Industrial Marketing Management 42 (2013) 855–861

Contents lists available at ScienceDirect

Industrial Marketing Management

The development and diffusion of customer relationship management (CRM) intelligence in business-to-business environments

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ARTICLE INFO

Article history:
Received 1 September 2012
Received in revised form 15 April 2013
Accepted 30 May 2013
Available online 12 July 2013

Keywords:
Customer relationship management
Customer databases
Customer–supplier information
Data-driven decision-making

ABSTRACT

CRM data is among the most important and comprehensive information available to management in many organizations. This is particularly the case in business-to-business marketing, where the firm's extended working relationship with its customers is frequently crucial for the maintenance of a healthy business. However, in many instances management has treated CRM data as highly specific to its client relationships and has therefore neglected to analyze this information across market segments, customer categories, and customer–firm relationship forms in order to draw meaningful conclusions for driving business decisions.

The authors present a method for effectively classifying CRM information in ways that may help guide management decisions. This can lead to an improved understanding of the in-forming process in the firm's dealings with its clients, the directionality of customer–firm decision-making, the key decision drivers across deals, and the historical record of the firm's relationship with its customers. The end result will be an improved use of valuable historical information for establishing competitive strategies and the related programs and policies for retaining and growing the firm's customer base and other elements of the firm's value delivery network.

1. Introduction

The past four decades have seen a rapid increase in the volatility and mutability of many markets (Achrol, 1991). This is reflected in shorter product life-cycles, lower barriers to competitor entry, and globalized markets (Crotts, Dickson, & Ford, 2005). These developments have spurred similarly dramatic changes in the ways managers have sought to understand changing demand conditions and competitive dynamics. One major area of focus is data mining, the search for patterns in existing customer and financial databases (Hand, Mannila, & Smyth, 2001).

Many organizations struggle with the strategic application of customer databases, particularly in business-to-business (B2B) settings. Although customer data contains potentially valuable information, it appears that few firms have the skills and resources to consistently exploit this value. The rapid acceptance and growth of customer relationship management (CRM) systems during the past two decades raises the opportunity within many firms to utilize this data consistently over time to secure competitive advantages (Eichorn, 2004).

In particular, B2B CRM data, the information collected for the express purpose of guiding sales and sales support personnel in creating value for commercial and industrial customers, may be applied across the organization for informing the entire value creation process from marketing research to design to logistics and through distribution and sales (Berger & Nasr, 1998). Several strategies are available to the firm for improving its internal knowledge management by consistently utilizing its CRM databases to inform management decisions and to continually control marketing processes.

Unfortunately, few firms consistently and effectively apply their CRM data to create value for decision-making at the executive level of the organization. Rather, CRM data is structured and developed to provide tactical guidance for managing individual customers and individual sales opportunities. This is entirely different from the cross-sectional and longitudinal data required by senior management to guide the development of new value propositions and the tailoring of marketing programs for key target market segments. However, there are ways in which the extensive granular data provided by CRM systems can be effectively utilized to provide managers with continuously updated and actionable information for introducing new customer solutions and maintaining the firm's long-term marketing effectiveness.

2. The original uses of CRM information

CRM is typically designed as a toolset for guiding sales teams and supporting engineers and other specialists in developing sales prospects, creating appropriate business proposals, dealing with customer objections, and providing post-sales customer support (Agrawal,

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0019-8501/$ – see front matter
http://dx.doi.org/10.1016/j.indmarman.2013.06.004

2003). In this context, CRM applications are seen as closed-loop systems focused at the customer level on a set of priorities and time-critical functions (Ku, 2010). Typical CRM databases, whether in-house (Microsoft Dynamics, Siebel/Oracle, IBM) or Internet hosted (Salesforce.com, NetSuite, Sage SalesLogix), are geared to provide sales teams with support for prospecting, customer qualification, proposal development, objection-handling, and through closure and follow-up. Each deal is tracked on the basis of contacts, outcomes, and deliverables with the intent of pushing forward the project to a positive closure.

The granularity of this data, particularly in B2B settings, often makes it difficult to meaningfully aggregate information in a way that facilitates generalization across groups – or segments – of customers. Customer-specific product/service requirements, purchasing processes, usage patterns, and post-sales support needs make it difficult to meaningfully classify customers, and these classifications are therefore typically superficial rather than strategic (Narayandas & Rangen, 2004). Customers are perceived to be unique, with one-off requirements that demand one-off solutions. Therefore, generalization across customers is often seen as prohibitive (Laiderman, 2005).

Most CRM systems have a storage utility, or “data library,” for maintaining customer information for an extended time period. However, most libraries are seen as archives with little more purpose than providing sales teams with historical information for future proposal development or giving managers the necessary back-up information in the event of contract disputes. Therefore, CRM data is rarely re-constituted in the archive, but rather takes the same form as originally seen by the sales force. Rarely is an effort made to structure the information to support meaningful cross-sectional or longitudinal analysis (Zahay, 2012).

3. The extended uses of CRM data for maximizing B-to-B relationships

Despite these limitations, some far-seeing organizations have found ways to utilize CRM data in meaningful ways to guide strategy, and some organizations have even applied CRM intelligence to consistently refine their value propositions with a focus on creating competitive advantage. A key to achieving this sort of success is the recognition of the underlying dynamics of the data (Bielski, 2003). CRM data is not simply an aggregation of a set of steps from prospecting to post-sales service; it is a living history of the relationship between the firm and its clients. This relationship contains a multiplicity of “interaction networks,” i.e., complex conduits of formal and informal exchanges. These networks, along with the content of the exchanges among the parties, are the key to understanding what makes a relationship successful for both the supplier and the customer.

An organizational information diffusion strategy centered on the use of CRM data for the purpose of guiding decision-making across multiple functions and disciplines must reduce the inherent complexity of multi-layered data to a set of answers to on-going questions concerning the existing and potential differential value of the firm's offerings (Stein & Smith, 2009). The CRM data can answer critical questions for strategy-setting across the organization, and particularly the issues related to setting “market-facing” (also known as “customer-facing”) strategies.

Some of the questions that may be answered by using CRM data: What was the directionality of the “in-forming” process (the source and impetus for the development of the value proposition) in the CRM record? What was the directionality of the decision-making process in the CRM record? What factors drove decision-making as delineated in the CRM record? And what is the historical CRM record of the relationship between the customer and supplier? Each of these questions bears further discussion in the context of management decision-making (Zahay, 2012).

3.1. What was the directionality of the “in-forming” process in the CRM record in the B-to-B environment?

Among the most important considerations in strategy development is the source of the impetus for the development of the value proposition (Lemon, White, & Winer, 2002). Although the customer is always a recipient, or at least an intended recipient, of value created by the firm, it is crucial to understand how that value evolves in the customer–firm relationship. Did the supplier define the evolved value proposition or did the customer take this role? Did the customer issue a set of a priori product/service descriptors or did the supplier dictate a set of rigidly defined alternative solutions? (Plouffe, Williams, & Leigh, 2004) Was a custom set of solutions collaboratively determined by the supplier and the customer?

These questions deal with the symmetry or asymmetry of information and expertise in the supplier–customer relationship as revealed in the CRM record (McGarry, 1953). It can be fairly stated that all business relationships have some degree of asymmetry in the value of the input of the negotiating parties. In itself, this condition doesn't preclude the establishment of a long and mutually beneficial relationship. However, firms must be aware that customers that perceive the value of their involvement to exceed that of their suppliers will frequently seek to integrate vertically to capitalize on their internal expertise and to eliminate their often risky reliance on external parties (Anderson, Hakansson, & Johanson, 1994). Alternatively, they may decide to clearly specify their product and service needs and then pursue a “strictly price-based” approach for evaluating proposals. In either case, the supplier is at risk of being supplanted by the customer's own integrated solutions or by the generic solutions of competitive suppliers.

Therefore, firms typically seek to create a high degree of customer dependency on their value propositions. At the same time, customers strive to maintain some degree of in-house expertise to reduce their dependency on external parties (Arbough & Sexton, 1997). The inter-dependency of the parties determines their commitment and the resulting longevity of the relationship. For the supplier, there is every incentive to initiate a value proposition that creates value in continuity. Two clear examples are GE's extended lease programs and Siemens's building services programs. The first creates a financial dependency by extending lease terms over multiple rounds of asset purchase, while the latter sets energy and other operational savings as the basis for customer payback. These are also examples of internalizing externalities in order to enhance the firm's value proposition to its clients.

These may be fairly viewed as in-forming processes in the establishment of the value proposition. Left to their devices, business clients will seek to enter into relationships that require the least commitment on their part and the maximum performance guarantees on the part of suppliers. Suppliers generally seek a diametrically opposite solution: the highest commitment from the client and the greatest flexibility (in pricing, sourcing, delivery, etc.) on the part of the supplier (Kingshott, 2006). A properly structured CRM database provides the informational granularity to readily reconstruct the impetus for the deal. Who initiated the relationship? In other words, did the client provide the lead or was it the result of a cold call from the supplier? Was the customer prepared with a clear request for proposal (RFP), or did the supplier initiate an audit of the client's operations to develop a solution?

The examples mentioned earlier, GE's extended lease programs and Siemens's building services programs, are intended to give each firm a clear initiative in establishing the client–supplier relationship. In a sense, both of these sets of programs are “canned,” and give managers and field personnel the tools for developing high customer commitment to solutions extending over many years. These are also designed as “lock-in” programs that are sufficiently formulaic to guide managers in constructing deterministic solutions and, at the same time, sufficiently mutually lucrative “win–win” arrangements to induce clients to enter into long-term agreements.