

Customer Differentiation and Interaction: Two CRM Challenges for Public Service Broadcasters

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ABSTRACT As public service broadcasting becomes less distinctly non-commercial if nonetheless non-profit, customer relationship management offers useful concepts and tools for the modernization of PSB strategies and the transformation of work cultures. It also poses contradictions with principles that are fundamental to the PSB ethos. This article treats two aspects of CRM in PSB, positioned as challenges for development. While the principle of “customer differentiation” has operational value it is conceptually problematic with regard to universalism. Interaction poses no conceptual problems and connects well with the PSB ethos but is operationally problematic given traditional barriers to collaboration. Treatment is grounded in current strategic initiatives in YLE, the Finnish Broadcasting Company.

KEY WORDS: customer relationship management, public service broadcasting, segmentation, interaction and dialogue, innovation

Customer Relationship Management [CRM] is a hot property in modern business theory. American Fortune 500 companies have invested hundreds of millions of dollars. Cynics say it has been hyped in the financial self-interests of software and consultant companies (Newell, 2003). Advocates claim CRM secures benefits in market position, competitive leadership, brand appreciation, and stock valuation, but argue that getting it right requires a root and branch restructuring of the firm with a total work culture make-over (Buttle, 2005; Peelen, 2005;

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Peppers & Rogers, 2004). Critics suggest such make-over efforts have done as much harm as good, undermining efficiency without increasing profits (Newell, 2003; Sawhney, 2001). Enthusiasm is again on the upswing as CRM theory and practice mature (Gupta and Lehmann, 2005).

WHAT IS CUSTOMER RELATIONSHIP MANAGEMENT?

At first glance it seems obvious what CRM is about—managing customer relationships. In fact there are contending perspectives keyed to differences in emphasis concerning the best means for handling that effectively and efficiently. Some suggest CRM is fundamentally an improved tool in marketing and branding practice (Brunt, 2001; Chablo, 2001; Fournier et al., 2001; Wang, 1998). Others present it as a sophisticated information technology project, if not only that and usually with the caveat that it should not be framed as such (Gentle, 2004; Sharp, 2003; Davis & Joyner, 2001; SAS Institute, 2001). Still others see it primarily as a toolkit for developing service management processes (Buttle, 2005; Peelen, 2005), or argue that it is fundamental to the “extended enterprise” (characterised as CCRM—collaborative customer relationship management) which requires integrating supply chain management with customer relationship management (Kracklauer et al., 2004; Piller et al., 2004).

Most by now agree that CRM is about growing customer equity and frame it in profit-driven terms (Gupta & Lehmann, 2005; Blattberg et al., 2001). But some disagree, arguing that the final result will be higher profits but the foundation is relationship development to grow loyalty and strengthen barriers against customer defection (Peppers & Rogers, 2005; Prahalad & Ramaswamy, 2001). A central criticism focuses on the lack of effort to understand the nature and dynamics of relationships as the heart of the matter (Buttle, 2005; Newell, 2003; Seybold, 2001).

In general, one can say that CRM is enabled by sophisticated technologies that facilitate the collection, security and mining of large amounts of personal data from and about customers, the analysis of which produces unique knowledge as the ground for business practice. The pursuit is motivated by a scale and scope of competition that has eroded the effectiveness of traditional business practice in modern markets. CRM facilitates developing relationships with differentiated customers via interdependent collaboration with those of highest value to the company. That is steered by strategies for customer acquisition, retention and development as the business process driver. Customization and personalization are key objectives as building blocks for loyalty. That said, definitional emphasis varies a lot (Shaw, 2001). Consider the following summary from Peelen (2005: 3-5) supplemented by other sources as noted. CRM is:

1. A comprehensive development process
2. Customer differentiation
3. Data warehousing and mining
4. The core business strategy
5. Integrated collaboration
6. Empowering the customer (Newell, 2003)
7. A total company reorientation (Buttle, 2005)
8. Customization in products or services (Sharp, 2003)
9. Building mutual value (Peele, 2005; Targetbase, 2001)
10. Building customer equity (Gupta and Lehman, 2005; Shaw, 2001)

Despite differences in emphasis, there are commonalities in principle. The definitions agree on the vital importance of collecting and using information from (and not only about) customers and developing relationships via interaction to the mutual benefit of the company and empowered customers. A significant commonality is the primary importance of continuously identifying, tracking and meeting customer needs via detailed, cumulative understanding that steers product / service creation and delivery in order to develop partnerships through collaboration. Doing that well requires customer value differentiation and the results drive corporate investment strategies for product personalization and customization. That, in turn, builds the foundation for growing customer loyalty.

CRM RELEVANCE TO PUBLIC SERVICE BROADCASTERS

As with all business practices that are commercially grounded, CRM is an uncertain frontier for public service broadcasting companies [PSB]. The trend in PSB is to think and act like a “normal business”, but for non-profit reasons (Alm & Lowe, 2001; Lowe & Alm, 1997). PSB governors demand accountability, efficiency, productivity and transparency: all characteristic of commercial industries and now widely accepted as a standard of modernity and criteria of excellence for civil society organizations (Coppens, 2005). Contemporary theorists have critiqued this trend under the rubric of “marketization” (Born, 2004; Murdock, 2000; Murdock & Golding, 1999).

Picard (2005) formulated a pointed critique of PSB companies for their lack of readiness to take advantage of the possibilities offered by CRM. He observed that reach has been in decline among youth audiences, license fee compliance is problematic, and media-use culture is increasingly individualistic. He blamed a lack of interaction with audiences and institutionalized blindness. PSB audiences are defined as citizens but not also understood as consumers. He noted that CRM isn't only for commercial firms because “public administrators are increasingly recognizing the importance of viewing citizens as clients and

using relationship management techniques to improve participation and involvement” (ibid: 287).

There is merit in Picard’s critique, although he ignores distinctions that are fundamental to the legitimacy of PSB as a non-profit enterprise. In fairness his remarks weren’t focused on making such distinctions. But, for example, the principle of *customer differentiation* that is crucial to CRM theory and practice conflicts with the principle of *universalism* which remains a core demand for PSB companies funded by licence fees. One should note, however, that Picard suggests that by providing niche channels and offering paid video on demand [VOD] services PSB companies are themselves surrendering universalism. To continue, customer differentiation segments the population as a customer base to calculate financial value to the firm. Products and services should be tailored to valuable segments while cost-generating segments should be “fired”. It is unclear how applicable that mindset is when fee payment confers rights to the payer more in line with citizenship than consumerism. Picard also privileges a “transactional” model in the premise of his discussion, but CRM theory argues against this. The thrust of CRM business strategy is to create relationships that *transcend* transactions (Buttle, 2005; Peppers & Rogers, 2004).

Based on study of the topic in relation to PSB today, the author concludes that CRM is a useful strategic development initiative for the modernization of public service practice. That is especially evident in discussion about interaction and collaboration. But it is equally clear that the challenge is immense because CRM poses serious complications for PSB institutional identity, particularly in considerations of customer differentiation. On the one hand, PSB remains a non-profit enterprise but is no longer as clearly non-commercial in many contexts. That argues for CRM. On the other hand, the integrity of the PSB social responsibility approach is legitimated by its distinctiveness in each context. That may argue against CRM. Adoption won’t work; adaptation might.

Adapting CRM utility to PSB’s hitherto unique social responsibility character, heritage and mandate implies theoretical development which creates a double bind. PSB would need to 1) adapt a commercial business theory when 2) that theory is not very mature. As a professional practice, CRM began with Siebel Systems consulting in 1993 (Nykamp, 2001). Until recently it has been characterized more by disappointment than success (Engler, 2004; Sharp, 2003). CRM has many detractors in the commercial world where it is much easier to embrace.

Of surveyed companies that implemented CRM, as of 2001 less than one-third reported achieving significant progress in reaching business objectives. Another one-third reported no improvement. The remaining comparatively successful 37% reported only minor improvement (Deloitte Consulting, 2001). In a separate study conducted by the Gartner Group, only 16% of companies investing in CRM thought results “exceeded expectations”, while 41% characterized CRM as a “complete flop”

(Almquist et al., 2004). The CRM-Forum reported similar figures and assessed the causes of failure (Newell, 2003: 11):

Complications in organizational change	29%
Internal politics and inertia	22%
Lack of understanding	20%
Poor planning	12%
Budget problems	6%
Software problems	4%
Bad advice	1%
Other	4%

Most failure factors are internal to the firm. The top four factors accounting for 83% of failures are chronic problems in PSB companies, so it would be Quixotic indeed to expect a CRM initiative to achieve quicker, better results than commercial companies report.

Interest in developing relations with customers coincided with the economic downturn of the early 1990s and accelerated with internet connectivity combined with increasing competition due to globalization. In the same period the power of computing increased while costs declined. Companies began to rethink how business is done to emphasize relations with customers because (Engler, 2004: 199; Sharp, 2003: 5):

- Competition is growing nearly exponentially
- Distribution channels are increasing in variety and complexity at a rate that has thoroughly destabilized traditional systems
- Product lifecycle is shrinking
- Consumer patterns are increasingly complicated and frequently paradoxical (for example, college kids shopping at gourmet stores and wealthy people shopping at discount stores)
- Many Fortune 500 companies have been losing 50% of their customer base every five years
- It costs five to ten times more to acquire a new customer than to retain an existing customer
- A 50% increase in customer retention typically increases company profits at least 25%, and as much as 125%
- On average, 50% of existing customer relationships are not profitable

Much of this is relevant to PSB, suggesting CRM has potential for improving performance. It will be difficult, but as Newell (2003) observed it is better to do the right thing wrong than the wrong thing right. The former offers opportunity to improve while the later only assures one becomes better and better at things no longer considered relevant. In Newell's view, the key benefit of a CRM initiative is its impact in changing corporate mentality, and that is the most common benefit reported to date (Buttle, 2005; Peelen, 2005). CRM deeply

challenges a traditional PSB company because it requires giving increasing control to audiences, and as customers or clients. Surrendering control has also been a problem with CRM in most commercial companies. Moreover, emphasis to date has been mainly on the Management component of CRM without sufficient focus on the Relationship component. That's why Newell argues for a reformulation as Customer Managed Relationships.

However formulated, developing this theory as a ground for contemporary PSB strategy offers needed correctives. Four spring to mind immediately. 1) PSB has long been criticized for professional, internalized arrogance with respect to audience preferences, defining such pivotal elements as "quality" and "service" from self-serving perspectives (Ala-Fossi, 2005; Ytreberg, 2002). 2) PSB has also been long criticized for a lack of effective results in efforts to institutionalize audience participation beyond the merely cosmetic and typically paternalistic (Cammaerts & Carpentier, 2007; Carpentier et al., 2003; Himmelstein & Aslama, 2003; McNair & Hibberd, 2003). 3) It is certainly true that PSB in many countries suffers decline in important audience segments which indicates, at least, that it does not have sustainable relations. 4) One mustn't neglect the importance of sound business theories to effectively inform and appropriately steer those aspects of PSB operation that are commercial in an increasing number of companies.

It's clear that PSB can't, on the exclusive basis of license fee or tax-generated revenue, finance everything it is expected to provide in all media and in every genre where it is mandated to operate. Also exclusive funding on that basis arguably limits PSB to long-term decline because it can only be a spending organization and therefore can't achieve development options only possible for earning organizations. Thus and despite the complications, embarking on a carefully considered, thoroughly planned and well managed CRM initiative in PSB offers considerable potential.

The object of application for the study that grounds this article is the current development process at the Finnish public service broadcasting company, YLE. The notion of "clientship" is a cornerstone of the YLE 2010 business strategy. That emphasis is framed by a lengthy internal strategy development process that began a few years ago during the period when Arne Wessberg was the Director General and accelerated after the new DG, Mikael Jungner, took office in May 2005. The process featured critical analysis as the proper basis for strategy development. At the time the author was employed by YLE in the senior advising staff and was tasked with assessing CRM in the context of PSB. The consequent report submitted in August 2006 acknowledged CRM as a compelling strategic development initiative but suggested complications given the unique character of PSB as a "social responsibility approach" in media (McQuail, 1987). This article provides critical discussion about two aspects of CRM for PSB that should be useful for any non-profit company

mandated to serve the public interest in today's market-driven context: 1) customer differentiation and 2) interaction for innovation.

THE ROLES OF CRM AND THEIR IMPLICATIONS FOR PSB

The most beneficial impact of CRM development, especially important for PSB given its traditional internalized focus, lies in empowering fundamental changes in management thinking to secure the shift from a product-centered orientation to a customer-centered orientation. CRM energizes the shift from supply-side to demand-side thinking, or if preferred from a push culture to a pull culture. But there are nuances involved that pose problems of theoretical interest and practical complexity in the PSB context, mainly keyed to principles that are essential to its legitimacy. At the same time CRM opens fresh pathways for development that are in sync with the traditional PSB ethos and rationale.

CRM practice differentiates between customers on the basis of 1) the company's value for the customer balanced with 2) the customer's value to the company. No relationship grows or lasts unless there is mutual benefit. Of course media industries have practised differentiation, for example between male and female audiences, or teenagers and adults in new media. We shall return to this point. But inside PSB audiences have not been treated as consumers and have been viewed with an equalitarian perspective. That dovetails neatly with PSB ideals because it is certainly a democratic approach. But it hasn't been (and can't actually be) a terribly efficient approach because democracy is messy by design (e.g. "checks and balances"). Given weaknesses in PSB reach in various segments, this approach also hasn't been very effective.

In CRM it is axiomatic that all customers are not equal (Brunt, 2001). A defining aspect of CRM practice is working out uniquely insightful and strategically useful ways to segment by focusing on customers' respective value to the firm and then studying continually about the traits and preferences of the most valuable segments. Gupta and Lehmann (2005) are convincing that the total number of customers any company has is less useful an indicator of health than the relative value differentiated customer segments provide.

Customer differentiation is a core ingredient of CRM for three reasons. The first is recognition that a comparative minority of the customer base accounts for the majority of profits in every industry and for nearly every firm. For example, in a study conducted by Joint Market Research, Proctor & Gamble found that 14% of regular shoppers accounted for 56% of their total revenue while the much larger group of occasional shoppers (86%) accounted for only 44%. Moreover, many occasional shoppers were characterized as "bargain hunters" without any loyalty to P&G products. P&G learned this because CRM prioritizes such analyses (Kracklauer & Warmbruun, 2004).

The second reason is that the cost to acquire a new customer is significantly higher than the cost to retain an existing customer. Companies launching CRM initiatives most often emphasize attracting new customers—*customer acquisition* (Buttle, 2005). It is vital to have an acquisition strategy because new markets are constantly emerging and old markets are continually evolving. Despite the firm's best efforts and even with continuing improvements in product quality, every company loses customers.

On average, companies lose as much as 20% of their customer base each year. To truly grow it is essential to retain the customer base the firm already has. It isn't growth if all a firm accomplishes is swapping one base for a different base, for example if a PSB company acquires more young listeners but loses lots of older listeners in the process. It is only growth if PSB is successful in adding new customers while keeping their existing base, especially the segments management has decided are the most valuable. Market share increases at an exponentially faster rate as the firm's retention rate increases. It is therefore clear that *customer retention* is very often more effective in building market share than has been commonly understood. It is also cost-effective. On average a company must spend at least five times more to acquire a new customer than to retain an existing customer, and that figure can be as high as ten times more depending on the type of product or service and the level of competition in the industry. It is certainly in the PSB company's best interests to retain its customers.

Unfortunately companies become so focused on chasing new customers that they fail to properly take care of what they already "own", or to see what they own as a valuable opportunity for *customer development* (Newell, 2003). That is partly because companies typically measure the profitability of product lines rather than the value of customer segments. They focus on which products are selling best in the market, rather than which customers are buying most from the company. Because of increasing competition and the fickle nature of today's consumers, companies have been forced to reconsider. In the process there is growing recognition that optimizing customer value to the firm requires maximizing the customer relationship with it. Thus, customer retention has begun to overtake customer acquisition as the priority for CRM policy in many firms, especially those that are already well established. That is food for thought in a PSB company.

The third reason that customer differentiation is a core ingredient for CRM is keyed to rapid development in digital technology and software. It is now possible to collect, integrate and analyze large volumes of data on a cost-effective basis (Caufield, 2001). For CRM, the research task isn't merely to describe customers, characteristic of media firms historically, but to effectively differentiate their respective value (Duffy et al., 2004).

Thus, CRM research doesn't neglect the bottom line in the push for relationship development. Any company can spend all it has trying to make everyone happy. That is the going-out-of-business model. If the

firm-customer link is really a relationship, its management must balance the customer's value to the firm with the firm's value for customers (Gupta & Lehmann, 2005). The customer is firmly in the driver's seat, but the company is wearing the seat belts. Correlating these two sides of valuation was assessed as four scenarios (ibid) that are worth reviewing in brief.

The customer segment the firm should cater to is "star customers" comprised of those with high value to the firm that receive high value from the firm. The segment the company must focus keen effort on is "vulnerable customers" comprised of those with high value to the firm but not getting great value from it. The segment classified as "lost causes" should be "fired", in CRM parlance, while "free riders" are getting lots of value but don't provide much to the company in return. Vulnerable and free rider segments should be targeted for customer development strategies, in both products and relationships. This is one method by which customers are segmented according to value as the basis for relationship strategy.

The schema raises critical questions for a PSB company. Who are its star customers? One strategic emphasis in recent years suggests that PSB companies think youth audiences ought to be their star customers, but the evidence as clearly supports the conclusion that as a segment youth may be lost causes for PSB. Meanwhile, older audiences are treated in ways that suggest PSB companies view them as free riders, hence deserving only marginal efforts in product and service improvement, when they probably should instead be seen as vulnerable customers because they remain the most consistently loyal but are complaining that the value they receive is decreasing. The point is not to suggest these conjectures are accurate for all PSB companies but rather to underscore the usefulness of assessment that balances value to the firm and for the customer. That is one fruitful avenue for critiquing strategic assumptions and developing fresh operational priorities. The proper segment categorization depends on the company's business strategy as an outcome of research via interaction with audiences as customers or clients. That is the ground for business strategy.

A second approach to customer differentiation was offered by Großweischede (2004: 235) who provides an interesting overview of five kinds of customers based on research about the profitability of each for the average company. This approach would not discount the importance of casual viewers and listeners, which the first approach would seem to categorize as "free riders" of uncertain value to the PSB firm. If one substitutes viewer or listener for "buyer" and "shopper" this second schema becomes quite interesting.

Casual Buyers This segment includes all customers that buy products, but not on the basis of brand or because they are particularly interested in "belonging" to a community. They are routine shoppers and typically account for about 35% of all customers

for most firms, generating about 23% of all profits. Customer Development is the right business strategy.

Relationship Seekers This segment cares most about participatory engagement with the company. They want to belong, and belonging is a source of pride. It's unclear if this segment is growing or not; the evidence is conflicting. But the segment accounts for 16% of all customers and 11% of all profits, again on average. These customers are also good candidates for Customer Development strategy.

Brand Buyers This segment includes all customers that buy products because they have an affinity with the brand and some comparatively strong identity connection with it. They are the loyal shoppers that generate the highest profits by far. Although accounting for 27% of the total customer base on average, this segment accounts for 51% of all profits, on average. Customer Retention is the right business strategy.

Convenience Seekers This segment mainly cares that whatever they buy is easy to find, can be purchased without hassle, and works as expected. Although the smallest segment for most businesses, it accounts for high profits because the segment is willing to pay extra for convenience and doesn't like to "waste time" shopping around. The segment accounts for only 6% of the total customers in the average firm, but generates nearly 15% of the total profits. Customer Acquisition is the right business strategy.

Bargain Hunters This segment mainly cares about getting the lowest price. They tend to browse rather than purchase and frequently use "tricks" to secure bargains. For example, they try to play one company off against another as a bargaining strategy. Although accounting for 16% of total customers on average, this segment only generates 1% of profits—at best. No additional investment is justified, and the company loses nothing when and if they leave.

This approach to differentiation again raises relevant questions for PSB companies. Who are its convenience seekers and do they actually find PSB services convenient? Who are the relationship seekers and is PSB doing enough to satisfy their interests in belonging? Who are the bargain hunters for PSB and are these companies over investing in a segment that is unlikely to be satisfied (much less loyal) whatever they spend? Again, assessment hinges on the relative balance between value to the firm and for the customer.

One fact about differentiation that is important for every firm, no matter the industry or which sector, is keyed to the proportion of the customer base that is loyal compared with the proportion that is at risk.

Research suggests that nearly every business has a customer base comprised of three broad segments (Newell, 2003: 155). Loyalists account for roughly one-third (31%) of the total, while another one-fifth (21%) are Contented. But in almost every case, nearly half of the total customer base is At Risk (48%) at any given moment. It is useful to consider four factors that analysts have identified as differentiators between Loyalist customers and those that are at risk:

1. **Basics** A set of standards expected of every company in that industry. For example, a bank must be safe and a restaurant must be clean.
2. **Value Issues** Value that goes beyond industry basic standards to give customers something they perceive as desirable. This is a source of market differentiation that produces customer loyalty to a particular firm. There are three drivers:
 - a. **Quality**—includes quality of products, of product selection, of staff expertise, of the physical environment, and service.
 - b. **Price**—includes everyday pricing plus special offers.
 - c. **Convenience**—includes ease of access, location, selection arrangement, support, etc.
3. **Irritations** Things or processes that create dissatisfaction. These may not drive customers away, but they deflate perceptions of quality and increase the likelihood of churn. A common example is companies that make it difficult to get help or register a complaint, or that don't do anything in response to complaints because acting raises costs.
4. **Irrelevance** Things that companies think important but customers don't care about. In many cases, customers aren't even aware of these things. For example, doubling the budget for floor cleaning to claim the cleanest floors in town. Customers already expect clean floors and don't care who has the absolute cleanest floors in town. Clean is clean.

From the PSB customers' perspective, what are the basics in electronic media and their expectations of all media firms? Is PSB really the benchmark it often claims to be; in which ways and to what extent? What about meeting (much less setting) the basic standards in various genres? Is it clear enough which segments use which genres and why? From the customer's point of view, what are the value differentiators for PSB? Is management understanding of quality too exclusively product-centric or journalistic-oriented? How convenient are PSB programs to watch and listen to, and how user-friendly are its services? What does convenience entail in this context? In what ways and to what extent are PSB company products or processes irritating? Why? What could be done to improve the "total customer experience" [TCE]? And are there ideas, ideals and aspects of PSB that managers consider pivotal but PSB

audiences think irrelevant? Certainly efforts to renew the PSB remit will have to address questions of this nature.

If PSB managers can't clearly identify which of their customers are loyal and which are at risk, they are not alone. Research conducted by Forrester found that 49% of companies could not identify customers at risk and did not know what customers thought of the products and services offered (Newell, 2003). The firm can only truly determine what customers consider basics, value issues, irritations and irrelevance by interacting with them, and doing that long enough to establish dialogue. It should be obvious that traditional approaches to audience research can not tell managers all they need to know here.

Customer differentiation has ramifications for PSB investment strategies and development priorities. PSB has customers that cost more than they are worth in financial terms, and others that should be getting more service and value due to their loyalty. For many PSB firms, youngsters cost more than they are worth in financial terms, while older audiences are typically the most loyal. At the same time, however, young customers may have high importance for PSB's future and that must be balanced against the difficulty and costs involved with securing their satisfaction and loyalty. So there is practical utility in pursuing differentiation strategy.

The problem is that PSB companies are not fundamentally businesses and so the way they must account value is not only, or always even mainly, a financial issue. Managers must grapple with the fact that every household paying the tax or licence fee has an equal right by law and ethic to receive equitable services. Handling differentiation rightly is more challenging for PSB than for a commercial company because it can't be based only on economic criteria, and much that is involved in PSB differentiation is based on subjective aspects. A key question for PSB is how choosy can it be, and on what basis? This is obviously important for ensuring that the degree to which CRM is pursued is appropriate to its mandated mission.

In point of fact customer differentiation has been important to PSB in radio since the mid 1980s when the introduction of commercial competition became a driver for profiling channels, and even more so since the mid-1990s in television where differentiation has been characteristically focused on channel branding and programme scheduling—i.e. keyed to what is offered to whom on which channels and at which times. But most of this work has featured a product-centered approach and has not been primarily or sufficiently keyed to what audiences do and need as customers. CRM can help to secure a far more customer-centered orientation by demanding that decisions be based on understanding the ways audiences actually use media, channels and programmes, and in steering practice to better achieve strategically-determined objectives.

A core CRM question illustrates the complication PSB faces: "Who are its customers?" To answer "everyone" is not strategically useful.

Commercial companies continually fine-tune their valuations to better target segments that produce the most profits and represent the best long-term value to the firm. Most PSB companies, in contrast, are required to provide something for every segment, however defined, and actually quite a lot without regard to profits or their respective worth to the company. Government PSB policy is often contradictory, demanding higher economic efficiency while also mandating activities that can't be efficient in economic terms. Finland's YLE, for example, allocates about 16% of its total annual budget to provide equitable services for the roughly 6% of the population that is Swedish-speaking as the mother tongue. In commercial terms that amounts to over spending on a cost-generating segment. Yet the worth is beyond, even outside of, any purely financial equation. YLE has a continuing role in securing social relations that are peaceful, democratically equitable and respectful of cultural diversity, all of which helps facilitate Finnish prosperity; wealth, in short. This is recognized in the fact that Finland is bi-lingual and bi-cultural by constitutional law. PSB especially must be careful not to put itself in the trap of "knowing the value of everything but the worth of nothing".

For PSB's public service mandate and public sector identity, the issue is less clearly about the value of customers to the company than the value of services to the public. That is bedrock to the legitimacy of PSB as a publicly funded and socially responsible enterprise. But in operational terms, especially when thinking about strategies for handling that and prioritization of scarce resources, the value of the segment to the company is keenly important. This complexity for PSB is likely to become more complicated as these companies make the transition to public service media (from purely broadcasting) because in the non-linear environment the individualistic trend should be expected to intensify contradictions between holistic charters and discrete mandates (Lowe & Bardoel, 2007).

PSB should not avoid customer differentiation as a practical matter. The earlier discussion (about segmentation studies) illustrates unique insights generated by CRM. But this later discussion (about rights) certainly illustrates this will be far more challenging for PSB than any for-profit media concern.

Interaction for Innovation

As Peppers and Rogers (2004: 5) observed, "The goal of every enterprise, once you strip away all the activities that keep everybody busy every day, is simply to get, keep and grow customers ... [the] firm must have customers or the enterprise isn't a business—it's a hobby". Customers must be put in the driver's seat conceptually before they can occupy that seat operationally. CRM is evidently the most effective current tool for realizing this fundamental change in work culture mentality.

When CRM is done right the customer is the product manager, determining which products and services are most valued and why. The customer determines how those products and services are accessed and their functional worth. The customer is not simply a target for reception, but the catalyst for production and the arbiter of value. Customer experience will anyway govern the successes and failures of every PSB company, whether it relies on CRM or not. The important point here is that with an explicit CRM focus the company has greater command in defining expectations and improving experiences.

The importance of knowing customers and developing relations with them is nothing new, but this has become a more pressing imperative in a globalized market context. The reason hinges on the sheer scale of modern business because this increases distance between companies and customers, in cultural as well as geographic terms (Buttle, 2005). In the customer experience businesses have become increasingly impersonal.

Most of the 20th century was oriented towards mass manufacturing and distribution. The idea was to gain competitive advantage by dominating through standardization, and thereby keep costs as low as possible and quality at a uniform level. Products thereby became “commoditized”. Branding seeks to off-set this functional uniformity via expensive efforts to personalize relationships between companies and customers. It works and will remain a valid tool, of course. But branding can be understood as a substitute for real relationships with customers (Peppers & Rogers, 2004). CRM seeks to solve that problem by facilitating interaction and focusing attention on the total customer experience, or TCE. In the end, CRM is about creating tools and processes for *understanding customers in context* in order to respond to their needs *pro-actively* (Kracklauer et al., 2004).

Almost every company today has powerful competitors, so growth depends on how customers think and feel about the company. That is determined by their experiences. It’s increasingly difficult to clearly distinguish PSB on the basis of products and their features, for example. Formats are quickly replicated and frequently improved by capable commercial competitors, even when PSB creates something new that is successful rather than buying format licenses from commercial companies (Moran, 2006). At the same time, the political market in many countries is questioning PSB funding mechanisms while the popular market seems less willing to pay the license fee and resists raising the amount. More than ever in its eighty year history, the future of PSB depends on developing mutually beneficial relationships with viewers and listeners as clients (if not only as that).

Securing good relations isn’t merely about improving marketing capabilities or brand image. As noted already, it is based on clients’ experiences with PSB companies and their products. Of course this requires improving products and services, but not only that and even there it’s keenly a matter of what should *drive* improvement efforts. “Competition in all industries, as well as increasing customer

sophistication, is forcing organizations to rethink how they do business. Products are no longer the key differentiator” (Schmarzo, 2001: 71). Customer intelligence is the key differentiator. The kind of knowledge that is unique and therefore has high strategic value can only be gained from customers and that becomes the source of competitive advantage today (Grant, 2002).

In a CRM initiative, the mission is to serve the customer. The strategy is to deepen and widen relationships with customers based on their value to the firm. The tactics are about knowing the customer in-depth, gearing everything in the company across every area of operation to achieving the mission on a daily basis, and thereby continually refining excellence in practice. The critical success factor is customer satisfaction. None of that is possible in the absence of dialogue with customers, and dialogue isn't possible without serial interaction (Peelen, 2005). When one says that the firm is engaged in dialogue with customers this inherently means there is an on-going series of interactions.

Dialogue presumes a relationship of equals. It's impossible to have dialogue if the company thinks customers are stupid or bothersome, or otherwise inflates the company's self-importance in its internal thinking. Customers must be genuinely respected for this to work. And it is crucial that the purpose and objectives for the dialogue be understood from the customer's perspective rather than the company's (Pralhad & Ramaswamy, 2001). The growing emphasis on interaction that produces dialogue is based on recognition that dialogue is the most effective source of innovation which produces distinctiveness and competitive success (Buttle, 2005; Kracklauer et al., 2004; Nykamp, 2001). CRM enables innovation based on interaction with customers, rather than hit or miss outcomes resulting from creative exercises largely based on myths and rumors about them. Via interaction, results achieve practical success because creative work is keyed to knowledge that is concrete and in context rather than abstract and only in content.

A decisive problem with early CRM practice, and mirrored in PSB historically, is that understanding was too often keyed to securing information about customers rather than collecting and analyzing information *from and with* customers (Newell, 2003). That requires dialogue. Dialogue is not easy or quick, which is why many firms resist even trying. It takes time, patience, investment and continual response. This talk is not cheap.

Accomplishing dialogue requires first changing patterns of thought about the business relationship, and then changing the ways business is done as a result. In a dialogic relationship effectiveness is based on co-creating *solutions*. The customer becomes the foundation on which development and marketing strategies are built. Over time, customers regularly offer critiques and suggestions. They are eager to help find solutions. Thus, “Creating dialogue with customers is more high-touch than high-tech” (Newell, 2003: 42), and the communication that matters

most is initiated by the customer (Nykamp, 2001). Of course it's important to market products, to ensure awareness, to constantly work on the image and brand, etc. But relationships require communication with customers as people, rather than merely transmitting messages to people as audiences (and, worse, as "targets").

Historically success in business was thought to depend on transactions. The competitive weapons here are developing new products, ensuring best prices and building appealing brands. None of that is unimportant today, of course. But given today's competitive environment, a transaction orientation can promise little for any firm's future. CRM has become important due to its close focus on interaction with customers. It by no means discards the importance of transactions, but it elevates interaction to priority status. Where there is interaction there can be a relationship.

The problem for most firms isn't in having interaction. Every transaction requires some interaction, after all. The problem is not focusing on interaction as the main thing instead of an incidental sidebar. "What most enterprises fail at is not the mechanics of interacting but rather the strategy of it—the substance and direction of customer interaction itself" (Peppers & Rogers, 2004: 169). Cumulative success does not come from cool advertisements and hip promotions. It comes from continually knowing what customers really think, how they live, and connecting what PSB does with that. PSB can only know what customers really think (and how) via interaction, which unfortunately isn't managed well if at all by most firms yet (Almquist et al., 2004). A customer-centric company is not concentrating mainly on the efficiency of communication, which is the traditional approach in marketing, but rather on the *effectiveness* of dialogue with customers.

Has PSB in general expended too much effort trying to argue people out of what their experiences have conditioned them to expect and not nearly enough effort listening carefully to what their experienced perspectives can teach? Have PSB managers spent too much energy telling people what they ought to believe because it's what they want them to believe, rather than doing the things necessary to *change their experiences* with PSB? Becoming customer-centric is not driven by lofty ideals and noble sentiments, although typically described that way in company mission statements. It is driven by a steely-eyed self-interest to understand the public PSB is mandated to serve in recognition of the fact that audiences and users have the sole right to their needs and only they can teach PSB companies how to satisfy them.

This challenges most PSB companies at managerial and operational levels, and the challenges are fundamental rather than supplemental. PSB is deeply challenged with transforming a mentality focused primarily on transmission to one that is continually focused on communication. Understanding the role of PSB must be more strongly based on interaction rather than so characteristically focused on intervention.

CONCLUSION

Of course there is much more that must be treated for any PSB company that wants to embark on a CRM initiative. Such would especially include consideration of the role of CRM in achieving the “extended enterprise”, ways and means for developing strategies focused on customer relationships (acquisition, retention and development), and what the CRM initiative will be: strategic, analytical and/or operational. Critical discussion is also needed with regard to the fact that PSB is about serving the public as citizens while CRM is focused on consumers as individuals (Lowe, 2007). Moreover, as hinted in this article, distinctions are needed between customers and clients for conceptual and also rhetorical reasons that are highly relevant to PSB.

The essential point of this article has been to examine defining aspects of CRM with regard to the ethos and principles of PSB on the one hand and its practical operation on the other. The results indicate potential for fruitful development in utilising CRM concepts and tools, especially with regard to developing a properly customer-centric orientation that is sensitive to the preferences of audiences and users and truly focused on satisfying their needs as they define those. CRM tools also offer ample opportunity for a continual development of empirically-based understanding keyed to the ways and reasons that people actually use media and media products.

At the same time, it is quite clear that PSB cannot simply adopt CRM theory or practice but must adapt it to the unique circumstances that define the enterprise in terms of its distinctive social identity and societal legitimacy. In doing the needed work of adaptation PSB managers may in turn help to enrich CRM theory. This is certainly needed for the developmental interests that characterize public management and administration today.

In more general terms, this article suggests the usefulness of investigating, learning and adapting contemporary business research and theory for developing the public service enterprise in media. Making the transition from public service broadcasting to public service media (Lowe & Bardoel, 2007) must depend to a significant degree on mastering state of the art professional management competencies, and continually crafting more efficient and effective public service organizations.

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