Accountable relationship marketing:
Evidence of an agricultural input vendor

a. Problem Statement

Relationship marketing has become a buzz word in marketing management practice and theory (Palmatier et al. 2006). Relationship marketing may be defined as the alignment of business processes with a customer strategy that increases customer loyalty and profits over time. The challenge then becomes implementing relationship marketing with absolute measures to guarantee customer classification and monitoring the return on customized offers to the market. Even though literature has shown that relationship marketing leads to performance, in practice firms struggle to adapt models to their business contexts. Firms look for ways to make accountable all marketing relationship strategy. We propose the concept of Accountable Relationship Marketing that refers to the integration of literature on CRM (customer relationship marketing), Marketing Intelligence and Customer Accountability (i.e. planning and control activities oriented towards delivering customer value).

In the agribusiness context, vendor of input products are essential to guarantee high productivity rates of agricultural production. The mix of products of a typical vendor includes chemical, fertilizer, seed, irrigation equipment, animal feed, veterinarian drugs and general farm accessories. The firm purchases products from major national and international brands to sell in its shops to producers of agricultural products (e.g. soy, coffee, cattle). The typical vendor may also have its own brands in several lines of products: animal feed, fertilizer and seed. Vendors with their sales managers and sales key account managers are continuously consulted for technical advice. This sales force visits clients in order to identify specific needs and bundle them with an array of products for the entire cycle of the clients' production process.

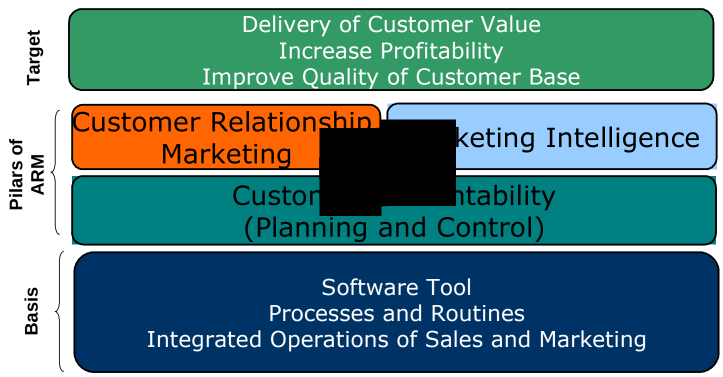
b. Objectives

The objective of this study is to present a framework for Accountable Relationship Marketing that integrates Marketing Intelligence and Customer Accountability into CRM framework.

c. Procedures

Accountable Marketing Relationship (AMR) is built on three pillars to achieve three specific targets (Figure 1). First, *customer value* is defined as the needs and desires of an individual or group of individuals that are part of the target segments. Firms put a great effort to interpret this value and to accurately deliver offerings. Thus, AMR guarantee that the delivery is in line with customer value because it also monitors customer satisfaction. Second, AMR allows firms to *improve the quality of the customer base*. Identifying and classifying customers in clusters requires a system to collect, select and check information about customers. AMR reduces waste of resources and guides firms to turn the focus to profitable clusters. Third, AMR increases overall *profitability* of firms. Through the alignment of operations, tactics and strategic activities, firms can concentrate efforts on the customer orientation.

Figure 1: Framework of Accountable Relationship Marketing



There are three pillars of ARM: Customer Marketing Relationship (CRM), Marketing Intelligence and Customer Accountability. The classical CRM model suggests four critical stages (Peppers and Rogers 2004). First, it is necessary to *identify* customers and develop a workable data base. Second, a *differentiation* strategy must be implemented in the customer data base. Customers have to be divided into clusters according to set of criteria that might be profitability, purchase volumes, purchase potential and credit risk. Third, firms need to *interact* with customers by means of its boundary spanning. All boundary spanning must be trained to offer solutions and deal with specific needs of customers. Boundary spanning needs also to be able to promptly deal with conflict as they emerge. The interaction is oriented to target clusters allowing resources to be allocated to the customer that brings profits to the firm. Four, there is a need to *personalize* the offering and create social events to stimulate prone choices. The experience customers are exposed in these customized actions feeds back customer loyalty. These four stages comprise the classical CRM model. However, firms face difficulties to fully implement a CRM model. There are two aspects to deal with: managing prospects and measuring CRM results. In order to tackle these two aspects, we propose that marketing intelligence and customer accountability to move CRM to an ARM mode.

Marketing intelligence provides a company with a method to systematically monitor the market. The method suggests a careful investigation of the specific needs of customers of each area and to deeply understand the market strategies of competitors. This allows a detailed evaluation of the market share of the firm and development of strategies to increase the share in every assessed market. According to Jerry Miller (2002), marketing intelligence process is based on well informed business-oriented questions in a formal and systematic way. The “intelligence” is built by filtering information, purifying and interpreting. In the end, it is well beyond interpreting a market report; it refers to the development of related analyzes and exclusive perspectives about the market. A manager may notice that the marketing intelligence process generates recommendations about future events, and not a report to justify decisions of the past. The process ends providing strong insights that improve the work done in a specific market and to implement market expansion strategies.

Miller (2002) suggests that the development of a Marketing Intelligence Plan must follow four steps. First, it is necessary to identify the focal point, a person or department, which is responsible for the project. Second, data collection is undertaken by sorting out facts and records of the firm. There is then the analysis and synthesis of the information to finally distribute the “intelligence” to the decision makers.

Three kinds of marketing intelligence plan are based on its purpose. There is a strategic intelligence, when it involves strategic decision making personnel. This plan is often developed for product development or in the process of mergers and acquisitions. There is a corporative intelligence plan, which includes a wide variety of facts throughout the internal and external environment of the organization and its business. Finally, competitive intelligence, concentrates on the current and potential perspectives of the strengths and weaknesses of the business.

During the complex process of implementation of a marketing intelligence, a firm may face setbacks. There may be a low engagement of people directly and indirectly involved in the project. The procedures to capture information must be formalized and the people assigned to collect date have to receive enough support to avoid the risk of incomplete or lack of information requested. Another setback is the information overload. Managers in charge of processing and analyzing the data may face problems to deal with all the information collected. This creates negative reaction of the people assigned for the data collection and a huge problem for the next data collection cycle. Marketing Intelligence Managers must carefully consider in the outset the amount and kind of information necessary to produce the expected “intelligence”. There is also a setback related to reliability. As data collection costs are high, firms may decide to reduce investments on cross checking information with different sources. All of these setbacks must be considered when launching a marketing intelligence initiative. Overall producing intelligence reports may contribute to a CRM program. It can identify prospects in areas that the firm has a low market share. Most importantly, it monitors the evaluation of market shares once a CRM delivery is put in place. Therefore, in ARM, marketing intelligence must be incorporated into the CRM activities.

Customer Accountability is the other contribution to develop an ARM. Customer accountability refers to the activities of planning and control oriented to a customer strategy. Very often accountable systems (i.e. software, procedures and methods) are defined to evaluate and report on department and product basis. Firms are prepared to produce financial reports on the basis of departments. Controllers are prepared to produce cost reports on the basis of products and production lines. In a customer accountability method, managers need to set customer-related measures that override hierarchical demands of accountability for traditional financial performance.

Managers in charge of customer accountability need to define how far out the reporting plan should go. There is debate as to what planning time horizon is appropriate. Initial steps must be undertaken during the budgeting annual process in the traditional financial management annual activity. At this point, it is relevant to gather information from the Customer Relationship Marketing program and Marketing Intelligence, and incorporate all in the financial controls. The aim here is to assess business performance management and look for inconsistencies between past actions with current results.

Managers have to follow six steps to implement customer accountability. First, in the preparation step, the planning phase for the budgeting process must concentrate time on creating the assumptions and identifying the proper data to the analysis and reports. Second, managers validate the different budget versions for accurately capture results of business activities. Third, the training step guarantees that all people directly involved is fully aware of assumptions and models. The ongoing step is the next. It allows firms to invest time and efforts on collecting and preparing the budgeting reports. Finally the analysis and reporting step assures that decision making people have access to the report and review for final reporting procedure. In the end, Accountable Relationship Marketing is a result of CRM activities considering for Marketing Intelligence and Customer Accountability.

d. Results

We implemented the model of Accountable Relationship Marketing on a vendor of input agricultural products in Brazil. This vendor has 23 sales managers attending approximately 1,600 customers spread over São Paulo and Minas Gerais States. A team work was assigned for the marketing intelligence project and the accountable department was requested to implement customer accountability. A CRM project team was in place for about three year and has faced difficulties to fully explore the benefits of the project. Even though several improvements can be made, this vendor is growing in a rate of about 30% every year over the past 3 years.

Preliminary investigation of the ARM implementation in this vendor showed interesting results. The vendor has experienced some benefits of the ARM model:

- *For customer classification I*: The vendor gained from marketing intelligence by identifying prospects and leads to its sales force. This allowed vendor to reorganize the coverage area of couple of sales managers and guided changes in the contents of CRM clusters. Fruitful results were achieved in the prospects with great potential that were being neglected in the original CRM evaluation.

- *For customer classification II*: The vendor also gained from customer accountability by means of an accurate planning and control of profitable customers. It was possible to better identify customers wrongly appointed to a certain cluster.

- *For evaluation of customized actions*: The vendor gained from customer accountability by planning and control to better assess profits per client and validate information of clients with customized actions. Costs are estimated considering the number of hours spending on the sales activity. As the vendor previously employed a complex system to collect sales statements provided by sales managers, the vendor accurately estimated costs with the new customer accountability system of control.

This preliminary investigation of the vendor implementation of the ARM model also showed some challenges ahead:

- Gain commitment of key individuals of ARM task force.
- Launching ARM: for the firm and for the customers
- Define budget for special social events
- Operationalization of special commercial condition

These issues will be considered in the course of the implementation of the current year.

e. Conclusions

We started this study with the problem of fully implementing CRM activities. In order to do it, an Accountable Relationship Marketing was developed. The ARM framework attempts to integrate Marketing Intelligence and Customer Accountability into CRM framework. The improvement of classical CRM model allowed the firm, focus of our study, to increase overall profitability. More studies will be conducted in order to refine further the ARM model.

f. References

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