

Beyond Customer Relationship Management: Information Co-Sharing and Relationship Positioning

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ABSTRACT

Information has created a new segment of knowledgeable customers. Marketers should pay attention to the roles of more active groups of customers. This paper aims to provide the results of an in-depth investigation of the link between antecedents of information diffusion and perceived relationship positioning in financial services industry. An investigation into information competence and information sharing was undertaken to examine how information was related the positioning of different relationship patterns. Management implications are presented in order to pinpoint the important issues for implementing co-sharing approach in Customer Relationship Management.

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INTRODUCTION

Relationship marketing literature acknowledges the proactive nature of the firm's strategy by building on relationships with customers. Relationships help create unique, difficult to imitate knowledge for firms, which seek to understand how advances in relationship marketing enhance our understanding of knowledge required for competitive success, and how advances in relationship marketing actually assist the process of information sharing and knowledge embodiment.

The major aim of this paper is to provide the results of an investigation of the relationship between information diffusion and perceived relationship positioning in financial services industry. We specifically report the positioning of different relationship patterns that arise from the data. On the basis of the discussion of the data, a section on management implications is presented in order to pinpoint the important issues for implementing effective relationship marketing programs.

Importance of Customer Relationship Management

Customer Relationship Management (CRM) is the latest relational concept to receive “top billing” (Egan, 2001) as relationship approaches have been emphasized to reap mutual benefit to both buyer and seller (Gronroos, 1996). The distinct characteristic of CRM is a broader management concept with the aids of the advanced technology applications for analyzing data and information, and aiming at life-long customer relationship profit (Galbreath and Rogers, 1999; Kelly, 2000; Ryals, 2000; Swift, 2001; Tiwana, 2001). Therefore, the adoption of technologies becomes the key element in CRM, especially the information technologies, deliberately targeted to enhance database access, analytical powers and the communications capacity of companies towards customers (Ritchie and Brindley, 2001). It is not surprising that most of the companies assume technology to create the corporate capabilities required by customer-focused approach (McKean, 1999).

Paradox in Relationship Building

Non-technical elements in running CRM ranges from employee's skill to apply information to the willingness of business units to share information (McKean, 1999). The secret in using technologies properly is related to "Paradoxically, this unbalanced bias toward technology is only one small element of the predominantly non-technological determinants" (McKean, 1999, p. 4). Information should be the focus of companies in implementing CRM. According to McKenna (1991), "technology is transforming choice and choice is transforming the marketplace" (p.1). It has challenged the traditional business environment and the ways to conduct business. Since customers have more channels to source companies created by the advanced technologies, they have more choices in selection.

Mitchell (2000) remarks that the Information Age is opening up a completely new dimension in marketing – helping customers to make decisions. "And, most significantly, that the customer know that modern technologies are leading to a situation where he's right and in charge" (Prabhaker, 2001, p. 127). Customers can obtain information as much as they want. They become more knowledgeable than before and they are stepping out of their traditional roles (Prahalad and Ramaswamy, 2000). They are no longer passive players with a predetermined role of consumption (Prahalad and Ramaswamy, 2000). They become active players, who have actively searched, selected and offered information to companies. In short, they play active roles in information diffusion process but they also face paradox in this process. What are these paradoxes?

Information Diffusion in CRM

A paradox of information created by the Internet is that it brings too much convenience to customers. This century becomes the "Information Overload Era". Trout (1995) provides statistics that more information has been produced in the last thirty years than in the previous five thousand years and

the total of all printed knowledge doubles every four or five years. It is a scary situation that “a number of people will have to be treated for encyclophobia – the fear of being trapped in an electronic encyclopedia” (p.4). Therefore, a process of information diffusion is a kind of business competition (Hayek, 1945, 1949; Kitzner, 1973). Customers will choose those companies that can assist them to digest different kinds of information. But the actual situation is that most companies are still using one-way information flows and dialogues to customers and continue to send irrelevant e-mail to their customers, who may be not satisfied with this information flow unless both parties exchange information in a co-sharing mode. What is co-sharing mode of information diffusion?

Co-Sharing Dimension of Information

From the point of view of the company, it is decisive the company is able to offer and transfer better information to customers, and on the other hand, it obtains more and better information about customers than its competitors (Weiber and Kollmann, 1998). This is the co-sharing dimension of information. The meaning of co-sharing is that two parties are putting their efforts together in selecting and providing information considered important by each party with the other party. In this study, the co-sharing dimension is investigated into two constructs – information competency and information sharing.

The ideal information sharing is a scenario in which a company is able to offer and transfer relevant information to customers by obtaining more and better quality information about customers than its competitors in terms of better reciprocity and responses (Weiber and Kollmann, 1998). Therefore, information sharing is not just from one side but also from both sides. This is the co-sharing dimension of information. In summary, the term “co-sharing” involves information competency and information sharing.

Information Competency

This term is defined by McKean (1999). It can be regarded as the ways companies manage and process information they have gained. It is an important step. If companies cannot handle the system of information management well, they will only get meaningless and disorganized data and information. But in the Information Age, there is too much information. It is not easy for companies to know what kind of information they want. As McKean (1999) points out: “This information legacy gives businesses massive amounts of information, but not the right information. Businesses have information overload yet not enough information. Businesses profess that they are drowning in customer information, not better customer information” (p.58). Hence, the success of customer-focused strategy is primarily dependent on the level of corporate information competency (McKean, 1999, p. 35).

Information Sharing

This term is defined as “formal and informal sharing of meaningful and timely information between firms” (Anderson and Narus, 1990, p. 44). The information obtained can assist companies to understand customers’ needs, wants and desires. Both of companies and customers are willing to share information to each other continuously, however, information sharing has always been treated as an antecedent, there are limited studies to study the construct as the outcome.

In short, the psychological patterns of information process consist of cognition, affect and action. Cognition is based on the readiness of recent, prior or vicarious information (relevant experience-based information). Then, the second phase of information diffusion is affect. Affective attitude has been developed as a response of mutual commitment between seller and customer. Commitment implies less reckless behavior and more reliance on each party. The last stage is action, which is perceived as a necessary result of engaging both responsive action in the form of a deeply held commitment and

reciprocity to re-buy or re-patronize a preferred product or service consistently in the future (Mavondo and Rodrigo, 2001).

RESEARCH DESIGN AND METHOD

This research was conducted in China. The reason for selecting China is its big marketing potential, particularly given the fact that China is now the member of WTO. But, it is not easy to obtain information about the market situation since some of the Chinese businessmen are not willing to share information with others, especially with the Westerners. Thus, their attitudes towards information co-sharing are worth investigating. In this research, financial service industry was selected, as the companies in the financial service sector need to handle loads of data and is required to share information with customers. Hence, information sharing plays a major role in developing relationships between the company and the customer.

The research tool for this study is a questionnaire-based survey carried out in Chinese financial services. The questionnaire is designed to investigate how Chinese practitioners perceive the benefits of using the Internet to share information with their customers. The questionnaire was pre-tested with Chinese businessmen in China, which enabled further clarification on wordings of the statements in the questionnaire before the actual fieldwork was conducted. The research was conducted in Guangzhou, China and a total of 150 questionnaires were collected through face-to-face interviews. The interviewees were randomly chosen from the source of 2000 Almanac of China's Finance and Banking sector. The key criterion was that the interviewees were the senior management of their companies. In order to minimize the interviewers' bias, each of them had received a letter explaining the purpose of the survey. All respondents were interviewed by interviewers who were provided with document containing instructions for assisting them to interview each respondent.

DATA ANALYSIS AND RESULTS

Factor Analysis

Principal Component Factor Analysis is employed to uncover the underlying dimensions of information competency and sharing. Total 8 statements were rotated by Varimax method. Variables are found to be loaded on more than one factor so any variables with low factor loading were removed. As a result, 7 items were retained and resulted with 2 factors (information competency and information sharing) with the acceptable KMO test result (0.647). Information competency and information sharing account for 33.10% and 36.01% of the variance respectively and their Cronbach's alpha coefficients were high ($\alpha = 0.7405$ and $\alpha = 0.9012$ respectively) which are considered to be acceptable for new scales (Churchill, 1979) and satisfy the exploratory research norm set by Nunnally (1978).

Cluster Analysis

The way to analyze different perceived relationship positioning is to investigate whether respondents can be classified into number of distinct 'relationship' clusters based on respondents' perception on the dimensions of information competency and sharing mentioned above. Two-cluster, three-cluster and four-cluster solutions were run to help determine the optimal number of clusters (Hooley et al., 1992). The cluster solutions generated were checked by ANOVA and Scheffe's test (Hair et al., 1998). The four-cluster solution was found to outperform other solutions. The results of the tests are shown in Table 1.

The four derived clusters are labeled as Beneficial, Bilateral, Besotted and Beloved clusters respectively. These nomenclatures were assigned in accordance with each cluster's summated scores in information sharing and competency variables. Beneficial, classifying 58 percent of respondents, with disagree on information sharing whereas agree on information competency; Bilateral, classifying 24.3

percent of respondents, with slightly disagree on information sharing while fall in between slightly agree and agree on information competency; Besotted, classifying 12.2 percent of respondents, with agree on information sharing and slightly agree on information competency; Beloved, classifying only 0.5 percent of respondents, with agree on both information sharing and information competency. Next part begins with a discussion of the findings of the research.

Table 1 Grouping of Cyber Relationship Positioning based on Cluster Analysis

	1 <i>Beneficial</i> (N=86)	2 <i>Bilateral</i> (N=36)	3 <i>Besotted</i> (N=18)	4 <i>Beloved</i> (N=8)	F Value	Sig.
Information Sharing	1.81 ^b	3.32	5.00	5.79	359.104 ^a	.000
Information Competency	5.71	5.53	6.26	4.78	15.710	.000
^a F-value derived from one-way ANOVA test between the three clusters. Scheffe's test also indicates a significant difference in the mean factor 1 to 4 between all possible pairs of clusters at $\alpha = 0.05$. ^b Mean summated scores with 1 = strongly disagree and 7 = strongly agree.						

DISCUSSION

When the Internet is becoming more smart and powerful and communication costs are insignificant, buyers often receive an excessive volume of different natures of relationship with firms. If the buyers do not identify the importance of control over the terms and the nature of the relationships, they may not recognize much value addition from such relationships. How can information competency and sharing affect the development of various relationships? Taxonomy of different perceived relationship positioning may provide the answer to this question discussed next.

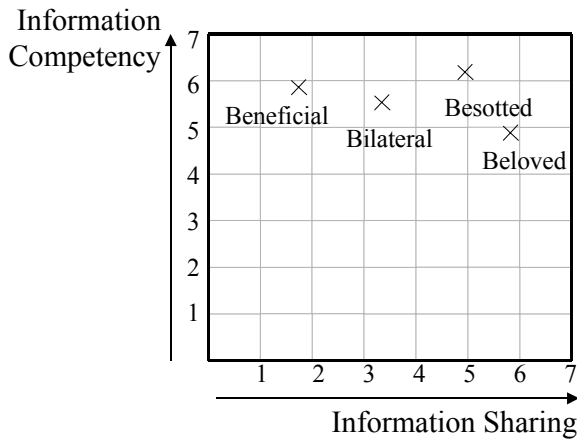
Relationship Positioning

Perceived relationship positioning, according to this survey, can be divided into four B clusters, i.e.

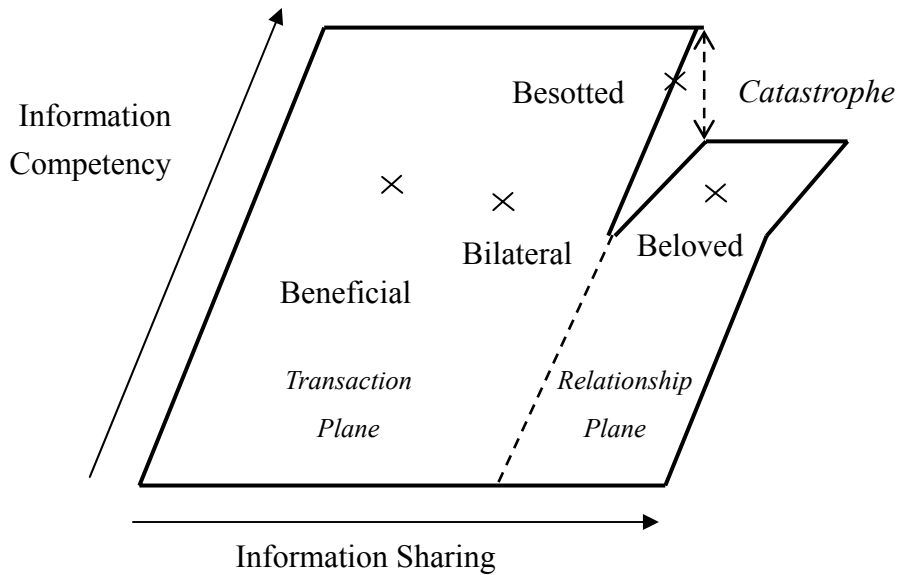
the Beneficial, Bilateral, Besotted and Beloved ones. Figure 1-A illustrates a perceived Relationship Positioning map of 4 B clusters based on the scores of cluster analysis as per Table 1 and Figure 1-B shows different relationship positioning in a "catastrophe" diagram.

Figure 1 Cyber Perceptual Relationship

1-A Perceived Relationship Positioning Map



1-B A Catastrophe Diagram Showing Different Relationships



From Figure 1-A, information competency acts as y-axis whereas information sharing acts as x-axis. All of the four B clusters are generally agree on information competency while vary on the agreement of information sharing. It may due to some clusters perceive that the Internet might be used as an additional tool to channel information on their products or services to their customers (Quelch and Klein, 1996). For this reason, they presumably deliver their information to their customers via the Internet and apparently use the Internet for something that could be considered little else than a formal presence (Geiger and Martin, 1999). Apart from this obstacle, some customers may also worry the potential costs in using the Internet and thus limits information-sharing behavior. In addition, customers may believe that the online system is not very secure and as a result they are only willing to share partial information (Wikström et al., 2002) on the Internet.

Although the security barriers restrict the information sharing on the Internet, some customers realize the importance of sharing more information by participating in exchange of information for potential commitment of better services in the future. The customers realize that their life will be most enriched if they present high-quality information. In short, the central tenet of these exchanges of information is buyer-initiated communication followed by active two-way exchange. As customers are required to provide detailed information continually in the exchanges, they need to perceive some value in the relationships if the relationships are to be successful. They care about receiving timely and relevant message to them and perceive themselves as participating in a meaningful bilateral exchange that provide tangible advantages. The advantages include the quality service of marketers to be able to attend to the messages and to respond to the relevant message sent out by the buyers. However, these advantages may encourage higher expectation of services provided and may probably lead to a possible catastrophe change during the information diffusion process.

Catastrophic Change in Information Diffusion

Recent IT technology has allowed sellers to tailor "mass-customized" proposition to individual customer by involving continuous cycle of dialogues with the customers. As the marketers learn more about their customers, they can use this information to create more value for the customers so as to build customer loyalty as well as to protect their own marketing share. Companies, that can achieve distinctiveness of offering information competency more effectively and efficiently than their competitors, will achieve greater customer loyalty. Information competency requires the integration and alignment of all the CRM elements along with other aspects of the service centers and supply chain. Integration is crucial in achieving consistent attitudes and procedures in dealing with customers across various channels and organizational borders.

As the customers who are in the stage of bilateral positioning may expect to have higher information competency from marketers, higher information competency may require a fully integrated customer-driven IT capacity. However, an integrated CRM across the complete spectrum of points of contact with the customer - from sales force to call centers to the Internet is a challenge facing most companies. Failure to integrate CRM elements may result in undermining and negating the effect of all the positive work achieved in one area, with poor response in another. In order to understand the impact of the failure, catastrophe theory is used here. A catastrophe, in general, is any discontinuous transition that occurs when a system can have more than one stable state or can follow more than one stable path of change (Sethi and King, 1998). The catastrophe is the "jump" from one stable state to another. As shown in Figure 1-B, there is a cusp on the right top corner of the diagram, which represents the trigger changing area in relationship development – a catastrophe area. It stands between two planes – exchange and relationship planes. In exchange paradigm, it represents a situation that develops over time, which represents a set of discrete exchanges with less incentive to build up a relationship.

This data indicate that both Beneficial and Bilateral positioning are on the transaction plane. Whereas, in relationship paradigm or on the relationship plane, the relationship builds over time and this leads to the possibility of long-term relationship development. The catastrophe area is the focal point in the change of relationship positioning from the exchange plane to relationship plane. If two parties can pass through the catastrophe area, their requirements for information competency will be lowered. If two parties cannot pass through the catastrophe area, the expectation level of information competency is higher. The relationship positioning in this catastrophic area is regarded as the *Besotted* positioning. In this besotted positioning, customers may be surprised to find out the corporate seller to have such personal information and as a result they may feel that their privacy has been eroded. As a result, the customers may have higher requirements for information competency, and thus a 'cusp' catastrophe may be developed, resulting in higher transaction costs. Transaction costs are concerned with providing a substitute for trust including the cost of protecting any important information, producing the contract, researching the standing of ones customer or supplier and monitoring the performance of the contract etc.

If these parties can successfully pass through this Besotted threshold, then they enter the *Beloved* stage, in which they share the increasing amount of information; the quality of their relationship will be enhanced. The more shared information, the better relationship can be developed. Through a better mutual understanding of both parties' needs, sharing more relevant information between them is easier. Then their interdependence is possibly increased and as a result a better relationship could be developed. The summary of the characters of each positioning is shown in Table 2.

Table2 Cyber Positioning in the Information-Space

Transaction -based	Relationship-based
<p><i>Beneficial</i></p> <ul style="list-style-type: none"> • Information sharing limited and under top management control • No necessary to share values and beliefs • Higher expectation for information competency 	<p><i>Besotted</i></p> <ul style="list-style-type: none"> • Information is shared but still limited by hierarchical constraints • High willingness to share values and beliefs but a 'cusp' catastrophe may occur if the willingness to share information accompanied by higher expectation of information competency
<p><i>Bilateral</i></p> <ul style="list-style-type: none"> • Information sharing limited by lack of trust • No necessary to share beliefs 	<p><i>Beloved</i></p> <ul style="list-style-type: none"> • Information widely shared • High value in sharing beliefs

MANAGERIAL IMPLICATION

Most practitioners realize the advantage of using Internet to share information so as to enhance the information relevancy and reciprocity. However, this study identifies the problem of achieving real time information response for sharing information on the Internet. Also, information reliance and reciprocity have been believed as the important factors in sharing information on the Internet. The majority of the interviewees have, however, regarded the Internet as merely the tool for information competency. Information competency is regarded as the "efficiency" of information sharing, whilst, information disclosure is generally categorized as one-way information flow from corporate level to their customers. It is not surprising that these practitioners neglect the Internet as a tool for two-way information sharing, which has been regarded as the antecedent of relationship development.

This study analyzes the corporate attitudes towards using the Internet to share information and identifies the major factors behind the information diffusion process. Examination of development of customer relationship management (CRM) suggests that at least three CRM processes, namely the relationship life cycle, the relationship marketing program and loyalty ladder provide actionable suggestion. These processes are based on the fundamental notion of customer value. The customer

value is based on the perceived relationship positioning as suggested in this research. Without a good understanding of the perceived relationship positioning, how can a seller create and deliver customer value to its customers? In terms of our discussion, the answer to question of the co-sharing dimension of information lies in knowledge about what constitutes value for the customer and how this value can be mutually agreed with the seller and its customers, produced and eventually delivered in the long term.

CONCLUSION

The limitations of this research are, first, it merely collected the data from the supplier side. Many scholars point out that data for investigating the dyadic relationship between supplier and customer should be collected in both sides of this dyadic relationship. Thus, in order to increase the accuracy of our hypothesis model, further research should be done with both sides of supplier and customer simultaneously. Secondly, this research merely collected the data from one city, Guangzhou, the dyadic relationships between the company and the customer in different regions in the PRC are highly recommended for future research so that more in-depth findings may be obtained (Peng et al., 2001). Third, further studies are proposed in other dimensions of information, such as the impact of real-time interactivity on information sharing.

On the whole, companies should build the entire strategy around information diffusion as their core asset. This article has provided a new framework of different cyber relationship positioning. The competitive edge in this framework assists marketers to better understand who your customers are, what they do and then have this information feeding into different channels for action such as sharing with your call centers for better targeting and services.

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