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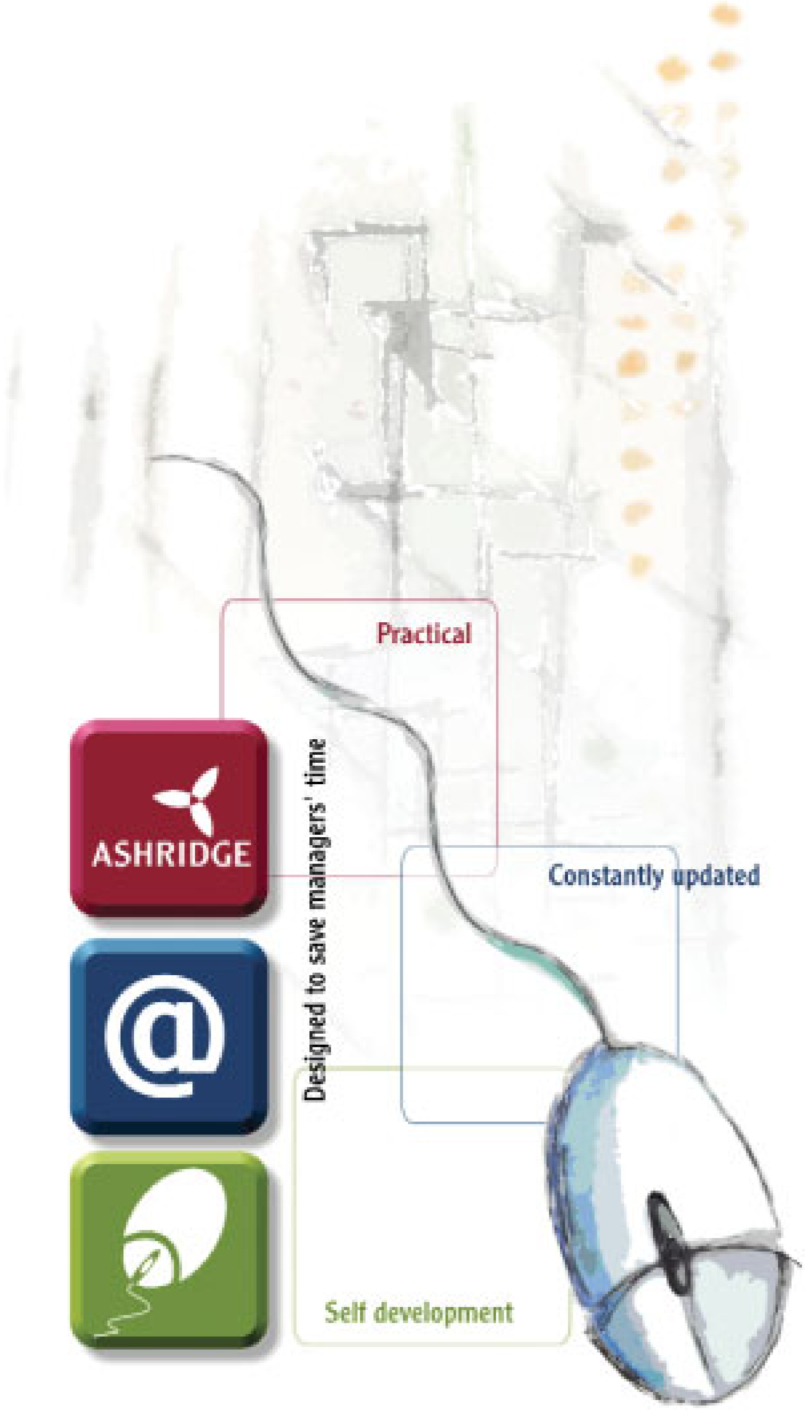


Customer relationship management

Learning guide

ASHRIDGE

Customer relationship management

Introduction

Customer Relationship Management (CRM) is the name given to relationship marketing supported by 21st century database facilities. This introduction provides a definition, a brief background and explains why CRM is important. In addition it guides you on first steps to understand CRM.

"CRM can be defined as an integrated approach to maximising customer value through the differential management of customer relationships."
(Source: Wunderman Cato Johnson, part of Young & Rubicam Inc.)

CRM has its roots in loyalty programmes of the 1980's and the developments in relationship marketing of the 1990's. Relationship marketing evolved into "One-to One Marketing" espoused by Don Peppers and Martha Rogers in the mid-nineties. In their seminal work, ***The One to One Field Book*** (1999)[1] they explain a four point plan for managing customer relationships.

- identification of customers
- differentiation of customers within the customer base
- interaction with the most valuable customers
- customisation of products and services to strengthen the relationship.

At the same time, software businesses such as Siebel Systems, Microsoft and Oracle were building their capability in creating systems to capture customer data at every touch point and developing powerful database tools to run applications and analyses. Examples are data mining, predictive modelling, filtering customer information wherever it is required in the company and in whatever form. Datamonitor research[2] shows that the North American market for CRM tools exceeded $6 billion in 2000.

The acronym CRM was first used in the late 1990's, combining the concepts of customer relationship understanding with the powerful database tools of the CRM systems vendors.

Effective CRM can add enormous value and have huge benefits for the organisation, namely:

1. Security

Information on profitable customers enables managers to channel all efforts into their retention.

2. Business growth

Focusing on most profitable customers can identify further products and services that they may need. Thus cross-selling and product development can increase profitability and cement relationships.

3. Customer acquisition

Understanding the characteristics of the most profitable customers can also focus marketing efforts at attracting more customers with the same features and therefore a probability of similar profit performance in the future.

4. Enhancing profitability

By analysis of customer purchase patterns, communications can be more effectively targeted, requirements better forecast and waste reduced. Those customers whose consumption of service or approach to usage is unprofitable can be influenced to change their behaviour through pricing mechanics and other devices, so that they become profitable to the supplier.

These ideas are developed in the overview section of this learning guide.

Where to start

If you have less than an hour, read the overview on CRM on pages 11 to 25 and browse the development activities.

If you have two or three hours, read the recommended book chapters below. Details of these books can be found in the resources section from page 6.

The One to One Field Book (1999) by Don Peppers, Martha Rogers and Bob Dorf

Chapter 1	What it's all about
Chapter 2	Quick start

Customers that Count (2001) by Tony Cram

Chapter 1	Relationship reality, and Kwikfit case study
Chapter 9	Getting to know customers, and Smarterkids.com case study
Chapter 18	Mutual benefit

For further study, the remaining articles and recommended books will provide a variety of practical approaches for consideration and implementation.

Resources

Videos

20 Steps to Better Management - Managing Customer Relationships (1999)
BBC, 15 mins

This video explores how managers and their teams can improve customer service by becoming more focused on building rewarding customer relationships. With case studies of Virgin Atlantic and Marks and Spencer, this video shows how managers can encourage staff to offer a better standard of service.

Spend a day in the life of your customers (1996) Harvard Business School Publishing, 20 mins

This programme is based on the *Harvard Business Review* article of the same title by Gouillart and Studivant. In the article the authors state "a senior executive's instinctive capacity to empathise with and gain insights from customers is the single most important skill he or she can use to direct technologies, product and service offerings, communications programmes, indeed all elements of a company's strategic posture". This video aims to convince managers that developing a deep personal understanding and empathy with customer needs is important.

Journal articles

Buttle, F. (2000), ***The S.C.O.P.E. of customer relationship management,*** CRM-Forum Resources at www.crm-forum.com

Cram, Tony (2001), ***Customers that count***, *Directions* - the Ashridge Journal, Spring p12-15

Cram, Tony (2001), ***How to care for customers who count the most***, Marketing, 12 July, p20

Cram, Tony (2000), ***The company is king***, *Directions* - the Ashridge Journal, Summer, p28-32.

Galbreath, J; Rogers, T (1999), ***Customer relationship leadership: a leadership and motivation model for the twenty-first century business,*** The TQM Magazine, Vol. 11 (2), p161-171.

Heskett, James L; Jones, Thomas O; Loveman, Gary W; Sasser, W Earl Jr; Schlesinger, Leonard A; (1994), ***Putting the service-profit chain to work,*** Harvard Business Review, Vol. 72 (2), March/April, p164.

Mitchell, L. (1999), ***Customer relationship management: Shorten your sales cycle***, InfoWorld, Vol. 21 (13), March, p1

Prahalad, CK; Venkatram, R (2000), ***Co-opting Customer Competence,*** Harvard Business Review, Vol. 78 (1), January/February, p79-87.

Rigby, K; Reichheld, F; Schefter, P (2002), ***Avoid the four persils of CRM***, Harvard Business Review, February 2002, p101-109.

Schultz, D.E. (2000), ***Learn to Differentiate CRM's Two Faces,*** Marketing News, Vol. 34 (24), November, p11.

Information files

The following information files, available in the Learning Resource Centre at Ashridge, contain recent cuttings from journals and newspapers.

- Customer relationship management
- Relationship marketing.

Books

** Books marked with asterisks are available for sale from the LRC bookshop. Mail order service available. Tel: +44 (0)1442 841159.
Fax: +44 (0)1442 841211. Email: celia.tucker@ashridge.org.uk.

Brown, Stanley, A. (2000), ***Customer Relationship Management: A Strategic Imperative in the World of E-Business,*** Wiley
Ashridge shelf reference: **JUT(BRO)**

Aimed at understanding and anticipating the needs of an organisation's current and potential customers, this innovative book shows how CRM links people, process, and technology to optimise an enterprise's revenue and profits by first providing maximum customer satisfaction. Contents include the first principles in CRM; building and implementing the customer strategy; the need for effective channel and product strategies; the infrastructure strategy; and enabling the CRM strategy.

Cram, Tony (2001) ***Customers that count – How to build a living relationship with your most valuable customers,*** FT /Prentice Hall
Ashridge shelf reference: **JUT (CRA)****

This book highlights the dynamic, evolving and complex nature of customer relationships and the importance of recognising this so that value is delivered to those customers identified as valuable, based on their shifting needs throughout their life cycle.

Gronroos, Christian (2000), ***Service management and marketing: a customer relationship management approach,*** John Wiley
Ashridge shelf reference: **JUS (GRO)**

This book deals with the service perspective in business. It offers a management perspective for any type of organisation which is helpful in situations where the organisation's core solution to customer problems is not enough to create a sustainable competitive advantage. Understanding the internal value-generating processes of customers and how to develop a total integrated offering which serves these value-generating processes offer a perspective which suits the competitive situation of most firms today.

Jenkins, Mark (1997), ***The Customer Centred Strategy***, Pitman Publishing
Ashridge shelf reference: **JUA (JEN)**

This book gives you the tools to think with foresight and creativity, in order to anticipate future customer needs and the vision to see how your organisation needs to change in order to meet these future customer needs.

Piercy, Nigel (2002), ***Market-Led Strategic Change: Transforming the Process of Going to Market,*** Butterworth Heinemann, 3rd Edition.
Ashridge shelf reference: **JUA (PIE)**

The aim of this book is to provide managers with a number of practical tools for evaluating the marketing performance of their organisations and improve on their marketing performance. The author provides usable insights and advice on how to establish, develop, deliver and sustain long-term customer satisfaction which can be the only guaranteed road to survival and success.

Rogers, Martha; Peppers, Don (1999), ***The One to One Fieldbook: The Complete Toolkit for Implementing a 1to1 Marketing Program***, Capstone
Ashridge shelf reference: **JUA (PEP)****

The One to One Fieldbook shows exactly how to apply a 1to1 marketing strategy on a day-to-day basis. It is a complete toolkit for corporations and small businesses on how to operate in our new interactive age. The text contains dozens of checklists, analysis tools and questionnaires to evaluate a firm's progress, as well as detailed instructions for planning, implementing, revolutionising and upgrading a firm's marketing programme. A complete toolkit for companies implementing customer relationship programmes, the text will help you identify your best customers, keep them longer, and grow them bigger - so that you can compete more successfully in the interactive age.

Rogers, Martha; Peppers, Don (2000), ***The One to One Manager: Real-World Lessons in Customer Relationship Management,*** Capstone
Ashridge shelf reference: **JUT (PEP)**

In this book the authors go behind the scenes to report on the challenges and solutions discovered by managers leading one-to-one efforts in organisations such as Xerox, British Airways, General Electric, Oracle, First Union, Hewlett-Packard and Levi Strauss. These early adopters, scouts, and risk-takers share the invaluable lessons they are learning as they map a new customer-centred business universe in which companies organise around customers' needs.

Ryals, Lynette; Maklan, Stan; Knox, Simon (2000), ***Customer relationship management: the business case for CRM,*** Financial Times/Prentice Hall
Ashridge shelf reference: **JUT (RYA)**

Companies are increasingly recognising the benefits of adopting a more customer-focused approach to their business. Furthermore, the availability of new technology is enabling organisations to communicate more effectively with their customers and develop a better understanding of their needs. This report is a comprehensive survey on CRM and provides a guide to best practice, using case study material from around the world. Contents include: the emergence of CRM; the marketing perspective and the IT perspective; customer service, satisfaction, retention and profitability; implementing CRM and ROI on CRM systems; business intelligence and data warehousing; e-business applications and call centres.

Woodcock, Neil; Stone, Merlin Gamble; Paul, R. (2002) ***Up Close And Personal? Customer Relationship Marketing @ Work***, Kogan Page, 2nd edition.
Ashridge shelf reference: **JUT (GAM)**

Based on world-wide research into Customer Relationship Marketing (CRM), *Up Close and Personal?* brings together the work of three leading experts in the field to provide a combination of marketing theory, practical guidance, case studies and implementation techniques, while emphasising the need for constant re-evaluation. The text provides important and practical new insights into effective relationship marketing by looking in depth at: strategies, policies and plans;

measuring the impact; segmentation; the implementation programme; customer loyalty and continuity; transparent marketing, customer value and process management; customer knowledge management; technical systems and data management; and managing good and bad customers. A very comprehensive book which illustrates the link between strategy and CRM.

Websites

Peppers and Rogers group: www.1to1.com

1to1.com is a CRM community designed to connect you to the news, ideas, research, training and development that you need to build profitable relationships with your customers.

The European Centre for Customer Strategy: www.eccs.uk.com

This site offers a free, membership-based web community that is independent of all suppliers and vendors, covers all aspects of customer management and focuses on best-practice advice.

Customer Relations Marketing Forum: www.crm-forum.com

The CRM-Forum is the pre-eminent independent on-line resource centre for CRM professionals working in the business-consumer marketplace. It provides CRM professionals and companies involved in CRM on both the demand and supply side of the industry with a place to keep up-to-date with CRM developments, and to meet, discuss, and contact each other about CRM-related issues.

Prime Marketing Publications: www.conspectus.com

This site sets out to create a series of regularly updated IT overviews of selected market or business areas; it provides comparative decision-support data for IT directors, IT managers, key decision-makers and consultants, but is concisely written for easy reading.

Customer Relations Management Community: www.crmcommunity.com

CRMcommunity.com provides the latest news, products and strategies available in Customer Relationship Management. You can join as a member to receive complete resource for networking and research.

Overview

What is Customer Relationship Management (CRM)?

Customer Relationship Management is an integrated approach to maximising customer value through the differential management of customer relationships. *(Source: Wundermann Cato Johnson, part of Young & Rubicam Inc.)*[3]

This definition contains three significant aspects that merit separate attention:

- **CRM is integrated** – this means that it involves everyone in the organisation and possibly suppliers and channels of distribution and/or information. In essence, no single employee can make a successful relationship with a customer, but everyone has the capability of damaging a relationship. Therefore the effective delivery depends on every member of the enterprise.

- **CRM aims to maximise customer value** – this means that it depends on measurement of the value that customers provide and receive. Without this assessment it is not possible to refine and enhance the benefit for the customer nor to optimise the customer profitability to the organisation.

- **CRM** is about differential customer management – this means doing different things to different customers. Thus customers may receive, for example, tailored service, information and communications. CRM requires segmentation by customer need and also a judgement on level of preference according to the customer value. Normally 20% of customers will provide 80% of profitability and this high value group should receive preference in order to retain their custom.

Example quoted from Grant Denholm, Senior Manager: CRM of Scottish Widows speaking at the CREDO CRM conference March 2001.

"At Scottish Widows, CRM is about treating different customers in different ways, depending on how much they are worth to the organisation. Everything in CRM is driven by customer segmentation and supports a differentiated sales and service approach".

As a new area of business focus, there are many other definitions of CRM. Alternatives include:

"CRM means maximising the value of a business by strategically managing customer behaviour." Source: Michael Llewellyn, CRM Consultant [4]

"CRM is concerned with creating improved shareholder value through the development of appropriate relationships with customers. This requires an integration of people, operations and marketing capabilities".
Source: Adrian Payne, Cranfield[5]

Background and history

Students of relationships cite the ancient Chinese business ethic of "connections" or Guanxi as the earliest evidence of management of relationships with customers.

Modern CRM has its roots in the Frequent Flier programme "AADVANTAGE" launched by American Airlines on 1 May 1981. This concept added a new dimension to previous loyalty programmes such as Green Shield trading stamps that simply provided a token-based reward for purchases. The frequent flier scheme used records of customers, names, addresses and purchase patterns from the Saber reservation system to track the success of the scheme and to focus communications and promotions on valuable customers.

During the 1980s car rental companies and hotels launched similar loyalty schemes. An example is the Marriott Rewards programme with tiers of benefits allocated on the basis of the number of nights guests stay with Marriott in a year.

In 1991 Regis McKenna published *Relationship Marketing – Own the Market Through Strategic Customer Relationships*[6]. His view (expressed at a lecture at Ashridge in 1992) was that:

"Marketing's task is not to fool the customer or to falsify the company's image, but to integrate the customer into the design stage of the product or service and to create the

relationships that a company develops with its customers, suppliers, partners, distributors and even its competitors."

Financial institutions in the 1990s began employing relationship managers. Leading companies in business-to-business markets appointed key account managers, and consumer goods manufacturers built direct relationships with customers. An example of this is the Nestle subsidiary Buitoni, who launched in 1993 the Casa Buitoni as a membership club with rewards for pasta purchases.

Tony Cram published *The Power of Relationship Marketing*[7] in 1994 which looked at customer relationships. He highlighted the need for:

"..the continuous application of up-to-date knowledge of individual customers to product and service design, communicated interactively in order to develop a continuous and long-term relationship which is mutually beneficial".

Tesco launched the Tesco Clubcard in 1995 and their ability to understand evolving customer patterns and manage relationships with their best customers was a significant factor in their overtaking J Sainsbury as the UK's leading supermarket.

Relationship marketing evolved into *One-to One Marketing* espoused by Don Peppers and Martha Rogers in the mid-90s. In their seminal work, *The One to One Fieldbook* (1999)[8] they explain a four point plan for managing customer relationships.

- Identification of customers
- Differentiation of customers within the customer base
- Interaction with the most valuable customers
- Customisation of products and services to strengthen the relationship.

Peppers and Rogers categorise customers in three ways. The first group is labelled the *Most Valuable Customers* or MVCs. Next they focus on the *Most Growable Customers* or MGCs who represent new or existing customers calculated to offer the highest potential. The third group is the *Below Zeros* who cost more to service than the profit they provide. For them success is about discriminating between profitable and unprofitable customers.

At the same time software businesses such as Siebel Systems, Microsoft and Oracle were building their capability in creating systems to capture customer data at every touch point and developing powerful database tools to run applications and analyses. Examples are data mining, predictive modelling, filtering customer information wherever it is required in the company and in whatever form. Datamonitor research shows that the North American market for CRM tools exceeded $6 billion in 2000.

The acronym CRM was first used in the late 1990s combining the concepts of customer relationship understanding with the powerful database tools of the CRM systems vendors.

Why is CRM important?

The benefit to the company is significant. We will identify four factors:

1. Security

The vital importance of CRM is that it allows companies to focus on the most profitable customers, retention of whom is business-critical. The tendency for a small number of people to account for the bulk of the value was first explored by the Italian sociologist and economist, Vilfredo Pareto 1843-1923. In his first work, *Cours d'economie politique* 1896/7, he observed that 80% of the wealth of Italy was owned by 20% of the population. With a complex mathematical formulation he attempted to prove that income distribution is not random and that a consistent 80/20 pattern appears throughout history.

The first benefit therefore is to provide a degree of security. Information on profitable customers enables managers to channel all efforts into their retention. An example is the mobile phone company whose help line uses caller identification to recognise and give priority to customers with high average monthly line usage. Best customers get a quicker resolution to queries and this enhances customer retention – in fact CRM can calibrate the percentage improvement.

2. Business growth

Focusing on most profitable customers can identify further products and services that they may need. Thus cross-selling and product development can increase profitability and cement relationships.

3. Customer acquisition

Understanding the characteristics of the most profitable customers can also focus marketing efforts on attracting more customers with the same features and therefore a probability of similar profit performance in the future. For example, a business to business services supplier identified senior management stability as a significant characteristic of their most profitable customers. Therefore their business expansion strategy includes targeting prospect companies who exhibit the same continuity of top managers. With pressure on sales resources, there is great interest in selecting the right prospective customers for long term profitability. In a variety of industries, global, national and regional, Tony Cram has identified a range of qualities which predict future profitability in potential customers - see exercises for a 15 point check list.

4. Enhancing profitability

By analysis of customer purchase patterns, communications can be more effectively targeted, requirements better forecast and waste reduced. *Business Week* April 3 2000 quoted Sanwa Bank's estimate that its customer service operation increased productivity by 14% in 1999 by focusing its resources on its "A" customers. Those customers whose consumption of service or approach to usage is unprofitable can be influenced to change their behaviour through pricing mechanics and other devices, so that they become profitable to the supplier. Companies can also avoid irredeemably loss-making customers and no hope prospects.

CRM – The customer's perspective

From the customer's perspective, the most valuable customers should sense real benefits. At last their true worth is recognised with better products, more closely tailored to their requirements. Service levels should be higher. Over time British Airways becomes familiar with frequent First Class passengers' preferences for food, wine and reading matter and meets them. According to *McKinsey Quarterly*[9] , Ford in USA provides differentiated service for repeat purchasers of high profit vehicles, including priority response on the 1-800 service line and favourable treatment on repairs outside warranty periods. The Marriott Hanbury Manor Hotel has an added service for its profitable long stay guests – it provides personal business cards bearing the hotel phone and fax numbers.

For valuable customers, response to changing needs is also rapid. Mobile telephone companies are restlessly agile in seeking trends in youth segments and adding the next "must-have" feature. The new benefit to the profitable customers is a predictive facility. Their suppliers are working hard to identify up-coming trends so that new solutions are in place before the customer discovers the problem. For example, credit card companies like Visa and MasterCard monitor the Icelandic market - the country with the highest credit card penetration and usage. They need to understand the experiences of Reykjavik card-holders who no longer carry cash and apply those lessons to other markets.

Other customers see the other side of the coin. Increasingly the cost of being an average-value customer is paid in time. Software help line telephone calls will take longer to be answered because better customers are jumping the phone queue. Airline passengers wait in line while the more valuable travellers overtake them on the priority fast track. Tesco, the UK supermarket, knows that its most profitable customers have a pattern of shopping on Thursday evenings and hence you would expect them to reserve their most proficient check-out operators for those evenings.

Another aspect is the diminution of choice. When the most valuable customers are offered first pick, then the average customer may not see the entire selection. There is a scarcity of secondhand Hondas, so when the dealerships occasionally have available low mileage models previously driven by Honda management, they offer a 24 hour preview to their best car buyers and service customers. Catalogue retailers send out new season collections to their top shoppers, who experience close to 100% availability. Average customers, mailed ten days to two weeks later, will be disappointed when some popular lines are out of stock.

Marginal and unprofitable customers face real drawbacks. For example, "unlucky" holiday-makers with a history of losing a camera on every trip are discovering that no insurer will provide cover. Jobless single mothers without assets or prospects are finding it increasingly difficult to obtain banking services. As companies perfect their customer profitability model, some customers emerge as a cost to their supplier, not a contribution. The Wisconsin based door plant of Weyerhaeuser have – according to Business Week - shed 5000 customers whose cost of supply was greater than their revenue. The era of cross-subsidisation by other customers is coming to a close.

The potential of CRM

According to Handen[10], there are essentially four types of CRM strategic goals:

- Win back or save – most time-sensitive strategy. The sooner customers are contacted the better, but selectivity is important:
  - Prospecting – this involves segmentation, selection and identification of new customer sources in order to define the most critical elements for acquiring new customers
  - Loyalty – this strategy is the most difficult to measure, particularly as determining customer lifetime value is problematic. The aim is to inhibit the search for alternative sources of supply and there are three essential elements to understanding loyalty: value, needs-based segmentation and predictive churn models
  - Cross-sell / up-sell – this strategy can be influential because customers already have a relationship with the company and are less likely to see the offer as a commodity, hence profit margins can be greater.

These strategies are possible through CRM because the memory and processing scope of data has risen substantially with technological advances and costs have declined. Generically, CRM has three sub-components, the emphasis of deployment of which depends on strategic objectives and priorities:

- **Analytical CRM** involves exploring customer information for identification of patterns for eg segmentation, determine what kind of marketing is most effective
- **Operational CRM** is about how customer information is shared within an organisation to support day-to-day operations including customer service
- **Collaborative CRM** includes services that facilitate interactions between customers and businesses, eg personalised publishing. This is used to establish the CLV beyond the transaction by creating a partnering relationship and can be best seen in industrial markets.

Implementing CRM

There are three key stages to implementing CRM

- Preparation for the relationship
- Interaction with customers
- Reviewing the relationship.

This approach views the relationship as a living entity with a continuing need to enhance and refine to deliver value as the relationship progresses over the individual customer life cycle.

The steps involved that cover these three key stages will follow the following basic framework or an alteration of it:

1 Set strategic objectives and define critical success factors

- Define customer strategy
- Create channel and product strategy taking into account product and market life cycles.

This step should involve creation of a CRM strategy, an understanding of the optimal and appropriate balance of profitability and loyalty, the opportunities and threats of using CRM for the company to deploy strategic intent.

2 Build a team

- Cross-functional
- Use champions
- Use the team to achieve organisational buy-in
- Identify potential barriers and specific needs through the team.

3 Review processes that are involved in the offering being considered for a CRM strategy

This step should not be over-thorough in defining the current process as this can be time-consuming and not necessarily be of value. It can also weigh down the team and hinder progress:

Determine customer 'touch-points'
Plot and analyse process steps
Take a holistic '360^{0}' view.

4 Define requirements

This should be done bearing in mind the strategic aim of the organisation:

- analyse organisational capability (including resources) and define gaps
- the scope model can be used here.

5 Examine options

It should now be possible to apply the deployment options.

6 Re-write processes to achieve objective, fill gaps and optimise capability

These need to be written with marketing input to incorporate research of customer needs and marketing objectives.

7 Create a robust and integrated IT strategy

Choices include:

- outsource or in-house
- bespoke or ready-made
- localised or centralised.

To allow the flexibility of evolution of the CRM strategy and to allow customer self-management 24 hours a day, 365 days a year, the customer interface, information framework, whole business logic and infrastructure need to be:

Consistent
Available
Reliable
Extensible
Scalable

(Source Anthony Gandy (2000) CRM – thinking beyond the box: Close encounters p23-31)

Greater CRM capability can be generated through regular refreshing and maintenance of the database to allow *ad hoc* analysis, interpretation and reporting. This real time interaction can improve the competitive advantage gained.

8 Choose a vendor

9 Define management systems and policies and corporate culture

This requires employee training and sometimes a change management programme in addition. Training needs will vary depending on the aim. For example a multi-skilled workforce is more likely to be critical if the CRM objective is cross-selling.

10 Implementation requires organisational alignment and this requires measuring and measurements

A combination of leading (process measurements such as sales cycle time) and lagging (outcome measurements such as profitability per customer) measures is best. Measurement can and ideally should be both:

- qualitative eg through mystery shoppers and
- quantitative eg through churn checklist, Pareto analysis.

11 Decision on running a pilot study

The aims and advantages of a pilot study should be clearly defined. A pilot may be deemed to be necessary only for IT assessment or if a prototype is required to assess customer reactions before full implementation. The need for a pilot may be determined from factors such as: a bespoke system is being used; organisational learning required; an understanding of if and how the CRM project created organisational value is needed; organisational resources are limited therefore implementation needs to be in steps; first mover advantage is critical; and a pilot is seen as pioneering the market or determination of success measurements is needed.

CRM issues and challenges

e-business – e-CRM and e-RM

There are few clearly differentiating features between e-CRM and 'traditional' CRM and the 'e' simply denotes routing through the internet as an additional channel. However, e-RM adds another dimension to CRM as there is an ability to 'read between the clicks' incorporated into the system. Features such as 'cookies' would fall under this category if they were used to achieve the objectives that CRM aims to. The advantage of e-RM over traditional CRM is that a terrestrial channel might miss critical information. For example, a customer who walks into a retail outlet who does not find the item they intend to purchase and does not find an acceptable alternative, often leaves without letting anyone know. e-RM can be built to collect such information. However, the challenges of e-RM are integration of this information into overall CRM channels and the application of the output of e-RM analysis to link it to profitability. Furthermore the definition of e-loyalty is still not clear.

Privacy and data protection

The debate over individual rights exploitation by CRM is intense, particularly in the US and increasingly in Europe (especially Germany and the Netherlands). Thus steps need to be taken to avoid accusations of abuse which theoretically can occur at two levels: permission to share data with other parties including suppliers in part of the delivery chain, or mistreatment of understanding of customers.

Business process re-engineering (BPR)

BPR has an overlap with CRM in that processes need to be reviewed as part of the implementation of CRM. This is the reason why firms who had an effective BPR programme in the past have an advantage when implementing CRM over those who have not been through this stage. This is not to say it cannot be done, but it may require greater effort.

Supply chain management (SCM)

As the customer is at the heart of CRM, the fulfilment of the entire buying process is necessary and thus SCM also overlaps with CRM. Increased complexity of contemporary supply chains raises the challenges of effective CRM implementation. Partner relationship management (PRM) is thus an important aspect of CRM.

Channel management

Effective integration of all customer touch-points is important in order to get a holistic view of the customer relationship. This presents a great IT challenge but an even greater organisational one which can require a different structure, employee skills and attitudes including empowered workers.

Total enterprise management

This refers to the non-IT aspects of CRM that are the necessary link between IT and output.

Innovation and continuous improvement

Incorporating new customer information into organisational CRM practice is dependent on a customer-focus culture and a capable CRM process which is able to assimilate and analyse data for interpretation by the organisation for effective and timely implementation. Furthermore this requires active data collection, active measuring and appropriate measurements. Data needs to be collected from *all* customer touch-points in order for this to be optimal.

Checklists

1. Checklist - sacking customers

	STEPS	PRACTICAL TIPS
1	Identify loss-making customers	Activity based costing (ABC)
2	Seek to change behaviour or automate services	This may the aim of your company's CRM strategy or an interim step to a future goal eg training packages on newly installed equipment, financial incentives, multi-buys to reduce handling costs
3	Use financial modelling to simulate the impact of sacking	Examine the impact of loss of revenue as well as costs: spare organisational capacity and risks / opportunity; do not forget the contribution of loss-making customers to overheads if full ABC not used in customer identification
4	Manage the de-marketing process to avoid negative publicity	Business review and comparative data of how certain needs better met by alternative supplier – specific recommendations Withdraw service with ample notice Problem resolution and recommendation Re-direct to wholesaler Establish priority system and explain Promotion silence – reduce communication and do not prompt renewals Discriminatory pricing
5	Apply the lessons to selecting new prospects and shape their behaviour	Feedback is critical to any improvement programme and organisational learning and this applies here.

Table 1. Source: Tony Cram(2000). Directions – the Ashridge journal.

2. Checklist - prospecting for profitable customers

Fifteen questions to ask:

- Is the prospective customer well prepared, have they conducted their own needs analysis? Are they experienced purchasers?
- Is this organisation seeking a supplier with complementary skills?
- Are they seeking full supplier qualification, references, accreditation?
- Do they require a high level of personalisation and not buying off the shelf?
- Are they service literate, asking for details of service and support?
- Do they place a high value on time?
- Are they brand aware and conscious of the image benefits you provide?
- Do they have a stable management team?
- Do you share a common culture, with similar values?
- Is a team of buyers involved who share agreed aims?
- Are they eager for multi-level involvement?
- Are they interested in experimenting, testing and learning with you?
- Have they been referred to you by an existing customer?
- Are they returning to you after a period of buying from a competitor?
- Can they demonstrate a pattern of long term relationships with other suppliers?

Development activities

Development activity 1

Assessing CRM needs and potential processes

	Agree	Unsure	Disagree
Customers do not have to give their details to each department each time they are transferred			
It is easy to transfer calls between departments			
Many employees can work in more than one department - sales, marketing, customer service, fault reporting etc.			
We clearly know which customers generate the greatest sales			
We clearly know which customers incur the most costs			
We clearly know who our most profitable customers are			
We have a clear definition for loyalty in the company			
We regularly measure loyalty			
We know who our most loyal customers are			
We take actions on profitable customers			
We take actions on loyal customers			
We understand why our loyal customers are loyal (this can tell you where your core competence or the most valued part of your proposition lies)			
We can cross-reference customer loyalty with profitability			
Totals			
		Overall total	

Source: Nina Wanendeya, Ashridge, 2001

Rate each agree as 3, unsure and disagree as 1. The maximum score is 39. Other questions may be added if they truly measure your company's CRM needs. The overall total should be assessed in the context of company strategy, resources and external competitive environment and can be used to set new targets and monitor progress.

Development activity 2

Assessing your current corporate CRM capability

Which of the following customer information systems do you have?

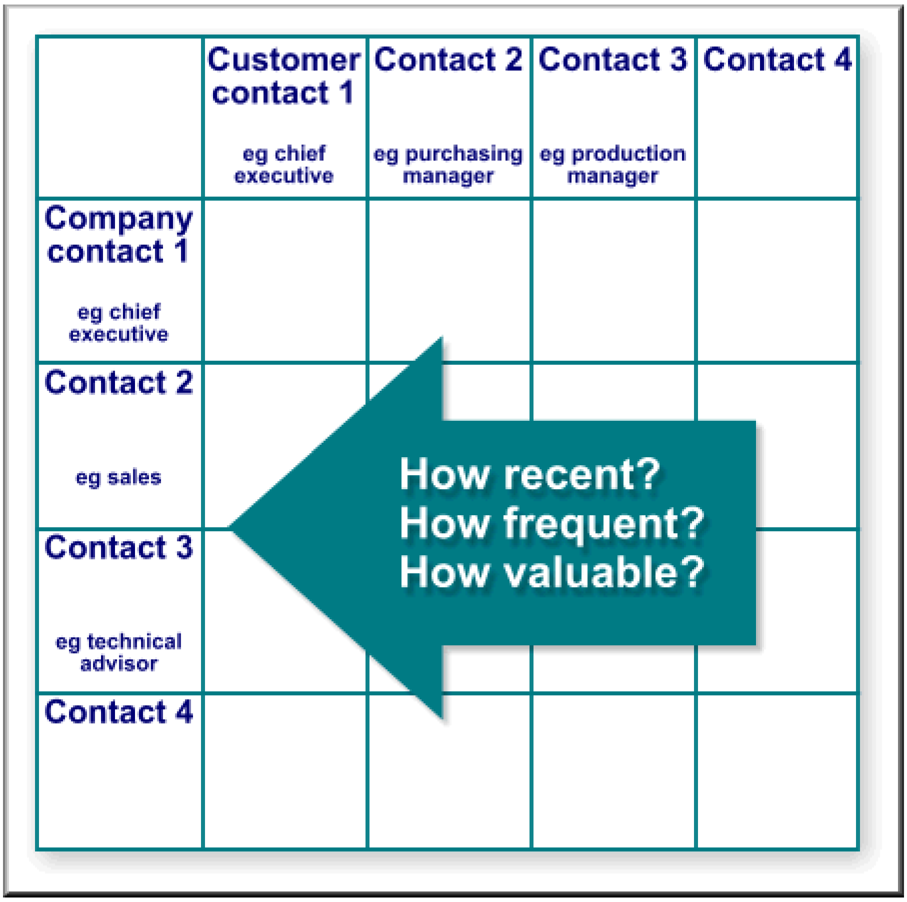
- Sales force automation system
- Loyalty card system
- Customer service
- Risk assessment (eg financial services)
- Internet shopping outlet
- Other

How well do you collect information from each?
How well do you use information from each?
These are some of your customer touch-points. Can you think of any others?

Development activity 3

Relationship mapping

This is an introduction to relationship management and applies to business to business connections. Identify all the contacts in your customer's organisation with whom your company will have dealings during the year. This may be by name or by department function. These names form one axis on the matrix. The names of all the employees who ever have contact with this customer form the other axis. Using a spreadsheet it is possible to establish where there is contact, its frequency and effectiveness.



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