Part VIII: eCRM (Customer Relationship Management)
Learning Targets

- What are the objectives of CRM?
- How can we achieve customer acquisition and loyalty?
- What is the customer buying cycle?
- How does the architecture of CRM systems look like?
- How can we execute a customer satisfaction survey?
Electronic Business Overview

**eSociety**

**e Business Framework**

- strategic planning
- organisation and human resources
- security management
- controlling
- cultural administration

**Support Processes**

**e Products & e Services**
  - e Procurement
  - e Marketing
  - e Contracting
  - e Distribution
  - e Payment
  - e CRM

**Value Chain**

- technological management and innovation management
- class of business (industries)
Although the definition of Customer Relationship Management (CRM) has not been standardized, CRM can be generally considered to be a set of business applications that are responsible for the simultaneous management of marketing, sales, and customer service:

- Customer Relationship Management (CRM) is a business strategy to select and manage customers to optimize long-term value.

- Customer Relationship Management requires a customer-centric business philosophy and culture to support effective marketing, sales, and service processes. CRM applications can enable effective Customer Relationship Management, provided that an enterprise has the right leadership, strategy, and culture.

- Customer Relationship Management is the implementation of customer-centric business strategies; which drives redesigning of functional activities; which demands re-engineering of work processes; which is supported, not driven, by CRM technology.
• CRM is the superset of business models, process methodologies and interactive technologies for achieving and sustaining high levels of retention and referrals within identified categories of valuable and growable customers.

• CRM extends the concept of selling from a discrete act performed by a salesperson to a continual process involving every person in the company. It is the art/science of gathering and using information about the customers to build customer loyalty and increase customer value.

• CRM improves Return on Assets. The asset in this case is the customer and potential customer base.
Entire Customer Life Cycle

• Customer Relationship Management refers to the management of all interactions with the customer that an enterprise indulges in. Its focus is on managing and optimizing the entire customer life cycle.

• The stated objective and benefit of good CRM is to increase the customer base by acquiring new customers and effectively serving the needs of the existing customers.

• Customer Relationship Management is an information industry term for methodologies, software, and usually Internet capabilities that help an enterprise manage customer relationships in an organized way. For example, an enterprise might build a database about its customers that described relationships in sufficient detail. Therefore, management, salespeople, people providing service, and perhaps the customer directly could access information, match customer needs with product plans and offerings, remind customers of service requirements, and know what other products a customer had purchased.
The Components of a CRM Architecture

- Marketing
  - Campaign Management
  - Supply Management

- Sales
  - Complaint Management

- After Sales Services
  - Service Management

- Customer Management
Significance of Customer Orientation

Integration of all customer data

Integration of production and distribution data

Integration of all intra-corporate production data

1980

1999

2000

Quality Orientation
- Quality circle
- Total Quality Management

Process Orientation
- Sales Force Automation
- Computer Aided Selling

Customer Orientation
- CRM
- Multi Channel Communication

[Part VIII] eCRM
<table>
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<tr>
<th>Strategic Focus</th>
<th>Product Orientation</th>
<th>Customer Orientation</th>
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<td>Customer Contact</td>
<td>Mono-Channel</td>
<td>Multi-Channel</td>
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<td>Communication</td>
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<td>Dialog</td>
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<td>Time Horizon</td>
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<td>Execution</td>
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<td>Targeted Market</td>
<td>Customer segments</td>
<td>Individual customers</td>
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<td>Information Processing</td>
<td>Dedicated, functional information systems</td>
<td>Integrated information systems</td>
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<td>Object of Analysis</td>
<td>Different marketing and distribution activities</td>
<td>Complete lifecycle of the customer relationship</td>
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<tr>
<td>Relevance of Customer Data</td>
<td>Statistical analysis of transactions or customer behaviour</td>
<td>Profiles of individual customers based on transactions and behaviour</td>
</tr>
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</table>
Personalization Cycle

Definition of Goals

Data Acquisition

Profiling

Matching

Personalized Feedback
Personalization Cycle

• Definition of Goals
  - Customer life cycle orientation
  - Business ratios
    ‣ First Contact / Activating
    ‣ Conversion
    ‣ Retention

• Data Acquisition
  - Different sources (www, call-center, external data, ...)
  - Data Warehouse (expensive maintenance)

• Profiling
  - Creating and maintaining customer profiles
  - Data protection and security

• Matching
  - Preparation of the content
  - Use of the customer profiles
  - Communication interface between customer and company
  - Different Methods
    ‣ Collaborative Filtering
    ‣ Expert systems
    ‣ Neuronal networks

• Personalized Feedback
  - E-mail
  - Webpages
  - Other media
Goals of CRM

Increase of the customer profitability

Increase of efficiency of CRM processes

Potentials of customer retention, selection and acquisition

Customer retention: measuring the customer satisfaction

Customer selection: identifying the profitable customers, Segment oriented offers

Customer acquisition: Data Mining, Low acquisition costs

Reduction of transaction costs

Reduction of transaction time

Orientation to the customer process: specific design for the information systems
Components of a CRM Solution

Front Office
- Marketing Automation
- Sales Automation
- Service Automation
- Closed Loop Architecture

Back Office
- Supply Chain Management
- Enterprise Resource Planning
- Computer Integrated Manufacturing

Operative CRM
- Customer Interaction Center
- Mailings
- Telephone, W@P
- TV / Radio

Analytical CRM
- Data Mining
- OLAP
- Customer Data Warehouse / Data Marts

Operative CRM

- All applications which are in direct contact to the customer (front office)
- The automations solutions support the dialog between customer and company and its business processes
- Reliable information about delivery time, availability etc.
- Support and synchronization of the communication channels for a bi-directional communication between customer and company

Analytical CRM

- Customer Data Warehouse for the storage of customer contacts and reactions
- Analysis of this data to optimize the customer oriented business processes (Online Analytical Processing, Data Mining)
- CRM is a learning system (Closed Loop Architecture) in order to improve the customer satisfaction
• Control and support of the customer oriented business processes in marketing

• Main task: campaign management
  - the right customer
  - the right information and services
  - the right form of communication
  - the right communication channel
  - at the right time

• Creation, design and administration of multimedia knowledge catalogues (Marketing Encyclopedia Systems) about products, markets, advertising material, ...
• Scheduling and routing
• Account of charges
• Reporting
• Defining the range of offered goods
• Support for the definition of goals and budgeting
• Administration of the customer data
• Geographic information systems
• Sales overviews
• Product-configurators for the sales personal (expert system)
Service Automation

- Description of the customer’s complaint
- Description of the customer’s expectation and his proposition
- Description of the negotiated agreements
- A complete documentation, scheduling (deadline monitoring), and the current status of the service process
Structure of the CRM Market

- Vertical standard solutions
- Business specified adjusted functional range

Operative CRM
- Marketing Automation
- Sales Automation
- Service Automation
- Communication support (Customer Interaction Center, eCRM)

Analytical CRM
- Data Warehouse
- Data Mining
- OLAP

Autonomous CRM Systems
- Biggest functional range
- Big effort for customization necessary
- Expensive

Enhanced ERP Systems
- Optimal integration
- Focus on business processes
- Expensive

Solution the different business sectors
- Vertical standard solutions
- Business specified adjusted functional range
Process Planning

Planning

Pilot study

Multi Channel Management

- Channel vision planning
- Defining the measurement categories
- Adjusting organizational structures
- Developing processes
- Planning of the information systems

Conception

- Customer potential analysis
- Customer process analysis
- CRP process development
- Management system planning
- System planning

Implementation

- System implementation

Utilization

- System enhancement

Organization development

[diagram showing processes and flows]
1. Target the right customers-identify the best prospects and customers and learn as much about them as possible.

2. Own the customer’s total experience-this refers to the customer share of mind or share of wallet.

3. Streamline business processes that impact the customer-this can be accomplished through CRM / SCM integration and monomaniacal customer focus.

4. Provide a 360° degree view of the customer relationship.

5. Let customers help themselves- provide Web sites and other electronic means for customers to find things they need quickly and conveniently.

6. Help customers do their jobs.

7. Deliver personalized service-customer profiling, privacy safekeeping, and marketing mix customising all aid in delivering personalized services electronically.

8. Foster community-enticing customers to join in communities of interest that relate to a firm’s products is one important way to build loyalty.
## Selected E-Marketing Customization Tools

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<th>Level</th>
<th>Small Segment / Group</th>
<th>Individual</th>
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<tbody>
<tr>
<td><strong>Company-Side Tools (push)</strong></td>
<td>Collaborative filtering, data mining and profiling, outgoing e-mail</td>
<td>Cookies, web log analysis, real-time profiling, outgoing e-mail</td>
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<tr>
<td><strong>Client-Side Tools (pull)</strong></td>
<td>Agents, experimental marketing</td>
<td>Individualised web portals, wireless data services, web page forms, fax-on-demand, incoming e-mail</td>
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CRM Benefit Portfolio

1. Product catalogue
2. Download of analysis certificates
3. Online consulting
4. Virtual lab
5. E-ordering
6. Invoice-tracking
7. Order-tracking
8. Support of Supply Chain Management
9. Supplier managed inventory
10. Electronic Marketplaces

- Validation after 6 months
- Validation after 3 months
- Benefit vs. costs?
- Start with implementation
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<th>Omnicell (USA)</th>
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<td>• Medical Libraries</td>
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<td>• Product information for medicaments</td>
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<td>• Online videos</td>
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<tr>
<td>Purchasing</td>
<td>• Onlineshop with over 15000 products</td>
<td>• Electronic marketplace</td>
<td>• E-Contracting functions</td>
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<td>• Order Tracking</td>
<td>• Creation of virtual Hospital Buying Groups</td>
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<td>• Automated inventory system</td>
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<td>Usage</td>
<td>• Electronic medical records</td>
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