Emerging trends in customer management in a changing world

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Emerging Trends in Customer Management in a Changing World

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Abstract
The number of customer management related research publications has increased significantly over the last decade (a 70 per cent increase); where key areas or themes have mainly focused upon subjects such as customer satisfaction, customer service, customer loyalty, customer relationship management and customer value. The number of published articles relating to customer relationship management appears to be on the decline, having peaked in 2013 (a 25 per cent decrease); while other key themes have remained fairly steady. This would suggest that new trends in customer management are emerging, or are on the increase. The objective of this paper is to explore and highlight current and future trends in customer management by means of a literature review of marketing and related journals/texts spanning the last twelve months. The outcomes of this review and their relevance to marketing and customer management include themes relating to getting the organizational culture right, as well as adapting and connecting better with customers. Furthermore, themes relating to personalization and designing customer journeys, as well as understanding the influence of innovation, co-creation and social media, can all influence brand credibility among customers. The themes highlighted all relate to ways in which companies can enhance their engagement and interaction with customers in a changing world; a world that is changing because of advances in technology and a proliferation of online communication, alongside increasingly powerful and demanding customers. Today’s customers prefer to buy from companies which, not only genuinely understand their needs, but also understand how their offerings fit into their customers’ lives. This paper summarizes trends that are relevant to both academia and business, where customers’ expectations of companies are higher than ever before. Looking beyond customer relationship management can help companies better understand these new trends and innovations and how they can prepare better for the future.

Keywords: customer management, organizational culture, customer innovation, customer engagement.

JEL classification: M31, M15.

1. Introduction
Over a decade ago, there was a growth in customer management research and publications relating to customer management issues. The focus was mainly on themes such customer satisfaction, customer service, customer loyalty, customer relationship management and customer value. Since then, changes have had a significant impact on organizations and consumers which have engaged the minds of academics and practitioners. For example, a global economic recession has affected consumer purchasing behaviour and organizations’ reactions. Meanwhile, a dramatic growth in innovations and new technologies has given consumers greater power. Also, the pace of decision-making and actions to sustain competitive advantage has accelerated at a high rate. Reflecting these changes, the number of publications dealing with customer management issues between 2007 and 2015 has risen by 70 per cent (see Table 1). This analysis measured
the number of citations where a particular theme appeared in titles of publications listed in Google Scholar. This prevailing topics and emerging themes are explored further in this paper. In the years to 2013, the number of published articles relating to key issues such as customer satisfaction, customer service, customer loyalty and customer relationship management relationship, were on the increase. Of particular importance was customer satisfaction, with a 100 per cent growth in citations between 2010 and 2013 (see Figure 1). Over the last 2 to 3 years, however, publications relating to such themes, whilst remaining important, would seem to be on the decline, with, for example, a 25 per cent drop in the number of citations relating to customer relationship management articles. So, what new trends are emerging?

![Figure 1. Number of citations of search terms](source: Google Scholar publication titles, March 2016)

Although it may be too early to tell if a trend is a trend rather than a buzzword or a fad, it would seem that emerging issues deal with customer experience, customer retention, customer engagement and the use of social media from a consumer perspective (see Table 1).
In this context, current trends in customer management are highlighted based on a review of the literature of academic and management publications spanning the last twelve months - largely from marketing, consumer behaviour, retailing, brand strategy and management journals and other publications.

In this analysis of current trends, the key themes relevant to customer management that emerge relate to:

- Getting your organizational culture right
- Connecting better with customers by adapting to the changing business world
- Understanding the influence of social media
- Enhancing value co-creation
- Getting personalization right
- Understanding the power of the brand.

Each of these themes will be considered in greater depth.

### 2. Getting Your Organizational Culture Right

The first theme emerging is ‘getting your organizational culture right’ – that is, transforming the business where required - leading to a greater positive impact on the customer and performance at different levels within the organization. On the one hand this means gaining the right balance between a culture that is customer oriented, and on the other, ensuring that employees are engaged to deliver a superior service and enhance the customer experience.

This theme has been well documented in a recent issue of the Harvard Business Review (January-February Issue, 2016, Vol94), which considered areas such as managing the softer side of performance as an approach to getting the culture right. Ingatius (2016) discusses the softer side of performance, highlighting its positive influence as a blueprint for a culture that works better for employees, and for the bottom line. Furthermore, companies with superior customer experience have almost 2.5 as many engaged employees as do companies that lag behind in customer experience.
For the softer side to work, Ingatius (2016) summarizes four key areas that can potentially have an impact:

- **‘Managing your emotional culture’** – the emotional state of a workforce can influence everything from employee satisfaction to profitability.
- **‘Realizing the limits of empathy’** – empathy is highly valued, but it is not an infinite resource, so it should be used wisely. Asking employees to empathize too much could impair their ethical judgement.
- **‘Avoiding collaborative overload’** – collaborating too much does not necessarily improve the quality of teamwork. Leaders should be conscious of the need to avoid workflow bottlenecks and employee burnout.
- **‘Creating an environment where employees really speak freely’** – even conscientious leaders can inadvertently muzzle free speech, damaging employee retention and financial performance. Instead, it is important to create a more ‘vocal’ workplace.

2.1 Managing the Softer Side of Performance

With respect to managing an emotional culture, Barsade & O’Neill (2016) argue that most companies do not realize how central emotions can be to building the right culture within the organization for it to have a positive impact on the customer experience. The authors focus on cognitive culture; shared intellectual values, norms, artefacts and assumptions that set the overall tone for how people work and behave. The other critical feature of emotional culture is how it governs the feelings people have and express at work. Emotional culture is important as it can influence workplace issues such as employee satisfaction, burnout, teamwork, financial performance and absenteeism.

Waytz (2016) highlights that empathy can tax people both mentally and emotionally, and that it is a finite resource. He suggests asking employees to focus on certain sets of stakeholders or customers can help improve performance; and by giving employees ‘empathy breaks’ they can focus on their own needs.

Cross et al (2016) argue that in many companies, people spend around 80 per cent of their time collaborating in meetings or answering colleagues’ requests, leaving little time for all the critical work they must complete on their own; which could lead to overload, employee burnout, higher turnover rates and a lack of customer focus.

Detert et al (2016) explore the degree to which employees really speak freely. The authors argue that companies should gather feedback in regular, casual exchanges and transparently gather and follow up ideas. Their research showed that when employees do speak up, organizations see increased performance as a result of their input.

3. Connecting Better with Customers by Adapting to the Changing Business World

A further trend from the literature is about connecting better with customers by adapting to the changing business world through innovation and technology. To achieve this outcome, businesses need to consider and understand how disruptive innovations can benefit; to identify innovations where least expected to gain competitive advantage. They also need to understand how technology and data analytics/metrics can improve understanding and connecting better with customers.

3.1 Understanding the Benefits of Disruptive Innovation

Christensen’s ‘The Innovator’s Dilemma’ (1997) initiated the concept of disruptive innovation to the world. It is an important aspect as it can have a significant influence on an organization’s customer service strategy and how well an organization is positioned against its competitors.
Christensen *et al* (2016) explain the concept of ‘disruptive innovation’. The authors suggest the ‘disruptive’ label has often been applied inappropriately any time a market newcomer shakes up well-established incumbents. They clarify what disruption really entails, for example, a small enterprise targeting overlooked customers with a novel but modest offering and gradually moving up-market to challenge the individual leaders. *Uber*, commonly hailed as a disrupter, does not actually fit the mould. If managers do not understand the nuances of disruption theory or apply its tenets correctly, they may not make the right strategic choices. Failing to view disruption as a gradual process, where incumbents may ignore significant threats, or blindly accept the ‘disrupt or be disrupted’ mantra as meaning incumbents potentially jeopardize their core business as they try to defend against disruptive competitors.

### 3.2 Finding Innovation where Least Expected

McCaffrey & Pearson (2015) discuss finding innovation where management least expects it. The RMS Titanic is highlighted as a good example – what if the iceberg had been viewed as a potential life-saving option rather than a hazard? Could more people have been saved by clambering on to the iceberg? A cognitive bias called ‘functional fixedness’ limits people to seeing objects only in the way they are traditionally used. Businesses are often hampered by this framework, and overlook elegant solutions hidden in plain sight. This bias can be overcome by altering the description of objects and how we think about its component parts.

McCaffrey & Pearson (2015) suggest techniques to help managers think in innovative ways – called ‘brain swarming’ – about common business problems, for example, conceiving new products, finding novel applications for existing products, or anticipating competitive threats. De Jong & van Dijk (2015) discuss a new approach to business modelling, whereby companies can innovate within their existing business models by examining and reframing the beliefs that support their current modes of value creation. The authors examine the positive impact such an approach can have on customer relationships, strategic resources, costs and revenue streams. The ‘rules of the game’ for creating and capturing economic value have changed. Business models are subject to rapid displacement, disruption and, in extreme cases, outright destruction, for example: *Bitcoin* bypasses traditional banks and clearing houses with block chain technology; *Coursera* and *edX*, among others, threaten business schools with massive open online courses (MOOCs); and *Uber* sidesteps the licence system that protects taxi franchises in cities around the world.

It is about reframing beliefs; it is suggested that companies should identify an industry’s foremost belief about value creation, and then articulate the notions that support this belief. By turning one of these underlying notions on its head – and reframing it – incumbents can then look for new forms and mechanisms to create value. Such steps include:

- Formulating a radical new hypothesis that no-one (at least in a particular industry) wants to believe. For example, what if people who shopped in discount stores would pay extra for designer products?
- Sanity testing your reframe and iron out any inconsistencies.
- Translating the reframed belief into your industry’s new business model; for example innovating in:
  - **Customer relations**: from loyalty to empowerment. Challenge the belief that customers should strive for empowerment. The cost of acquiring new customers has fallen in the digital world. Switching costs are low. Customers express their own ideas and may interpret efforts to win loyalty as obstacles to self-actualization. It is about embracing the paradox; the best way to retain customers is to set them free. *Quirky* (an invention platform) lets the ideas and votes of its online community guide the products it designs and produces;
- Activities - from efficient to intelligent (for example, user satisfaction);
- Resources – from ownership to access, for example, access to key (infrequently or inconsistently used) assets, not ownership; evolving a mind-set towards open source models;
- Costs – low cost equals no cost, for example, multiple customers can simultaneously use digital goods (for example, telco unlimited texts come at no extra cost to the company).

Sull (2015) has suggested a few simple rules applied to important parts of the innovation process which can help organizations maintain structure and creativity. Constraints spur innovation (not ‘thinking outside box’). Guidelines structure interactions, whereby a handful of guidelines, tailored to the user and task at hand, balance concrete guidance with the freedom to exercise creativity. In the case of Zumba, there are two simple rules: any new product/service must help instructors; and a proposal must deliver ‘freeing, electrifying joy’.

Simple rules should be tailored to the unique culture and strategy of the organization using them and can also help ensure innovation is aligned with a strategy to create value and members of a community innovate together by working with partners.

3.3 Using Technology and Analytics to Connect Better with Customers

The use of technology and effective insights into data analytics can help forge better relationships with customers. This paper highlights recent trends in machine learning, intelligent agent technologies, smart intelligent devices, and gamification.

Pyle & San Jose (2015), discuss the impact of ‘machine learning’ to increase competitiveness. They argue that machine learning should be used in pursuit of a clear strategy, and in the presence of large amounts of valuable, reliable data. It is based on algorithms that can learn from data without relying on rules-based programming and where unmanageable volume and complexity of big data increases the need for machine learning. The authors anticipate a surge in the competitive significance of business models ‘turbo-charged’ by machine learning.

Machine learning has been used by sports companies; for example, by using machine learning, the US National Basketball Association could use data to distinguish between a bad shooter who took good shots and a good shooter who took bad shots. It is also being used by General Electric and others to gain fresh insights.

Kumar et al (2015) provide a literature review and a qualitative study of ‘Intelligent Agent Technologies’ (IATs) with managers from 50 companies in 22 industries. The definition they provide is one that defines IATs as:

“… computational systems that inhabit a complex dynamic environment and continuously perform marketing functions such as: (a) dynamic scanning of the environment and market factors including competitors and customers, and firm actions impacting the marketing mix; (b) collaborating and interacting to interpret perceptions, analysing, learning and drawing inferences to solve problems; and (c) implementing customer-focused strategies that create value for the customers and the firm within the boundaries of trustworthiness and policy.” (p. 26).

The authors propose a marketing-centric definition of IATs, or a conceptual framework with several propositions regarding IAT adoption and its importance in the future to facilitate change – assuming new forms of consumer behaviour, product specifications and individual characteristics.

Companies, such as Amazon, eBay and Netflix, are embracing IATs for collaborative filtering, personalization, recommendation systems and price comparison engines to facilitate exchanges in the marketplace.
Suitable applications include information search - across thousands of websites; information acquisition - tracking and gathering information about customers as they visit a firm’s website, and making customized offers; and information analysis – to discover non-obvious statistical relationships.

The ability to enhance interaction and negotiation through online communications is a major benefit of IATs. Firstly by providing autonomy in the decision-making process, with the freedom and self-direction of IATs which are bounded by moral and ethical values that legitimize their decision-making based on a set of rules. Secondly, through the collaboration and integration of agents at three levels: 1) Individual – work specifically for user; 2) Collaborative - communities that co-operate to achieve a goal; and 3) Societal – developed to operate in complex, dynamic environments.

In the future, agents are likely to become more intelligent and perform ever more complex tasks by collaborating, which will make marketing more efficient and effective. There will also be expanded search abilities, faster decisions, and the harmonizing of activities through collaboration performed by multiple entities to enhance customers’ online experience.

Wuenderlich et al (2015) crafted a future research agenda to advance smart service research and practice. Smart services are delivered to or via intelligent objects that feature awareness and connectivity. The connected object is able to sense its own conditions and surroundings, allowing for real-time data collection, continuous communication and interactive feedback. The authors propose that smart services vary on their individual level of autonomous decision-making, visibility, and embeddedness in objects and in customers’ lives. Future research suggestions include: the perception and nature of smart services; the adoption of smart services; innovation through smart services; and the development of new business models. Implications of smart services for organizations, customers, and service landscape have still to be fully explored.

Harwood & Garry (2015) investigated ‘gamification’ as an environment for a customer engagement experience. They provided insights into a gamification approach to online customer engagement and customer engagement behaviours. Using ‘Samsung Nation’ as a framework for analysis, they used netnography and participant observation. They then evaluated customer engagement and customer engagement behaviours through a gamified brand platform (although Samsung Nation has since closed down). People were rewarded by simply exploring Samsung.com – earning points, unlocking and collecting badges, etc.

4. Understanding the Influence of Social Media

Understanding the influence of social media is the third major theme arising from the review and includes articles relating to its effect on consumer purchasing decisions and communicating with customers and stakeholders.

4.1 Consumer Purchasing Decisions

Bughin (2015) discusses the influence of social media on consumers’ purchasing decisions and found that social media influences to a larger extent than previously understood, but its influence varies greatly across different product/service categories. Only a small percentage of social influencers are capable of producing sales. Topics discussed include first time purchasers, search engine optimization and machine learning (Facebook, Twitter and others). Buzz (a platform making collaboration simple and smarter) also plays a greater role than
previously thought. Research into 20,000 European consumers in 30 product areas across 100 brands found that a small slice of social influencers are creating the ‘buzz’. Bughin (2015) also specifically found that social recommendations induced an average of 26 per cent of purchases across all product categories (10-15 per cent previously estimated). For travel, investment services and over-the-counter drugs, 40-50 per cent of consumers looked to social recommendations. The first time purchaser is about 50 per cent more likely to turn to social media than a repeat buyer. Half of recommendations were made offline, in person or by phone. Offline conversations were up to 40 per cent more likely than digital interactions to influence purchase decisions, for example, insurance or utilities. Shoes and clothing: 5 per cent of recommenders account for 45 per cent of social influence generated. These can be considered ‘power users’. There is a long tail of less active recommenders who could be encouraged to be more engaged. Companies that spend effectively on search engine optimization can expect to benefit from greater social media impact.

4.2 Communicating with Customers and Stakeholders
Malhotra & Malhotra (2015) offer best practices for CEOs to leverage Twitter, in communicating better with customers and stakeholders, for example increasing influence and creating positive sentiment as well as spreading the message and the use of Twitter for new product development information, gaining external validation, and sharing customer stories. The types of CEO using Twitter are reported to be mainly generalists, expressionists and information enthusiasts.

5. Enhancing Value Co-creation
Enhancing value co-creation with customers is the fourth key theme and includes articles relating to the importance of developing products/services through customer participation; the customer as a co-creator of value; co-production; and, customer dominant logic.

5.1 Customer Participation
Dong & Zhang (2015) discuss the innovation strategy of the Chinese technology company Xiaomi Inc, which encourages customer participation. Here, the company pro-actively involves its customers, known as ‘Mi fans’, both in software and hardware development processes. It is suggested that the strategy reduces research and development costs and cultivates a sense of participation and pride among users.

5.2 The Customer as a Co-Creator of Value
Vargo & Lusch (2016) argue that the customer is always a co-creator of value. Along its evolutionary path, there has been an increased recognition of the need for a crisper and more precise delineation of the underlying premises and the specification of the axioms of service dominant logic. Also, there is an absence of clearly articulated specification of the mechanisms of (often massive scale) co-ordination and co-operation involved in the co-creation of value through markets and, more broadly, in society.

To alleviate this limitation and facilitate a better understanding of co-operation (and co-ordination), an 11th-foundational premise (fifth axiom) is introduced by the authors, focusing on the role of institutions (rules, norms, meanings, symbols, practices, and similar aides to collaboration) and institutional arrangements (interdependent assemblages of institutions) in systems of value co-creation – also known as service eco-systems.
5.3 Co-Production
Haumann et al (2015) discuss engaging customers in co-production processes to enhance value. The authors undertook a large field experiment with 803 customers engaging in actual co-production processes (for example, ready to assemble products; self-service technologies). They found that co-production intensity negatively affects customers’ satisfaction with the co-production process and that firms can mitigate negative effects by employing corporate communication strategies that either emphasize specific co-production value propositions (value-enhancing communications strategies) or highlight additional co-production service supplements (intensity-reducing communications strategies).

5.4 Customer Dominant Logic
Heinonen & Kristina (2015) look at the implications of adopting customer-dominant logic (CDL) of service, focusing on how firms become involved in the customers’ context. Their thinking is that the marketing perspective is dominated by customer-related aspects, instead of products, service, systems, costs or growth. It is grounded in understanding customer logic and how firms’ offerings can become embedded in customers’ lives/businesses.
They present five essential foundations of CDL, namely: marketing as a business perspective; customer logic as the central concept; the offering is seen through the customer lens; value is seen as formed and not created; and the prevalence of customer eco-systems.
Marketing is based on understanding how providers participate, at a profit, in customers’ value formation. They suggest how firms can successfully conduct business in dynamic markets with empowered customers and stress the presence of providers in the customer ecosystem.

6. Getting Personalization Right
Getting personalization right is the fifth main theme and is an important aspect of customer management.
Chung et al (2016) developed and implemented an adaptive personalization system for personalizing mobile news, based on recording and analysing customers’ behaviour, plus information from their social network. The system adapts the news feeds shown to the user, based on the individual’s reading history and shared interests in the user’s social network. They found that: repeatedly adapting to customer’s observed behaviour improves personalization performance; personalizing automatically using an algorithm, results in better performance than allowing the customer to self-customize; using the customer’s social network for personalization results in further improvement; and, mobile automated adaptive personalization systems that take advantage of social networks may make personalization more effective.

7. Understanding the Power of the Brand
Morrison & Humlen (2015) discuss people-powered brands and how companies can inspire consumer action. They highlight that as the impact of traditional media weakens and the value of earned media strengthens, marketers must evolve their perception of ‘value’ if they are to understand what matters in the connection between people and brands.
Brands have evolved beyond creating connections, to inspire deeper levels of emotional support from their audience.
Social medial and big data enable marketers to have not only a better understanding of the life interest of consumers but also of how emotion can inspire advocacy into becoming action. Three different levels of community form as a result of the emotional engagement in a brand. They define benefits of these communities for both marketer and consumer, and the unique
characteristics that can empower shared interests to evolve from the marketed message, to becoming a transformative social movement.

8. Summary and Conclusions
This review shows a gradual move away from traditional themes such as customer relationship management and customer satisfaction towards trends such as getting the culture right and connecting better with customers. The themes highlighted all relate to ways in which companies can enhance their engagement and interaction with customers in a changing world; a world that is constantly changing because of advances in technology and a proliferation of online communication, alongside increasingly powerful and demanding customers. Today’s customers prefer to buy from companies who, not only genuinely understand their needs, but also understand how their offerings fit into their customers’ lives.

Customers’ expectations of companies are higher than ever before. This means that companies must organize themselves with a structure and culture that enables the delivery of products and services that tap into previously unthought-of sources of value, both for the company and for the customer.

Future research and trends highlighted in this paper are likely to be the themes that marketing will focus upon over the next decade.

References


