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Abstract

In order to realise the potentials of CRM, relationship-specific processes need to be designed and implemented. Yet the following questions still remain: what is the difference between relationship processes and traditional product and transaction-oriented processes and how can relationship processes be identified and designed? Based on business definitions (e.g. how can a customer relationship be maintained?) the authors give first answers to this question by using a systematic, goal-oriented specialisation of generic actions. As an example, one relationship-specific process will be designed in the course of this paper.

1. Introduction

CRM is still one of the most discussed topics in research and practice. New theoretical approaches for explaining and engineering the interaction between business partners are expected to be devised, as new economic impulses for companies (in saturated markets) are needed [15]. But, what is the scientific understanding of "relationship-orientation" in contrast to the traditional "product- or transaction-orientation"? And which new processes have to be identified and systematically designed? Such questions which have not yet been sufficiently discussed do not only have a theoretical but also a practical relevance. At least 70% of all CRM projects carried out to-date cannot be considered but a failure [23]. Not because CRM-software failed, but because IT resources were not purposefully adapted to business goals to improve relationship-oriented processes [22].

Against this background, a formal definition of the term *customer relationship* is given which is based on a brief reflection of approaches presented in literature. This business definition acts as a requirement for a conceptual, goal-oriented design of relationship-specific actions and processes (for goal-oriented process design see also [21] [31]). Using the example *create trust* a process in financial services is illustrated which is destined to maintain and regain customer relationships. Finally, the strengths and weaknesses of the presented approach are critically reflected and topics for future research are outlined.

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2. Related work

Customer orientation which has incessantly been demanded over the last years is indispensable in almost all industries in order to survive and do successful business in saturated markets [15]. As in such markets the absolute growth rates stagnate, in particular the accompanying pressure caused by (fierce) competition leads to "fights" for valuable customers [28]. In a severe competitive environment the customer and his assets define a crucial resource that needs to be specifically focussed in marketing (processes) [20]. Therefore managing customer relationships to create satisfaction, loyalty and retention has intensively been concentrated on for some years now [27], and the term *"Relationship Marketing"* was coined in this context [3] [8] [10].

In literature a variety of definitions and concepts of the construct *customer relationship* can be found [4] [19] [36]. Many authors state that a relationship is to be understood as a sequence of reciprocal, connected, non-coincidental, realised transactions [1] [6]. It is thus seen as a holistic, continuous interaction with so-called episodes (individual purchases) which can not be clearly and unambiguously separated from each other [11]. But what is the essence of these *"interlinked transactions"* and what are the criteria to speak of a relationship?

In this context, numerous, partly different, opinions do exist. Many of them – as for instance [9] – state that "a series of transactions gradually transforms into a relationship, as a result of the *social* exchange between buyer and seller. A relationship is thus much more than a series of transactions, and contains dimensions of power, cooperation, commitment, and trust to name but a few." In contrast to this, other authors emphasise the long-term, economic objectives of the partners (as well as its investment nature) [7], which are lost as sunk costs if the relationship is terminated. Other authors also name barriers of exit in the sense of different costs, like search costs and learning costs or risk factors as characteristics for a relationship (e.g. [33]). The longevity of the relationship is clearly not seen as a barrier of exit. Apart from the above, a number of sources can be found in literature highlighting (partially contradictory) criteria and cases where a relationship could or does exist or does just not exist (e.g. [25]).

Against the background of these divergent and partially vague definitions of the construct *customer relationship*, it is hardly surprising that contradictory statements are made in literature as regards the design of relationship-specific processes. On the one hand, processes are discussed which primarily focus the need to restructure the traditional divisions "distribution" and "sales" (purely product- and transaction-oriented) and, in so doing, oppose the new idea of relationships. Such processes focus all customer contacts from the company's perspective and are thus based on an extensive view of all processes in *marketing*, *sales* and *services* [29] [30]. The linchpin of the approach of [30] is thus the sales cycle as it is focussed in transaction marketing. So it is hardly surprising that the central idea of CRM, i.e. the explicit interest in a long-standing, intensive customer relationship, does not become evident in the process models.

In contrast, some authors discuss processes which directly refer to the establishing and retaining of customer relationships like for instance customer migration or customer recovery [26] [34]. The process design takes place, but selectively without an exact definition of a relationship and without a statement as to what extent the customer needs are satisfied by the measures realised in the processes. [26] describes, e.g. in his five-phase model, a procedure to establish relationship strategies in the first place and finally arrive at modelling the relevant relationship-specific processes. However, neither a goal-oriented, effective engineering of processes nor their explicit modelling do take place. It is for instance remarkable that selected processes *are* seen as elementary for establishing and maintaining relationships, yet they are neither explicitly identified nor are possible interdependencies (e.g. with respect to the pursued goal) between the processes revealed. In summary, it may be stated that this kind of approach deals with customer loyalty emphasising its importance, whereas the modelling of relationship-specific processes is done only selectively.

Hence questions like, "which relationship-specific processes do exist and how can they be designed?" have to be answered.

Summing up, a contribution has to be made to distinguish between transaction-oriented and relationship-oriented interactions on the basis of the essential criteria and to render the identification of relationship-specific processes.

3. Definition of a customer relationship

3.1. Transaction-oriented vs. relationship-oriented interaction

As described above, in saturated markets its not the enterprises that decide with which customer they would like to establish a business connection (not a relationship!), but it is rather the (valuable) customer who selects his business connections. Against this background, it is necessary to analyse in which cases it makes sense - from a customer's point of view - to speak of relationship-orientation instead of transaction-orientation.

Therefore, we assume a decision situation in which a customer e.g. has to make several, isolated purchases of fuel within a given period of time. To do so, the criteria such as the favourable price or location of a petrol station are considered during the utility calculation, to name but a few. For reasons of optimisation, the number of single transactions with each petrol station has to be determined, which would change, if ceteris paribus the price of one petrol station was temporarily underbid by a competitor (the customer switches the supplier partially or completely). As a single transaction we define a process which is performed with a *single* objective (e.g. agreement, communication) and refers to a particular instant in time, carried out between separate entities or objects, often involving the exchange of items such as information, money, services and goods (like a purchase of fuel)). What does, however, happen, if utility values and costs exist that must be assigned (with their positive or negative effects) no longer to a single transaction but rather to several transactions or to the entire business connection? In the afore-mentioned example (several transactions) the customer's decision would be based on the petrol price and the location of the petrol station; at the same time the customer would be likely to include (as an additional variable) in his decision the discount granted, scaled to the purchase quantity. Such effects shall be defined below as *relationship effects*. Relationship effects result from the direct or indirect contact between customer and supplier, if a general recommendation in favour of this particular supplier is given (positive effect on the business connection). This means that the customer carries out actions to benefit (consciously or unconsciously) in the present or future (to create utility or to avoid costs). The latter hints at the transaction-spanning impact of relationship effects which is considered in this context. An example could be an internet access portal configured to the individual needs of bank customers (user-friendliness, reliability, etc.) thus cutting the costs of future transactions.

The definition points out that the relationship effects can be created by monetary and non-monetary values. [13] analyses - by means of an empirical study - possibilities to generate relationship effects. He investigates which motives from a customer's point of view exist and make him establish, maintain, or terminate a relationship. On that basis, monetary and non-monetary values (so called "*relationship values*" can be derived which are to be delimited from other concepts as for instance the Customer Lifetime Value as the sum of the discounted cash flows (cash value) of a business connection. In so doing, it is important to underline the fact that the monetary values have a transaction-spanning impact and do not concern individual isolated transactions (as for example price discounts for a transaction). The relationship values identified are presented in table 1.

Table 1. Identified relationship values to create relationship effects

Relationship value	Description
commitment	The sensation of being emotionally obligated towards and closely connected with ("attitudinal dimension") a reference object (e.g. a bank counsellor) due to a feeling of moral gratitude or due to common attitudes and standards.
involvement	Describes the degree of activation, motivation, and interest of a person, being triggered by means of a certain impulse (e.g. the specific design of bank subsidiary or a very likeable counsellor) thus resulting in establishing and retaining a relationship.
trust	Refers to one's attitude towards a person or a group of people, relying on their willingness and ability to meet one's expectations, in particular without being opportunistic.
monetary premium & sanctioning	A monetary premium corresponds to a price advantage being promised which has a positive influence on the appeal of a decision option (e.g. to intensify a relationship). On the other hand, sanctioning refers to a threatened punishment meant to take measures against the rejection of a decision option and thus to prevent it.
specific investment	This term refers to a (monetary) commitment meaning an input of resources by the customer which would suffer an impairment outside this relationship.
contractual incentive & control mechanisms	Contractual incentive & control mechanisms as for instance guarantees, profit-related fees or "sanctions" (repayments, if the customer is not satisfied) will be offered by the company to enable the customer to claim the degree and the quality of the performance delivery.

3.2. Impact of relationship values

In this section, we investigate the impact of relationship values on a customer's decision to derive a precise definition. The following premises shall apply to the customer's calculus concerning the establishing, maintaining, and termination of business connections:

P1. The customer shall have a utility preference relation, that means he or she can assign to each transaction $t \in T$ submitted by a supplier a real utility value $\Phi(t)$ using a mapping $\Phi\colon T \to \mathfrak{R}$. Thereby a value ranking of all alternatives can be defined. Thus an alternative t_i is in relation to another alternative t_j [superior/inferior/equivalent] if the utility value $\Phi(t_i)$ is [>/</=] to $\Phi(t_j)$.

P2. The utility preference relation has to be complete, reflexive and transitive.

P3. The preference relation shall consider not only monetary but also non-monetary elements (e.g. obliging behaviour of the staff or benefit from the supplier's image).

At first, a customer only wants to purchase one product or one service (single, isolated transaction). If I different suppliers offer the requested transaction, a customer will prefer the transaction t_{i*} of the supplier i^* (with $i^* \in I$) for which the net utility value e of i^* (gross utility value $U(t_{i*})$ calculated by the preference relation less the total costs of $C(t_{i*})$) is superior in relation to every other offer. The costs $C(t_i)$ result from the purchase and utilisation of the offered service t_i. Thereby the utility value results from the direct contribution of the offer in order to satisfy the customer's needs [15]. An example: If a bank customer wants to take up a construction loan, he or she compares different offers by valuing characteristics of loan products such as duration or payback modalities and by considering cost aspects like e.g. the annual percentage rate.

In literature, repeated transactions follow suit (T homogenous transactions overall), they are, by definition, considered as being separate from each other. Often the „either-or-premise" is set, which means that either all or no transaction(s) are/is settled with a supplier. At least in private consumer markets, like in financial services, this definition is, of course, simplified. For this reason, the „either-or-premise" has not been used here which means that, depending on the particular realisable net utility value, the customer will select for each transaction $t \in T$ the best possible offer (maybe each time provided by a different supplier).

Therefore in the customer's calculus, an optimal selection of the transaction shares λ (e.g. if a customer settles 5 out of 20 transactions with supplier i then the transaction share λ_i is ¼) has to be determined for all suppliers I. The utility value and the costs of a particular transaction share λ_i containing the utility values $U(\lambda_i)$ and costs $C(\lambda_i)$ of all transactions is settled with only supplier i.

$$[1] \quad \max_i e = U(\lambda_i) - C(\lambda_i) \ \ with \ \ \sum_{i=1}^{I} \lambda_i = 1$$

The impact of relationship effects can be differentiated as follows:

Relationship effects V^C shall have a *constant* utility impact within an interval [lower limit *(LL)* $\leq \lambda \leq$ upper limit *(UL)*] of the transaction share. An example to this effect are recommendations of a customer for a supplier ("transfer" of reputation) to reduce the inherent risk (due to a potential opportunistic behaviour of the supplier) of another customer. In contrast to this, relationship effects V^C can also occur if the transaction share exceeds a certain limit which is substantially larger than zero ($\lambda \gg 0$). Examples are promises of bonus percentages or fidelity rebates for a number of potential subsequent transactions (transaction-spanning impact).

The relationship effects V^V shall have a utility impact which changes continuously depending on the transaction share (change coefficient $v > 0$ and exponent $\gamma > 0$). An example to this effect is the possibility to customise services on the basis of customer data gathered over a longer period, during previous transactions. Again the relationship effects could depend on an interval [$LL \leq \lambda \leq UL$].

If the relationship effects are considered, the customer's calculus changes as follows:

$$[2] \quad \max_i e = U(\lambda_i) - C(\lambda_i) + V(\lambda_i) \ \ with \ \ \sum_{i=1}^{I} \lambda_i = 1$$

In general, the relationship effects $V(\lambda)$ can be described as follows:

$$[3] \quad V(\lambda) = V^V + V^C \ \ with \ \ V^V = v \cdot \lambda^{\gamma} \ \ and \ \ V^C = \text{constant within an given intervall}$$

A simple case with two suppliers is presented to back up the statements: the customer optimises given functions of both suppliers without dynamical adaptations.

$$Supplier \ 1: \quad U(\lambda_1) = 9\lambda_1^{0.8} \quad C(\lambda_1) = 3.5\lambda_1 \quad V(\lambda_1) = 1.5\lambda_1^{0.5} + \begin{cases} -1 \text{ for } 0 < \lambda_1 < 0.4 \\ 0.5 \text{ for } 0.4 \leq \lambda_1 < 0.8 \\ 2 \text{ for } 0.8 \leq \lambda_1 \leq 1 \end{cases}$$

$$Supplier \ 2: \quad U(\lambda_2) = 8.5\lambda_2^{0.7} \quad C(\lambda_2) = 4\lambda_2 \quad V(\lambda_2) = 0.7\lambda_2^{0.85} + \begin{cases} -0.75 \text{ for } 0 < \lambda_2 < 0.5 \\ 0.5 \text{ for } 0.5 \leq \lambda_2 < 0.7 \\ 3 \text{ for } 0.7 \leq \lambda_2 \leq 1 \end{cases}$$

The utility functions U_1 and U_2 shall have the usual, concave run due to purely transaction-oriented reasons (e.g. price fluctuations in-between transactions). On the other hand, a linear increase (constant unit costs of a single transaction) is defined for the costs functions C_1 and C_2. The functions of the relationship effects V_1 and V_2 consist of the parts V^V und V^C in each case. For supplier 1 a customisation utility results from collected customer data (positive, removing marginal utility for rising transaction shares), which leads to a continuous function $V^V = 1.5\lambda^{0.5}$ with $\lambda \in \,]0;1]$. The function V^C consists of initiation costs of the business connection ($\lambda \in \,]0;1]$) at the height of 1, as well as two constant, positive relationship effects at a value of 1.5 with $\lambda \in \,]0.4;1]$ and 1.5 with $\lambda \in \,]0.8;1]$, because of two particular bonus payments. To that extent all, three single effects result as a whole in the above-mentioned, discontinuous function V^C. The function V_2 is to be analogously interpreted for supplier 2.

If, in a first step, we only regard the directly attributable, isolated net utility value of the transactions (see [1]), the following customer's calculus as well as the transaction shares λ_1 and λ_2 are resulting:

$$\max_i \; e = U(\lambda_1) - C(\lambda_1) + U(1-\lambda_1) - C(1-\lambda_1) = \; 9\lambda_1^{0.8} - 3.5\lambda + 8.5(1-\lambda_1)^{0.7} - 4(1-\lambda_1)$$

$$\Rightarrow \lambda_1^* \approx 0.67 \wedge \lambda_2^* \approx 0.33$$

In contrast to this, if we explicitly consider the *relationship effects* from the equation [2] the following calculus results:

$$\max_i \; e = U(\lambda_1) - C(\lambda_1) + V(\lambda_1) + U(1-\lambda_1) - C(1-\lambda_1) + V(1-\lambda_1) =$$

$$= \begin{cases} 8.5(1-\lambda_1)^{0.7} - 4(1-\lambda_1) + 0.7(1-\lambda_1)^{0.85} + 3 & \text{for } \lambda_1 = 0 \\ 9\lambda_1^{0.8} - 3.5\lambda_1 + 1.5\lambda_1^{0.5} - 1 + 8.5(1-\lambda_1)^{0.7} - 4(1-\lambda_1) + 0.7(1-\lambda_1)^{0.85} + 3 & \text{for } 0 < \lambda_1 \le 0.3 \\ 9\lambda_1^{0.8} - 3.5\lambda_1 + 1.5\lambda_1^{0.5} - 1 + 8.5(1-\lambda_1)^{0.7} - 4(1-\lambda_1) + 0.7(1-\lambda_1)^{0.85} + 0.5 & \text{for } 0.3 < \lambda_1 < 0.4 \\ 9\lambda_1^{0.8} - 3.5\lambda_1 + 1.5\lambda_1^{0.5} + 0.5 + 8.5(1-\lambda_1)^{0.7} - 4(1-\lambda_1) + 0.7(1-\lambda_1)^{0.85} + 0.5 & \text{for } 0.4 \le \lambda_1 \le 0.5 \\ 9\lambda_1^{0.8} - 3.5\lambda_1 + 1.5\lambda_1^{0.5} + 0.5 + 8.5(1-\lambda_1)^{0.7} - 4(1-\lambda_1) + 0.7(1-\lambda_1)^{0.85} - 0.75 & \text{for } 0.5 < \lambda_1 < 0.8 \\ 9\lambda_1^{0.8} - 3.5\lambda_1 + 1.5\lambda_1^{0.5} + 2 + 8.5(1-\lambda_1)^{0.7} - 4(1-\lambda_1) + 0.7(1-\lambda_1)^{0.85} - 0.75 & \text{for } 0.8 < \lambda_1 \le 1 \\ 9\lambda_1^{0.8} - 3.5\lambda_1 + 1.5\lambda_1^{0.5} + 2 & \text{for } \lambda_1 = 1 \end{cases}$$

$$\Rightarrow \lambda_1^* = 0.3 \wedge \lambda_2^* = 0.7$$

Relationship effects cause different transaction shares: whereas before 67% of the transaction shares were settled with supplier 1, his attraction and (with it) his transaction shares have now dropped to 30%. In return, the shares of supplier 2 rise to 70%. The impact of the relationship effects is illustrated in *figure 1*. It shows the two net utility functions of suppliers 1 and 2 (at the axle $\lambda_1 = 0.5$ reflected, i.e. $\lambda_2 = 1-\lambda_1$) and the resulting cumulated utility for the customer. The figure shows that supplier 1 loses dramatically in transaction shares in spite of a much higher V^V with $1.5\lambda^{0.5}$ opposite $0.7\lambda^{0.85}$ (supplier 2). This is because of the partially lower V^C and the different interval limits. In summary, it can be stated that the relationship effects do not aim to "optimise" a single, isolated transaction in relation to a competing offer. In the first instance, these effects "honour" a more intensive or longer lasting business connection.
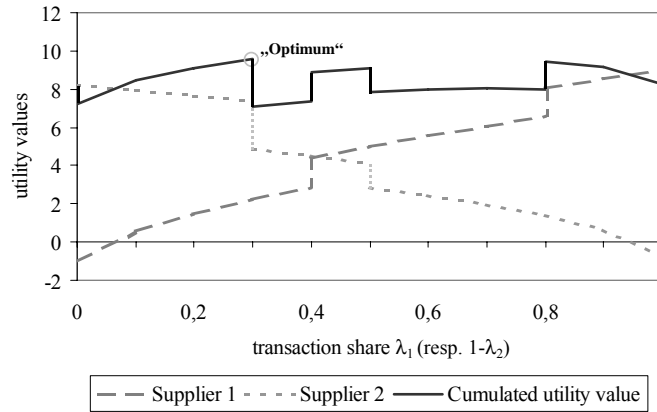

Figure 1. Graphical representation in the two-supplier's-case (example)

Based on these results, the construct *relationship* is defined as follows: *A relationship is established as part of the interaction between a customer and a company (from the customer's point of view) if – due to the existence and relevance (dominance is not necessary!) of monetary and non-monetary values – future transactions or contacts emerge.*

In particular, the relevance of monetary and non-monetary values (a sufficient criterion for a relationship) is given, in case that an inferior offer based on the net utility calculation of isolated transactions (see equation [1]) is nonetheless chosen by the customer. The customer's decision in favour of the inferior offer is due to the monetary and non-monetary values that override the inferiority (i.e. the relationship character of the interaction). However, if the interaction is determined by the net utility calculation of isolated transactions, the supplier's measures to design

single transactions are dominant (monetary and non-monetary values are not relevant), i.e. the entire interaction is characterised as transaction- and not as relationship-oriented.

4. Designing relationship-specific processes

In this last chapter, we suggest that the existence and relevance of relationship effects are the decisive factor for relationship-oriented interaction, based on monetary and non-monetary values (e.g. trust), the so-called *relationship values*. In the following, these values act as business definitions. The goal of relationship-specific processes that need to be designed is *to manage* such relationship values when interacting with the customer which is the link between the two modelling domains. But which particular actions does the collective term *"to manage"* comprise? Below, the study of the addressed (generic) actions according to the relationship values leads to the identification of different relationship-specific processes.

4.1. How to identify generic actions in CRM

[24] underlines that „(…) to identify (…) business processes (…) is an extraordinarily difficult undertaking." From the point of view of process modelling methods [5] [12] [35], deriving new (types of) processes is based upon outlining *visions*. Depending on the actual situation, this could be done creatively by using the know-how of experts, documented examples of innovative solutions of the same or another industry, or by using the potentials of new technologies. Gathering e.g. the different opinions (of experts) is of great importance; nonetheless it is affected by subjective influences and thus often makes a systematic identification of new processes in CRM difficult. And, as existing literature on processes in CRM shows (e.g. [26] [34]), only selected points of the relevant expert knowledge appear to be available so that the outlining of visions cannot be based thereupon.

Contrary to this, the discussion of generic actions and goal-orientation is more systematic (e.g. [16] [31]). The conception of generic structures is based on the principle of abstraction. As for the generalisation and specialisation in data modelling, abstract structures or actions are to be determined. Generic actions are not subjected to concrete influence factors or specifications and they allow a simpler identification of typical processes. In this context, the approach of [18] for instance is well-known; it describes the identification and usage of generic actions. In the context of developing a process modelling-method (Process Handbook) and a modelling tool, the similarities and differences of several connected processes were examined.

Based on the above, [18] identified ten generic actions which allow for representing almost all different actions by using their specialisations (actions which could not be assigned so far are referred to as "unclassified"). The generic actions are: *create, modify, preserve, destroy, manage, separate, combine, decide, use,* and *move*. [37] reduced those generic actions to the relationship-specific, generic actions *create, destroy, preserve, modify, separate, combine,* and *move*. These actions can be described as follows:

Table 2. Description of the relationship specific generic actions

Create	Depending on the specific customer, a relationship value is produced or intensified in its effect.
Destroy	A relationship value is consciously or unconsciously reduced or destroyed.
Preserve	A relationship value is maintained (over time).
Modify	The type of a relationship value is changed consciously or unconsciously, e.g. if another value appears to be more efficient from the supplier's point of view.
Separate	Two or more relationship values are created out of one value, e.g. separation of confidence and commitment [20].
Combine	Two or more relationship values merge into one new value.
Move	A relationship value of customer i is extended onto another customer j (e.g. the supplier uses recommendations to extend trust onto other customers).

4.2. How to specialise generic actions in CRM

So far different generic actions were identified and differentiated to define the term "relationship-specific". A detailed description and modelling has not yet been achieved. Hence, the question arises how the generic actions can be specialised in a concrete situation.

In chapter two we have stated that the existence and relevance of the relationship values establishes and maintains a relationship. In a first step, the supplier has to analyse which relationship values to choose. As has been explained in chapter three, several values exist (e.g. *commitment, involvement* and *trust*). Furthermore, the supplier has to determine which generic action should be combined and specialised with which relationship value. For instance, a generic action like *create* has to be combined with relationship values such as *"create trust"* or *"create premium"*. In addition, this combination has to be adapted to the targeted customer; otherwise the relationship value is worthless for the customer.

Apart from that, it has to be analysed whether parameters exist which lead to important differences in the way a relationship value is to be e.g. *created*. In further steps it is to be examined in which situations during the "life-cycle" of the relationship the described actions are used and how they have to be specialised in a certain relationship situation (e.g. action *create trust* during the phase of *relationship acquisition* vs. *relationship recovery*). [14] points out that the systematic utilisation of relationship values crucially improves the prospects of success, e.g. for customer reactivation or win-back, since taking advantage of the customer's still existing goodwill stemming from the past business connection is of paramount importance for winning him back. An action like *create trust* obviously has to be deployed differently in the case of an acquisition (the customer is not known to the company and therefore has to be addressed with sensitivity) than in the case of winning a customer back (both the customer and the history of the past business connection are well-known). In literature, the phases of a relationship and the situations in a relationship are discussed against the background of the life-cycle-concept [8]. *Figure 2* shows the ideal phases.
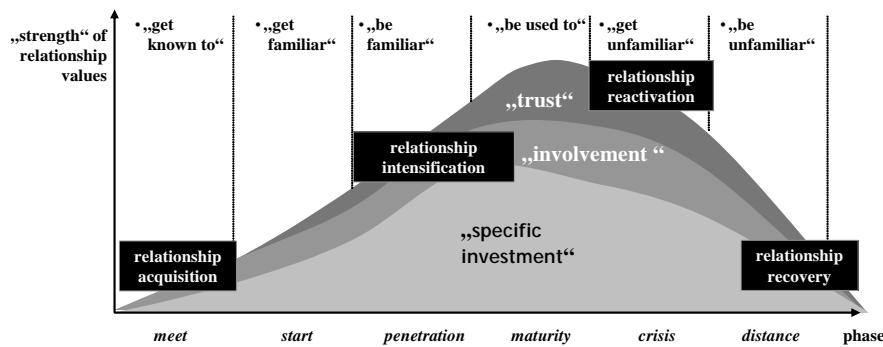

Figure 2. Relationship-life-cycle and relationship values creation (ideal)

In a simplified manner, *figure 2* shows that the phases *meet, start, penetration, maturity, crisis,* and *distance* can be differentiated: to each phase selected situations (relationship acquisition, intensification, reactivation, and recovery) can be assigned during which the supplier gets active. For a selected customer e.g. the development of the relationship values *trust, involvement,* and *specific investment* is useful. This means that all generic actions are to be specialised by means of the parameters "relationship value" and "relationship situation". Since the phases and relationship situations are not clearly separated from each other (in literature either), an unambiguous allocation of the generic actions to phases is very difficult. To separate the different phases, the (relative) strength of the relationship values depends on the interval resp. the phase. Further work would, however, have to be done defining the measurement and interval-creation by means of customer surveys and data mining.

Apart from these problems, the attributes *relationship value* and *situation* provide a conceptual basis for specialising generic actions, i.e. to design relationship-specific processes. To illustrate the latter, in the following chapter a selected process of CRM will be examined assuming specific parameters of customer-type, relationship value, and relationship situation.

5. Application: Design of a relationship process in financial services

In this example, we assume an "enlightened customer type" (according to [13]), the value *trust* and a *relationship reactivation* situation [32]. The example is set in the financial service industry.

The "enlightened customer type" is, above all, characterised by his non-monetary motives [13], i.e. he can be attracted particularly by *commitment* and *trust* to reactivate his relationship. For an integrated representation of the processes in CRM regarding a specific customer type it would be necessary to consider its relationship values throughout all phases. To avoid unnecessary complexity in this paper, the example just focuses the *relationship reactivation* situation. If a supplier wants to reactivate a relationship, he will have to focus on e.g. the processes *create commitment* and *create trust* to generate the relevant relationship values. In this phase *create* is to be understood in the sense of *rebuild*. Again to avoid complexity, only the process *create trust* will be considered. The goal of this process must be to generate relationship effects by providing non-monetary values to the customer to promote the relationship. *Figure 3* presents the process *create trust* in a *relationship reactivation* situation for the *enlightened customer type* represented in an UML activity diagram.
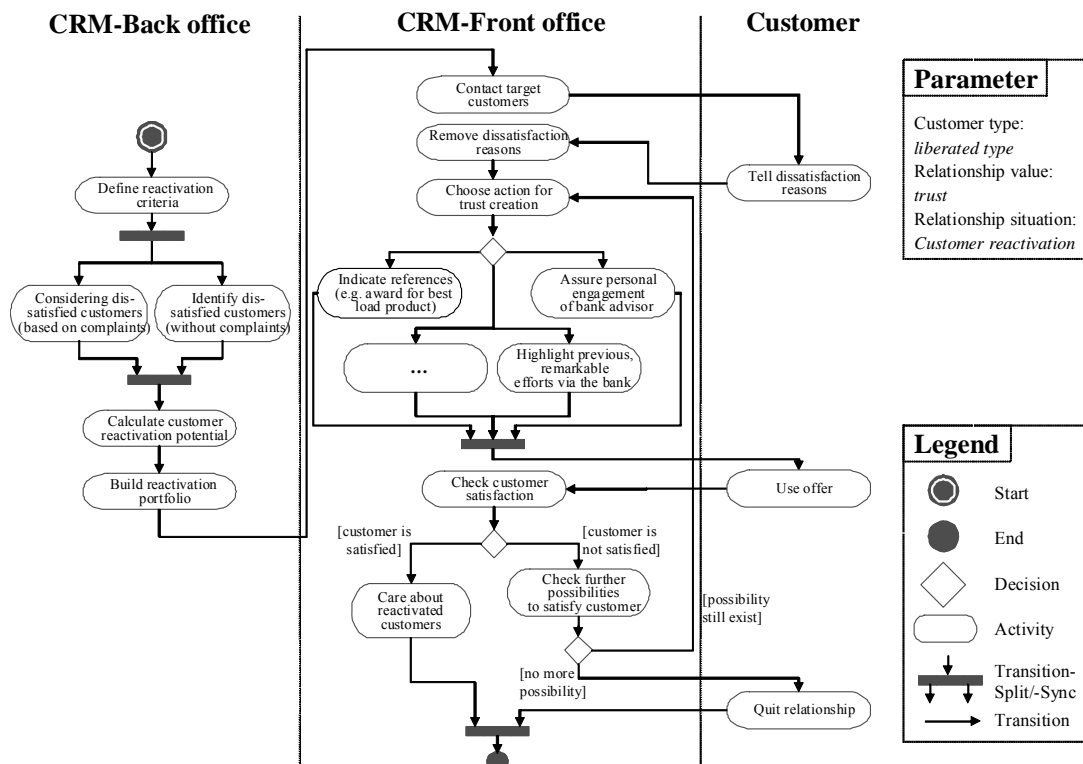

Figure 3. Process "create trust" in a relationship reactivation situation

First of all, all customers who are dissatisfied have to be identified, no matter if they complain about it or not. In the first case, the customer's attitude can be reconstructed on the basis of existing complaints. To identify those customers who are dissatisfied but do not utter it, is difficult indeed. Hence criteria, on the basis of experiences or data mining, have to be defined to enable the identification of dissatisfied customers. Once these customers have been identified, an evaluation has to be carried out as to their attractiveness and potential to the supplier to determine whether

reactivating the business relationship makes sense. In the affirmative, these customers are contacted aiming at smoothing out the reasons for their dissatisfaction. Since the supplier knows that these customers belong to the enlightened customer type, goal-oriented relationship effects have to be generated by means of the relationship value *trust*.

According to the theory of the perceived risk [17] which describes the behaviour resulting in either gaining or losing trust the financial service provider can take different measures: the provider can make sure that a competent counsellor takes care of the customer. Likewise the bank can provide references of different kinds or highlight previous, remarkable efforts on the part of the bank (e.g. the customer exclusively received shares of a closed-end investment company only available in very limited numbers). If the customer can be convinced, theory assumes that the trust of the customer is strengthened and his satisfaction increased. Against this background, chances are that the customer will resume/re-enter the relationship and be all the more loyal. If he continues to be dissatisfied, the bank may retry to adapt the *trust* measures on the basis of the customer type-specific criteria and maybe generate higher relationship effects. Otherwise, the customer is likely to distance himself from the relationship as soon as he puts more "trust" into another financial service provider. Once the customer's reactivation has been successful, the bank will take pains to take care of the customer to maintain the relationship values.

6. Conclusion

The paper provides a first approach of a systematic design of relationship processes. The main characteristics are:

- Relationship processes are geared to generate relationship effects to establish and maintain an intensive and lasting relationship (relatedness vs. bondage).
- Relationship effects can be generated by means of different, monetary and non-monetary, relationship values subject to specific customer types. Therefore relationship processes must focus the management of these values over the entire period of the relationship life-cycle.
- In order to identify the different actions of the relationship management as completely as possible, generic actions were used. In so doing, seven generic actions of particular importance for CRM could be identified that have to be specialised according to customer type, relationship value and situation in order to generate the relationship processes. To give an example one of the relationship processes was dwelt upon.

This paper does already address some critical aspects and highlights topics of special attention to any future research. The specialisation and detailed analysis as well as the quality assurance [2] of relationship processes must have priority. The following questions seem to be of special interest:

Which are the criteria to identify the relationship phase the customer is actually in? What is the role of the measurement of the strength of the relationship values? How can methods of data mining be helpful in this context?

Considering the identified relationship processes: How can the present IT functionality of CRM systems be adapted and sensibly extended to improve their suitability for companies?

In summary, the developed approach has resulted in first steps not only to identify relationship processes but also to advance their goal-oriented design. Both tasks seem to be necessary in the context of the present discussion to advertise the idea of relationship, since otherwise it runs the risk of being regarded as a mere restructuring of the sales domain.

References

Due to length restrictions, all references had to be omitted. The complete paper including all references can be found at: http://www-be.uni-regensburg.de/fileadmin/user_upload/CRM_Actions_and_Processes_WI_09.pdf