

Lawrence Ang¹ and Francis Buttle² Managing For Successful Customer Acquisition: An Exploration

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Given all the recent attention dedicated by academics, consultants and practitioners to customer retention, customer acquisition has become a secondary concern. Yet, customer acquisition is of major importance and demands attention as the first stage of the customer life-cycle. Our research shows that companies are not particularly skilled at managing the customer acquisition process. For example, less than half have a dedicated customer acquisition plan. Only one variable distinguishes companies that excel at customer acquisition – they have a budget dedicated to customer acquisition activities. Other variables examined – the presence of an executive responsible for customer acquisition, an understanding of the economics of customer acquisition, and the deployment of CRM technologies to support customer acquisition – are not associated with excellence at customer acquisition.

Keywords: CRM, customer acquisition, customer retention, customer life-cycle

Introduction

The management guru, Peter Drucker, once wrote that the sole purpose of a business is to create a customer (Drucker 1973). In the recent migration of thought towards the merits of managing customer retention, businesses appear to have taken their eye off the issue of customer acquisition. This paper first addresses this imbalance and then reports the results of a survey of customer acquisition practices in a sample of companies.

Customer Life-Cycle

Although the idea of product life-cycle planning is well entrenched in the marketing literature, the idea of customer life-cycle planning is much less

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well established. A number of customer management authorities have developed conceptual notions of a customer journey, ladder or staircase (Christopher, Payne and Ballantyne 1991; Gordon 1998; Ang and Buttle 2002; Buttle 2004) along, or up, which customers advance. The initial rungs of the ladder - suspect, prospect and first-time customer - are the focus of our research. A suspect is a person or organisation that has yet to be qualified as a prospect; a first-time customer is a customer who has made an initial purchase from a vendor.

Customer Acquisition or Customer Retention

Customers are assets that need to be acquired before they can be managed for profit (Levitt 1986). Customer retention is clearly a most important objective in competitive and mature markets. Customer acquisition, however, is still hugely important to companies in many contexts: for new business start-ups, when entering new geographic or customer market segments, when launching a new product or service, when exploiting new applications for an existing product or service, when marketing low involvement products and services, when repeat purchases are infrequent, and when switching costs are low. Also, when markets show growth potential it is strategically important for all players to grow the aggregate market size rather than protect their own customer base through customer retention efforts. There are some businesses in which the constant acquisition of new customers is the only way to survive. Examples include funeral direction, private hospitals dedicated to procedures such as hernia repairs or cataract removal, and MBA programs.

Customer acquisition is important even where customer retention is justified as the core strategy. It has been observed that 25% or more of customers may need replacing annually (Sellers 1989; Hanan 2003; Buttle 2004). In a business-to-consumer context, customers may shift out of a targeted demographic, or their personal circumstances may change such that they no longer find value in an offering. In a business-to-business context, corporate customers may be lost due to acquisition by another organisation with firmly established supplier preferences, or if ceasing production of the goods and services for which the input was needed or ceasing trade. It is clear that without a well-developed, focused and successful customer acquisition strategy, customer retention and development is irrelevant.

Against this tendency towards a retention emphasis, a number of authors promote the view that acquisition is important. Dowling (2002) suggests that customers have little time, energy or interest in establishing strong brand relationships. Some customers are frequent brand switchers or portfolio shoppers, and others are simply interested in need fulfilment, rather than continuity. Goodwin and Ball (2003) indicate that there may be considerable

economic gain from focusing on customer acquisition. They compute that a firm having a 16.7% share of market enjoys 5 times the revenue impact from a 1% increase in acquisition than from a 1% increase in retention.

But how good are companies at acquiring new customers, and is it possible to identify attributes or conditions that distinguish companies that excel at customer acquisition? This area has not been well researched, even though customer acquisition is a fundamental sales and marketing activity. Our exploratory study investigates a number of variables that are potentially associated with successful customer acquisition.

Literature Review

Results from a search of electronic databases indicate that scholars have researched customer acquisition significantly less than customer retention. Since 1983, the databases report that customer retention has been the focus of 45 scholarly papers, but customer acquisition only 7.

Managing the Customer Acquisition Process

The mainstream marketing and sales literatures focus on customer management issues. Practically every marketing management scholar makes the assumption that it makes good sense to plan and budget for the achievement of business outcomes. Kotler (2003), for example, writes that 'successful companies... practice the art of market-oriented strategic planning'. There is almost universal agreement throughout the modernist management literature that establishing measurable key performance indicators, creating a budgeted plan and assigning responsibility for their achievement, are norms of good practice. Miller and Cardinal's (1994) review of management research generally finds support for the idea that planning processes are associated with better business performance.

However, our literature search has found very little evidence regarding management practices such as planning, budgeting or the deployment of technologies that assist in customer acquisition, *per se*. Both Blattberg et al. (2001) and Sargeant and West (2001) recommend that management thinks and acts strategically about customer acquisition, but neither make the claim that companies actually do so. Blattberg et al. (2001) present a 6 phase approach to customer acquisition, dubbed ACTMAN (Acquisition Tactical Management). Sargeant and West (2001) propose a normative 7-stage approach to the development of a customer acquisition campaign: 1. set campaign objectives (such as target response rate, numbers of new customers recruited, acquisition cost per new customer, average new customer value); 2. segment and profile prospects; 3. targeting - tailoring the communication message, channel and offer for the selected audience; 4. select cost-effective media; 5. communicate the offer; 6. fulfilment; 7. response analysis, using

metrics such as percentage response, cost per response, percentage conversion, cost per customer, revenue per customer, profit per customer, projected lifetime value per customer, and percentage return on investment.

It has been suggested that managers charged with customer acquisition consider 3 issues: which potential customers to target, how to communicate with them and what to offer them (Buttle 2004). Blattberg et al. (2001) emphasise that most companies are unselective in their customer acquisition processes, that is, they fail to adequately target their acquisition activities. These 'how-to-perform-customer-acquisition' issues are reflected in a large body of research that ranges across strategic issues such as market segmentation, targeting and positioning (STP), out-bound and in-bound customer communications, development of value propositions, and management of business networks, and tactical issues such as the deployment of consumer sales promotions, or media selection for advertising campaigns.

Furthermore, many studies and industry reports have examined the tactical role of particular marketing mix elements in customer acquisition. These include introductory offers (van Ackere and Reyniers 1993), competitions (Peattie 1998), word-of-mouth (Buttle 1998; Stokes and Lomax 2002), viral marketing (Dellarocas 2003), out-bound solicitation by call-centre staff (Prabhakar, Sheehan and Coppett 1997), affiliate marketing or partnership programs (Hoffman and Novak 2000), service guarantees (Clepper 1996), and the world-wide web (Vishwanath and Mulvin 2001; Daniel and Wilson 2002; Thomas 2002). The role of certain products as relationship openers has also been identified. Banks, for example, depending on their competitive environment, might use high interest savings accounts, no-load mutual funds or low-interest credit cards to attract new customers (Ratner 1997). Given this body of research and the general consensus concerning planning in modernist management practice, we would expect that companies that excel at customer acquisition would have an executive charged with the task and a budget for achieving plan outcomes. These are the first two hypotheses we test.

Economics of Customer Acquisition

One research theme that has emerged of late concerns the estimation of potential customer value, a statistic that is relevant to the targeting decision. This body of research draws largely on experiences in direct and database marketing (Lix, Berger and Magiozzi 1995; Hansotia and Wang 1997; Dwyer 1997; Berger and Nasr 1998; Calciu and Salerno 2002). As a rule it is suggested that a prospect should be converted to customer status only when the potential life-time value (the discounted value of future net margins

earned from a relationship) exceed the costs of that customer's acquisition (Blattberg et al. 2001). However, Hoffman and Novak (2000) claim that several online retailers have pursued the 'suicidal' strategy of acquiring customers whose life-time value is less than their acquisition costs. Other studies have examined the (credit) risk attached to customer acquisition programs (Irvin 1994; Wood 2000). Clearly, these authors are promoting a more thoughtful, data-driven, approach to customer acquisition.

In this regard, there is growing interest in the economics of customer acquisition. It is clearly in the interest of companies to know the relative cost/benefits of different customer acquisition strategies and tactics. The application of metrics such as customer numbers acquired, average first purchase value, leads-to-sales conversion rates and cost-per-qualified-lead can help distinguish the effectiveness of different acquisition efforts (Ball 1993; Blattberg et al. 2001). Schmid and Trollinger (2002) suggest that 'at the very least... [companies] need to determine how much it costs to acquire a customer from media such as rental lists, space ads, package insert programs, trade shows and card decks. Buttle (2004), for example, notes that the relative costs of recruiting new customers for a motoring organisation varies from £22 for member-get-member referrals to £100 from direct response TV.

Case studies of companies such as CDnow indicate that there is considerable merit in thinking analytically about customer acquisition strategy. CDnow employs seven customer acquisition strategies, each with different cost-benefit profiles. They range from advertising in TV, radio and print media, through online advertising, affiliate marketing, word-of-mouth, free links to public relations. The company can identify the source of some of its new customers, although about 60% arrive at the CDnow website from unknown sources. CDnow spends 96% of its customer acquisition budget - on advertising online and offline, and partnerships - to acquire only 45% of its customers. Put another way, 4% of its budget is successfully deployed in acquiring 55% of its customers (Hoffman and Novak 2000). Given this research we would expect companies that excel at customer acquisition to understand the economics of customer acquisition. This is the third hypothesis we test.

CRM Technologies

CRM technologies can provide tools that assist in customer acquisition (Buttle 2004). The campaign management process, supported by data mining capabilities, and linked to a plan-do-measure-learn cycle, enables companies to develop deep knowledge about prospects to target, channels to use and offers to make. Fairlie (2004) suggests that over time business rules emerge from this process, and Wood (2003) observes that customer and prospect databases, together with knowledge regarding their exploitation, can become

valued corporate assets. Experiments can be performed on different subsets of the database, for example on different cells of the RFM (recency-frequency-monetary value) matrix, to develop an understanding of the propensities to buy of different groups (Levin and Zahavi 2004). Event-based (or trigger) marketing, again supported by customer profiling, enables companies to respond to changes in prospects' circumstances and convert them into first-time customer status. An event-based campaign could, for example, mark when a new child is born, and respond with an appropriate offer. Moving home signals opportunity for many marketers. Data from served customers can enable companies to refine their acquisition efforts. For example, a company can compare the profiles of heavy users with nonusers and produce indices of propensities to buy. These can then be used to target acquisition efforts (Lix and Berger 1995). Methods such as cluster analysis, decision trees and neural networks assist the profiling process. Given the availability of CRM technologies to support customer acquisition, we would expect companies that deploy these applications to perform better at customer acquisition than those who do not. This is the fourth hypothesis we test.

In summary, there is a strong analytical, planning and control emphasis to the bulk of the contemporary customer management literature. This emphasis is projected into our research hypotheses, which focus on the first stage of the life-cycle - customer acquisition. In particular, we examine (1) executive responsibility, (2) budgeting for customer acquisition, (3) knowledge of the economics of customer acquisition and (4) the deployment of CRM technologies.

Research Questions

Our main goal in conducting this research is to be able to identify and explore attributes or conditions that enable companies to excel at customer acquisition. We test the following hypotheses, derived from the literature reviewed above. The strong business planning ethic that pervades modern customer management literature informs our first three objectives whilst the potential impact of CRM technologies leads us to include the fourth.

- H1:* Companies that excel at customer acquisition will have an executive tasked to manage customer acquisition
- H2:* Companies that excel at customer acquisition will have a budget dedicated to the task of customer acquisition
- H3:* Companies that excel at customer acquisition will understand the economics of customer acquisition
- H4:* Companies that excel at customer acquisition will be more likely to employ CRM technologies

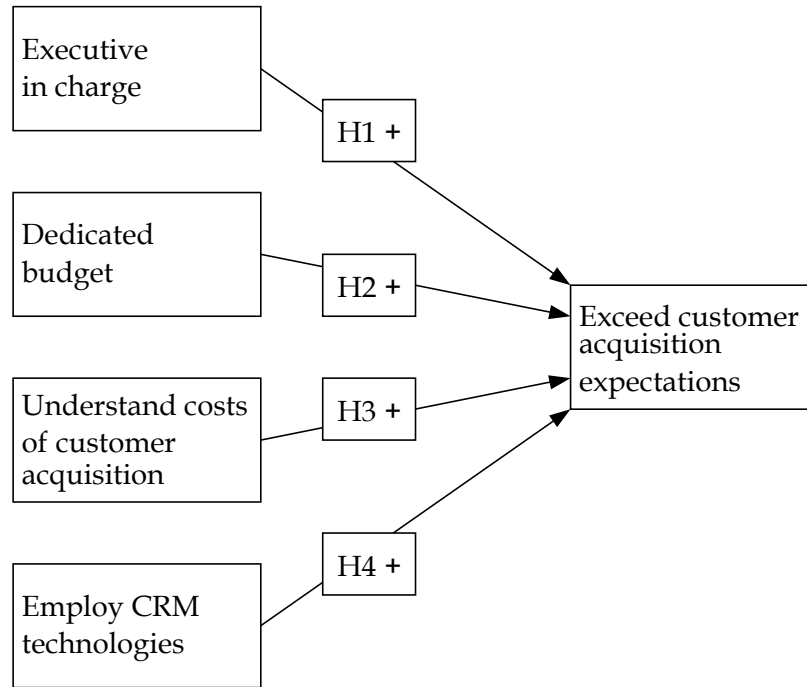


Figure 1. Directional Hypotheses

Methodology

Our methodology involved gathering data by mail-administered survey of a stratified random sample of companies. Details of the sampling strategy, data collection methods, instrument development and analysis follow.

Sampling

Given that we wanted to conduct exploratory research, our population of interest was Australian industry, across the full range of primary, secondary (manufacturing) and tertiary (service) sectors. A stratified random sample of 732 companies was selected from the Dun and Bradstreet database of the top 1000 companies in Australia. The population was stratified into 3 annual turnover groups: \$50 to \$99 million, \$100 to \$500 million, and above \$500 million.

Data Collection

A mail questionnaire was developed. Following an initial telephone solicitation to participate, the instrument was mailed to the sample. Follow-up calls and reminders were issued two to three months later. The invitation to participate was addressed to the person in charge of customer

relationships, customised by name where this was known. Whenever there was a person in charge of customer acquisition, his or her cooperation was sought. We conducted follow-up telephone interviews to clarify any issues or concerns that emerged from the questionnaire's completion.

We encouraged response by offering a summary report of the study. This has now been distributed to respondents.

Instrument

Items in the questionnaire were developed from the literature review, piloted three times in the field, and refined. All the questions measuring the independent variables were nominal in nature, and required 'yes', 'no', or 'don't know' responses. These questions investigated the presence or absence of a range of customer acquisition management practices, objectives and tactics. The instrument collected data on a wide variety of customer management issues, only some of which are the subject of this paper. Given the large number of variables investigated, we opted to use simple nominal scaling wherever possible. This was less onerous for, and more familiar to, respondents, particularly those who were less involved. Previous research shows that when respondents are not involved, having fewer scale points generally lead to a higher response rate (Leigh and Martin 1987). Nominal scaling is also consistent with the properties of the constructs being measured (Burns and Bush 1998) since we are only interested to see if the presence or absence of certain variables is associated with excellence at customer acquisition. In short, measures for all our independent variables are single-item nominal scales.

The dependent variable used in this study - 'excellence at customer acquisition' - was measured by asking whether the company's acquisition of new customers had exceeded expectations in the last 12 months. This variable was measured on a 7-point metric scale, anchored at three points. The point 1 anchor read 'greatly under-performed expectations', the mid point read 'met expectations' and the point 7 anchor was 'greatly exceeded expectations'. Use of a single item to measure the dependent variable is justified on several grounds. First, for a lengthy and complex instrument such as our six-page questionnaire, it is more efficient. Second, since the object of our measurement and its operationalisation (expectations of customer acquisition) is singular and concrete, and is readily understood by our respondents (i.e., persons who are involved in customer acquisition or relationship management), the use of single item is highly recommended (Rossiter 2002)³. Third, we are not striving to evaluate the reliability of an

³ Another example of a singular and concrete concept is that of purchase intention, while an example of a concept that is neither singular nor concrete is capitalism (see Rossiter 2002).

abstract psychological construct that resides in a *person* (Finn and Kayande 1997; Diamantopoulos and Winklhofer 2001), which requires multiple-item measures. In contrast, our operationalisation of the dependent variable is more concrete and tangible. Furthermore, we are more interested in trying to explain the factors that are associated with excellence in customer acquisition, rather than seeking to uncover some underlying latent construct, often associated with traditional domain-sampling theory of scale formation in fields such as psychology. Appendix 1 shows the measures used in this study.

Analysis

Data were analysed using procedures within SPSS PC version 10. Two basic forms of analysis were performed. First, simple descriptive univariate statistics were computed for the measured variables. Here, we were interested in understanding the frequency with which certain customer acquisition management practices, objectives and tactics were used by our sample.

Second, non-parametric bivariate correlations (Kendall's tau) were performed to test the hypotheses. Here, we were interested in knowing if the adoption of certain customer acquisition management practices, objectives or tactics help differentiate excellent companies. To enable these non-parametric bivariate correlations to be performed, all the relevant variables were transformed to a two-point ordinal scale, including the dependent variable. For the dependent variable, excellence at customer acquisition, the metric data were recoded as follows: all responses above the midpoint (i.e., 5-7) were recoded to '1' and those below, including the midpoint (i.e., 4-1) to '2'. If Kendall's tau revealed a significant correlation between any customer acquisition management practices, objectives or tactics and the dependent variable, Chi-square tests were also conducted to confirm the association.

Even though the dependent variable was measured on an interval scale (1-7), non-parametric procedures were used throughout because: (1) all the independent variables were measured on nominal scales (yes, no, don't know); (2) some analyses employ relatively small sample sizes ($n < 30$); (3) almost all variables violate the assumption of normality (with significant Kolmogorov-Smirnov statistics), and (4) some items also exhibit heterogeneity of variance (with significant Levene statistics). Under these circumstances, the use of parametric test statistics is inappropriate (Siegel and Castellan 1989).

Results

Response Rate

One hundred and seventy responses were obtained, representing a 23% response rate. Forty-three had annual turnover of between \$50-\$99 million, forty-six were between \$100-\$500 million, and forty-two were above \$500 million. Thirty-nine companies declined to divulge their annual turnover. Participants represented all major standard industrial classification (SIC) codes. Dominant sectors were manufacturing (43 companies); wholesale and retail (24 companies); and health, community services, accommodation, cultural/recreation, personal and other services (23 companies).

Descriptive Results

To get a flavour of current practices in customer acquisition, we firstly report some simple descriptive statistics. This gives us a picture of what companies do.

Less than half the sample (47%) had an explicit, documented customer acquisition plan. Only a third of the sample (34%) assigned a specific budget to customer acquisition activities. Nearly three-quarters of the companies (74%) surveyed had appointed a specific person or group to be responsible for customer acquisition activities, but only 38% of these were sufficiently aware of customer acquisition costs to be able to estimate customer profitability. Just 42% had conducted tests or experiments in the last 12 months to find more cost-effective ways of gaining new customers.

Companies vary in the type of objectives they set for customer acquisition. The most common customer acquisition objectives specify revenue streams from new customers (84% of companies with acquisition plans specify this objective), numbers of new customers to be acquired (65%), specific named customers to be acquired (57%), and margins to be earned from new customers (53%).

Use of CRM technologies to support customer acquisition is not widespread. About half the companies (49%) had adopted a computerised enquiry management system to handle inbound unsolicited enquiries, and 42% used a computerised sales lead generation and qualification system for their outbound sales calls.

Bivariate Correlations

Kendall's tau and Chi-square tests were used to measure the hypothesised relationships. The results are as follows:

H1: Companies that excel at customer acquisition will have an executive tasked to manage customer acquisition

Table 1. Correlations Between Variables

	Exceed acquisition expectations	Have acquisition budget	Know cost to acquire customers	Margins to be earned from new customers	Test cost-effective methods of acquisition	Executive in-charge of acquisition	No. of new customers to acquire	Computerised enquiry management system	Computerised out-bound sales lead generation system
Exceed acquisition expectations	1								
Have acquisition budget	0.28*	1							
Know cost to acquire customers	0.13	0.40**	1						
Margins to be earned from new customers	0.09	0.08	0.32*	1					
Test cost-effective methods of acquisition	0.08	0.31**	0.41**	-0.22	1				
Executive in-charge of acquisition	0.03	-0.13	0.14	0.01	0.09	1			
No. of new customers to acquire	0.14	0.28*	0.19	0.17	0	0.09	1		
Computerised enquiry management system	-0.01	0.11	0.07	-0.02	0	0.07	0.01	1	
Computerised out-bound sales lead generation system	0.05	-0.02	0.15	0.12	-0.03	0.08	0.05	0.41**	1

*p<.05, **p<.001 (2-tailed)

Table 1 shows a positive ($r = 0.03$) but non-significant correlation, using Kendall's tau, between managerial responsibility for customer acquisition and excellence at customer acquisition. H1 is therefore not supported.

H2: Companies that excel at customer acquisition will have a budget dedicated to the task of customer acquisition

Table 1 shows that companies that have an acquisition budget are significantly more likely to excel at customer acquisition ($r = 0.28$, $p < 0.02$). Further testing using Chi-square confirms the association ($\chi^2 = 5.7$; $p < 0.02$). H2 is therefore supported.

H3: Companies that excel at customer acquisition will understand the economics of customer acquisition

Table 1 reports a positive ($r = 0.13$) but non-significant association between knowledge of customer acquisition costs and excellence at customer acquisition. H3 is therefore rejected.

H4: Companies that excel at customer acquisition will be more likely to employ CRM technologies

In our study, two CRM acquisition technologies were evaluated: (1) the use of a computerised enquiry management system for handling unsolicited in-bound calls, and (2) the use of a computerised sales lead generation and qualification system to handle out-bound calls. The table shows that neither of these applications was significantly correlated with excellence at customer acquisition (-0.01 and 0.05 for computerised enquiry and sales lead generation systems respectively). H4 is therefore rejected.

Discussion

Examination of the first column of data in Table 1 shows that all except one of the hypothesised relationships are rejected. The exception is having a budget especially dedicated for customer acquisition. This is associated with excellence at customer acquisition, as measured by exceeding the sampled companies' own expectations of customer acquisition.⁴

⁴ We also conducted a median test. This test is useful when the distributions of data differ markedly from normality. It tests the null hypothesis that the medians of two data sets have been drawn from populations with the same median (Siegel and Castellan 1989). This analysis supports our observation that only one variable – having a dedicated acquisition budget – is related to excellence in customer acquisition.

The intriguing question is why, of all the variables investigated, only one – having a budget dedicated to customer acquisition – is associated with excellence in customer acquisition. One possible explanation is that the budget represents the outcome of political battles fought and won within an organisation (Pfeffer and Salanick 1974; Pfeffer and Moore 1980). Fighting implies serious intent; winning requires that the performance match the intent. Another way of thinking about this outcome is that the acquisition budget may represent a leading indicator for acquisition excellence.

Given the importance of this outcome, we pursued further exploratory analyses to understand how having an acquisition budget is related to the other variables investigated. This resulted in a number of insights connected to the deployment of a customer acquisition budget, which can serve as guidelines for managing the customer acquisition process.

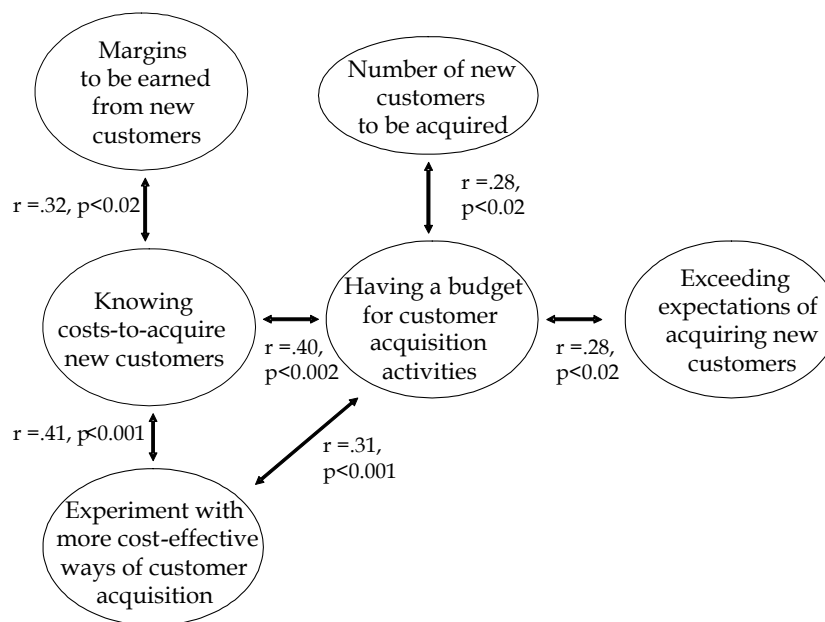


Figure 2. Diagrammatic Representation of Correlations

Further exploration of data, as reported in Figure 2, shows that having an acquisition budget is highly correlated with knowing the cost of customer acquisition ($r = 0.40$, $p < 0.001$; $\chi^2 = 9.6$; $p < 0.001$). Also, companies that pursue the objective of increasing the number of new customers are also more likely to have such a budget ($r = 0.28$, $p < 0.02$; $\chi^2 = 6.0$; $p < 0.01$). The availability of a budget is, however, not associated with any of the other customer acquisition objectives investigated in our research, i.e. revenue streams from new customers, specific named customers to be acquired, and margins to be

earned from new customers. Possession of a budget for customer acquisition purposes is also significantly correlated with willingness to experiment with more cost effective methods of acquisition ($r = 0.31$; $p < 0.001$; $\chi^2 = 7.3$, $p < 0.01$). In sum, a company that has a customer acquisition budget is significantly more likely to know the acquisition cost of new customers, experiment with customer acquisition tactics, set simple measurable objectives, and ultimately to excel at customer acquisition.

H1, hypothesising a positive relationship between excellence at customer acquisition and having an executive or group in charge of customer acquisition was not supported. Effectively, this tells us that placing an executive in charge of customer acquisition makes no significant difference to acquisition outcomes. This runs contrary to modernist management practice and thought where notions of personal responsibility for delivery of business results, such as KPIs based on customer acquisition, are well embedded.

This is an unexpected result and we can only speculate why such a well-established modernist planning principle like putting someone in charge of acquisition does not achieve excellent results. One possible reason is that the responsible executives may not be particularly competent at developing customer acquisition plans. Second, even if the executive's plans are astute, they may still fail because of poor execution (Hrebiniak 2005; Pfeffer 2003). One recent study for instance found that only 60% of strategic plans achieved their full potential (Mankins and Steele 2005). Failure occurs generally due to *people* or *process* issues. Examples of the latter include bureaucratic obstacles, poor marketing policies and integration of programs (Bonoma 1984). It is also possible that the right sort of metrics and rewards were not in place to motivate the executive. Unfortunately, in our study, we cannot ascertain if any of these reasons are correct. We merely measure the presence or absence of a manager in charge; the manager's competence and the surrounding contextual issues that may affect execution are not investigated. This is clearly an opportunity for additional research.

H3, hypothesising a positive relationship between excellence at customer acquisition and understanding the economics of customer acquisition, was also rejected. Further investigation shows that although only 35% of companies in the sample were aware of their customer acquisition costs, this was significantly more likely to be the case when companies pursue the 'margins to be earned (per customer)' objective to guide their customer acquisition activities ($r = .32$, $p < 0.02$; $\chi^2 = 5.5$, $p < 0.02$). Furthermore, the more the company is aware of its customer acquisition costs, the more willing it is to experiment and test to find more cost effective methods of customer acquisition ($r = 0.41$, $p < 0.001$; $\chi^2 = 22.2$, $p < 0.001$).

H4, hypothesising a positive relationship between excellence at customer acquisition and the use of CRM technologies was rejected. It therefore

appears that our sample finds little value in the deployment of the two CRM technologies we examined – inbound enquiry management and outbound sales lead generation and qualification. However, use of these technologies in tandem is indicated by a positive correlation ($r = 0.41$, $p < 0.001$; $\chi^2 = 26.9$, $p < 0.001$), meaning that companies that use one computerised system are also more likely to use the other.

One possible reason why H3 and H4 are rejected is because companies may not know how to take advantage of the information or insights gleaned from customer economics, or how to use the CRM technologies. Perhaps some more strategically significant issues are at fault. For instance, further segmentation may be needed, or further integration of the database with lead-generation technologies may be required before excellent results are achieved. Companies may not be able to achieve this, especially if the hired manager is not competent.

Finally, we find that the literature on the relationship between modernist management practices and business outcomes is not of one voice. Mintzberg (1990), for instance, has shown that formal planning does not necessarily equate to corporate success. Miller and Cardinal's (1994) meta-analysis of 26 published studies, found that although *on average*, there was a positive relationship between planning and their dependent variables of interest – growth ($r = .17$, $p < .001$), and profitability ($r = .12$, $p < .001$) the variance in the sample is quite large. In fact the correlations range from $-.31$ to $.75$ between planning and growth, and from $-.21$ to $.71$ between planning and profitability. Indeed, they even find negative correlations in their data. This might explain the unanticipated outcome in our research. In Miller and Cardinal's attempt to account for these apparent anomalies, they ran a series of regressions and found among other things, that it is better not to employ formal planning processes, but rather to adopt general plans. They concluded:

“With respect to operational definitions of strategic planning, it appears that focusing exclusively on standardized planning guidelines and written plans is problematic (p. 1661).”

In short, we suspect that it is not merely the presence or absence of acquisition strategies that drives customer acquisition excellence. Having the funds to implement the strategies, having a strong sense about what strategies are effective, and carrying out these strategies well may determine acquisition excellence. These considerations may have nothing to do with formal planning processes as we know them.

Limitations and Directions for Future Research

There are two notable limitations to this study. First, it is based on a sample drawn from a particular geography. The findings may not apply in different contexts. For example, in economies where CRM has been implemented for a longer period – the U.S.A., for example – one might expect to find that CRM technologies are more widely and successfully deployed to support customer acquisition. Second, within a diverse, advanced economy, one might expect to find considerable variance between subsets of the business universe. The sample sizes within particular cells have not allowed us to conduct comparisons of customer acquisition practices between, say business-to-business and business-to-consumer organisations, or between service providers and goods manufacturers. These limitations inform the directions for future research. Given the counter-intuitive nature of some of our findings, there is an opportunity to conduct the research in other contexts. This should help confirm whether companies that excel at customer acquisition do indeed have an executive responsible for managing customer acquisition, a dedicated budget, understand the economics of customer acquisition, or employ CRM technologies.

This research for this paper has been an exploratory overview. An additional opportunity for further research exists at a more detailed, contextual level. This would enable comparisons to be made across sectors or industries. Questions might include: are some industries more suited to the deployment of CRM technologies to support customer acquisition? What are the qualitative attributes of customer acquisition plans that make a difference to acquisition outcomes? Is the goal of computing costs-to-acquire more feasible in some industries than others?

Conclusion

The major conclusion of the research is that having a nominated executive responsible for customer acquisition is not of itself a good indicator of excellence at customer acquisition. These findings run contrary to accepted doctrine that executive responsibility, and, by implication the associated planning processes, are cornerstones of successful management. Indeed only 47% of our sample developed specific customer acquisition plans. The companies that excelled at customer acquisition in our research were notable because they were more likely to have a budget dedicated to acquisition activities. Perhaps, only by having a dedicated budget does a company show it is truly serious about new customer acquisition. We found that only 34% of companies have such a budget.

Another major finding concerns the importance of knowing the cost of customer acquisition. Whilst understanding customer economics underpins

any intelligent CRM initiative, knowing the cost of acquisition has many related implications. For a start, acquisition cost is closely related to customer profitability. When companies set 'margins to be earned' as their customer acquisition objective, the data show that companies are more likely to understand the cost of customer acquisition. This relationship does not hold true when objectives rotate around customer numbers or revenues. This finding confirms that in order to understand customer profitability, it is necessary to understand the costs of acquisition. The problem with ignoring potential customer profitability during acquisition is that a company may acquire customers that enhance the top line but diminish the bottom line, being more costly to acquire and serve than the revenues they generate. Unfortunately, in our research 'margins to be earned' turned out to be the least popular of acquisition objectives. Only 53% of companies adopted this objective, perhaps because it is too difficult to assess. Instead, companies tend to use simple KPIs such as revenue (84%) and numbers of new customers (65%) as acquisition objectives.

Beside its close relationship with customer profitability, knowing the cost of customer acquisition also has an unexpected upside. It is associated with experimentation to find more cost-effective ways of customer acquisition (which in turn can be factored into the customer acquisition budget). Although doing such tests and experiments may not necessarily lead to a better acquisition outcome (which in part may be due to poor execution), it can benefit companies in the long run because of cumulative learning. Unfortunately, only 35% of the companies knew their customer acquisition cost.

Finally, CRM technologies in the form of computerised enquiry and lead management systems are not widely deployed by our sample, but even so, their application is not associated with excellence at customer acquisition.

In summary, two overarching managerial implications can be drawn from this study. First, companies are generally not very advanced in their management of the core CRM activity of customer acquisition as indicated by the low level of adoption of management practices such as budgeting, planning, executive responsibility and the application of CRM technologies. Second, none of these management practices, other than having a dedicated customer acquisition budget, is related to excellence in customer acquisition. The overriding managerial implication is that if senior management is truly serious about customer acquisition, it should be reflected in a budget dedicated to the task. Our research shows that only then is excellence in customer acquisition achieved.

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Appendix 1

Sample questions

Q1 Does the plan specify a budget for customer acquisition activities?

Yes	1
No	2
Don't know	3

Q2 Does the plan specify any of the following customer acquisition targets?

	Yes	No	Don't know
Numbers of new customers to be obtained	1	2	3
Specific named customers to be obtained	1	2	3
Revenue streams to be generated from new customers	1	2	3
Margins to be earned from new customers	1	2	3
Other targets (<i>please specify</i>) _____	1	2	3

Q3 Has your company nominated a particular person or group to be responsible for new customer acquisition?

Yes	1
No	2
Don't know	3

Q4 In the past 12 months, has your company done any measured tests or experiments to find more cost-effective ways of gaining new customers?

Yes	1
No	2
Don't know	3

Q5 Does your company use a computerised enquiry management system to handle unsolicited in-bound customer enquiries?

Yes	1
No	2
Don't know	3

Q6 Does your company use a computerised sales lead generation and qualification system to handle out-bound sales calls?

Yes	1
No	2
Don't know	3

Q7 Does your company assign the following costs to customers in order to estimate customer profitability?

a. Costs-to-acquire customers (eg prospecting, selling and sampling costs)

b. Costs-to-serve customers (eg order processing, selling, product customisation, enquiry-handling and logistics costs)

	Q7a	Q7b
Yes	1	1
No	2	2
Don't know	3	3

Q8 In the last 12 months, to what extent has the number of new customers won by your company met your expectations?

Greatly under performed expectations		Met expectations			Greatly exceeded expectations	
1	2	3	4	5	6	7

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