



# THE CUSTOMER RELATIONSHIP MANAGEMENT PARADOX: FIVE STEPS TO CREATE A FAIRER ORGANIZATION

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## Abstract

### Purpose

Favoritism of customers reveals great benefits, as focusing on the most profitable customers ensures better use of marketing resources. Scholars suggest, however, that such favoritism imposes a danger to customer management, potentially creating perceptions of discrimination. We explore the fairness of differential customer management practices and propose a framework contributing to fairer marketing practices with implications for social businesses.

### Approach

We critically review the literatures on perceptions of fairness and evaluate the customer relationship management (CRM) paradox.

### Findings

Within our framework, we identify four stages towards fairer customer management practices: (1) generating awareness and diagnosing problems, (2) managing targeted and non-targeted customers, (3) creating emphasis on positive inferences and goodwill, and (4) promoting morality in marketing.

### Implications

This framework assists firms in incorporating fairness issues in their marketing schemes, improving the wellbeing of both customers and society alike. With increased fairness, all stakeholders will benefit, and it encourages more 'compassionate management.'

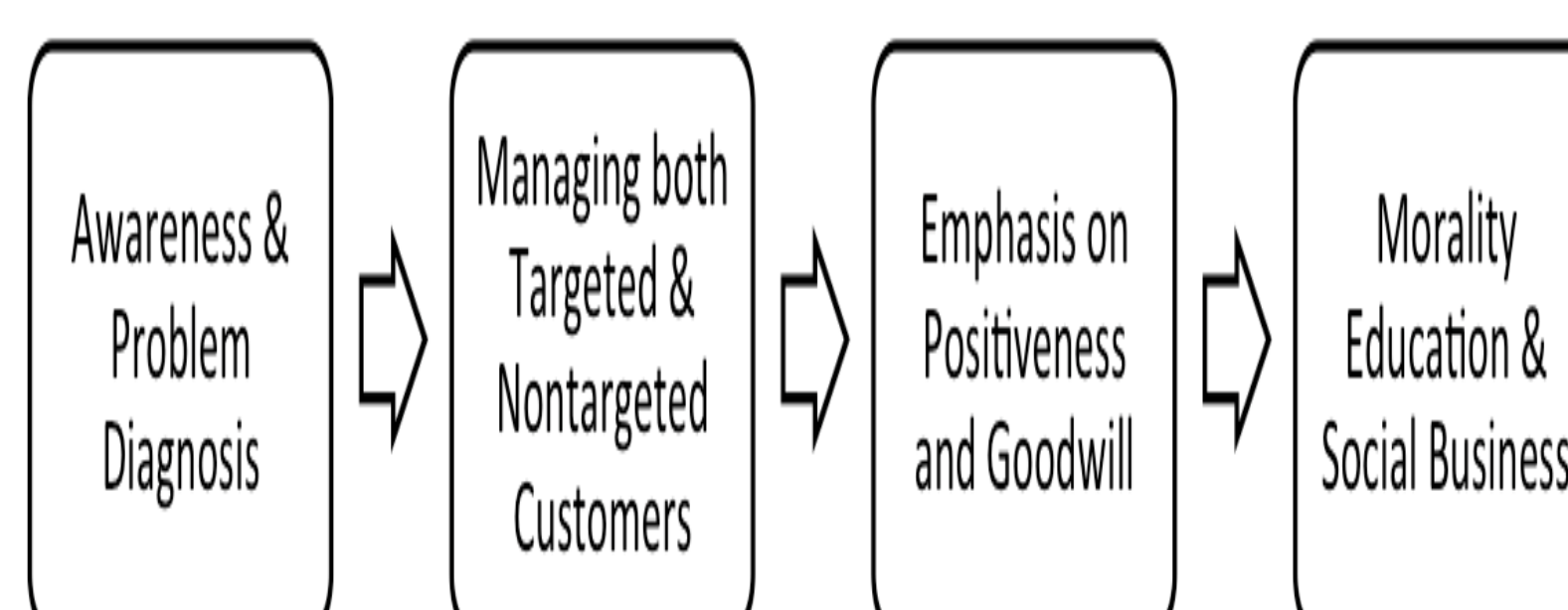
### Contribution

This paper critically reviews related literatures to suggest best practices for overcoming these dangers in a framework involving four phases, and presents an action program comprised of five steps for practitioners to practice fairer customer management.

## CRM Paradox

We must address fundamental issues in the search for individualized treatment in pursuit of satisfaction. Despite the advantages of a strategy that favor one customer over another (Frow & Payne, 2009; Fournier, 1998), such practices may lead to discrimination of customers (Bolton & Alba, 2006). By targeting and favoring certain customers over others, firms appeal to one group, and end up neglecting another. Such favoritism and differential treatment of customers may cause perceptions of unfairness (Bolton et al., 2003), resulting in buyers opting out of relationships with the firm (Dwyer et al., 1987), spreading negative word-of-mouth information (Xia, Monroe, & Cox 2004), or engaging in misbehavior that may damage the firm (Gregoire & Fisher, 2008). For social businesses, such favoritism towards one group of people, while being executed with compassion in mind, may cause disapproval among other groups for instance in a separate geographical location or others with, according to them, more pressing issues. The favored and non-favored customers have different perceptions towards various marketing schemes, and these customers develop their unfairness based on comparative standards of what they feel that they were entitled to at the time of purchase (Nguyen & Simkin, 2013). We term this issue of favoritism as **the Customer Relationship Management Paradox** (hereafter referred to as CRM Paradox) and define it as, **“the contradictory concept of treating customers individually to achieve maximum satisfaction of their needs, which may imply differential treatment for each customer, that can be perceived as unfair spurred by inequitable outcomes resulting from the differential customer treatment.”**

## Four Stages of Overcoming the CRM Paradox



## Five Steps to Creating a Fairer Organization

### 1. Is the Organization Ready for Fairer One-to-One Marketing?

In order to avoid a fairness fad or other disastrous outcomes, managers must prepare the communications infrastructure and procedures. The first step for any organization is to ensure that there are CRM systems to identify profitable customers, but at the same time, ensure sufficient communication to share knowledge and information involving fairness concerns.

### 2. How Well Can the Organization Adopt a Fairer Approach?

The second step is to identify the key groups within the organization who interact with customers on a daily basis.

### 3. Can the Organization Differentiate the Fairness Training from Other Corporate Courses?

Training must be implemented, but it should not fall into the trap of inducing more corporate meetings and training that irritate the employees.

### 4. How Well Do Managers Interact and Develop Interest in the Implementation among the Customers?

The fourth step deals with specific efforts directed at generating further interest from customers.

### 5. Does the Organization Truly Support Fairness and Effectively Evaluate and Monitor Progress?

Regularly scheduled on-going checks should be executed with customers about their perceptions of fairness, and benchmarked against a fairness scale that should be constantly updated. Remember that the customers and the community will appreciate the efforts.