e-CRM

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He began his career with seven years in consultancy including three years at P-E International, working with companies to improve their business processes. In 1990, he joined the Association for Payment Clearing Services as a consultant in the Strategy and Planning Division. Then, in 1992, he joined The Insurance Service, the direct writing subsidiary of Royal Insurance where he ran a strategy, planning and analysis team.

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Abstract While remembering that customer relationship management (CRM) is an enterprise-wide activity and that the new e-channels are just part of the marketing mix, this paper describes how CRM can be enabled by the use of the new electronic and interactive media including the Internet, e-mail, mobile telephony and digital television. These technologies are all included in the broad area of e-technologies which can be used to turn CRM into e-CRM. The paper also looks at some of the challenges and opportunities related to e-CRM, and identifies the key organisational building blocks for effective e-CRM.

WHAT IS CRM?

First there was CRM and, before most businesses had time to work out what these three letters really meant, along came e-CRM.

Customer Relationship Management (CRM) has become one of the key business strategies of the late 20th and early 21st centuries. There are many different definitions of what CRM means but the most important thing to remember is that CRM is not a technology or even a technology solution. It is a way to run the business that, in some cases, technology can make easier. The best examples of CRM still remain the one-to-one service provided by shopkeepers who know their customers personally. Often, the only technology is their own brains, added to their desire to serve customers. Indeed, brains and customer service ethics are

what make CRM successful even in large organisations — it is what companies do with the technology that matters, not the fact that they have it, as many organisations are now finding out.

In Paul Hawkes' recent paper 'Profiting from customer management' in this Journal, (Volume 7, Number 1, pp. 46–52) he identified the key characteristics of organisations successfully implementing CRM. They:

- regard CRM as an organisation-wide set of activities that focus on how to deliver value to customers and the business
- allocate resources (human and financial) to customers in relation to the value the customer delivers (or might deliver) to the business
- have company-wide knowledge of each customer, their current and past

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product holdings, their needs and preferences, and their value to the business

- tailor and promote further products and services to customers in the way that the customers prefer, at the time that they need them, before they ask
- personalise all communications to fit each customer in terms of tone, timing and content.

TECHNOLOGY IS IMPORTANT

Clearly, and especially for businesses with large numbers of customers, these elements can be enabled and facilitated by the use of technology to:

- capture, store and distribute data, and transform them into valuable information
- understand customer behaviour through data mining and statistical analysis
- define and distribute the business rules to apply to each customer interaction
- allow many different variations of products and services to be tailored to the individual
- enable real-time tailoring of interactions with customers depending on their characteristics and how the interaction has progressed so far.

The new e-technologies which include the Internet, e-mail, mobile telephony and digital television make it even easier and more cost effective to do many of these things. It is widely accepted that if a face to face transaction costs £10, then a telephone transaction costs £1 and an electronic transaction costs 10 pence (all ignoring fixed costs, of course). This low cost for electronic transactions means that the tailoring of products, services and interactions to an individual now becomes possible.

While remembering that CRM is an

enterprise-wide activity and that the new e-channels are just part of the marketing mix, the next sections describe how e-CRM differs from the more established forms of CRM.

THE CHALLENGES OF e-CRM

There are lots of opportunities created for CRM in the e-world and there are also a number of challenges which will create an even greater gap between those who are successful and those who are not.

Many of the opportunities for creating loyal customers occur during human interactions where people are able to react to the situation and go the extra mile. This ability to create intimacy with the customer does not exist on-line and things either work or they do not (and currently there is more of the latter than the former). There is more work required to go beyond what is expected and deliver the emotional elements of a brand as well as the functional.

Similarly, because of the remoteness of these channels, building trust is more difficult than in a person to person situation and the relationship element of CRM is harder to build beyond a purely transactional one. Without this trust, it is harder to get customers to share the data which is essential to creating effective CRM strategies. Privacy policies and guarantees become an essential element in building trust and the consequent effectiveness of e-CRM.

The competition is only one click away. If companies do not get it right, either by failing to fulfil their promises or by using the data in an inappropriate (as defined by the customer) way, then the customer will simply take their business to a competitor. There are no second chances to recover mistakes in these remote channels.

Information moves much faster, and particularly if companies fail to deliver.

Off-line, it is a well-known fact that if a company makes a mistake then a customer will tell ten people. On-line, they can tell tens or hundreds of people, in a split second, with one simple e-mail; moreover, they do.

THE ADDITIONAL OPPORTUNITIES WITH e-CRM

Having described the challenges associated with CRM in the new remote channels, there are also many advantages which allow CRM to be much more effective.

Customer understanding

Far more information can be obtained about customers in an on-line environment, either by asking them or by tracking their behaviour. On-line, every movement is recorded and companies know exactly what they have done. They know exactly what information a customer has viewed, and then record and store this for future reference to provide a more tailored service the next time the customer contacts them.

Because the interaction can be changed in real time, it is possible to collect data from a customer in small chunks and at times when they can understand why they are being asked for them; rather than as one long and time-consuming block the first time a customer contacts a company. The most effective e-CRM implementations gather data gradually from a customer as they become more comfortable with sharing information. This also allows the data collection to be tailored based on previously collected information *and* behaviour.

These enriched data gathered directly from the customer and their behaviour can then be analysed to identify specific

opportunities for tailoring and personalising products, services and communications.

Product, service and communication tailoring

The whole customer experience can be tailored to the individual customer either through the customer choosing how to personalise their experience (eg My Yahoo) or by analysing the customer's data to understand what interests them.

This tailoring based on customer data is known as *active personalisation* and can include the information content presented to the customer, the products offered and also advertising from other organisations. As more information is learned about a customer, this personalisation can become more specific. Clearly, it is essential to get this right as inaccurate personalisation is worse than no personalisation at all.

While the cost can be very high to do this for every customer in channels where printed media need to be personalised, the cost to do this in e-channels is very low and can be done for all customers with little or no incremental outlay; providing they can fulfil their promises to the customer.

Passive personalisation is created by customers choosing how they want their experience to be. This is also extremely powerful and takes away the age old problem of knowing in which segment to place a customer — they choose for themselves. They choose based on the current transaction, while next time they might decide that they want things to happen differently. This works really well when someone occasionally buys as an individual, sometimes as part of a relationship or maybe for their business. They will choose what is relevant for them at that time. This form of

Figure 1

self-segmentation also removes the problem of trying to understand customer needs but using demographic type data — the segments available on-line can be completely needs-based.

THE TECHNOLOGY OF e-CRM

The principles of e-CRM are, then, much the same as those of traditional CRM and the technology makes this easier to achieve in terms of tailoring, targeting and speed.

Figure 1 illustrates the six key requirements for the technology to support e-CRM:

- customer data storage and analysis: the data warehousing and data mining are an extension of their use in the off-line environment and, in

particular, need to consider the on-line click stream data that are often very powerful. They must provide a 360-degree view of the customer and cover all channels and products

- personalisation engines: these are the tools for creating the business rules that define the personalisation which will be applied to a particular customer at a particular time. This must be independent of the actual medium used to interact with the customer
- content management: content is the lifeblood of on-line CRM and consists of the information, graphics, etc. presented on the site. Content management systems allow for the editing, validation and publication of the content in a controlled way

Figure 2 The e-CRM organisation — four key organisational blocks

- broadcast engines are specific to the media (Internet, mobile, digital television, direct mail, call centre etc) and take the business rules and content, manage the access of customers to the service and create the customer experience
- transaction engine: this manages the actual transaction including the payment mechanism and the issuing of instructions to the fulfilment system(s)
- workflow management: ensuring that the right tasks are distributed to the right people at the right time to ensure consistent delivery of service to the customer.
- scalability: offering timely services to a large and escalating customer base
- speed: offering new services in a short timeframe
- cost reduction: through automation and self-service
- integration: to include partners and suppliers in a collaborative way
- futureproofing: through modularity and separation of business rules from their implementation in different media
- security: allowing access to appropriate parties in the appropriate way.

CRM IS ENTERPRISE WIDE

The technical architecture which combines these elements requires a plug and play approach to design, to maintain flexibility as new channels emerge, business rules change and new products become available. It also needs to ensure that it delivers the following capabilities:

While this paper has focused on e-CRM as a discrete element, it is actually merely part of the bigger picture of enterprise-wide CRM. Those organisations which have gone beyond achieving the short-term tactical wins from CRM are those that regard CRM

as a way of doing business and have realigned their organisation, management and measurement systems to support the successful management of customers. They no longer talk as much about how many products they have sold; they talk about how they have increased the value of specific groups of customers and reduced the numbers of other less profitable groups. In organisations which have gone this extra distance, it is usually possible to identify four discrete areas of the organisation (see Figure 2):

- customer management: this function is responsible for defining the business rules to apply to customers, defining the proposition for specific groups of customers and, importantly, for delivering the key customer measures including, possibly, the profit and loss account. This is the core business function
- product, service and content manufacture: this area creates or sources products, services and information content to satisfy the requirements of the proposition defined by the customer management team at an acceptable cost
- sales and service delivery: these teams actually deliver the sales and service strategy defined by the customer

management team. This includes the sales force, call centre, website, etc. and may be run in-house or out-sourced, in both cases to defined service levels

- central information services: this team will manage all the customer data from ensuring that they are collected through to storage, and subsequent distribution to the right people at the right time in the right way. This may include the data mining team or they may be part of the core business team.

In some organisations, these functions are combined but the discrete elements should always be capable of being separated, much as in the modularity required in the technology architecture.

This organisational approach also facilitates the mindset switch from product to customer which is the greatest challenge in implementing CRM.

SUCCESSFUL CRM

Successful CRM results from the integration of customer, technology and organisational elements and it is essential to have an holistic approach to these elements in order for any enterprise to be truly successful.