In today’s dynamic and ever-changing business environment, especially in the realm of e-commerce, it is essential for marketers to communicate the right message to the right customers at the right time. With companies operating in multiple geographic markets, cutting across different needs of the customers, this task becomes all the more challenging. Through this process, each company strives to trigger consistent consumer responses by building longer lasting relationships. This is where relationship marketing helps the marketers. Relationship marketing helps in building strong economic, technical, and social ties between marketers and customers.1

The relationship marketing process incorporates three key elements:2

1. Identifying and building a database of current and potential consumers, which records and cross-references a wide range of demographic, lifestyle, and purchase information.

2. Delivering differential messages to these people through established and new media channels based on the consumers’ characteristics and preferences.

3. Tracking each relationship to monitor the cost of acquiring the consumer and the lifetime value of consumer purchases.

So, relationship marketing is more of a process rather than mere isolated events. By incorporating such a marketing approach, it is possible for marketers to customize programs for individual consumers.

Relationship Marketing thus involves creating links or relations with a company’s customers that can be mutually beneficial to both the parties. This marketing function can be broadly classified into two categories: Customer Relationship Management (CRM) and Supplier Relationship Management (SRM). We explore each of these categories in the following pages.
Customer Relationship Management

Customer Relationship Management (CRM) deals with applying database marketing techniques at the customer level to develop strong company-to-customer relationships. CRM involves identifying different types of customers and developing specific strategies for interacting with each customer. Examples of such strategies are developing better relationships with profitable customers, locating and enticing new customers that will be profitable, and finding appropriate strategies for unprofitable customers. It can thus be defined from a customer standpoint as:

“CRM is the practice of analyzing and utilizing marketing databases and leveraging communication technologies to determine corporate practices and methods that will maximize the lifetime value of each individual customer to the firm.”

Marketing-driven customer relationship management is the concept of relationship management that rests on established marketing principles and recognizes the need to carefully balance organizational and customer interests. It is a complex set of activities that, when taken together, forms the basis for a sustainable and hard-to-imitate competitive advantage: the customer-centric organization.

Supplier Relationship Marketing

Supplier Relationship Marketing (SRM) involves managing a company’s supplier base for efficient management of commercial relationships. Gartner Group defines SRM as:

“The practices needed to establish the business rules, and the understanding needed for interacting with suppliers of products and services of varied criticality to the profitability of the enterprise.”

SRM is fast emerging as a major focus area for companies the world over. The need for a new focus stems from the occurrence of relational conflicts that arise between vendors and customers over the various operational issues.

Since most of the advances in knowledge have occurred in the area of CRM, our focus in this module is on CRM.

Link Between CRM and Database Marketing

In order for companies to build longer lasting relationships, an in-depth understanding of the customer data is essential. This brings database management into the picture. So, why do we need database management?

Database marketing has traditionally allowed a company to identify and analyze segments of its customer population for valuable information that can be used to increase the impact of its marketing campaigns. This has been further facilitated by advancements in technology that have made it possible for companies to gather and analyze large amounts of data on their existing and prospective customers and thereby develop rich customer databases. The customer databases help marketers identify groups of customers that are similar in identifiable ways and develop customized marketing campaigns that are devised for each of these groups. This paves the way for firms to develop flexible customer-level responses.
The type and nature of databases depend on the criteria we use to group databases. In the case of marketing databases or customer databases, databases used in companies can be categorized according to the information included in the database. They broadly fall under customer databases, prospect databases, cluster databases, and enhancement databases. Table 1 explains these databases.

An effective database is essential for successful CRM. Marketing databases allow marketers to analyze customers, to get closer to them, and to classify them into different groups so as to implement different marketing programs targeted for each group. This thought is captured by Gulati and Oldroyd (2005), who also observe that CRM systems help companies learn about the customer and thereby serve them better. These databases enable marketers to determine the critical factors influencing customer satisfaction and to take appropriate measures to retain existing customers at the lowest cost.

<table>
<thead>
<tr>
<th>Table 1. Types of Databases</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>What Are They?</strong></td>
</tr>
<tr>
<td><strong>Customer Databases</strong></td>
</tr>
<tr>
<td><strong>Prospect Databases</strong></td>
</tr>
<tr>
<td><strong>Cluster Databases</strong></td>
</tr>
<tr>
<td><strong>Enhancement Databases</strong></td>
</tr>
</tbody>
</table>

Before we move ahead, it is important to understand the distinction between CRM systems and CRM processes. While the former deals with software that integrates relevant customer information with product and service information, the latter involves the measures required to retain customers and provide effective marketing initiatives through continuous interaction with the customers. To sum up, CRM systems form the backbone of CRM processes, which are intended to increase customer relationships.

Establishing Customer Loyalty

We explained in the previous section that databases help a firm in getting to know their customers better. In other words, through effective use of databases, firms can develop customer intimacy. So, what is this customer intimacy? Customer intimacy refers to a close relationship a company develops with its customers in order to serve its customers better. That being said, can a firm develop intimacy with all its customers? The answer would be an obvious no. So, with whom do firms want to develop intimacy? The answer would be, of course, with the “loyal” customers of the organization. So, who are these loyal customers and why are we interested in them? Oliver defines loyalty as “a deeply held commitment to re-buy or re-patronize a preferred product or service in the future despite situational influences and marketing efforts having the potential to cause switching behavior.”

The reason for attaching importance to loyal customers alone is that it would be economical for firms to retain customers than to attract new customers. So, how do we achieve this? The answer lies in loyalty programs.

Loyalty Programs

A loyalty program is a marketing process that generates rewards to customers based on their repeat purchases. Consumers who enter a loyalty program choose to focus more of their buying on the focal company, thereby forgoing the free choice they had otherwise. In exchange for concentrating purchases, they accumulate assets (for example, “points”) that are exchanged for products and services typically associated with the focal firm.

Loyalty programs are certainly not a new instrument in the relationship marketer’s toolkit. Sainsbury (UK) archives show how, in the 1930s, their managers wrote to customers who had not made their usual shopping trip in an effort to maintain patronage. Later, the store used Green Stamps that were well supported by customers, despite the need to paste them into many books. The need for loyalty programs arises as consumers have varying degrees of loyalty associated to brands, stores, and companies. It provides marketers an opportunity to retain customers by offering incentives.

Most of the advancements in loyalty programs have occurred in the past two and a half decades, with companies introducing loyalty programs, frequency reward programs, and customer clubs, making them available in many consumer markets. Figure 1 captures the timeline of loyalty programs.

The loyalty programs were first pioneered by the airline industry in the early 1980s, with American Airlines launching its Advantage program in 1981. Soon after, other airlines followed suit. Towards the mid-80s, the airline industry picked up the thread to launch such initiatives. The front runner in this industry was Marriott, with its Honored Guest Awards launched in 1983. The retail industry was not to be left behind.
based in the UK, spearheaded the loyalty program activities in the grocery industry by launching its Clubcard in 1995. The mid- and late 1990s saw more such awards programs, prominent among them being the credit cards and the financial services companies. In the 21st century, companies from virtually every industry are vying with each other to launch more attractive programs in order to retain their customers.

Loyalty programs have received exploding attention in the late 1990s. Firms across a wide range of industries have raced to implement loyalty schemes of one form or another. Recently, the Internet service provider AOL and American Airlines have created the world’s biggest loyalty program, with 1.5 million and 38 million members, respectively, and more than 2000 partners. In Europe, an estimated 350 million loyalty cards were emitted in 1999 for the retailing sector alone.13 The growth in loyalty program usage has been staggering. The following numbers attest to this growth.

- According to Gartner analyst Adam Sarner, U.S. companies spent more than $1.2 billion on customer loyalty programs in 2003.14
- The Australian FlyBuy program had a membership of 7 million Australians in 1996—one in four Australian households.15
- By 2002, there were more than 120 million airline frequent-flyer members worldwide, with most residing in the United States (74 million), Europe (24 million), and Asia (21 million).16
- American AAdvantage is the largest frequent-flyer program in the world. As of November 2003, it had grown to a membership of more than 45 million members.17
- French retailer E. Leclerc spends approximately $21.2 million each year for loyalty program marketing and management.

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**Figure 1.**
Timeline of Loyalty Programs

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Industry

<table>
<thead>
<tr>
<th>21st Century</th>
<th>Late 90s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Early 90s</td>
<td>Mid 90s</td>
</tr>
<tr>
<td>Late 80s</td>
<td>Mid 80s</td>
</tr>
<tr>
<td>Early 80s</td>
<td>Airlines</td>
</tr>
<tr>
<td></td>
<td>Hotels</td>
</tr>
<tr>
<td></td>
<td>Credit Cards</td>
</tr>
<tr>
<td></td>
<td>Financial Services</td>
</tr>
</tbody>
</table>

Virtually Every Industry
Now let us take a look at some examples of loyalty programs.\textsuperscript{18}

- **Frequent-buyer programs.** The most simple initiatives are based on “punch-cards” that offer, for example, free company products. For example, City Bagels, a sandwich retail chain, offers every tenth sandwich free for customers who have nine stamps from previous purchases. The purpose of City Bagel’s program is to increase both sandwich consumption and customer retention. Stores like BigY, Kroger, and CVS offer discounts on certain merchandise to store-cardholders to ensure customer loyalty and retention.

- **Volkswagen Club and Card.** The Volkswagen Club and Card concept attempts to establish a direct relationship with the end customer. Customers collect points from Volkswagen (VW) for servicing their car or accessories purchased and from partners such as car rental companies and tour operators. The points can be redeemed for dealer services, price reductions on car purchases, and catalogue merchandise. The purpose of the program is to establish a better communication between VW, VW dealers, and the customers, and to bind customers to the brand.

- **Star Alliance Frequent-Flyer Program.** Star Alliance is a group of airlines across all continents that cross-list flights, share facilities, and recognize their respective frequent-flyer programs. Any flight on any Star Alliance airline counts towards a member’s frequent-flyer program. With 900 airports in 129 countries worldwide, Star Alliance has become the largest airline network in the world.

- **Webmiles.de.** Webmiles.de, founded in 1999, operates a loyalty program that differs from most company-specific programs. Webmiles.de allows its members to collect and redeem assets in a network of retail partners. Thus, the retailers become members in Webmiles.de’s partner network. Webmiles.de manages the program and the communication with more than 1 million customers. It claims to be the largest loyalty program in Europe as of 2003.

- **Neiman Marcus.** Neiman Marcus, the luxury retailer based in Dallas, Texas, offers its loyalty program “InCircles” to all customers. Using a shopping card, customers accumulate points that can be redeemed for exclusive and one-of-a-kind rewards.

- **Buitoni Pasta Club.** Buitoni (UK) has created a club for pasta lovers. While members do not accumulate points, Buitoni offers a platform for exchanging recipes, cooking experiences, and testing innovative product concepts among pasta enthusiasts. The club offers an opportunity for Buitoni to get closer to frequent end users.

All the above examples have a unified objective and stress an important aspect in customer management: It is cheaper to market to existing customers than to acquire new ones. Thus, we can summarize the key objectives of introducing loyalty programs by breaking down into four different categories.\textsuperscript{19} They are:

- **Building true loyalty.** This refers to a greater commitment to the product or organization through the building of true loyalty, both attitudinal and behavioral. However, the consequences of true loyalty—greater commitment, greater word of mouth (WOM)—are difficult to measure. This objective is also not easy to achieve because consumers can be fickle and economic benefits are important to them. Hence, building true loyalty is the goal of many loyalty programs.

- **Efficiency profits.** This refers to immediate profit consequences as compared to profit consequences without loyalty programs.

- **Effectiveness profits.** They are long-term profit consequences realized through better knowledge of customer preferences over time. This allows sustainable value creation for customers.
Value alignment. The goal is to align the cost of serving a particular customer with the value he or she brings to the firm. This enables a firm to serve its customers in the best manner.

However, one has to keep in mind that not all of these goals may be pursued by the loyalty programs. It is possible for loyalty programs to concentrate on certain goals alone.

Now, how do we measure and manage customer loyalty?

**Measuring and Managing Customer Loyalty**

Various metrics are available to measure and manage customer loyalty. Firms have adopted some popular measures of customer value that they anticipate will be reasonable indicators of actual customer value. These metrics help firms prioritize their customers in a manner that allows them to assign a higher proportion of resources to the customers who they expect will generate greater profits in the future. Some of the popular metrics used are listed in Table 2.

**Link Between Loyalty and Profitability**

So taking the question we started with at the beginning of this section a little further, if the firms want to develop intimacy with only the loyal customers, what does one say about the loyalty-profitability relationship? Does that mean loyalty and profitability can co-exist? The answer to this question is not a simple “yes.” To get strong returns on relationship efforts, companies need a clearer understanding of the link between customer loyalty and profits.

In a recent study, Reinartz and Kumar (2002) investigated into the profitability issue and found out that loyalty is not the only path to profitability. They found that across different firms, there is a segment of customers who are loyal but not very profitable, and another segment, in spite of generating huge profits, are not loyal to the firm. Since these short-term customers can be very profitable, it is clear that loyalty is not the only path to profitability. While an initial look may suggest that the two share

### Table 2. Metrics Used for Measuring and Managing Customer Loyalty

<table>
<thead>
<tr>
<th>Metric</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>RFM Approach</td>
<td>The <em>RFM approach</em> stands for Recency, Frequency, and Monetary Value. Recency refers to how long it has been since a customer last placed an order with the company. Frequency refers to how often a customer orders from the company in a certain defined period. Monetary value denotes the amount that a customer spends on an average transaction.</td>
</tr>
<tr>
<td>Past Customer Value</td>
<td>The <em>Past Customer Value</em> is a model that extrapolates the results of past transactions to the future. In this model, the value of a customer is determined based on the total contribution (towards profits) provided by the customer in the past.</td>
</tr>
<tr>
<td>Share of Wallet</td>
<td><em>Share of Wallet</em> refers to the proportion of category value accounted for by a focal brand or a focal firm within its base of buyers. It can be measured at the individual customer level or at an aggregate level.</td>
</tr>
</tbody>
</table>

a direct correlation, a deeper analysis suggests that those who generate high profits while not having high loyalty would outperform those customers with a high level of loyalty but low profitability. The key implication of Reinartz and Kumar's finding is that caution must be exercised when equating loyalty with profitability and it becomes essential on the part of companies to obtain information on individual or segment profitability.

**Drivers of Profitable Customer Loyalty**

Hence, if loyalty is not a direct measure of profitability, what are the factors that drive profitable customer loyalty and how long are the customers profitable? The factors determining this can be classified into exchange characteristics and customer heterogeneity.

*Exchange characteristics* encompass the set of variables that define and describe relationship activities in the broadest sense. Reinartz and Kumar (2003) demonstrated that in a mail-order catalog industry, longer profitable lifetime duration could be attributed to the following factors: a customer with a higher level of spending, more products purchased, a moderate inter-purchase time, a moderate amount of returned merchandise, a deeper buying in a single product category, and increased mailing efforts from the firm.

*Customer heterogeneity* represents the variations in customer information. Similarly, in the mail-order catalog industry, Reinartz and Kumar (2003) demonstrated that the older customers with higher income and located in rural areas had a longer profitable lifetime duration.

So, would the metrics listed in Table 2 tell us the true measure of customer loyalty? Not always. This is because the underlying assumption of much of the existing practice is that loyal customers are desirable because they are more profitable for the firm. This is true in a contractual setting, where there is no repeat cost to entice customers into buying. However, this is not the case in a noncontractual setting, as the traditional metrics exhibit a poor correlation between loyalty and profitability. Thus, we resort to a customer value metric, the Customer Lifetime Value (CLV), to ensure that valuable (as opposed to simply loyal) customers will be profitable customers.

**Introducing Customer Lifetime Value**

Customer lifetime value (CLV) can be defined as “the sum of cumulated cash flows—discounted using the Weighted Average Cost of Capital (WACC)—of a customer over his or her lifetime (three years in most cases) with the company.”

Now, why are we concerned about CLV, and how different is this from the other metrics? The importance of CLV rests on the fact that it is a forward-looking metric, unlike other traditional measures, which include past contributions to profit. It assists marketers in adopting appropriate marketing activities today in order to increase future profitability. The computation can also be used to include prospects, not just current customers. Further, CLV is the only metric that incorporates into one all the elements of revenue, expense, and customer behavior that drive profitability. This metric also manages to score over other metrics by adopting a customer-centric approach instead of a product-centric one, as the driver of profitability. The approach for measuring CLV is illustrated in Figure 2.

In adopting such a metric, a firm operating a loyalty program can examine whether the customers being rewarded are indeed profitable ones. Further, the metric enables the firm to observe when its customers are turning unprofitable and to
Evolution of Profitable Loyalty Programs

Building and sustaining profitable loyalty simultaneously seems to be the primary focus of the 21st century loyalty programs. While designing and implementing profitable loyalty programs, care has to be exercised in deciding the focus. Considering the results of past and present research findings and advances in database management technologies, “personalization” and “customization” at individual customer levels have evolved as a new guideline for profitable customer management. Table 3 traces the changes in loyalty programs.

As summarized in Table 3, changes in the dimensions of customer loyalty programs seem to support a distinct evolving dominant logic and present a fresh set of exciting and challenging opportunities for marketers.

Maximizing Customer Lifetime Value

Now we know what CLV means and how it is measured. But how can we use this in the loyalty-profitability framework? Customer value is an important metric that helps firms address marketing issues with greater confidence. Kumar et al (2004) outline these as follows:

- How do firms decide which customers should be provided with preferential and sometimes personal treatment?
- To which customers should the firms interact through inexpensive channels like the Internet or touch-tone phone and which customers to let go?
- How do firms decide the timing of an offering to a customer?
- How do firms decide which prospect will make a better customer in the future and is therefore worthwhile to acquire now?
Having got the customer to transact with the firm, what kind of sales and service resources should the firm allocate to conduct future business with that customer? How should firms monitor customer activity in order to readjust the form and intensity of their marketing initiatives?

Once the computation of CLV is completed, firms progress to maximizing it in order to reap the full benefits of the metric. In recent years, managers have tried to measure and maximize the lifetime value of each and every customer. If a company truly understood each customer's lifetime value, it could maximize its own value by boosting the number, scope, and duration of value-creating customer relationships. To do that, managers would have to determine how much revenue each customer would generate in the future and subtract the expected costs of acquiring, serving, and keeping that customer.

Based on the relevance and criticality of a firm's CRM decisions to its survival and growth, a firm can decide either to adopt the customer value metric in a step-by-step manner or to integrate it as the guiding principle for all its future marketing efforts. Some cutting-edge marketing strategies available for maximizing customer lifetime value are listed in Table 4.

---

**Table 3. Changes in Loyalty Programs**

<table>
<thead>
<tr>
<th>No.</th>
<th>Dimension</th>
<th>Earlier Loyalty Programs: Program Centric</th>
<th>Evolving Loyalty Programs: Customer Centric</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Operationalization Level</td>
<td>Aggregate Level</td>
<td>Customer Level</td>
</tr>
<tr>
<td>2</td>
<td>Program Type</td>
<td>Standardized, based on usage or spend.</td>
<td>Customized, based on type of usage or type of spend.</td>
</tr>
<tr>
<td>3</td>
<td>Rewarding Scheme</td>
<td>Standard and uniform aimed at repeat purchase.</td>
<td>Personalized and relevant, aimed at influencing specific behavioral change or attitudinal gratification.</td>
</tr>
<tr>
<td>4</td>
<td>Reward Options</td>
<td>Minimal</td>
<td>Multiple (usually made possible through partners and alliances).</td>
</tr>
<tr>
<td>5</td>
<td>Reward Mechanism</td>
<td>Reactive</td>
<td>Reactive + Proactive</td>
</tr>
<tr>
<td>6</td>
<td>Reward Type</td>
<td>Tangible</td>
<td>Tangible + Experiential</td>
</tr>
<tr>
<td>7</td>
<td>Program Objective</td>
<td>Build market share, increase revenues, build behavioral loyalty through repeat purchase or usage.</td>
<td>Link loyalty to profitability, influence behavioral loyalty, cultivate attitudinal loyalty.</td>
</tr>
<tr>
<td>8</td>
<td>Metrics Used</td>
<td>RFM, Past Customer Value (PCV), Share of Wallet (SOW)</td>
<td>Customer Lifetime Value (CLV)</td>
</tr>
<tr>
<td>9</td>
<td>Technology &amp; Analytics Usage</td>
<td>Minimal</td>
<td>Extensive</td>
</tr>
</tbody>
</table>

Customer Relationship Management is knowing all about your customers in order to deliver superior value effectively, while maximizing profitability for the firm. This can be done only by having a deeper understanding of customers’ loyalty and its drivers. Adoption of a forward-looking metric such as the customer lifetime value hence becomes essential to a firm’s profitability. This metric would enable superior decision making for companies through the implementation of various customer lifetime value strategies.

<table>
<thead>
<tr>
<th>Table 4. Overview of Strategies</th>
<th>Why They Are Used</th>
<th>How They Measure Up</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selecting the Best Customer</td>
<td>To detect and target customers/distributors based on their value potential.</td>
<td>By selecting the top 20% of the customers on the basis of CLV score, the average revenue for a customer selected is about 60% greater than customers selected using other traditional metrics.</td>
</tr>
<tr>
<td>Making Loyal Customers Profitable</td>
<td>For efficient allocation of resources and an increase in profitability, a segmentation approach is undertaken.</td>
<td>By segmenting customers based on profitability and tenure of association, loyal customers could be made profitable.</td>
</tr>
<tr>
<td>Optimally Allocating the Resources</td>
<td>Used in designing the optimal marketing spend across channels.</td>
<td>By changing the frequencies of optimal contact frequencies, the strategy was able to achieve a 10% decrease in overall costs and a 6% increase in overall profits.</td>
</tr>
<tr>
<td>Pitching the Right Product to the Right Customer at the Right Time</td>
<td>To manage the sales and promotion messages that are sent to customers based on products that are likely to be purchased next. This saves sales and marketing efforts for the company.</td>
<td>Results of this strategy were evaluated using test and control groups. The experiment indicated a greater cost savings for the company in terms of communication and indicated greater return on investments of over 145%.</td>
</tr>
<tr>
<td>Linking Acquisition and Retention Resources to Profitability</td>
<td>Targeting prospects and retaining profitable ones would result in efficient allocation of marketing budget and maximizes profitability.</td>
<td>By optimally directing marketing expenditures, profits for a B2B, a pharmaceutical firm, and a catalog retailer were found to increase by an average of 35%. It was shown that about 28% of the firm’s profits are from 27% of loyal customers (who are costly to acquire and retain).</td>
</tr>
<tr>
<td>Preventing Customer Attrition</td>
<td>Help firms decide which customer/distributor is likely to quit and at what time.</td>
<td>In implementing this framework for a B2C IT firm, churn rate reduced by 30% and profits increased by 42%.</td>
</tr>
<tr>
<td>Encouraging Multi-Channel Shopping Behavior</td>
<td>Used to migrate low-value customers/distributors to low-cost channels based on purchase behavior.</td>
<td>It was shown that shoppers who buy across every available channel tend to initiate more contact with the firm, have a longer tenure with the firm, make more frequent purchases, be more active with the firm, and provide higher revenues.</td>
</tr>
<tr>
<td>Maximizing Brand Value</td>
<td>To manage individual customer brand value and maximize customer lifetime value, brand value is linked to CLV.</td>
<td>By increasing the brand value score for a set of customers for a B2B IT firm, an increase in CLV of over 34% was witnessed.</td>
</tr>
</tbody>
</table>
The Future of CRM

Based on the previous discussion, we can say that CRM holds an important part in a company’s strategy. CRM integrates the resources, action, and organizational objectives in fostering a mutually beneficial relationship between companies and customers. Since the birth of CRM, companies have invested time and resources to create competitive advantage for themselves in terms of products, services, and distribution. The following comment by Paul Greenberg, author of *CRM at the Speed of Light*, captures the essence of CRM:

“Customers aren’t the same ones that existed five years ago. They’re not really interested in the products or services (provided) because they can get them anywhere. They are interested in the experience they have with you when you provide the products and services…”

New and evolving initiatives concentrate on building sustainable competitive advantage that cannot easily be imitated by their competitors. We can expect further developments in the following areas:

- Firms are increasingly aware that integration of CRM processes with human resource functions aid in attainment of organizational goals.
- Firms are looking forward to create a single view of the customer and synchronize customer information across all channels.
- Creating true one-to-one marketing seems to be a goal. Though it may seem rare, creating customized products for increasingly smaller segments would enable companies to develop deep customer analytics.

Companies spend billions of dollars every year to acquire customers and manage existing relationships. Deploying effective CRM strategies would allow companies to reach customers through many channels, improve marketing communications, and thereby increase potential profits.
ISSUES FOR DISCUSSION AND REVIEW

1. What is customer relationship marketing? Illustrate situations where you think companies are following CRM practices.

2. How are the databases classified based on the information they contain? Explain the different types, and cite examples of industries where they are being implemented.

3. What are the key objectives for establishing loyalty programs? How have loyalty programs changed over the years?

4. How can you measure loyalty? How is it linked to the profitability of an organization?

5. Explain the concept of customer lifetime value. How is it important for a company?

ENDNOTES


17. Ibid.


19. Ibid.


23. Ibid.
