



Customer management: fad or substance?

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Customer management, customer relationship management (CRM) and relationship marketing are currently receiving substantial attention in academia and industry. It may well be asked whether these concepts should be regarded as mere fads or as substantial contributions to management thought and practice. As a starting point for this debate, an extensive literature review was undertaken. A distinction is made between the different categories and responsibilities of customer management, CRM and relationship marketing, and a new grouping is suggested. It is surmised that CRM and customer management are positioned towards the fad end of the continuum, and that relationship marketing has proven itself as an orientation founded on substance.

Introduction

Progress generally occurs through a process of trial and error, and is brought about by people who are spurred on by discontent with the status quo and a desire to adapt the world to their own needs. In a turbulent and highly competitive business environment, business leaders have to tread with caution when it comes to adopting new, unproven managerial approaches or techniques. Trailblazers often run the risk of making expensive mistakes.

It has been argued that the 'mass marketing' of managerial ideas fosters superficiality, as it encourages managers to accept and utilise new management approaches and techniques without an in-depth grasp of their underlying foundation, and without the commitment required to sustain them (Clarke & Clegg 2000: 49).

While research has not found a correlation between the adoption of new management fads and resulting financial performance, organisations that are closely associated with popular management ideas attract greater public admiration and are regarded as being more innovative. These companies are also regarded as having better managers (Gibson & Tesone 2001: 132).

CRM and related developments (such as customer management and relationship marketing) are currently receiving substantial attention in academia and industry. It may well be asked whether CRM, customer management and relationship marketing should be regarded as 'mere fads' or as substantial contributions to management thought and practice.

The objectives of this article are to stimulate debate around the following questions:

- What is the difference between a management fad and a proven management practice?
- Which fads have managers followed during the past decade? Which of these fads have had a substantive impact on management thought and practice?
- What is the relationship between customer management, CRM and relationship marketing?
- Where should customer management, CRM and relationship marketing be placed on the fad–substance continuum?

Clarification of concepts: fads, fashions and paradigms

Many books by management experts, consultants, academics, chief executive officers and other management trendsetters claim to have found 'the answer' to the intricate problems that business managers face today. Cynics often sarcastically refer to the perspectives presented in such books as 'just another fad or fashion', while the term 'a paradigm shift' has become quite common in the blurb on the back covers of such management best sellers. These concepts – fads, fashions and paradigms – require further definition.

Management fads and fashions

Carson, Lanier, Carson & Guidry (2000: 1143) point out that there is a lack of agreement on what

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constitutes a management fad or fashion. These two terms are often used interchangeably in the literature.

Gibson & Tesone (2001: 122–123) define management fads as “widely accepted, innovative interventions into the organization’s practices designed to improve some aspect of performance”. They also point out that fads either evolve into new management practices or are abandoned as failures.

This suggests that fads can be regarded as widely accepted, though unproven, management innovations. From this definition, it is also clear (contrary to general opinion) that the term can have a positive, or at least a neutral, connotation.

Carson et al. (2000: 1143–1144) provide a much more lengthy and structured definition of management fashions. In their view, management fashions refer to interventions that are:

- Subject to social contagion because they are novel and are perceived to be progressive, or preferable to earlier fashions
- Perceived to be innovative, rational and functional
- Aimed at encouraging better organisational performance, either materially or symbolically, through image enhancement
- Motivated by a desire to remedy some existing operational deficiency or to capitalise on opportunities for improvement
- Considered to be of transitory value because, despite a ‘post latency’ period of acceptance, no systematic and comprehensive research legitimising their prolonged utility or generalisability has emerged.

It can be argued that the terms ‘management fad’ and ‘management fashion’, as defined here, essentially refer to the same thing. If there is a difference, it probably relates to the lifespan of the ‘intervention’ being considered. To prevent confusion, the term ‘management fad’ will therefore be used in this article.

Research on management fads has revealed that they progress through a bell-shaped life cycle consisting of five stages, namely:

- Discovery: The fad is just beginning to come to the public’s attention.
- Wild acceptance: The fad becomes very popular.

- Digestion: Critics begin to suggest that the fad is not the panacea it might once have seemed to be.
- Disillusionment: There is more widespread recognition that there are problems associated with the fad.
- Hard core: Only staunch supporters remain loyal to the fad.

(Gibson & Tesone 2001: 124)

While management fads are frequently referred to with disdain, it is important to recognise that many current management practices started out as fads. Gibson & Tesone (2001: 123) argue that management fads – even those that have entered the declining stages of the fad life cycle – often have a significant and lasting impact on management practice. They linger in the workplace either as the roots of a new management fad or under the guise of different jargon and terminology.

Some authors suggest that failures involving management fads often make companies more determined to embrace change and prove that they have overcome past errors. In consequence, these failures can paradoxically stimulate the adoption of new fads (Gibson & Tesone 2001: 124; Carson et al. 2000: 1146). According to Gibson & Tesone (2001: 131), this adoption of new fads may not necessarily be problematic: they argue that understanding management fads and translating them into practice within the organisation is a mark of the manager who stays current in both theory and practice.

Carson et al. (2000: 1144) analysed 16 management fads, which are listed in Table 1.

Their analysis suggests the following:

- Compared with earlier fads, contemporary management fads are more difficult to implement, are more broad based and require more substantial implementation efforts from top management.
- Because of these three factors, contemporary management fads have a much shorter lifespan than earlier fads. Carson et al. (2000: 1147) ascribe this to the fact that contemporary managers, who are “already predisposed to impatience” because of environmental pressures, are likely to abandon fads before they have reached their logical conclusions.
- Contemporary management fads tend to be more production-oriented and less people-oriented than those of earlier eras.

Table 1: Management fads since the 1950s

1950s	1960s	1970s	1980s	1990s
Management by objectives (MBO)	Sensitivity training and T-groups	Quality-of-work life programmes	Corporate culture	Employee empowerment
Programme evaluation and review technique (PERT)		Quality circles	Total quality management (TQM)	Horizontal corporations
Employee assistance programmes (EAPs)			ISO 9000	Vision
			Benchmarking	Re-engineering
				Agile strategies
				Core competencies

Source: Carson et al. (2000: 1144)

- There has recently been more interest in difficult, radical management fads. This suggests that managers have been willing to try, but less willing to persevere in their commitment to, fads that offer more distant payoffs.

In 1993, the international consulting firm, Bain & Company, launched a multi-year research project to investigate issues related to the use of 'management tools' by companies across the world (Bain & Company 2001).

The 2001 survey, which involved 451 senior executives from a broad range of international firms, focused on 25 of the most popular management tools. To qualify for inclusion, a tool had to be:

- Relevant to senior management
- Topical (as evidenced by coverage in the business press)
- Measurable.

(Bain & Company 2001)

Table 2 lists the 25 management tools included in the 2001 survey and indicates the percentage of firms using each tool. The mean usage percentage was 41%.

It can be deduced from Table 2 that:

- 60% or more of companies used the top five tools, namely:
 - Strategic planning
 - Mission and vision statements
 - Benchmarking
 - Outsourcing
 - Customer satisfaction measurement.

- The least utilised tools were:

- Corporate venturing
- Real options analysis
- Market disruption.

The results of the 2001 survey also revealed the following (Bain & Company 2001):

- 73% of respondents agreed that it is important to stay at the cutting edge of tools and techniques (8% disagreed).
- 90% believed that management tools require top-down support in order to succeed (3% disagreed).
- 77% believed that most management tools promise more than they deliver (8% disagreed).
- 74% agreed that once they find a tool that works, they use it over and over again (10% disagreed).
- The most widely used tools remained the same as in 1999, namely:
 - Strategic planning (76%)
 - Mission and vision statements (70%)
 - Benchmarking (69%).
- 'New economy' tools, such as corporate venturing, market disruption analysis and CRM, had some of the highest defection rates and lowest satisfaction scores.

Different management tools have been designed for different purposes. Table 3 depicts tools that have repeatedly achieved satisfaction scores that are significantly above average for a specific dimension of corporate performance.

Table 2: Percentage of firms using the management tools included in the Bain & Company survey (2001)

Management tool	Percentage of companies using the tool
Strategic planning ^a	76
Mission and vision statements ^a	70
Benchmarking ^a	69
Outsourcing	63
Customer satisfaction measurement ^a	60
Growth strategies ^a	55
Strategic alliances ^a	53
Pay-for-performance ^a	52
Customer segmentation ^a	51
Core competencies ^a	48
Total quality management	41
Cycle time reduction	39
Re-engineering	38
Balanced scorecard ^a	36
Customer relationship management ^{ab}	35
Scenario planning ^a	33
Shareholder value analysis ^a	32
Supply chain integration ^a	32
Knowledge management ^a	32
Activity-based management ^a	31
One-to-one marketing ^a	28
Merger integration teams ^a	26
Corporate venturing ^{ab}	14
Real options analysis ^a	9
Market disruption analysis ^a	8

Mean = 41%

a Denotes a tool that is significantly above/below the mean.

b Denotes tools included in the survey for the first time in 2000.

Source: Bain & Company (2001)

Table 3: The best tools for the job

	Financial results	Customer equity	Performance capabilities	Competitive positioning	Organisational integration
Cycle time reduction	●	○	○		
Pay-for-performance	○				
Strategic planning	●		●	●	●
Customer relationship management		●			
Customer satisfaction measurement		●		○	
Customer segmentation		○		●	
One-to-one marketing		●			
Total quality management		●			○
Core competencies			○		
Growth strategies				○	
Strategic alliances				●	
Balanced scorecard					○
Mission and vision statements					●

● Consistently the best tool for the job.

○ Often the best tool for the job.

Source: Bain & Company (2001)

From Table 3, it can be deduced that all these management tools have achieved high satisfaction scores over a period of time. Some of the tools, such as pay-for-performance, CRM, one-to-one marketing, core competencies, growth strategies, strategic alliances, the balanced scorecard and mission and vision statements, were each related to only one aspect of organisational performance, namely, financial results, customer equity, performance capabilities, competitive positioning, and organisational integration. The other management tools related to multi-organisational performance outputs. Customer equity had the highest number of tools contributing to satisfaction scores, followed closely by competitive positioning and organisational integration.

The previous discussion of research results by Carson et al. (2000: 1143), as well as by Bain & Company (2001), suggests that management fads, while often short-lived, may not be as insubstantial and inconsequential as is often suggested. Past fads, however transitory in practice, often have a significant impact on current management practices (Gibson & Tesone 2001: 129).

The nature of paradigms and paradigm shifts

As was mentioned earlier, management writers often use the term 'paradigm shift' when referring to a new management fad. According to Clarke & Clegg (2000: 46), the concept of 'paradigm' is derived from the Greek word 'paradeigma'. In the classic sense, it refers to a model, framework, pattern or example. These authors describe a paradigm as "a systematic set of ideas, values, methods and problem fields, as well as standard solutions, *that explain the world and inform action*" [own emphasis].

The term paradigm and the idea of paradigm shifts were popularised by Thomas Kuhn, a science historian. For Kuhn, science was characterised by the dominance of succeeding paradigms, or 'models of thinking', which he defined as "a constellation of concepts, values, perceptions and practices shared by a community which forms a particular vision of reality that is the way a community organizes itself" (Clarke & Clegg 2000: 46).

Management paradigms are far more numerous than those in the natural sciences. Clarke & Clegg (2000: 47) argue that, at any particular time, there are a number of competing management paradigms in circulation. These paradigms "allow us to see certain things ... but they also make it difficult to see certain other things that do not 'belong' within

the paradigm". These authors point out that every paradigm eventually encounters new problems it cannot solve. Such insoluble problems provide the catalyst for triggering a paradigm change or shift.

Management thinkers are currently wrestling with the problem "of how organizations can continually adapt, change, innovate, create, and network in order to survive and succeed in market environments that are quickly becoming more unpredictable, with technologies that are becoming more pervasive and integrative, with organizations that have become pliable and porous, and with people who are questioning, assertive and independent" (Clarke & Clegg 2000: 51).

But how do paradigms differ from management fads? Clarke & Clegg (2000: 49) argue that paradigm shifts relate to "*substantial* shifts in the knowledge and practice of management, but [that] the concept is frequently applied wrongly to the most trivial matters" [own emphasis].

This definition, although very vague, suggests that it is only possible to judge whether the introduction of a new management idea can be regarded as a paradigm shift by considering factors such as:

- The level of sustained enthusiasm the idea attracts over a prolonged period of time
- Whether the idea has led to 'substantial' changes in business thought and organisational practices
- Whether a broad base of managers, management thinkers and scholars regard the idea as a fundamental shift in the way the theory and practice of management are viewed.

(Clarke & Clegg 2000: 51)

In a sense, the distinction between a fad and a paradigm, or paradigm shift, is therefore in the eye of the beholder.

Relationship between customer management, customer relationship management and relationship marketing

One has to assess whether customer management is 'just another management fad' or whether it should be regarded as a substantial improvement in management thought representing a fundamental paradigm shift.

When considering this statement, one encounters some conceptual confusion. For example, what

exactly is the difference (and relationship) between customer management, CRM and relationship marketing?

The conceptual 'vagueness' surrounding customer management, CRM and relationship marketing is acknowledged and addressed by various authors, including the following two groups of collaborators:

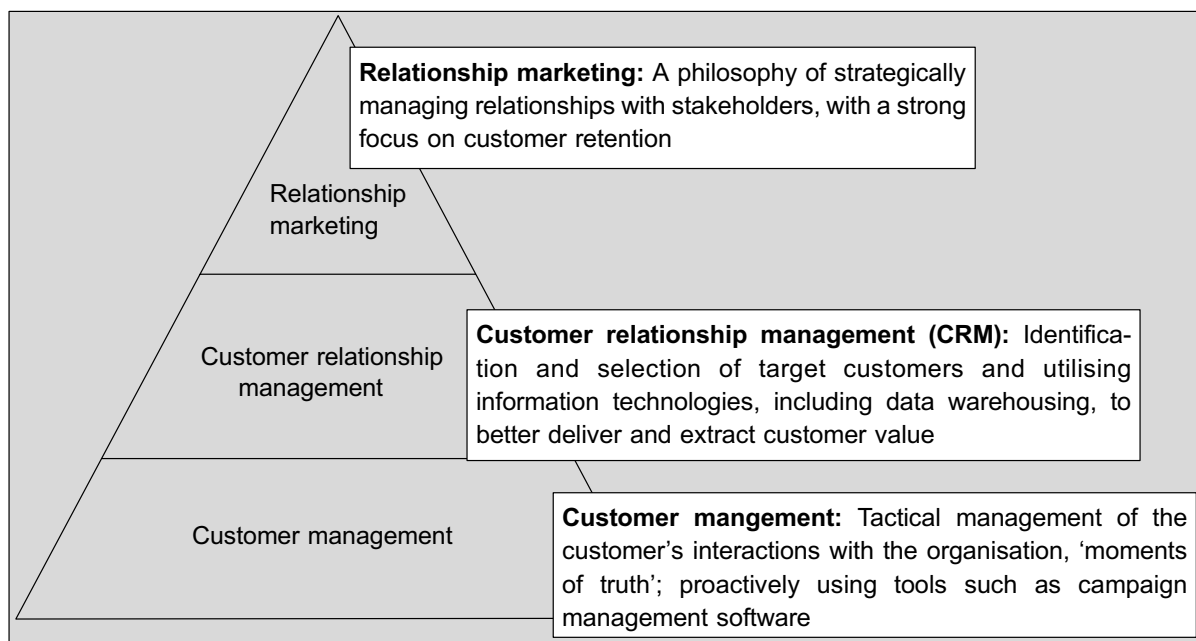
- Ryals & Payne (2001: 12) point out that these terms are used increasingly, but that no clear definitions have emerged to explain the differences between them. On the basis of research conducted among 11 financial services organisations in the United Kingdom, the conceptual distinctions outlined in Figure 1 are proposed. Figure 1 suggests that customer management and CRM are extensions from the basis on which relationship marketing was built.
- The second set of authors to address the varying and confusing definitions around these concepts are Starkey, Williams & Stone (2002: 378), who support the idea that the terms seem to have been born out of relationship marketing and state that "the term customer relationship management (CRM) is becoming standard terminology replacing what is widely perceived to be a misleadingly narrow term, Relationship Marketing (RM)".

In many ways, it seems as if relationship marketing has evolved towards CRM and customer manage-

ment. This may have resulted, firstly, from 'getting to know' large volumes of customers well enough to establish a relationship with each, and secondly, from management's frustration in changing product-centred companies into customer-responsive organisations to enable them to support their initial service promise.

This evolution started in the 1990s with the emergence of relationship marketing, which focused on developing and maintaining relationships with individual customers. It relied on a two-way dialogue between a company and a customer to develop a deep relationship. Unfortunately, establishing and maintaining this two-way dialogue proved to be labour-intensive and thus had to be limited to a small subset of customers (Goodhue, Wixon & Watson 2002: 80).

CRM extended the reach of relationship marketing by utilising information technology (IT) to automate the labour-intensive aspects, thereby making it feasible across a wide range of different customers. Several authors accentuate the important facilitative role of IT in the operationalisation of relationship marketing (Berry 1995: 238, Grönroos 1996: 11; Ryals & Payne 2001: 3; Winer 2001: 91). The current emphasis on CRM is driven by the changing demands of the business environment, the availability of large amounts of data, and advances in IT. In particular, IT is a critical CRM enabler. Since



Source: Adapted from Ryals & Payne (2001: 13)

Figure 1: The relationship between relationship marketing, customer relationship management and customer management

many CRM strategies resulted in the implementation of software without impacting on the behaviour of employees or on actual service delivery, the concept of customer management was introduced (Starkey et al. 2002: 379). Customer management serves to channel and coordinate the efforts of relationship marketing and CRM by integrating the service promise into the processes of the larger organisation (Goodhue et al. 2002: 80). Customer management, in essence, attempts to internalise customer needs and ensure that they are reflected in the behaviour of the organisation, since relationship management, as a core business process that extends throughout the organisation and enhances the relationship marketing effort, has received insufficient attention in many organisations (Sheth & Parvatiyar 2002).

Supporting this evolutionary idea, Starkey et al. (2002: 379) propose the following definition of customer management: “Customer management is about: Finding the right customers (those with an acceptable current and future net value); Getting to know them (as individuals or groups); Growing their value (if appropriate); and Retaining their business in the most efficient and effective way. It is achieved by companies enabling their people, processes, policies, suppliers and customer-facing technologies to manage *all customer interactions proactively* during each stage of the *customer lifecycle* in a way that enhanced each customer’s experience of dealing with the company.”

The way in which CRM and customer management take relationship marketing promises into the operations of the larger organisation is fundamental to the success of these initiatives (*Strategic Direction* 2002: 20). The European Centre of Customer Strategies (ECCS) emphatically states that the lack of impact on the larger organisation is a major role-player in the failure of many of these initiatives (*European Business Review* 2002: 1). It is therefore a prerequisite that these concepts be implemented in many parts of the organisation, not only in the Marketing Department, as is the case with relationship marketing, since they require a fundamental change in company culture.

On the basis of the preceding arguments, it may be surmised that customer management encapsulates CRM and relationship marketing activities, where relationship marketing initiatives are enabled by CRM initiatives in larger organisations, or supported by CRM in smaller organisations.

If one accepts these conceptual distinctions, the question whether customer management repre-

sents a fad or a paradigm shift can actually be viewed at two levels. One could critically examine the status of CRM and customer management as practical manifestations of a relationship marketing orientation, or one could critically question the status of relationship marketing as a philosophy or marketing orientation. The next two sections will consider both these perspectives.

Customer relationship management

CRM is a manifestation of a relationship marketing orientation (see Figure 1) that has recently generated substantial interest among marketing practitioners. The current enthusiasm for CRM has led Winer (2001: 89) to label it as the new ‘mantra’ for marketing.

Unfortunately, as with most business ‘buzzwords’, CRM means different things to different people. A review of the literature shows that the term CRM has in many ways been used to cover almost any activity that involves customers. In this regard, Galbreath & Rogers (1999: 163) point out that: “CRM as a discipline is broad, encompassing many components, and is still being defined”. These authors define CRM as “the activities a business performs to identify, qualify, acquire, develop and retain increasingly loyal and profitable customers by delivering the right product or service, to the right customer, through the right channel, at the right time and the right cost. CRM integrates sales, marketing, service, enterprise resource planning, and supply-chain management functions through business process automation, technology solutions, and information resources to maximize each customer contact. CRM facilitates relationships among enterprises, their customers, business partners, suppliers, and employees” (Galbreath & Rogers 1999: 163).

According to Galbreath & Rogers (1999: 165), CRM fosters an environment where the automation of customer-facing processes and the integration of isolated customer databases allow a firm to take a 360-degree view of its customers, and to provide them with customisation, personal attention and focused after-sales support.

The Gartner Group defines CRM as follows (Starkey et al. 2002: 379): “RM is a management discipline – a philosophy even – that requires businesses to recognise and nurture their relationships with customers. With CRM, an individual customer’s needs and preferences are available to anyone in the business working at the customer

interface, regardless of the channel. Each customer is treated as an individual in a relationship that feels like one-to-one.”

Ryals & Payne (2001: 6) explain that CRM focuses on issues that entail the implementation of relationship marketing using IT. In their view, CRM “seeks to provide a strategic bridge between IT and marketing strategies aimed at building long-term relationships and profitability” (Ryals & Payne 2001: 3). These authors point out that CRM is founded on four tenets:

- Customers should be managed as important assets.
- Customer profitability varies. Therefore, not all customers are equally desirable.
- Customers vary in their needs, preferences, buying behaviour and price sensitivity.
- By understanding customer drivers and customer profitability, companies can tailor their offerings in order to maximise the overall value of their customer portfolio.

However, to achieve the aforementioned goals, a company needs detailed information on its individual customers. CRM ultimately focuses on effectively turning data and information into intelligent business knowledge in order to more efficiently manage customer relationships (Galbreath & Rogers 1999: 162). In addition, CRM systems attempt to integrate disparate technologies, databases and business processes in order to streamline the firm’s interaction with its customers (Bose 2002: 89).

CRM applications can be of value to the marketer in a number of ways. These applications, for example, enable marketers to do the following:

- Segment their customer base according to the current and projected profitability of individual customers.
- Identify the customers that contribute most to the company’s bottom line.
- Identify customers that are at risk of defecting to competitors.
- Develop a profile of prospects most likely to respond to a marketing offer based on the profiles of consumers that responded to a similar offer in the past.
- ‘Mine’ large data sets to identify the combination of products that market segments regularly purchase together. This information can then be used to develop tie-in offers or special promotions.

- Monitor the progress of sales quotations, transactions and service recovery efforts in order to ensure customer satisfaction.
- Ensure ‘seamless’ interaction and communication with a customer regardless of the specific contact method the customer chooses (for example, phone, fax, e-mail, written correspondence, website, interaction with a service agent or salesperson).
- Provide customer contact personnel with detailed customer profiles to assist them in delivering high quality customer service and allow them to effectively cross-sell and up-sell the firm’s products or services.
- Add value to customers through the ‘mass customisation’ of products and service experiences.
- Tailor communications to customers based on each individual’s unique needs, interests and past interactions with the firm.
- Offer services at arm’s length through automated service agents as well as through the Internet.

The question is whether CRM is the panacea it is often made out to be. In other words, is it a fad or a substantial improvement in management thinking and practice? Again, this is not an easy question to answer.

A recent report by Accenture (2002: 3–4) paints a gloomy picture of the development of CRM to date. The report begins with the following statement:

Customer Relationship Management swept through the business landscape in the early ‘90s, promising to help sellers *please most of the people most of the time*. Riding the coattails of customer satisfaction would come increased organisational efficiency and, better still, increased revenues. That hasn’t happened. Rather than transforming the customer experience, sellers have inadvertently created a fragmented marketplace in which sales, service and marketing are at best inconsistent and at worst frustrating.

Another reason for the market failure is that many software vendors and major management consultancies have tried to give the impression that CRM is mainly a question of implementing a particular technological solution. Technology is certainly one of the key enabling and supporting factors in CRM, but in itself it does not constitute CRM (Starkey et al. 2002: 380).

The results of Bain & Company's latest 'tools and techniques' survey (2001) also cast something of a shadow over CRM as currently used by firms. While the study reports that CRM is used by 35% of companies, 18% of respondents reported that they have stopped using CRM after using it at least once in the previous five years.

Part of the current disillusionment with CRM may be due to unrealistic expectations among managers about the potential short-term yields of CRM, as well as an underestimation of the changes needed to successfully establish CRM systems and the necessary supporting culture within an organisation (Galbreath & Rogers 1999: 165–170).

The authors of the Accenture report (2002: 3–4) believe, however, that the last decade's investment in CRM has not been wasted. They argue that companies have not reached the end of the CRM road, as CRM applications are entering their 'third wave' (see Table 4).

The report asserts that few companies have optimised CRM to create lasting customer relationships and build superior value. As a result, those companies are not realising the full return on their CRM investments. This type of statement supports the notion that there is an evolutionary movement towards truly customer-centred organisations with a wider focus than mere marketing efforts.

Georgiadis & Lane (2001: 1) argue that CRM initiatives that create substantial value require four integrated elements:

- A strategy for managing customer relationships that is tied to business economics targeting customers and channel leverage
- Compelling, well-executed programmes that can drive customer value levers (capabilities)
- Technology to support key activities, both data management and customer experience
- An organisation that underpins the ability to deliver and sustains the first three elements over time.

A multifaceted framework for CRM adoption is provided by Ryals & Payne (2001) and is depicted in Figure 2. The dynamic nature of relationship marketing (incorporating CRM and customer management) becomes clear from this framework.

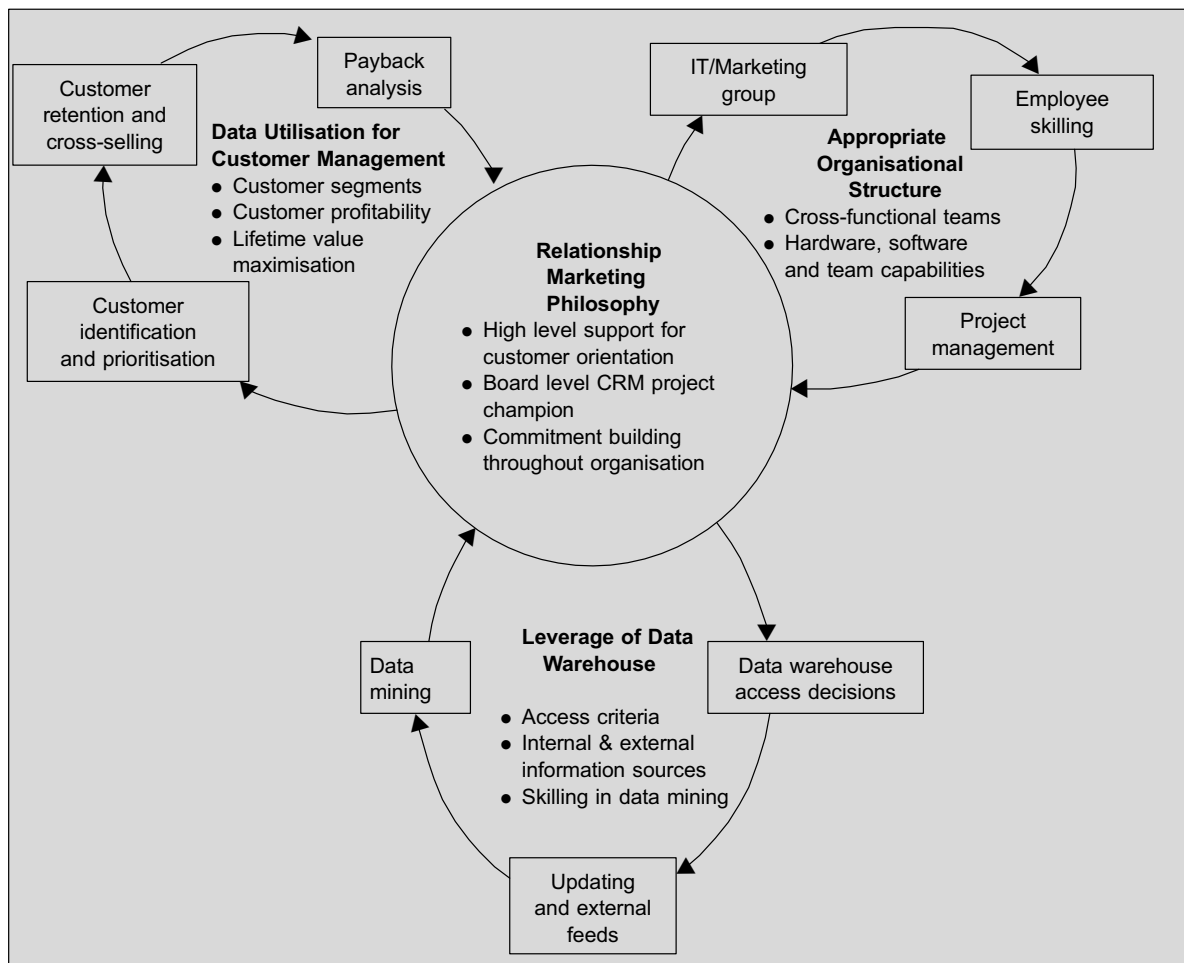
Bose (2002: 96–97) quite rightly points out that predicting the future of CRM is a bit like picking which country will win the next Soccer World Cup: while there is some past history to consider, there are no sure bets. According to Bose (2002: 97), the biggest threat to CRM is managements' focus on short-term profits rather than on a long-term vision. He also points out that: "CRM is an expensive, time-consuming and complex proposition. Even in the best case, CRM requires a certain 'leap of faith' by a firm, as technology is still not available to completely develop the full power of a customer-centric approach" (Bose 2002: 97).

It seems as if CRM is currently past the "wild acceptance" phase of the fad life cycle, with some companies already moving past the "digestion" phase into "disillusionment". This is supported by Bain & Company's report (2001), which reflects the

Table 4: Evolution of CRM

	Stage One Call centre/Sales force effectiveness	Stage Two Multi-channel integration	Stage Three Conversational marketing
CRM goals	Improving channel efficiency Increasing customer satisfaction	Improving customer interactions Increasing customer retention	Predicting customer behaviour Building brand and lifetime customer value
CRM strategy	Provide more efficient means of customer interaction	Provide customers with multiple points of contact: gather insights	Integrate communications and brand across channels
Resulting customer experience	Customers enjoyed more convenient transactions, but channels were not integrated	Customers had more options to interact with the company, but the experiences were fragmented across contact points	Customers are given a seamless integrated experience across all channels
Marketing focus	Customer acquisition Product sales	Customer retention Cross-selling	Customer conversation Brand equity

Source: Accenture [S.a.]



Source: Ryals & Payne (2001: 3–27)

Figure 2: A framework for CRM adoption

number of defections from these customer strategies and the fact that they have received some of the lowest satisfaction ratings. A review of the literature suggests that many companies battle to successfully implement their CRM initiatives. Experts suggest that this may largely be due to the fact that many managers underestimate the changes necessary to successfully implement CRM solutions. This bodes ill for the future of CRM because, as Carson et al. (2000: 1147) have argued, contemporary managers are likely to abandon a new fad before it reaches its logical conclusion. Even if the enthusiasm for CRM proves to be short-lived, however, it will undoubtedly – like many other previous fads – have a profound impact on management practice.

Relationship marketing: a universal paradigm or management fad?

Is relationship marketing merely another 'big new idea' which has risen on an opportunistic wave, only to follow previous big ideas such as Total Quality Management and Manage-

ment by Objectives into obscurity when critics realised that there was really nothing new? Or does the development of relationship marketing reflect fundamental shifts in the business environment, which will continue to provide a place for the concept?

Palmer (2002: 80)

The quotation summarises the core question to be addressed. However, the origins and nature of relationship marketing need to be highlighted. Leonard Berry apparently coined the term 'relationship marketing' and first used it in a paper on services marketing published in 1983 (Berry 2002: 59; Grönroos 1999: 328). However, Möller & Halinen (2000: 31) postulate that marketing relationships are as old as the phenomenon of trade itself. They argue that the current debate over relationship marketing has its roots in four research traditions, which, together, "have contributed most to the shift from viewing marketing exchange as a transactional phenomenon to viewing it as on-going relationships". These four 'roots' of relationship

marketing are given as services marketing, business marketing interaction and networks, marketing channels, and database/direct marketing. This viewpoint is extensively discussed by Möller & Halinen (2000: 29-54), Brodie, Coviello, Brookes & Little (1997: 383–385) and Aijo (1996: 8–18).

The concept of relationship marketing as an overall philosophy or orientation is shared by a number of authors:

- Ryals & Payne (2001: 13), for example, specifically define relationship marketing as “a philosophy and marketing orientation emphasizing customer retention”.
- Berry (2002: 73) also views relationship marketing as “a philosophy or orientation, about customers, marketing and value-creation, not just a set of techniques, tools, and tactics. Relationship marketing is holistic, a sum of integrated parts that drive a firm’s marketing competencies.”
- Finally, Palmer (2002: 82) argues that relationship marketing is “probably best understood as an umbrella concept which stresses the need to see exchanges from a long-term perspective rather than short-term”.

The following two definitions attempt to provide insight into more comprehensive, or operational, definitions of relationship marketing:

- Grönroos (1999: 328) points out that there is no agreement in the literature on a definition of relationship marketing. His definition, which is often cited, states that marketing, from a relationship marketing perspective, can be defined as “the process of identifying and establishing, maintaining and enhancing, and when necessary also terminating relationships with customers and other stakeholders, at a profit, so that the objectives of all parties involved are met; and this is done by a mutual exchange and fulfilment of promises”.
- Gummesson (2002: 39) offers another definition, suggesting that relationship marketing is “marketing based on relationships, networks and interaction, recognising that marketing is embedded in the total management of the networks of the selling organisation, the market and society. It is directed to long-term win–win relationships with individual customers, and

value is jointly created between the parties involved. It transcends the boundaries between specialist functions and disciplines”.

To further highlight these definitions, a number of authors, including Gruen (1997: 32–38), Grönroos (1999: 327–335), Ryals & Payne (2001: 13), Gummesson (2002: 37–57) and Rigby, Reichheld & Scheffer (2002: 105) discuss the basic tenets of relationship marketing, which include:

- A focus on customers as individuals
- Collaboration and joint value creation
- Long-term relationships
- Customer selectivity
- Win–win relationships
- Service and relationship values versus bureaucratic-legal values
- Every employee becomes a part-time marketer.

Clearly, many an author has defined and described the concept of relationship marketing, but according to De Wulf, Odekerken-Schröder & Iacobucci (2001: 35), few efforts have been made to define what relationship marketing tactics are and how valuable customers perceive them to be. When discussing the tactics or physical manifestations of a relationship marketing orientation, authors often refer to the three levels of relationship marketing first mentioned by Berry (1995: 240), which are summarised in Table 5.

A review of the literature suggests that there are a number of activities, programmes and tactics that are generally associated with the operationalisation of a relationship marketing orientation. These are summarised in Table 6. It should be noted that the distinctions between many of these activities, programmes and tactics are blurred in practice.

Taking all the definitions, descriptions and activities into account, one realises that the concept of relationship marketing has attracted considerable attention since the early 1990s. A keyword search¹ of leading academic full-text databases has, for example, identified nearly 1400 references to peer-reviewed articles on relationship marketing. Thousands of articles on relationship marketing have also appeared in the popular management and marketing press.

Several authors have suggested that relationship marketing represents a new ‘paradigm’ in marketing

¹ Articles were identified by searching for the phrase ‘relationship marketing’ in a key word search facility. The searches were limited to peer-reviewed publications.

Table 5: Three levels of relationship marketing

Level	Primary bond	Degree of customisation	Potential for sustainable competitive advantage	Example
One	Financial	Low	Low	Frequent buyer programmes
Two	Social	Medium	Medium	Individualised communication with customers through multiple means, referring to customers by name during transactions, providing continuity of service through the same representative, augmenting the core service with educational and entertainment activities such as seminars or parties, creating 'communities' around a product or brand such as the Harley-Davidson Owners Group
Three	Structural	Medium to high	High	Offering target customers value-added benefits that are difficult or expensive for the customers to provide themselves or that are not readily available elsewhere. Customised solutions to an individual customer's problems are built into the service delivery process, thereby creating a bond between the customer and supplier

Source: Adapted from Berry (1995: 240)

Table 6: Activities, programmes and tactics associated with the operationalisation of a relationship marketing orientation

Type of activity, programme or tactic	Author(s)
Initiatives aimed at improving the quality of customer service and creating a customer-orientated service system	Boedeker (1997: 250) Winer (2001: 99) Grönroos (1996: 11)
Relationship pricing strategies and/or gift incentives for regular customers	Berry (1995: 240) De Wulf et al. (2001: 35)
Preferential treatment for regular or high volume customers through initiatives such as frequent-buyer/loyalty programmes	Boedeker (1997: 250) De Wulf et al. (2001: 35) Winer (2001: 99)
Gathering transactional, quantitative and qualitative information about customers and creating a customer database	Boedeker (1997: 250) Grönroos (1996: 11)
Direct, bi-directional communication between the company and individual customers (e.g. through direct mail or e-mail)	Boedeker (1997: 250) De Wulf et al. (2001: 35)
Communication that is proactive rather than reactive, yet happens on the customer's terms (e.g. the customer is given the option to 'opt-out' by, for example, unsubscribing to an electronic newsletter)	Boedeker (1997: 250)
Internal marketing to emphasise that everyone in the organisation is a potential 'part-time' marketer	Boedeker (1997: 250) Grönroos (1996: 12)
Customisation of goods and services according to the requirements of individual customers	Winer (2001: 100)
Creating 'communities' around a specific product or brand	Berry (1995: 240) Winer (2001: 100)

– see Grönroos (1994: 347–360), Sheth & Parvatiyar (1995: 387–418), Aijo (1996: 8–18) and Grönroos (1999: 327–335). At the same time, this 'new' approach has generated heated debate, and some authors question whether it is really new (Petrof 1997: 26–31); others question its applic-

ability to all markets and customer relationships (Palmer 1996: 18–25 and O'Malley & Tynan 2000: 797–815); some criticise one or more of its underlying assumptions (Saren & Tzokas 1998: 187–196); others criticise the way in which relationship marketing is implemented in practice (Fournier,

Dobscha & Mick 1998: 42–50); and some argue that there is a lack of detailed empirical evidence to guide marketing practitioners in choosing which strategies and policies to use in order to enhance customer relationships (Saren & Tzokas 1998: 187).

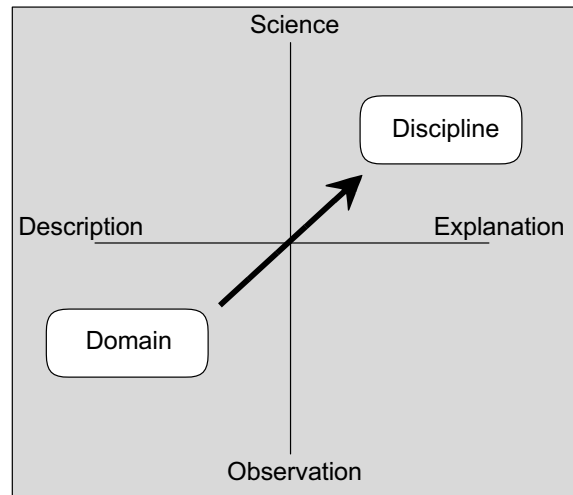
Returning to the question of whether relationship marketing represents a fad or a paradigm shift, many authors suggest that if one considers the volumes written on relationship marketing and on related topics such as customer satisfaction, one-to-one marketing, mass customisation, customer loyalty, customer retention, lifetime value analysis, CRM and defection management, it becomes clear that the 1990s indeed saw the emergence of a strong focus – in academic and practitioner circles – on buyer–seller, firm–customer, and inter-firm relationships. This strong relationship focus has also been fuelled by research on market-orientation (Jaworski, Kohli & Sahay 2000: 45–54), as well as on relationship-based competitive advantage (Day 1994: 37–52; Morgan & Hunt 1999: 281–290).

This prevailing emphasis on relationships has led Sheth & Parvatiyar (2002: 3–4) to conclude that: “Relationship marketing, *at least at the practice level*, is recognized as a major paradigm shift in marketing comparable to what the marketing concept in the 1960s (with its focus on customer needs and wants) and more recently the quality concept (with its focus on customer satisfaction) did in transforming business practices and philosophy” [emphasis added].

Sheth & Parvatiyar (2002: 4) point out, however, that relationship marketing has not yet developed into a paradigm that guides disciplined academic enquiry. In this regard, they distinguish between a discipline and a domain (see Figure 3).

These authors argue that in order for a domain to become a discipline, it needs to go beyond description and into explanation of the phenomenon by providing hypotheses and theory; and at the same time, it needs to go beyond observation and become a science by utilising methodological rigour. Relationship marketing, in their view, has not yet fulfilled these conditions. They add that they wish that this would happen, because marketing would benefit enormously from it. However, Sheth & Parvatiyar (2002: 14) believe that relationship marketing has the potential to become a well-respected, free-standing and distinct discipline in marketing.

Empirical research conducted by Brodie et al. (1997: 383–406) suggests that while one cannot



Source: Sheth & Parvatiyar (2002: 5)

Figure 3: Domain versus discipline

conclude that the transactional marketing perspective is being replaced by a relationship marketing approach in a ‘paradigm shift’, there is considerable evidence of a shift in managerial thinking and practice towards increased customer orientation, as well as towards efforts directed at improving customer understanding and the development of synergistic relationships and partnerships. A replication of this empirical research is needed in other countries and markets to evaluate the nature and extent of the shift suggested.

Palmer (2002: 79–92) also considers the question of whether relationship marketing should be regarded as a new marketing paradigm. He points out that there are two schools of thought as far as this issue is concerned:

- The first believes that the underlying principles of relationship marketing are indistinguishable from the fundamental principles of marketing. Viewed as a philosophy, relationship marketing shares with traditional definitions of marketing a concern for satisfying customers effectively and profitably. According to this point of view, *relationship marketing will mature until it becomes essentially a basic principle of marketing, and the distinguishing title of ‘relationship’ will become less relevant* (Palmer 2002: 80).
- The second school of thought, which lends support to the previously outlined theory on the evolutionary nature of relationship marketing (also strongly supported by Palmer), is that relationship marketing emerged in the 1990s in response to changes that were occurring in the technological, social, economic and political/legal environment. Palmer (2002: 80) argues

that as environmental change continues, relationship marketing will evolve by fragmenting into numerous specialist interest subjects. “Academics and practitioners will need to keep hold of a ‘big idea’, which will gradually mutate. Part of this mutation may be represented by subtle changes in language which have appeared in published material and training courses, for example ‘customer relationship management’, ‘database marketing’, ‘direct marketing’ and ‘customer loyalty’.”

Palmer (2002: 91–92) concludes his arguments on the future of relationship marketing with the following thoughts:

Relationship marketing as it has developed during the past two decades is firmly based on change in the business environment of organizations. It is too simplistic to say that it is nothing new or simply a big idea spun out of long standing practice. There are many factors in the business environment which explain why the concept became a dominant idea of the 1990s. Many of the changes which gave rise to Relationship Marketing will still have effect over the next couple of decades, so the concept will still be with us.

It has been widely accepted that relationship marketing at the philosophical level differs very little from general definitions of marketing, and this is likely to continue to be the case. However, in its evolution, new strands of specialisation are likely to emerge. The emergent technology has spawned new areas of study in the form of database marketing, for example. Inevitably, some semantic drift will occur as big new ideas are promoted to highlight specific areas. The concept of data mining, for example, may not be entirely new to statisticians, but as a subset of relationship marketing is likely to be received by an eager audience seeking to get more out of its databases. *Relationship marketing is not new and it is not a passing fad.* There are sound reasons to explain its emergence and that it will need to adapt to change in the environment if it is to remain an important paradigm [own emphasis].

It is argued that relationship marketing – at least at a philosophical level – is not just a short-lived fad. While a relationship marketing approach may not be feasible or desirable in all circumstances, the debate around relationship marketing has already had a profound effect on how market relationships are viewed and the priority attention they receive, especially in services, retail and business-to-business marketing.

Closing arguments

Bose (2002: 90) argues that we are now in the beginning stages of a new customer-centric business orientation (see Figure 4). In his view, a customer-centric firm is capable of treating every customer individually and uniquely, depending on the customer’s preferences. This is largely made possible because of developments in the field of IT.

While other authors will argue about the ‘birth date’ of this new customer-centric business approach, it is generally accepted that the 1990s will be remembered as the decade of ‘relationships’. The philosophy of relationship marketing has certainly contributed to the renewed focus on firm-stakeholder relationships.

CRM, as a physical manifestation of a relationship marketing orientation, has had a much shorter lifespan than its philosophical base. However, judging by the number of dedicated websites on the topic and the number of articles appearing on CRM in the popular business press, the management of customer relations and associated software applications is generating enormous interest in business circles. While cynics, supported by many a case study on CRM failure, regard CRM as merely another ‘flavour of the month’ business solution touted by software vendors and opportunistic consultants, the fact remains that a multi-billion dollar global industry has developed around issues relating to customer relationships and the management thereof. Another argument simply asks: Can focusing on customers be wrong in essence, or is the scepticism caused by disillusionment about implementation, rather than any con-

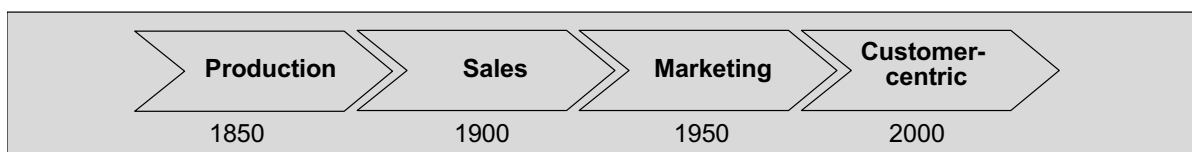


Figure 4: Business orientations of the last 150 years

ceptual flaw? It is surmised that the concept has potential value, and that the way in which it is implemented will determine its success.

Can relationship marketing be regarded as ‘the new paradigm of marketing’ that will displace the so-called ‘marketing mix paradigm’? While relationship marketing offers a much-needed emphasis on buyer–seller relationships, customer retention, customer lifetime value and customer loyalty, it must be recognised that building closer relationships with customers remains very difficult. In some situations, it may be unnecessary, undesirable (from both the firm’s and the customer’s point of view) or even impossible (see Palmer 1996: 18–25). Relationship marketing should rather be seen as one possible strategic alternative that is appropriate for specific industries, markets and customers (see Li & Nicholls 2000: 449–464).

This view, however, should not detract from the positive influence of the debate over relationship marketing, in that it has focused attention on the importance of firm–stakeholder relationships in general, and firm–customer relationships in particular. Relationship marketing has specifically pointed out the need for a balance between customer acquisition and customer retention activities.

Where should customer management, CRM and relationship marketing be placed on the fad–substance continuum? In our opinion, relationship

marketing has proved itself as an orientation founded on substance. While it may not be a new universal paradigm, as some proponents claim, it has already had a profound influence on the importance that organisations attach to relationships with stakeholders, including relationships with customers.

On the basis of the information provided in this paper and the evolutionary nature of the concepts, it is proposed that the different categories and responsibilities of customer management, CRM and relationship marketing can be grouped in the categories illustrated in Table 7.

Table 7 depicts some ideas with regard to the reciprocity between the stated concepts, as well as the evolution from relationship marketing to CRM and customer management.

The major driving force behind relationship marketing initiatives is an emphasis on the benefits that strong customer relationships hold for organisations. The realisation of these initiatives (as listed in the last column of Table 7) has been hindered by various factors, however, including the sheer size of the organisation’s target market, knowledge with regard to which relationships are worthwhile to the organisation, and campaign management problems due to the ongoing nature of these initiatives.

The CRM era brought some answers to the challenges born out of the relationship marketing

Table 7: Distinction between customer management, customer relationship management and relationship marketing

Customer management	Customer relationship management (CRM)	Relationship marketing
<ul style="list-style-type: none"> ● Customer satisfaction management ● Loyalty based management ● Lifetime value of customers ● Customer value creation ● Customer portfolio analysis ● Corporate culture management ● Organisational process alignment based on customer loyalty drivers 	<ul style="list-style-type: none"> ● Customer retention ● Customer segmentation ● Customer loyalty measurement ● Database management ● Defection management ● Measurement of customer lifetime value ● Campaign effective measurement 	<ul style="list-style-type: none"> ● One-to-one marketing ● Mass customisation ● Frequent buyer programme ● Customised solutions ● Customer oriented service solutions ● Customer interaction ● Develop customer contact points ● Creating ‘communities’ around products and brands (e.g. Harley-Davidson Owners Group) ● Relationship pricing strategies ● Internal marketing – employee relationship management (ERM) and the concept of the ‘part-time’ marketer

era. In that way, CRM became an enabler of relationship marketing initiatives. To take this further, in terms of successful relationship marketing initiatives, one may consider Albert Einstein's theory that problems cannot be solved by remaining in the conceptual framework in which they were created. This theory seems applicable to this scenario, since the enablement of relationship marketing initiatives through CRM tools has led to disillusionment in the marketplace. The latest literature indicates that these initiatives are not effective unless the philosophy impacts on the larger organisation, changing the way in which it operates.

From this point of view, the success of relationship marketing and CRM becomes part of the customer management paradigm, creating a different conceptual framework in which to solve the problems created in the areas of CRM and relationship marketing.

Customer management enables the organisation to support the promises of the relationship marketing campaigns by changing organisational processes to support the customer interface. This attempts to overcome a barrier already explained by Senge, Kleiner, Roberts, Ross & Smith (1994: 15–47) in their work, *The Fifth Discipline Fieldbook*, in which they state that when placed in the same system, people, however different, tend to produce similar results. Customer management will attempt to prevent this from happening by guiding organisations through appropriate change to support their customer strategies – doing different things (relationship-based activities) in different ways (through a customer management paradigm) and not by doing different things (relationship-based activities) in the same way (traditional business model).

It is therefore contended that CRM and customer management are currently positioned towards the fad end of the continuum. These initiatives have not yet proved their worth. While IT (in the form of CRM, enterprise resource planning and knowledge management applications) does have an important facilitative and supportive function in the development and management of firm–customer relations, a mere piece of expensive computer software in itself is not enough. The management of the entire relationship philosophy is required to select the appropriate interventions, design the market efforts with which to communicate them and gear the organisation to be able to deliver on its service promises.

As stated at the beginning of this paper, although management fads are frequently referred to with disdain, it is important to recognise that many current management practices began as fads. Gibson & Tesone (2001: 123) argue that management fads – even those that have entered the declining stages of the fad life cycle – often have a significant and lasting impact on management practice. They linger in the workplace either as the roots of a new management fad or in the guise of different jargon and terminology. The authors propose that the customer concepts and terms debated in this article will in future be called many other things and yet remain part of the same quest – organisations realising that the closer they live to their customers, the more secure their future will become.

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