

CRMs in the age of data

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1. Definition of CRM

CRM: acronym for "Customer Relationship Management"

A CRM is a software used to manage the commercial relationship between a company and its clients.

A CRM is part of the **information system** (IS) of the firm. The information system designates all software, human resources and procedures devoted to keep track of all info necessary to the business of the firm - from sales to production, etc.

The information system of a firm comprises many other blocks, besides the CRM:

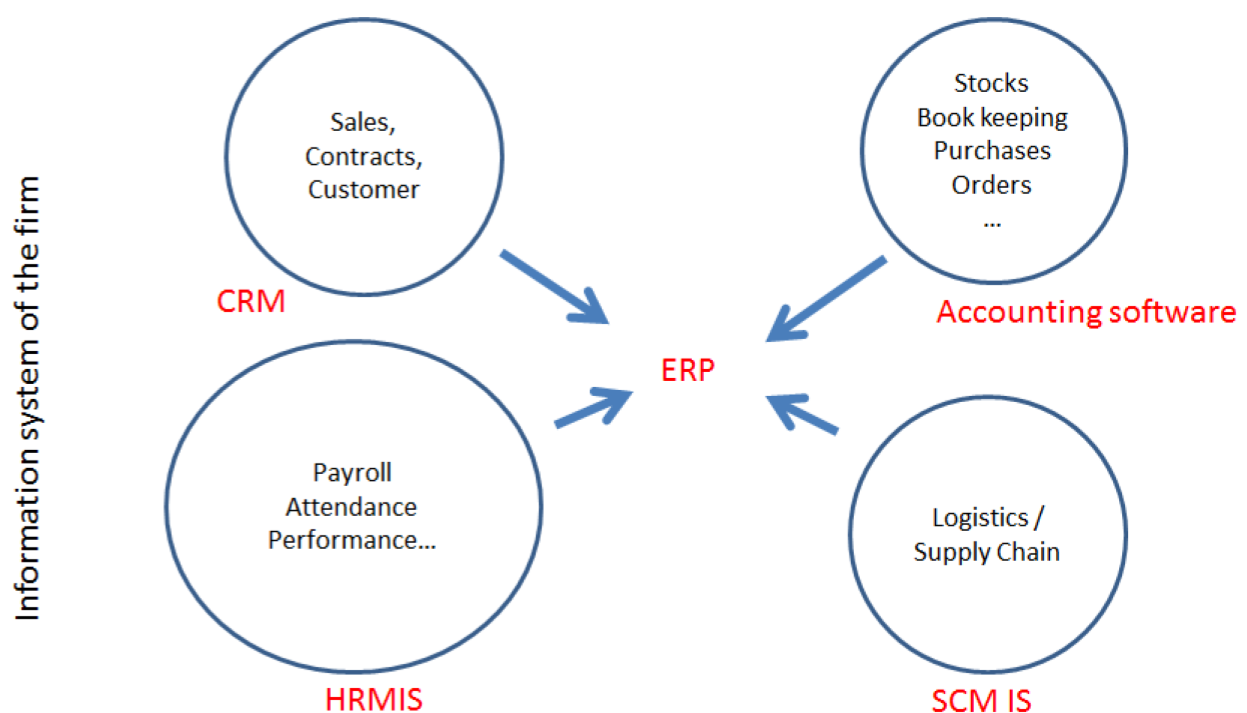


Figure 1. How a CRM integrates in the information system of a firm

Large companies often integrate these different blocks into an ERP, which is an even larger

software able to plug different parts together.

The role of CRMs is evolving, and we make the case that "big data" has transformed CRMs radically.

To illustrate, we will compare (and caricature a bit) a CRM from 2000 with a CRM of today:

2. CRMs - before

The name of the CRM - Customer **Relationship** Management suggests a kind of rich, personalized and human touch.

In practice, CRMs where used for more practical purposes:

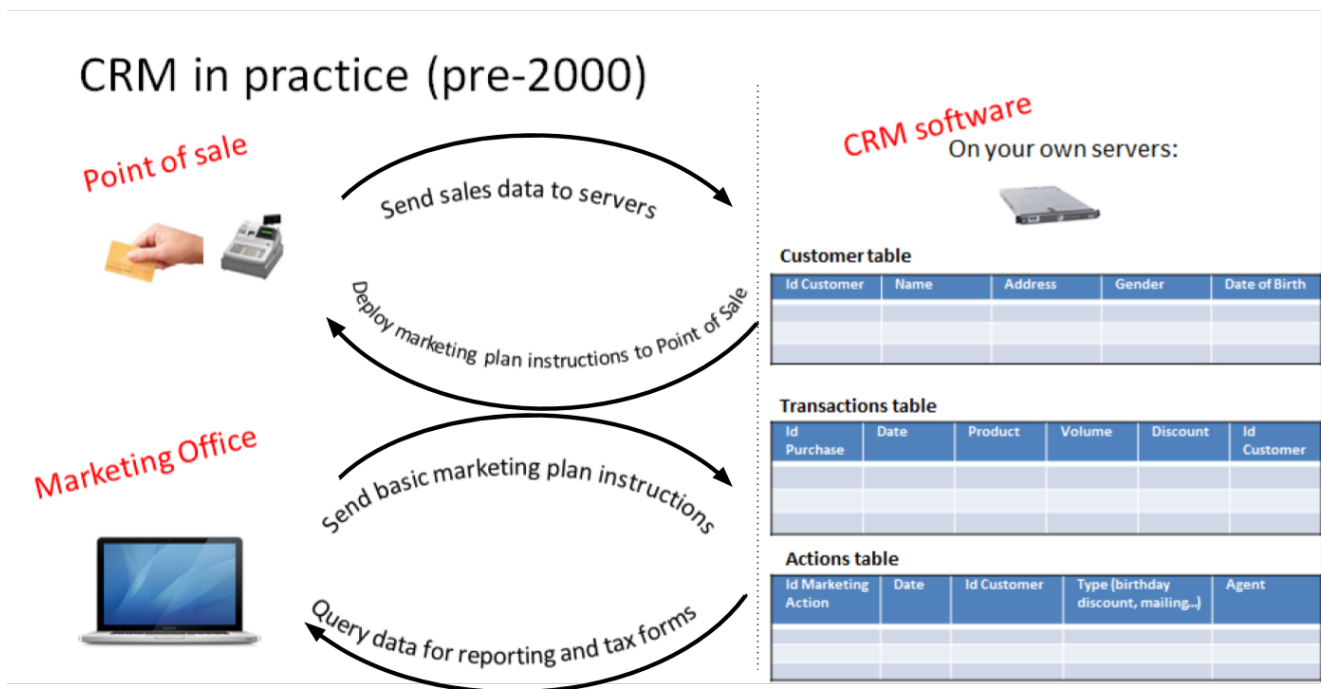


Figure 2. CRMs before the data revolution

We must imagine the CRM software as a tool which **supported the management of sales**, performing these 3 essential functions:

- measuring revenues, through the recording of sales transactions.
- controlling the performance of the sales persons, by registering which cashier, employee performed the sale, or at least the location of the shop.
- recording VAT collected, which is a legal obligation for tax declaration purposes.

Do you see the customer represented in these functions? Me neither.

The customer was not completely forgotten: CRM are used to run loyalty programs and campaigns:

a) loyalty programs

Loyalty programs afford discounts and special offers to its members.

They increase the share-of-wallet of the company implementing them: the amount of the customer's total spending that a business captures in the products and services that it offers.

A study performed on the loyalty programs run by 7 major supermarket chains in the Netherlands has found that

On average, a loyalty program enhances the net yearly revenues of a customer by € 163, but the effects vary between € 91 and € 236

source: [Leenheer et al. \(2007\)](#).

b) Direct mails and coupons

Customers registered in a CRM with their postal address (after joining a loyalty program) can be sent promotional material and coupons.

Using printed material prohibits the customization to the personal needs of the customers, since a printed catalogue is the same for every recipient.

This decreases the efficiency of direct mail campaigns.

3. The digital transformation, 2006-2015

Changes occurring in the past decade have transformed the landscape of the customer relationship. We should realize that for

a) Until 2006 only half of US and EU households, and 10% of the Chinese population, had Internet broadband access at home:

Home Broadband Use

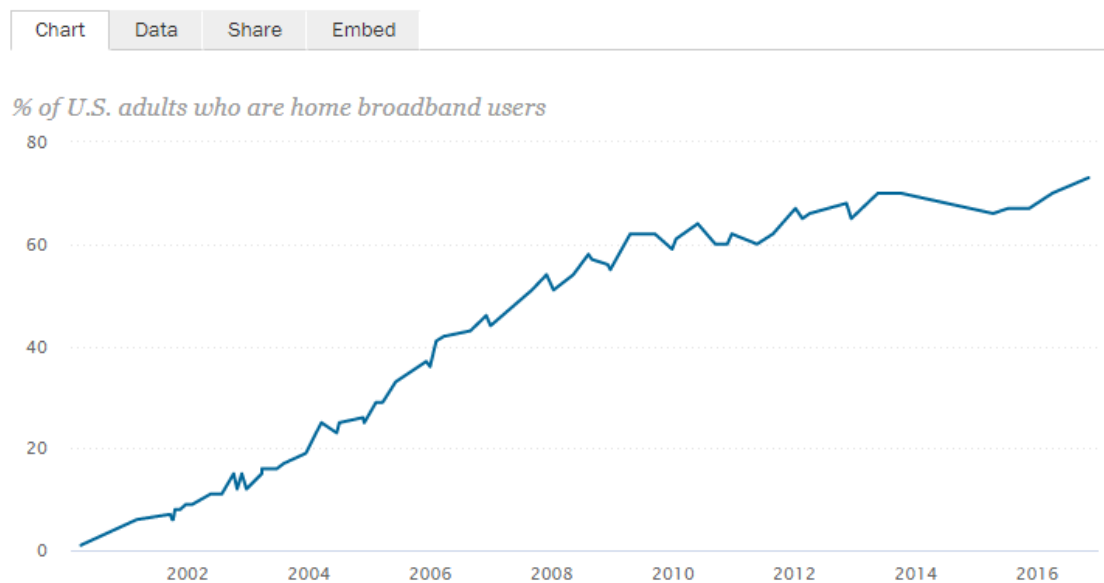


Figure 3. Home broadband use in the US

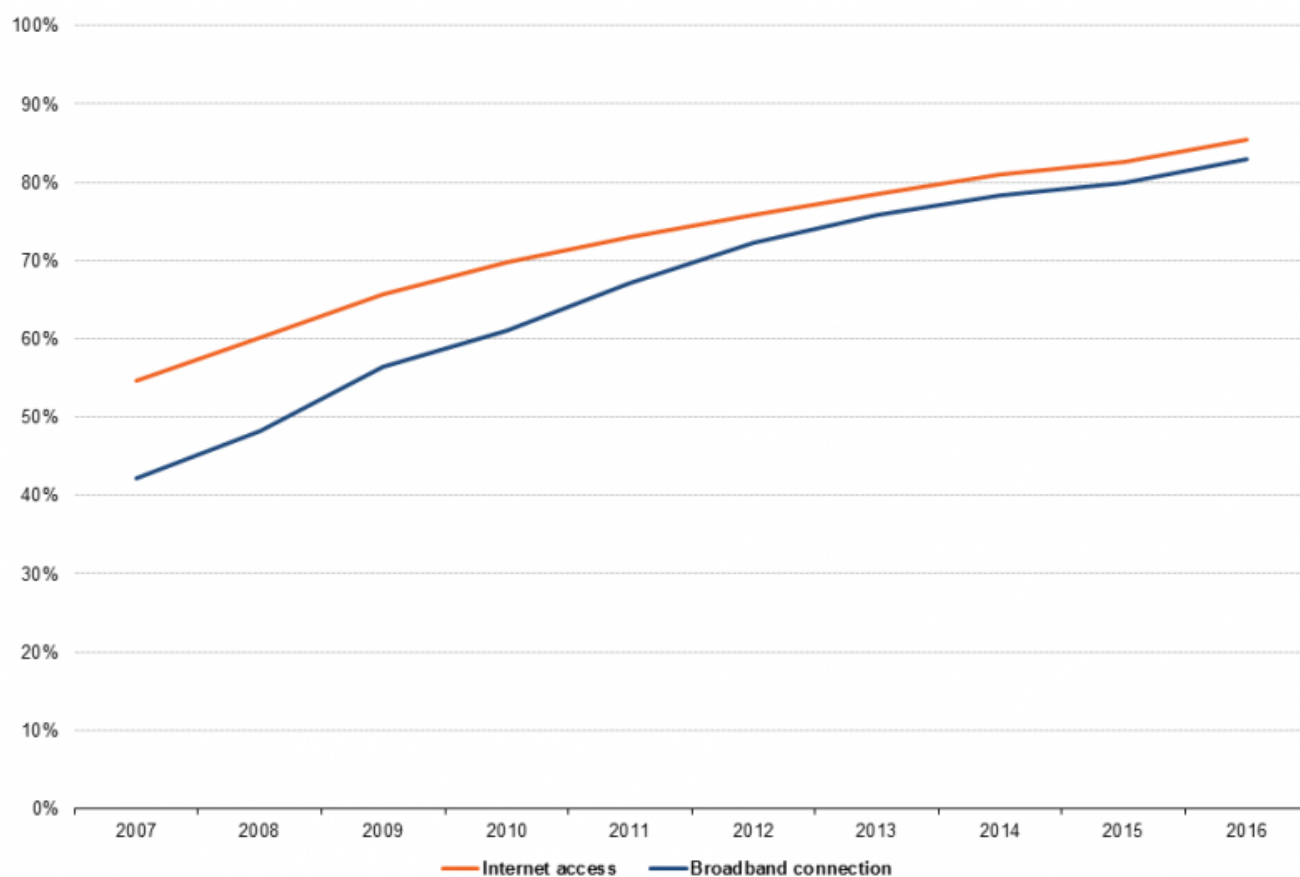


Figure 4. Households with internet access and with broadband connection EU-28, 2007-2016

source: [Eurostat](#)

Year	Internet Users**	Penetration (% of Pop)	Total Population	Non-Users (Internetless)	1Y User Change	1Y User Change	Population Change
2016*	721,434,547	52.2 %	1,382,323,332	660,888,785	2.2 %	15,520,515	0.46 %
2015*	705,914,032	51.3 %	1,376,048,943	670,134,911	4.6 %	30,782,246	0.48 %
2014	675,131,785	49.3 %	1,369,435,670	694,303,885	8.2 %	51,100,254	0.51 %
2013	624,031,531	45.8 %	1,362,514,260	738,482,729	8.8 %	50,701,259	0.53 %
2012	573,330,272	42.3 %	1,355,386,952	782,056,680	11 %	56,979,447	0.53 %
2011	516,350,825	38.3 %	1,348,174,478	831,823,653	12.3 %	56,398,548	0.54 %
2010	459,952,277	34.3 %	1,340,968,737	881,016,460	19.3 %	74,482,036	0.54 %
2009	385,470,241	28.9 %	1,333,807,063	948,336,822	28.6 %	85,638,157	0.54 %
2008	299,832,084	22.6 %	1,326,690,636	1,026,858,552	42 %	88,692,052	0.54 %
2007	211,140,032	16 %	1,319,625,197	1,108,485,165	52.9 %	73,013,038	0.54 %
2006	138,126,994	10.5 %	1,312,600,877	1,174,473,883	24.1 %	26,847,296	0.54 %
2005	111,279,697	8.5 %	1,305,600,630	1,194,320,933	17.4 %	16,483,866	0.54 %
2004	94,795,831	7.3 %	1,298,573,031	1,203,777,200	18.4 %	14,723,731	0.55 %
2003	80,072,100	6.2 %	1,291,485,488	1,211,413,388	35.7 %	21,047,175	0.56 %
2002	59,024,926	4.6 %	1,284,349,938	1,225,325,012	75.1 %	25,311,609	0.56 %
2001	33,713,316	2.6 %	1,277,188,787	1,243,475,471	49.5 %	11,159,670	0.57 %
2000	22,553,646	1.8 %	1,269,974,572	1,247,420,926	152.2 %	13,611,260	0.58 %

Figure 5. China Internet Users, 2000-2016

source: Internetlivestats.com

b) Smartphones as we know them appeared just in 2007



Figure 6. Steve Jobs presenting the iPhone in 2007

c) Until 2009 social media was just taking off

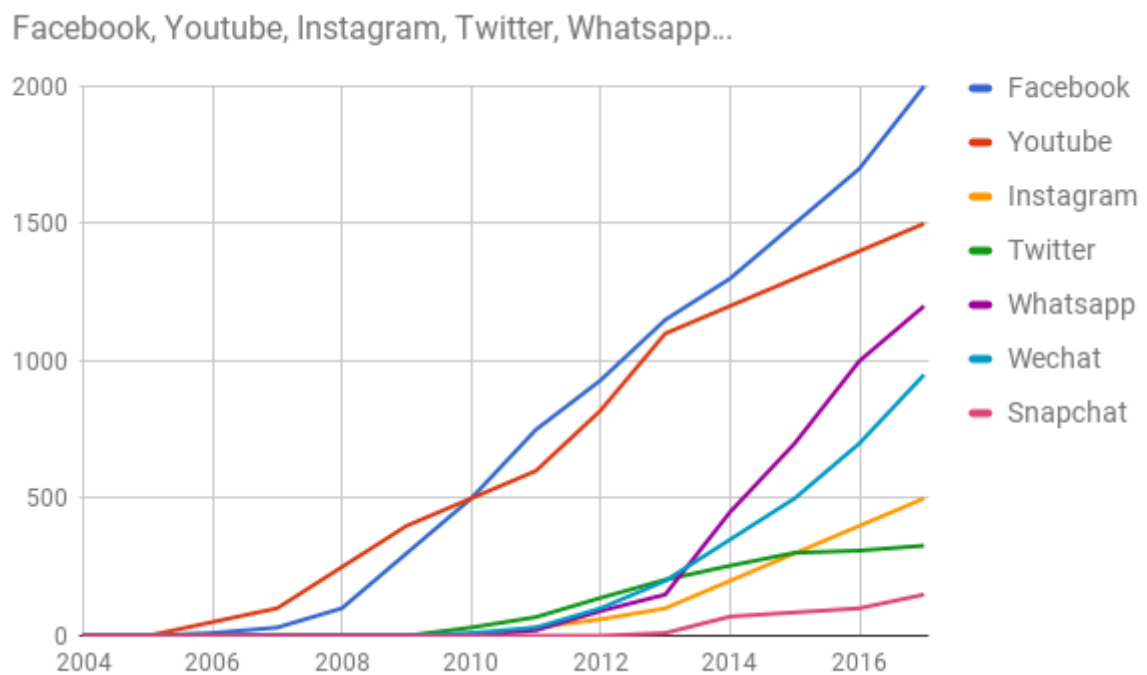


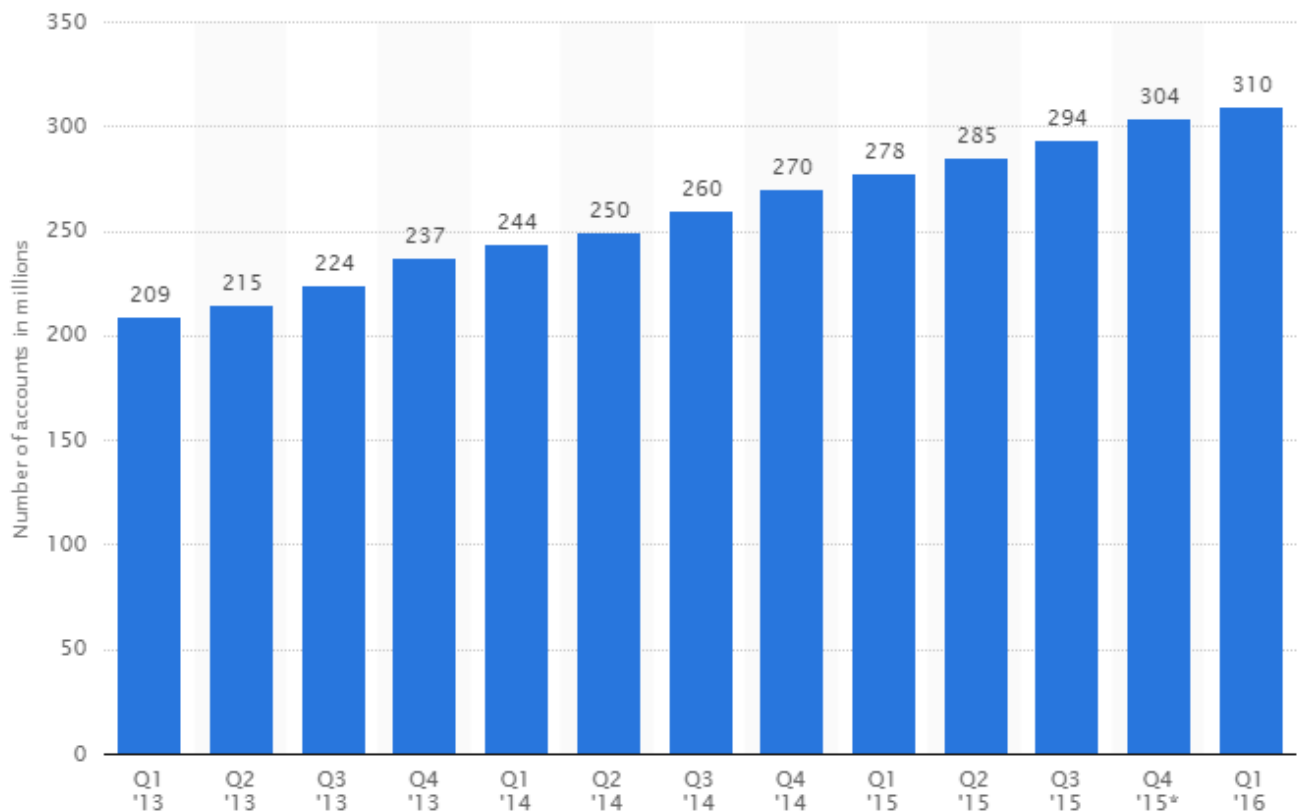
Figure 7. Growth of social media usage, 2004-2017

d) Online retail is growing at a steady pace

Together, Alibaba and Amazon have tripled customers in 5 years, nearing 900 million customers in 2017:



Figure 8. Active consumers on Alibaba, 2012-2017



© Statista 2017

Figure 9. Active consumers on Amazon, 2012-2016

3. Result of this digital transformation: the customer relationship and CRMs have evolved

- Community Management is not optional
- Community Management is not optional

Data-driven and also curated by editors, customer service specialists and evangelists

Interactions have become personal and 2-ways ... and this is not just about customers writing on blogs: Push notifications on mobile, personal emails and calls, geolocalized ad displays, real time conversations on Twitter and Facebook.

Seamless customer experience in a cross-channel environment is a default With channels multiplying, customers elevate their expectations as to the quality of service companies should provide. Discovery, ordering, delivery, after-sales servicing: all integrated.

The end

Find references for this lesson, and other lessons, [here](#).



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