Introduction to CRM

Steve Mullins

Hewlett-Packard

(714) 940-7195

steve_mullins@hp.com

Session Objectives
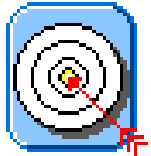
- Learn the concepts and importance of CRM.
- Briefly examine E-service products.
- Learn steps and success factors for implementing CRM.

Agenda

- CRM definition and justification

- CRM and the Internet

- Products and Success factors

One Definition of CRM

A customer-focused **business strategy**, encompassing **business processes** and **information management technologies**

that enables an organization to better **attract, retain**, and **serve** their most profitable customers and **increase shareholder value**

Customer Relationship Management is **not a product, a system or a technology**.

What Is a Major Objective of CRM ?

To keep and to grow existing customers by serving their individual needs and therefore gaining their respect, trust and loyalty.

CRM Implementation Targets
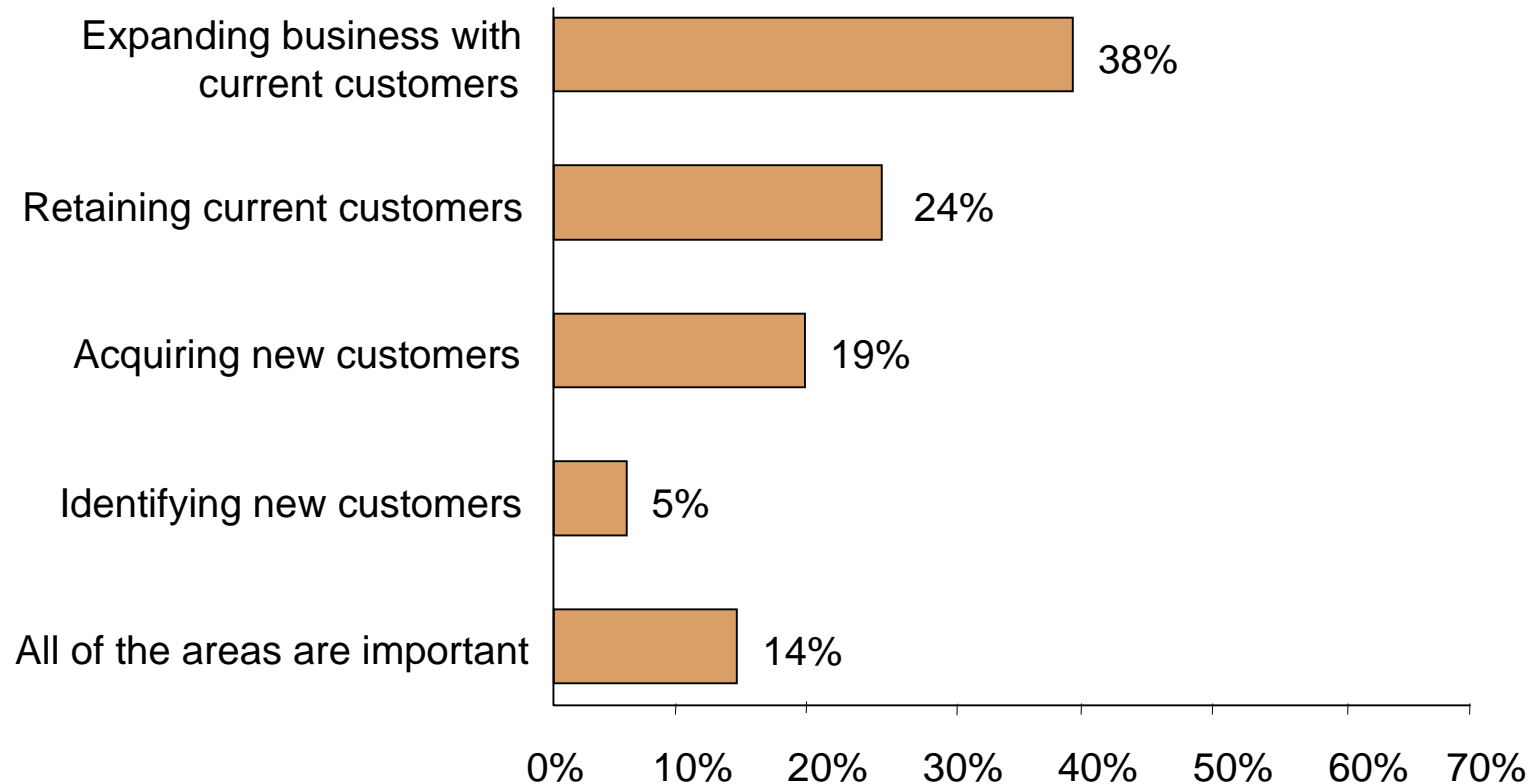
More emphasis on retention and increasing revenues from existing customers than on acquiring new customers

Source: Gartner 06/2000

Why is CRM critical to business?

With emerging business models…

- Product differentiation is more difficult

- Higher Competition

- Increased Customer expectations

- New technology makes buying easier

- Product features, pricing and advertising
  can be copied easily but customer loyalty cannot

Threats of Customer Defection

93% of unsatisfied customers defect without complaining.

It is 5 – 10 times more expensive to win a new customer than keeping an existing one.

Question:

Let's assume a company has 10000 customers and a yearly customer retention rate of 75%. If no new customers are won, how many customers does the company still have after 9 years?

1. 500
2. 1000
3. 2000
4. 2500

9

The Loyalty Ladder

Advocates

Clients

Repeat Buyers

Trial Buyers

Prospects

Suspects
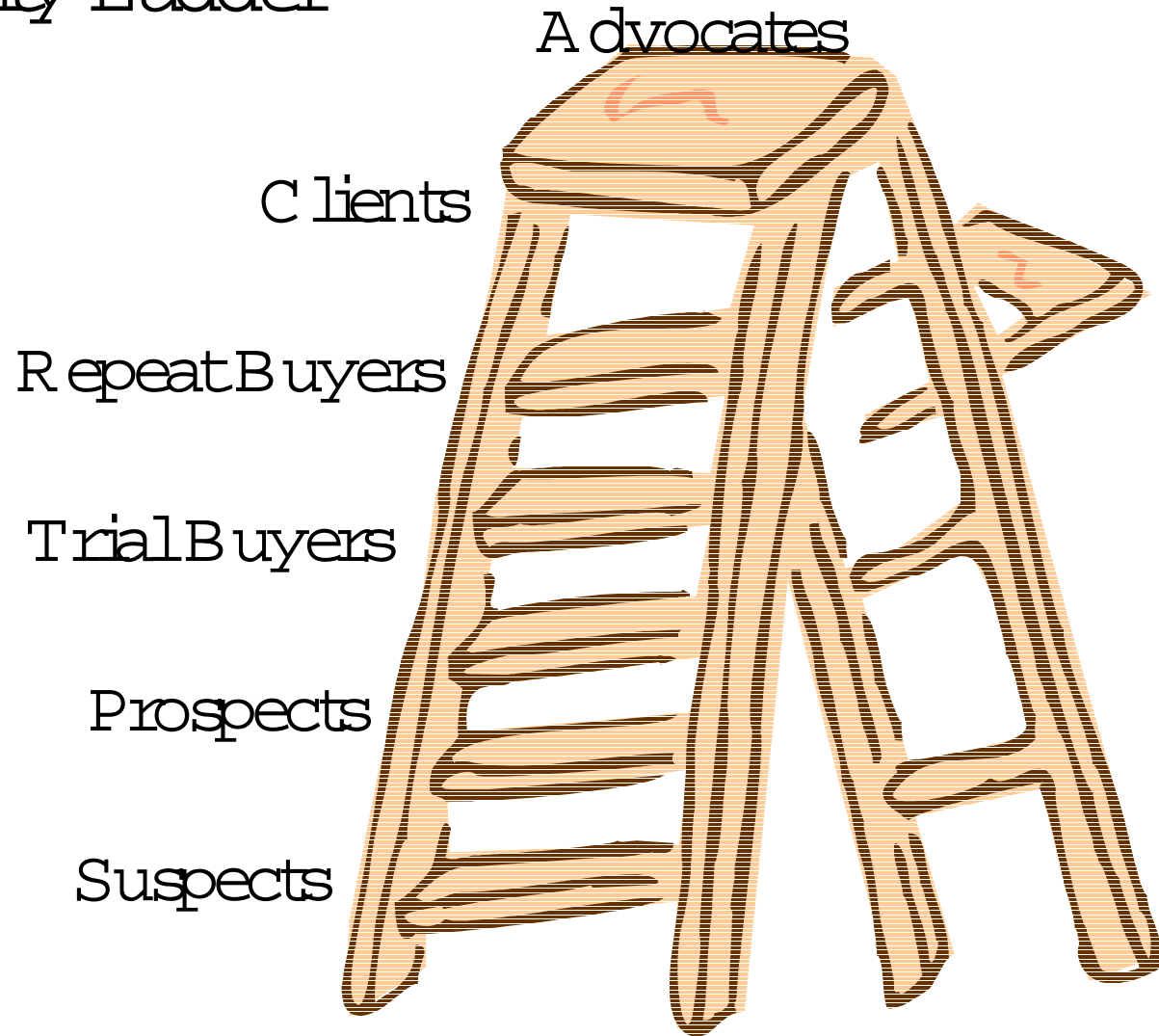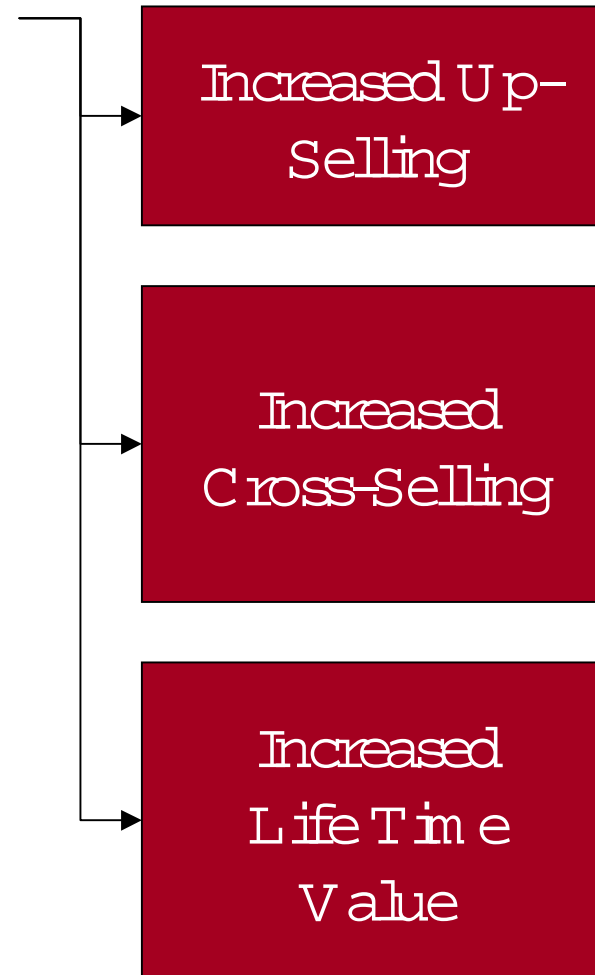
Based on: Terry G. Vavra, Aftermarketing

Profit Through Loyal Customers (1)

Loyal customers purchase more products over time.

| Increased Up-Selling |

| Increased Cross-Selling |

| Increased Life Time Value |

Profit Through Loyal Customers (2)

Loyal customers purchase more products over time.

... know you, your processes, your products and the right contacts.

Faster Sales Cycles

Reduced Process Costs
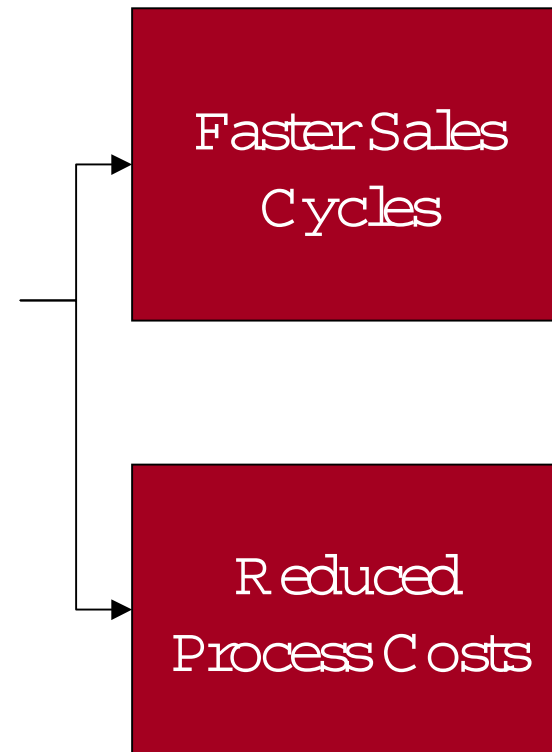
Profit Through Loyal Customers (3)

Loyal customers purchase more products over time.

... know you, your processes, your products and the right contacts.

... usually pay a higher price than new customers.

Smaller discounts

Increased Revenues
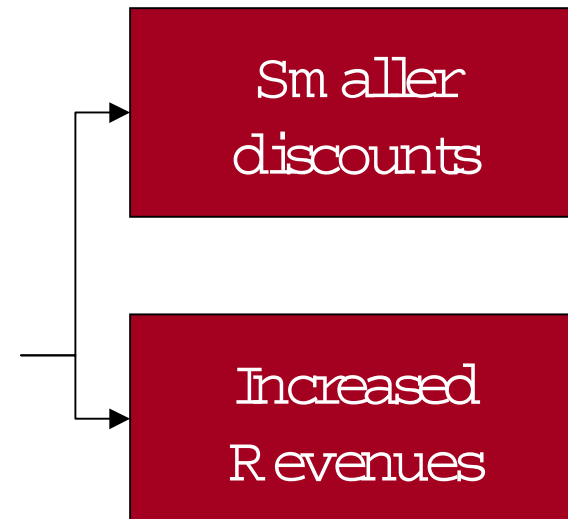
Profit Through Loyal Customers (4)

Loyal customers purchase more
products over time.

...   know you, your processes, your
       products and the right contacts.

...   usually pay a higher price than new
       customers.

...   recommend you to friends and
       business partners.

Customers are
the best sales
force!

The new consumer expects a value-added experience

Their preferred supplier must…

- Know who they are

- Remember what they said

- Add value to every interaction

- Customize products to their needs

- Make it easy to do business with them

The Whole Customer Experience

Are interested

Evaluate

Purchase

Learn to use

Use

Have questions or trouble

Advanced usage

Have advanced questions

Teach

Recommend
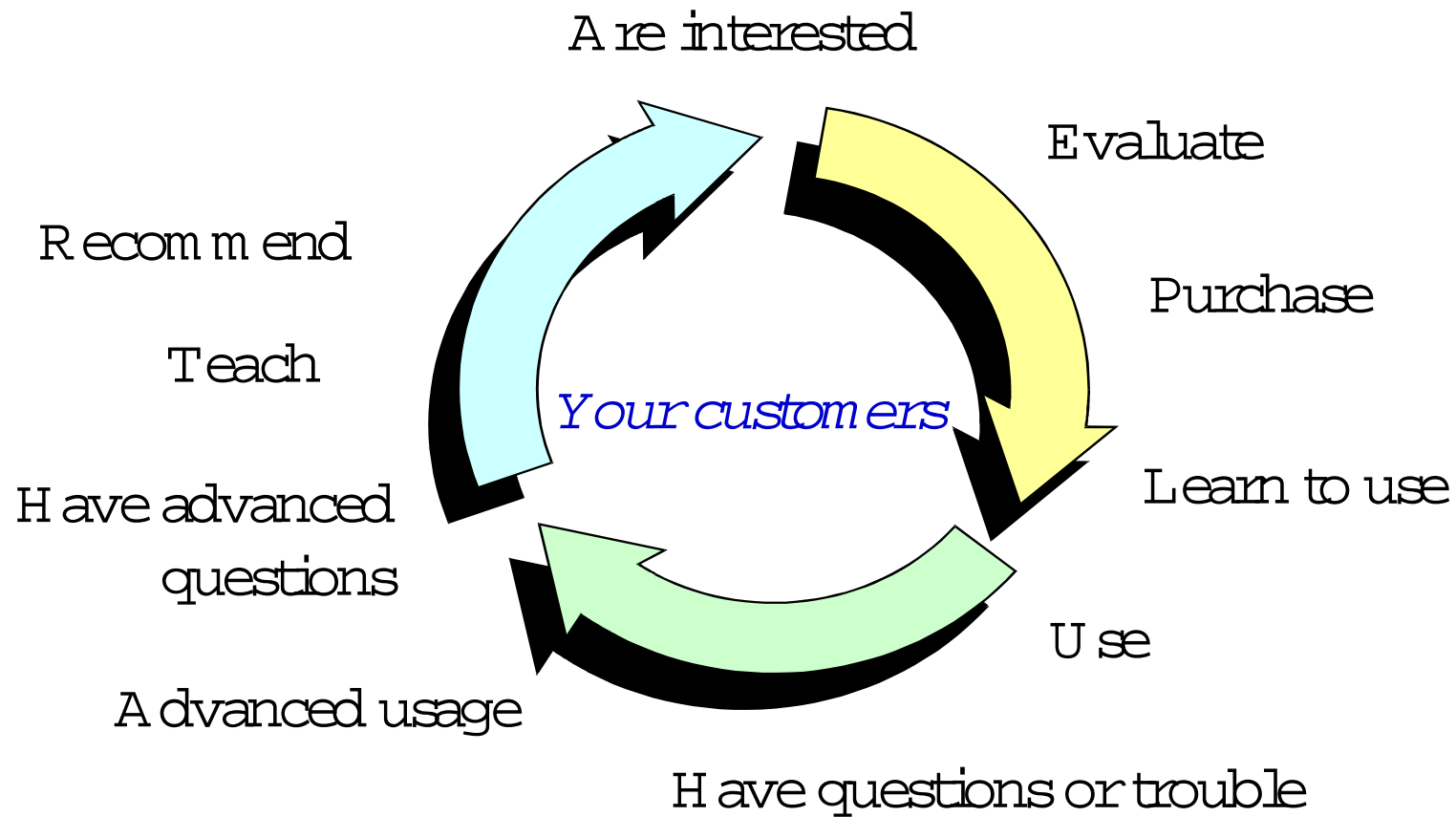
Your customers

The Points of Contact during the Whole Customer Experience

Sales, Marketing

Shop

Delivery

Invoice

Call Center

Support

Your customers

(Examples)
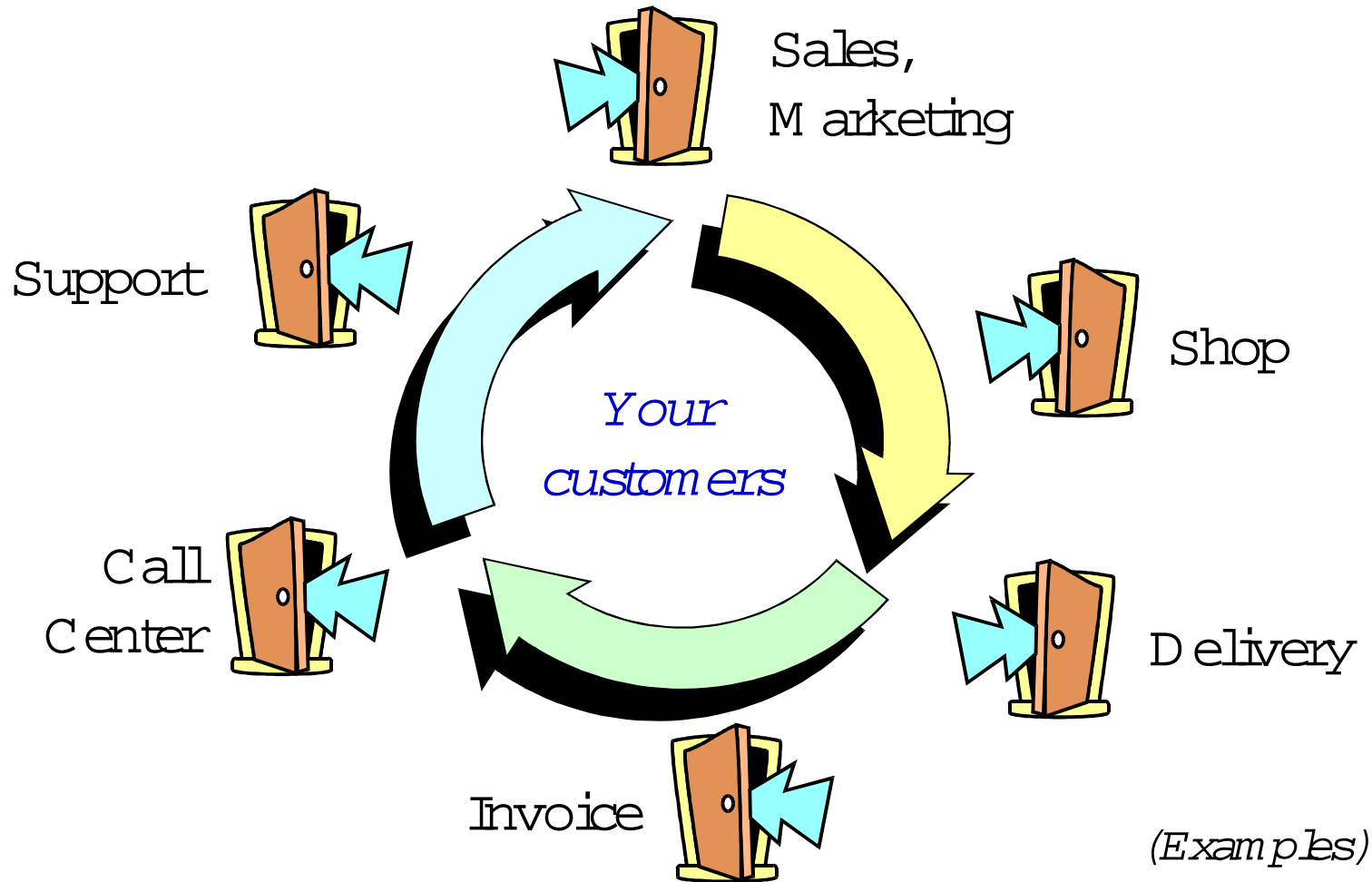
Means of Interaction
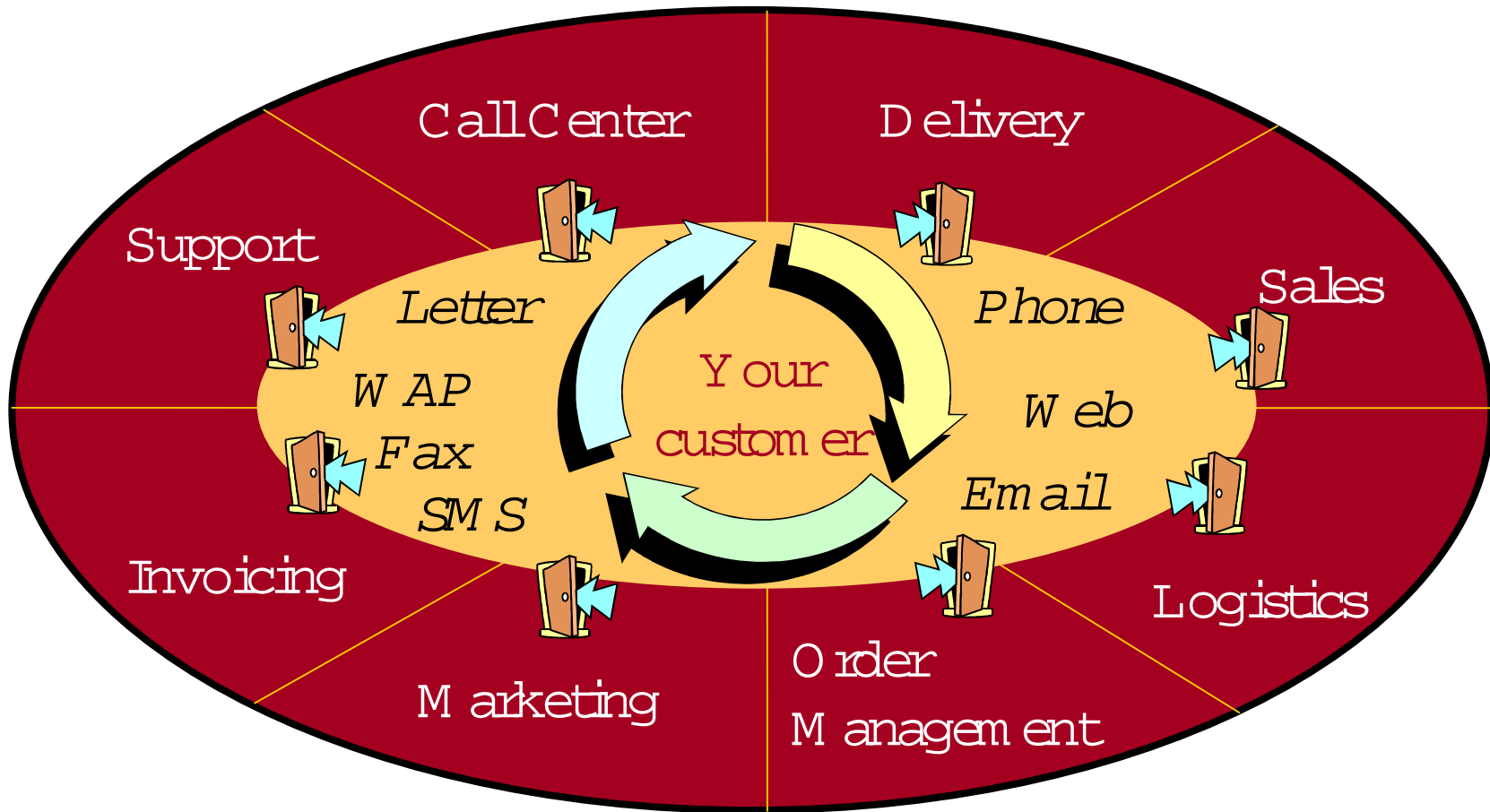
Based on Patricia Seybold: customers.com

Today's view of CRM Is fragmented and silo-based

Customer Service — **Distribution** — **Manufacturing** — **Marketing** — **Sales Customer**

The 360 Degree Customer View

Call Center

Delivery

Support

Sales

Your Customers
(Relevant data about your customers)

Invoicing

Logistics

Marketing

Order Management

Based on Patricia Seybold: customers.com

20
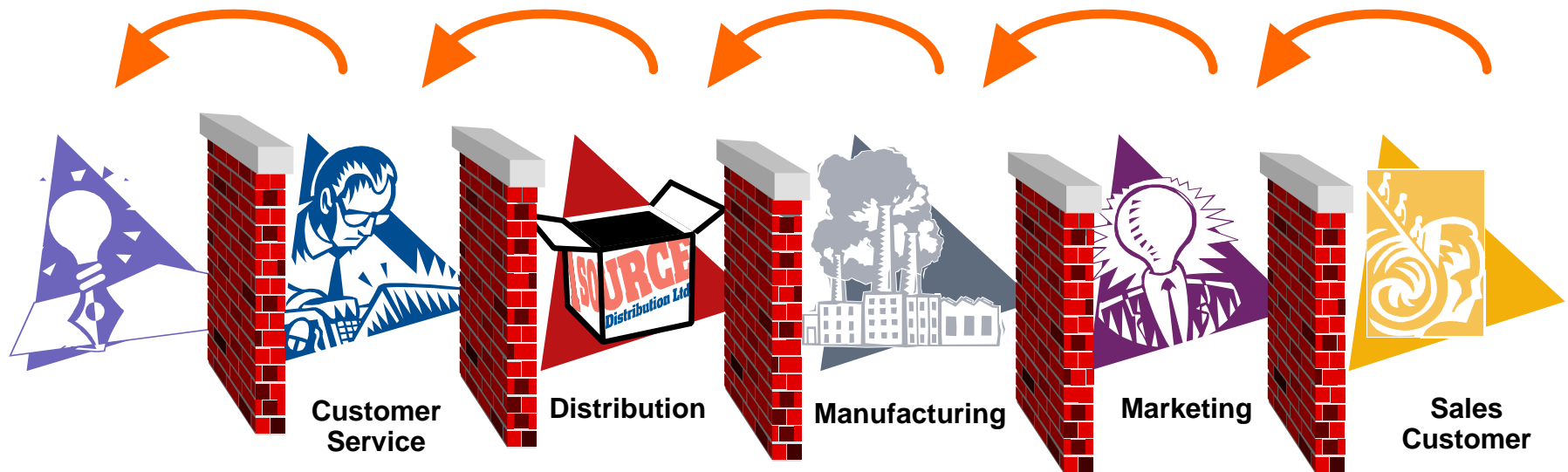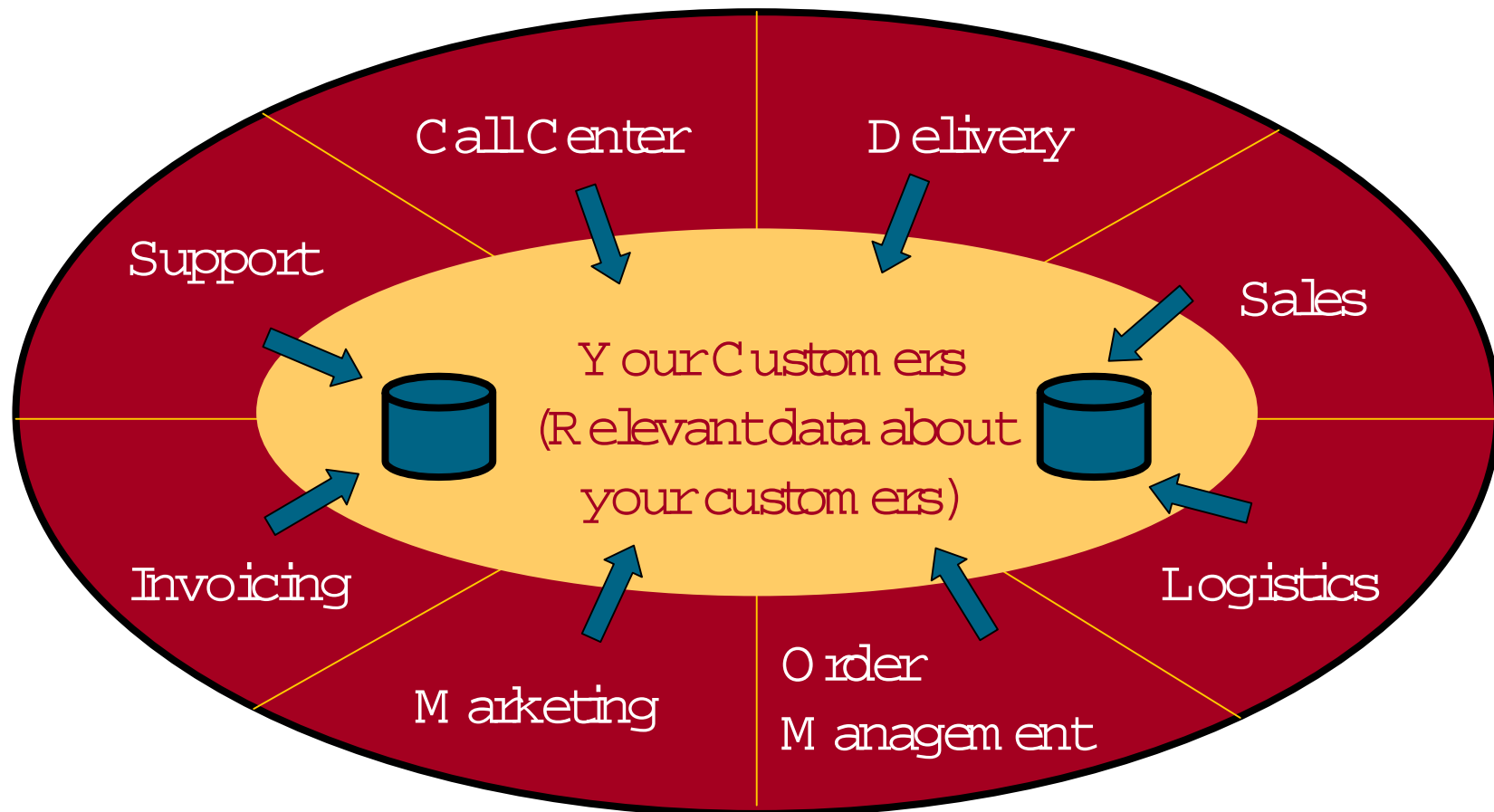
Close the loop to a CRM focused solution

Marketing

Customer Loyalty

Customer Acquisition

Target

Segment

Contact

Support

Qualify

Interact

Customize

Service

Service

Propose

Sales

Cross/ Up Sell

Close

Customer Retention
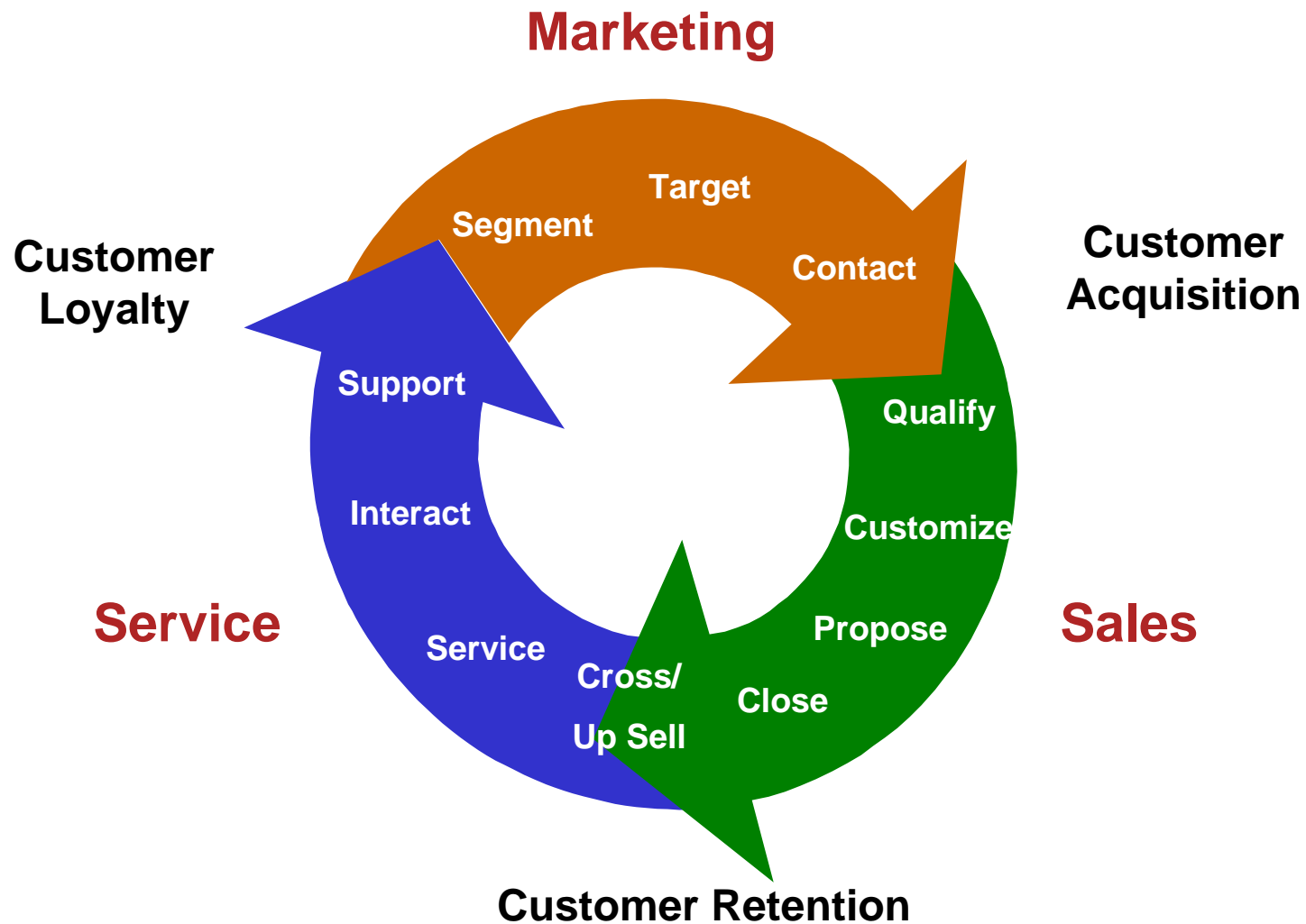
What is CRM? A Business System

Engage

Transact

Service

Fulfill

Customer
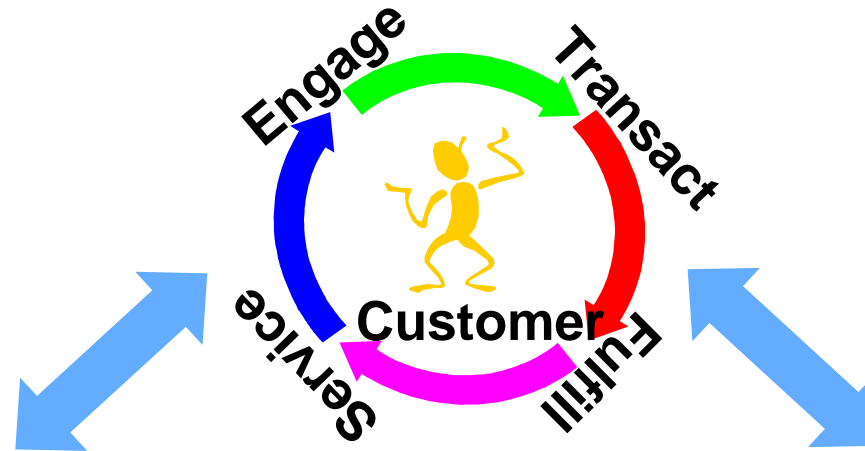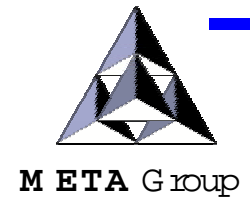
META Group

CRM Business Activities

Sales

Product
Development

Service ⟷ Marketing

CRM Ecosystem

Analytical

Enterprise
Application
Integration

Operational

Collaborative

The World Class CRM Portfolio

Analytical CRM

Operational CRM

META Group

Back Office	ERP	Supply Chain Mgmt.	Legacy Systems
	Order Mgmt.	Order Prom.	

Closed-Loop Processing (EAI Toolkits, Embedded Mobile Agents)

Data Warehouse

| | Customer Activity Data Mart | Customer Data Mart | Product Data Mart |

| **Front Office** | Service Automation | Marketing Automation | Sales Automation |

| **Mobile Office** | | Mobile Sales (Prod. CFG) | Field Service |

Vertical Apps — Category Mgmt.

Marketing Automation — Campaign Mgmt.

Customer Interaction

| Voice (IVR, ACD) | Conferencing — Web Conf | E-Mail — Resp. Mgmt. | Web Storefront | Direct Interaction |

Collaborative CRM

© 2000 META Group Inc., Stamford, CT, (203) 973-6700, metagroup.com

A CRM Portfolio

META Group
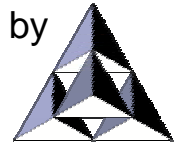
Analytical CRM

To operationalize the decision-making process, **ETLM** applications enable users to **make business decisions and drive transactions into the operational applications**.

Operational CRM

A services-based component framework into which applications plug in (**Front Office and Back Office**; Call Center / CIC; Order Management; **Sales, Marketing and Service automation**).

Collaborative CRM

The application of collaborative services (e.g., e-mail, conferencing) to **facilitate interactions between customers and organizations** and between members of the organization around customer information for the purpose of improving communication and coordination.

Agenda

- CRM definition and justification

- CRM and the Internet

- Products and Success factors

Positioning: CRM on the Internet
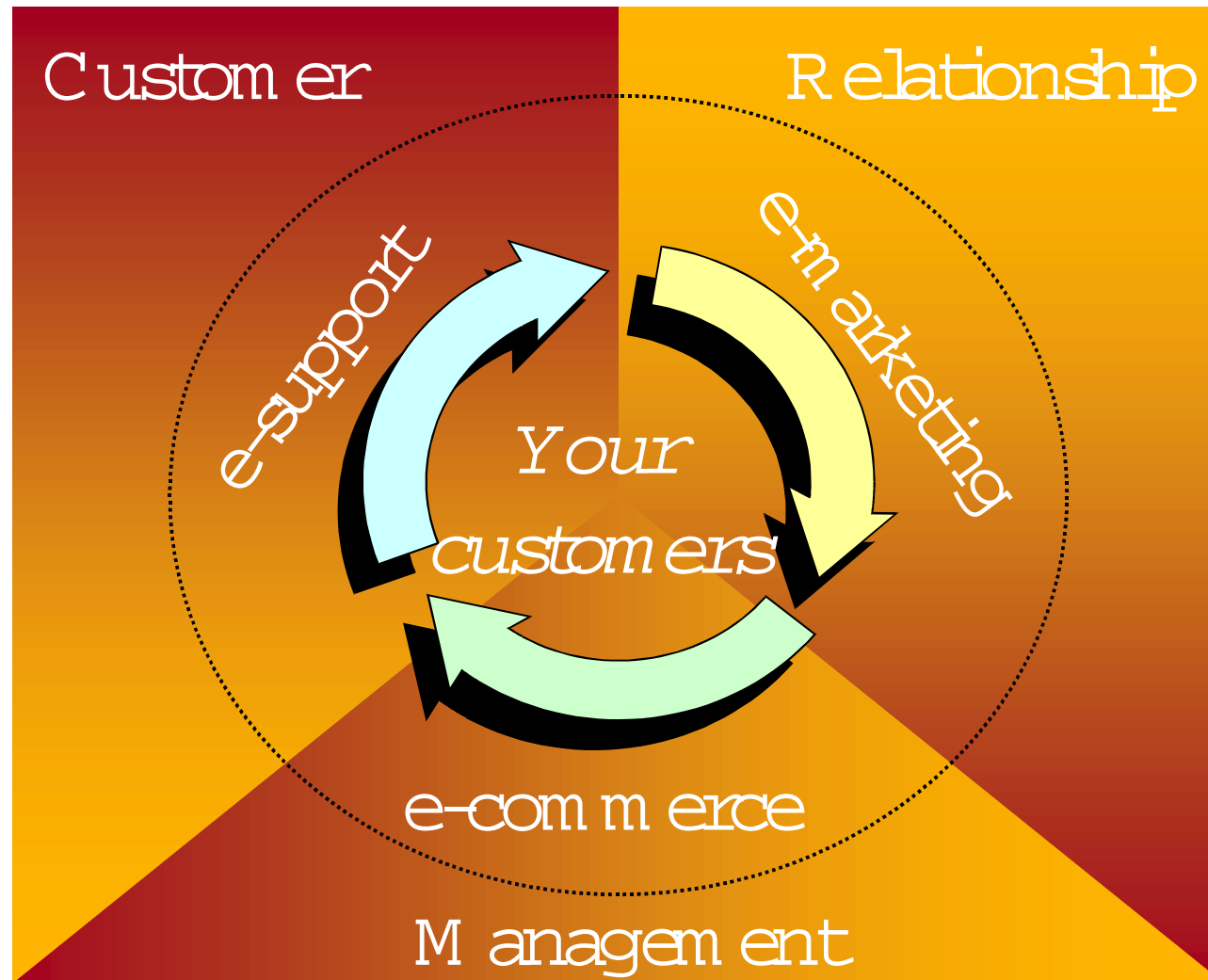
Positioning of terms

CRM
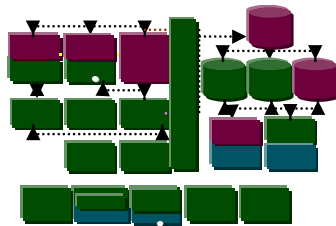
- Focus on Customer Relationship, People, Processes
- Business Strategies
- Change Management

E-Commerce
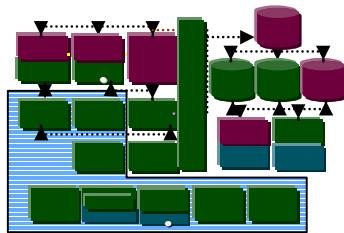
- Focus on Selling and Fulfillment
- Sales Strategies
- Channel Strategies
- In addition to e-marketing and e-support

E-Services
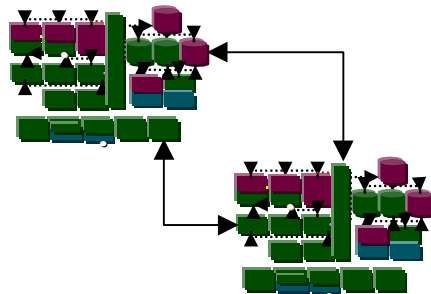
- Focus on Collaboration, Connecting and Brokering services
- New business models

1to1 Marketing: a Base for CRM

Customer needs met

Increase customer share

Increase market share

Number of customers

Based Don Peppers and Martha Rogers: 1to1 Marketing.

28
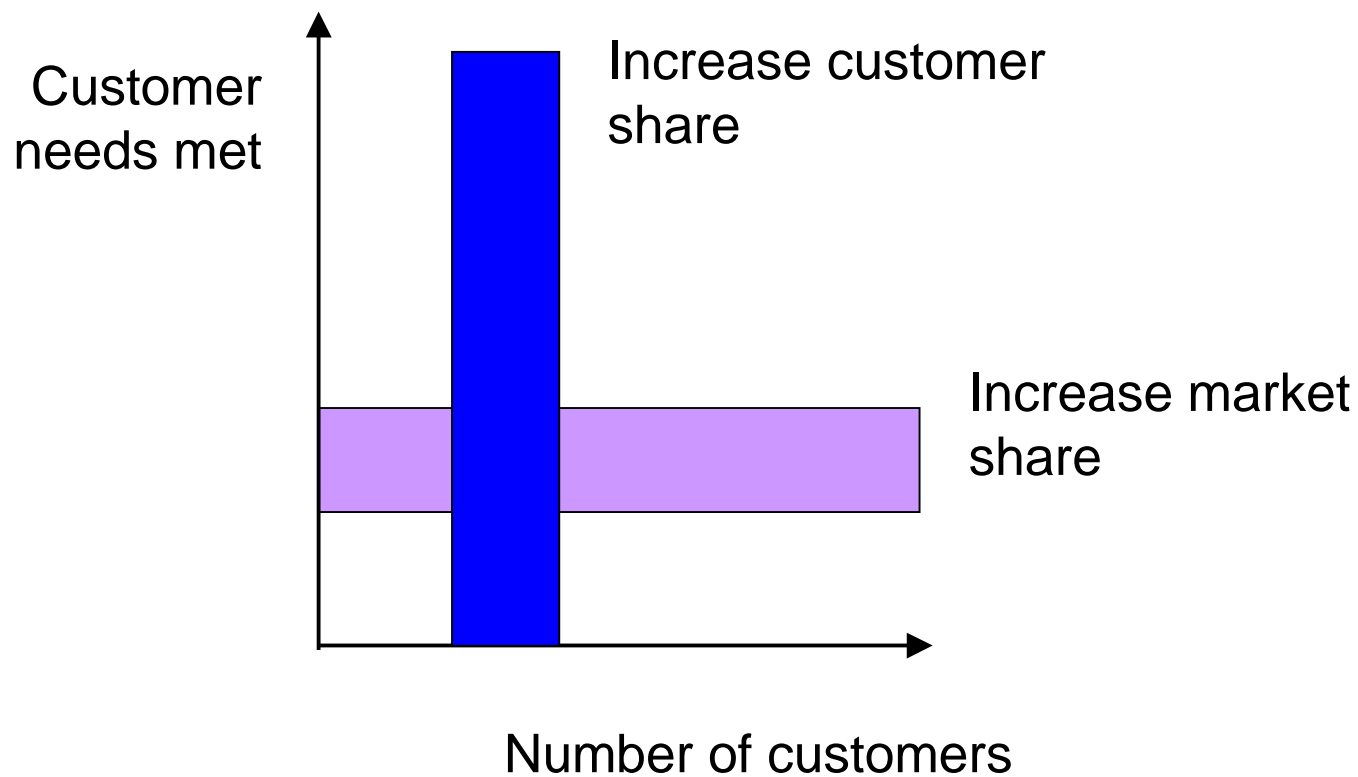
Focus on Customers, Not on Products
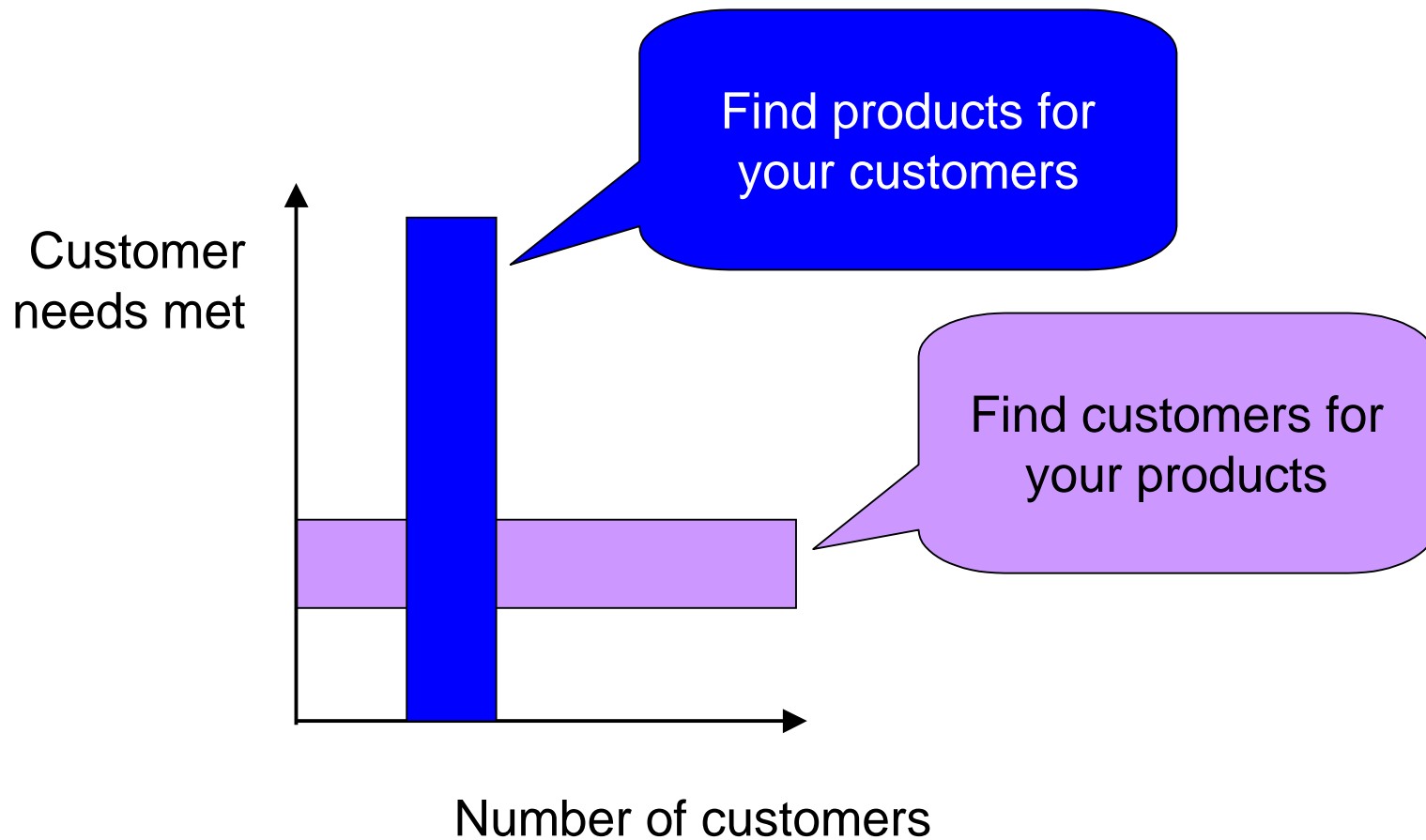
Based Don Peppers and Martha Rogers: 1to1 Marketing.

Four Steps of 1to1 Marketing (1)

How do I know whom I am dealing with?

1. Identify
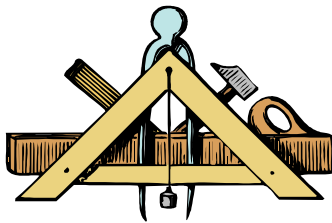
Create a system that enables you to identify customers as individuals each time you come in contact with them.

Based Don Peppers and Martha Rogers: 1to1 Marketing.

Four Steps of 1to1 Marketing (2)

Which customers do I concentrate on and how?

1. Identify
2. **Differentiate**
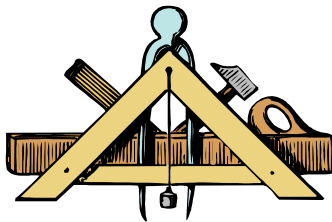
First, rank your customers by their value to your enterprise. Then, differentiate them by what they need from your enterprise.

Based Don Peppers and Martha Rogers: 1to1 Marketing.

Four Steps of 1to1 Marketing (3)

Who tells me what my customers want?

1. Identify
2. Differentiate
3. **Interact**
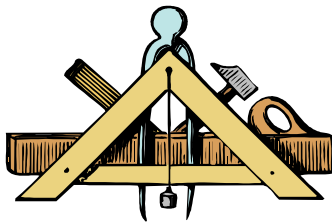
Engage your customers in an ongoing dialogue that enables you to learn more and more about their interests, needs, priorities.

Based Don Peppers and Martha Rogers: 1to1 Marketing.

Four Steps of 1to1 Marketing (4)

What do I offer to my customers?

1. Identify
2. Differentiate
3. Interact
4. **Customize**
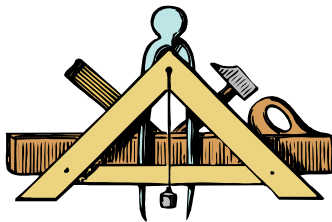
Act on what you have learned. Use your knowledge about individual customers to customize the way you treat them.

Based Don Peppers and Martha Rogers: 1to1 Marketing.

33

Customer Benefits

From an ideal CRM environment, the individual customers get

the right information

and the right service

at the right time

with a relationship that they choose
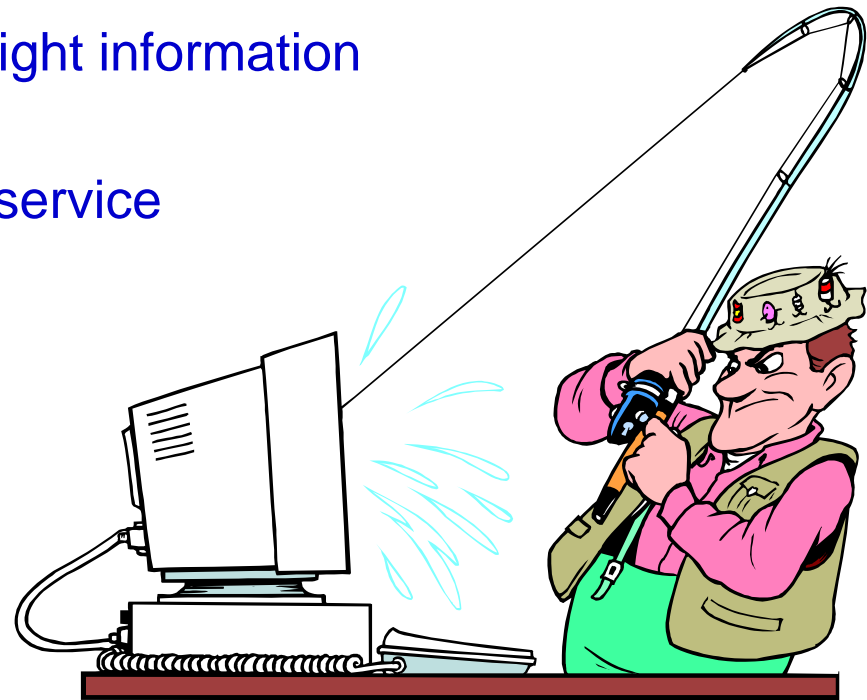
in a fast, easy-to-use and secure environment.

A CRM Internet Strategy

Identify	Differentiate	Interact	Customize

Customer Profile

Registration and Login

Content, Services, Features
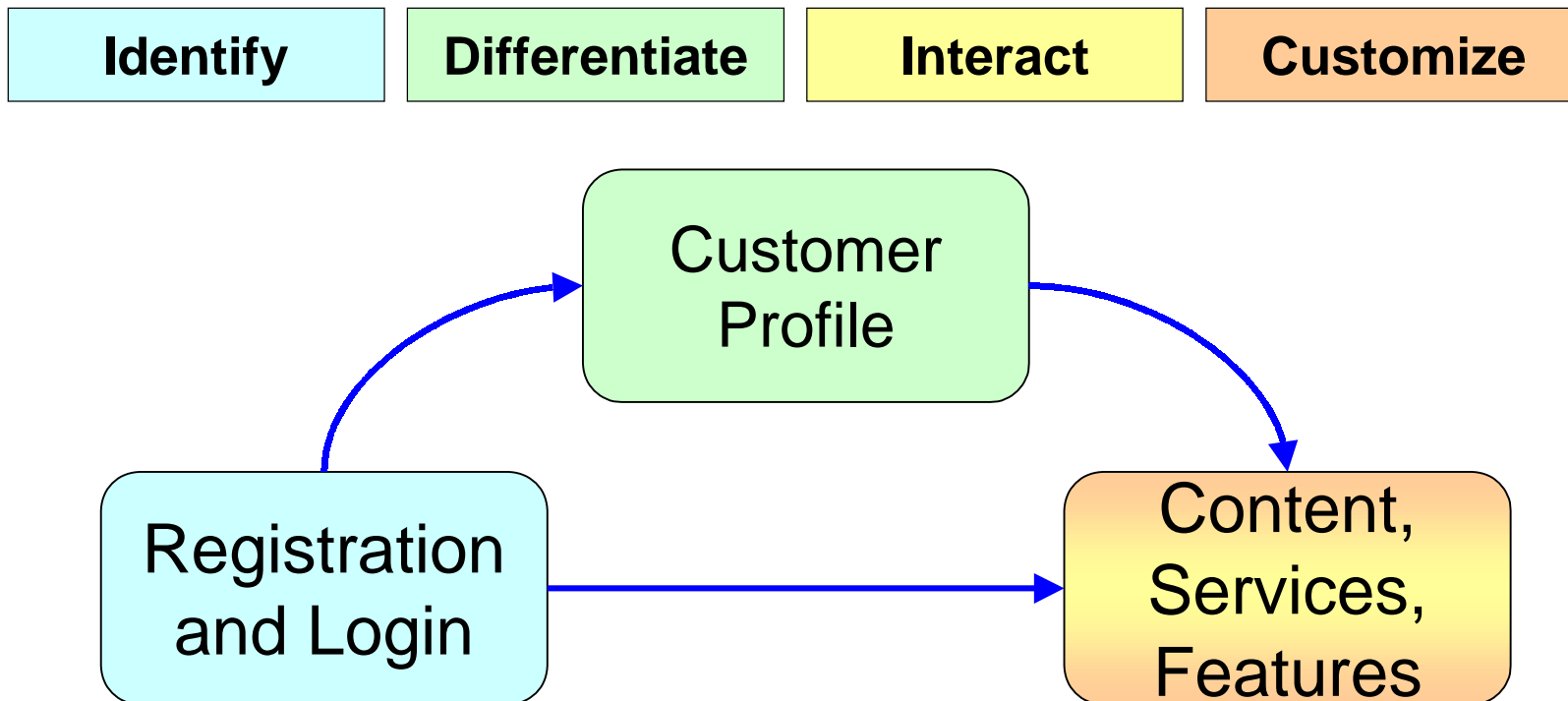
Applies to e-marketing, e-commerce and e-support!

The four steps are based on: Don Peppers, Martha Rogers - OneToOne Fieldbook

CRM Back-End Integration

Basic:
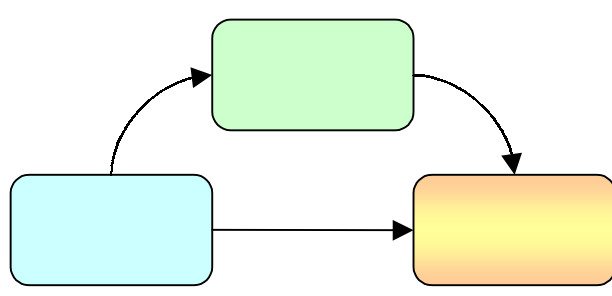
Back-end systems and processes

Goal:
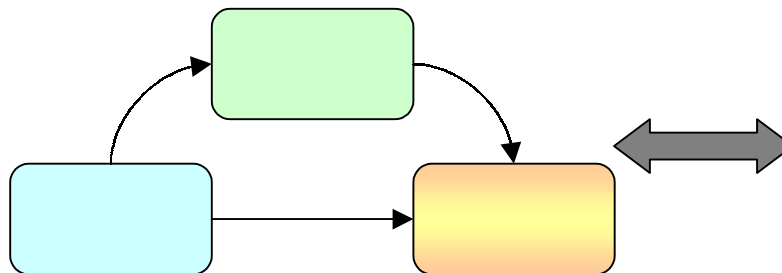
Customer database, Call Center, Logistics Content processes, Marketing, Support, Sales, Production, Communication, etc.

CRM as a Process

Analyze → Value-Based Segmentation → Needs Evaluation → Marketing & Sales Strategy → Design

Differentiate

Identify — Integration — Customize

Interact

Customer Profiles

Purchase History

Contact History

Customer and Competition Knowledge

Products
Services
Logistics
Content
Campaigns
Channels

Back-End Systems and Processes

Learn ← MultiChannel Mktg., Sales & Service ← Contact Center, Eye Contact ← Direct / Indirect Sales ← Deploy

Key elements of CRM /e-Commerce

Marketing automation
- Data analysis, data mining, segmenting
- Campaign management: creation, budgeting, delivery, reporting; Telemarketing
- Customized web pages, portals, content management

Marketing
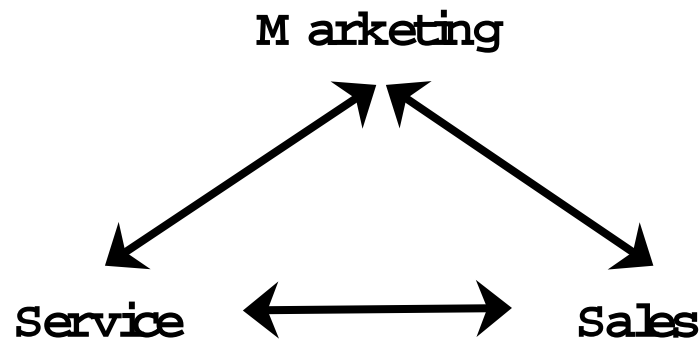
Service ⟷ **Sales**

Service automation
- Teleservice
- Web-based self service
- (Mobile) Field service
- Profile management

Sales automation
- Mobile Sales, Telesales, Forecast
- Lead and opportunity management
- Product configuration
- Order management

Agenda

- CRM definition and justification

- CRM and the Internet

- ➡ Products and Success factors

How do I Establish a World Class CRM Portfolio?

Analytical CRM

Operational CRM

Back Office	ERP / Order Mgmt.	Supply Chain Mgmt. / Order Prom.	Legacy Systems
Front Office	Service Automation	Marketing Automation	Sales Automation
Mobile Office		Mobile Sales (Prod. CFG)	Field Service

Closed-Loop Processing (EAI Toolkits, Embedded/Mobile Agents)

Data Warehouse

Customer Activity Data Mart | Customer Data Mart | Product Data Mart

Vertical Apps / Category Mgmt.

Marketing Automation / Campaign Mgmt.

Customer Interaction

Voice (IVR, ACD)	Conferencing / Web Conf	E-Mail / Resp. Mgmt.	Web Storefront	Direct Interaction

Collaborative CRM

© 2000 META Group Inc., Stamford, CT, (203) 973-6700, metagroup.com

M ETA Group

BroadVision Solution Coverage

Operational CRM

Analytical CRM

Back Office	Front Office	Mobile Office	Customer Interaction

Operational CRM section

- ERP
- Order Mgmt.
- Supply Chain Mgmt.
- Order Prom.
- Legacy Systems
- Service Automation
- Marketing Automation
- Sales Automation
- Mobile Sales (Prod. CFG)
- Field Service

Closed-Loop Processing (EAI Toolkits, Embedded/Mobile Agents)

Analytical CRM section

- Data Warehouse
- Customer Activity Data Mart
- Customer Data Mart
- Product Data Mart
- Vertical Apps
- Category Mgmt.
- Marketing Automation
- Campaign Mgmt.

Customer Interaction

- Voice (IVR, ACD)
- Conferencing / Web Conf
- E-Mail / Resp. Mgmt.
- Web Storefront
- Direct Interaction

Collaborative CRM

Based on © 2000 META Group Inc., Stamford, CT, (203) 973-6700, metagroup.com
BroadVision Positioning by Matthias Arndt, HP Consulting, as of August 2000

Cisco ContactCenter Solution

Operational CRM

Analytical CRM

Collaborative CRM

Back Office	ERP	Supply Chain Mgmt.	Legacy Systems
	Order Mgmt	Order Prom.	
Front Office	Service Automation	Marketing Automation	Sales Automation
Mobile Office		Mobile Sales (Prod. CFG)	Field Service
Customer Interaction	Voice (IVR, ACD)	Conferencing / Web Conf	E-Mail / Resp. Mgmt.

Closed-Loop Processing (EAI Toolkits, Embedded/Mobile Agents)

Data Warehouse

Customer Activity Data Mart — Customer Data Mart — Product Data Mart

Vertical Apps / Category Mgmt.

Marketing Automation / Campaign Mgmt.

Web Storefront

Direct Interaction

Based on © 2000 META Group Inc., Stamford, CT, (203) 973-6700, metagroup.com
Cisco positioning by Matthias Arndt, HP Consulting, as of August 2000

E.piphany Solution Coverage

Operational CRM

Analytical CRM

Collaborative CRM

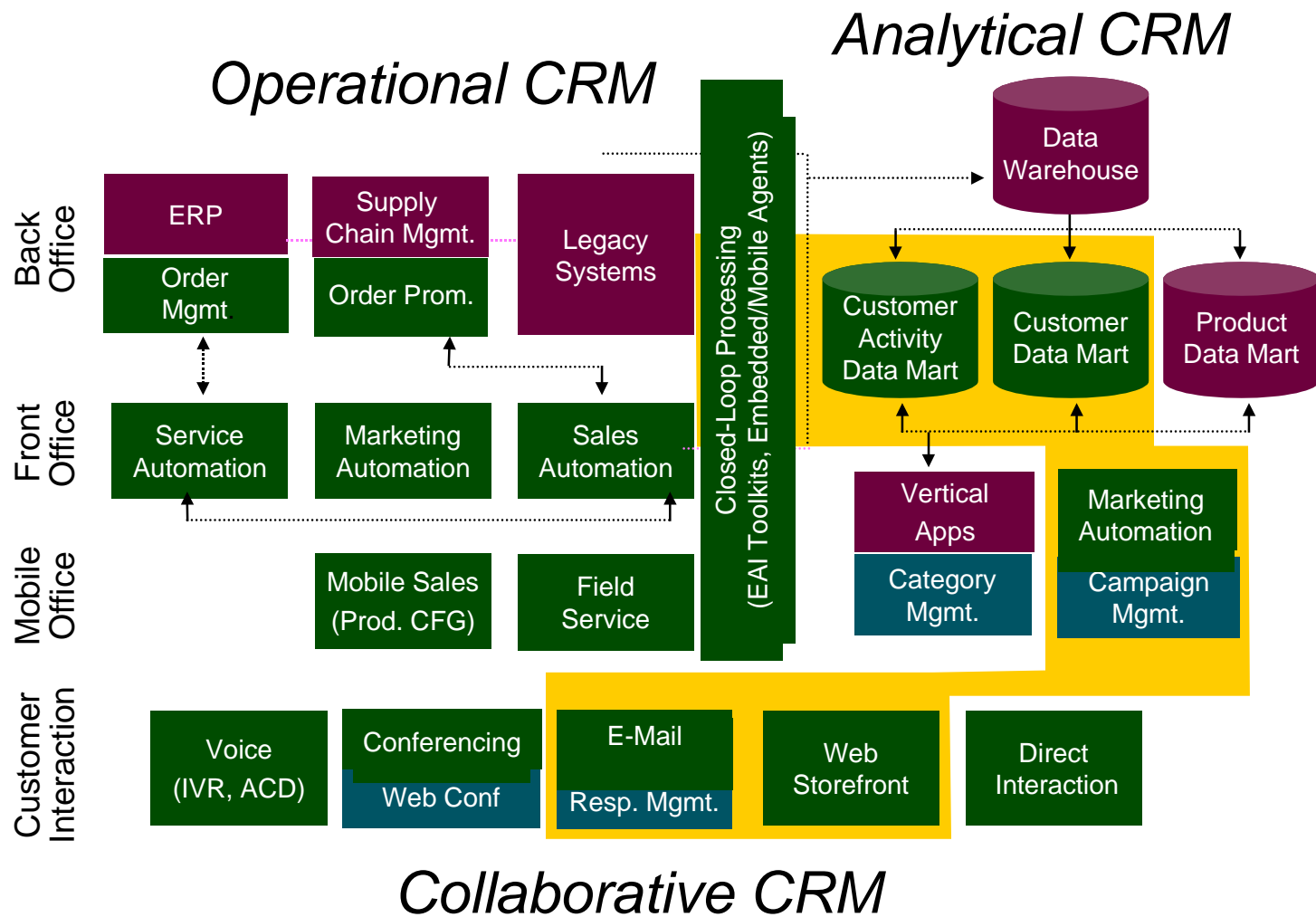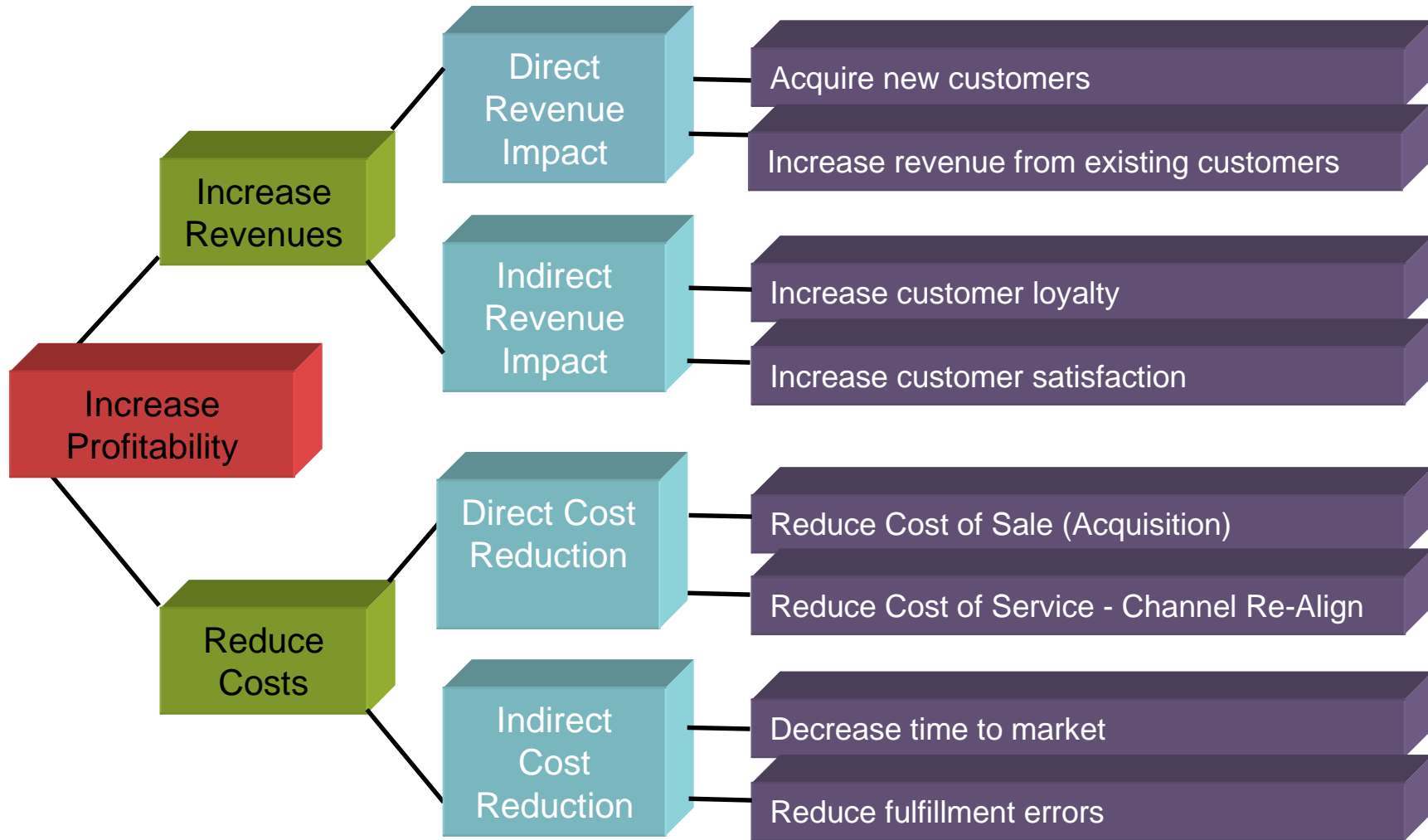|	Operational CRM			Closed-Loop Processing (EAI Toolkits, Embedded/Mobile Agents)	Analytical CRM		
Back Office	ERP / Order Mgmt	Supply Chain Mgmt. / Order Prom.	Legacy Systems		Data Warehouse		
Front Office	Service Automation	Marketing Automation	Sales Automation		Customer Activity Data Mart	Customer Data Mart	Product Data Mart
Mobile Office		Mobile Sales (Prod. CFG)	Field Service		Vertical Apps / Category Mgmt.	Marketing Automation / Campaign Mgmt.	
Customer Interaction	Voice (IVR, ACD)	Conferencing / Web Conf	E-Mail / Resp. Mgmt.	Web Storefront	Direct Interaction		

Based on © 2000 META Group Inc., Stamford, CT, (203) 973-6700, metagroup.com
E.piphany positioning by Matthias Arndt, HP Consulting, as of August 2000

Understand the real business requirements & and what to achieve with CRM

```
                                    Direct        ── Acquire new customers
                                    Revenue
                                    Impact        ── Increase revenue from existing customers
                  Increase
                  Revenues
                                    Indirect      ── Increase customer loyalty
                                    Revenue
                                    Impact        ── Increase customer satisfaction
Increase
Profitability
                                    Direct Cost   ── Reduce Cost of Sale (Acquisition)
                                    Reduction
                                                  ── Reduce Cost of Service - Channel Re-Align
                  Reduce
                  Costs
                                    Indirect      ── Decrease time to market
                                    Cost
                                    Reduction     ── Reduce fulfillment errors
```
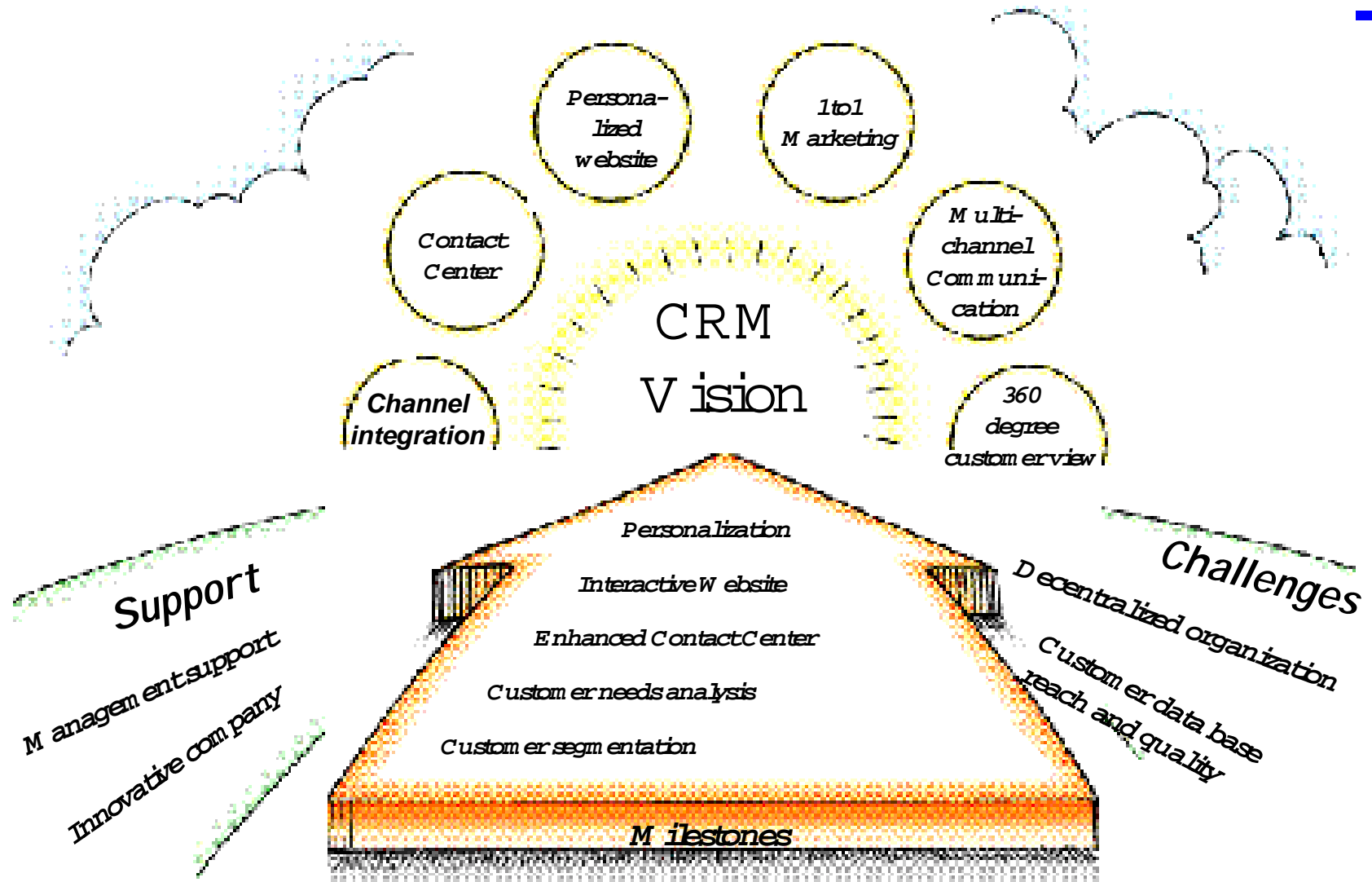
Steps

- Define a 1- or 2-year vision: content and channels, interaction and communication.

- Evaluate the critical Points of Contact throughout the Whole Customer Experience.

- Draw a picture what the customers will experience.

- Design application and integration features.

- Build (or buy and customize) application(s), network, infrastructure, integration.

- Test with selected customers: complete system (all features and processes); correct if necessary.

Build Your CRM Vision

Personalized website

1to1 Marketing

Contact Center

Multi-channel Communication

CRM Vision

Channel integration

360 degree customer view

Personalization

Interactive Website

Enhanced Contact Center

Customer needs analysis

Customer segmentation

Support

Management support

Innovative company

Challenges

Decentralized organization

Customer data base reach and quality

_Milestones_

Critical Success Factors

Critical Success Factors

- Be customer centric. Always evaluate and check with the help of your customers.

- CRM is more than a marketing program. Involve all departments that have customer contact. Get their commitment.

- Consider the complete scenario: People, Processes, Content, Tools.
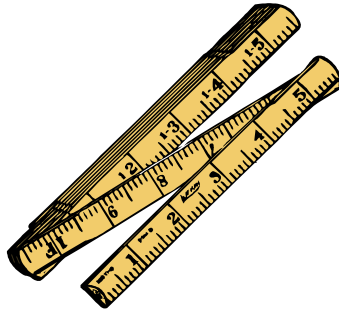
- CRM needs high-level management commitment.
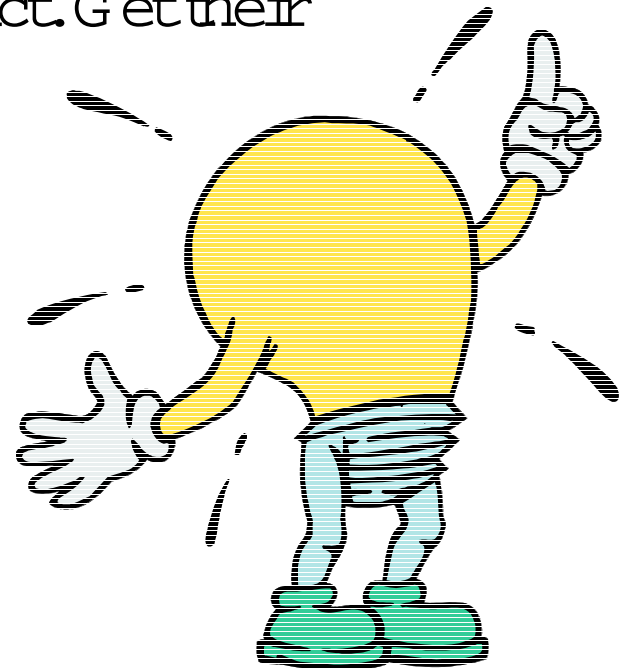
Customer Loyalty Measurement
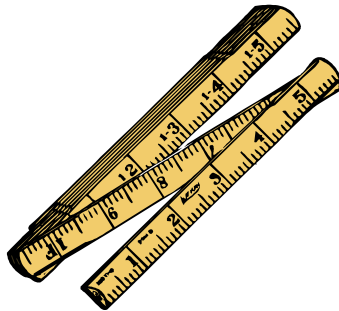
Customer satisfaction

+ Order history

+ Order history trend

+ Share of addressable budget

+ Intention to repurchase

+ Intention to recommend
_____

= Customer Loyalty

CRM Web Success Measurement

Quality ranking by customer
Customer Loyalty increase
Service quality
Goods sold
Call Center relief
Customer database quality
Customer database quantity
Application up-time

Examples

registered customers
target group registered
customers growth rate
customers visiting
visits per customer
services used
usage per service
documents read
up to date documents
customers registered for e-mail
Requests for contact

HP Consulting Services

HP Consulting offers a full range of services:

✓ CRM assessment, CRM visioning workshop and roadmap definition.

✓ Project management, application consulting, design and development (such as Broadvision, Cisco or Oracle).

✓ Application, network and hardware implementation.

✓ Integration with existing systems.

For More Information

- http://education.itresourcecenter.hp.com/

- http://www.education.hp.com/

- http://www.eservices.hp.com/

52

References

Enterprise One to One by Don Peppers and Martha Rogers

The One to One Fieldbook by Don Peppers and Martha Rogers

customers.com by Patricia B. Seybold

Permission Marketing by Seth Godin

Aftermarketing by Terry G. Vavra

Guide to One-To-One Web Marketing by Cliff Allen, Deborah Kania, and Beth Yaeckel

The 1to1 Marketing web site: **http://www.1to1.com/**