Marketing
MKTG 1310

2.2

CRM and B2B/B2G

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Agenda

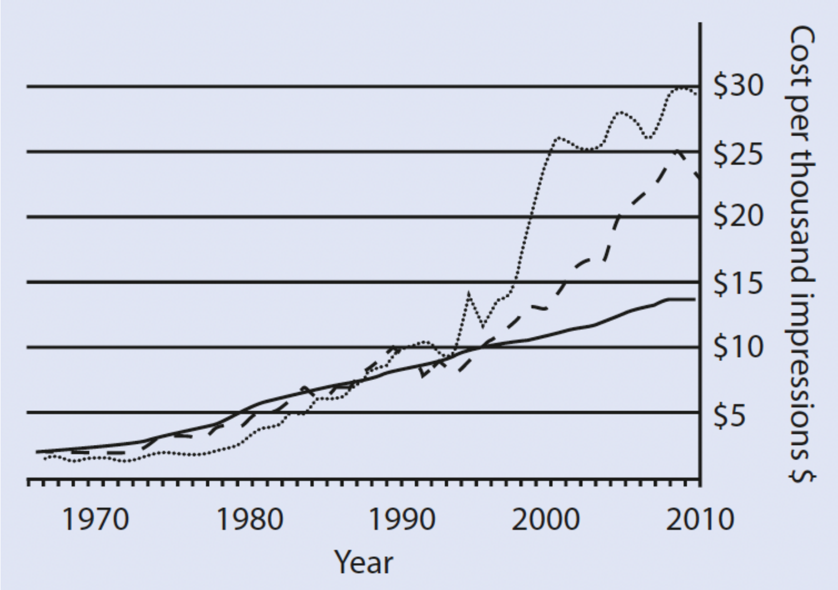
- Conceptual foundations of CRM
- Strategic CRM
- Analytical CRM
- Operational CRM
- B2B
- B2G

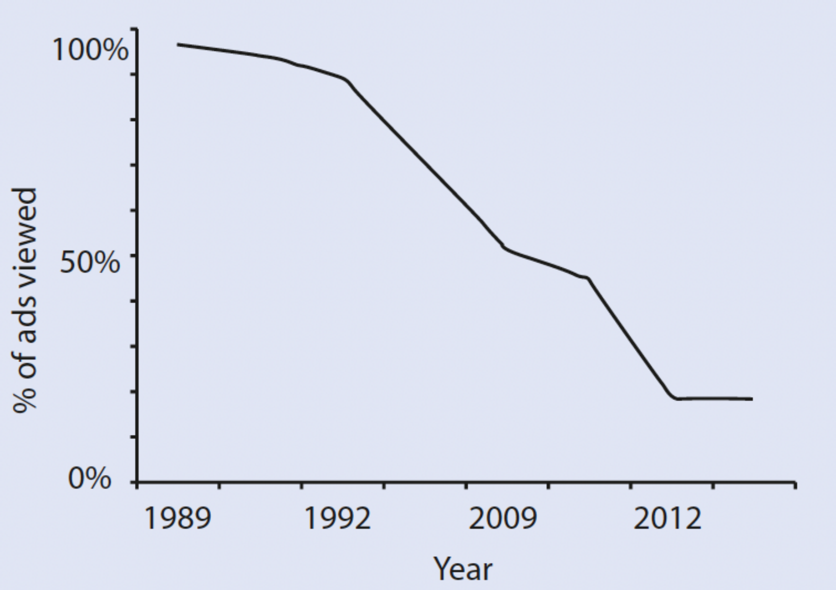
Conceptual foundations of CRM

- Changes in customers, marketplace and marketing function
  - Aging population
  - Increased use of SM and apps
  - Real-time data
  - Rise of convenience and and self-service consciousness
  - increased demand for experience and authenticity
  - Rise of health and sustainability consciousness
  - Media dilution and channel multiplication
  - Decreasing marketing efficiency

Conceptual foundations of CRM

- Changes in customers, marketplace and marketing function





Conceptual foundations of CRM

- Evolution and growth of CRM
  - 1st generation (Functional) - Around 1990 - sales and services
  - 2nd generation (Customer-facing) - Around 1996 - customer retention
  - 3rd generation (Strategic) - Around 2002 - entire organization
  - 4th generation (Agile and flexible) - Around 2008 - cost reduction and competitive advantage
  - 5th generation (Social) - Around 2015 - customer engagement and experience

Conceptual foundations of CRM

- Concepts of customer value
  - When we talk about value to the customer at the end of the day we always talk about perceived customer value. Perceived customer value, in turn, can be deconstructed into perceived benefits and perceived costs.

Conceptual foundations of CRM

- Concepts of customer value
  - The value that firms derive from their customers has traditionally been referred to as customer lifetime value (CLV). It is the present value of future profits generated from a customer over his or her life of business with the firm; it takes into account revenues as well as costs.
  - The total value derived from its entire customer base is called customer equity (CE)

Conceptual foundations of CRM

	Short-term customers	Percentage of customers	Long-term customers	Percentage of customers
High profitability	Corporate service provider	20%	Corporate service provider	30%
	Grocery retail	15%	Grocery retail	36%
	Mail-order	19%	Mail-order	31%
	Direct brokerage	18%	Direct brokerage	32%
Low profitability	Corporate service provider	29%	Corporate service provider	21%
	Grocery retail	34%	Grocery retail	15%
	Mail-order	29%	Mail-order	21%
	Direct brokerage	33%	Direct brokerage	17%

Strategic CRM

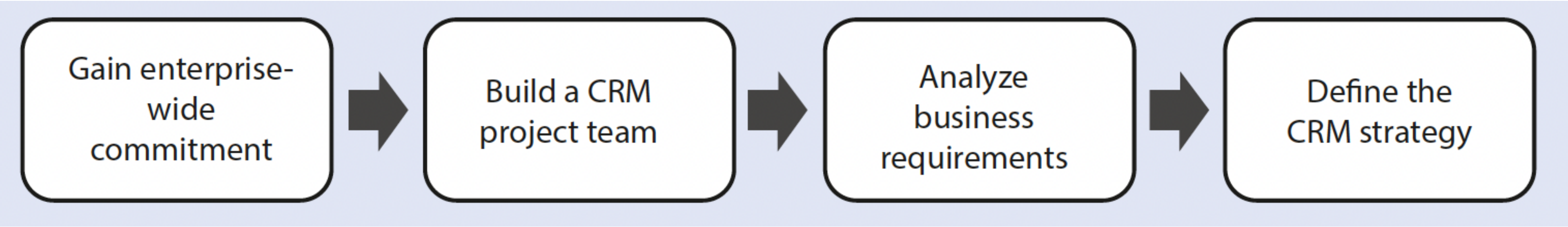
- ***Developing a CRM strategy***

Usually three levels:

1. Operational
2. Analytical CRM
3. Application

Strategic CRM

- Developing a CRM strategy
- ***Implementing a CRM strategy***



Strategic CRM

- Developing a CRM strategy
- Implementing a CRM strategy
- ***Effectiveness of CRM implementation***

Q. Do you have systematic testing in place to rationalize product development and marketing spending?

Q. Do processes continually align customer needs and customer value with the product/service offering?

Q. Does your CRM system provide feedback and improve on the learning from past interactions?

Strategic CRM

- Developing a CRM strategy
- Implementing a CRM strategy
- Effectiveness of CRM implementation
- ***Why do CRM efforts fail?***

1. Assumption that CRM is a software tool that manages customer relationships for you.
2. Implementing CRM before having a CRM strategy.
3. Poor match between CRM system and organizational processes.
4. Resistance from employees.
5. Poor data quality.
6. Low «actionability» of the information.

Analytical CRM

- ***Traditional marketing metrics***

Market Share (MS) is one of the most common metrics for measuring marketing performance.

It is defined as the share of a firm's sales relative to the sales of all firms—across all customers in the given market.

MS is an aggregate measure across customers. It can be calculated either on a monetary or a volumetric basis.

Sales Growth of a brand, product, or a firm is a simple measure that compares the increase or decrease in sales volume or sales value in a given period to sales volume or value in the previous period.

Hence, it is measured in percent.

Analytical CRM

- Traditional marketing metrics
- ***Customer acquisition metrics***

To describe the success of the acquisition campaign, a key performance indicator is the **Acquisition Rate**, i.e., the proportion of prospects converted to customers.

It is calculated by dividing the fraction of prospects acquired by the total number of prospects targeted.

Acquisition Cost (AC) is defined as the acquisition campaign spending divided by the number of acquired prospects.

Analytical CRM

- Traditional marketing metrics
- Customer acquisition metrics
- ***Customer activity metrics***

Retention rate is defined as the average likelihood that a customer purchases from the focal firm in a period (t), given that this customer has also purchased in the period before (t − 1).

The **defection rate** is defined as the average likelihood that a customer defects from the focal firm in a period (t), given that the customer was purchasing up to period (t − 1).

Average Inter-Purchase Time (AIT) is the average time elapsing between purchases. It is measured in terms of specific time periods (days, months, etc.). It is computed by taking the inverse of the number of purchase incidences per time period.

Analytical CRM

- Traditional marketing metrics
- Customer acquisition metrics
- Customer activity metrics
- ***Customer-based value metrics***

Size of Wallet is the amount of a buyer's total spending in a given category—or, stated differently, the category sales of all firms to that customer. The size of wallet is measured in monetary terms.

Share of Category Requirement (SCR) is defined as the proportion of category volume accounted for by a brand or focal firm within its base of buyers.

Share of Wallet (SW) is defined as the proportion of category value accounted for by a focal brand or a focal firm within its base of buyers.

RFM stands for recency, frequency, and monetary value. This technique utilizes these three metrics to evaluate customer behavior and customer value

Analytical CRM

- Traditional marketing metrics
- Customer acquisition metrics
- Customer activity metrics
- ***Customer-based value metrics***

Past Customer Value (PCV) is a metric which assumes the results of past transactions are an indicator of the customer's future contributions.

The general term used to describe the long-term economic value of a customer is **Lifetime Value (LTV)**, also referred to as the **Customer Lifetime Value (CLV)**. In very simple terms, it is a multi period evaluation of a customer's value to the firm in net present value.

We can aggregate the LTV measure across customers. The resulting quantity is the **Customer Equity (CE)**. This metric is an indicator of how much the firm is worth at a particular point in time as a result of the firm's customer management efforts.

Operational CRM

- ***Loyalty programs***

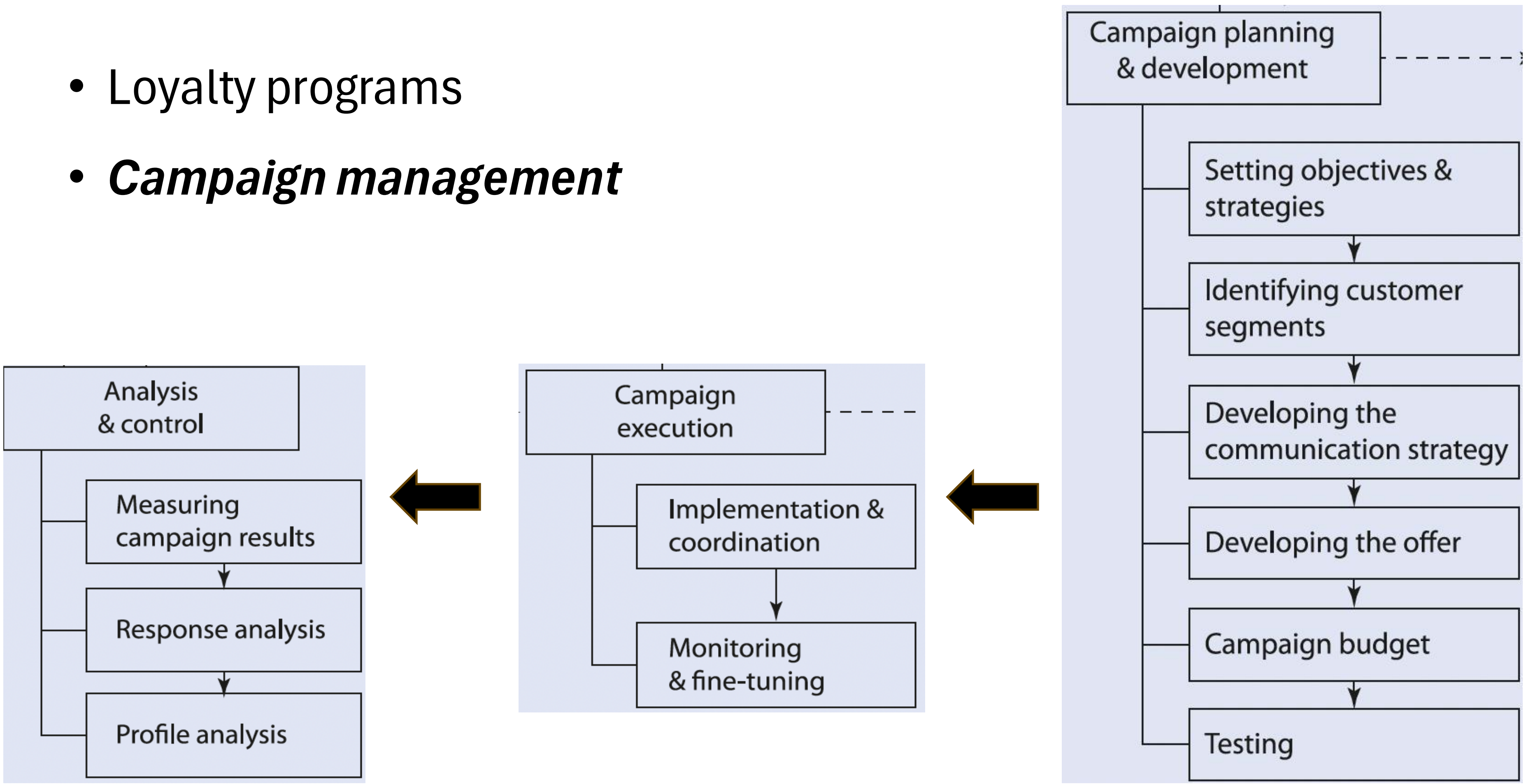
The key objectives of introducing LPs consist of four categories:
1. Building true (attitudinal and behavioral) loyalty
2. Efficiency profits
3. Effectiveness profits
4. Value alignment

Broadly speaking, **behavioral loyalty** refers to the observed actions that customers have demonstrated toward a particular product or service.

Attitudinal loyalty instead refers to a customer's perceptions and attitudes toward a particular product or service.

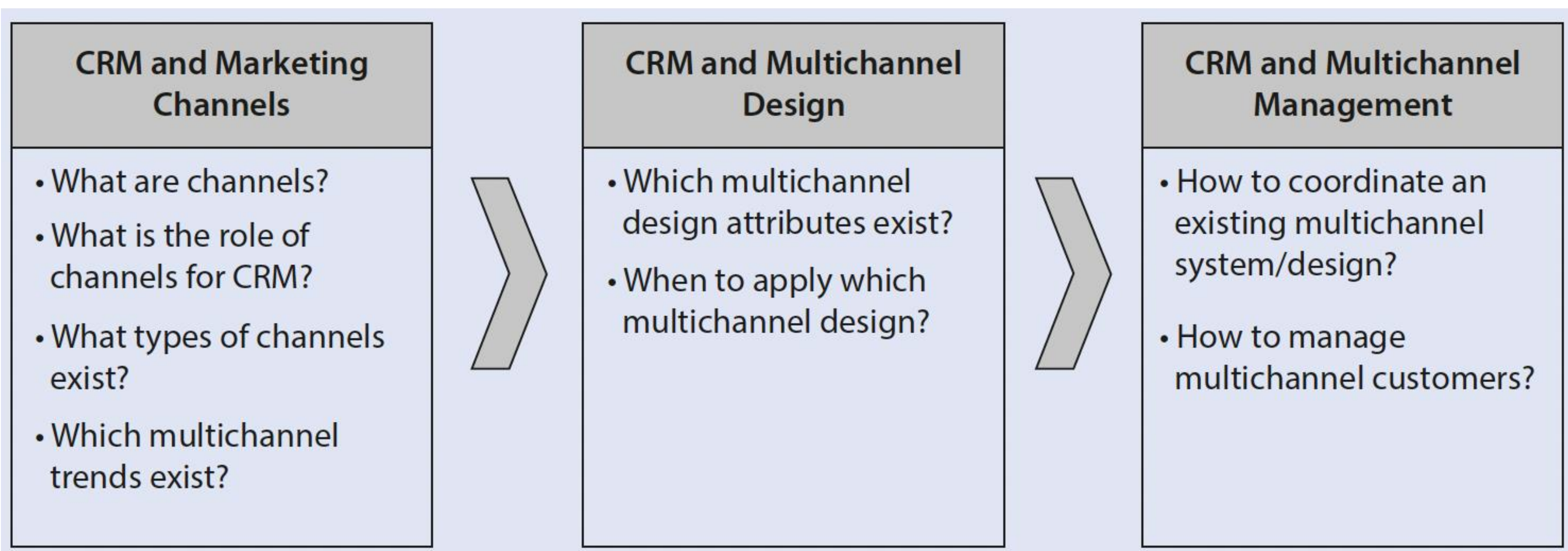
Operational CRM

- Loyalty programs
- ***Campaign management***



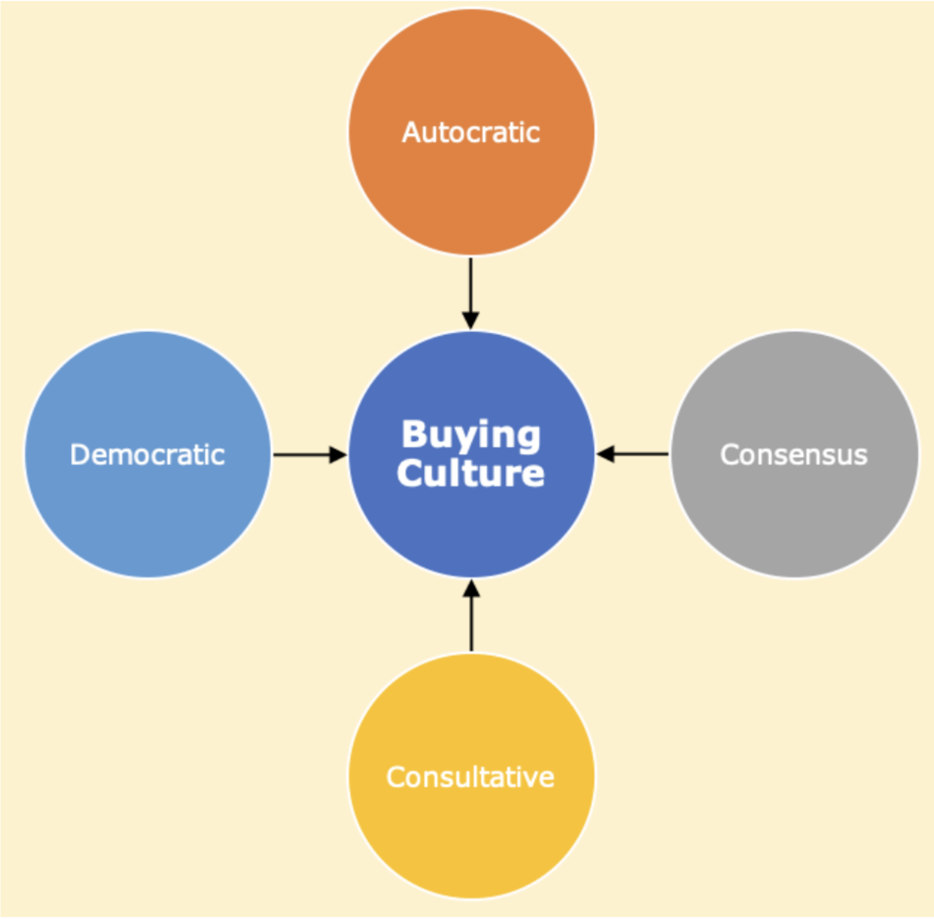
Operational CRM

- Loyalty programs
- Campaign management
- ***Impact on marketing channels***



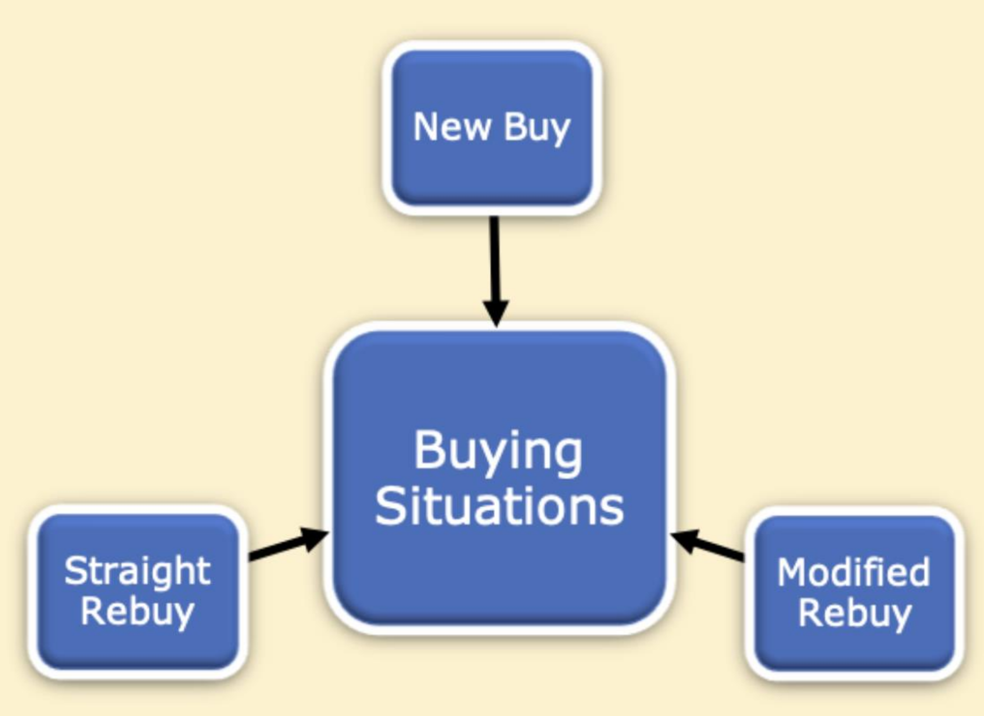
B2B

- ***Buying behaviors***



B2B

- Buying behaviors
- ***Types of purchases***



B2G

- ***Scope***

More than 60% of Fortune 1000 companies are active on the B2G market, with government customers generally having a positive impact on a firm’s value.

B2G

- Scope
- ***What research says***

Unique characteristics that differentiate B2G exchanges from commercial exchanges include procurement mission; regulations and oversight; scale, scope, and planning horizon

A firm's government customer emphasis (firm revenue dependence on B2G relationships) exerts a positive nonlinear effect on firm value but also increases firm risk (idiosyncratic and systematic).

Deep B2G relationships give firms key customer domain knowledge and insights.

Josephson et.al (2019)