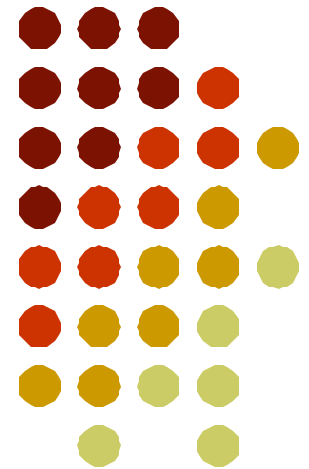


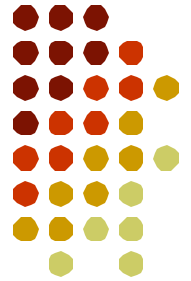
Customer Relationship Management

The future of Marketing

By Baber Khairi

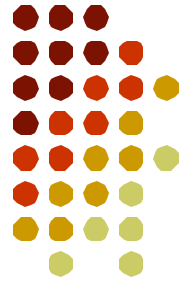


Customer Relationship Management- Introduction



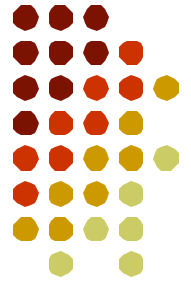
- Customers like being sold to. They enjoy being identified for attention, then contacted and fussed over. They enjoy giving their custom to companies that get to know them and meet their needs.
- However being noisier than ones' competitors to try and attract customers - as might happen in advertising – does not win customers' hearts or minds.

Customer Relationship Management - Introduction



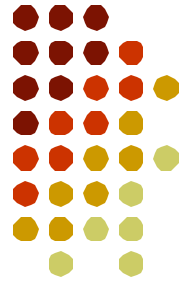
- Research by the Advertising Association in the UK alerted advertisers to the fact that customers frequently switch off advertising messages to avoid this excessive noise
- Advertising does have the potential to make customers sit up and listen. Regular purchasing however requires customer knowledge that leads to customer retention.

Customer Relationship Management - Introduction



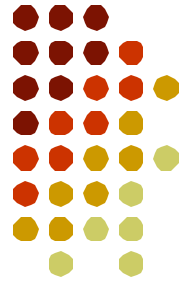
- Customer Relationship Management – CRM for short -- is all about retention.
- Direct Marketing therefore seeks to cut through all the clutter by being smarter, faster and friendlier through the application of LTVA and datamining techniques

Customer Relationship Management - Introduction



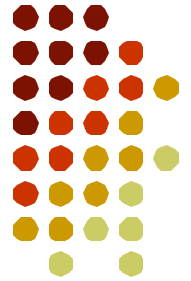
- Successful campaigns such as Range Rover's include using tested database strategies and techniques. Their purpose is to:
 - i. Drive new business
 - ii. Retain existing customers
 - iii. Enhance a company's overall communication with its customer base.
 - iv. *Give you something to do in the final*

Customer Relationship Management – what it is:



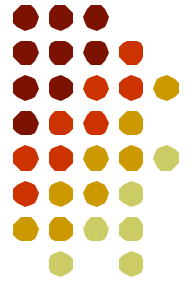
- CRM is a business strategy to select and manage the most valuable customer relationships
- It makes possible the dream of “knowing” one’s customers and of dealing with them on a one to one basis

Customer Relationship Management



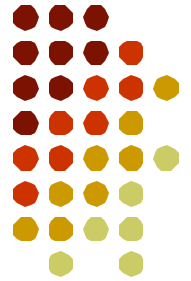
- Companies have realized that retaining customers is much cheaper than acquiring them
- As a result the focus has shifted from promotions to customer relationships

Customer Relationship Management



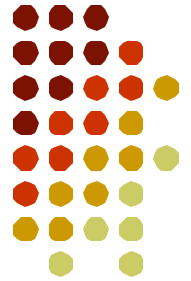
- The right way is to develop the customer focus is to ensure that whatever customer contact does take place, it is a meaningful and profitable one
- This has led companies to making the marketing encounters much more interesting for customers

Customer Relationship Management



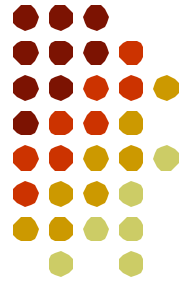
- In order to make encounters interesting, customers are wooed, entertained and made to feel special
- Where CRM comes into this is in identifying the right customers, the right stimuli and the right time and place to make an encounter special

Customer Relationship Management – Main applications



- Customer profitability analysis
- Market basket analysis
- Customer segmentation
- Customer Retention
- Cross/up-selling
- Target marketing
- *Better grades!*

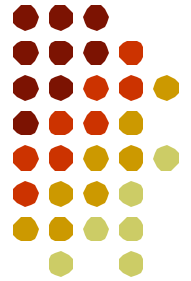
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- In order to develop 1 to 1 relationships a value must be assigned to each customer: also known as LTVA
- LTVA, or Lifetime Value Analysis, is the net present value of all future business expected from a customer

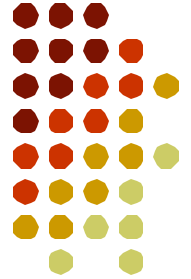
Please God, will this never end?

Customer Relationship Management



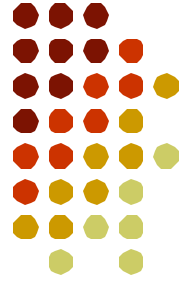
- LTVA helps to determine:
- How much can you afford to spend to acquire a new customer?
- Which new customer sources generate the most profitable long- term customers?
- How much can you afford to spend to retain and/or reactivate an existing customer?
- ***And, what sort of grade we'll get in the second midterm***

Customer Relationship Management



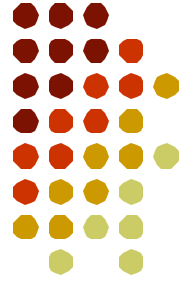
- Since the goal of CRM is to attract and then retain the most profitable customers, CRM uses statistical techniques in a process known as DATA MINING to turn raw data into information.
- Customers can then be classified according to their propensities to consume a product

Customer Relationship Management



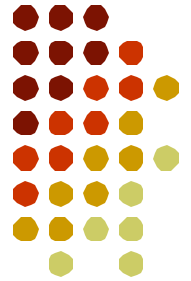
- CRM then uses the information it has, coupled with AI software to make forecasts as to where, when, how [and how much] a customer will consume of a product
- CRM is also able to build Customer Retention models to identify customers with propensities to switch to a competitor

Customer Relationship Management



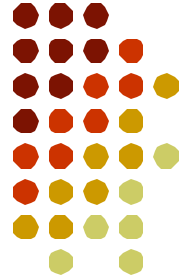
- By using LTVA and Data mining techniques marketers no longer have to make “intuitive guesses”
- *Unlike in Exams where we make wild guesses – but you already knew that!*
- These quantitative techniques make it possible for marketers to decide which marketing tools will have the greatest impact at the lowest cost

Customer Relationship Management



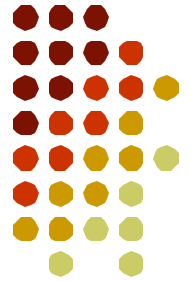
- By assigning a value to its customers, CRM makes it easier to know how much to spend on them. This factor controls costs
- Using propensities to consume and probability data Marketers can decide which products to market to whom
 - *Okay, so we can go now? 😊*

Customer Relationship Management



- CRM finds a way to quantify, track, and analyze the value of a customer to the company over time
- In this way the RFM of a customer is being evaluated at the same time as he or she is being monitored

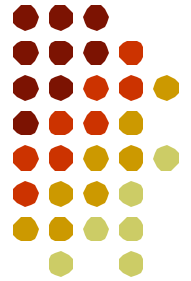
Customer Relationship Management



- CRM thus finds out how to ascertain the impact of future decisions on the value of its customers
 - *Does anyone really, truly care about this stuff?*

Customer Relationship Management

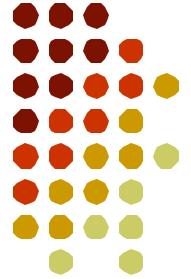
– Problems I *(Hipkin)*



- However James Hipkin feels that CRM has not fulfilled its promise. This is due to the intensity of a customer's brand relationship which tends to change over time.
- As customers' brand involvement decreases, so does the quality of CRM data. RFM is insufficient to negate that decline. The brand relationship itself is based on 5 factors ...

Customer Relationship Management

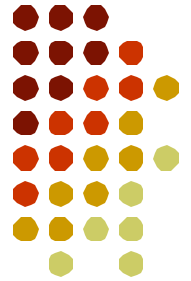
– Problems II *(Hipkin)*



- **The 5 factors are as follow:**
- **Identity** suggests that consumers have a simple understanding of the brand, its name, and perhaps what it represents.
- **Awareness** signifies that the brand is in the competitive set.
- **Relationship** means that the brand is the consumer's first choice, but probably not their only choice.
- **Community** occurs when the brand has become an integral part of the consumer's life and sense of self.
- **Advocacy** is when customers have become the brand's champion; they have become the brand's best sales force

Customer Relationship Management

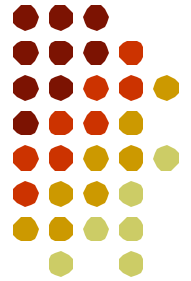
– Problems III *(Hipkin)*



- Hipkin believes feels customers do not want to be managed. (Professor Barbara Kahn at HBS feels they want to be courted and pleased)
- CRM is about building the customer brand relationship & providing information that is relevant to customers' needs. CRM therefore needs to focus on the customer's brand perspective

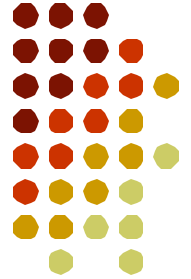
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– Problems IV *(Hipkin)*



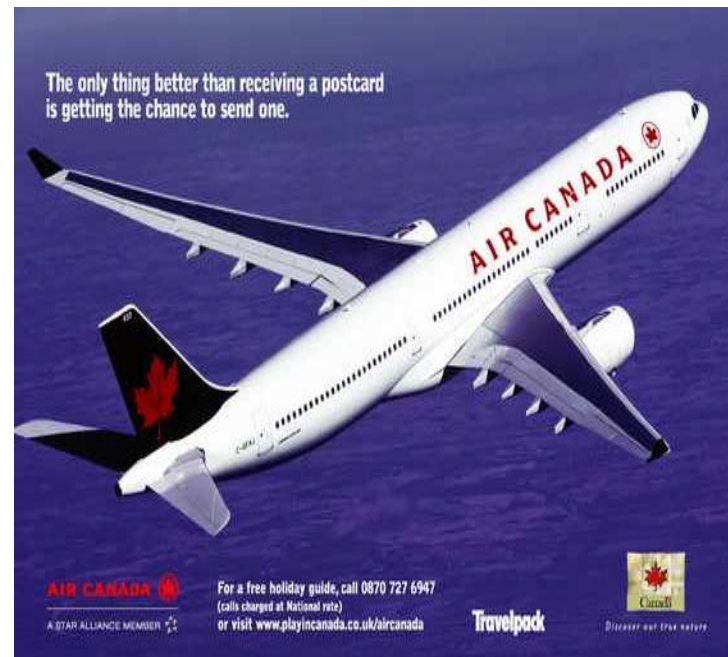
- Thus every opportunity to allow customers to interact and communicate with the brand has to be emphasized. Marketers need to use CRM to manage a customer's experience to create value from all of their interactions with the brand.
- (*The Missing Link: CRM and the Brand* by James Hipkin March 2002)

Customer Relationship Management – Problems IV *(Hipkin)*

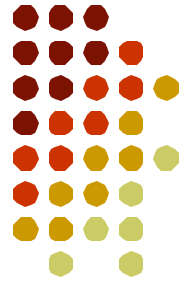


- *This is so boring, Hipkin should be taken out and shot!*
- Breaking NEWS! BREAKING NEWS!
Hipkin taken out and shot!

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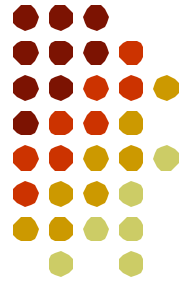


Customer Relationship Management - Conclusion



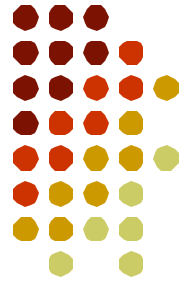
- Clearly CRM has not been effectively applied in all situations. It is most effective in identifying the right customer and squeezing out those that are less valuable.
- Moreover there has been an explosion in the number of brands. This in turn has made CRM more valuable as a tool that aids businesses in a 24/7 world

Customer Relationship Management- Conclusions



- “Customers are now living in” what BT calls “a multi channel world”. Marketers are forced to find cost effective ways to deal with huge numbers of new customers.
- With so many possibilities, customers are much more demanding. Long held brand relationships are the hard to achieve ideal.
- CRM helps maintain these by profiling the right customers and allowing marketers to concentrate on them

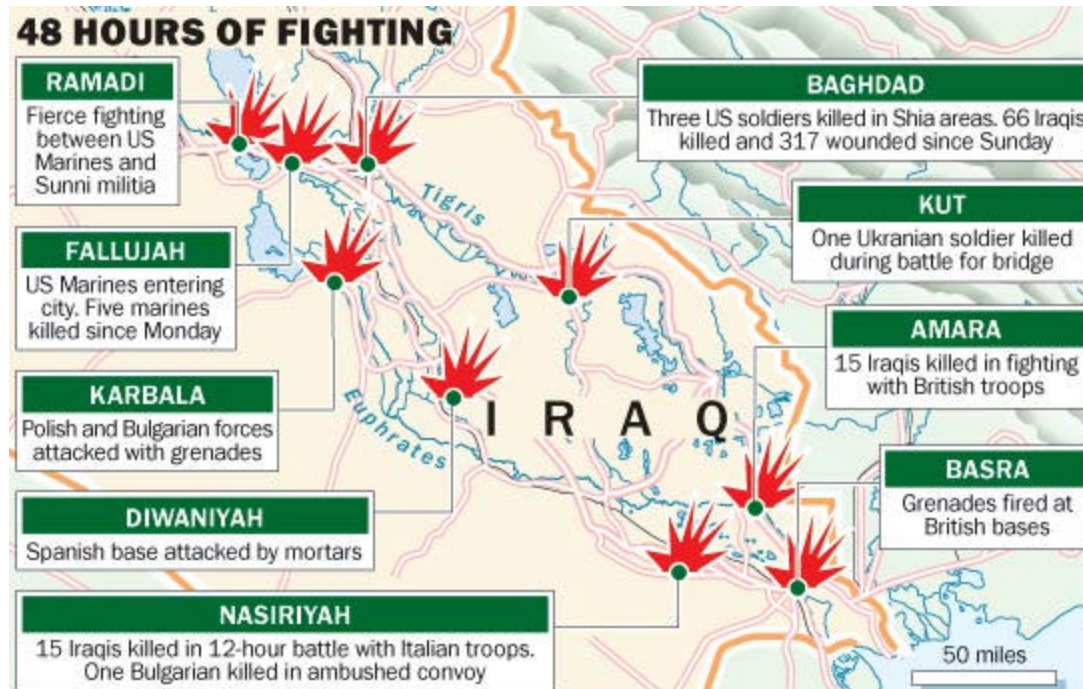
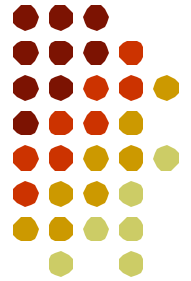
Customer Relationship Management



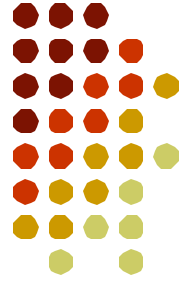
- By doing all this CRM has now become the foremost, most sought-after and cost effective marketing tool in business today

- *And also – it would seem - the most boring*

Breaking NEWS! Trouble in Iraq! AGAIN!



Customer Relationship Management....ahem....um, ahem..



- **Thank you**

- **Thank you**

-

This was a slide presentation from Baber Khairi
PARTY!!!!!!!!!!!!!!