

Customer service

**Excellent**



**Poor**



### III. CRM INTO DETAIL

“The customer is KING”



# CRM

WHAT? Customer Relationship Management

WHY? Offering optimal service towards customers and allowing customer self service options

“It is 6-7 times more expensive to gain a new customer than retain an existing customer.” (Harvard Business Review)



# Why CRM?

“It is 6-7 times more expensive to gain a new customer than retain an existing customer.” (Harvard Business Review)

- Customer acquisition
  - Acquiring new customers → How?
- Customer retention
  - Avoiding customer churn
- Long life customers
  - Buy more per year
  - Buy higher priced options
  - Are less price sensitive
  - Are less costly to serve
  - Are more loyal
  - Have a higher lifetime value



# What causes churn?

- Product Dissatisfaction 14%
- Price 9 %
- New personal relation 5 %
- Moving 3 %
- Death 1 %
- Indifference 68 %

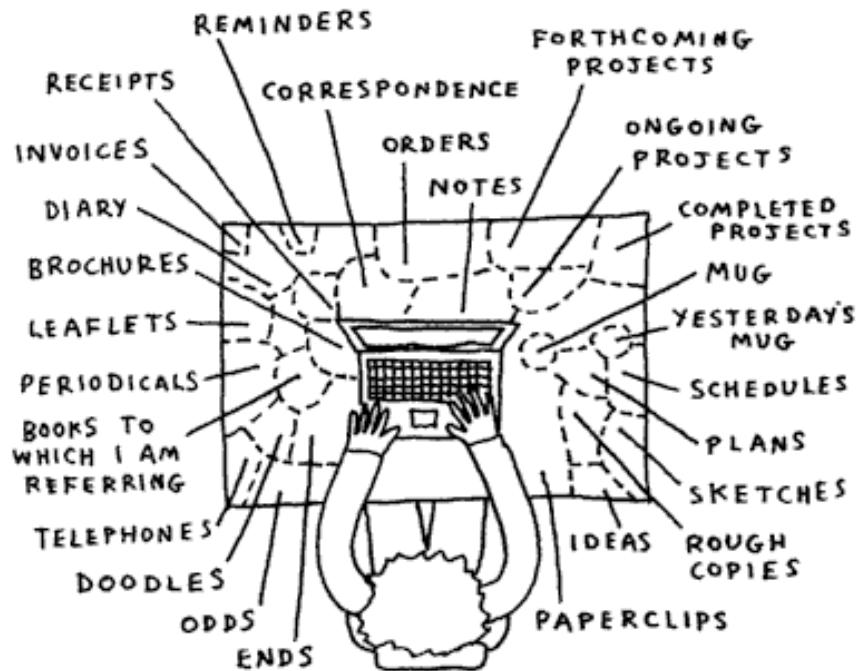
*Source: McKinsey Quarterly*

# How to avoid churn?

“Less than 10 percent of enterprises have a single, integrated view of their customers, which is the critical milestone for achieving customer loyalty.” - Gartner Group -

## HOW I ORGANISE MY DESK

THE AREAS ARE ALLOTTED THUS:



## The importance of an all-round view and integrated data

It is crucial to have a 360 degree view on your customer. Integrated information will lead to an integrated approach, but requires integrated data.

- Avoid islands in your company, each with their own data
- Integrate processes that are connected and influence each other (sales quantities, available stock, prices, preferences...)
- ICT can support this



# Enhanced 360° View of the Customer



## Treasure Hunting?

Struggling to find the right information across scattered sources drains the productivity of your customer-facing professionals and frustrates customers.

- 1 Need to enable **CUSTOMER-FACING PROFESSIONALS**

## Jumping Ship?

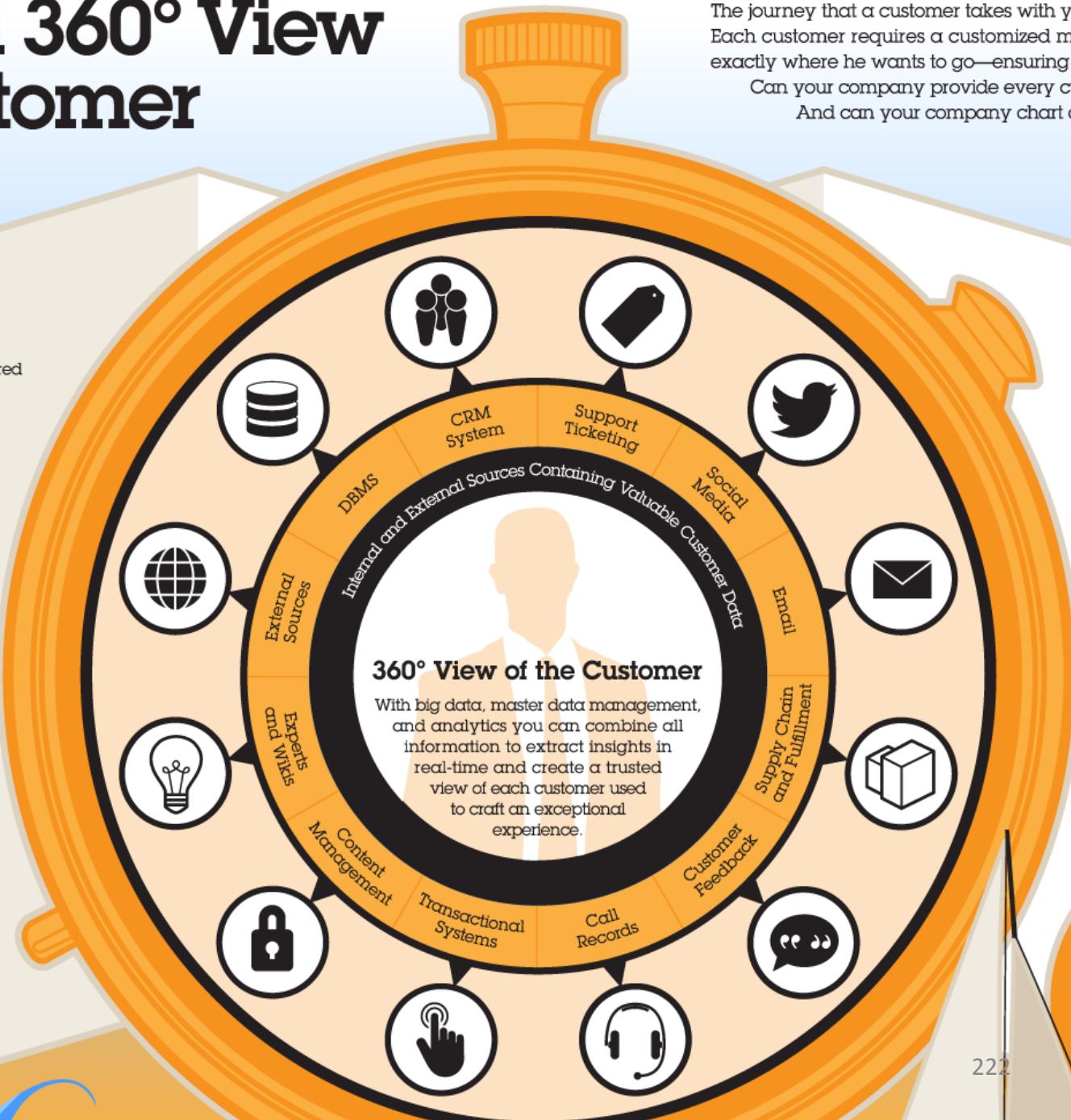
Failing to meet customers' growing expectations negatively impacts your bottom line as high-value customers respond with disloyalty and defection.

- 2 Need to understand **THE INDIVIDUAL CUSTOMER**

## Missing the Boat?

Without deeper insights into your customers by analyzing sentiment, trends and changing needs, your business strategy could be dead in the water.

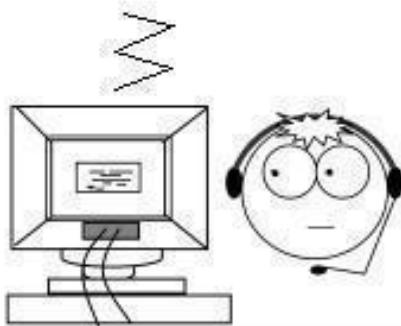
- 3 Need to understand **CUSTOMERS AS A WHOLE**



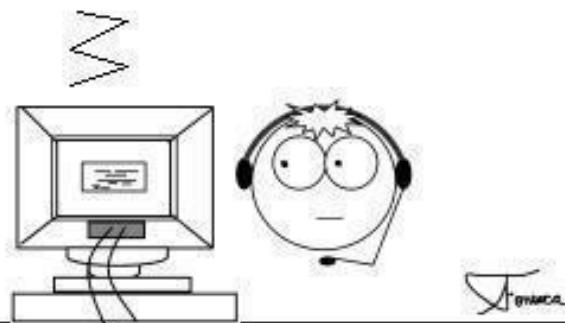
The journey that a customer takes with your company is like a map. Each customer requires a customized map showing exactly where he wants to go—ensuring a smooth ride. Can your company provide every customer with what they want? And can your company chart a course that's easy to follow?

# Integrated information!

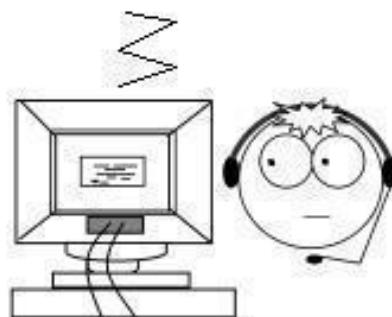
2:15 EMAIL- PRODUCT XYZ HAS BEEN DISCONTINUED. DO NOT OFFER IT TO CUSTOMERS



2:17 EMAIL- WE FOUND A GLITCH IN OUR INVENTORY. WE HAVE AN OVERSTOCK OF PRODUCT XYZ. ONLY OFFER THAT PRODUCT.

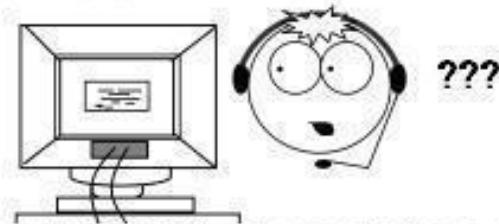


2:19 EMAIL- DISREGARD THE 2:17 EMAIL, WE FOUND ANOTHER GLITCH IN THE SYSTEM. WE DON'T HAVE PRODUCT XYZ IN STOCK.



© 2004 By CallCenterComics.com

THANK YOU FOR HOLDING. WE DO HAVE PRODUCT XYZ IN STOCK UNLESS WE DON'T. I SUGGEST PLACING SEVERAL ORDERS THROUGHOUT THE DAY AND HOPE YOU GET SOMETHING DELIVERED.



[WWW.CALLCENTERCOMICS.COM](http://WWW.CALLCENTERCOMICS.COM)

# What is the power of CRM?

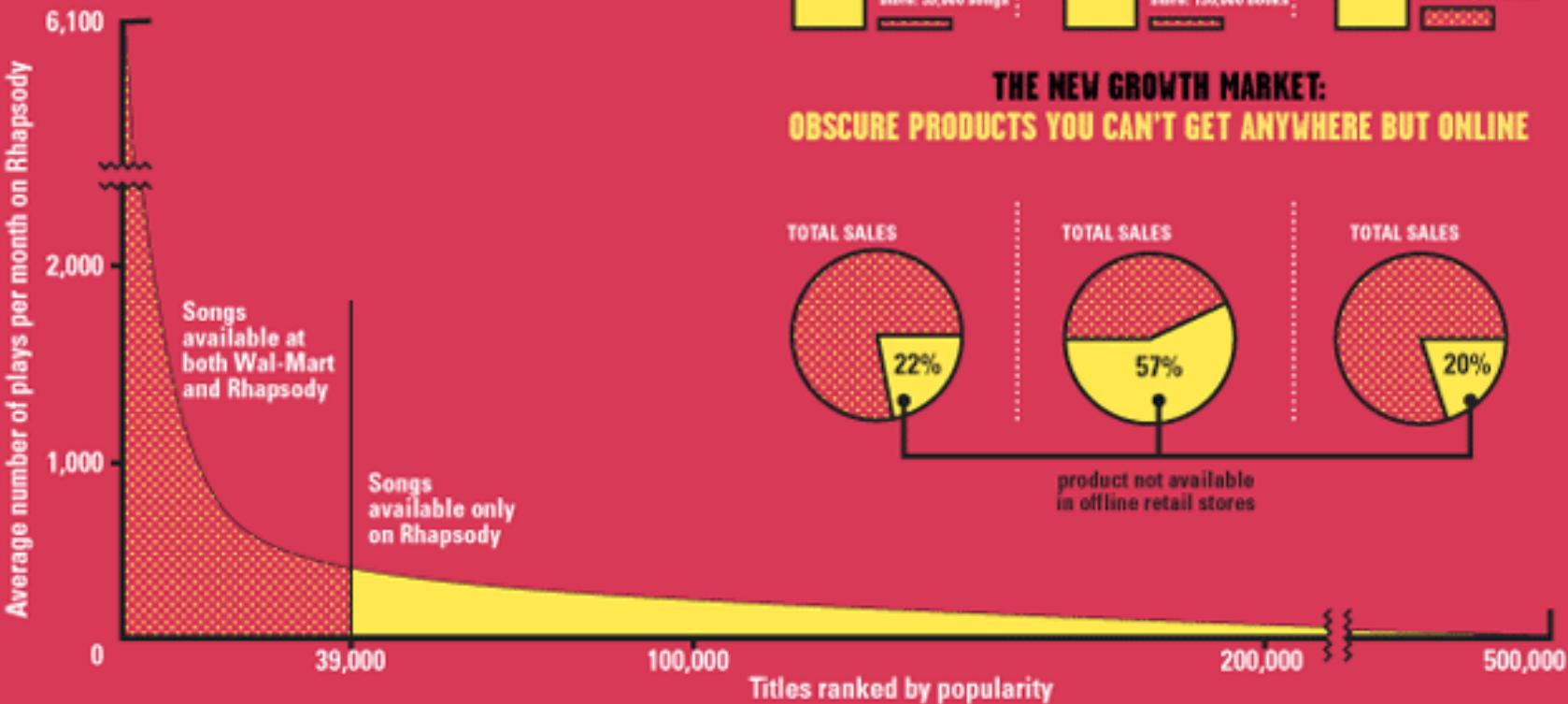
With CRM systems, you can offer tailor-made and personalized services, which was impossible with traditional marketing methods.

- The focus is on the customer
- We try to differentiate customers, rather than to only differentiate products
- The relation with the customer is important, not only the single transaction (a happy customer will come again)
- Observe, listen and learn from your customers

# power of CRM - Reaching the niche

## ANATOMY OF THE LONG TAIL

Online services carry far more inventory than traditional retailers. Rhapsody, for example, offers 19 times as many songs as Wal-Mart's stock of 39,000 tunes. The appetite for Rhapsody's more obscure tunes (charted below in yellow) makes up the so-called Long Tail. Meanwhile, even as consumers flock to mainstream books, music, and films (right), there is real demand for niche fare found only online.



# CRM types

- Analytical CRM  
Information on customers, their buy-patterns and relations
- Operational CRM  
Using the CRM system on a day-to-day basis, using the outcomes of analytical CRM and creating new input for analytical CRM
- Strategic CRM  
On what market should we focus?  
What products are worth keeping?  
...

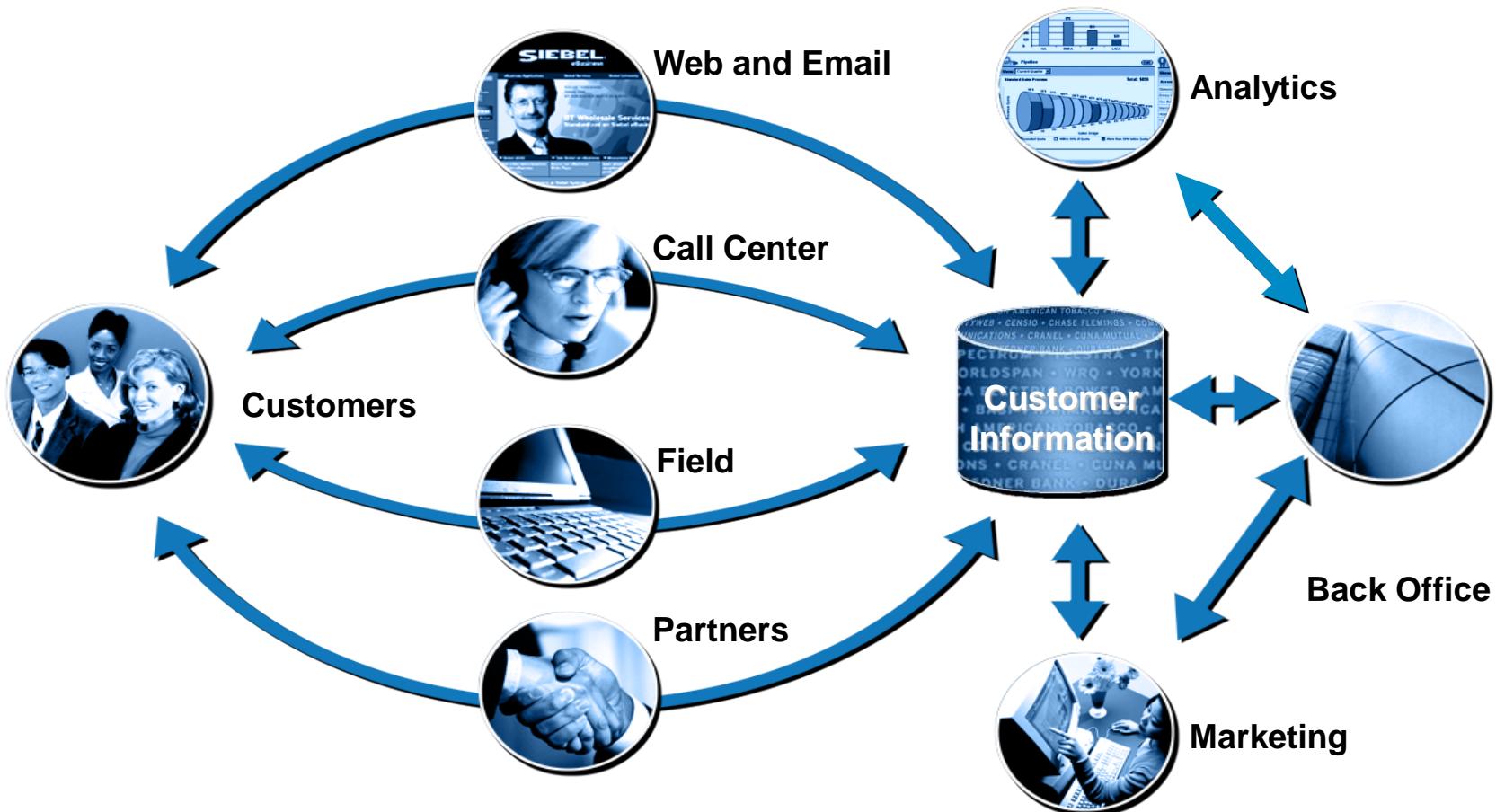
# Analytical CRM



# Analytical CRM?

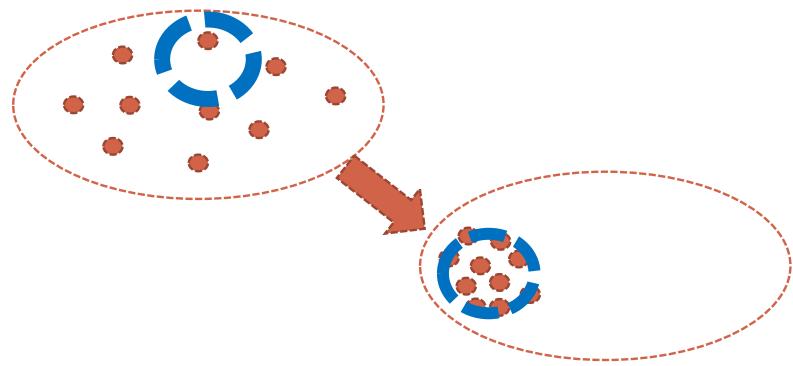
- Analyzing customer information to get insights into and knowledge regarding the behavior of individual customers. The goal is to get that information that will lead to optimal operational CRM and customer relationships/interactions.
- Business Intelligence and data mining applications
- Types
  - Response modeling
  - Retention modeling
  - X-selling modeling
  - Risk Based Pricing
  - Customer segmentation
  - Customer lifetime value modeling
  - eCRM

# Gathering DATA



# Analytical CRM – Response modeling

- Response modeling
  - Which customers will respond to a campaign
  - Test cases to find patterns & segments
  - Only target these groups to:
    - Reach as many of your possible buyers
    - Have the highest possible response rate
    - Keep the cost of a campaign as low as possible
  - Examples of defining factors:
    - Recency: how long ago was the last purchase?
    - Frequency: how often does the customer buy?
    - Monetary: what is the average amount the customer spends per purchase/year/...



# Analytical CRM – Retention modeling



D A R K   S I D E

You will join us, or die!

# Analytical CRM – Retention modeling

- Prediction of Churn
- Problem: what is churn?
  - Can be easy to define: customer ends contract (e.g. electricity)
  - More difficult for supermarkets...
    - When has a supermarket lost a customer?
- Types of churn:
  - Voluntary, forced (bad-debtor), expected (customer does no longer require services)
  - Active churn (customer ends contract/relation) vs. Passive (silent) churn (customer gradually uses a service less)

Focus of retention modeling is on voluntary churn

# Analytical CRM – Retention modeling

- Data mining: finding patterns
- Example:

1. Day_Mins	<160.55				(>=160.55)and(<265.35)				>=265.35			
2. CustServ_Calls	<3.5			>=3.5	<3.5			>=3.5	-			
3. Intl_Plan	Yes		No	-	Yes		No	-	-			
4. Intl_Calls	<2.5	>=2.5		-	-	<2.5	>=2.5		-	-	-	
5. Intl_Mins	-	<13.05	>=13.05	-	-	-	<13.05	>=13.05	-	-	-	
6. Vmail_Plan	-	-	-	-	-	-	-	-	-	-	Yes	No
7. Eve_Mins	-	-	-	-	-	-	-	-	-	-	-	<167.3 >=167.3
1. Churn (True)	x	.	x	.	x	x	.	x	.	.	.	x
2. Not Churn (False)	.	x	.	x	.	.	x	.	x	x	x	.
	1	2	3	4	5	6	7	8	9	10	11	12
												13

Do you want to keep these customers?

And what about these?

# Analytical CRM – Retention modelling: FedEx case

- A few years ago, UPS went on strike
- As a result, FedEx saw its volume increase
- After the strike, its volume fell again

## WHY?

- FedEx identified those customers who caused FedEx volumes to increase and then to decrease
- These customers were using UPS again after the strike
- Because FedEx knew who they were and what they needed (through data analysis), FedEx was able to target them very specifically with tailor-made offers. They were ‘handed’ a ‘complete prospect database’ upon which they could act!

# Analytical CRM – Cross-selling

Types:

Up-selling: Selling of better (higher priced) product

*Example*: offering a maxi menu instead of a medium menu

Cross-selling: Offering related products

*Example*: When a customer has already a gas-product with an energy-supplier, but no electricity product.

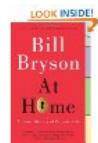
Down-selling (or avoiding this): Convincing customers that a product is not right for them or offering a cheaper product, because the customer is not profitable enough for a ‘high-intensity’ product.

*Example*: A customer buys his gas and gets a free maintenance of his boiler every 2 years. When a customer is not buying enough GAS, but is using the extra service (in this case: the free maintenance) included in the high-end product, this customer is not profitable on this product, so we want to sell him/her a cheaper product, where the expensive services are not included. Often minimum quota are set, to be able to get a specific product (min. nr of liters etc.).

# Cross-selling & Up-selling



## Customers Who Bought This Item Also Bought



At Home: A Short History of Private Life by Bill Bryson

★★★★★ (254)

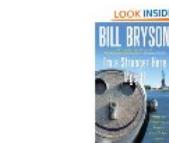
\$10.85



A Walk in the Woods: Rediscovering America on the... by Bill Bryson

★★★★★ (1,282)

\$7.99



I'm a Stranger Here Myself: Notes on Returning... by Bill Bryson

★★★★★ (261)

\$10.87



Neither Here nor There: Travels in Europe by Bill Bryson

★★★★★ (191)

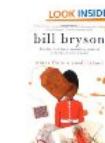
\$10.19



The Life and Times of the Thunderbolt Kid: A Memoir by Bill Bryson

★★★★★ (383)

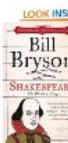
\$10.87



Notes from a Small Island by Bill Bryson

★★★★★ (308)

\$10.19



Shakespeare as Stage and Lives by Bill Bryson

★★★★★ (1)

\$10.98

# Analytical CRM – Types

- Risk-based-pricing
  - Insurances
  - Pricing based on different parameters
  - Discrimination laws!
- Customer segmentation
  - customer profiling
  - What do they have in common?
  - What do they all prefer?
  - Clustering-techniques
- Customer lifetime
  - What do they need in which phase of their life?
  - Lifelong binding
- E-CRM
  - *"If I have two million customers on the web,  
I should have 2 million stores on the web" (Jeff  
Bezos, Amazon)*
  - Learning from surf-behavior etc.

# Analytical CRM – Example of customer segmentation

- Technophiles
  - Prefer visionary state-of-the-art technology. Heavy mobile phone users. Visionary design: combat pilots featured in ads. ‘Accompli’ brand.
- Achievers
  - Phone as time manager. Be efficient in professional & life-reachable wherever you are across the continents of the world. Heavy mobile phone users. Modern but sober business design. ‘Timeport’ brand.
- Design freaks
  - Are on the go, urban, trendy and fun. Social life (friends) important. Fashionable design. Functionality less important. ‘V’ brand
- Ordinary people
  - Have basic communication needs, and value reliability and safety; keeping up with your family and the rest of your social network. Light mobile phone users. Design and special functions (WAP, calendars) less important. ‘Talkabout’ brand.

# Operational CRM



# Operational CRM

- Operational CRM activities
- Examples
  - Campaign management
    - Channels/segments/...
  - Configuration management
    - Example: [Car configurators](#)
  - Opportunity & prospect management
    - Prospects are possible new customers
    - We need to track them
    - Opportunities can also arise for existing customers
  - Call handling en contact management
    - 360 view
    - Give personalized treatment
    - Possibility to cross- and/or upsell

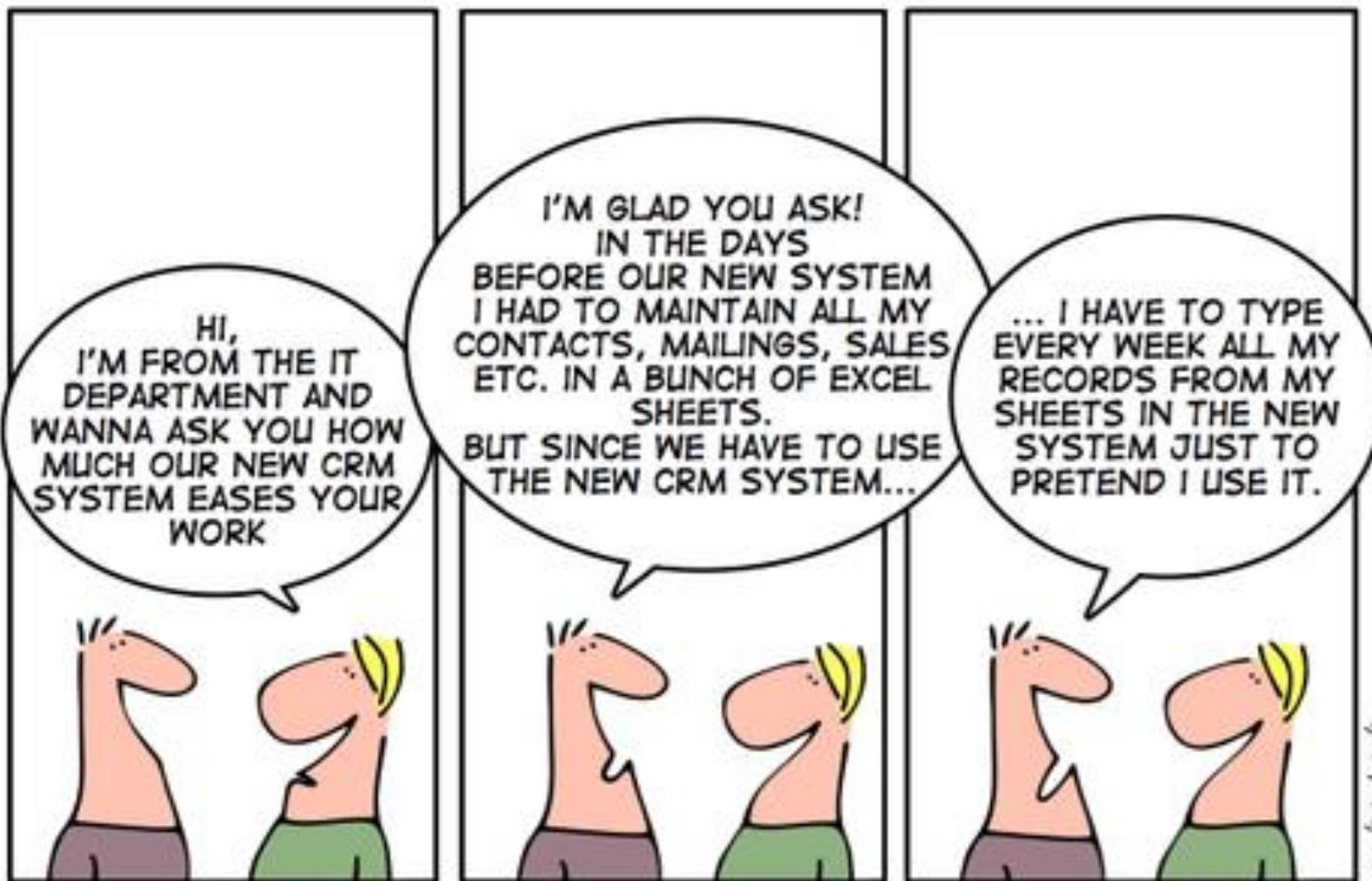
# Strategic CRM



## Strategic CRM

- Creating strategies for targeting the right customers
- Focusing on those groups/segments that will maximize your profit
- Acquiring ‘good’ customers and keeping them
- Transforming low-margin customers into high margin customers or even end the relation
- Preparing what-if scenario’s and strategies in case bad-case scenario’s occur
- ...

# Challenges

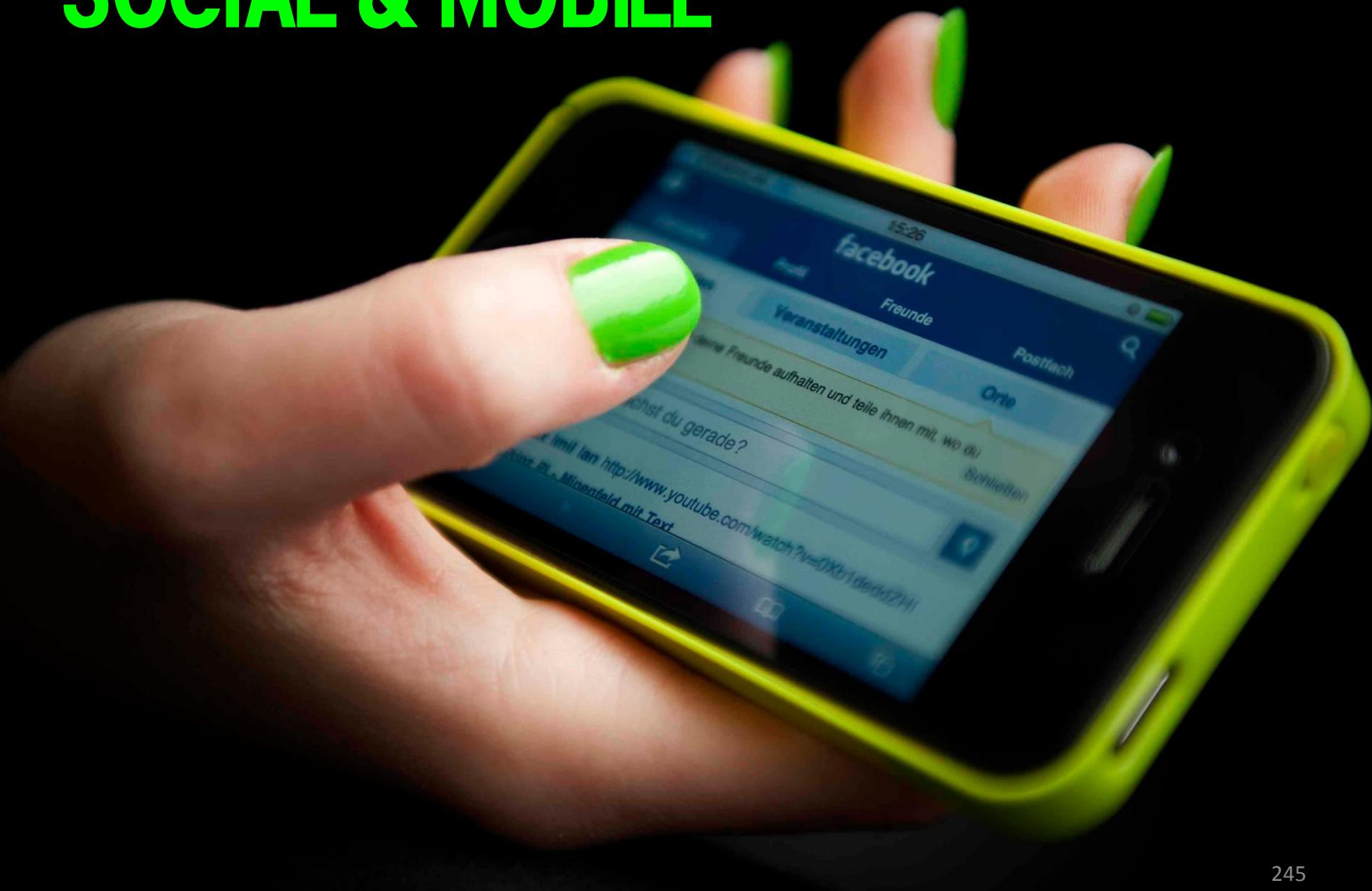


**USER ADOPTION IS KEY**

# Priorities for CRM in 2015

1. Actionable data. Data-driven decision making will become even more essential in 2015.
2. Customer engagement. Finding ways to interact with customers through whichever channel they choose and engaging them in the brand is a second key theme.
3. Customer experience. Ensuring customers have a solid experience will continue to be a key theme.

# SOCIAL & MOBILE



# Challenges





**THE OLDEST FORM OF MARKETING ...**

**... USED WITH THE NEWEST TECHNOLOGY**



## PEOPLE SHARE WHEN THEIR HAPPY OR IRRITATED ...

Eyjafjallajökull quitted smoking.

 Lufthansa, Air France and 27 others like this.



# ZERO TOLERANCE: EVERYTHING IS VISIBLE NOW

Op **4 en 5 mei** heeft u mogelijk hinder ondervonden van een **nationale netwerkstoring** waardoor wij u geen optimale dienstverlening konden bieden. Wij verontschuldigen ons voor het ongemak dat deze netwerkstoring veroorzaakte.

Een grondige analyse door onze ingenieurs en onze technische interventieploegen toonde aan dat de netwerkstoring werd veroorzaakt door de beschadiging van een glasvezelkabel verantwoordelijk voor de netwerktransmissie. Door een samenloop van omstandigheden tijdens de herstellingswerken werkte het back-upsysteem maar gedeeltelijk en met uitzonderlijke technische problemen als gevolg.



Graag hadden wij u ook een **éénmalige commerciële compensatie** aangeboden, hiervoor kan u zich registeren op deze website tot en met 28/05/2011.  
Nogmaals onze **excuses** en bedankt voor uw begrip en uw vertrouwen in ons.

Kies uw profiel en ontdek uw compensatie

Abonnementen

Herlaadkaarten

Internet  
(ADSL)

Ik heb een **gsm-abonnement**

Ik heb een **Tempo-kaart**

Ik heb een **adsl-abonnement**  
(enkel indien je een brief hebt ontvangen)

# Sources

- Management information systems, Managing the Digital Firm 9th edition – Laudon & Laudon
- Enterprise resource planning – Mary Sunner
- Enterprise resource planning (ERP) , the great gamble – Ray Atkinson
- Introduction to Systems Analysis and Design. An agile, iterative approach – Satzinger, Jackson & Burd
- SAP TERP10, edition for ECC 604.
- Thanks to Professor Dr. Jan Moons for his insights on the CRM systems