"Is the new drive to CRM turning the Customer purely into a commodity ?"

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Recent CRM research highlights the need for better strategy and technique when seeking out the ideal customer.

Many of the presenters spoke in detail of Segmentation and Customer Profitability Analysis as the new imperative within their organisation's customer selection and retention strategy. Indeed it was not at all surprising to see that many organisations, have developed fairly sophisticated models for classifying their customer database.

It was also interesting to hear about the varying degree of customer importance from the various industries represented on the speaker panel.

For instance, Financial Services and Telco (mobile phones) value the retention of customers but have varying definitions on what constitutes a profitable new customer. With Telco really focusing on high volume users of their services who are likely to buy lots of mobile phone add-ons. The financial services industry on the other hand has gone a long way down the segmentation path, this means that it is willing to slot customers into "probable profitability" pigeon holes.

Then there are Service organisations (like auto clubs) that have diversified and now find a need to classify customers not only on profitability, but also cross-sell potential for other services and products on offer.

Whatever the industry the inherent danger that loomed from the discussion papers was that we are working at developing models that identify, either as individuals or as clusters, the "perfect customer".

This gives rise to questions such as ;

Is CRM and CPA (customer profitability analysis) about creating the perfect customer portfolio for our respective organisations ? And is it right to be conducting this CRM segmentation exercise before we have developed a better customer service management strategy ?

One could argue that in developing a segmentation driven CRM strategy we are in fact seeking to better our customer relationship potential. Conversely one could argue that in such a strategy we may find a bottleneck at the top end of the customer value market and very mediocre service and product offerings for all customers below that level.

Therefore the challenge is in developing a (CRM) strategy that not only relates to those customers that organisations find to be already profitable, but to look toward a customer growth (in profitability) strategy, within the current customer & product portfolio.

The mind set amongst a number of managers entrusted with the CRM responsibility is to equate current relationship with current return on investment. Few organisations have given the brief to develop a system which increases the "net worth" of the customer to the organisation through better service management and satisfaction. This would in turn give the customer a greater incentive to becoming more profitable, by increased frequency of purchase and loyalty.

What started as segmentation has become profitability analysis within a CRM structure, which may see everyone rush for that limited pool of "Gold" & "Silver " customers.

It seems obvious that until we have maximised the "value proposition" to the client any sort of segmentation purely through profitability analysis, may lead to inaccurate CRM strategy formulation

The question remains;

Is CRM the must do of this period that will lead to treating the customer purely as a commodity ? ©