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Critical success factors for customer portfolio management

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Abstract

Since the past 40 years, considerable attention has been paid to the different customer portfolio models. Although most companies understand the importance of managing their customer portfolios, they actually manage the process intuitively or on the basis of CRM systems, which do not always ensure optimal results. At the same time, the extant literature fails to offer a coherent list of the key factors for successful implementation of customer portfolio models. This paper offers a systematic view of the critical success factors for customer portfolio management. They are categorised as strategic, tactical and operational. Emphasis is placed on the grouping of success factors and the interaction between them, rather than the identification of individual factors. The research and managerial implications of the proposed framework are emphasised and opportunities for identification of the success factors along with their associated sector-specific operational variables for further development of a research methodology are presented.

Keywords: Customer portfolio, CRM, critical success factors.

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1. Introduction

The business environment today encourages organisations to develop unique competitive advantages by efficient use of the available limited resources. A possible way to achieve this is optimal customer portfolio management. Since the past 40 years, considerable attention has been paid to the different customer portfolio models. A likely explanation for this may be the assumption that the effective management of customer portfolios and the differentiation of strategically important customers are vital for the success of companies (Kotler, Dingena & Pfoertsch, 2015). It is also known that balancing the customer portfolio is related to the marketing results of the company (Stanimirov, Zhechev & Stanimirova, 2016), which outlines the need to explore the different possible critical success factors that ensure the optimal economic performance of a company.

Although many (but not all) companies understand the importance of managing their customer portfolios, they actually manage the process intuitively or on the basis of CRM systems, which do not always ensure optimal managerial decisions. Reasons for this can be found in the selection of wrong metrics for control and monitoring, methodological errors in collection and processing of data, lack of optimality criteria, focus on customers who do not have collaborative orientation, etc. Many CRM systems and customer portfolio models are classified as failures because they do not achieve the predetermined goals. At the same time, the extant literature fails to offer a coherent list of the key factors that contribute to the success of the implementation of customer portfolio models. Hence, discovering the critical success factors of customer portfolio management can contribute to the achievement of significant positive effects. The topicality of this study stems from the fact that these factors have to be known and typologised in order to be taken into consideration.

This paper offers a systematic view of the critical success factors for customer portfolio management. They are classified into three main categories: strategic, tactical and operational. Emphasis is given to the grouping of success factors and the interaction between them, rather than the identification of individual factors.

2. Why We Have to Know the Critical Success Factors for Customer Portfolio Management

The promulgation of critical success factors can be seen as a peculiar transition to the practical and methodological aspects of customer portfolio management. Critical success factors are defined as a limited number of areas where satisfactory results ensure successful organisation performance (Bullen & Rockhart, 1981; Johnson, Scholes & Whittington, 2008). These may be characteristics, conditions and variables that are largely responsible for the success of the organisation (Leidecker & Bruno, 1984). The identification and analysis of critical success factors are considered to be vital stages in achieving organisational goals and the development of competitive advantages (Meibodi & Monavvarian, 2010). The transfer of this concept in the context of customer relationships is not a novelty for the specialised literature. In general, authors working in this area are united around the concept of critical success factors as 'activities and practices on which efforts should be directed to ensure successful implementation of the relevant CRM project' (Eid, 2007, p. 1024). It should be noted that there are different perspectives for defining the success of these projects, on the basis of which Stanimirov (2014) concludes that 'the project that achieves the company's predetermined goals is successful'. These circumstances determine the diverse views in defining critical success factors for customer relationship management. At the same time, there are no recent studies that conceptually or empirically justify the critical success factors in managing customer portfolios. Considering the customer portfolio management as a tool for customer relationship management, it can be admitted that some of the existing success factors in the overall construct are valid, but there are also additional specialised factors available.

3. Critical Success Factors for Customer Portfolio Management Framework

The conceptual framework of the customer portfolio management (Stancheva, 2017) provides a basis for identification of the critical factors for the success of client portfolio management. For practical purposes, they are divided into strategic, tactical and operational directions (see Figure 1), but may also be classified into other categories (for example, in stages of the process, functional activities, etc.). It should be pointed out that it is possible to further refine the factors within a particular industry or company. The need for that may arise for reasons such as:

- Different significance of the individual factors for a particular situation, which raises the need to impose a burden on each of them.
- Mutual influence among some of them, which can be measured and dimensioned by appropriate mathematical and statistical tools for better management results.
- Operationalisation of factors through several additional variables.

This necessitates additional research within a particular industry, to achieve more accurate results regarding the critical success factors along with their associated sector-specific operational variables.

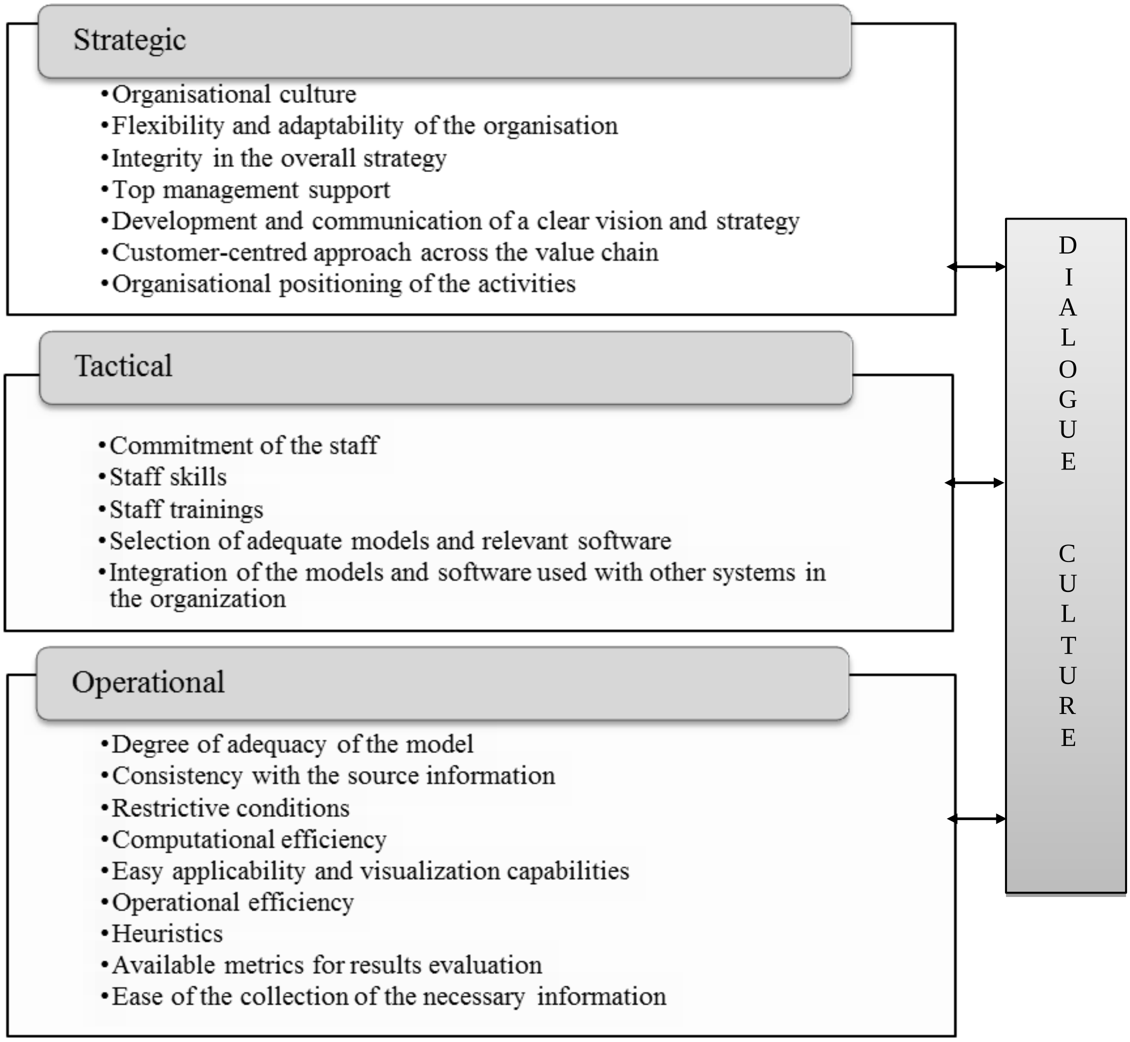

Figure 1. Critical success factors for customer portfolio management

It is generally accepted that the activities of formulating and implementing marketing strategies are critically related to the performance of organisations (Noble & Mokwa, 1999). This is true because there is no system or model that works equally well and 'fits' with different companies or under different circumstances (Pisano, 2015). In this regard, each company should develop its own customer relationship management strategy and choose the most relevant customer portfolio management model. This is accompanied by taking a number of strategic, tactical and operational decisions, whose success depends on specific critical factors. The systematisation of these factors (Figure 1) can be seen as a framework in which each company can organise its activities. This provides opportunities for multiplication of the results achieved in the study, which after adaptation can be applied to other sectors and situations.

It should not be forgotten that organisational positioning is key to the success of any strategy. Moreover, organisational culture is a complex phenomenon (Schein, 2010), which implies the need to find specific dimensions at the tactical and operational levels for choosing and implementing a customer portfolio management model. For this purpose, a continuous and frank dialogue with the top management and employees from different units in the organisation, customers and stakeholders is needed. All of the aforementioned stakeholders must be aware of the strategic priorities of the organisation, its objectives and the measures and activities undertaken for their implementation, including in the area of customer portfolio management. In this way, greater engagement and commitment can be ensured, creating a favourable environment for taking responsibility, initiating new activities by staff and balancing the different interests of the stakeholders. This predetermines the visualisation of the 'dialogue culture' field, the institutionalisation of which can be considered a strategic priority, in correspondence with the other factors at the tactical and operational levels. In this regard, it is important to adopt a customer-centred approach throughout the value chain in the organisation and to achieve the inherent functionalities.

In the transition to efficient customer portfolio management, the need for organisational change that should support the customer-centred strategy should also be taken into account. In this respect, companies should be flexible and adaptive in order to respond quickly to changes in the environment and to 're-adjust' their customer portfolio management activities. These challenges highlight the role of managing change and reengineering business processes (Kotler, Berger & Bickhoff, 2016). We should also take into account the influence of top management support and the development and communication of a clear vision and strategy that have the potential to have a positive impact on employees' moods and their readiness for flexibility and rapid adaptation.

Regarding the tactical success factors, it should be noted that despite the growing interest in analysing information on the basis of the benefits of its results, it often causes difficulties and confusion in some companies. They waste time in analysing everything that is possible and gathering large amounts of data while not taking the necessary action (Mulani, 2015). The specifics of the organisation, the industry, the customers and the overall context have to be taken into account in order to choose the most adequate models and the relevant software for each organisation. Moreover, their subsequent integration into the overall organisational system can lead to the achievement of synergic effects. Human resources (in terms of their degree of commitment, skills and development potential) are also relevant to the results achieved. This view is confirmed by a survey on the top challenges for CEOs, presidents of the board and presidents of various international corporations in 2013, 2014 and 2015 (The Conference Board, 2015).

The operational factors of success in the foreground are the degree of adequacy of the econometric and/or mathematical model used, its consistency with the source information, the number and significance of the restrictive conditions involved in its design, its computational efficiency and the ease of application and interpretation of results. From the review carried out so far, it is concluded that these factors can be assessed relatively objectively through different mathematical calculations. The ease of operationalisation of the used variables is also important. It is also necessary for the model to be heuristical, i.e., the proof or the refutation of one or another hypothesis in solving it leads to new knowledge about the subject being studied. Otherwise, it would not be worth for the company. The development of adequate metrics in order to evaluate the results and their timely follow-up need to be taken into account. This is because, despite the generally accepted need to 'tailor' marketing behaviour according to key customer characteristics, there are also arguments against the prioritisation of customers. There is evidence that this may make customers with a lower priority unsatisfied (Brady, 2000), which in turn disseminates this information by 'word-of-mouth' and leads to negative results in the long term (Kumar & George, 2007). Homburg, Steiner and Totzek, (2009) report these circumstances and conduct research into the implications of implementing strategies to prioritise clients on the client portfolio focusing on relationship characteristics and company performance measurement. The results testify to a positive effect on the satisfaction of the priority clients and a negative one for the non-priority ones, as well as the influence of factors such as the quality of the information, possibility of calculating the profitability of the client, commitment of the management and the staff, organisational structuring and development of planning and control measures on the results of the practical realisation of the prioritisation of clients.

In view of what has been discussed so far, it may be supposed that the marketing toolkit should not be matched only to the financial objectives of the organisation (e.g., a higher level of ROI), but it should pursue a higher multiplier effect. Companies should focus on the metrics that matter, balancing hard and soft indicators (including customer loyalty, satisfaction, long-term orientation and flexibility), because customers have multiple ways to contribute value and all avenues have to be explored in order to maximise their contributions (Kumar, 2017). It is considered that such 'tuning' of marketing tools in the field of customer portfolios management and modelling can be achieved by developing some adequate mathematical instruments for the various possible aims of organisations. In this way, managers can choose the most appropriate aims (or a combination of aims) that respond to the company's challenges for a given period, and construct a relevant mathematical model for customer portfolio optimisation. This implies the emerging new content of planning processes in today's turbulent environment, which requires flexibility in designing business instruments and models.

4. Conclusion

The various possible aims, objectives and desirable effects determine the use of different classes of customer portfolio models, their combination and adaptation according to the context. This requires knowledge and analysis of the so-called critical success factors that have been identified, refined, supplemented and systematised in the study. Their tracking is necessary in the design and subsequent realisation of optimal solutions in the field of customer portfolio management for different companies.

The paper offers a systematic view of the critical success factors for customer portfolio management. They are classified into three main categories: strategic, tactical and operational. The results of the study are of particular relevance for customer relationship managers, marketing executives and researchers. The proposed framework can help managers successfully plan and implement a customer portfolio management strategy and use a relevant model. They need to keep in mind that today's actions do not always have immediate impact on customer behaviour and/or their profitability. The suggested conceptual model can also be used as a base for creation of methodological instruments for measurement and assessment of the critical success factors weight and importance.

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