

# Citizen Relationship Management

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## INTRODUCTION

Citizen relationship management (CiRM) refers to a cluster of management practices, channel, and IT solutions that seek to use private sector customer relationship management (CRM) in the public sector. Goals can be improving citizen orientation, better accountability, and changing the citizen government relationship. I begin with an overview of citizen orientation in government and the emergence of CiRM. The following section starts with a look at the underlying principles, goals, and components of customer relationship management. Accordingly, there is an in depth discussion and definition of citizen relationship management. Aspects such as the citizen government relationship, technology, public participation, and organizational changes are addressed. Finally, future trends and conclusions are drawn.

## BACKGROUND

It is one of the central interests of government to improve the relationship with its constituents. Public administration (PA) is often ignored in the discussion of the citizen government relationship although it plays a vital role in how the government exerts its role within society. Administrative practices and capabilities are often subsumed within the general discussions of government and governmental obligations to citizens. In fact, with a few exceptions, philosophical foundations of the administrative component of government are seldom discussed at all (Rohr, 1986; Waldo, 1984). On average, citizens have more contacts with public servants than their elected representatives throughout their life. They experience policies and the structure of the state through their interactions with the public administration, the latter being for instance law enforcement or public service agencies. Local public administrations are a strong factor for trust building in the discussed relationship.

The intense competition in the private sector and parallel service sector growth has fostered research and focus on customer management related topics (Bretthauer,

2004; Laing, 2003). Furthermore, private sector customer service orientation had an influence on expectations towards public sector services.

Improving public services can be tracked back to the beginning of the 20<sup>th</sup> century. Throughout the late 1970s and since the emergence of neo-economic new public management (NPM) and its components like total quality management (TQM) (Berman & West, 1995), a customer-driven government has been on the agenda for public servants and researchers (OECD, 2003; Osborne & Gaebler, 1992). This is due to the fact that customer demands are perceived as an agent for organizational change (Lowenthal, 1994). Today, NPM has become a normative model, especially how we think about the role of public administrators, public services, and their goals (Denhart & Denhart, 2003). In fact, as shown by Schedler (2003) or Hood and Peters (2004), there is no common way or understanding of NPM. Despite components like TQM, which is a set of management and control activities based on statistics, leadership of top management and involvement of all departments and levels of employees aimed at quality assurance and citizen orientation, NPM tended to have a one-sided, internal focus on issues such as economic controlling (Traunmüller & Lenk, 2002). This might also relate to NPM's missing theoretical foundation (Frederickson & Smith, 2003; Lynn, 1998).

Customer approaches to government service increased in the 1990s (Albrecht, 1993; Gore, 1993; Kißler, Bogumil, Greifenstein, & Wiechmann, 1997; Swiss, 1992). Especially true with the managerial/consumerist notion of deconstructing citizens as a consumers raised concerns among researchers (Barnes & Prior, 1995; Hood, 1995). A major objection is that the citizen government relationship is redefined as a passive commercial transaction, rather than an interactive political engagement. It strengthens the idea of elitist politics and reduces a complex relationship to a simplistic voluntary one (Box, 1999). Furthermore, it supports short term politics undermining long term political goals (Swiss, 1992).

The emergence of electronic government (e-government) in the late 1990s added new momentum to the NPM oriented reforms and research on public services improve-

ment through online applications (Abramson & Morin, 2003; Ashford, Rowley, & Slack, 2002; Caldwell, 1999; Cook, 2000; Fountain, 2001a; Gisler & Spahni, 2001). I define e-government as the use of information technology to support government operations, engage citizens, and provide government services (Dawes, 2002). ICT neutralises time, spatial, and hierarchical limits of the public administration and public services.

Concurrent with these developments, first publications on public sector customer relationship management appeared (Accenture, 2003; Bleyer & Saliterer, 2004; Hewson Group, 2002; Freeland, 2002; Janssen & Wagenaar, 2002; Kavanagh, 2001; Richter, Cornford, & McLoughlin, 2005; Sharpe, 2000; Souder, 2001; Trostmann, 2002). At this point, it is neither possible to identify a clear research stream on CRM in the public sector, an adapted model or theoretical framework nor to identify the broad existence of public managers responsible for CRM. Other terms used are constituent relationship management or citizen relationship management. This article employs the term citizen relationship management.

## CUSTOMER RELATIONSHIP MANAGEMENT

Customer relationship management can be defined as a holistic management approach, enabled by technology with a broad customer focus, to start, maintain and optimize relationships and to make customers more loyal/profitable. CRM requires a customer centric business philosophy and culture to support effective marketing, sales and service processes. This is an aggregation of existing perspectives on CRM (Payne & Frow, 2004). For a detailed overview of definitions and research streams see: (Zablah, Bellenger, & Johnston, 2004). Some authors emphasize a single technology solution, others a series of customer-oriented technology solutions and the final group stresses the holistic approach.

CRM's main goal is to optimize the customer lifetime value (CLV) within the customer lifecycle (Homburg & Bruhn, 2005). Customers are long term assets and thus major factors for competitive advantage (Peppers & Rogers, 2004). Further advantages are supposed to be a reduction of marketing costs, strengthening customer loyalty and satisfaction, reduced price sensitivity, new opportunities for up- and cross-selling and erect exit barriers (Janssen & Wagenaar, 2002).

CRM builds on principles of relationship marketing (Berry, 1983). Unlike transaction marketing which focused on a one time transaction (selling process), relationship marketing is about attracting, maintaining and enhancing customer relationships. Other influences come from TQM, business process reengineering (BPR) (McAdam &

Donaghy, 1999), and knowledge management (KM) (Alavi & Leidner, 2001; Grover & Davenport, 2001; Nonaka, 1994). Note that TQM and BPR are already included in NPM. Several trends like ICT developments, rigid global competition, and growing knowledge in marketing research (i.e., one-to-one marketing (Peppers & Rogers, 1993), permission marketing (Godin, 1999)) had an impact on the evolution of CRM.

Besides its strategic/organisational component, customer relationship management can be divided into three parts: collaborative CRM, operative CRM, and analytical CRM. Collaborative CRM is focused on channel management. Channel options are:

- Shop/outlets/counter
- Internet
- Telephony (call center)
- Mobile
- Sales force

Collaborative CRM involves decisions about appropriate/ economic channel combinations, keeping single customer view and offering a consistent customer experience across channels. Particularly, electronic channels are very attractive as their self-service potential offers the chance to reduce costs (Kracklauer, 2003).

Processes in the back and front offices are integrated through operational CRM. Software applications can be enterprise resource planning (ERP), sales automation (SA), computer-aided selling (CAS) or knowledge management systems.

Organization and interpretation of customer data through data mining or OLAP and creation of a 360 degree view on customers are within the area of analytical CRM. Data warehousing, database management and data mining systems are an important part of the technological component of CRM.

Basic principles of CRM are personalization (products, information, services), integration (planning processes, business process reengineering, product development, collaboration), interaction (channels, long-term communication, surveys), and selection/ segmentation (identify the top 20% of customers who make 80% of the profit (pareto rule), termination of unprofitable customers). Moreover, quality/performance measurements, change management, and a strategy/measures promoting customer oriented culture are vital to any CRM concept or project.

Figure 1 summarizes these principles and visualizes the importance of the holistic approach of a CRM/CiRM. Thus, CiRM is about:

- Organization (change)
  - Culture

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