," (Payne, 2006, p. 9).

Reichheld (1996) also points out that there is a substantial impact when a company loses loyal customers. Since it is expensive to attract new customers, the net profit gained from a new customer is less than the profit gained from existing customers (Reichheld, 1996). Therefore, Reichheld (1996) advises it is important for a company to be conscious of, and take swift action when defection rates increase, since even slight decreases in retention rates can result in significant profit loss over time.

Reynolds (2002) also weighs in on the positive economic impact of retaining loyal customers through lower acquisition costs, reduced transaction costs (seasoned customers know how to conduct business with the company), and opportunities for increased revenues through cross selling and up selling, and price premiums. Payne (2006) says that loyal customers add value not only through the future business they bring to a company, but also through their ability to attract additional customers through favorable word-of-mouth.

How CRM Initiatives can Increase Customer Loyalty

This portion of the Review of the Literature focuses on ways to approach CRM initiatives and incorporate CRM technology to position a company to strengthen and deepen customer loyalty levels. CRM allows companies to understand which customers will result in the highest profits and to create strategies to build and foster relationships designed to maximize customer lifetime value, (Payne, 2006). "Companies are

increasingly embracing CRM as a major element of corporate strategy, for two important reasons: new technologies now enable companies to target chosen market segments, micro-segments or individual customers more precisely; and new market thinking has recognized the limitations of traditional marketing and the potential for more customer-focused, process-oriented perspectives," (Gurau et al., 2003, p. 200). Kotler and Keller (2006) explain that customer loyalty analysis can provide a company with a great deal of information and help shape strategy. For example, by understanding the attributes of the most loyal customers, those who will only buy one brand, a company can infer its product's strengths. Understanding the consumers who have multi-brand loyalty helps a company understand its most fierce competitors. Analyzing information about customers who are defecting to other brands can reveal weaknesses in the marketing strategies, (Kotler and Keller, 2006).

The role of CRM in process integration.

According to Rigby et al. (2002) "CRM aligns business process with customer strategies to build customer loyalty and increase profits over time," (p. 36). Kotler and Keller (2006) state that CRM must carefully incorporate all of the customer 'touch points' whether direct (through experience) or indirect (through marketing efforts, observations, etc.) to increase the level of customer loyalty (p. 152).

Reynolds (2002) explains that every interaction a company has with its customer is an opportunity to gather information about what characterizes that customer's behavior and purchase patterns. Over time, a company can anticipate how a customer will act and introduce marketing strategies to influence the customer's behavior (Reynolds, 2002).

Payne and Frow (2005) agree explaining that an organization must map out all of its processes that touch the customers to effectively plan which areas to target for CRM solutions. Based on a review of the literature and interviews with CRM practitioners, Payne and Frow (2005) suggest the following guidelines, as a way to select which processes may be most productive, i.e., “Each process would be considered by experienced practitioners as being both logical and beneficial to understanding and developing strategic CRM activities," (p. 169):

1. Identify a small set of processes that play a significant role in attaining the organization's goals.
2. Validate that each process supports the value creation process.
3. Ensure each process is 'strategic or macro level'.
4. The processes should be clearly interrelated.
5. The processes should be cross-functional across the organization.

Payne and Frow (2005) also stress the importance of analyzing the various channels through which the customer and business interact to understand the full range of touch points a company has with the customer. Careful analysis will reveal which channels (or combination of channels) will best reach customers, how to ensure high levels of customer satisfaction through each channel, and the best ways in which to present a 'single unified view' when the customer interacts with more than one channel (Payne & Frow, 2005, p. 171).

Selecting CRM technology.

CRM technology covers a wide range of activities including (but certainly not limited to) call centers or help desks, direct mailings, loyalty programs, databases, personalized internet engines, and sales force automation (Payne & Frow, 2005). These technology solutions can be "front office applications that support sales, marketing, and service; a data depository; and back office applications that help integrate and analyze data," (Jayachandran et al., 2005, p. 181). Payne and Frow (2005) highlight the need for front and back office system integration to fully appreciate improvements in both "customer relationships and workflow," (p. 173). These authors counsel businesses to be wary of software vendor claims to be "complete CRM solution providers" as very few vendors "can provide the full range of functionality that a complete CRM business strategy requires," (Payne and Frow, 2005, p. 173). As a best practice to ensure that CRM technology solutions support the CRM strategy, Payne and Frow (2005) recommend "conduct[ing] IT planning from a perspective of providing a seamless customer service rather than planning for functional or product-centered departments and activities," (Payne & Frow, 2005, p. 173).

Reynolds (2002) recommends going through an organizational exercise to map 'CRM functions' to the larger corporate strategy and objectives well before any technology purchases or implementation plans are made. Upon completing this mapping exercise, the expectation is that employees will be aligned on the purpose of the CRM initiative and the necessary groundwork will be in place to choose CRM technology that matches the business needs and drivers rather than selecting a technology without understanding the problem to be solved (Reynolds, 2002). This exercise should also help chart out the

location, use and flow of customer information throughout the organization (Reynolds, 2002). "CRM provides enhanced opportunities to use data and information to both understand customers and cocreate value with them. This requires a cross-functional integration of processes, people, operations, and marketing capabilities that is enabled through information, technology and applications," (Payne & Frow, 2005, p. 168).

Reynolds (2002) calls attention to the role that CRM technology plays in the larger CRM strategy through emphasizing that while technology 'underpins the processes', the real indicator of CRM implementation success hinges upon a widely accepted customer-centric strategy. Rigby et al. (2002) agree that customer strategy and processes are the fundamental aspects of CRM to which technology plays a supporting role. These authors sum up the relationship technology plays with CRM as follows, "while technology is a powerful facilitator in the process of customer relationship management, that's all it is - a facilitator," (Rigby et al. 2002, p. 41).

Conclusions

While much literature exists on the technological aspects of CRM, this Review of the Literature adds to the smaller body of literature focused on CRM best practices that emphasize a 'holistic' rather than merely a technological approach to CRM (Payne, 2006). The intent of this Review of the Literature is to emphasize the importance of strategy; specifically the role that a customer-centric strategy plays as an antecedent to CRM and a means to foster and maintain customer loyalty. As companies flock to technology as the panacea to fulfill management's demand for CRM or as a quick route to maximize customer profits, the literature examined in this review very strongly urges restraint. Unless a company understands its context relative to the customer, and the customer's context and experience relative to the company, it is unlikely that a technological implementation will hit the CRM bull's eye. Strategy and organizational alignment to the strategy must initiate the process.

Creating a customer-centric business strategy shifts a firm-customer engagement model from a product orientation to a relationship orientation (Shah et al. 2006, p. 115). Instead of focusing on selling to any customer that will buy a product, a customer-centric strategy looks for opportunities to serve customers over the long term generating revenue through loyal, repeat patronage (Shah et al. 2006, p. 115). In a customer-centric organization, the business is built around individual customer segments (Galbraith, 2002, p. 5) and designed to respond to the unique needs of those segments.

Understanding the principles of customer lifetime value allows a firm to calculate the potential impact marketing actions will have on customer segments, underscoring the

importance of developing long-term relationships with the larger customer base (Berger & Nasr, 1998). Careful customer loyalty analysis reveals which customers are likely to make future purchases, and which are likely to defect (Oliver, 1999). Combining customer loyalty segmentation with profitability analysis quickly tells a company which customers to target and in which ways to tailor marketing campaigns, allowing a company to align marketing strategies and budgets to the needs of each segment.

Customer relationship management is a multifaceted undertaking which requires continuous fine-tuning in "response to and reflection of a rapidly changing marketing environment," (Payne, 2006, p. 20). At the same time, as customer needs evolve, marketing based on CRM requires ongoing investment to ensure customer loyalty through sustained value delivery (Reichheld, 1996). Managing customer relationships, and creating customer specific strategies to market products and services based upon these relationships, can come at a very high cost (Berger & Nasr, 1998). While some customer relationships are worth company investment and may result in long term profits, others are not. Berger and Nasr (1998) suggest that this is the precise reason why a company must be able to identify which customers to pursue and which to ignore.

Reynolds (2002), Rigby et al. (2002), and Payne (2006) all strongly argue that a customer-centric strategy must be in place before an organization considers CRM technology. At the same time, these authors suggest careful analysis of business processes and customer touch-points be performed to identify the right areas to target with CRM initiatives. The research by Payne and Frow (2005) recommends selection of

strategic, cross-functional, interrelated, and value producing processes as the starting point for CRM initiatives (p. 169).

Stringfellow et al. (2004) indicates the role CRM data currently plays in adding value to an organization, and where it falls short (see Table 5). CRM is typically leveraged to collect demographic and historical information about the customer as well as their potential financial value to the company which allows for effective segmentation analysis and estimates of where to make investments within these segments. According to Stringfellow et al. (2004), currently, information collected for CRM tends to focus on personal information, customer history and profitability information, and ignore customer needs, which is necessary in order to deepen customer-firm relationships and develop increased levels of loyalty.

	Information Requirements	***Examples***	***Typical information collection methods***	***Value added by information***
Current CRM collects this…	Personal information	Gender, age, income, size of household, etc.	Warranty card; survey	Basic segmentation and channel selection
	Customer history	Purchase information; complaint information; customer satisfaction	Transaction database; customer service database; survey	Timing of marketing communication; avoiding customer defection; service recover; future marketing
	Profitability information	Current profitability for customers/customer segments; potential profitability	Transaction database; analysis and judgment from transaction and personal information databases	Optimizing marketing expenditure and efforts; predicting customer lifetime value

	Information Requirements	*Examples*	*Typical information collection methods*	*Value added by information*
Current CRM ignores this…	Customer needs	Functional needs; emotional needs	Survey, if the right questions are asked; qualitative methods	Cross-selling; up-selling; New product development; deepening and extending relationships; capturing customer lifetime value

Table 5: CRM Information Requirements and Value Added (Stringfellow et al., 2004, p. 46).

If implemented in a manner aligned with a strong customer-centric strategy, CRM technology could enhance the value of customer related information (Jayachandran et al. 2005) and make "firm-customer interaction[s] more effective, resulting in increased customer satisfaction, increased customer loyalty and increased profitability for the firm," (Gurau et al. 2003, p. 211).

Although the benefits that can result from successful CRM in the form of deepened customer loyalty are more widely predictable than ever before, a recent study of online retailers reveals that as many as 70% do not have operational strategies in place to foster customer relationships, and only "29% are actively pursuing consistent, multi-step programs for developing customer relationships," (Gurau et al., 2003, p. 202). Instead, many companies are turning to CRM technology to record information about customer interactions, hoping that this will solve the problem of managing customer relationships. With 55% of these CRM projects actually "driving customers away" and "dilute[ing]

earnings", it is imperative to understand that use of CRM technology alone will not result in successful CRM (Rigby et al., 2002, p. 33).

As the literature reviewed in this study has revealed, effective CRM is only possible when a customer-centric strategy and alignment of business processes to this strategy precedes the CRM initiative (Rigby et al., 2002). Unless this strong foundation is in place, CRM initiatives have little likelihood of delivering sustained value to the customer and the firm.

References

Badaracco, J. & Webb, A. (1995). Business Ethics: A view from the trenches. *California Management Review (37)* 2, 8-28. USA: University of California Berkeley.

Berger, P. & Nasr, N. (1998). Customer Lifetime Value: Marketing Models and Applications. *Journal of Interactive Marketing (12)* 1. 17-30. Retrieved November 6, 2007 from EBSCOHost Database http://search.ebscohost.com/login.aspx?direct=true&AuthType=ip,url,uid&db=bch&AN=348356&site=ehost-live

Bohling, T., Bowman, D., Lavelle, S. Mittal, V., Narayandas, D., Ramani, G. & Varadarajan, R. (2006). CRM Implementation: Effectiveness Issues and Insights. *Journal of Service Research (9) 2*, 184-194. Retrieved October 23, 2007 from http://jsr.sagepub.com/cgi/content/abstract/9/2/184

Boston College (n.d.). Phase 4: Evaluating the Information in *How Do I Write a Literature Review*. Retrieved November 23, 2007 from http://www.bc.edu/libraries/research/howdoi/s-litreview/#phase4

Brache, A. (2002). *How Organizations Work: taking a holistic approach to enterprise health*. New York: John Wiley & Sons, Inc.

Copeland, T., Koller, T. & Murrin, J. (2000). Weighted Average Cost of Capital Definition. *Valuation: Measuring and Managing the Value of Companies*, *3rd Ed.* Retrieved November 12, 2007 from http://skillport.books24x7.com

Galbraith, J. (May, 2002). Organizing to Deliver Solutions. *Organizational Dynamics.* Retrieved November 2, 2007 from http://www.marshall.usc.edu/ceo/teleconferences/2002_org_design/Organizing_Deliver.pdf

Galliers, R., Leidner, D. (2003). *Strategic Information Management: Challenges and Strategies in Managing Information Systems, 3rd Ed*. Great Britain: Biddles Ltd.

Griffin, J. (2002). *Customer Loyalty: How to Earn It, How to Keep It (2nd ed.)*. Jossey-Bass. Retrieved November 15, 2007 from http://skillport.books24x7.com

Gurau, C., Ranchhod, A., Hackney, R. (2003). Customer-Centric Strategic Planning: Integrating CRM in Online Business Systems. *Information Technology and Management (4)*, 199-214. The Netherlands: Springer Netherlands. Retrieved

November 2, 2007 from http://www.springerlink.com/content/j93012x215840117/

Jacoby, J. & Kyner, D. (February, 1973). Brand Loyalty vs. Repeat Purchasing Behavior. *Journal of Marketing Research (10)* 1. 1-9. Retrieved November 14, 2007 from EBSCOHost database http://search.ebscohost.com/login.aspx?direct=true&AuthType=ip,url,uid&db=bch&AN=5005251&site=ehost-live

Jayachandran, S., Sharma, S., Kaufman, P. & Raman, P. (October 2005). The Role of Relational Information Processes and Technology Use in Customer Relationship Management. *Journal of Marketing (69) 4.* 177-192. Retrieved October 29, 2007 from EBSCOHost Database http://search.ebscohost.com/login.aspx?direct=true&AuthType=ip,url,uid&db=bch&AN=18302836&site=ehost-live

Kotler, P. & Keller, K. (2006). *Marketing Management* (12e). New Delhi: Prentice Hall.

Kumar, V., Lemon, K., Parasuraman, A. (2006). Managing Customers for Value: An Overview and Research Agenda. *Journal of Service Research (9)* 2. 87-94. Retrieved October 23, 2007 from: http://jsr.sagepub.com/cgi/reprint/9/2/87

Leedy, P. & Ormrod, J. (2005). *Practical Research: Planning and Design,* (8th ed.). New Jersey: Pearson Merrill Prentice Hall.

Lester, J. & Lester, J. Jr. (2002). *Writing Research Papers: A complete Guide,* (10th ed.). San Francisco: Pearson Longman.

Market Research Executive Board (December, 2005). Conducting Customer Loyalty, Satisfaction, and Profitability Research. Corporate Executive Board. Retrieved November 6, 2007 from https://www.sec.executiveboard.com/Public/Default.aspx

McAlexander, J., Kim, S. & Roberts, S. (October 1, 2003). Loyalty: The Influences of Satisfaction and Brand Community Integration. *Journal of Marketing Theory & Practice*. Retrieved November 14, 2007 from http://preview.factiva.com/archive/default.aspx?an=MTP0000020040331dza100005&fid=0&category=article

McAllister, S. (February, 2006). It's CLM. It's CEM. No, it's both. *Creating Loyalty.* Retrieved November 29, 2007 from http://www.creatingloyalty.com/story.cfm?article_id=883&searchtext=customer%20loyalty%20management

Meyer, C. & Schwager, A. (February, 2007). Understanding Customer Experience. *Harvard Business Review* (No. R0702G). Boston: Harvard Business School Publishing. Retrieved October 26 from http://www.hbsp.harvard.edu/

Ohio State University Libraries, The (n.d.). APA Citation Style Guide. Retrieved from http://library.osu.edu/sites/guides/apagd.php#bookone

Oliver, R. (October, 1999). Whence Consumer Loyalty? *Journal of Marketing (63)* 4. 33-44. Retrieved November 6, 2007 from EBSCOHost Database http://search.ebscohost.com/login.aspx?direct=true&AuthType=ip,url,uid&db=bch&AN=2444274&site=ehost-live

Payne, A. (2006). *The Handbook of CRM - Achieving Excellence in Customer Management*. Great Britain: Elsevier.

Payne, A. & Frow, P. (October 2005). A Strategic Framework for Customer Relationship Management. *Journal of Marketing (69) 4*. 167-176. Retrieved from October 29, 2007 from EBSCOHost Database http://search.ebscohost.com/login.aspx?direct=true&AuthType=ip,url,uid&db=bch&AN=18302844&site=ehost-live

Rasmusson, E. (1999). The Five Steps to Successful Sales Force Automation. *Sales and Marketing Management (151),* 3. 34-40. Retrieved November 5, 2007 from EBSCOHost Database http://search.ebscohost.com/login.aspx?direct=true&AuthType=ip,url,uid&db=bch&AN=1606720&site=ehost-live

Ratekin, M. (March, 2007). Inspire action by linking customer loyalty data to financial metrics. *Creating Loyalty*. Retrieved November 6, 2007 from http://www.creatingloyalty.com/story.cfm?article_id=968

Reichheld, F. (1996). *The Loyalty Effect: The Hidden Effect Behind Growth, Profits, and Lasting Value.* Boston: Harvard Business School Press.

Reinartz, W. & Kumar, V. (July 1, 2002). The Mismanagement of Customer Loyalty. *Harvard Business Review* (No. 1407). Boston: Harvard Business School Publishing. Retrieved October 26 from http://www.hbsp.harvard.edu/

Reynolds, J. (2002). *A Practical Guide to CRM.* CMP Books. Retrieved November 15, 2007 from http://skillport.books24x7.com

Rigby, D., Reichheld, F. & Schefter, P. (February 1, 2002). Avoid the Four Perils of CRM. *Harvard Business Review* (No. 8946). Boston: Harvard Business School Publishing. Retrieved October 26 from http://www.hbsp.harvard.edu/

Rosa, A. & Eschholz, P. (1994). *The Writer's Brief Handbook*. New York: Macmillan Publishing Company.

Saloner, G., Shepart, A., Podolny, J. (2001). *Strategic Management*. USA: John Wiley & Sons, Inc.

Shah, D., Rust, R., Parasuraman, A., Staelin, R. & Day, G. (2006). The Path to Customer Centricity. *Journal of Service Research, 9,* 113 - 124. Retrieved October 26, 2007 from http://jsr.sagepub.com

Speier, C. & Venkatesh, V. (July 2002). The hidden minefields in the adoption of sales force automation technologies. *Journal of Marketing (66) 3*. 98-111. Retrieved October 29, 2007 from Factiva Database.

Stringfellow, A., Nie, W., & Brown, D. (September 15, 2004). CRM: Profiting from understanding customer needs. *Business Horizons* (No. BH158)*,* Indiana University. Retrieved October 26 from http://www.hbsp.harvard.edu/

Tillman, H. (March, 2003). Evaluating Quality on the Net. Babson College. Retrieved November 23, 2007 from http://www.hopetillman.com/findqual.html

Ulrich's Periodicals Directory (n.d.). Retrieved November 23, 2007 from http://0-www.ulrichsweb.com.janus.uoregon.edu/ulrichsweb/default.asp?navPage=4&

University of North Carolina at Chapel Hill (n.d.) *How to Write a Literature Review.* Retrieved November 15, 2007 from http://www.unc.edu/depts/wcweb/handouts/literature_review.html

Walker Information (October, 2005). Walker Insight Report: Financial Impact of CLM Programs. Retrieved November 6, 2007 from http://www.creatingloyalty.com/story.cfm?article_id=856