# 06.Customer Relationship Manager

The purpose is to manage a relationship for the customer lifetime to gain the maximum customer lifetime value. The ideal is that a customer never switch company. The CRM tries to maximise this value and tries to extract it at much as possible(loyal customer, the leave of a customer is not wanted from a company prospective). The cost is distributed on a larger amount of customer than the one we'll get, we have to make the customer stay for an amount of time to at least reach the break even point.

Operational CRM with different distribution channels: shops/agencies, sales force, call center, mobile, mail…
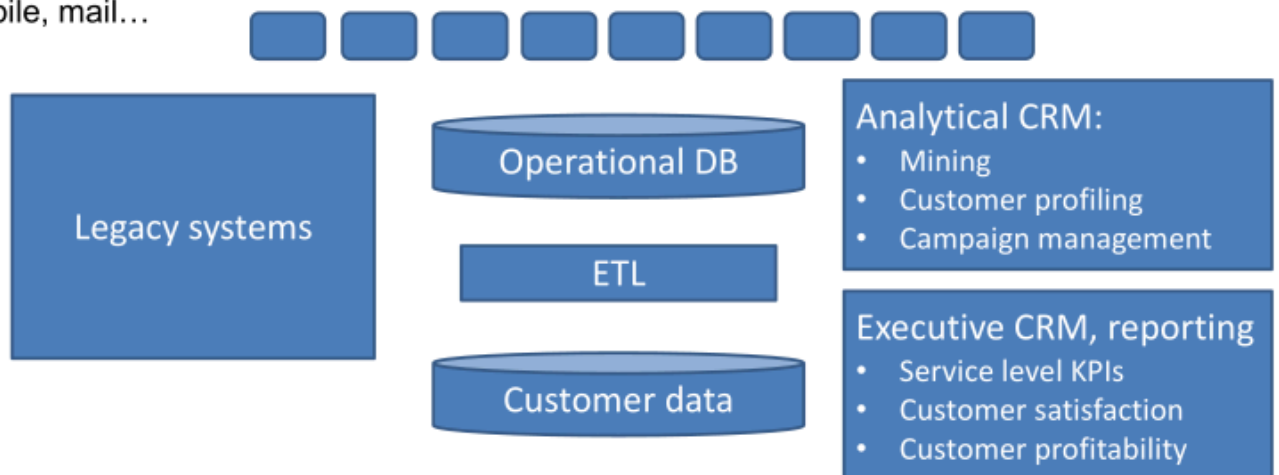
- Multi-channel integration ensures cross-channel service consistency
- Value extraction from customer data with analytic CRM
- Customer understanding and monitoring with executive functionalities
  No managing(so if the products don't satisfy the customer you won't survive, you have to be good enough to be competitive). You want to put a product on the market as fast as possible but it has to have a good enough quality.
  The first transaction with a customer takes place on the web nowadays. The experience starts from the web, you search reviews, blog and information about a product and then you interact with the company to start the economic transaction. Also the end of the transaction is through the web with the same exact modus operandi.
  Sales is a person to person relationship. Marketing is advertising, make people interested in your product.
  You need data consistency to make the marketing part reliable and not lie to the customer. You need a consistent core to have a good workflow. To share information you need same concept of data, everything has to be integrated, the customer has to have the same experience from every medium they are interacting with.

Multichannel Integration

The intranet everyone see at one point has to be the same for external and internal people(one interface). Multiple channels on top of the structure to communicate, even if we have a complex

transaction. Different channels have different power during a transaction. Design every part of your service and which channel is using at the same time to optimise the outcome and the transaction flow. You need a correct front end, look at the information and see if there could be something to improve(Analytical CRM).

Analytical CRM – Mining

Mining refers to data analysis with the goal of discovering insights that are relevant for business management.
Mining can be performed with any technique: descriptive statistics (e.g. mean values), data visualization techniques (e.g. plotting data on a bidimensional chart), statistical correlations (e.g. correlating IT investments with sales). More recently, also with machine learning techniques.
Why mining data?

- Several companies have huge operational databases embedding new knowledge (KM information process)
- Data mining is used to extract patterns
- Patterns should be explained by summarizing findings in an intuitive way (e.g. simple statistical indicators, recurring associations, etc.)
  You also need to understand what your manager needs.

Analytical CRM – Mining Example
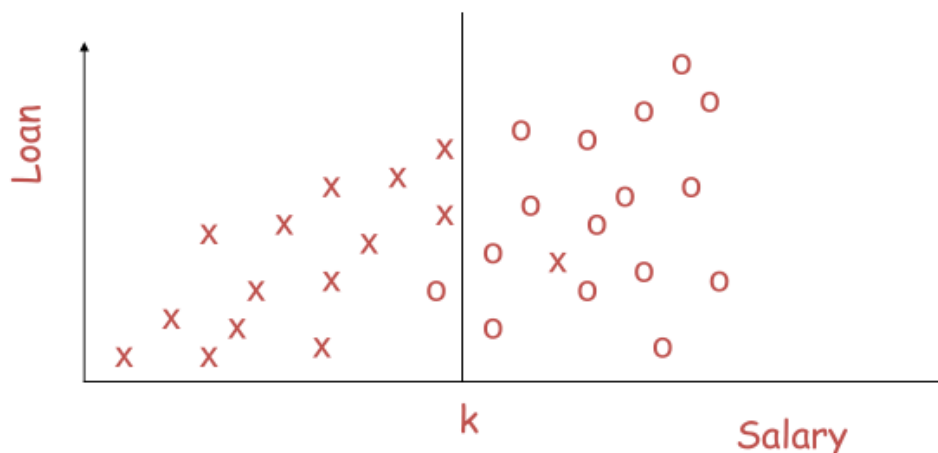
IF salary $< k$ THEN the probability of missing payments is greater than p (e.g. > 0.1)
Probability p represents the risk that the bank is willing to take
Probability p is estimated with statistical techniques (e.g. by calculating the frequency of missing payments for customers with salary below threshold k

Analytical CRM – Customer profiling

Example of behavioural analysis: *customer segmentation*

Customers who can be traced (with a loyalty card) can be segmented according to different dimensions:
- Loyalty, from the analysis of their purchasing habits, such as frequency, recency and expenditure.
- Price sensitivity, such as up, low and mid market.
- Lifestyle, that is the behavioural orientation of customers along different dimensions, such as «business», «casual», «classic», «vintage» or «sports wear»

Customer segmentation represents the basis for targeting promotions, by:
- Targeting a segment or a mix of segments.
- Using the *average* characteristics of a segment to complement the knowledge on individual customers

Tries to design something around the customer needs(usually impossible to do at 1:1 level, there needs to be compromise). This lead to customer segmentation, you divide customers along different dimensions.

Analytical CRM – Campaign management

Tries to reach customer and tries to propose and sell your product. Try to promote yourself with articles, advertising campaign etc...
Campaign management is a set of functionalities that support marketing campaigns.
Campaigns have four fundamental phases and related functionalities:
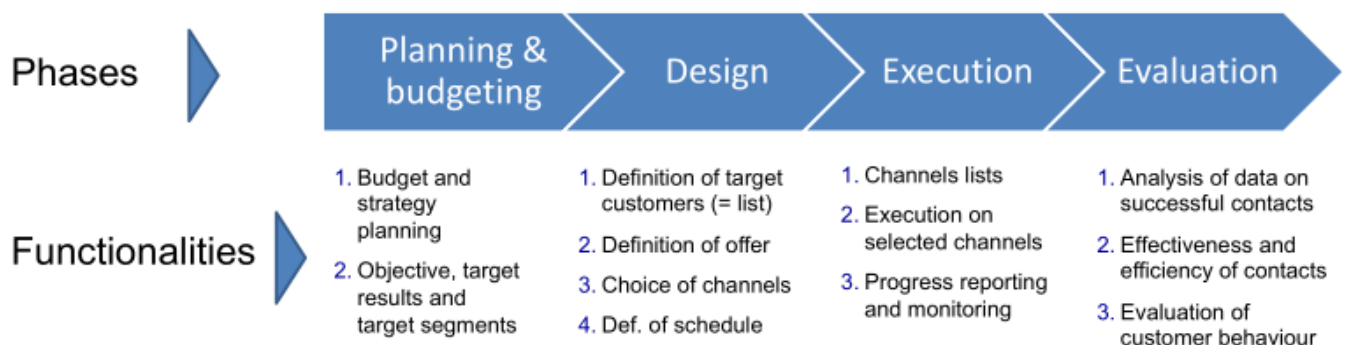
Operational CRM – Sales Force Automation (SFA)

The idea is that a Salesforce is people visiting customer. It is very expensive but it is capable of taking and ensuring customer loyalty(being a good sales person is a skill, they have an impact on the company). Their issues are costs and capabilities. You need to make people loyal to the brand and not to the sales agent.

Sales process on physical channels
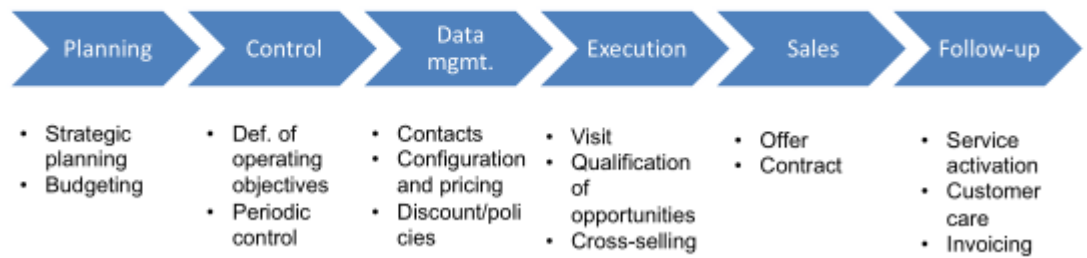
CRM provides the data that allow the definition of individual incentive systems. The sales force must have access to all information on customers, including invoicing.

Physical channel: performance indicators (KPIs):

- Effectiveness: Overall effectiveness= Contracts/Opportunities, Effectiveness of contacts = Contacts /Contracts, Investment in contacts= Contacts/Customers
- Efficiency: Productivity= Sales (in €)/ number of sales people, Unit costs= Cost of sales force (in €) / Contracts (number)
- Service level: Customer satisfaction = Value/Price, Churn = Lost clients (number or sales in € or life-time value) / Total number of clients (number or sales in € or life-time value), Retention = Loyal clients (number or sales in € or life-time value) /Total number of clients (number or sales in € or life-time value)

  The physical channel is expensive, it is suitable for «rich» products, especially B2B

  The sales force tends to become the «owner» of data on customers

  Insurance:

- Agencies and agents.
- Agents have an end-to-end responsibility of their customers, from contact to post-sale and invoicing.
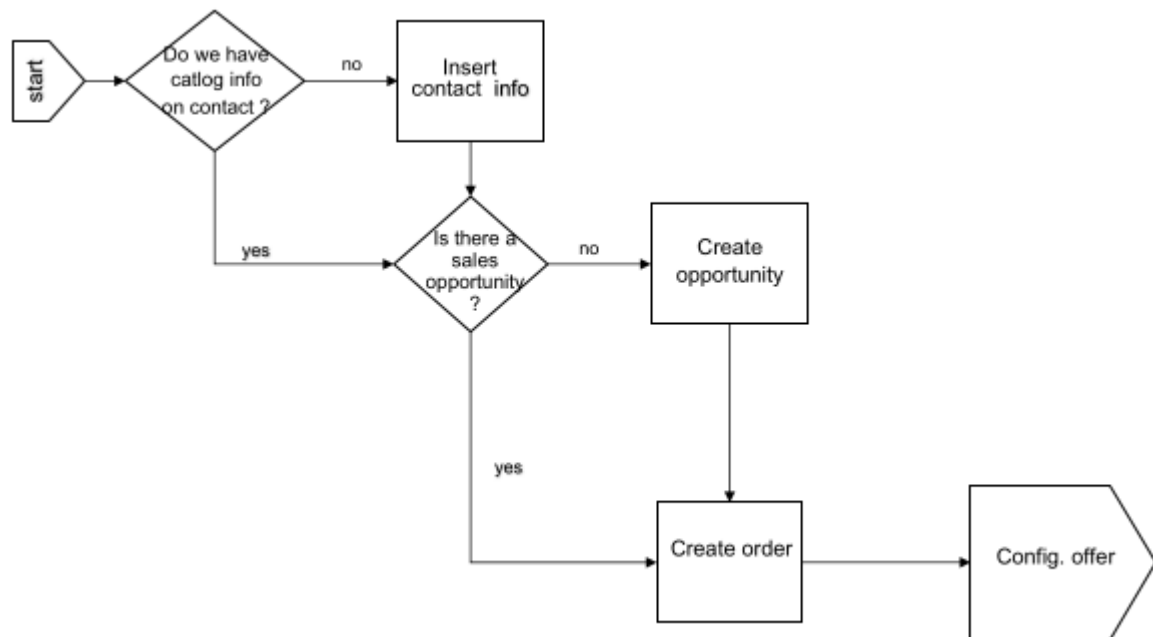
  Finance:

- Agents are more and more focused on private banking and consulting (value-added services)
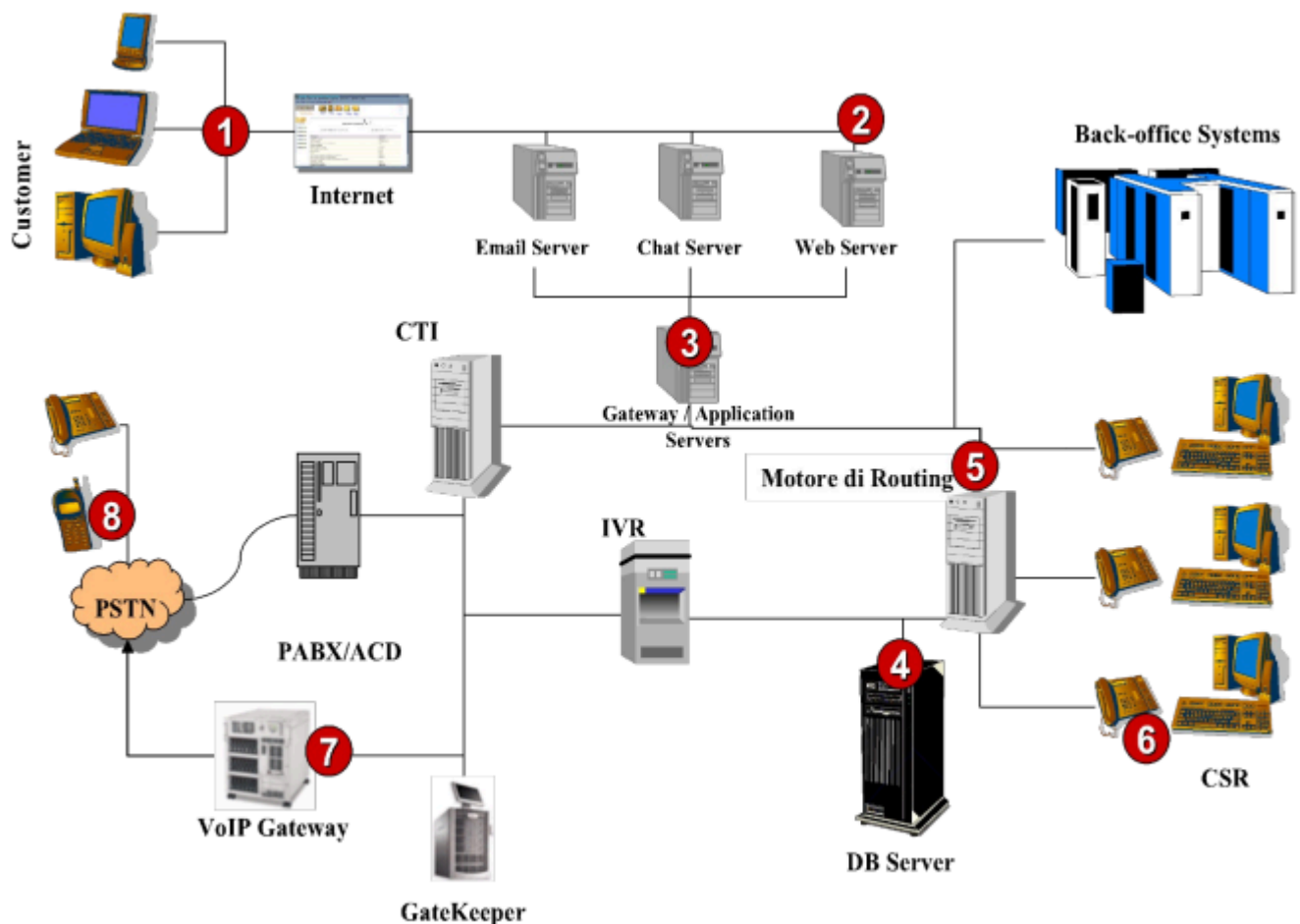
  Telephone companies

- Agents are limited to B2B
- Service is custom designed in B2B.

Definition of opportunities

Channel: Call center

Old type of channel.

It started with a base architecture of an operator with a phone and paper directories to give information. Now technologies changed with introduction of PDFs or online catalogue for the operators. You can arrive at full automation where there are chat bots that answer to basic questions but there is an operator that can talk to the customer if the bot isn't giving the right

answer. That has a good impact on the cost of the call center as the 80% of the questions are simple and so you can utilise the less expensive operator to handle them.

The cost of the call center is a function of:

- Number of calls in the time unit
- Target level of service (waiting time and effectiveness in problem solving)
  The level of service is specified in a document called SLA (Service Level Agreement).
  Typical performance indicators:
- First call resolution (effectiveness)
- Percentage of calls with waiting time lower than x (e.g. 15 seconds)
- Average call time (efficiency)
  You also need to size the call center correcttly also based on seasonality having a target waiting time and base the call center personnel based on this indicator. You use inbound and outbound calls to fill the operators worktime.