Analytical Customer Relationship Management (CRM)

- an Overview

Project By : Dibyendu Choudhury

What is Customer Relationship Management ?

Customers - some insights

The average U.S. corporation loses *half* its customers *every five years.*

Harvard Business Review

A 5% increase in customer loyalty can translate to 75% increase in profitability.

Gartner Group

It's not about reengineering your supply chain . . . It's not about reducing your costs . . . It's about wow . . . It's about creating value in ways customers didn't even dream about.

Jay Walker, Priceline.com

Customers: The Overall Benefit Equation

Over the customer's life span, acquisition costs decline and revenues and margins increase

Lifetime value

- Referals
- Increase of margins
- Cross selling
- Additional turnover
- Basic turnover

Acquisition costs

Lifetime
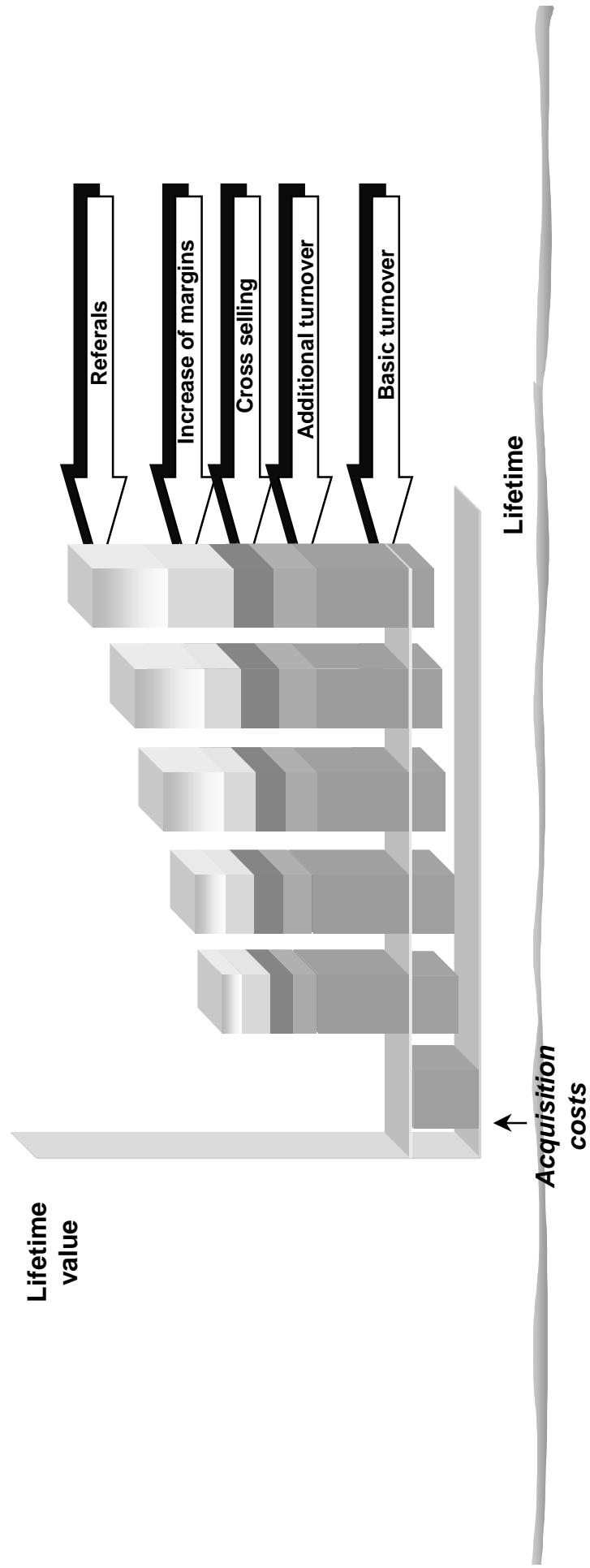
Without effective customer information management the success of the marketing cycle is compromised

Acquisition

"How can we acquire customers in the most efficient and effective ways?"
"Which methods of acquisition yield more profitable customers?"

Cross Sales

"How can we broaden and deepen the relationship with our existing customer set?"
"Which customers have the potential to be tomorrow's star customers?"

Selection

"What criteria determine who our most profitable customers will be?"
"What do they want?"
"Who are our worst customers?"

Retention

"Which customers are in danger of defecting?"
"How can we enhance the value proposition, thus reducing the incentive to defect?"
"How will our chances of keeping them alter with a different scale of retention offer?"

- *It costs 4-10 times more to acquire a profitable customer than to retain an existing one*
- *80% of an enterprise's profits come from 20% of its customers*

Key Imperatives

- View the customer as a strategic asset;

- Measure and manage customers by profitability;

- Build customer loyalty to the enterprise;

- Make every customer contact a marketing event; and

- Use technology as a proactive enabler for customer relationships.

CRM – A Basic Definition
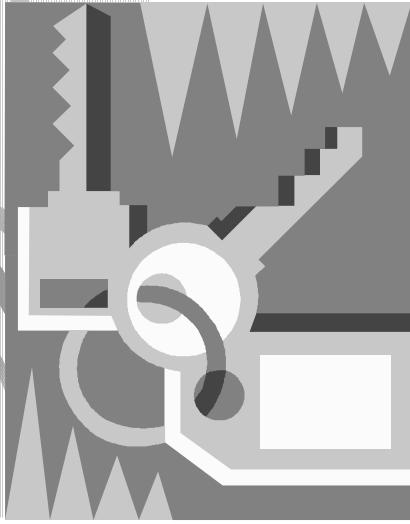
***Customer Relationship Management* (*CRM*)** *involves building a relationship with your customers and prospects by understanding their needs and responding to their needs and responding with products and services through multiple channels*

CRM: Characteristics

- Based on organization-wide databases

- Allows for segmentation and analysis of customer needs, preferences and behavior

- Focus on high value customers

- Is a long-term business strategy

Will enable a targeted, ongoing, mutually beneficial, profitable relationship with individuals and groups

CRM: Key Principles

- **Differentiate Customers - All customers are not equal; Recognize and reward best customers disproportionately**

- **Differentiate Offerings - Customers appreciate customized offerings**

- **Keep Existing Customers - It's 5 to 10 times cheaper to retain current customers than acquire new ones**

- **Maximize Lifetime Value - Exploit up-selling and cross-selling potential**

- **Increase Loyalty - Loyal customers are more profitable**

Differentiating Customers: Segmenting

Sensitivities, taste and personality

Culture, background and education

Lifestyle & age

Physical and physiological characteristics
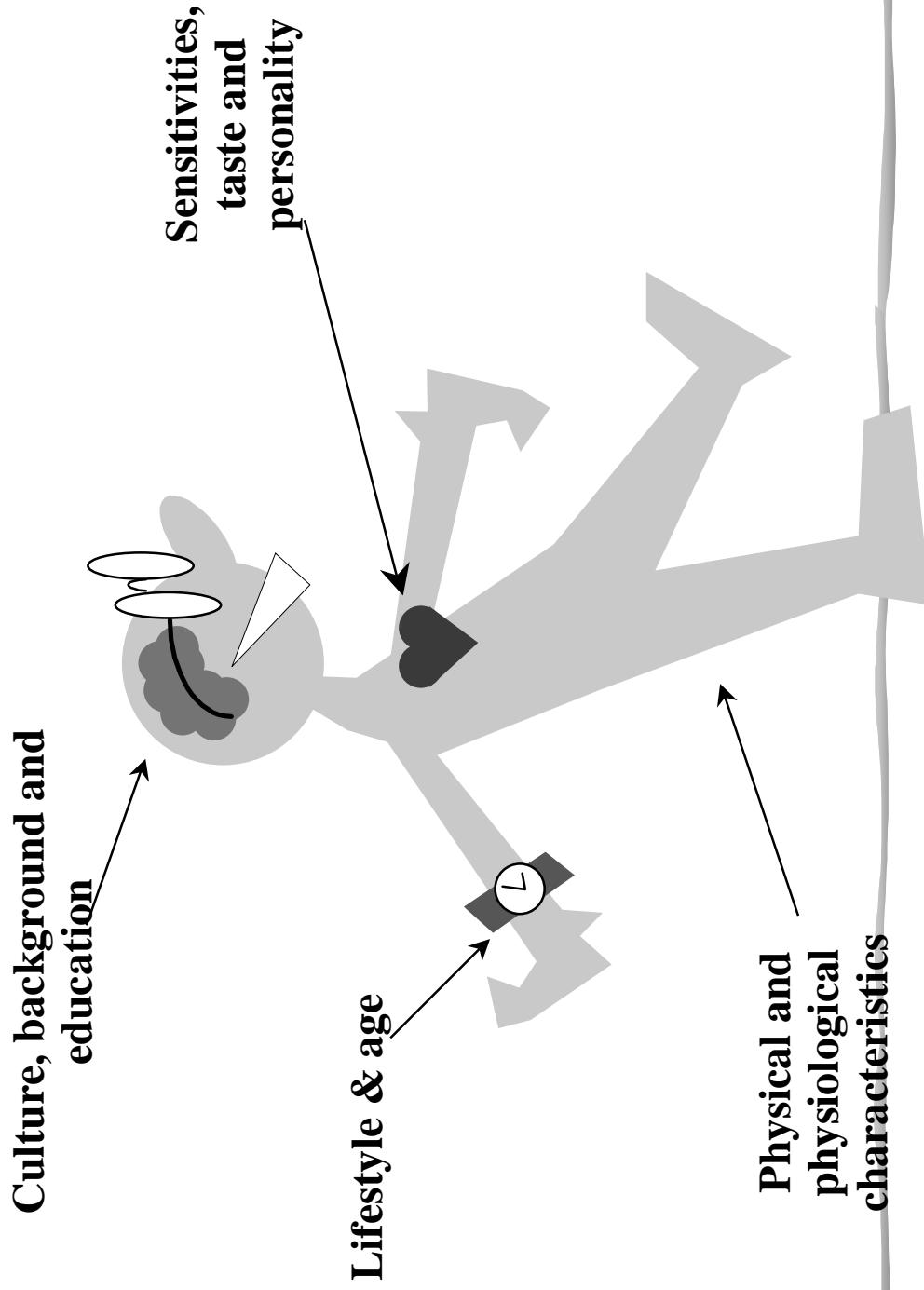
Differentiating Offerings

High value customers who require a high level of service are maintained without expanding the costly offering to the entire customer population

Low-value customers who require high levels of service must either purchase the higher level of service or become our competitors low-value/high-cost customers.

Service Expectations

High

Low

Ongoing Customer Value

Low

High

Keeping Existing Customers

Fosters advocacy among customers

Importance to Customer		
High	Disappointed	Satisfied	Delight
Low	Satisfied	Satisfied	Very Satisfied
	Low	High	Extraordinary[1]

Experience Quality
(i.e., Actual treatment delivered - expected treatment)
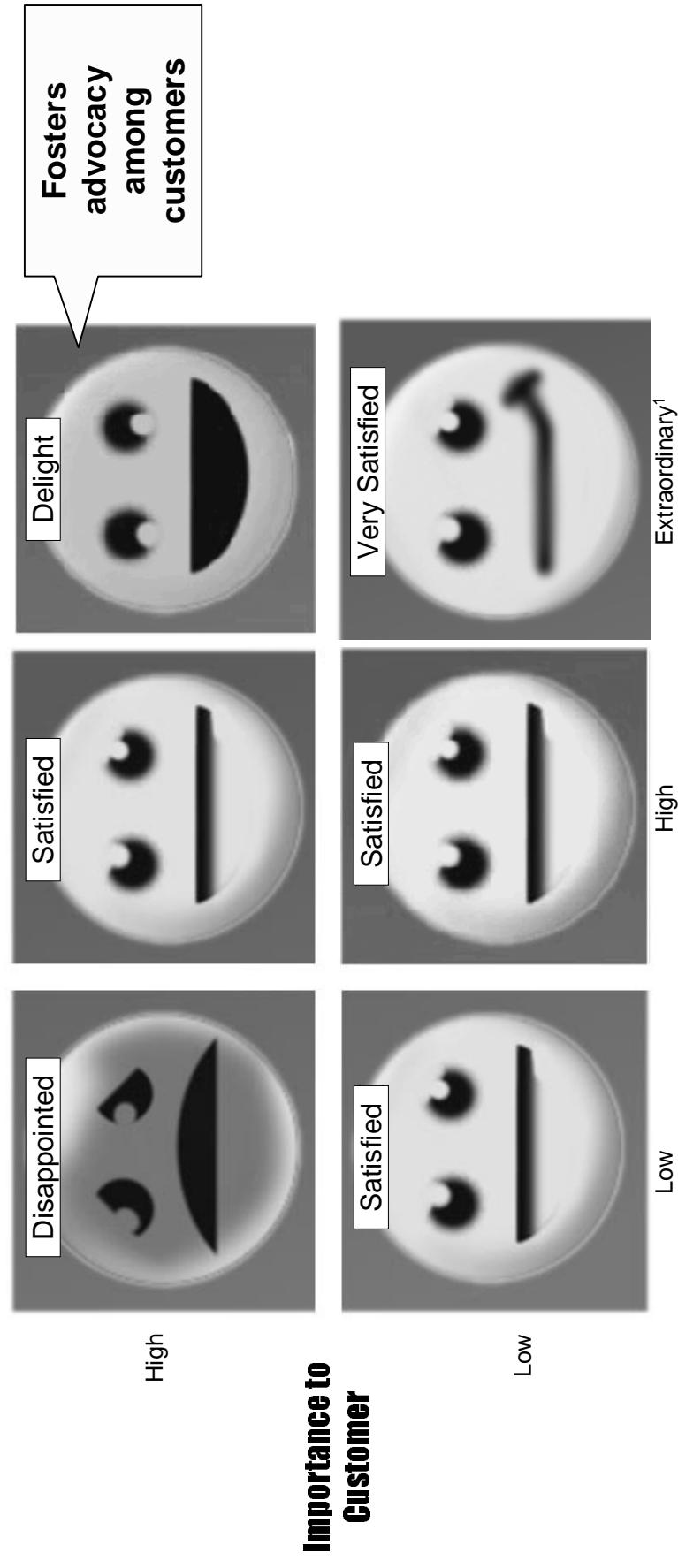
Maximizing Life Time Value

▶ By identifying lifestage and life-event trigger points by customer, marketers can maximize share of the purchase potential

CONSUMER ELECTRONICS LIFESTAGE MARKETING

New Car Car Stereo	New Home Small Appliances	Birth of Child Camcorder	School-Age Children TV/VCR	Retirement Second home electronics

Annual Consumer Expenditures

Single Adults	Childless Couples -	Young Families	Established Families	Mature Adults
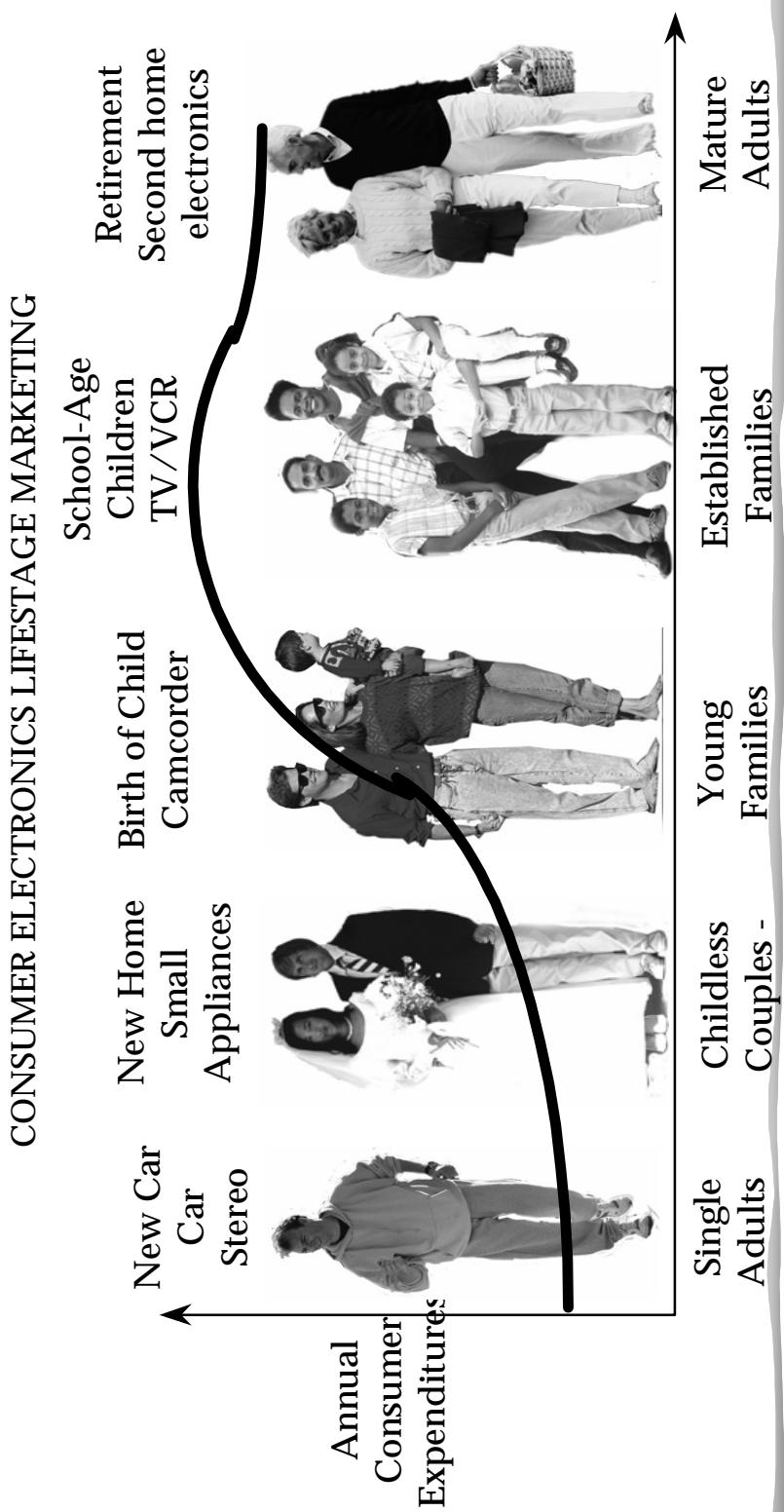
Exploiting Cross Sales Potential

Primary sale

Revenue - 350,000
Profit - 35,000

Finance

Revenue - 200,000
Profit - 30,000

Spares

Revenue - 50,000
Profit - 5,000

Service

Revenue - 50,000
Profit - 5,000
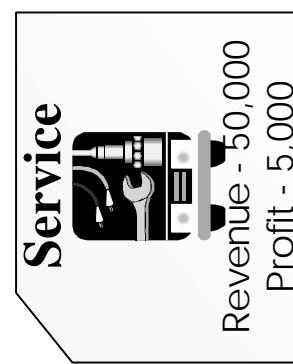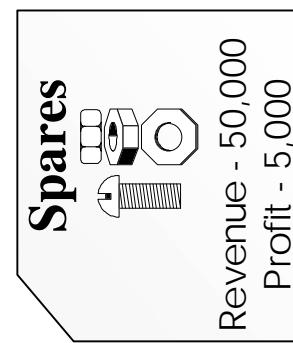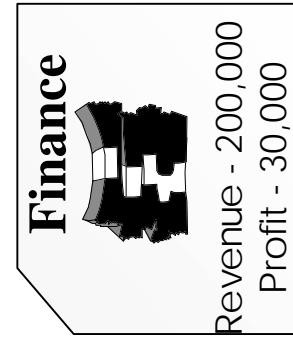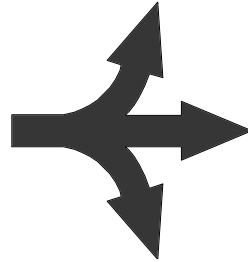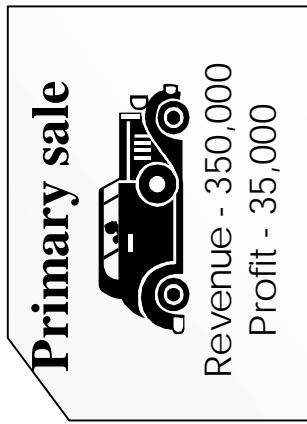
Leveraging Loyalty: The Value Ladder

▶ **Moving customers up the loyalty and value ladder...**

Quadrant diagram axes: High loyalty — Low loyalty; High profitability — Low profitability.

- **1** — *Star Favourites*
- **2** — *Long term Stickers*
- **3** — *Golden Potential*
- **4** — *No Hopers*

Value ladder: Loyal / Value Conscious / New comer

Advocate — Supporter — Client — Customer — Prospect — Suspect
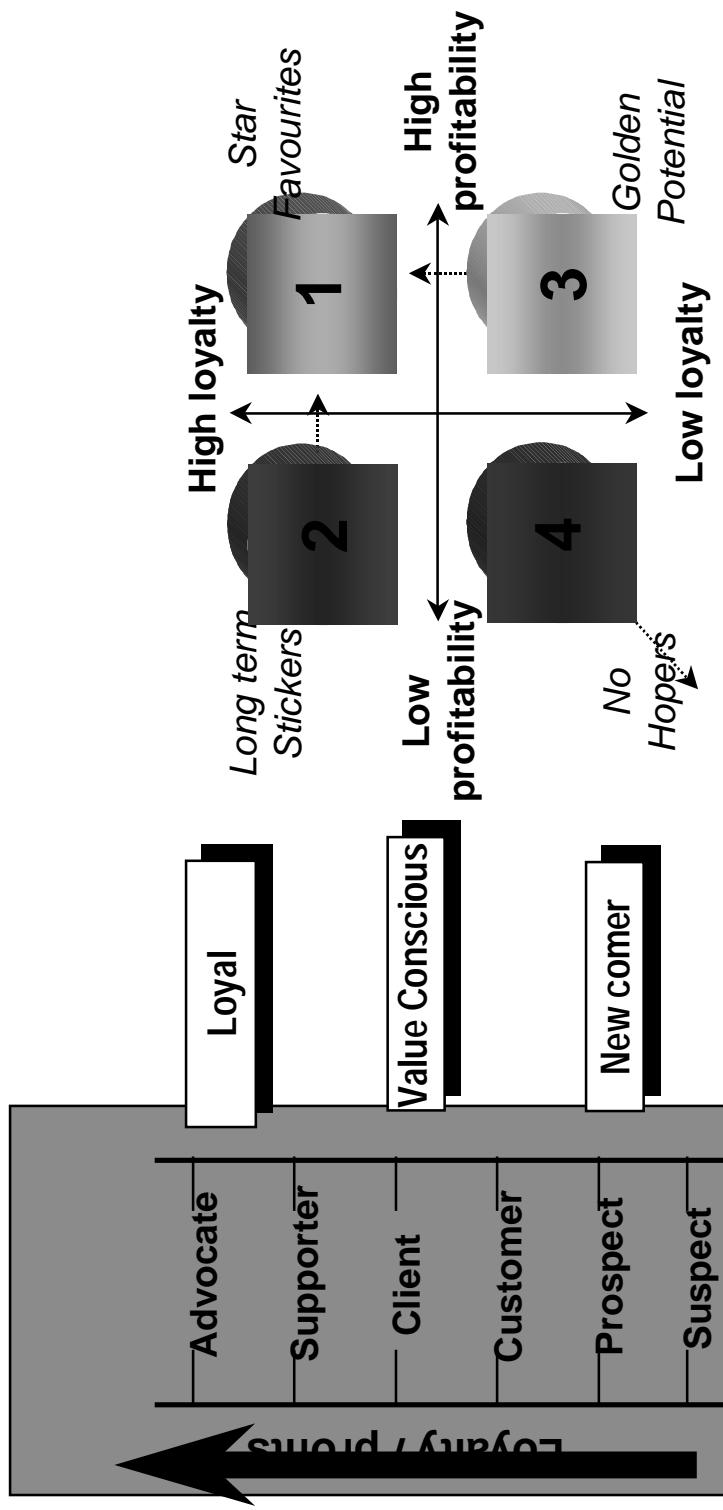
Loyalty / profits

Leveraging Loyalty: Referrals

...multiplies revenue and profit potential.

Primary sale

Service

Spares

Finance

Referrals

Revenue - 650,000
Profit - 75,000

Revenue - 4,000,000
Profit - 400,000
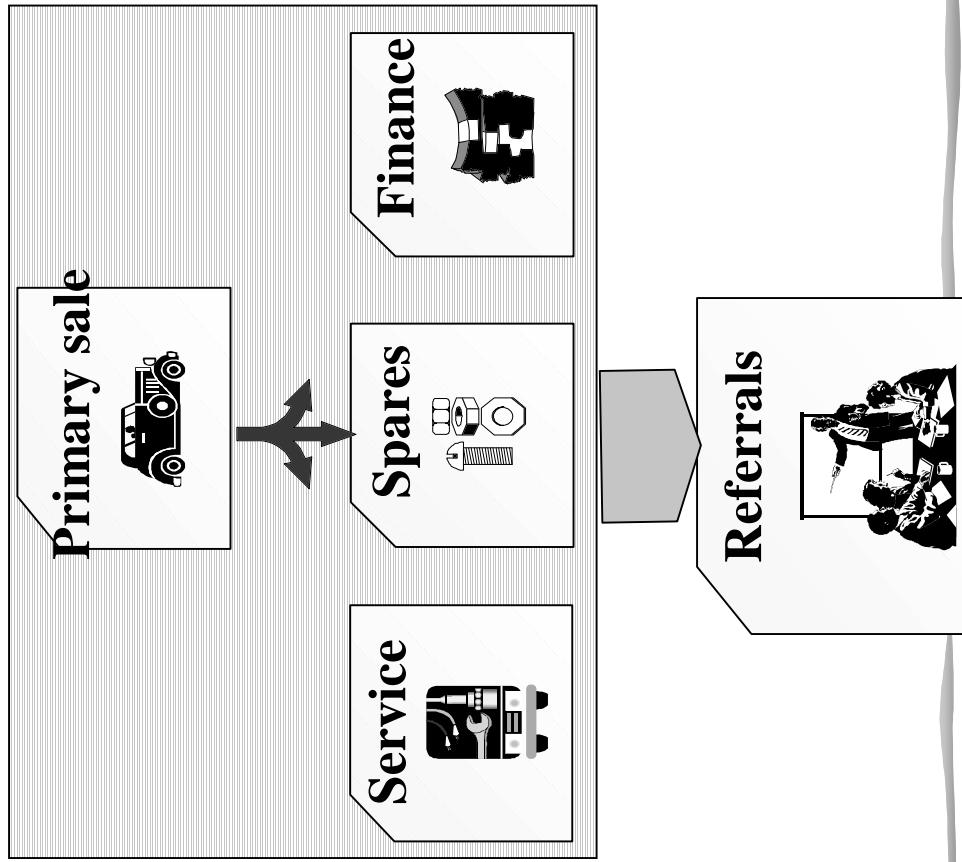
# CRM : Summary of Activities

To continue to grow profitably, companies need to manage their customer relations better

Learning from customers & prospects

1

Creating value for customers & prospects

2

Acquiring new customers

3

Creating loyal customers

4

Creating profits

5

6
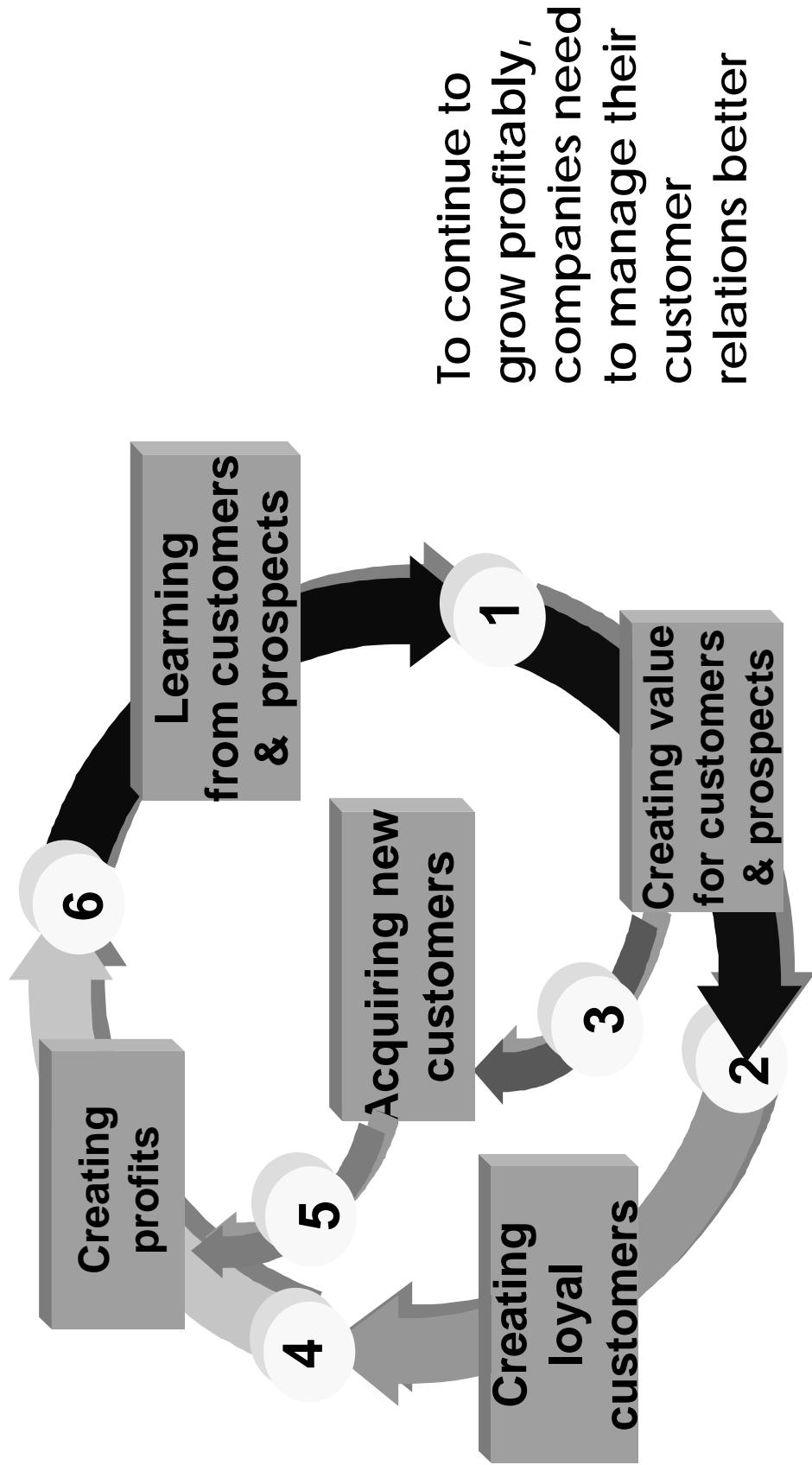
CRM - A Complete Definition

Customer Relationship Management involves building a comprehensive relationship through life and loyalty stages, with your best customers and best prospects by understanding their individual needs and responding with tailored products and services, through desired channels and communicating through the most effective media

Why Customer Relationship Management now?

Customers become more demanding...

"We are facing the largest change in consumer behavior since World War II.

There are individual demands and a growing wish to be treated as the one person you are"

- Faith Popcorn

New Business Challenges...

- Operate and compete in a global economy

- Cope with rising customer expectations

- Provide increasingly complex products and services
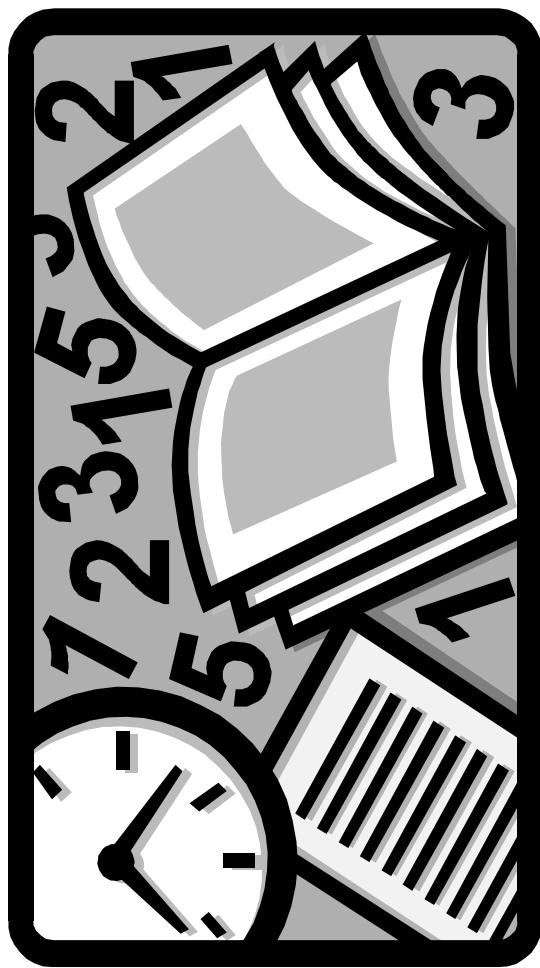
The Customer Oriented Organisation requires a '360 Customer View'
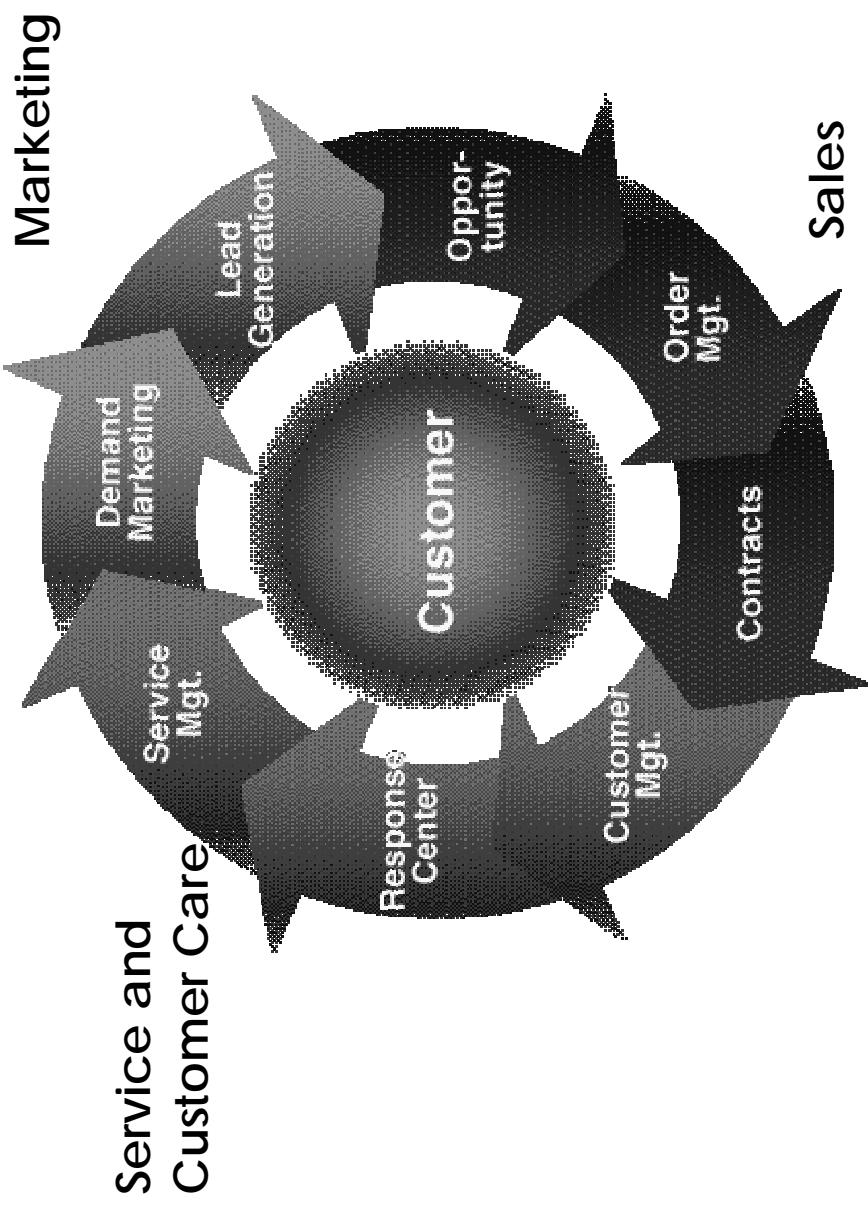
Delivering the '360 view' requires automation to bring together all the data concerning a customer and use it to deliver superior service and maximise revenue generation opportunities

Marketing

Sales

Service and Customer Care

- Lead Generation
- Opportunity
- Demand Marketing
- Order Mgt.
- Customer
- Contracts
- Service Mgt.
- Response Center
- Customer Mgt.

'360 Customer View' is changing Business Dynamics ...

Mass Marketing →	One to One
Product Focus →	Customer Focus
Economies of Scale →	Economies of Time
1way communication →	Interactive Communication
Customer Service →	Customer Self Service
Response Time →	Real Time

CRM: Areas of Automation

Field Sales
Account Management
Contact Management
Opportunity Tracking
Sales Quotas & Forecasts
Collateral Fulfillment
Quotes & Orders

Sales Management
Forecast & Pipeline Reviews
Sales Analyzer
Data Warehousing
Territory Management

Enterprise-Wide Integration
Order Entry
Shipping
Inventory
HR
Sales Compensation
Customer Service

Marketing
Promotions
Advertising
Mailings
Seminars & Events
Call Scripts

Internet
Lead Generation
Forecasting
Events & Seminars
Account Summary
Partner Management

Tele-Marketing
Customer Management
List Management
Call Scripts
Order Entry
Computer-Telephony Integration (CTI)

CRM Automation Enables You To:

Improve Customer Interactions

- Create Shared View of All Customer Interactions

- Present Consistent Image/Face on to the Customer

- Optimise All Customer Interaction Functions (e.g. Sales, Marketing, Service)

- Develop customer preferred strategic channels

CRM Automation Enables You To:

Improve Customer Interactions

Manage Business Models

- **Empower Global Customer Interaction**
- **Measure and Manage Customers by Profitability**
- **Drive Desired Business Processes**
- **Preserve Flexibility to Change**

CRM Automation Enables You To:

Improve Customer Interactions

Manage Business Models

Utilise Best Technology

- Leverage Innovative Technology
- Maintain Standards-Based Architecture
- Scale to Diverse Enterprise Requirements

# CRM Automation Enables You To:

Improve
Customer Interactions

Manage
Business Models

Utilise
Best Technology

Generate
Measurable ROI

- **Improve Customer Acquisition, Retention and Satisfaction**
- **Increase Revenues and Margins**
- **Create Cost Efficiencies**
- **Deploy Rapidly / Update Easily**

CRM Market Overview

Customer Service

Marketing

Sales

Metrix
Foresight   Chordiant
IMA
Quintus

Pegasystems
Clarify
Vantive

Onyx

Siebel

CRM

Saleslogix

Aurum

ConcentraPivitol
MEI
Firepond   Dendrite
Trilogy

Calico

Sales Tech. /Walsh

Prime
Response
Broadvision
Intactix   SAS
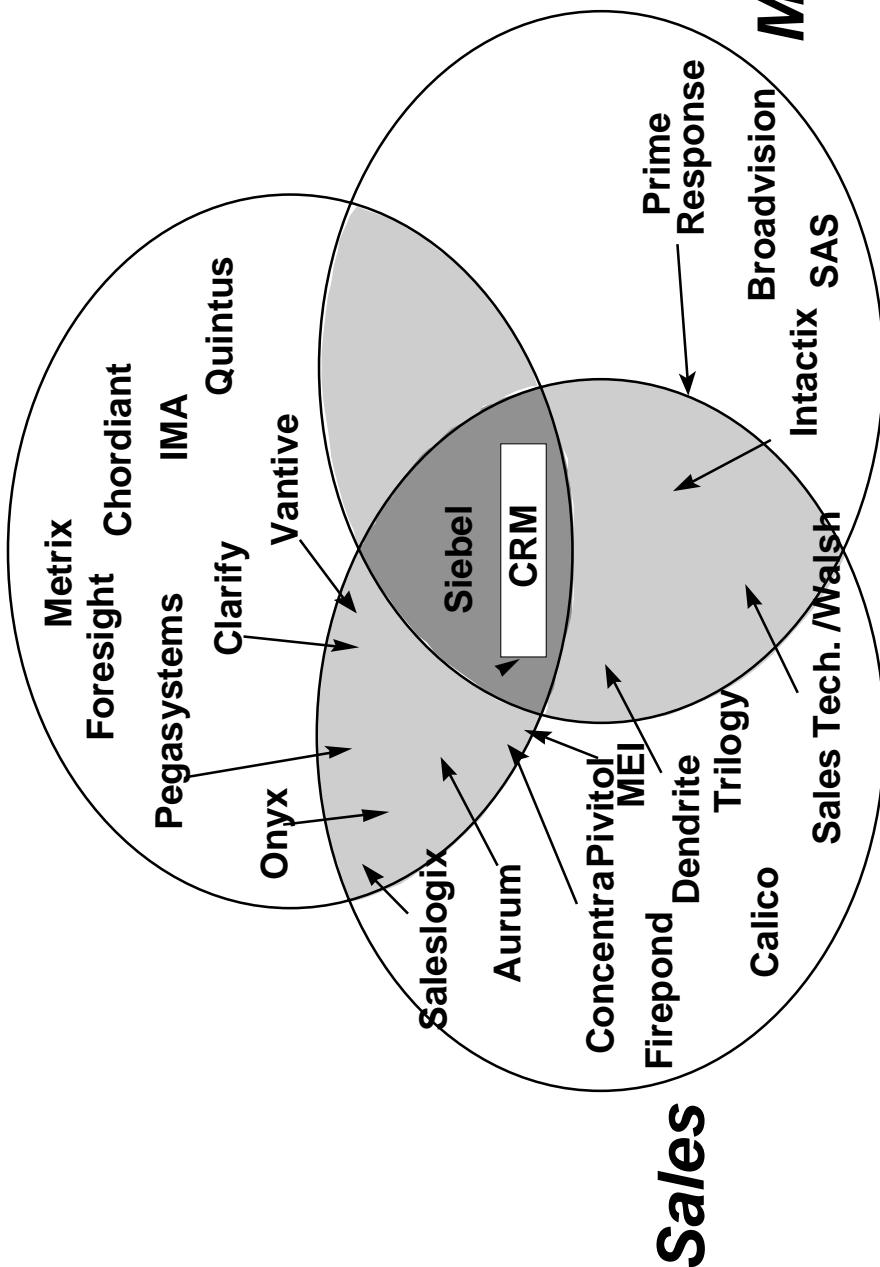
The Role of Data Warehousing in Customer Relationship Management

Role of Data Warehousing in CRM

Applications

Campaign Management and Database Marketing

Customer Service

Sales Force Automation

Contact Management

Electronic Commerce

Data Mining

Touch Points

Direct mail

Web

Call centers

Kiosks

Sales Force
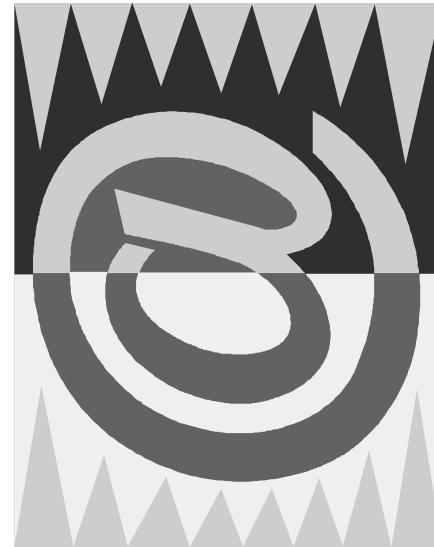
Role of Data Warehousing in CRM

Remember... Touch Points, Applications, and Data Stores

Customer Service

Customer Touch Points

Electronic Commerce

Database Marketing and Campaign Management

Sales Force Automation

The Customer-Centric Data Warehouse

Data Mart and Decision Support

Operational Transaction Systems
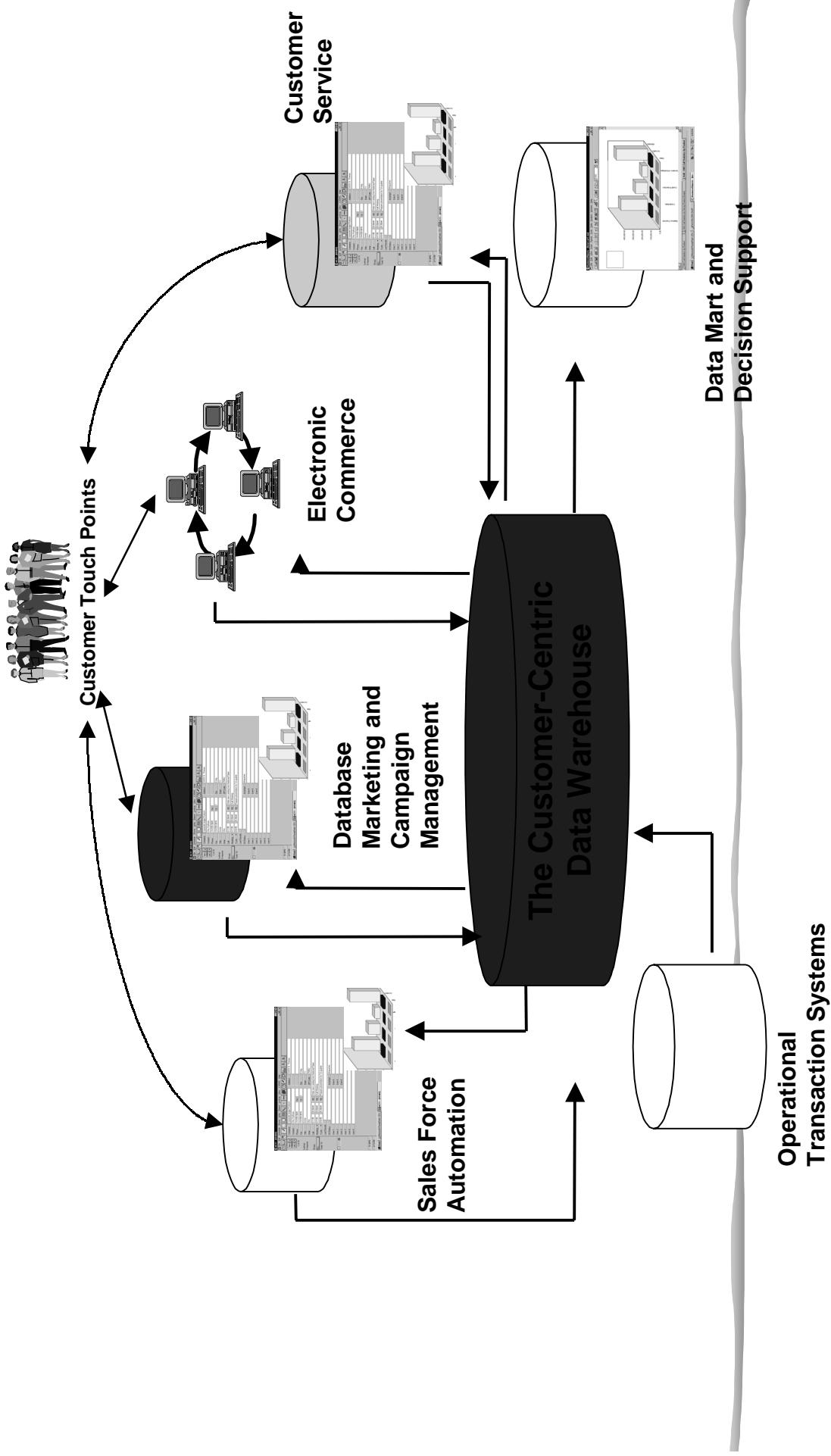
Managing the Customer via a Data Warehouse
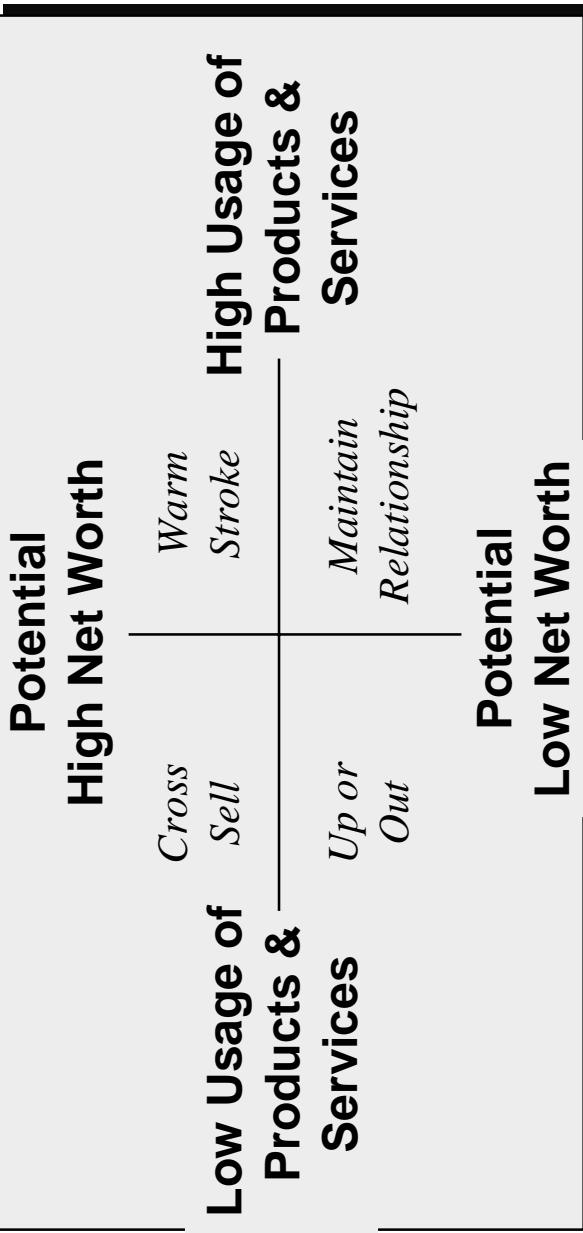
Not all Consumers are the same - so how can businesses respond to different market needs?

	Potential High Net Worth	
	Warm Stroke	**High Usage of Products & Services**
Low Usage of Products & Services	*Cross Sell*	*Maintain Relationship*
	Up or Out	
	Potential Low Net Worth	

Developing the value of the customer base

- ➔ **Identifying profitable customers**
- ➔ **Targeting and acquiring profitable customers**
- ➔ **Developing the lifetime value of existing customers**
- ➔ **Maintaining satisfied, loyal and profitable customers**
- ➔ **Removing 'undesirable' customers**

What is Data Warehousing?

A data warehouse can be defined as an orderly and accessible repository of known facts and related data that is used as a basis for making better management decisions

A Data Warehouse

Integrates data from multiple sources, internal and external

Provides subject-oriented views of the business through current and historical data

Provides a platform for consistent data repository to analyze different sources of information

Various Levels of Customer Data

'Derived' Information

Psychographic Information

'Longitudinal &' Behavioural Information

Product Information

Demographic Information

BEST PRACTICE

VERY USEFUL

VITAL

Ongoing Profitability
LTV
Share of Wallet
Product Purchase Propensities
Channel Propensities

Aspirations
Future Plans
Attitudes

Historical Product Holdings
Channel Preferences
Lifestage 'membership'

Product Holdings
Transactions Made
Transaction Value

Name & Address
Gender
Date of Birth
Income

The **discovery** and **quantification** of **predictive** relationships in data

Discovery - Finding important, hidden relationships among data

Quantification - Decomposing the effects of many factors

Reduce Attrition: Without Mining

Data

List of lost customers

Implementation

Offer to pay lost customers to come back

Result

30% churn

$ millions paid

No increase in revenue
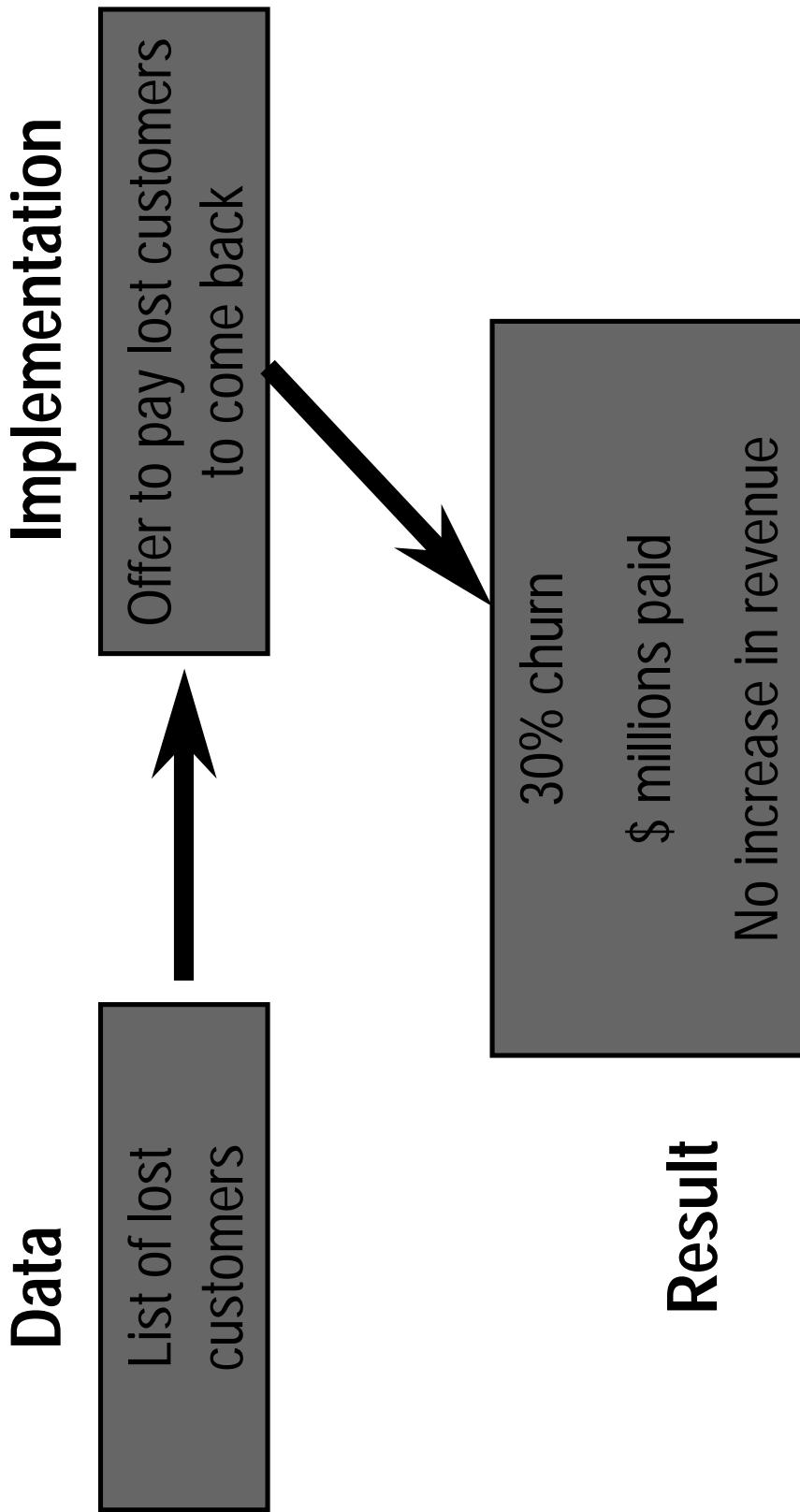
New Way: Reduce Attrition

Mining

Who are most profitable customers?

What does it take to make them come back?

Historical Data

Customer usage and demographics

Results of prior recapture efforts

Result

Lower cost to retain customers

Keep profitable customers only

Data Warehousing : the linkage with

Performance Measurement

Performance Measurement- Definition

"A carefully selected set of measures derived from strategies, goals and objectives that communicate strategic direction to the organization and motivate change. These same measurements form a basis for managers to plan, budget, structure the organization , and control results."

CRM Suite

The CRM Space

CRM Space

Expanded market opportunities

New ways to retain customers

Improved business process efficiencies

- Targeted Marketing
- Lead Generation
- Order Capture
- Supply Chain Planning
- Strategic Procurement
- Business Intelligence
- Applications enable business
- Mixed-Mode Manufacturing
- Customer Service
- Internal Efficiencies
- Record Transactions
- Logistics

CRM: The Complete View

CRM Footprint

	Marketing	Sales	Service

Call Center
- Telemarketing → Telesales → Customer Care
- ERP

Mobile
- Field sales → Field Service

Web
- Internet Marketing → E-commerce → Self-Service

Market Place → Marketing

Marketing Intelligence — Sales Intelligence — Customer Intelligence

CRM Products

Marketing
- Marketing
- Marketing Encyclopedia

Sales
- Sales Online
- TeleSales
- Field Sales Devices
- Sales compensation
- Order Capture

Service
- Contracts Core
- Customer Care
- Support
- Depot Repair
- Field Service
- Mobile Field Service
- Scheduler
- Spares Management

Business Intelligence
- Marketing
- Customer
- Call Center
- Sales

Call Center
- Telephony Manager
- Advanced Outbound
- Interaction Blending
- Scripting
- Advanced Inbound
- ACD Integration
- Universal Work Queue
- Collections*

eCommerce
- iMarketing
- iStore
- iPayment
- iSupport
- eMail Center

Marketing Suite

Planning
- Authoring
- Budgeting
- Monitoring

iBusiness
- Web
- Call Center

Analysis
- Demand Creation
- Campaign ROI
- Product Recommendation

Execution
- Lead Management
- List Management
- Events and Seminars
- Response / Collateral

Service Suite

ERP

CUSTOMER MANAGEMENT

SERVICE

- Call Handling
- Depot
- Support
- Field Service
- Spare Parts Mgt. & Logistics
- Billing
- Contracts Management
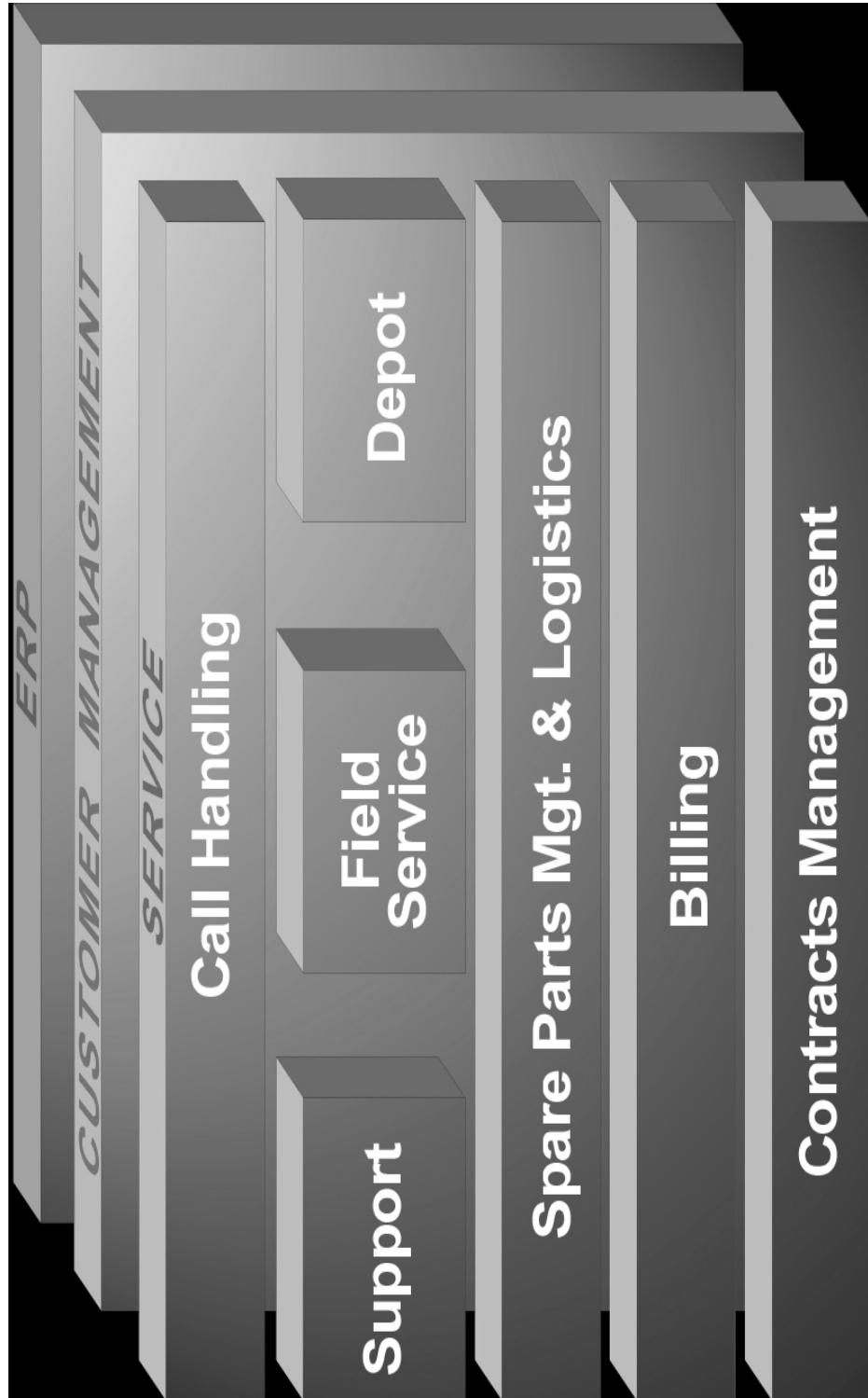
Sales Suite

Front End

- Sales Online
- Mobile Sales
- TeleSales
- Sales Compensation
- Sales

Audience

- Field Sales Rep
- Sales Executives
- Field Sales Rep
- Call Center
- Sales Administrators

Call Center Solutions

From	To
• Complex	• Single Vendor
• Multi-Vendor	• Standard Products
• Expensive	• Increased ROI

Customer Interaction Technology and Applications

Legacy Systems

Legacy Systems

	Back Office (optional)
	Database

TeleMarketing	TeleSales	TeleService
Workflow	Scripting	
	Blending	
		Predictive
Email	Web	Fax	Inbound Call	Outbound Call

Routing

CTI Middleware

IP Network	IVR	ACD/PBX

Workforce Management	Monitoring
Scheduling	

Real Time Statistics

Business Intelligence

Marketing Automation
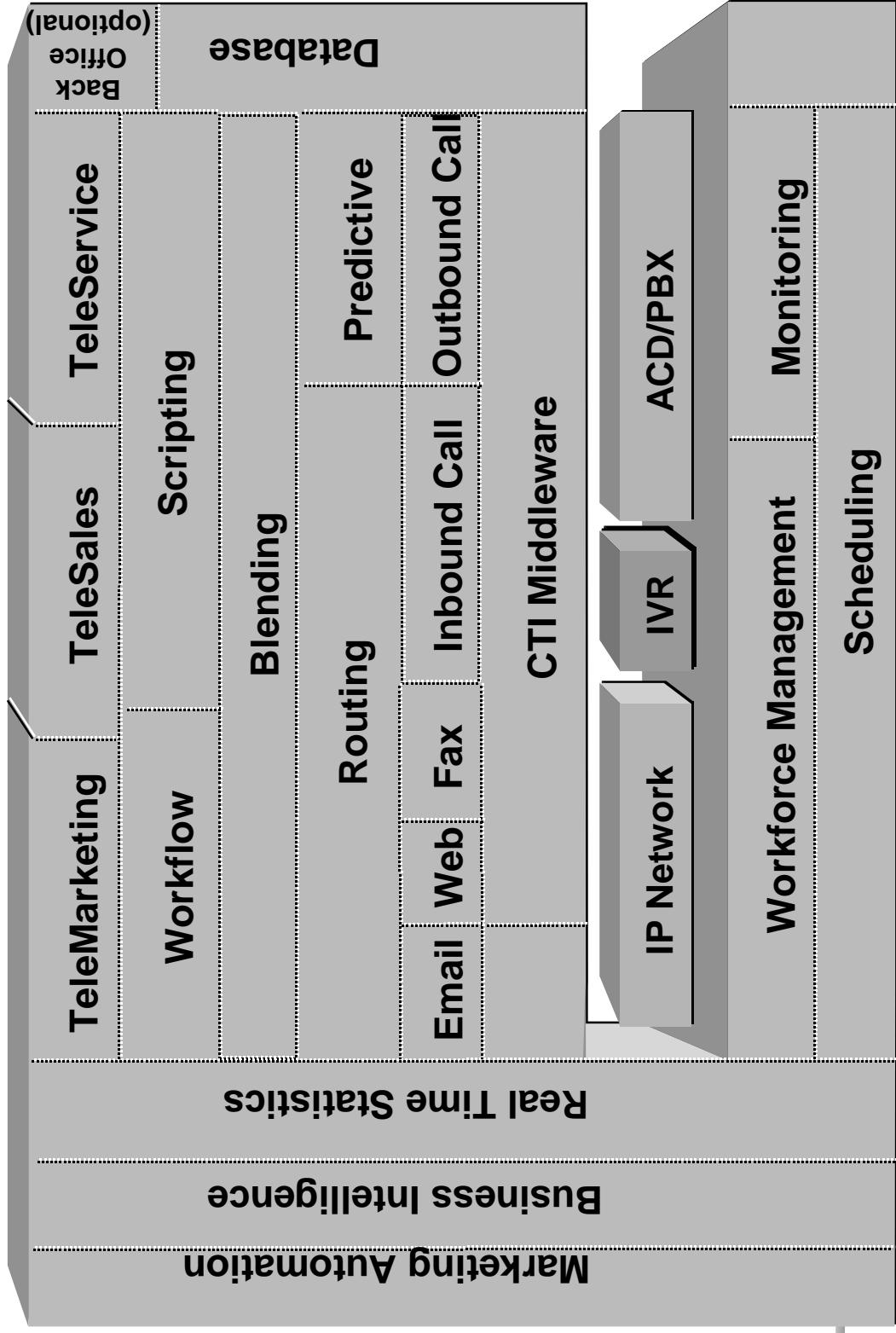
E-commerce: Comprehensive Solutions

**Online
Storefront,
Payments**
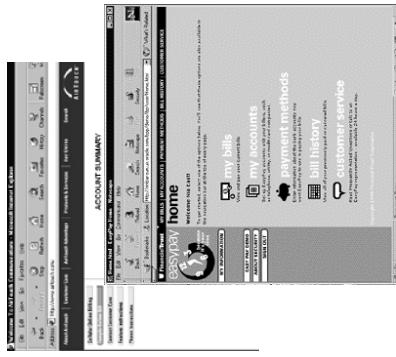
- iStore
- iMarketing
- iPayment

**Online
Self-service**

- iSupport
- eMail Center

**Integrated
Solution**

- Sales
- Marketing
- Service

eCommerce Suite

Enable businesses to evolve from traditional marketing, sales, and service model to an Internet-centric one while maintaining integration across all channels of customer contact.

Web-based customer support service

Targeted promotions and personalization

Customizable online storefront

Payment processing and routing

eMail interaction management

Support

Marketing

Store

Payment

eMail Center

CRM Clients - a sample

Total = over 600

- Hewlett-Packard
- Decision Support Services (DSS)
- Exabyte
- GE Medical
- Staff Leasing
- AMA

- **Drug Emporium**
- **Specialized Bikes**
- **InFocus**
- **Homegrocer.com**
- **Nantucket Nectars**

CRM Market Evolution

- Evolving to customer life-cycle management -- Engage, Transact, Fulfill, Service

- Viewing the customer as the design point

- Integrating functional silos, channels, and touchpoints

- Emphasizing the value of customer information and interactions

CRM Market Trends (1998-2003)

1998			2003
Enable Channels/ Functional Silos	**Integrate across the Enterprise**	**Coordinate Tech & Process Change**	**Converge on Single-Customer View**
Organizations will assemble more balanced CRM technology ecosystems	Integrating the CRM ecosystem will prove difficult and expensive	Businesses will combine functional and channel silos into hybrid delivery systems	Better business planning will be requisite to CRM evolution
Organizations will struggle with the best approaches to populate the CRM technology ecosystem		Electronic commerce (EC) will have to become a part of the hybrid delivery system	Markets will better define customer life-cycle mgmt. and the value of customer info assets over time

Effectively managed hybrid selling systems will be fundamental to realizing value from CRM programs

The CRM Ecosystem

Analytical CRM

Data Warehouse (1-4)

Product Data Mart
Customer Data Mart
Customer Activity Data Mart

Marketing Automation / Campaign Mgmt. (1)
Vertical Apps / Category Mgmt. (4)

Direct Interaction (1)
Web Storefront (1)

Closed-Loop Processing
(EAI Toolkits, Embedded/Mobile Agents)

Operational CRM

ERP/ERM / Order Mgmt. (2) (3)
Supply Chain Mgmt. / Order Prom. (2) (3)
Legacy Systems (2) (3)

Marketing Automation (1)
Sales Automation (1)
Service Automation (4)

Mobile Sales (Prod CFG) (4)
Field Service (4)

Collaborative CRM

Voice (IVR, ACD) (1) (4)
Conferencing / Web Conf (1) (4)
E-Mail / Resp. Mgmt. (1) (4)

Back Office
Front Office
Mobile Office
Customer Interaction

Customer Lifecycle:

Engage
Transact
Fulfill
Service

Leverage multi-channel strategies while utilizing analytics to optimize customer interactions

Thanks To CRM