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Keywords: data mining, customer value, online analytical processing, portfolio optimisation

Developing a truly customer-centric CRM system: Part Two — Analysis and campaign management

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Received (in revised form): 18 January 2002

Abstract

In the last issue of *Interactive Marketing* the author wrote about the background and experiences during the implementation of CRM in a German bank. The basis first of all was the technical infrastructure and the set-up of a data warehouse. Then internal data originating from the source systems of the bank which were connected with the different channels of distribution and communication were collected and prepared. Subsequently these data were enriched with external information and are now serving as the foundation for appropriate analyses and campaign management.

The second part now describes the necessity to analyse the existing customer data to point out trends and customer behaviour patterns. Examples show how to exploit this knowledge in customer campaigns.

Data mining

Data mining attempts to answer the questions presented for each individual customer, eg questions concerning the right product. Thereby, the likelihood of a purchase is determined for each product and customer.

In Figure 1, Customer 3 is more likely to buy Product 1 than Customer 2, who in turn is more likely to buy it than Customer 1. This is the product-based view and can, for example, help to optimise cross-selling mailing activities. The customer-based view is almost more interesting from a CRM point of view: if Customer 2 enters the branch or calls the call centre, he should be informed of Product 1 rather than Product 2.

However, it should always be remembered that these are probabilities, as data mining is defined as the process of analysing large quantities of data using statistical methods. The aim is to identify patterns or rules in the data which can help to answer the questions (ie affinity with a product) by using probabilities.

In practice, the first step is normally to take a random sample containing both 'good' and 'bad' customers. In this case, the 'good' customers may be those who have bought products in the past six months. The 'bad' customers may also have received the offer but rejected it. The definition of the random sample forms the basis for the next steps to be taken; an incorrect or imprecise description will make the entire model useless.

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Figure 1: Product and customer view in segmentation

The next step is to compile initially merely descriptive and general univariate statistics. Frequently, it will be necessary first to transform the characteristics so that they can be used. The birth date, for example, may not be of much use, whereas the customer's age in years will play a key role in the decision-making process for many bank products. This means that a new variable, 'age', will be derived from the date of birth.

Deciding on a model

Now, the model as such is created using multivariate statistical methods. Typically, regression models, decision-making trees and also neural networks are used. Modern software can generate numerous models for the same random sample. Only in the next step is the forecasting reliability of the various models compared and a single model selected. The best method depends on the questions to be answered — the use of a credit card, for example, can frequently be forecast more reliably than a decision between two forms of investment. Later use also plays a key role when opting for a model. Regression models, for example, are easy to explain whereas a neural network generally forms a 'black box'. If the model is to be used for distribution purposes, it may therefore make more sense to select a model not only on the basis of its quality but also on the basis of greater acceptance.

The analogous procedure is also performed for affinity to distribution channels, media and types of approach for the risk etc. Three dimensions, then, produce the likelihood of a customer buying product p via distribution channel v using approach a.

Product/channel/ approach

The individual dimensions exist independently of each other. A customer will, for example, conduct a transaction in his account (product) via the Internet (communication channel), whereas he may want to visit his branch (communication channel) in person for a home loan (product).

The parameters derived from complex mathematical and statistical methods must then be used to formulate specific recommendations to support marketing.

Figure 2: Multidimensional description of the customer

Definition of customer value

Customer value and potential

CRM implicitly makes a distinction between current customer value and future customer potential. It is not necessary to treat all customers in the same way to distribute marketing and selling resources efficiently. This does not mean that some customers should receive poor advice; all it means is that some customers will receive more intensive assistance or assistance via other channels. As with the creation of data-mining models, the first step already entails a major problem: the definition of customer value. Does this mean the historical monetary customer value (profit)? Or forward monetary customer value (eg derived from cross-selling, up-selling, customer retention etc)? How are non-monetary values (eg valuation creation from recommendations, multipliers and opinion makers) to be treated? Is customer potential the difference between the products held by a customer at a given bank and the sum total of all banking products which he holds? How do you then put a value on the development of financing behaviour in the various phases of the life cycle — today a poor student, tomorrow a high-income management consultant? Customer allegiance and price sensitivity also influence the value of a customer, but how can these factors be taken into account?

Continuing optimisation

In the design phase, it is important to confine oneself to a certain method. Then sources for the data are collected and the model created. This is followed by calculations and plausibility testing. These steps are repeated several times and in some cases simultaneously. As the model will never be absolutely 'right', ongoing optimisation is necessary. As well as this, the model must be repeatedly adapted in the light of the current range of products and changes to personnel costs etc. The following section describes the method for calculating the monetary value of a customer over the past 12 months (profit contribution). The main forms of a bank's income are interest income and commission; the main cost types are direct and indirect operative expenses as well as, for example, risk-related costs.

Income can normally be calculated using the operative databases as they form the basis for calculations for the bank's customers. It is also

relatively easy to calculate the cost of automated transactions such as credit transfers at telling machines or over the Internet. What is far more complex, however, is the calculation of the cost of personnel-intensive activities such as advice on buying equities. This requires process costing, something which can be very complex.

One challenge is posed by the need to differentiate data.

Problems of differentiation

- Data must be available for each individual customer. In the case of costs and income arising only at a branch level, it is necessary to apply allocation rules, for example.
- All transactions must be assigned to the appropriate communication channel, as costs will vary considerably in some cases according to the channel (credit transfer at branch/over Internet).
- Costs/income must be assigned to the right period, ie annual account-keeping charges, for example, must be broken down on a month-by-month basis if income is to be calculated for a period shorter than one year.
- Finally, differentiation by product frequently also causes problems. A netting account for a securities account will frequently produce a negative profit contribution by itself but together with the securities account (hopefully) a positive contribution. At the same time, however, the netting account may be assigned to a different product type, eg a savings account. This would falsify the situation.

The calculations as such are generally not too difficult; what makes the overall model complex is the number of customers, products, channels etc. First of all, for example, the profit contribution from the purchase of equities is calculated, deducting third-party fees, advisory costs and IT costs from the transaction fees received. To calculate the profit contribution of a customer account, this step is repeated for all transactions (buy, sell, subscription etc) and the total added to the account-keeping fees received. From this are deducted general advisory costs (eg annual strategy talks), IT etc. To calculate the total profit contribution from securities for a customer, it is necessary to tally all securities accounts, asset management arrangements etc. Similar calculations are then performed for payments, deposit taking and borrowing as well as other products (eg building society contracts) to calculate the aggregate profit contribution.

Top down and bottom up calculations

These calculations should be checked on both a top-down (eg comparison of total profit contributions by all customers in a region with the regional results) and a bottom-up basis. A case-by-case check in particular will reveal many shortcomings in the algorithm. One typical problem is the distribution of closing costs at the termination of fixed-term products such as mortgages or savings accounts. If the costs are not spread, the profit contribution is negative in the year in which the transaction is entered. But if they are spread evenly over the entire term of the product, the interest margin in the final periods may be less than the distributed costs. The only way of getting around this is to distribute costs in tandem with income.

Typical customer/ profit distribution

Even so, the enormous amount of work required by such models pays off. Figure 3 shows a typical distribution of profit contributions for a bank. The customers are sorted by descending customer value and the cumulative values shown.

In this example, the top 20 per cent of customers are sufficient to generate 100 per cent of the income (A). The next third also generate value, while the last 50 per cent exhibit a negative profit contribution (C/D); the final 10 per cent alone cost 25 per cent of value creation. It is now possible to formulate strategies in line with the customer value.

For customers in segments A and B (comparable to the Senator and Frequent Traveller customers at Lufthansa), this may mean special customer bonding activities. Segment C customers are 'profitabilised', eg by intensifying cross-selling or migrating them to other channels. Another option might be to adopt price models to make the bank unappealing for segment D customers.

The basis for decisions

Online analytical processing (OLAP)

Online analytical processing (OLAP) refers to the analysis and evaluation of specially prepared data as a basis for corporate decisions. One particular characteristic is the large and differentiated quantities of data available for analysis as well as the extraordinarily simple and intuitive use of the evaluation tool.

This makes OLAP particularly suitable for decision makers who require figures quickly and simply to cover their daily information requirements and as a basis for decisions. OLAP refers to software creating a multidimensional table ('cube') with structured data and suitable parameters. The tables can be opened up and closed again on

Figure 3: Example of cumulative customer value

various different levels. Similarly, the values shown can be sorted and filtered. Simple parameters such as totals, percentages, minimums and maximums as well as means can be produced at a click of the mouse.

Data are distinguished according to dimensions and facts. Facts comprise the cell content capable of being evaluated, eg the number of customers, number and volume of products, profit contributions etc. The dimensions are the variables by which evaluations are performed, eg regional distribution (region — territory — branch), customer age, allocation to certain customer segments etc. Figure 4 sets out the regional distribution of customers by cross-selling ratio.

OLAP is particularly suitable for the simple distribution of important information to analysts and persons responsible for preparing information. Far more information is available compared with the former evaluation of lists or creation of programmes, meaning that acceptance of a CRM system can be boosted substantially.

Practical implementation

The data, systems, analyses and information described in the previous two sections form the basis for implementation in strategies and campaigns (see Figure 5). Only then is the information used and (hopefully) converted into income for the bank. The following campaign types were implemented on this basis.

Strategies and campaigns

- *New customer campaigns* are characterised by the use of rented addresses to gain new customers.
- *Prospect follow-up campaigns* are targeted at prospects with the aim of turning them into customers.
- *Customer recommendation campaigns* are targeted at customers with

Figure 4: OLAP (demonstration data)

- the aim of having them recommend the company to non-customers.
- *Action-based customer campaigns* are cross-selling, up-selling or image campaigns targeted at customers which are initiated and implemented centrally, normally with a sales target.
- *Sales-oriented event-steered campaigns* are triggered by a particular event. They also aim to sell products (cross- and up-selling).
- With *regional campaigns*, the campaign is designed centrally, with participation determined on a local basis.
- Like sales-oriented event-steered campaigns, *relations-oriented event-steered campaigns* are triggered by a defined event. However, the aim here is to strengthen the customer ties.
- *Customer retention campaigns* are targeted at customers exposed to the risk of defection with the aim of bonding them, ie preserving the customer relationship.
- *Customer recovery campaigns* are for customers who have already terminated. Customers are animated to revoke their termination or resume relations with the bank.

The following sections describe some examples of such campaign types.

Solicitation of new customers

Deutsche Bank 24 set itself very ambitious targets at the time of its market launch. In addition to high profitability targets, it also had challenging growth objectives. Customer base growth is of particular importance to spread the overhead costs of the technological basis over a greater number of customers. Mailing shots using rented addresses have been employed for many years in many sectors as a means of gaining new customers. An attempt is made to define the target group and to search for a list which best matches this group. The resultant reply rates frequently do not live up to expectations, as good lists in particular have already been used on multiple occasions. In addition, it is precisely the best lists which are frequently not very large and therefore not sufficient for large-scale new customer solicitation.

A better idea is to use address databases containing microgeographic information as well as details of consumer behaviour and other elements, eg affinity to mail ordering. Forecast models can be designed on the basis of these data to boost the reply ratio substantially compared with conventional methods. The potential of using addresses is also far higher as almost the entire market is covered.

First of all, existing customer relations are analysed. The resultant model is then applied to the entire address database and potential calculated. This is followed by the first mailing shot; responders are analysed again and the model fine-tuned. This finer model is used as a basis for selecting the addresses for the next mail shot from the database and for optimising the results (Figure 5).

In order to analyse the 'good customers' (owners of a certain product) (1), a random sample of the customer data was enriched with consumption and microeconomic data gained from an external supplier from the address database. Using a regression analysis, an affinity model

Getting new customers in a German bank

Profiling the database

Figure 5: Method for soliciting new customers

Eight-step process

was developed (2). The probability of ownership of the product was forecast on the basis of the explanatory individual and microgeographic variables. This model was then reapplied to the address database (3). All the available addresses were divided into roughly equal affinity groups to select suitable addresses (see Figure 6). As the analyses first needed to be tested, a random sample from the best groups was written to (4). The responders to this first mailing shot were checked (5); as expected, the response rate also declined the lower the score was. The response model was fine-tuned on the basis of the responders (6). As a result, it was not only possible to express likelihood of product ownership in the model but also affinity to the advertising channel and creation of the mailing shot. The first mailing shot also made it possible to forecast the response rate.

This was followed by further mailing shots (7, 8), in which only the consumers from the top groups of the revised models with the highest affinity rates were targeted.

The greater once-only work required for the analyses was more than made up for by the high response rates. As already described, the entire process was performed three times within the space of six months. In doing so, it was possible almost to double response rates and cut costs to a good third of the original amount as learning effects from the closed analysis cycle were leveraged. At the same time, the analyses revealed a

Closed analysis cycle

Score band	Score	Client		Address potential		Index
		absolute	in %	absolute	in %	
01	553 - 1553	4.915	47,23	4.790.000	9,98	473
02	449 - 552	1.644	15,80	4.680.000	9,75	162
03	385 - 448	981	9,43	4.560.000	9,50	90
04	345 - 384	756	7,27	4.896.667	10,20	71
05	309 - 344	688	6,61	5.013.333	10,44	63
06	273 - 308	425	4,08	4.570.000	9,52	43
07	229 - 272	351	3,37	4.796.667	9,99	34
08	169 - 228	277	2,66	4.880.000	10,17	26
09	93 - 168	248	2,38	4.920.000	10,25	23
10	Up to 92	121	1,16	4.893.333	10,19	11
Basis score:	122		100	48.000.000	100	

Figure 6: Example of a score table (demonstration data)

Intensifying customer relations loyalty

Customer incentivisation

series of additional useful information on customers and prospects, much of which was also leveraged.

Member get member

As described in the last section, the standard new customer methods are not sufficient to achieve ambitious growth targets. Accordingly, they were backed up by a customer recommendation programme. The cost of soliciting new customers can be reduced to a fraction of the normal levels by leveraging customer recommendation potential. Figure 7 illustrates how the customer recommendation programme was developed.

In the design phase (1), it became evident that many customers had previously been gained via existing customer relations. Bank 24 had had a programme of this type and Deutsche Bank had also completed initial testing successfully. However, there was no systematic or system-aided process; in many cases, branch employees rewarded existing customers who recommended the bank by giving them existing advertising gifts or other incentives.

Consequently, the implementation of a programme to leverage satisfied customers' willingness to recommend the bank to others appeared to hold considerable promise. The target defined was to develop and launch a suitable programme within a period of six months. The long-term goal was to gain a large share of new customers via this programme.

The concept designed provided for each customer recommending the bank to another customer to receive a reward. However, this was to apply only to genuinely new customers (ie not new products for existing customers) and only to certain products as of a certain minimum amount (recommendations concerning ancillary products, eg credit cards, EC card etc, were not rewarded). Similarly, customers who recommended themselves were not eligible. The overall concept, including the budget forecast for establishing and running the programme as well as success calculations, was presented to and approved by the management board.

Figure 7: Model underlying customer recommendation program

Selection of customers ...

This was followed by intensive analyses of the customer base (2). Tests previously performed had already yielded data on recommenders and new customers recommended. The customers were selected from the database and the data prepared. The customers to be recommended were examined using descriptive statistics. One of the findings which this yielded was that young customers in particular had recommended the bank to others, and that the share of women was higher than that of men. It was not particularly surprising to see that customers tended to recommend the products they owned themselves. Interestingly, the value of the customers to whom the bank was recommended was high compared with the customer base, meaning that the 'bargain-hunter' effects were relatively small.

... selection of channels ...

In the offer phase (3), the channels for communicating the customer recommendation programme were initially selected. The focus was placed on the personal approach after a good conversation with the customer, as face-to-face marketing still makes the greatest contribution to the bank's profit and loss account. The branches were sent posters and brochures, while showcases holding the rewards were set up in some branches. Mobile marketing was incorporated similarly. Central mailing shots were sent out to customers to support marketing to encourage them individually to recommend the bank and its products on the basis of the results of the analysis phase. As well as this, the programme of rewards was described on the Internet, with application forms, coupons etc made available as PDF files for downloading.

... production of materials ...

The various advertising materials (posters, brochures, mailing shots) were produced in the creation phase. In doing so, attention was paid to a target-group-based approach. Rewards were also selected in the light of target groups to ensure that they produced a high degree of incentive for all groups. In addition, a detailed staff information brochure was created, explaining the overall programme and detailed processes as well as instructions on how to handle the programme.

... processing response ...

Processing customer response (4) is a particular challenge at a multi-channel bank; after all, the recommendation can be received via different channels — at the branch, at the call centre, by letter, by fax, by e-mail, over the Internet etc. Particular importance was attached to swift handling and despatch of the rewards. Problem cases, eg missing account number of the customer making the recommendation, were systematically anticipated and allowed for in the processes. An internal hotline was set up to handle problems and special issues. At the same time, data on the number of recommendations, channels etc were collected and evaluated.

... despatching rewards ...

The bank's basic reaction (5) was to despatch the reward selected by the customer complete with a letter of thanks. At the same time, the customer relations manager was informed that his customer had recommended a new customer. Needless to say, the information was stored in order, for example, to approach the customer specifically in the next mailing shot concerning the customer recommendation programme in an extended reaction. The newly gained customers can be transferred to the new customer process. However, they too may be targeted in the future as they know how the programme works and may also want to earn

... and analysis of results

a reward. Here as well, systematic allowance was made for possible problems in the design phase. There were predefined processes, eg to cover the situation in which a reward is defective — given the large number of articles, eg several thousand vacuum cleaners, the risk of individual articles being faulty cannot be discounted.

In order to close the learning circle, the entire customer recommendation programme was examined with minimum delay on various different dimensions (6). First of all the customers recommending and being recommended were regularly analysed in terms of numbers, channels, value etc and weekly and/or monthly reports produced. It became evident that the quality of the customer relations gained via the customer recommendation programme was no worse than those gained via other methods. On top of this, premium availability and quality were monitored regularly. The process of despatching the premiums was also tracked with minimum delay via key figures (eg average time between receipt of recommendation and despatch of premium). The experience gained resulted in permanent optimisation of the entire programme, eg the removal of less attractive premiums. This was backed up by an Internet competition in which customers were able to select the most attractive rewards themselves.

Specific targets were defined for face-to-face marketing. The level of achievement was reported monthly to the regions as a means of steering marketing activities. Deutsche Bank 24's customer recommendation programme exceeded forecasts in all areas. In particular, substantially more new customers were gained than had been planned. The programme now plays a key role in the overall customer solicitation programme and will be intensified in the future.

Cross-selling

In addition to growth targets, boosting profitability was one of the key objectives when Deutsche Bank 24 was established. This objective can only be reached by intensifying customer relations. This intensification ensures, on the one hand, that fewer customers are inactive or defect to the competition and, on the other hand, repeatedly offers new contact points for selling additional products (cross-selling) or enhancing the value of existing products (up-selling).

Data mining to establish cross-selling opportunities

Whereas little or no internal data are available for soliciting new customers, the focus with cross-selling is on cleverly combining internal and external data. As with new customer solicitation, it is necessary to filter out from a large volume of customers those who are interested in a certain product at a given point in time.

The starting base for selection purposes is the set of all customers. Using this customer base, it is necessary to select the customers who exhibit potential interest in a certain product at a given point in time. Here as well it is necessary to determine the distribution channel and approach most suitable for the customer. Using data mining, the CRM system controls the activities in the bank's distribution channels. An individual strategy is developed for each customer in the light of his specific situation.

Figure 8: Cross-selling model

Cross-selling examples

- A new customer has had an account for six weeks; so far, his securities account has been largely inactive. An activation strategy for the securities account therefore appears to be the appropriate activity: the customer's attention is drawn to a new investment fund by the call centre.
- Another customer is a home-owner in an area with housing between five and ten years old. A mailing shot draws his attention to the fact that the fixed-interest period for his home loan will soon be expiring. He is given an opportunity of arranging an appointment and the branch adviser is notified to raise this point with the customer.
- A customer driving an older vehicle, with medium status and suitable credit standing, receives a letter offering him personal finance.
- A customer uses the bank only as a back-up account. These customers are frequently identified as causing costs rather than as a high-potential customer group. Customers with only a single deposit product, for example, are identified via the call centre, after which an appointment is arranged with mobile marketing.

This experience shows that campaigns with superior arguments on the basis of specific amounts exhibit higher response rates. These activities can be standardised using the CRM system and operated on a permanent basis at only minimum expense.

Customer bonding

Growth and profitability targets cannot be achieved solely by gaining new customers and engaging in cross-selling. A bucket can only be filled with water if it does not have any holes. In Deutsche Bank 24's specific situation, this means that the expansion strategy will only be successful if it is backed by customer bonding activities. A customer bonding concept essentially comprises two components (with a loyalty programme possibly a third component).

Dealing with errors

Customer recovery/customer retention

Customer recovery/retention focuses on the errors which the bank has made during a business relationship. This inevitably brings to light truths which are unpleasant to all divisions concerned. The willingness to change is the key to success for these activities. Accordingly, such measures can only be implemented in a multi-channel bank by means of a concerted effort on the part of all areas concerned. Customer bonding will not be successful without the mutual collaboration of marketing, IT, operational management and process organisations, and without board support for these activities.

Most banks' processes do not provide for structured customer bonding and recovery measures. All too frequently, termination of the business relationship by a customer is merely a technical process; employees are told how to enter the termination in the system but not how they can prevent the termination by talking to the customer or by using other methods. All of the bank's channels must be made aware of the importance of recovery for this to be successful. Target agreements must be adjusted so that this issue and successful implementation are rewarded. Workflows and technical support for bank processes must be revised — particularly those between branches and back offices. Recovery measures can only be implemented once the technical and organisational framework is in place. As customer recovery will be particularly successful in a person-to-person dialogue, staff training is necessary. The CRM system provides important support for this.

The personal approach

The primary channel for recovery purposes is the personal adviser at the branch or call centre, although these activities will be backed up by mailing shots or e-mail. The approach unleashes its full power in the follow-up attention to customers who have been recovered. By welcoming the lost customer back into the fold, the bank establishes a new relationship with him. In the preliminary follow-up phase it is important for all employees involved in the marketing process to be informed of the successful recovery. The branch receives customer information online; mailing shots inform the customer of improvements and innovations or the bank calls the customer to find out how satisfied he is. Following this, the customer is included in specific cross-selling activities. The customer recommendation programme closes the circle and generates new income for the bank.

Ideally, the customer retention activities should render customer recovery superfluous. However, it is obvious that it is neither possible nor desirable to retain all customers. Customer bonding activities focus on profitable customer segments and seek to prevent a substantial amount of defection in this segment.

The customer bonding programme is based on a meaningful defection score. Data mining is used to assemble information signalling potential defection by a customer. The model is able to predict the likelihood of defection for each individual customer. Measures are taken as soon as the score and the customer reach a certain ratio. Indicators for weakening customer bonding include the following.

— *Bank-related indicators*, eg merger of branches, changes to terms and

Indications of defection

conditions, change of adviser. Here it is possible to take early action as the bank itself can determine the timing as well as the bonding measures to take place before and after the event in question, eg a mailing shot to all customers whose branch is to be closed.

- *Customer-related indicators*, eg a complaint by a customer about what he considers to be incorrect conduct on the part of the bank. This may be a direct trigger for a termination, although it may also provide a direct basis for reinforcing customer bonding, eg by swift handling of the complaint.
- *Indicators of customer behaviour*, eg net decline in business volume. On its own, this is not a reliable guide — for example, savings are frequently withdrawn for a purchase without this meaning that the customer plans to defect. Typical historical behavioural patterns over time on the part of terminating customers are applied to the entire customer base. If there are any matches with the actual behaviour of various customers, this can be used as a basis for selecting customer groups. The approach should be as varied as the reasons and behaviour of the customers prior to defection.

Investment on systematic customer bonding and recovery is highly profitable. The recovery rates may be in the double-digit area. Customer recovery and retention can also be backed up by a loyalty programme which steps in earlier than the customer retention activities.

Portfolio optimisation

Increasing customers' profitability

The campaigns and measures described above are initially singular activities. It is crucial to consolidate these activities to form a total CRM strategy. In doing so, the aim is to optimise the entire customer portfolio (see Figure 9) on an ongoing basis. If, for example, new customers are gained, they will primarily be in the better customer segments. Cross-selling is a way of pushing customers out of less-profitable segments into the profitable ones. With profitable customers, the primary target is retention.

The CRM system as a whole can support such portfolio optimisation by providing the right information at the right time and at the right place. Of particular importance here is the campaign management system and the software used at the branch offices and call centre (alert information). Ideally the circle will close, with the customer portfolio being further optimised with every new cycle in tandem with rising income for the bank.

Thirteen strategies to prevent the failure of CRM

The implementation of customer relationship management in a company is a complex task. The consequence is that too many CRM projects fail. Different studies indicate failure ratios up to 80 per cent.¹

It appears important to look into the factors which are responsible for success or failure. The following 13 strategies should help practitioners to recognise the pitfalls of CRM in order to chart a course for success.²

Figure 9: Optimising the customer portfolio

Strategy 1 — Integrate the CRM targets into the company strategy

CRM can assist in a substantial proportion of a company's achievement of objectives if the CRM strategy is derived from the enterprise strategy or checked regarding its target conformity.

Strategy 2 — Prioritise the implementation of the CRM instruments according to their benefits

You should evaluate a CRM strength and weakness profile before starting the project. The objective for the implementation plan is a mix of the strategically correct sequence of activities and the achievement of small and/or big quick successes.

Strategy 3 — Implement CRM in one consistent approach with all concerned divisions

The success of CRM projects depends significantly on the fact that all those affected, at each rank and in each function, recognise the advantages for them and therefore support the integration of the philosophy and systems in the company.

Strategy 4 — Adapt your processes to the new CRM world

One of the biggest challenges with ERP (enterprise resource planning) projects is the processes' adaptation to the software and vice versa. This is no less true with the implementation of CRM in a company.

Strategy 5 — Do not make it an IT project, but do not forget the IT problems either

CRM projects are a technical challenge because of the problems with complex software systems and a variety of databases. But it is dangerous to put the aspects which are technically possible into focus instead of obtaining concrete results for customers and employees.

Strategy 6 — Secure the quality of the used data

The data in the databases are often old or incorrect (garbage in/garbage out). You must check the quality and optimise the data.

Strategy 7 — Lift the treasures in your data

For everyone in your company the necessary knowledge about buying probabilities, etc should be available for each individual customer in the correct place in the enterprise at every time.

Strategy 8 — Measure your CRM and efforts to close the CRM loop

It is important to approach the optimal result step by step. It is possible to achieve successes in acquiring new customers: in several steps the response rate could be doubled and the costs per each new customer be cut by 60 per cent.

Strategy 9 — Be sure to have top management support

The top management must be involved in the CRM project because some CRM problems can only be solved on the top management level. The management also has a model function in the company.

Strategy 10 — Involve the employees with CRM

The employees can give valuable assistance and supply practice-relevant results acceptance.

Strategy 11 — Communicate your CRM plans and results widely

A typical CRM project lasts between 12 and 24 months, depending on the size and complexity of the task. Ascertain the different target groups and try to find out the right benefit for each group. Two objectives should be pursued: first of all the creation of acceptance (orientation and mobilisation) and readiness for change through group-specific and everyday debate; secondly the passing on of knowledge (information and

Figure 10: Internal communications programme

qualification). Both targets (the knowing why and how) are unalterable for the acceptance and use of CRM systems.

Strategy 12 — Adapt your company's culture to CRM

The modification of the culture begins at the top management. CRM should become part of the company's vision and principles.

Strategy 13 — Focus on your customers' needs

CRM actually begins when the project stops. The company's data and systems are not the crucial advantage, but the knowledge about each individual customer, his needs and preferences as well as his environment are the strategic competitive advantages regarding CRM.

CRM is only the start of the development, because the technical possibilities are not exhausted yet, and the change of employees' consciousness has not been completed yet. CRM changes the company's understanding and creates a win/win situation, by which the enterprise and the customer profit equally.

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