Sponsored by

Teradata Center for Customer Relationship Management at Duke University

MANAGING CUSTOMER RELATIONSHIPS



A Strategic

Framework

DON PEPPERS MARTHA ROGERS

With contributions from Philip Kotler, Esther Dyson, Geoffrey Moore, Stuart Alsop, Seth Godin, and forty-five other experts on managing customer strategy and relationships

Contents

Preface		vii
Part One	Principles of Managing Customer Relationships	1
Chapter 1	Evolution of Relationships with Customers	3
	Roots of Customer Relationship Management	5
	The View from Here Philip Kotler	11
	Get, Keep, and Grow Customers in the Twenty-First Century Roger Siboni	17
	What Is a Relationship?	19
	The Technology Revolution and the Customer Revolution	23
Chapter 2	The Thinking behind Customer Relationships	35
	What Characterizes a Relationship?	35
	Thinking about Relationship Theory Julie Edell Britton Josh Rose	38
	CRM: The Customer's View James G. Barnes	51
	The Nature of Loyalty	56
Part Two	IDIC Implementation Process: A Model for Managing Customer Relationships	63
	Customer retuinonsmps	
Chapter 3	Customer Relationships: Basic Building Blocks of IDIC and Trust	65
	Trust and Relationships Happen in Tandem	66
	IDIC: Four Implementation Tasks for Creating and Managing	
	Customer Relationships	68
	How Does Trust Characterize a Learning Relationship?	71
	The Trust Equation: Generating Customer Trust Charles H. Green	72
	Becoming the Customer's Trusted Agent	78
	Relationships Require Information, But Information Comes Only	
	with Trust	81

Chapter 4	Identifying Customers	87
	Individual Information Requires Customer Recognition	88
	What Does "Identify" Mean?	93
	The Internet's Role in Customer Identification: Betting on Amazon Stewart Alsop	97
	Customer Data Revolution	98
	Role of Smart Markets in Managing Relationships with Customers Rashi Glazer	103
Chapter 5	Differentiating Customers: Some Customers Are Worth More Than Others	113
	Customer Value Is a Future-Oriented Variable	114
	Different Customers Have Different Values	120
	Convergys: A Case Study in Using Proxy Variables to Rank	
	Customers by Their Value Jill Collins	127
Chapter 6	Differentiating Customers by Their Needs	137
•	Definitions	138
	Differentiating Customers by Need: An Illustration	141
	Understanding Needs	145
	Using Needs Differentiation to Build Customer Value	147
	Differentiating Customers by Their Needs: A Practical Approach Jennifer B. Monahan Nichole Clarke Laura Cococcia William C. Pink Valerie Popeck	148
	Sophie Vlessing	
Chapter 7	Interacting with Customers: Customer Collaboration Strategy	161
	Dialogue Requirements	162
	Implicit and Explicit Bargains	164
	Succeeding at Interaction Strategy Means Integrating across Touchpoints	169
	Integrated Marketing Communications and CRM: Friends or Foes? Don E. Schultz	172
	Customer Interaction and Dialogue Management	179
	Complaining Customer as Collaborators	185
Chapter 8	Using the Tools of Interactivity to Build Learning Relationships	191
	Customer-Based Software Sampler	192
	Using E-Mail to Interact with Customers	196
	Using E-Mail to Build Customer Value Derek Scruggs	196
	Evolution of the Customer Interaction Center in the Context of IDIC Elizabeth Rech	203
	Wireless Rules: How New Mobile Technologies Will Transform CRM Fred B. Newell Katherine N. Lemon, PhD	208

CONTENTS	v
CONTENTS	V

Chapter 9	Privacy and Customer Feedback	213
1	Permission Marketing Seth Godin	217
	Privacy Issues for the Information Age Josh W. Stailey Stacey Scruggs	223
	Individual Privacy and Data Protection Larry A. Ponemon, PhD	228
	Privacy in Europe Is a Different World	232
	Privacy Pledges Build Enterprise Trust	235
	Submitting Data Online	238
	Privacy on the Net Esther Dyson	241
Chapter 10	Using Mass Customization to Build Learning Relationships	255
	How Can Customization Be Profitable?	256
	You're Only as Agile as Your Customers Think B. Joseph Pine II	263
	Technology Accelerates Mass Customization	277
	Customization of Standardized Products and Services	279
	Value Streams	282
	Who Will Write the New Business Rules for Personalization? Bruce Kasanoff	287
Part Three	Measuring and Managing to Build Customer Value	297
Chapter 11	Measuring the Success of Customer-Based Initiatives	299
1	Brand Equity versus Customer Equity	300
	Nature of Customer Loyalty: Attitude or Behavior?	301
	Economics of Loyalty	302
	Customer Profitability Metrics	307
	Longitudinal Metrics and Short-Term Gain	309
	Measuring Customer Satisfaction	315
	Managing Customer Relationships: Metrics Case Study James Goodnight	321
Chapter 12	Customer Analytics and the Customer-Strategy Enterprise	341
·	Optimizing Customer Relationships with Advanced Analytics Judy Bayer Ronald S. Swift	350
Chapter 13	Organizing and Managing the Profitable Customer-Strategy Enterprise	359
	Capabilities for Forging Customer Relationships George S. Day	363
	Relationship Governance	370
	How to Get There from Here: Transitions to Customer Management	375

VI

	The Manager of Portfolios of Customers	380
	Stages of Change to Become a Customer-Strategy Enterprise Miriam Washington Kendall	381
	Transition across the Enterprise	386
	Managing Employees in the Customer-Strategy Enterprise	397
	Overcoming Employee Resistance Marijo Puleo, PhD	397
	Loyalty-Based Management Frederick F. Reichheld	400
	Momentum Building in the Customer-Based Enterprise	407
Chapter 14	Delivery Channel Issues of the Enterprise Focused on Building Customer Value	411
	Dealing with Channel Pain	412
	Distribution System Management	417
	General Motors' Vauxhall Division: Managing the Customer	
	Experience across Channels and Touchpoints Patricia B. Seybold	420
	Demand Chain and Distribution	428
	Supply Chain Management and Managing Customer Relationships Roger Blackwell Kristina Stephan	430
Chapter 15	Store of the Future and the Evolution of Retailing	451
•	Consumer Direct Channel	454
	Using Operational Excellence as a Competitive Advantage: Tesco Patricia B. Seybold Ronni T. Marshak	464
	The Online Store and the Role of the Brand in Online Shopping Ravi Dhar Dick R. Wittink	472
	Final Mile to Consumers	479
	Logistics Business Models for Success	483
Appendix	Where Do We Go From Here?	487
- -	Leadership Behavior of Customer Relationship Managers	488
	Managing Customer Relationships: The Technology Adoption Life Cycle Geoffrey A. Moore	489
Index		498