Review

The dark side of CRM — Customers, relationships and management

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Unending battle with fraud

A few weeks before writing this review, I chaired the FC Business Intelligence Insurance conference, Insurance Europe, focused on insurance analytics. Part of the conference was split into two: one group focusing on the bright side — customer value; and the other group on the dark side — fraud. The conference was wowed by a presentation from a former fraudster turned consultant, now specializing in advising insurance companies on how to prevent and combat fraud. He made very clear the unending nature of the technological and managerial battle between fraudsters and financial services companies.

Dark side of customers

A common complaint of those responsible for managing the dark side of customers was that those responsible for managing the bright side did not adequately take into account the customer dark side, which the speaker had described so well, when designing customer management strategies, products, processes and systems. One reason for this was that bright side managers were simply not aware of the vulnerabilities they were creating. This led to a tendency to treat all those with problems (complaints, claims etc) as if they might be from the dark side, in turn creating a dark side to the company's own behaviour. This made customers regard companies as 'fair game' because customers remembered or had heard of examples of this dark-side company behaviour.

Factor in the dark side

One solution to this problem is for managers to be much more aware of dark-side behaviour by both companies and customers and factor its prevention into their work. They will be helped by this book that provides, for both management students and practitioners, a comprehensive collection of thinking and studies on the dark side, going beyond the normal anecdotal input cited in essays and dissertations and in the trade press. (Although, as someone who preaches the value of storytelling in customer insight management, I would never belittle the value of such stories.)

Well-crafted chapters

The book consists of 11 chapters by academic and practitioner experts in this aspect of CRM, topped and tailed by a well-crafted introduction and summary chapters by the authors. I declare an interest in that I helped write one of the chapters. I asked permission of this journal's editor to write this review because of my long-standing interests, not just in the world of

CRM and customer or corporate fraud, but also in the emergence and management of academic fraud. Hopefully, I won't be accused of dark-side behaviour in writing this review.

Dark-side industries

After a well-written introductory chapter that summarizes the reason why the book was written and its contents, the second chapter reviews the extent of dark-side behaviour by companies and customers, identifying in particular the industries where dark-side company behaviour tends to be common, the forms that it takes and its consequences for customers. This leads to the third chapter that explores the idea of fairness and what happens when companies' policies are unfair, in terms of media and consumer perceptions and reactions. The fourth chapter explores how consumers use social media to vent their reactions to dark behaviour by companies and how companies can fail to manage social media properly, whether through haste, poor awareness of how social media work or simply bad strategy, planning or implementation. A poor reputation created through social media is just one aspect of negative word of mouth, the subject of the fifth chapter. The age of customer rage is with us. In many cases the rage is legitimate, caused by a company's failure to anticipate problems or to plan solutions that are fair and quick.

Information asymmetry

But how can companies manage the risks of the dark side? The sixth chapter identifies the factors that can make or break customer relationships, whether they be with other businesses or consumers. It explains the kinds of approaches that can improve relationships when they have gone wrong. The seventh chapter explores a particular aspect of how to improve relationships with customers, by avoiding deceptive or manipulative marketing tactics and by instead building trust. This chapter also investigates how market and technological developments affect the situation. These include the emergence of big data and increasing information imbalance between companies and customers, or information asymmetry. The eighth chapter investigates how and why the dark side comes to the fore in companies. There are many reasons why companies start to indulge in dark-side practices, including cultural distance between company and customers and in situations of uncertainty.

Extremist organizations

The ninth chapter covers a special topic, the issue of organizations that are thoroughly dark side, such as violent extremist organizations and how they build relationships with their sympathizers, using tactics that were once the preserve of more moderate consumer-side organizations or indeed of successful marketers such as customization and targeted social media campaigns. Companies need to understand how these violent extremist organizations work, as their techniques may be emulated by more moderate consumer organizations.

CRM systems failures

The tenth chapter explodes many of the myths of CRM, such as those relating to customer retention, loyalty and value, explaining that, when many of a firm's customers exhibit dark-side behaviours, these myths can be very damaging. For example, do you really want your worst customers to recommend you or stay loyal, when they might do so because they know how to extract much more value from your organization than they give to you?

The eleventh chapter explores a topic familiar to marketers, that of failure in CRM systems and initiatives, but from the point of view of its

impact upon the dark side. It identifies that many dark-side company behaviours come from failed or non-optimal CRM; therefore, learning from this is critical to avoiding dark-side behaviours and strategies.

Bad behaviours

The twelfth chapter, to which I contributed, focuses on good and bad customer behaviour and its relationship with good and bad supplier behaviour. Its main message is that definition and then recognition of the existence and extent of goodness or badness in customers is the secret to managing CRM well in situations where a significant proportion of customers might be considered bad. Companies also need to recognize that bad company behaviour is often the source of bad customer behaviour. Strategies and tactics for managing dark-side customers are suggested.

Need for sector study

I originally wrote a thirteenth chapter on the dark side of customer behaviour in financial services, but this was not used for reasons of length and overlap, so it will be published in a journal. Amusingly, it is still described in the introduction, an error that will be corrected at reprint, so you may not see its description. However, I still feel that a detailed sector study of bad behaviour would have added to the book and made it even more practical.

Ideal for academic use

A particularly strong feature both for practitioners and academics is the structuring of individual chapters. Each chapter starts with a statement of learning objectives and a route map through the chapter, making it very useful for teaching and training purposes. All chapter authors were asked to produce four additional sections at the end of their respective chapters — one on new research directions/further research required, one giving one or more case studies, one giving questions for discussion and one on topics for further investigation. These will all be useful for students, while the questions will be a valuable resource for both academic teaching and management training. The topics for investigation provide a useful aid to management policy formulation. Each chapter has not only a good bibliography of works cited but also recommendations for further reading, making it ideal for academic use. Many of the chapters are very strong on the foundations of their source discipline's foundations, for example, psychology and economics. It could be argued that more coverage of behavioural economics and finance would be useful, particularly Ariely's work on why most people are prepared to be mildly dishonest.¹ The final chapter, by the book authors, is very strong, summarizing the implications for businesses.

Evidence of improvement

In conclusion, the book is a valuable resource for students and managers, giving chapter and verse as the foundation for good university assignments and management policies. I look forward to more evidence that its message is being taken seriously, whether in assignments or in policies.

Reference

1. Ariely, D (2013) *The (Honest) Truth about Dishonesty: How We Lie to Everyone — Especially Ourselves*, Harper Collins, New York.

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