CS418 - CRM
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Introduction

About Me

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My Session for You

- CRM Definition
- Components, Stages and Benefits of CRM
- Scenarios / case studies
- Social Media & CRM

Session's Objective

At the completion of this module you should be able to:

- Learn more about Customer Relationship Management
- CRM Implementation Projects

What is CRM?

CRM, Customer Relationship Management,
is a business strategy designed to optimise
profitability, **revenue,** and **customer
satisfaction**

Source: Gartner Group

What is CRM?

- CRM is a business strategy that aims to understand, anticipate and manage the **needs** of an organisation's **current and potential customers**

- It is a comprehensive approach which provides seamless integration of every area of business that touches the customer-namely **marketing, sales, customer services and field support** through the **integration of people, process and technology**

- CRM is **a shift from traditional marketing** as it focuses on the retention of customers in addition to the acquisition of new customers

- The expression Customer Relationship Management (CRM) is becoming standard terminology, replacing what is widely perceived to be a misleadingly narrow term, relationship marketing (RM)

Definition of CRM

CRM is concerned with the creation, development and enhancement of individualized customer relationships with **carefully targeted customers** and customer groups resulting in **maximizing their total customer life-time value**

Source: Gartner Group

The purpose of CRM

- The focus of CRM is on **creating value** for the customer and the company over the longer term

- When customers value **the customer service** that they receive from suppliers, they are less likely to look to alternative suppliers for their needs

- CRM enables organisations **to gain 'competitive advantage'** over competitors that supply similar products or services

Evolution of CRM

- CRM is the modern improvised version of *"corner stores"* and *"door-to-door* sales" which is chiefly based on the **personal interactions, intimacy** & **knowledge about the customers** over the period of times.

- Today's Customers:
  - More Price Sensitive
  - More Choices
  - More Sophisticated
  - More Convenience
  - Higher Standards
  - Different ways of Interacting

Evolution of Customer Relationship
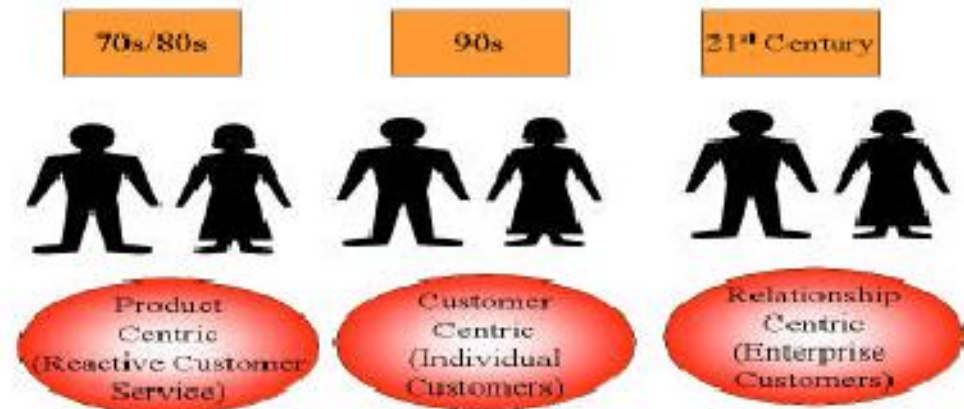
Why did CRM develop?

- The 1980's onwards saw rapid shifts in business that changed customer power

- Supply exceeded demands for most products

- Sellers had little pricing power

- The only protection available to suppliers of goods and services was in their relationships with customers

Why is CRM important?

- Today's businesses compete with multi-product offerings created and delivered by networks, alliances and partnerships of many kinds. Both **retaining customers and building relationships** with other value-adding allies is critical to corporate performance

- The adoption of C.R.M. is being fuelled by a recognition that **long-term relationships with customers** are one of the most important assets of an organisation

What does CRM involve?

- Organisations must become customer focused

- Organisations must be prepared to adapt so that it take customer needs into account and delivers them

- Market research must be undertaken to assess customer needs and satisfaction

"Strategically significant customers"

- Customer relationship management focuses on strategically significant markets. Not all customers are equally important

- Therefore, relationships should be built with customers that are likely to provide value for services

- Building relationships with customers that will provide little value could result in a loss of time, staff and financial resources

# Markers of strategically significant customers

- Strategically significant customers need to satisfy at least one of three conditions (3):

  1. Customers with high life-time values (i.e. customers that will repeatedly use the service in the long-term e.g. Nurses in a hospital library)

  2. Customers who serve as benchmarks for other customers e.g. In a hospital library consultants who teach on academic courses

  3. Customers who inspire change in the supplier

Information Technology and CRM

- Technology plays a pivotal role in CRM

- Technological approaches involving the use of databases, data mining and one-to-one marketing can assist organisations to increase customer value and their own profitability

- This type of technology can be used to keep a record of customers names and contact details in addition to their history of buying products or using services

- This information can be used to target customers in a personalised way and offer them services to meet their specific needs

- This personalised communication provides value for the customer and increases customers loyalty to the provider

Information Technology and CRM: Examples

- **Phone calls, emails, mobile phone text messages, or WAP services**

- **Cookies**

- **Loyalty cards**

- **CRM software- "Front office" solutions**
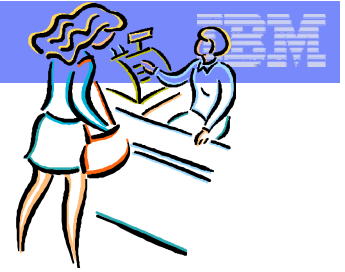
Face-to-face CRM

- CRM can also be carried out in face-to-face interactions without the use of technology

- Staff members often remember the names and favourite services/products of regular customers and use this information to create a personalised service for them.

- For example, in a hospital library you will know the name of nurses that come in often and probably remember the area that they work in.

- However, face-to-face CRM could prove less useful when organisations have a large number of customers as it would be more difficult to remember details about each of them.
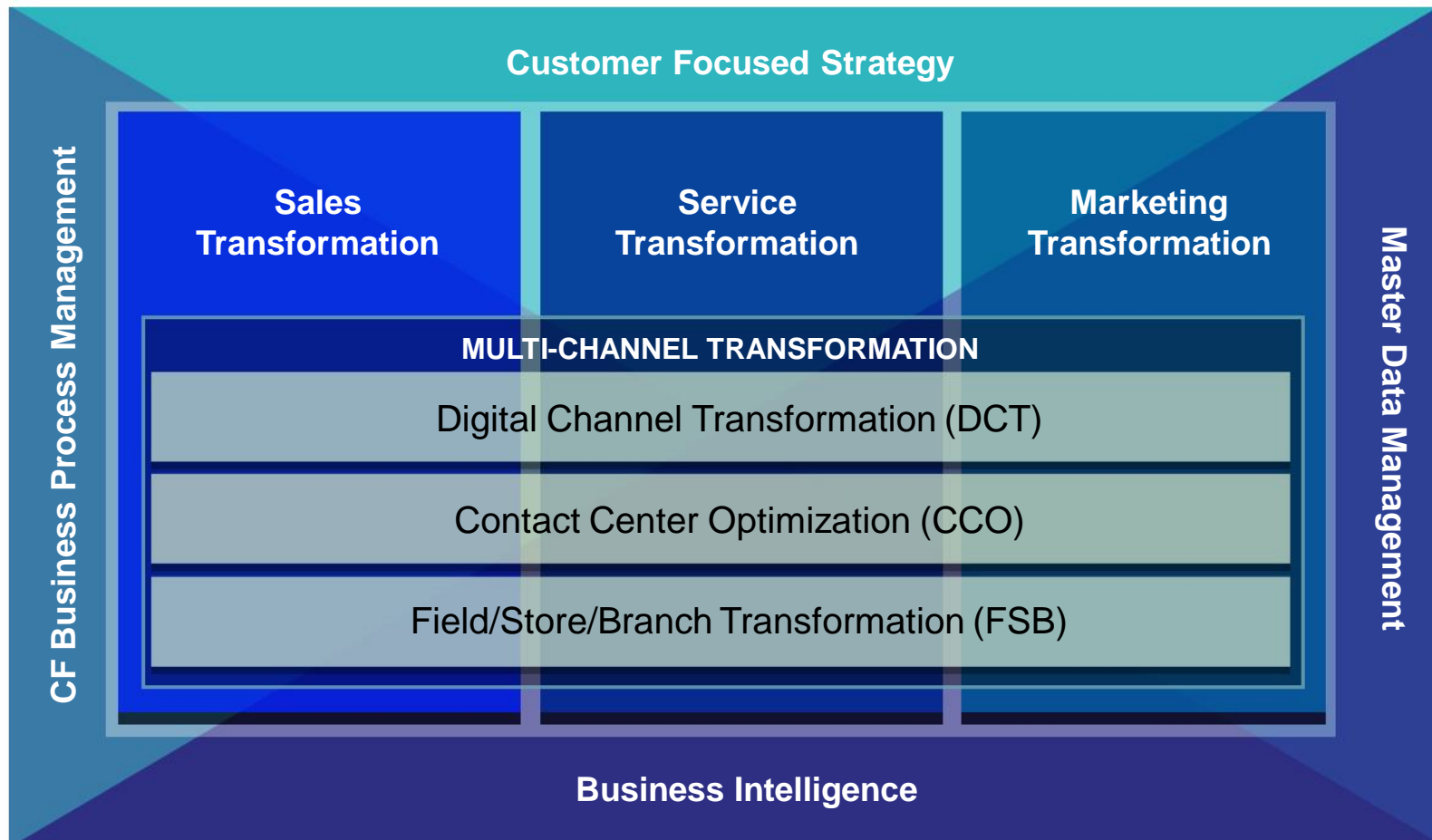
Benefits of CRM

- reduced costs, because the right things are being done (ie., effective and efficient operation)

- increased customer satisfaction, because they are getting exactly what they want (ie. meeting and exceeding expectations)

- ensuring that the focus of the organisation is external

- growth in numbers of customers

- maximisation of opportunities (eg. increased services, referrals, etc.)

- increased access to a source of market and competitor information

- highlighting poor operational processes

- long term profitability and sustainability

Implementing CRM

- When introducing or developing CRM, a strategic review of the organisation's current position should be undertaken

- Organisations need to address four issues (2):

1. What is our core business and how will it evolve in the future?

2. What form of CRM is appropriate for our business now and in the future?

3. What IT infrastructure do we have and what do we need to support the future organisation needs?

4. What vendors and partners do we need to choose?

IBM's Global CRM Service Portfolio Overview

Customer Focused Strategy

CF Business Process Management

Sales Transformation

Service Transformation

Marketing Transformation

MULTI-CHANNEL TRANSFORMATION

Digital Channel Transformation (DCT)

Contact Center Optimization (CCO)

Field/Store/Branch Transformation (FSB)

Master Data Management
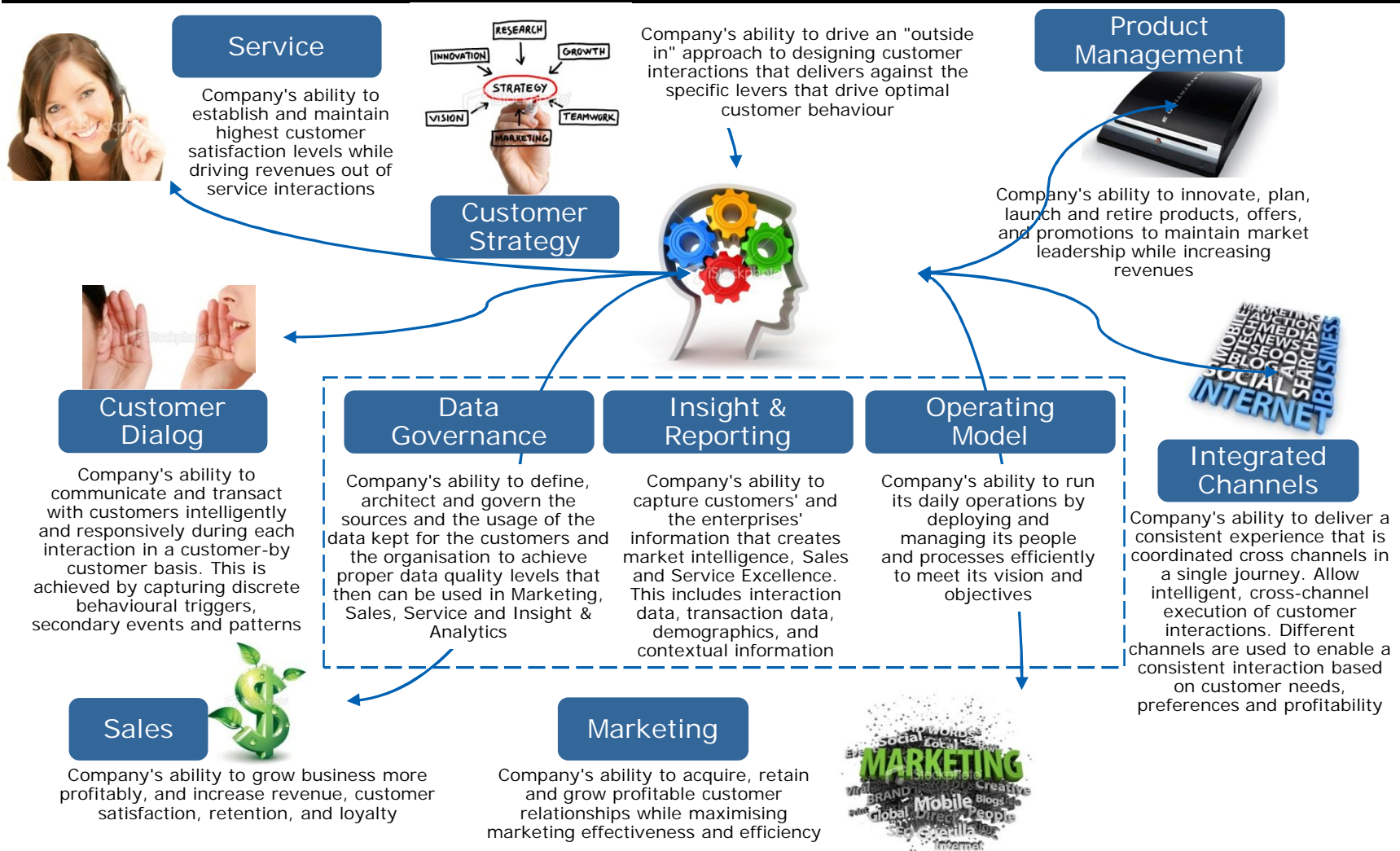
Business Intelligence

Source: Service Offering Framework as per Daniel Hirschbuehler, Global CRM Leader, Nov 13, 2008

CRM Capability Components

Customer Dialog	Integrated Channels	Customer Strategy	Product Management	Marketing	Sales	Service	Insight & Reporting	Data Governance	Operating Model
Real-time Intelligent Personalised Messages	Channel of Choice	Interaction Strategy	Product & Catalogue Management	Brand Management Strategy	Sales Planning & Budgeting	Service & Query Management	Sales Analytics & Operational Reporting	Data Governance Strategy	Organisation & Culture Change
Value Exchange	Multi-Channel Interaction Coordination	Segment Strategy	Product Price Management	Marketing Strategy	Account Management	Fault Management	Marketing Analytics & Operational Reporting	Data Management	Structure & Roles
Voice of the Customer	Distributed Delivery	Segment Value Propositions	Content Management	Marketing Planning & Budgeting	Lead Management	Service Quality Management	Service Analytics & Operational Reporting		Compensation
Targeted Segmented Treatment	Single View of the Customer	Customer Experience Management	Digital Rights Management	Campaign Management & Optimisation	Quote & Order Management	Knowledge Management	Customer Insight		Talent Optimisation
Event Based Rules	Partner Relationship Management	Loyalty & Retention Management	Promotion Management	Marketing Event Management		Contact Management	Web & Social Networks Analytics		Capacity Management
Single Sign-on			Offer Management	Channel Marketing Management		Returns Management	Multi-dimensional Segmentation and Modelling		Change Management
						Product Usage Experience Management	Customer Analytics		Process
							Performance Analytics		
							Channel Analytics		
							Propensity Modelling		

Capabilities definitions

Service

Company's ability to establish and maintain highest customer satisfaction levels while driving revenues out of service interactions

Customer Strategy

Company's ability to drive an "outside in" approach to designing customer interactions that delivers against the specific levers that drive optimal customer behaviour

Product Management

Company's ability to innovate, plan, launch and retire products, offers, and promotions to maintain market leadership while increasing revenues

Customer Dialog

Company's ability to communicate and transact with customers intelligently and responsively during each interaction in a customer-by customer basis. This is achieved by capturing discrete behavioural triggers, secondary events and patterns

Data Governance

Company's ability to define, architect and govern the sources and the usage of the data kept for the customers and the organisation to achieve proper data quality levels that then can be used in Marketing, Sales, Service and Insight & Analytics

Insight & Reporting

Company's ability to capture customers' and the enterprises' information that creates market intelligence, Sales and Service Excellence. This includes interaction data, transaction data, demographics, and contextual information

Operating Model

Company's ability to run its daily operations by deploying and managing its people and processes efficiently to meet its vision and objectives

Integrated Channels

Company's ability to deliver a consistent experience that is coordinated cross channels in a single journey. Allow intelligent, cross-channel execution of customer interactions. Different channels are used to enable a consistent interaction based on customer needs, preferences and profitability

Sales

Company's ability to grow business more profitably, and increase revenue, customer satisfaction, retention, and loyalty

Marketing

Company's ability to acquire, retain and grow profitable customer relationships while maximising marketing effectiveness and efficiency

Capabilities enable a journey

Talk, listen to and **understand** our **customers**

maintain service **excellence**, customer **convenient**, and Company channel **efficient**

different channels, the way they want it while living the same **individualised experience**

We **plan** and think around them and the way they want their **Experience** to be

recommend just the **right product** to the right **customer** at the right **moment** via the right **channel**

We ensure that we **continue** capturing our customers **data accurately**, we keep **analysing** them and **understand** them **better**

Innovate and enhance **products** at the **right** price for **Company** and the **customer**

launch **targeted** interactions in an **individualised** and **efficient** manner

Successful innovation comes through integrating customer, business and technology perspectives

IBM integrates customer experience design with business and technology expertise to help you deliver innovative client propositions

Business Innovation & Design

- New Business Models
- Operating Model Design
- Governance
- Business Case
- Roadmap

Customer Experience

-
-
-
-
-
-
-

IBM's pragmatic approach recognises that innovation must deliver sustainable value for both you and your clients

Technology Leadership

- Reference architectures
- Service orientation
- Data and integration architecture
- Security models
- Rich interactive applications
- Mobile technologies

The Journey

Our approach ensures that we build on all our progress to date and accelerate to deployment while continuing to give us flexibility moving forward

Build, Run & Continuous Improvement

Future

Transition

Future

Solution Design

Detailed solution design, detailed programme planning and organisational change / management design

Future

Milestone 3:
First "Go Live"

Concept Design

Interpretation of Vision into experience and solution blueprints identifying the capabilities required moving forward

Next Step

"Build & Run" Plan

Future

Milestone 3:
Build & Run
Plan agreed

Investigation

Initial outline digital channel vision created and technology investigation and feasibility completed.

Now

Milestone 1:
Concept Investigation Completed

Milestone 2:
Conceptual Design Approval

Today | **+4 weeks** | **+8 Weeks** | **+15 Weeks** | **+n Months**

Case Study: A major bank in Turkey

Who:
The largest bank in assets and equity size in Turkey with 14 million customer base

The imperative:
Transform the Bank towards a customer centric organizational structure across the enterprise with multiple channels including branches, call centers, and the internet channel

What they did:

- Identified and prioritized initiatives based on customer research and sensitivity analysis

- Created scenarios and business use cases for key interactions

- Piloted and deployed new CE scenarios (lead management, inbound/outbound campaign management) to branches

Transformation focus:
Primary focus on people and process change to drive service-based value in the relationship. Target experience designed from "outside-in"

Results:

- Overall average conversion rate +18%

- Soft responses from the leads are captured

- Higher value per conversion

Sample Case from Banking Industry
Needs Based Selling Demonstration

Each customer need has a number of relevant services, products and propositions that could be attached. Using profiling information and analytical modelling it is possible to select what is most appropriate for every individual customer

Trigger	New house Birth of a child University Product surrender Unauthorised overdraw	Birth of a child New house Extended holiday	Channel usage change Significant withdrawal Buys competitor product	Retirement Significant Credit New Job Inheritance Change in risk profile	Closure Request Channel usage change Fin planning request
Need	**FUNDING**	**RISK MANAGEMENT**	**TRANSACTIONS**	**INVESTMENTS**	**INFORMATION**
Relevant Offer	Review Overdrafts Loans Mortgages Credit Cards Securitisation	Review Life Insurance Contents, Car & Home Protection Health Insurance	Deposits Bill payments Withdrawals Transfers	Savings Superannuation Managed Funds Shares Annuity	Review Product Information Single Statement Product Aggregation Legislation Financial healthcheck

In pilot releases, customer need will most likely be determined through business intuition and simple selection criteria – in later phases complex analytical models may determine the need

Needs Based Selling Demonstration- Event Library

Event Attributes	Description			
Event Name	*Significant Deposit*			
Event Purpose	Retain funds by cross selling investment product			
Customer Need	☐ Information ☐ Credit / Borrowing ☑ Investments Savings & Transactions		☐ Mortgage ☐ Protection	☐ Compliance ☐ Other
Frequency & Volume	Frequency : Weekly		Estimated Volume :	X per day
Deployment Information	Date of Deployment : 01/01/04		Date of Last Amendment :	01/01/04
Related Contextual Data	Size of deposit, % greater than average			

Customer Segment	Channels		Contact Type
☑ Mass Premier Community	☑ PFC ☐ Direct Mail ☐ ATM ☐ CBE ☑ Tele Sales ☐ CSC ☐ MBE ☐ Email ☐ Web		☐ Single Step ☑ Multi-Step ☑ Multi-Channel

Business Definition	Detection Rules
Event occurs when: An active customer receives a net balance increase in a single day which is 40% larger than the average net balance increase over the past 3 months. Net balance increase value must exceed $3000	Event is detected when: ➤ Customer status = "Active" ➤ AND SUM(Daily deposit value) > 3000 ➤ AND SUM(Daily deposit value) > 1.4*Avg_3 months(Daily deposit value)

Post Implementation Performance

Response Rates	Average Response : XX%:	Average Conversion : YY%
Financial Performance	Average 1st Yr Revenue : ZZ	ROI : ZZ
Comments	None	

The growing velocity in the volume, variety, and granularity of customer data is driving unprecedented opportunities for those able to respond

Customer analytics makes way for newer finer grain customer strategies that raise both efficiency and effectiveness, essentially enabling organizations to do more with less

– De-averaging customers

– Reprioritizing resources for best impact

Customer analytics simplifies without denying the underlying complexity

The management dilemma

Today, the codified information base of the world is believed to double every 11 hours

Volume of Digital Data

Today, 80% of new data growth is unstructured content, generated largely by email, with increasing contribution by documents, images, and video and audio

Variety of Information

Executives are being called upon to make more and faster decisions. Today, 70% of executives believe that poor decision making has degraded their companies' performance

Velocity of Decision Making

An *Analytics-Driven Organization*
Gains Insight & Optimizes Results
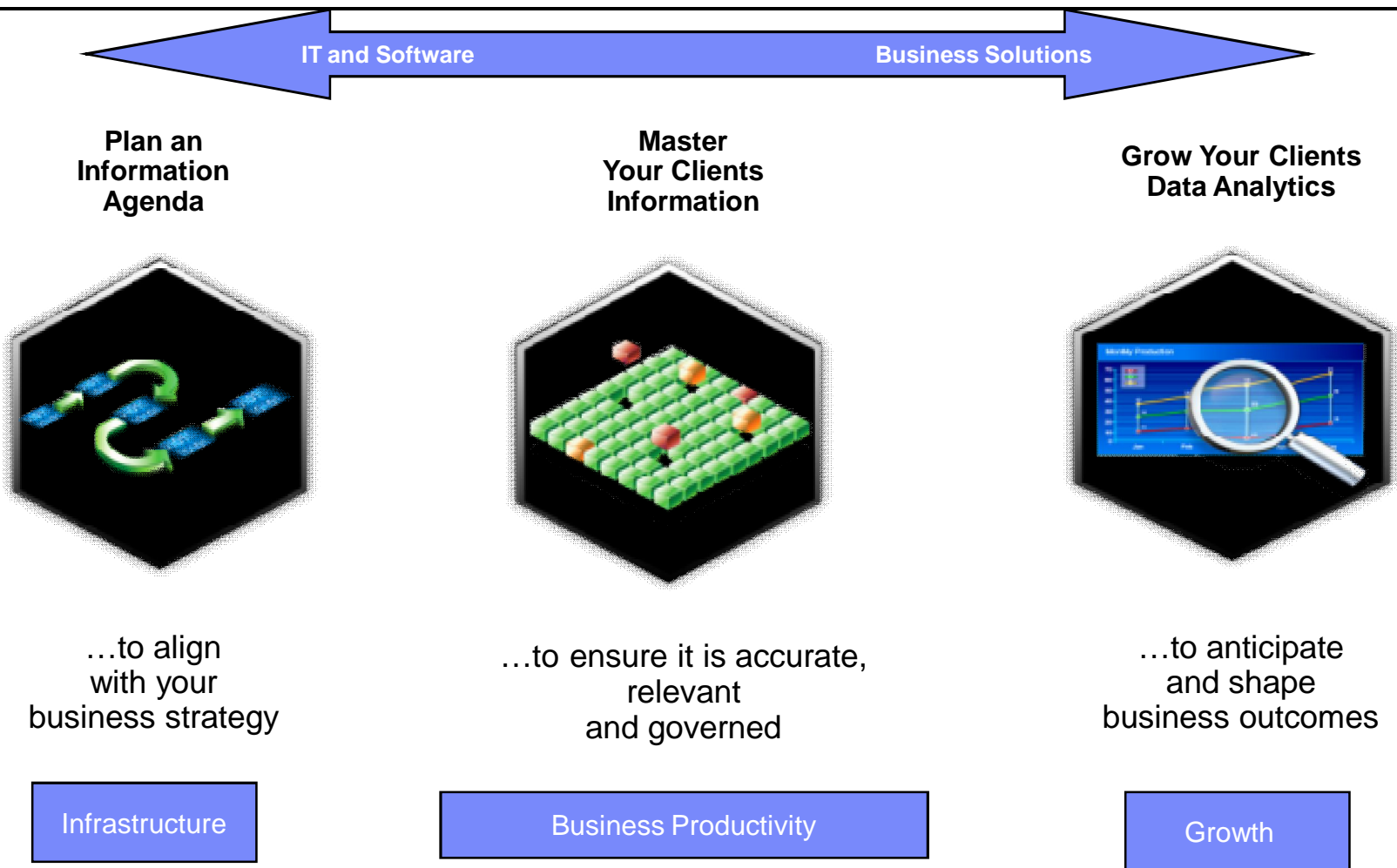
IT and Software | Business Solutions

Plan an Information Agenda

Master Your Clients Information

Grow Your Clients Data Analytics

…to align with your business strategy

…to ensure it is accurate, relevant and governed

…to anticipate and shape business outcomes

Infrastructure

Business Productivity

Growth
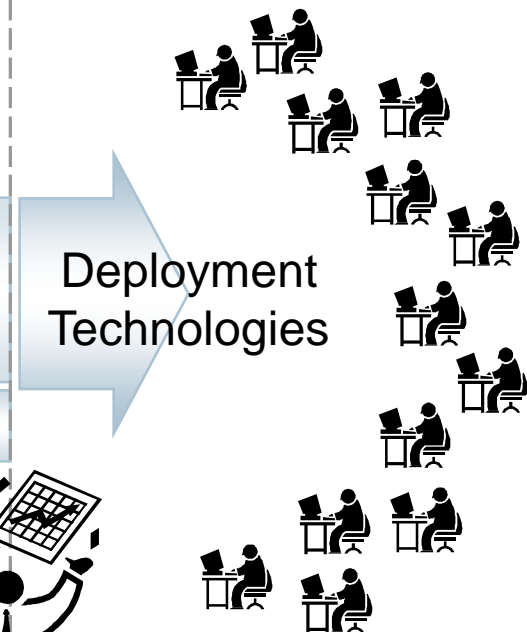
Our clients are using customer analytics to answer to tough questions….

Social Network Insights

Cell phone provider: How do social networks effect churn and what are the best intervention strategies with opinion leaders?

Customer Acquisition

Retail Bank: How do we increase product ownership and deposit levels by differentiating our branch strategy and localizing our branches?

Customer Retention

Large US Automotive Company: How do we prevent customer attrition arising from discontinued models, divested brands and dealership closings?

Brand Management

Consumer Products Company: How do we revive a failing brand by better understanding consumer appetite and sentiment toward the product?

Salesforce optimization

Large pharmaceutical company: How do we focus sales reps time and promotional budgets on the physicians most likely to prescribe our branded medications?

Marketing Optimization

Large Electronics Retailer: How do we reduce $1 billion advertising budget by 40% without adversely effecting revenue?

Questions and Answers