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**Comprehensive, practical, logical...**

**...but not ground-breaking or questioning**

**Is there really a 'virtuous circle' of relationships?**

## Reviews

### 'Up Close and Personal'? Customer relationship marketing @ work

*Paul R. Gamble, Merlin Stone and Neil Woodcock*  
Kogan Page; 1999; ISBN 0-74-943087-7; 341pp; £24.95

This is a comprehensive book that builds systematically and, above all else, comprehensively on the earlier work of Merlin Stone and his co-authors on customer relationship management. As the title implies, as well as marshalling the arguments to convince us that we need to practise customer relationship management (as opposed, for example, to transactional marketing), the book also includes a great deal of material on the practical side of how you make CRM a central part of business processes. The book is very practical, logically organised, well written and includes plenty of up-to-date case-study examples to illustrate the dos and don'ts of CRM. These case studies covered a range of sectors and marketing issues, including financial services, the British retail clothing market, Orange mobile phones and revenue defence. I really enjoyed these; they were highly instructive and I would have appreciated even more of them.

All in all, if you are relatively new to the CRM idea and you basically want to be convinced that it is a 'good thing', this is as admirable a book as any you will find to fit that bill.

However, in the strengths of the book lie potential weaknesses so far as some readers may be concerned. For example, the emphasis on the practical means that the book reads at times like a general management text rather than an attempt to break new ground in thinking about CRM. Readers who are generally experienced managers may find that around half of the book seems pretty familiar to them. They may not need this book to tell them that organisations have to be persuaded to 'buy in' to any new practice or philosophy, including CRM. Similarly, they will probably be aware that every business process should have its KPIs (key performance indicators) against which it can be held accountable.

More seriously, the book seems to me to be written by evangelists for a cause rather than healthily sceptical analysts. If you want a more questioning approach, you will not like this book. For the sceptic (including me) there are too many unquestioned articles of faith in the CRM movement, and this book does too little to scrutinise them. For example, it is an article of faith that there is a relationship 'virtuous circle'. Have good relationships with (and high levels of loyalty from) your customers and you are also likely to have good relationships with your shareholders and employees. This seems to be to be stated so frequently as a necessary truth by CRM and loyalty enthusiasts that it has become axiomatic to their arguments. But is it really the case? Is it not just as likely that there will be a trade-off in satisfying each of these parties as that there will be synergy? Consider the privatised utilities. Thanks to the visibility of the industry regulator we can see clearly that there are very blatant trade-offs: what the shareholder gets the

**Can you satisfy customers, and employees, and shareholders?**

consumer pays for or the employee does without (sometimes to the point of doing without a job altogether). Another example is the fast-food industry. There is huge pressure in this industry to make customers feel like kings, to meet their ever-increasing needs for convenience, speed, low price *and* a pleasant smile from the serving staff. The low pay, high turnover and stress experienced by workers in this industry suggest to me that simultaneously achieving happy 'relationships' with both customers and employees (not to mention the shareholders) is difficult if not impossible. Resolving this issue is critical to the CRM case, but it is not even discussed by these authors.

The authors may respond that I am guilty of a not-so-subtle sleight of hand here. I am talking about customer service and the inevitable trade-offs in satisfying the short-term demands of all the stakeholders in a business. However, when you dig deeper into what CRM actually promises to deliver, it seems to me it promises to help companies better organise themselves to perceive and then satisfy customer service needs, broadly defined. The authors do say that CRM focuses on achieving customer 'value' and not customer 'satisfaction' (presumably because they are well aware of the seminal work of Thomas Jones and Earl Sasser in 1995 on the 'Loyalty-Satisfaction Paradox'). But this is really only a semantic distinction, relevant to the time frame over which you are seeking to achieve satisfied customers and the scope of those customers' needs. At the end of the day the implicit claim of *Up Close and Personal* is that CRM makes you more attuned to the long-term (and latent as often as actual) needs of customers.

**CRM or CTM?**

So, niggling away at me is the feeling that despite having taken the world by storm in recent years, CRM is either telling us little that is new or it is trying to get to an interesting new insight but confusing the issue. For example, I have a feeling that what CRM may be trying to get to would be better described as CTM — customer trust management. If CRM is saying anything new, perhaps it is about the *time scale* over which we should be considering our customers' needs and the *scope* of their attitudes and opinions these days. Maybe the best way to sum this up is by saying it is about building trust. In chapter seven of this book, the authors come very close to saying this.

**Have 'relationships' helped M&S?**

Common sense would suggest, and most of us as individuals would agree from the evidence of introspection, that trust is a good thing to have from and to feel towards others. But take the case of Marks and Spencer. This is a company that built up a huge legacy of trust over many years of 'relationship' management. But as its product and value positioning slipped, so customers defected in droves. How strong are the 'legacy effects' of its CRM/CTM policies over decades? The answer is that the jury is still out. The sense I have is that there is a reservoir of goodwill for a familiar fixture in the high street. But how much that does in practice to ameliorate M&S's problems is a moot point. Trust and 'relationships' count for little when price and product are wrong.

Which brings me to my final point and my final heresy. The authors make the point that CRM is different from 'transactional marketing' and while acknowledging that it is not always the right thing to do (for

### Unforgiving bastards or trusted friends?

example, a bank does not want a relationship with its unprofitable customers), they nevertheless accept that we generally need more of it. But are the sceptics right that customers do not want 'relationships' with commercial organisations? Is this vocabulary hindering more than it is helping?

I accept that the commercial arguments for retaining profitable customers are overwhelming. I am strongly suspicious that much of the language and way of thinking encouraged by CRM helps us to do it. It may be that times will change and customers will reciprocate trust and start to look to their relationships with suppliers in a spirit of long-term shared destiny. But for now the name of the game is different. The market is getting hugely more competitive, price deflation characterises many sectors, choice is growing, consumer self-confidence is higher than ever and the Internet is extending customer access to suppliers and increasing transparency. As the example of M&S illustrates, it might be better to think in cold-hearted terms about customers as 'unforgiving bastards' than as trusted friends. Build 'barriers to exit' by all means (loyalty cards do that). But do not let the pursuit of 'relationships' blind you to the increasing importance in today's marketplace of your price positioning, product quality or customer satisfaction. Maybe, given the nature of society today and the hyper-competition that characterises the market, there is a book to be written on the virtues of (intelligent and sensitive) 'transaction marketing'.

*Bob Tyrrell  
Chairman, RISC Futures, Paris*

### Business @ The Speed of Thought — Using a digital nervous system

*Bill Gates*

Penguin Books; 1999; ISBN 0-14-028311-0; hardback; 451 pp.; £18.99

### Simple explanations

I know several 'experts' who were disappointed by this book. I beg to differ. Gates does a fine job of explaining how digitisation will impact an office near you, and does this in a language which is so simple that even the average 50-something of a 20th century boardroom will understand the wake-up call.

Here is an extract from a Gatesian case study for you to sample.

**'Not long ago, I had a talk scheduled with the board of directors of a German financial institution. When I walked into the briefing center, they were all sitting there with their arms folded across their chests looking unhappy. "Okay," I said, "What's the problem?" One of them replied, "We think that banking is in the process of changing completely, and we're getting technical presentations from people here at Microsoft." He took his glasses off and rubbed his eyes.**

Significant shifts

**“This is probably good, but its more technical than we’re used to and we’re getting tired.” After a pause he continued, “It’s good that you are making all your products better, but to view you as a long-term vendor, we need you to give us a vision of the future. What are your organising principles for development?”**

**‘I went over to the whiteboard and said: “What I am about to do is to write down ten inflection points that will fundamentally alter all industries. I am using the term inflection point in the way my friend Andy Grove at Intel uses it to mean significant shifts in customer behaviour that are related to digital technology. I am going to ask whether you believe each of them will happen. Never mind how quickly for now, just tell me whether you believe they are going to occur. If you don’t believe they will, then you shouldn’t change what you are doing with technology. But if you do believe they are going to happen, that it’s only a matter of time, then you should start to prepare for that change now.**

**“Do you believe that in the future people at work will use computers every day for most of their jobs?**

**“Do you believe that today’s paperwork will be replaced by more efficient digital administrative processes?**

**“Do you believe that one day computers will be as common in homes as telephones or TVs?**

**“Do you believe that one day most businesses and most households will have high-speed connections to the World Wide Web?**

**“Do you believe that e-mail will become as common a method of communication among people in business and homes as the telephone or paper mail is today?**

**“Will more and more information arrive in digital form, whether this is consumer bills arriving electronically or the way you think you will be booking your travel arrangements on the Internet?**

**“Do you think that digital devices for photography, video, TV and phones will become ubiquitous and all be connectable to the Web?”**

**‘The German directors discussed these sorts of questions, and fairly quickly concluded: yes this is going to happen,**

Within ten years

and when it does it will change banking completely. So I asked “When do you think it’s going to happen?” After further animated debate they replied: “We didn’t expect to make this decision here, but we have. First we were going to tell you 20 years, but then we decided that within ten years all of these inflection points will have happened or be very imminent.” I told them that they needed to prepare for change by making digital flow pervasive in their organisation. Above all three fundamental business shifts will occur.

Three fundamental business shifts

‘1 Most transactions between business and consumers, business and business, and consumers and government will become self-service digital transactions. Intermediaries will evolve to add value or perish.

‘2 Customer service will become the primary value-added function in every business. Human involvement in service will shift from routine, low-value tasks to a high-value, personal consultancy on important issues, problems or desires for the customer.

‘3 The pace of transactions and the need for more personalised attention to customers will drive companies to adopt digital processes internally if they have not yet adopted them for efficiency reasons. Companies will use a digital nervous system to regularly transform their internal business processes to adapt to an environment that constantly changes because of customer needs and competition.’

An unstoppable movement

Gates offers us a fundamental book for starting to navigate 21st century digital business development. In saying this, I must declare a bias: I have no time for those who believe that e-commerce/e-society is just one strategic scenario which may yet go away. I have been tracking the megatrend of the Internetworking age since the early 1980s (and my father’s 1984 futures book on this subject, *The 2024 Report*). What was then a scenario of the third — and greatest — transport revolution to be created by humankind is now an unstoppable movement for productive human imagination and integration.

At the same time this book is only a start for several reasons.

First, being published in spring 1999, its thinking will probably already be at least 18 months old by the time you read this review. And, indeed, Bill Gates would probably say that after the book you should click to his company’s site for the next chapters — eg <http://www.microsoft.com/DigitalNervousSystem/>

Second, the book also makes reference to such huge brand-knowledge topics as corporate IQ, but does not really connect its views with others who have pioneered research and practice in this area.

**Are you a  
Microsoft fan?**

**Physician,  
heal thyself**

Third, shock horror, I am not the world's greatest fan of Microsoft. I expect (or at least hope) that like other alleged quasi-monopolies, this organisation will have to work a lot harder than average if it is to enjoy in year 2010 the kind of influence it has in year 2000. This reminds me of a short story.

The publisher launched Bill's book with an accompanying website, <http://www.speed-of-thought.com>. This looked like a pretty dismal representative of interactive technology from the outset but it did at least promise to publish the favourite questions it received from readers. I returned to this site after its promised date for displaying questions, and found nothing there. Returning again a month later, still no feedback. At this stage, I thought I would go to Microsoft's site to voice a friendly complaint. The first place on this website which invited e-mail contact had a broken link. The second place involved such a bureaucratic form that mailing Microsoft took me 15 minutes. Mindful of a story in Gates's book that he cherished hearing bad news — as any CEO of a speed-of-light company should — I thought that I would add a connecting comment about my bad experience with Microsoft's site. Of course, I wasn't expecting an answer from Mr Gates. But to receive none to this day from anyone seems to me to score gamma minus on interactivity.

Not wanting to end on a negative note, let us taste a bit of humour from the book's glossary. Here you will find that the Soft-Boiled Egg Rule is the principle that software should be simple enough that a user can do most transactions in less than three minutes, or about the time it takes to soft boil an egg.

*Chris Macrae  
Chris Macrae describes himself as an infomediary, of  
brandknowledge.com*

## **The Impact of the Internet Economy in Europe A study into the social implications of the Internet**

A Henley Centre for Forecasting Report commissioned by Cisco Systems; 1999; 82pp; available on CD-ROM, price \$400, from [www.cisco.com/warp/public/3/uk/marketing/henley.html](http://www.cisco.com/warp/public/3/uk/marketing/henley.html)

Revolution: 'the complete overthrow of a government or social order by those previously subject to it' (OED).

I suppose most people, hearing the word 'revolution', are automatically disposed to precede it with the adjective 'French' or 'Russian' — these being the two great revolutions in recorded history that fully met both of the OED's alternative criteria, since each of them completely overturned not merely a government — indeed not only a *system* of government — but the whole social order which that system of government represented.

It is always a surprise to recognise that, prior to the French Revolution, it was the British who were universally regarded on the

**When is a revolution not a revolution?**

continent as the most socially restless, revolutionary nation: they provided the first shocking example of the common people presuming to impeach, try and execute their king; a generation later they sent another king packing, and decided for themselves whom to put in his place. But in sober truth, the revolution which *nearly* happened with the execution of Charles I ran a few years later into the sands of English conservatism, while its successor, the misnamed Glorious Revolution of 1688, changed nothing very much at all.

Yet Britain has triggered one real cataclysmic revolution. Unlike the Russian, or even the French, version its direct as well as its indirect effects are global, nor can it, unlike both of them, be reversed even in part. The Industrial Revolution, which Britain unleashed on the world around 1750, did not have the sudden impact of the royal executions of 1649 and 1792, or of the Ten Days that Shook the World in 1918. It overthrew no governments, and its effects were not overtly or in the first instance political — but the social order of the pre-industrial world, in Britain and most other countries, is gone forever, and no counter-revolutionary movement will bring it back.

Moreover, unlike political revolutions, the Industrial Revolution did not end by settling into a new form of status quo. For the last 250 years it has gone rumbling on — the kind of continuous revolution that Mao wanted but did not get — and not only its effects but its continuing dynamic are still with us.

So, when this Henley Centre report notes the tendency of business people to speak of the arrival of the Internet as the dawn of another revolution, the authors must either dismiss this as a piece of hyperbole (after all, every daily newspaper is filled with ministerial statements of ‘revolutionary’ initiatives) or else must test the claim against the yardstick of that most enduring of revolutionary upheavals, the Industrial Revolution itself.

The latter course is the one they adopt. First they stipulate that revolutionary change, properly so called, must be vast in scope, radical and fundamental, exceptionally fast, and must provoke an emotional and intellectual response. These characteristics held good for the Industrial Revolution, which is then further described as going through four stages: invention, innovation, exploitation, and critical mass.

How far can these characteristics be paralleled in the coming of the Internet? Fast change, emotional and intellectual response — no problem with these. Similarly, the Internet has been characterised by invention and innovation. But vast in scope? Radical and fundamental? Exploitation? Critical mass? The authors are not so sure. Access to the Internet is via the PC; in the UK PC penetration of homes is now 30 per cent, but the Henley Centre does not see this as growing beyond 40 per cent (70 per cent of current users are ABC1s, who form less than 50 per cent of the population). And 40 per cent is nowhere near critical mass. And unless and until critical mass is reached, a radical and fundamental effect on how we live, learn, work and play will not occur. Looked at in revolutionary terms, the Internet, this report concludes, is still at the innovation stage.

**How do we define a revolution?**

**Does the Internet meet these criteria?**

**The problem of bottlenecks**

This brings us to another pair of concepts: first that there is a time-lag between invention and innovation, which must be filled by entrepreneurs (an area in which the UK is a notorious laggard). Secondly, the process of innovation is typically uneven and bedevilled by bottlenecks; persuasive instances from the Industrial Revolution are given, and the PC — which is still moderately expensive and technically complex — is seen as today's Internet bottleneck. Technology (like generals still fighting the last war) is good at solving yesterday's problems. No doubt further invention (digital TV?) will overcome this bottleneck and the Internet will be on the way to a fully fledged revolution.

Again the authors list five dimensions of innovation that were important in the Industrial Revolution and can be paralleled today: products (steam engine then; PC and mobile phones today), processes (steam-driven machinery then; computer-aided design and business process engineering now), markets (new colonial markets then; e-commerce now), materials (coal then; semi-conductors and fibre optics now), and organisations (joint-stock companies then; virtual organisations today).

There is a lot more of this kind, including a look at patent applications, and at bankruptcies ('creative destruction' as Schumpeter called them) as well as at technophobic backlash, where the activities of the early 19th-century Luddites might be compared with the manufacturers of today's computer viruses.

A good read so far, with a mass of illustrative diagrams which can be taken on board quickly or studied in depth as the reader may wish. And always interesting for the historically inclined, or for those who like to see past patterns repeating themselves in current events. It is fair to say that, over the first half of this report, you are likely to find your cultural horizons broadened — without perhaps having acquired a great deal of new knowledge to help you run your business.

**A report of two halves: the first half...**

For those who find this a disappointing prospect, the last four chapters, when the Industrial Revolution is mostly left behind (where, the impatient might say, it always belonged) will be a more positive experience. They are entitled 'People and the Internet', 'The Internet — Where we Stand Today', 'The Future' and 'Outcomes'. Actually, the penultimate chapter has for its sub-title the splendid admonition: 'Always remember that, while technology is digital, people are analogue' — a good motto to have engraved over every IT manager's desk.

**...and the second**

The report incorporates the result of much work with round-table discussion groups, and face-to-face interviews, in the UK, casting light on the reactions of Joe Public to the Internet as it stands today. (But bear in mind that what Joe Public says in a round-table discussion today may be a very inadequate guide to what Joe Public will do tomorrow. Remember those American surveys in the 1950s which demonstrated that no housewife would ever use a supermarket?)

**The future predicted**

In these later chapters the authors give their own views of the process of what will surely be the Internet Revolution — even if it is some way from completing all its phases so far — and they peer a little way into the future with predictions of cheap networked distributed



**A new Renaissance?**

processing in the household, and Internet access on a wide range of commonly available platforms. Their final conclusion is that, on balance, the Internet has probably been under- rather than over-hyped in terms of its eventual effects. We are, they say, in the middle of a process of rapid innovation. Given the elimination of bottlenecks as they arise, this will give way to exploitation and the achievement of critical mass (when over 80 per cent of the population is online); the fundamental and radical consequences for all our lives will follow. This process will have negative as well as positive results, and will give rise to much disruption, but may result in the end in a new Renaissance, as at the end of the Industrial Revolution. (I think our historical categories have become a trifle mixed here.)

Finally, we are told to remember one more thing: in a revolution very little changes in the short to medium term — but in the longer term everything changes. In the words of the old Chinese curse: may you live in interesting times.

*Robin Fairlie FIDM*