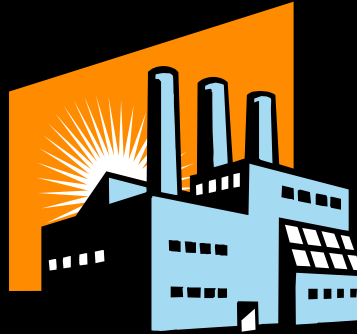# Customer Relationship Management

ARTHUR ANDERSEN
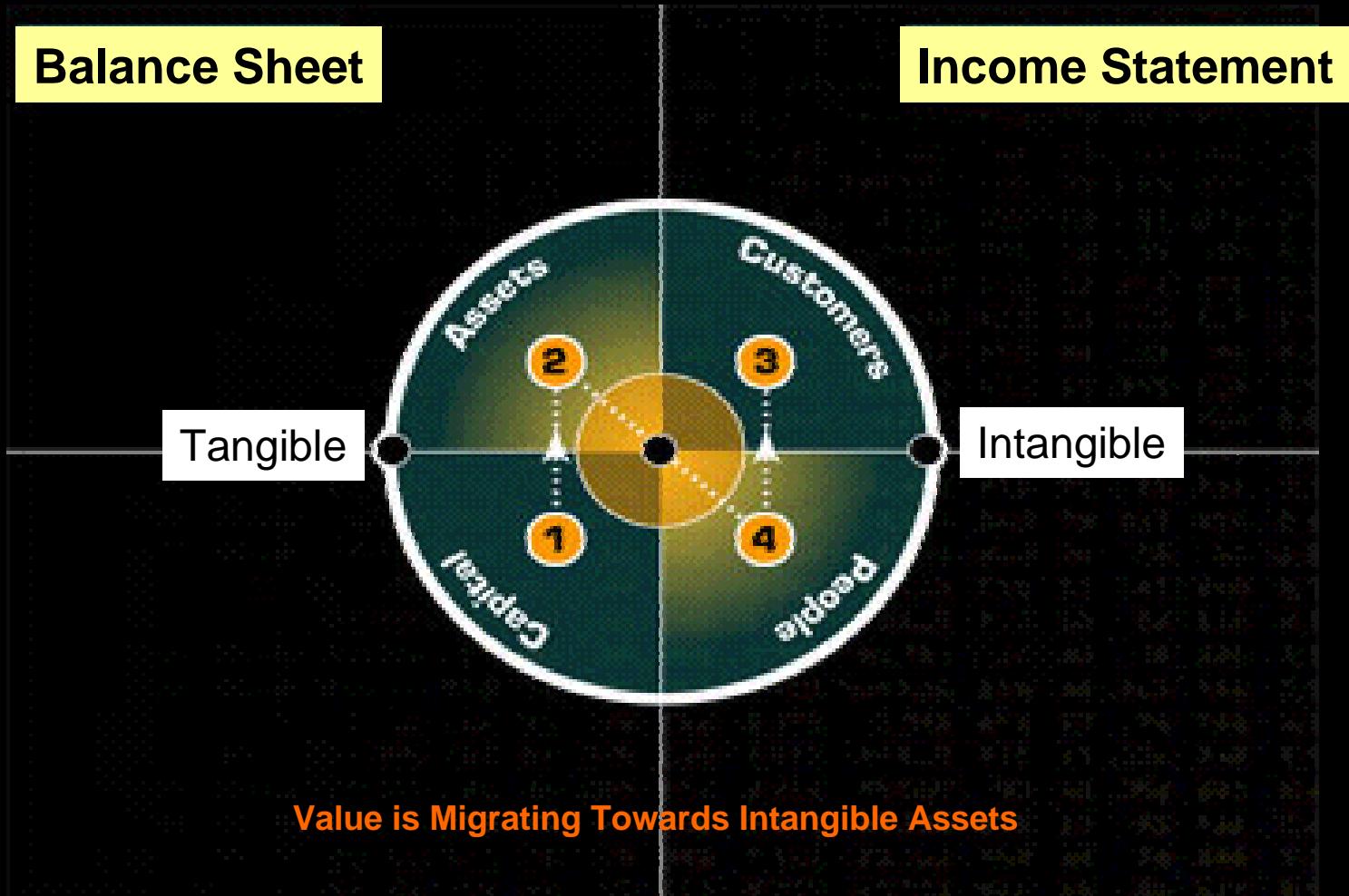
CRM Presentation, Seoul - 22st June

What Are the Assets in Your Business ?

- Financial

- Physical

- People

- Customers

Value is Migrating

Balance Sheet

Income Statement

Tangible

Intangible

Assets

Customers

Capital

People

2

3

1

4

Value is Migrating Towards Intangible Assets
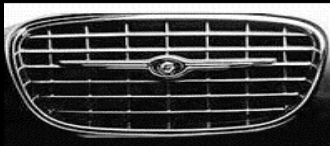
The Impact of Customer Satisfaction

- *IBM Division:* For Each 1% Increase In Customer Satisfaction = $257 Million Revenue

- *Chrysler:* High Satisfaction Dealers Spend 1/4 On Advertising Per Car Sold

- *American Express:* Retaining Existing Customers Cost 1/15 of Replacement

The Financial Impact of CRM

- The cost of attracting a new customer is 5-10 times greater than retaining an existing customer

- Customers tell twice as many people about negative experiences as about positive experiences

- On average, the 20% highest profitable customers produce 6-10 times more profit than the remaining 80%

- "Internet service will decrease cost per contact by 43%." Forrester Research

Why are People Interested in CRM ?

It's a measurement tool for the intangible asset…
and its an ROI focused philosophy.

CRM allows world-class organizations to…

- **Have Visibility to Manage the Sales Pipeline**

- **Focus the Sales Force**

- **Measure the Effectiveness of Marketing**

- **Service the Right Customers**

- **Obtain the Greatest Return on Investments in Marketing and Sales**

Paradigm shift - relationships

	Existing Paradigm	New Paradigm
Focus	Focus on growth and market share	Focus on efficiency and profitability
	Focus on customer acquisition	Focus on customer retention
Marketing	Mass marketing	Targeted marketing
	Marketing based on feel	Marketing based on information
Segmentation	Basic customer segmentation	Customer segmentation based on customer values
Customer service	Little emphasis	High emphasis
Customer contact	Limited	High
Customer commitment	Limited	High

Change of Marketplace

Marketing Approach	1970's & 80's: Mass Market	1990's: Target Markets	2000's: Relationship Marketing

People & Culture

Business Processes

Technology

Product · Place · Market · Promotion · Price

M · M · M

Product · Place · **Customer** · Promotion · Price
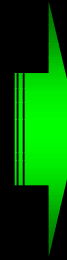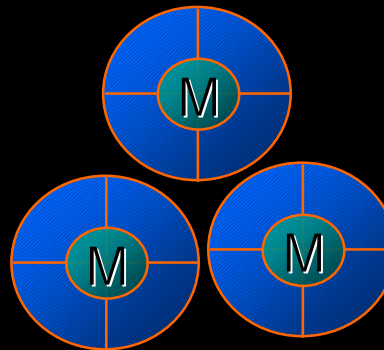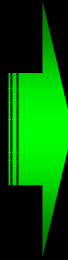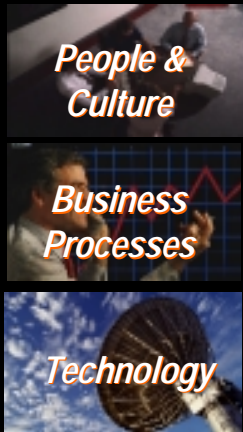
Power Shift	Manufacturer	Retailer	Customer
Competitive Source	Mass Production	Cost Effectiveness	Customer Loyalty
Value Added	Brand Equity	Channel Equity	Customer Equity

Growth Trends - Change of company's Investment

Application License Revenue in Billions

	1998	CAGR	2001	% Change
Customer Management	1.46	53.9 %	5.33	265 %
Industry Specific	2.02	39.5 %	5.49	172 %
Human Resources	0.83	30.0 %	1.83	120 %
Supply Chain	2.02	22.4 %	3.70	83 %
Manufacturing	1.52	18.5 %	2.53	66 %
financials	1.83	6.0 %	2.18	19 %

Source: Forrester Research

Business opportunities… CRM is not just a definition

- 고객과의 수익창출 관계를 만들기 위한 **Organization, Strategy, Process, Technology**를 재정립

- 효율적인 고객관리를 통하여 수익창출고객의 유지 및 획득 관리

CRM은 더 많은 매출을 창조하고, 좀더 효율적으로 서비스하기 위하여 기업이 지닌 고객의 지식을 활용하는 프로세스

Customer Relationship Architecture

Customer Intelligence System(s)

Customer Knowledge

Business Rules

Real Time Learning

Campaign Management System(s)

Extend · Identify · Create · Retain

Real Time Response

Customer Touchpoints

Field Rep

Contact Center

Internet Email

IVR

POS/ Kiosk

Direct Mail

CUSTOMERS

Targeted Delivery to Best Point(s)

The Developing Landscape of CRM

Customer Life Cycle

- Marketing Excellence
- Sales Excellence
- Service Excellence

Strategy → **People** → **Process** → **Technology**

Major Service Area

- Channel Strategies
- Customer Satisfaction
- Marketing Research and Strategy
- New Product and Service Development
- Sales Force Effectiveness
- Sales Force Automation
- Field Service
- Call Center Consulting

Other Related Services

ERM and ERP Front Office
- Electronic Commerce Customer Solutions
- Data Warehousing / Data Marts

Implementing a CRM solution
… through a common methodology

Our Approach

Feasibility

Human Resources		
Business Process	Confirm Vision & Business Strategy	Assessment of the Current Situation
Technology		
Infrastructure		

Operating Model

Detailed design and implementation

Human Resources			
Business Process	Conceptual Model	Detailed Design	Pilot / Implement Plan
Technology			
Infrastructure			

Implement & Continuously Improve

Program /Knowledge Management

Revenue Enhancement Model

Market/
Channel
Strategy

Brand/Image
Management

**New Product /
Service**
Feasibility
New Product/
Service Feature
Design and
Priorities
New Product
Service Launch
Mass
Customization
New Product
Process
Effectiveness

Market Positioning
Target Customer
Product/Service
Strategy
Pricing Strategy
Marketing
Communication
Brand/Image
Strategy

Channel
Management
**Sales Force
Effectiveness**
Pricing
Management
Market/ Sales
Forecasting

Service
Strategy
**Customer
Service**
Effectiveness
**Call Center
Management**
Credit Strategy
Order
Fulfillment
Strategy

<u>Past/ Current</u>
- Customer/market needs
- Competitive environment
- Industry environment
- Product/service offerings

Market

Environment

<u>Future</u>
- Customer/market trends
- Competitive trends
- Technology trends
- Industry trends
- Product/service trends

Strategy

**Product/
Service
Development**

Marketing

Sales

**Customer
Service**

Operations

Information/Technology Management

Integrated Customer Database Management

Integrated Customer Management Effectiveness

Revenue Enhancement Framework

Objectives

Growth,
Profitability,
Revenue Effectiveness

Enablers

Identify → Create → Retain

Key Processes

Strategy And Planning	Product / Service Development	Marketing	Sales / Distribution	Customer Service

Integrated Enterprise Relationship Management

Revenue Equation

- Total Market Size ($)
- Potential Prospects(%)

- Reach Rate (%)
- Conversion Rate (%)
- Average Sales/New Customer ($)
- Average Profit/New Customer ($)

- Current Cusotme(#)
- Retention Rate (%)
- Avg. Sales/Current Customer ($)
- Avg. Profit/Current Customer ($)

Potential Revenue Stream **=** **Identify** **∗** **Create** **+** **Retain**

= Potential revenue from *new* customers

+ Potential revenue from *Current* customers

Vendor Alliances

Leading Vendors

Functionality

Chart plotting vendors by Functionality (vertical axis: ERP, SFA, Customer Service Management, Marketing Automation) and Customer Size (horizontal axis: Low End, Mid Size, High End).

ERP: JD Edwards, Platinum/Clientele, Baan/Aurum, Calico, Trilogy

SFA: Act, Goldmine, Maximizer, Sales Logix, Upshot, Saratoga Systems, Firepond, Pivotal, Clarify, Vantive, Siebel, Oracle, SAP

Customer Service Management: Remedy, Quintus, JD Edwards, Chordian, Pegasystems

Marketing Automation: Rubric, Market First, Annuncio

Customer Size: Low End — Mid Size — High End

Source: GIGA Information Group

Leading Vendors

Challengers · Leaders

Ability to Execute (vertical axis, arrow pointing up)

Completeness to Vision (horizontal axis, arrow pointing right)

Niche Players · Visionaries

- ●Siebel
- ●SAP
- ●Dendrite
- ●Trilogy
- ●Sales Technologies/Walsh
- ●Vantive
- ●Oracle
- ●Clarify
- ●Pivotal +
- ●Onyxl +
- ●Cincom
- ●Firepond
- ●Calico
- ●Saratoga
- ●IMA
- ●MEI   ●i 2
- ●Brightware
- ●Point
- ●Thinque
- ●Corepoint
- ●SalesLogixs +
- ●CorNet
- ●Mosaix
- ●Sterling Wentworth
- ●Goldmine +
- ●Symantec/Act! +
- ●FirstWave

+ For small to midsize deployments

Source: Gartner Group

CRM and Arthur Andersen

The clients we have worked with recently to implement CRM, include the following:

- **British Sky Broadcasting**
- **American Express Financial Direct**
- **AT&T**
- **Kwikfit Insurance Limited**
- **Sun Microsystems.**
- **DHL Worldwide Express.**
- **Zurich Financial Services.**
- **Citibank**
- **Barclays Bank**
- **Bank of Montreal**
- **Caja de Asturias**
- **Airtours UK plc**

AA has formed a global alliance partnership with Siebel systems

- *Siebel is the leading provider of CRM application software with 65% of the G1000 market*

- *Its core products of Marketing, Sales and Service Enterprise cover database marketing, campaign management, account & opportunity tracking, CTI, quotes and proposals, field service dispatch and much more*

- *It has recently introduced 'vertical' offerings focussed on specific industry sectors*

- *It is web-enabled, easily customised and upgraded, can integrate with ERP systems and is highly scalable and extensible*

Arthur Andersen- Credentials

Siebel Engagements

Fundació "la Caixa"

Digital River

Banco Atlántico

SMS

KINGWORLD

The Home Shopping NETWORK

Other front office/ CRM engagements

MERIAL

citibank

sky

BELLSOUTH

Kwik-Fit Insurance services

MARCONI COMMUNICATIONS

CAJA DE ASTURIAS

Bank of Montreal

THOMSON

BRITVIC International

GTE

PEPSICO

Success Key in CRM

- **CRM projects fail mainly because risk has not been managed effectively**
  - **Software accounts for only 3%-5% of the whole CRM pie**
  - **Systems Integration, Consulting, Change Management and Training a further 25%**
  - **The remaining 70% is allocated to IT Infrastructure and Systems Management**

- **The risks lie not so much in choosing software or consulting (where the traditional focus tends to be), but rather:**
  - **In managing the consulting project engagement criteria (Flexibility is KING)**
  - **In achieving the planned CRM Performance improvements**

- **Manage the risk up-front and plan for it properly**
  - **Establish performance measures on the largest portion (>70%) of the CRM pie**
  - **Develop a proof of concept**
  - **Do not underestimate the complexity of event triggered Campaign Management**
  - **Integrate beyond traditional CRM**

?